

RURAL INSURANCE: A CASE STUDY OF ICICI LOMBARD

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ABSTRACT

Insurance, general and life is a business of risk taking or risk management for profit. The risk or risks of life, health, accident, fire, theft, houses, cars, crops, cattle, poultry, and any other forms of conceivable risks. Insurance is a strange, risky business of risk taking for a sum of money or premium. It's a part or an important part of modern or post-modern business services. Insurance is a service industry for opening of which in India and other developing countries there is a great demand from the USA and other developed countries of EU – European union wherein insurance is a way of life, especially of life, health, housing etc. in India, the government of India, on its own, because of investment needs especially in infrastructure has thrown upon the insurance sector to FDI – Foreign Direct Investment as in single and Multi-brand Retail Trade.

KEYWORDS: ICICI Lombard, FDI, Multi Brand Retail Trade, Insurance, Insurance Premium.

Introduction

For, with economic development and agricultural and industrial and services development, the need, awareness and demand grows from also agriculture and other rural activities. Crop and cattle insurance, for example, are instances of rural insurance or rural general insurance or rural general insurance products. The business of insurance depends on hard mathematical calculations as probability and risk factor and premium for the purpose and settlement of claims and contests thereon etc. in developed countries, life and general insurance are a way of life. In comparison with life insurance, general insurance in India has yet to become an accepted mode of non – life insurance. It is property and goods insurance. It is a growing and catching up insurance business in the country. In rural areas, it is more under developed business. In the case of certain goods like motor vehicles, machinery, housing loans houses, etc it is compulsory. A faster rate of economic growth of the country would and its agricultural, industrial, and service sector's growth would result in more general insurance business, especially of health, medicare with the growing public care for personal & family health. Globally, India's general insurance business is only 0.6% of total global insurance business which is insignificant. Moreover it is a matter of concern.

General Insurance

Rural areas are geographical locations that are not considered urban. In the Indian context, they are known as countryside or villages. These locations are scattered across the country. Rural Marketing refers to Marketing of goods and services to rural people. Services include insurance, banking, medical/health care, consulting etc. Rural marketing is characterized by various challenges. Major challenges are low incomes, poor physical infrastructure (connectivity by roads and railway network), high distribution costs, low literacy rates and promotional difficulties on account of low penetration of modern media and internet. Almost total absence of banking infrastructure is yet another big handicap for marketers of services. The concept of Insurance is not alien to Indians. Insurance is a social security tool, by payment of a small premium the insured gets security to the extent of the assured amount to be paid by the insurer in the event of unfortunate loss/damage to life property. ICICI Lombard GIC Ltd, was incorporated on October 30, 2000. ICICI Lombard got its regulatory approval from the Insurance

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Regulatory and Development Authority (IRDA). The entire economic activity is seasonal and exposed to vagaries of nature. The risks are very high. Insurance has a big role to play in protecting the rural masses from these risks. There is a huge necessity for insurance in the rural areas. Rural market is vital for the growth of companies and critical for the progress of the country. Marketers have find better ways to market insurance products in the rural areas. The present study analyzed the role of Rural Marketing strategies of insurance in rural areas with respect to ICICI Lombard.

Profile and Rural Insurance Business of ICICI Lombard

ICICI Lombard GIC Ltd is a joint venture between ICICI Bank Limited and Fairfax financial Holdings Limited, a Canada based USD 37 billion diversified financial services company engaged in general insurance reinsurance, insurance claims management and investment management. The company has been conferred with the following Awards.

- Golden Peacock Award (2012)
- Product of the year Award (2013)
- Porter Prize Award
- ASTD Best 2012 Award
- ASTD Best 2011 Award
- The Customer and Brand Loyalty Award
- Master Brand Award (2010)
- NASSCOM – CNBC TV 18 IT user Award (2010)
- ECO Innovation Award (2009)
- Gold Shield Award by ICAI (2006)

Marketing Strategies of ICICI Lombard

Insurance companies are in a unique position when it comes to marketing. They have no tangible products to sell, but must instead rely on strong relationships with loyal customers and word of mouth to help them complete. Still, despite the challenges, the marketing strategies for insurance companies are really no different than for any other company, and require a strong focus on the basis of effective marketing. The first and foremost thing that which is focused by ICICI Lombard is to know the market thoroughly. This means having a strong understanding of their target audience, their competition and the most effective ways to connect with that audience in the rural areas. Competition is fierce, but service organizations is like, insurance agencies that thoroughly understand the needs and concerns of their target audience can effectively motivate that audience to connect with them.

