

## **LIFE INSURANCE AWARENESS IN RURAL INDIA: MICRO INSURANCE LESSONS TO LEARN AND TEACH\***

*Venkata Ramana Rao*  
*Insurance Consultant, Mumbai*

---

---

*“The illiterate of the 21<sup>st</sup> century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn.” – Alvin Toffler*

### **INTRODUCTION**

As India strongly marches towards a decade of liberalized insurance industry, the importance of insurance products is undoubtedly growing. Buoyed by an ability to provide life insurance protection to nearly two people every second, the need for awareness of risk and education in the insurance sector is gaining crucial kinetic momentum. Enter Micro insurance and the picture is a mere dot on the canvas.

With the obvious impediments for low risk awareness in rural India ranging from individual passiveness towards risk exposure, consumer short-term style of living and Samaritan dilemma, each link in this tough chain seems unbreakable. At a judgmental level, a chain is as strong as its weakest link and the weakest impediment to break in this scenario is to relearn the lesson, as described by management experts, C.K. Prahalad and Stuart L Hart (2002) that there are (against the conventional managerial logic) undiscovered rupee coins scattered around the rural India, ready to be picked up, if you have the know-how.

This paper tries to explore the unique approaches and possibilities for innovation to raise risk awareness and education of insurance in rural India. And so begins the journey to learn, unlearn and relearn.

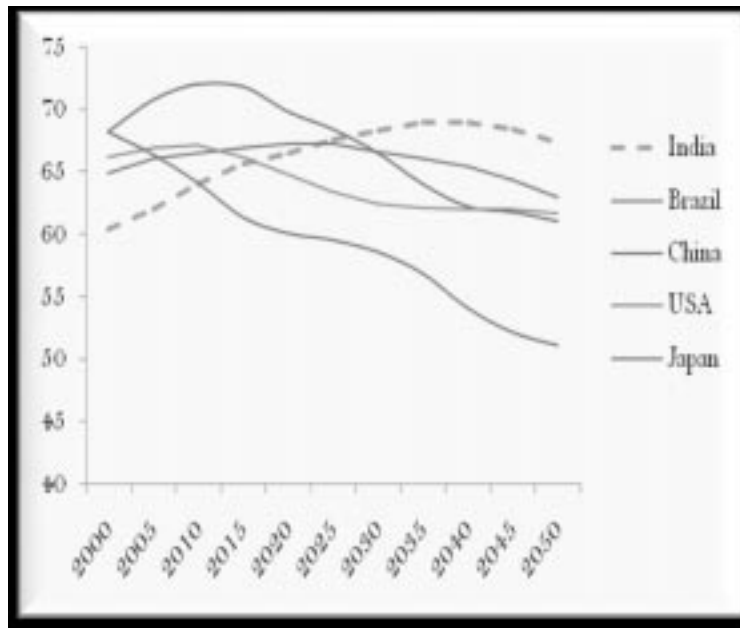
### **THE INDIAN PICTURE**

Craig Churchill (2006) defines Microinsurance as insurance for the poor and remarks that poverty and vulnerability reinforce each other in an escalating downward spiral. The other side of the coin, in an equally eloquent manner, was presented by management guru, Peter Drucker (1968) in his book where he discerned that history moves in a spiral; one returns to the preceding position, but on a higher level, and by a corkscrew-like path. Joining the two sides together, take a look at the Indian coin in exhibit I.

---

\* *Paper Presented at the C.D.Deshmukh Seminar on “Creating Consumer Awareness in Life Insurance held at NIA on 10-11 Sept. 2007*

**EXHIBIT I: DEMOGRAPHIC DIVIDEND  
(% of Population aged 15-64 years)**



Source: Indian Economy Update, UN, Population Statistics

Today, India has the youngest labour force in the World. As one understands the projections in the above exhibit, the demographic dividend is in our hands to shape. Experts in economics point out that the key to decline in poverty is largely a contribution of sustained economic growth and the key to long-term sustainable growth would be the quality of human capital.

In order to harness the demographic dividend and to prevent it from becoming a demographic liability, each and every arm of the economic sector has to come together, especially the service industry and more specifically, the banking and the insurance industry. The pioneers of Micro Finance have, by scripting the first chapter, made “Micro Finance in the 4 Billion Rural World”, a movement. Microinsurance will be the next chapter in this book. But before it becomes a movement, it needs to gain momentum. In the rural India, it would mean Microinsurance as an opportunity as well as a responsibility.

