

Digital distribution energizes insurance sales in rural India

Leading general insurance companies in India share their strategies to serve rural markets:

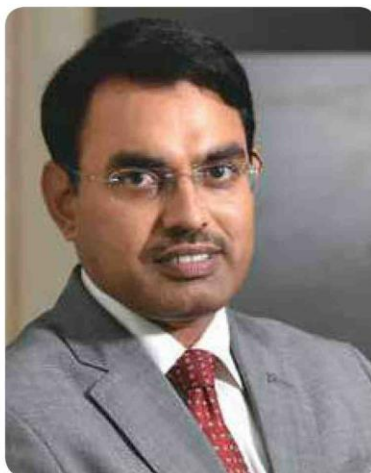
"The future of India lies in its villages,"

Mahatma Gandhi had affirmed as he visualized the tremendous growth opportunities of rural India. As per a Wharton Study, since 2000 the rural GDP at 6.2% CAGR has grown faster than urban GDP at 4.7%. The rural consumption per person has increased by 19% per annum between 2009 and 2012, with rural India spending higher than the urban segment. This consumption pattern for rural customers resulted in shifting from necessities to discretionary goods and lifestyle products, including mobile phones, television sets and 2-wheelers. These factors have boosted the growth in motor insurance; health insurance is also gaining traction due to changing lifestyle of rural customers.

Agriculture, the traditional income source for rural India, has pushed the demand for crop insurance under Pradhan Mantri Fasal Bima Yojana (PMFBY). Farmers' package policy and cattle insurance are also the other popular insurance products among the rural customers.

RURAL INSURANCE

In financial year 2016-17, the general insurance industry in India had registered a premium growth of 32.43%. Tapan Singhel, MD & CEO at Bajaj Allianz General Insurance Company, says in FY 16-17, 14% of the company's total business came from the rural markets. "We have seen a growth of over 40% in our business from rural areas, mainly due to the boost given to crop insurance by government through schemes, like Pradhan Mantri Fasal Bima Yojana. We had received majority of our business from the states like Maharashtra, Andhra Pradesh, Bihar, Haryana, Telangana and Chhattisgarh, since we were present in these areas for crop insurance," says he.



Rajiv Kumar reveals his company has written more cattle insurance business and farmers' package policies

HDFC General Insurance registered a 57% growth from rural markets, which is primarily contributed by crop insurance sales in Madhya Pradesh, Gujarat and Maharashtra. Anuj Tyagi, ED at HDFC ERGO General Insurance, says the company has generated growth with the help of banks and 21,000 common service centers (CSC) in the rural markets.

Universal Sompo General Insurance too registered premium growth of 42.43% with net written business of about ₹1287 crore. The company could get about of ₹578.50 crore worth premium from rural areas, including crop insurance, which comprised around 45% of the total business. The company also provides cattle insurance, farmers' package insurance and poultry insurance. To benefit rural India, it has also designed simple insurance plans

like Saral Suraksha and Janta Personal Accident policies, for the benefit of rural residents during the time of health distress or a sudden loss of life of the insured.

Rajiv Kumar, MD & CEO at Universal Sompo General Insurance says: "In FY 2016-17, we have issued around 30,000 cattle insurance policies and more the 11,000 farmers' package policies across the country. We have also covered more than 10 lakh lives through our Janta Personal Accident policy and more than 3 lakh lives through Saral Suraksha in the previous year. Crop insurance is a 'tender' based business, so for the crop business, most of the premium had emanated from Karnataka state, which was allotted to us by the ministry of agriculture in FY16-17. For other rural insurance products, we have generated business across India through our prime bacassurance channel followed by other modes of business distribution."

He maintains that the company has written relatively more cattle insurance business in Tamil Nadu, Karnataka and Uttar Pradesh (Lucknow region), while farmers' package policies are relatively popular. The premium written business from Saral Suraksha Bima Yojana is high from Uttar Pradesh while relatively more digitized states like Andhra Pradesh, Uttar Pradesh and Maharashtra contribute major business through the CSC distribution channels, he adds.

SPECIAL PACKAGES

Rural customers have always had a good purchasing power; however, there has been an increase in purchase and consumption of consumer durables and smart phones. Moreover, many easy finance options and access to e-commerce market platforms have made it simpler for consumers in these areas to access quality/branded products. The rural market is not a mobile

first market, it's a mobile only market as far as access to internet is concerned. The demand of 2-wheelers, 4-wheelers and tractors is growing rapidly in these areas.

How will an insurance company to respond to these rural trends? Rajiv Kumar says his company has introduced Unified Package Insurance Scheme (UPIS), which covers all the assets of the farmer like the crop, dwelling and its contents both against fire and theft. This policy also provides protection to the farmer and his legal heir in case of accidental death or permanent disablement to the insured. Such insurance policies are likely to gain momentum in future considering the evolving demand among farmers who are now looking for insurance benefits for more of their assets beyond crop insurance, he feels.

MAIN REQUIREMENTS

The buying preferences of India's rural consumers is changing fast on account of economic, social and technological factors. Rural consumers' income levels are on the rise too, enabling more of them to buy products and services that improve the quality of their lives. There has also been a shift in the awareness levels among the rural consumer due to multiple media platforms that initiate awareness which has played a vital role in rural India's values and attitudes.

Tapan Singhel reveals the main requirements of the rural customers: "Rural customers usually buy insurance through their banks, mainly for livestock, farming equipment like tractors, agricultural pump sets, 2-wheelers and cars. Now, there is a broader consumption of insurance through government schemes and financial inclusion, especially for crop insurance, (PMFBY) and where opted, for personal accident as well (PMSBY)."