The next rural marketing strategy adopted by ICICI Lombard is to establish a plan. Successful marketers just go out and do things based on their knowledge of the market and their overall goals and objectives, successful marketers identify and prioritize communication strategies most likely to generate the result they need. This generally involves a combination of activities that include both traditional and new media, direct and indirect sales. ICICI Lombard also measures effectiveness in the rural areas, it is important for insurance companies to measure the effectiveness of their marketing efforts based on the goals they have established. This may be as simple as comparing the number of clients before and after a campaign. It may also involve using online analytics to monitor website visits after launching a promotion. The next important marketing strategy adopted by ICICI Lombard is to gather feedback for rural insurance marketers, word of mouth is key. In addition to measuring the effectiveness of marketing efforts based on quantitative data, insurance marketers can seek input from their existing and new clients about their clients about their communication efforts. What worked well? What was unclear? How might they communicate more clearly in the future?

In addition, clients can be excellent advocates and part of the rural marketing process. Successful rural insurance marketers will take advantage of the opportunity to leverage their clients as word of mouth rural marketing advocates. The first question that arises concerning General Insurance (GI) and their rural marketing is the insurance product and the perception of them by the rural populace. It is needless to say, there is a need to drive home these products to their present and prospective customers in a simple, understandable way with reference to their costs and benefits (C – B), Insurance, whether Life or General, being a bit or quite complicated thing to the lay or general public with FDI entity. Insurance still a dormant activity, is expected to take a big leap–fogging. Even otherwise, according to the marketing principles enunciated by the doyan of Marketing Management, Philip Kotler, and other

marketing savants, among the famous Four Ps of marketing, it is PRODUCT which comes first or No.1, followed by price, promotion and place. Thus, it is the product(s) which must be according to the understanding of their present and prospective customers or policy holders. For, no amount of persuasion and marketing or marketing blitz can sell a bad insurance product or product which is beyond customer perception or understanding. It, say, needs to be based on cost – benefit – principle of $B > C$, benefits including not only monetary benefits but also psychological or intangible ones. In this connection in the context of vast rural India and immense rural population and diversified rural economy, it is not different to discern or envisage certain rural general insurance product principles.

Rural Scenario of General Insurance (ICICI Lombard)

ICICI Lombard, through the RABG Vertical joined hands with ITC in 2004-05, with the aim of providing a comprehensive suit of general insurance products to the farmers through this rural initiative. The E-Choupal network of ITC is one of the most promising networks for rural distribution for any industry. At present, the channel is being used for the sale of insurance products in about 11 districts in the state of AP including Nizamabad. Currently business is being sourced for rural health and motor insurance. ICICI Lombard GIC LTD is recognized as the largest private sector general insurance company in India offering insurance coverage for motor, health, travel, home, student travel and more. Policies in rural areas can be purchased and renewed online as well. A digitally signed policy is issued immediately through ICICI Lombard online facility. At ICICI Lombard, investing in rural markets is seen as a keen social responsibility. The protection provided to the rural class is specified and customized according to their needs. Through a multiple channel system ICICI Lombard not only provide agricultural protection but also health, motor and other covers.

Main Products Offered in Villages by ICICI Lombard

- **Tractor Insurance**

Tractors are one of the most previous assets to the rural folks. ICICI Lombard comprehensive package policy covers not just own damage but also third party liability and personal accident.

- **Weather Insurance**

Weather insurance is insurance covers against losses incurred due to uncertainties in climatic conditions. It can be used to hedge any vulnerability of assets or any other damage incurred due to erratic and irregular weather.

- **Shop Insurance**

Shop insurance is a comprehensive policy that covers both the structure and the contents of a shop and protects it against any financial loss in case of any unfortunate incident.

