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CHALLENGES AND OPPORTUNITIES FOR LIFE INSURANCE PROVIDERS-A RURAL PERSPECTIVE

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ABSTRACT

Life insurance is one of the most important social security measures undertaken in any country. Many products are tailor-made to different segments of the population, but the main focus is only for urban market. So it is evident that rural markets remain largely untapped which provides life insurance companies an opportunity to offer innovative schemes to the rural segment. In spite of good potential in the rural areas, the response from the people is not showing an encouraging scenario as people are financially illiterate. This makes them unaware of insurance and all those facilities and services which the government of India provides them. The biggest challenge lies in creating awareness and designing of an insurance product according to the needs and requirements of the rural people. This study discusses the life insurance scenario, challenges and opportunities of the industry from a rural perspective.

KEY WORDS: Insurance, Rural, Awareness, Challenges, Opportunities, Awareness

1. INTRODUCTION

Life is a precious gift of nature, full of risks and uncertainties. Every human being has the tendency to save and protect himself from risks or events of future. Since, they are social beings; they have certain responsibilities to minimize these risks (Heena and Roopam, 2007).

The need for insurance is felt in all financial and economic activities, but is rarely bought and sold due its intangible nature and lack of proper awareness. This is more felt in rural areas where concept of insurance and the associated uncertainty is viewed with sternness (Rao, 2011). Hence, it is understood that insurance sector is still untapped in India.

The spread and the growth of life insurance in India depend on how the insurers respond to the needs of the rural poor. The success of an insurance company is determined by its effectiveness in treating each customer as a unique person and offering products and services to meet their diverse needs. People save their earnings either in the form gold, fixed assets like

property or in banking and insurances. In India, although savings rate is high, people prefer to invest either in gold or fixed assets so that they can make money out of it.

The rural market for life insurance is very different from the urban market in terms of needs, income level and distribution (seasonality for example), penetration of media, awareness, etc., In the present scenario, all the insurance companies operating in India are engaged not only in creating new customers but also involve in the process of creating a lifetime value and relationship with their customers.

2. OBJECTIVES AND METHODOLOGY

The main objective of this paper is to focus on the Opportunities in the life insurance sector in India.

The methodology of the study is based on secondary data from Various IRDAI journals, published books, articles, websites etc.,

3. CHALLENGES AND OPPORTUNITIES IN LIFE INSURANCE INDUSTRY

A. Challenges of life Insurance Industry

The insurance industry in India, like any other service organization, has the quest to penetrate in the rural market, create awareness, meet the needs of the customer and develop long term relationship with their customers. The insurance industry in India is regulated by Insurance Regulatory Development Authority of India (IRDA) which has the object of ensuring effective administration, supervision, regulation and control the business of insurance in India. For any industry to grow, it is necessary that there should be many innovative products available to consumers, suitable to their needs and at appropriate prices.

The biggest challenge lies in creating awareness and designing of an insurance product according to the needs and requirements of the rural people. This includes customization, product pricing, distribution, internal processes and promotions. The cost involved in effective distribution mechanisms and designing of micro insurance products help in passing on greater benefits to the rural people.

As of now many products are available that are tailor-made to different segments of the population, but mainly for the urban market. The steps taken by IRDA in the future must explore the true potential of rural insurance market (Sushuma, 2012). Rural markets are still unexploited territories, so life insurance companies can earn more than 1000 crores every year by offering innovative schemes to the rural poor at an affordable cost and through alternate channels of distribution (ASSOCHAM Paper- "Rural India and its new Investors", 2011).

B. Opportunities in Life Insurance Industry

There is a socio-economic transition and increasing integration of rural and urban economies. Due to the constant changes in the climatic conditions income sources are highly unpredictable. In such cases, extending the insurance policies and services to the rural areas will not only benefit the farmers, peasants and artisans but also help insurance companies expand the business (NCAER, 2017).

In specific, the rural population is high and there exists high potential for life insurance in this sector. So insurers need to pay special attention to the characteristics of the rural labour force, like the prevalence of irregular income streams and preference for simple products, before they can successfully penetrate this sector. In spite of good potential in the rural areas, the response from the people is not showing an encouraging scenario as people are financially illiterate. This makes them unaware of insurance and

all those facilities and services which the government of India provides them.

Life insurance plays a vital role in sustaining families in terms of financial losses and for social security. Life insurance contributes to an individual's personal financial planning in many ways like debt repayment, wealth replacement, savings creation and income replacement (Black and Skipper, 2000). The awareness of social security schemes is very low in the rural areas. The size of the country, diverse set of people combined with problems of connectivity in rural areas, makes insurance selling in India a very difficult task.