CUSTOMER INSIGHTS

General insurance companies use industry data and data provided by the government to target rural areas. They also take insights from channel partners, experts and consultants. Anuj Tyagi from HDFC Ergo explains how the channels used to collect customer insights: "We work in the field directly with customers for selling crop insurance. This gives a good perspective



Tapan Singhel claims there is broader consumption of insurance through government schemes and financial inclusion

of their expectations. We also use other channels like business correspondents and CSC centers to collect information, as they are in touch with customers on a periodic basis for various financial product needs."

Universal Sompou uses the bancassurance channel to collect customer insights. Its

bank partners are Allahabad Bank, Indian Overseas Bank and Karnataka Bank, which have a combined geographic reach of almost all the districts of the country. Rajiv Kumar says the company has in place an efficient distribution network to target and serve rural customers through its extensive branch network of partner banks, as well as, through tie-ups with CSCs. It also makes use of PoS agents to sell insurance products. "This network serves a dual purpose. First, it helps in prospecting and on-boarding customers and secondly it helps in reading the pulse of rural customers. The partner bank branches help us to gain insights around the financial and consumption patterns of rural customers based on their preferences for various loan-based products. The Village Level Entrepreneurs (VLE) and PoS agents work as trusted personal advisors to rural customers and thus help us in gaining insights on customer preferences and buying behavior," says he.

PREFERRED PAYMENT CHANNELS

In the past, rural customers preferred payments by cash or cheques for small transactions. Now, this preference is shifting to online and digital platforms. CSCs and banks are creating the necessary awareness and infrastructure for digital transactions and payments in rural areas,



Insurers see big scope in cattle insurance

primarily as facilitators and in the long run as transformers. Says Anuj Tyagi: "In rural areas, cash is still the predominant method of payment. However, with the increased spread and awareness about mobile wallets, customers have started making use of alternate modes of payments operated directly or via intermediaries. We have been notified to implement the PMFBY scheme in Maharashtra, Madhya Pradesh and Andhra Pradesh for this year. In addition to these markets we are also expecting to gain momentum in eastern and southern states of India."

According to Rajiv Kumar, the preferred payment channel among the rural customers is 'cheque' which is deposited at respective branches of the company or routed through partner banks. The policyholders associated with respective banks primarily make payments to the respective bank towards insurance which ultimately is received by the company. They also use other online channels through CSCs and PoS agents. The company has provided online integration of payment methods through concerned banks. The company also helps poor households to purchase insurance policies in cash which is been routed through respective Village Level Entrepreneurs.

NEW CHANNELS

Digitized distribution models are helping general insurance companies to reach out to rural customers at their door step. In the last couple of years, digitization has essentially transformed the insurance business model and has provided immense opportunities to reach out to the underserved and underinsured rural market.

Bajaj Allianz has been able to reach out to over 200 new markets in 2016-17 as a result of its key initiative 'Virtual Office.' It is an entire office integrated into a tablet that helps the company to be present in the remotest corners of the country to improve distribution. It is a cost-effective distribution model since it does not need brick and mortar offices. Says Tapan Singhel: "We have equipped our channel partners and sales force with mobile apps like Eezee Tabs to take insurance to the customers' doorsteps.



Anuj Tyagi stresses on the importance of technology-based enrolment applications which are faster and require less administrative support

They can sell retail products through this and provide them with end to end solutions like policy issuance, pre-inspection and even settle minor claims through this app. Apart from that, the company's self-service mobile app Insurance Wallet enables all our customers to conduct and store all their insurance related transactions and information seamlessly on a real-time basis. It provides easy access to any product related information and is an interface that allows them to reach out to us instantly." Bajaj Allianz also conducts various customer awareness programs to educate its customers about insurance, be it campaigns in schools, or in tier 2&3 cities along with channel partners."

Universal Sompo General Insurance has developed IT infrastructure at more than 6000 bank branches on a pan India basis and is consistently upgrading this to improve its efficiency. The banks have banking correspondents in rural India, who function as touch points for various banking transactions. In future, the company has plans to be associated directly with the banking correspondents. In 2017-18, it is planning to strengthen its PoS and insurance marketing firms as distribution

channels for tapping rural business. So far, it has already got an approval for 14 products to be sold via PoS channel and is receiving good response from customers.

"In order to leverage the emerging distribution channels, we are gradually refining our distribution strategy. We have already strategized business via web aggregator and CSC channels with premium growth of 364.45% and 1587.87% respectively in FY 2016-17. This has increased our presence among online buyers and in rural/semi urban India. We are consistently working on our product portfolio and we have so far introduced 13 products (to be sold through CSC) in the current financial year," says Rajiv Kumar. He described another innovation: "With the increasing penetration of smart phones and internet/data connectivity in the rural hinterland, we have also developed M-PoS application for our POS-Person, which will help villagers to get the insurance policy at their fingertips."

Anuj Tyagi says HDFC ERGO reached out to rural customers using technology-based enrolment applications which are faster and require less administrative support. Within the CSC platform all the products are completely online and the customer has the ease of payment and gets the policy on the spot. The company also uses a mobile application for claims assessment surveys in products such as crop and livestock.

Clearly, the preferred distribution channels in rural areas are different from the urban areas.

BETTER DAYS AHEAD

The general insurance companies agree that insurance is very low on the purchase priority of the rural customers, and ineffective distribution and awareness are the possible reasons for it. This is something that the industry has to work on. There is a lack of consumer awareness about the need for risk protection and unavailability of the required infrastructure in the rural areas of India. Government as well as insurers are working towards improving this situation, and the current scenario will surely change in the coming days.

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