**WHERE DOES ONE START?**

For starters, take a look at the value perception revolving around moments of truth in every activity in an insurance company displayed below.

EXHIBIT II: VALUE PERCEPTION		
HOW COMPANIES THINK	MOMENTS OF TRUTH	HOW CUSTOMERS THINK
Insurance		Suraksha (Protection)
Policy		Promise
Risk Cover		Peace of mind
Contractual Obligations		Care & Concern
Vision, Mission		Desires, Aspirations
CRM		Expectations
Profits, Growth, Claims		Benefits
Agent, Broker		Well wisher, Friend

One mantra that can match each element to desired thinking at the moments of truth is “Education First”.

OECD (2005), in a landmark study defined financial education adapted to the insurance sector as the process by which individuals improve their understanding of risk, insurance products and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to:

- Become more aware of insurance and financial risks and opportunities
- Make informed choices
- Know where to go for help
- Take other effective actions to ensure an adequate coverage of their risk-exposure profile on the long run

**Where?**

- A. *Information* involves providing consumers with facts, data and specific knowledge to make them aware of their risk exposure and insurance opportunities, choices, and consequences;
- B. *Instruction* involves ensuring that individuals acquire the skills and ability to assess and understand their risk exposure as well as insurance terms and concepts, through the provision of training and guidance; and

- C. *Advice* involves providing consumers with counsel about important risks and generic insurance issues and products so that they can make the best use of the information and instruction on risk and insurance issues they have received.

This risk awareness and education process in the insurance sector involves various stakeholders ranging from insurance companies, the IRDA, intermediaries, NGOs, governmental and autonomous bodies (Ombudsmen, Ministry of consumer affairs, Life Council, Confederation of Consumer organizations), insurance educational institutions and MFIs.

### **BIRTH OF MEGACOMMUNITY**

As described by Mark Gerencser, Fernando Napolitano and Reginald Van Lee (2006), a megacommunity is a public sphere in which organizations and people deliberately join together around a compelling issue of mutual importance, following a set of practices and principles that will make it easier for them to achieve results. Like a business environment, a megacommunity contains organizations that sometimes compete and sometimes collaborate. A megacommunity is a larger ongoing sphere of interest, where governments, Corporations, NGOs and others intersect over time. The participants remain interdependent because their common interest compels them to work together, even though they might not see or describe their mutual problem or situation in the same way.

<b>EXHIBIT III: EXAMPLE OF INSURANCE MEGACOMMUNITY</b>				
<b>Driving Issue</b>	<b>Megacommunity</b>	<b>Organizing</b>	<b>Initiator</b>	<b>Methods Umbrella</b>
Consumer awareness in Life Insurance	Life Insurance Companies, IRDA, Life Council, NGOs, MFIs, Governmental & Autonomous bodies	Life Insurance Business Coalition	NIA	Cross-sector dialogues, community conversations & presentations

Source: Adapted from "The Megacommunity Manifesto"

Every constituent of the above megacommunity brings to the table, its own action plan for information, resource sharing and approach. From an insurance company's point of view, the primary foundation of a potential plan for raising consumer awareness in risk coverage and insurance education in a rural environment has to be innovative and entrepreneurial in nature. Although entrepreneurial, the steps of the plan are to be exercised in and through a managerial organization. Using this foundation, an awareness model was constructed using a shoestring

marketing design of Microinsurance. The unique feature of the model is its flexibility and strength in multiple environments. Whether it is Customer's point of view, Company's, Agent / Salesperson's or the message itself, the model holds true in its structure and elements.

#### **AWARENESS MODEL PYRAMID**



#### **EXHIBIT IV**

*Cost Effective* Out goes glossy paper, multi-coloured prints and big vinyl hoardings. There are multiple resources available at almost no cost expenditure even to a shoestring budget (more on it in the case study).

*Quality Not Quantity* Whether the awareness or educational tool is audio-visual or print media, everything depends on quality of message. The tool will never fail even if it is reaching the wrong people but it surely will if it is conveying the wrong message. The strongest point in the tool is taken and the message is encapsulated around it.

*Focus On Means And Not End* People (poor or otherwise) have been managing risks in their own ways. For most of them, it is the insurance as a risk-mitigation tool that is new. The message should not be constructed on death. Instead, it should focus on the financial solutions in times of need. The credentials of the institution should be reinforced in providing such a vital service.