So an attempt to explore the reasons for low penetration and awareness of insurance products in the rural market becomes inevitable (Harnamsingh and Madhurima Lall, 2011). It is also necessary for the insurance companies to increase the awareness level of the insurance products to the rural customers, evolve products acceptable in the rural market and promote agents to ensure trust among customer (Ahmed, 2013).

4. STRATEGIES TO EXPLORE OPPORTUNITIES OF LIFE INSURANCE INDUSTRY.

In insurance industry, periodical measures to understand the consumer behaviour and taking required feedback is considered to be a valuable tool for continuous quality and service improvement. Lack of disposable income in the hands of the rural people discourages insurance companies from designing rural centric policies. The following strategies are suggested to explore opportunities of life insurance industry.

a. Creating data base of the inhabitants

Life Insurance companies are suggested to develop data base for each village of all districts comprising the income, caste, religion and occupation details and make use of the data for recruitment of agents from stratified data, designing need based products, positioning of the products and such other marketing initiatives.

b. Low cost insurance products

Since the lower income groups in rural areas are not able to spare for the purchase of high premium policies, the companies need to develop low cost insurance products taking in to consideration the emotional needs of the rural people. Comprehensive insurance policies may be designed to cover the life of the individual and the other needs viz, crop, vehicle, house, travel etc.

c. Designing need based products

The low income agricultural labor groups who can spare a few rupees daily find it difficult to pay a bulk premium at a time. So, insurance companies may design policies with daily collection

mechanism and position the products specifically to agricultural labors. The alternative premium collection mechanisms, like mobile vans at the village markets may be planned. The people are exposed to risks relating to vagaries of nature with unpredictable timings in income generations, the insurance companies may design premium holiday products, deferred premium payment products, seasonal premium payment products and 'any time any amount' premium payment products specially designed to suit the needs of the rural people.

d. Bancassurance

Villagers have high trust in banks and post offices and they consider it as safe to invest their hard earned money. Any tie up with these bodies may enhance the credibility of insurers and their agents. Due to good bonding, these institutions are highly trusted by the rural population, even with access to smallest villages. So, Insurance companies may launch easy to understand exclusive bancassurance products facilitating sales in an easy manner.

e. Creating awareness

With a view to educate the customers and raise the awareness levels, apart from the existing techniques such as mobile publicity vans and publicity in print and electronic media, the industry can create a consortium of life insurance companies with the involvement of IRDA for educating the rural people. This consortium may be involved in organizing exhibitions, slide shows, short films and such other activities in the village markets frequently to promote life insurance. The role of agents in popularizing and creating awareness about life insurance is significant.

f. Establishing IT system in rural areas

Insurance companies need to establish ITC in rural areas and start disseminating life insurance awareness in local languages. Electronic reminders for payment of premiums may be issued and the premium calculator for different products be installed. Video conferences may be arranged, where the company representative chat with the villagers and personally explain the features of the new products. Insurance companies may issue credit cards to rural policyholders and provision be made for paying premiums through credit cards.

g. Competency of agents

The agents generally concentrate more on business people, professionals and contact the old clients. But the agents must concentrate on all categories of people and try to attract the attention of the people who do not have any life insurance policy. They should have clear cut knowledge about the life insurance policies, premium payment

and other benefits of the policies. They must update their knowledge to attract the attention of the public and make them invest immediately.

h. Imparting training to agents

There is a need for insurance advisors who are capable enough to cater to the rural rich and also rural poor. They must take keen efforts to bring the new prospects to the insurance line. At the same time, they have to focus the existing policyholders and encourage them to take more than one life insurance policy.

i. Employee appraisal

Increased customer satisfaction lead to repeat sales. So, aiming at customer satisfaction is felt important to show the demonstrative effect. In order to maximize customer service, the life insurance companies may introduce employee appraisal in all branches where each and every service activity is measured by the head office.

j. Implementation of new strategies

In order to capitalize on insurance coverage in rural areas, the companies need to aim at inclusive growth strategy to ensure maximum life insurance coverage without losing the profit motive. For inclusive growth, innovative techniques may be designed to spread the message of life insurance and value creation in low income society.

k. Rural orientation

There is dearth of products suiting to rural people. Except a few products of a few companies, the general product design of all companies has no exclusive rural orientation with a unique selling proposition. Lack of need based products is one of the reasons for low levels of rural coverage. In order to design need based products, insurance companies may conduct survey of the rural market thoroughly to assess the needs.

CONCLUSION

The Insurance sector provides greater opportunities for the players in the changing scenario. Raising the awareness of the customer helps in imparting the knowledge of insurance in general and insurance provider in particular. In a country like India where many villages are in the media dark zones, there should be some pro activeness to bring them to the main stream of the economy. Therefore due care must be taken while designing the marketing strategy, promotional methods and policy innovations of competitors.

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