

Insurance Products Designed for Rural India

- Views and Overviews

KMC-III: Micro-Research 1/2012 [Learner Level]



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Research Project: "Insurance Products Designed for Rural India - Views and Overviews"

Researcher: Dr Pramod Kumar Verma.

(III-KMC places on record Dr. Verma's efforts in conceptualizing and initiating this research study and contributing to its success during his tenure at III-KMC as Research Scholar.)

Research Guide: Dr. George E Thomas, Associate Professor.

College of Insurance

(Insurance Institute of India)

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***"Go to the people.
Live with them, learn from them, love them.
Start with what they know, build with what they have.
But of the best leaders, when the work is done, the task
accomplished,
The people will say, "We have done this ourselves."***

Chinese Poem, written by Lao-Tzu around 700 B.C, sums up the spirit of III-KMC's Research activities.

III-KMC shares knowledge, sustains values, builds professionalism in the insurance industry without seeking credits.

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Research by Knowledge Management Centre

Research activities by Knowledge Management Centre (KMC) are of different types and for different purposes. Research activities are conventionally defined (Annexure 'H') by purpose, methodology and technique by different academic entities. One of the ways of looking at research activities would be by keeping in mind the target audience/ target beneficiaries of the research findings. An indicative classification of beneficiaries can be as follows:

1. Beneficiaries of Learner Level Research include Members of III and students of insurance. The purpose of such research is to give students of insurance and entry level employees of the industry a general feel of the industry that they are working in. Examples include compiling/ gathering information/ opinions on market practices, difficulties in marketing products, specialties of market segments, types of frauds that happen, managing customer relations, expectations of customers etc. **The findings of Learner Level Research are not intended as references for any decision making or drawing any conclusions.**

2. Beneficiaries of Practitioner Level Research are employees who are working professionals in insurance companies and related organizations. Research work done for this group is for giving insurance professionals deeper insights into specific areas of insurance knowledge, practices, employee view points, market perceptions, customer viewpoints etc. Conducting market surveys on the need for a particular product could be an example. **The findings of Practitioner Level Research are intended to give a real and factual picture, which may need further vetting by end-users at decision making levels.**

3. Beneficiaries of Policy Research include senior industry leaders and professionals at decision making and policy setting levels. Research is done for giving clarity to the industry on identified issues to help them in making far-reaching policy level changes. This may include testing the market impact of certain decisions, checking reactions to probabilistic future scenarios, opinions on certain issues, changes before taking decisions. **The findings of Policy Research are intended to give a real and factual picture after due vetting, to provide end-users dependable results based of which certain business decisions and policy level decisions can be made.**

"KMC-III: Micro-Research". This research essentially focuses on an insurance related area of concern, gets opinions and views from a limited number of persons who are experts in their own domain areas. Knowledge Management Centre (KMC) and the Experts take maximum care to ensure that opinions and views are as objective as possible and are not tainted by subjectivity at personal or company levels. In order to maintain the neutrality of the Experts KMC does not publish the identities of the experts. Views are compiled and analyzed by KMC to present a meaningful picture to the readers. **Micro-Research could be used for any of the above categories of research; selection of the group and the rigor of the research would depend on the seriousness and purpose of the particular study.**

KMC-III conducts different research studies as well, supported by pan industry/ pan India/ segment specific surveys.

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This Research study of Knowledge Management Centre (KMC), College of Insurance, Insurance Institute of India was conducted for the purpose of providing students of insurance a better insight on the market performance of some insurance products.

Purpose of the III-KMC Study: There are many products that are announced by insurers and the government. Even though these products are announced with great publicity and arouse high expectations in the market, only some of them are able to make a mark in the market, while many of them simply fade away. Some of products are subsidized by the Government in some way or other, and are generally known as Social Security schemes. Some products are designed by Insurers for the rural population and priority sectors, with or without commercial expectations.

The low insurance penetration in the country, especially in rural India, has been a matter of concern for the industry and individual companies and Insurance Regulatory and Development Authority (IRDA) have been trying to understand the scenario. In this context, III-KMC (Research) initiated a study on products designed essentially for the rural market, sold by both Life insurers and General Insurers. III-KMC's Study, "Insurance Products Designed for Rural India – Views and Overviews" intends to throw some light on these areas so that students of insurance get a feel of the rural market.

Methodology of the III-KMC Study: The study was conducted by a Research Scholar of III-KMC using the Dipstick Survey method (Annexure 'H') [*Dipstick Survey: A quick survey, where you are much more interested in a general feel than in statistical probabilities*].

IRDA Annual Report 2011 and websites of Insurance Companies, list out a number of products designed for the rural population. Products actually sold to this segment by life and non-life insurance companies are from multiple lines - life, health, personal accident, cattle insurance, agriculture and agricultural pump set insurance. Thirty one products were listed as **Micro Insurance** plans, eleven Life Insurance products could be identified as **Social Security Insurance Schemes**, eight were **Health Insurance** policies for rural markets, six were **Janata Personal Accident** policies, seven products were covering **Cattle** and six products were for **Agriculture**. Some of these products were distributed through multiple agencies including Panchayats, NGO's, Self-Help Groups, Textile Commissioner, Khadi institutions, Tribal Welfare and Social Welfare Departments, State Sheep and Wool Development Boards, MNREGA and State Government appointed agencies. ***The salient features of these products are presented in the second part of the study and details of these products are given in the Annexures 'A' to 'G'.***

Discussions showed that though quite a few products have been designed and launched with the rural market in view, these are not actually sold to the target population and gradually such products end up on the back-burner and fade out of memory. Separate questionnaires were prepared for Life and General insurance products and sent to a panel of Marketing Experts (ME), senior officers overseeing sales and marketing at Regional Office and Corporate Office levels. The panel of MEs comprised of professionals who were aware of the ground level realities of the market and senior enough to give an objective assessment of the areas of concern. Opinions and views of the Marketing Experts (ME) across different life and general insurance companies have been compiled.

Part One - Findings from Dip-Stick Survey of Sales Literature: Responses to questionnaires sent to Marketing Experts (ME) as part of the dip-stick study, have been compiled and consolidated. Views and opinions expressed have been mostly quantified using rank method and presented. Some of the views have been converted into percentages for easy comprehension and findings are presented.

Part Two - Findings from Dip-Stick Survey of Market Experts: Part of the dip-stick study was done through a survey of Sales literature comprising products details which are presented in the study. Tables containing details of these products are given in the Annexures.

Though many products are offered for sale by insurers, it was found that all of them were not actually saleable. Deeper insights into the products, the markets, the distribution channels, the promotion mechanisms etc. that were revealed through the study are presented under specific heads.

Limitations of the Study

This Learner Level Research study was done on a dip-stick approach and the findings are not comprehensive or intended for any business or academic decision making. Information has been compiled from readily available sources. Opinions of some market practitioners were taken, compiled and consolidated.

Findings could be subjective and contextual based on the Market Expert's (ME) personal biases and opinions which could be contextual based on the perspective of the ME's company, geographical zone and cultural specialties of the area where he operates. Lengthy policy conditions, exclusions and operational details have not been compiled to produce a comprehensive picture. **The findings of this Learner Level Research are not intended as references for any decision making or drawing any conclusions.**

Errors and Omissions Excepted.