*Blend The Message To Local Beliefs* Most of the communities in India have a common belief of saving for a rainy day. Even a cursory glance into the informal sector's credit usage

and lifestyle, illustrates the above fact. Wherever available, the belief system should be used to blend the message or construct a suitable view in other places. The strongest constraint to overcome in this part is to make people see that insurance is not the province of the rich.

*Reach Of Transferability* The extent to which an awareness tool can be shared by word-of-mouth will ensure its reach to every member of the target group. Word-of-mouth Marketing Association (WOMMA) defines word-of-mouth marketing as, "Giving people a reason to talk about your products and services, and making it easier for that conversation to take place."

*Simplicity In Structure And Form* The message's content should be need based and as simple as possible in its understanding. A vernacular language and its colloquial form (if audio-visual) give a better impact. A generic message gives a better mileage in the long run.

### **PYRAMID IN PRACTICE**

The case study in perspective is the practical aspect of the pyramid in action at Life Insurance Corporation of India, Pension and Group Schemes Unit, Warangal, India.

To build a blueprint of the pyramid, one needs an investment, not of money but time. The awareness model has to be constantly reviewed through customer acquisition funnel for fine tuning. A consumer acquisition funnel for Microinsurance (for that matter, any financial institution) places its target customers in one of the six stages in their relationship with the company. Please refer the Exhibit V shown below:

<b>EXHIBIT V: CONSUMER ACQUISITION FUNNEL FOR MICROINSURANCE</b>		
<b>LEVEL</b>	<b>STAGE</b>	<b>POSSIBLE DROP-OFF INDICATOR</b>
1	AWARENESS	If the drop-off is between level 1 & 2, it shows low brand presence, ineffective awareness tool
2	PREFERENCE	
3	INTENT	Between 2 & 3, weak awareness tool
4	PURCHASE	Between 3&4, unclear message, ineffective sales team
5	PENETRATION	Between 4 & 5, selective or localized awareness campaign
6	RETENTION	Between 5 & 6, anti-awareness work in progress, real financial difficulties

By analyzing the conversion factor from one stage to the next, one can discern the weak points in the awareness model or other elements associated with the model.

Educating the rural market with a generic insurance awareness message through talk shows and interview sessions on radio was the first step in the action plan. The timing of dissemination was carefully selected to match the agricultural season in the region. Since All India Radio (AIR) was distributing low-cost radio in each household of the village, the target audience grew very rapidly with each session.

To compliment the generic message on the radio, regular Press Meets were conducted at the office of District Public Relations Officer (DPRO) to present the detailed aspects of the benefits being provided to the urban and rural poor under various insurance schemes of Life Insurance Corporation of India.

The strong brand image of the Corporation coupled with the above initiatives for product brand drew favourable intent from varied groups in the region. On one side there were NGOs and Social Service Institutions who wanted to implement suitable insurance programmes in their groups, Self Help Groups (SHG) who wanted to shift the burden of their self insurance schemes to a suitable tailor-made insurance product of the Corporation and on the other side, the Branch got invitations to discuss multiple insurance packages for State and Central Governmental initiatives like Velugu Project, Swarnajayanti Gram Swarozgar Yojana.

### **ADAPTING THE PYRAMID**

As it is true of any social marketing theory and as described by William D Novelli (1990), marketing is theory based. It is predicated on theories of consumer behaviour, which in turn draw upon the social and behavioural sciences. By relying exclusively on Social Cognitive theory or Diffusion of Innovations theory (on which the pyramid design is based in parts), the Branch would have provided insurance spread in gradual phases depending on the adopter segments and their motives.

In order to have faster and broader spread, the Branch decided to innovate and include a telefilm as an awareness-marketing tool at the intent stage of Customer Acquisition Funnel. This telefilm of 14:57 minutes duration was shot in the villages, describing the impact of insurance cover on the lives of rural poor. The benefit aspect of the insurance was presented as the prominent factor. The message was well received and the Branch completed the largest scheme in the country (in LIC of India) for that year (2004) insuring over 91,000 lives with a participation rate of over 93 % of the group.

The next step in the awareness strategy engaged in creating public relations to strengthen the service brand image of the Branch. In a way, this was the most important part of the tool. Monthly claims award ceremonies were held at village level coupled with government sponsored educational scholarship distribution every quarter of the year. The key aspect of the awareness tool was to tangibly show the organization's commitment to the members of the community.

At this stage, having drawn the First Mental Image (FMI), the awareness level shifted the focus from use of media for generic message to use of group insurance as base generic message. To estimate the efficacy of this strategy, a NGO with 100 % feminine composition having a regional presence and about 5000 members in the group was selected. A group of about 15 field workers of the institution was selected and a three-week special training dovetailing the 100 hours IRDA's pre-licensing training for individual assurance was imparted. Within six months of acquisition of Corporate Agency by the NGO, 30 % of the 4500 active members had purchased an individual insurance policy for self or their spouse. Subsequent interactions with the trained field force of the NGO revealed the effect of word-of-mouth marketing as the primary reason of their success.

#### **INVENTION OR INNOVATION**

In his book "The frontiers of Management" Peter Drucker (1986) remarks that, "if you can't replicate something because you don't understand it, then it really hasn't been invented, it's only been done." Working on his ideas that one can't do carpentry, if one only had a saw, or only a hammer, or if one has never heard of a pair of pliers, the Branch had put the various awareness tools into one kit that it could invent.

It can be called an invention because the awareness tool and its impact are getting replicated in the Pension and Group Schemes Unit of Cuddapah. Till financial year 2005-06, a Branch which was insuring about 35,000 lives every year has taken the quantum leap of insuring over 3 lakh lives last year.

#### **CONCLUSION**

Have you done the sales and operation planning? A good awareness campaign will start yielding results by the end of first quarter and unless the Company's processing centre is fine tuned to cope with the increased flow, the service quality will diminish, the processing time will increase and even the brand image might get damaged.

Ultimately, the beating heart in the definition of Microinsurance is, offering "real solutions" to the 4 Billion rural poor, which raises the awareness of a key question – "What do my customers have to do to succeed in life and how can I be a partner in helping them get there?"

Manage the channel challenges. Invariably, there will always be a tussle between the new model of success and already existing agency network in the community. Understand the dynamics between Channel / Customer and no prizes for guessing, which comes first.

Own the service brand, not just the product brand. This is the truth behind continued success in the field of Microinsurance. Failing to understand the dynamics of value perception behind every situation surrounding the moment of truth can prove disastrous in Microinsurance. Remember, it is not sales but “what after sales” that will create the true FMI.

There is a famous Chinese proverb, “One generation plants the trees; another gets the shade”. As one reads it in the context of policies and strategies of Asian Development Bank (2003) on Social Protection which is defined as the set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labour markets, diminishing people’s exposure to risk, and enhancing their capacity to protect themselves against hazards and interruption / loss of income, one understands yet again, Microinsurance is not just an opportunity but responsibility too. Take it as one may, every act towards this opportunity or responsibility will define the future prosperity of this Country and in turn, the prosperity of Indian Insurance Industry.

The Branch in the case study (which was earlier insuring fewer than 15,000 lives every year) is now progressing in six figures and has stood “*numero uno*” in the Country for the past three years in achieving the business targets on all counts. Every mega-scheme has had profit sharing ranging from 5 to excess of 10 % of the premium. Did the branch find the Fortune at the Bottom of Pyramid? Yes it did. It all started with “*Education First.*”

## **REFERENCES**

1. C.K Prahlad and Stuart L. Hart (2002) “The Fortune at the Bottom of the Pyramid” e-Doc, Staregy+Business issue 26, first quarter 2002, Pp-4.
2. Craig Churchill (2006) “Protecting the poor: Microinsurance Compendium,” International Labour Organization 2006, Pp-12.
3. Drucker P.F., *The Frontiers of Management*, Harper and Row, New York, New York, 1986, 367 pp.
4. Indian Economy Update, A presentation by Isher Judge Ahluwalia, June 22, 2007, Slide 4.
5. OECD (2005) “Awareness and education on risk and insurance-Analytical and com

parative report” OECD, Pp-4-5

6. Mark Gerencser, Fernando Napolitano and Reginald Van Lee (Summer 2006) “The megacommunity manifesto” *Strategy+Business*, Summer 2006, pp-1-3
7. William D. Novelli (1990) “Applying social marketing to health promotion and disease prevention,” *Health Behaviour and Health Education*, Karen Glens, F.M Lewis and B.K Rimer, eds, San Francisco: Jossey-Bass Publishers, Pp-342-369
8. Peter Drucker (1986) “The frontiers of management,” Truman Talley Books, NY, 1986, Pp-9
9. Asian Development Bank (2003) “Social Protection – Our framework, policies and strategies, ADB Official Policy Paper, Pp-1-5
10. Protecting the poor: The Microinsurance compendium
11. The age of discontinuity