- **Home Insurance**

ICICI Lombard comprehensive policy protects much more than just the home. Through their network channels, they ensure that the houses in the rural sector are insured against natural and other perils. Houses, lands and other real estate properties and hard assets are subjected to accidental risks like theft, damage, destruction due to natural disasters or fire accidents etc. with such large investments gone into buying a real estate property, the problem or risk involved is a loss of large amount of money. Thus home insurance of ICICI Lombard protects its customers in managing and protecting against these risks. The cost of a real estate property and its monetary insurance is mostly based on the value of the already insured hard assets and also the place or location in which the assets are situated

- **Health Insurance**

ICICI Lombard also provides protection to the health of the rural folk through their comprehensive family health insurance plan, which covers the entire family in one policy. Now a days not only urban people but rural people are also very much concerned about their health and ICICI Lombard want to tap this rural market. Whether you like it or not, almost always we face certain health challenges that may cause us a lot through medicines, hospitalization bills and other related expenditures. If we are not smart and really enough with this kind of cases then we will surely find it so hard to face sickness and other form of health problems such as therapy and many other treatments such as antibiotics treatment.

- **Travel Insurance**

ICICI Lombard is also providing Travel Insurance to its esteemed customers in urban and rural areas as well. This is intended to shoulders or covers any of the financial or any other losses which were basically incurred by the insured while on his journey or travelling, be it nationally or internationally, such as mountain trekkers, cruise travelers or simply as a tourist.

- **Auto Insurance**

ICICI is also concentrating on Auto Insurance in semi-urban and rural areas. Any vehicle on the road, no matter how safe the driver is, sometimes bound to meet with an accident or two, which may leave it with just a few scratches or crash it up totally. Most countries today require or obliged to have an auto insurance while on road. If one have an accidental auto crash, a total repair could cost a lot or a fortune. On the other hand, a little scratch on land cruiser may also soar up bills to high level, whether or not one want or need auto insurance mostly depends on the type of automobile you own. If you have an expensive car and a little repair could worry you out financially. You should therefore decide in buying an all-inclusive and crash insurance which will protect you against any and every harm done to you vehicle.

- **Fire Insurance**

Fire is one truly big problem that may endanger our valuables, properties and even businesses. Worse it may threaten our lives and those of or loved ones. Well this would be very hard unless we are ready to face such calamity with fire insurance. This will help us become secured and ready to face fire cases. ICICI Lombard is playing a pivotal role in promoting its fire insurance product in rural and urban areas. General insurance rate is a factor used to determine the amount to be charged for a particular amount of insurance coverage, called the premium. Risk management, the practice of appraising and controlling risk, has come out as a discrete field of study and practice. Infact, general insurance is a form of risk management basically used to hedge against the risk of a contingent, uncertain loss. Moreover general insurance is equitable transfer of the risk of a loss, from one entity to another, in exchange for payment. An insurer is an institution or a company selling the insurance, an insured or policy holder is the person or entity who is buying the insurance policy. The transaction involves the clients assuming a guaranteed and known relatively very small loss in the form of money or payment to the insurer in exchange for the insurer's promise to indemnify the insured in the case of a large, possibly bad loss. The insured receives a contract which is called the insurance policy that details the conditions and circumstances under which the insured will be compensated or indemnified.

Partners of ICICI Lombard General Insurance in Rural Areas

Ñ **Anekal Project**

Anekal project is a partnership of ICICI Lombard with Biocan Narayan Hrudayala. This endeavor is aimed to offer coverage for all kinds of common and complex surgeries. The cash less hospital network service takes care of the financial burdens one might face. Along with this, drugs and diagnostic services are offered at a discounted price and outpatient consultation can be obtained free.

Ñ **BASIX**

Having worked on crop insurance pilot programs for the previous four years, BASIX (one of India's largest micro finance institutions with nearly 1,00,000 borrowers in 9 states including AP) launched India's first rainfall insurance program in July 2003 through ICICI Lombard. Farmer uptake was immediate with around 100 farmers signing up the first day. Informal interviews with about 15 farmers who bought the policies revealed that they are very well aware of the rainfall based index nature of the contracts and the associated basis risk. The farmers value the quick payout of the weather policy, which distinguishes it from the federal crop insurance policy. Interviewed farmers also understand and appreciate the weighted and capped structure of the contract, as it directly reflects their experience that the distribution of rain throughout the season significantly affects yield.

Ñ **Dharmashala**

Through dharmashala, ICICI Lombard has provided hospitalization cover to over 2 lakh people spread across 450 villages administered by the trust and monitored by Self Help Groups (SHG), this endeavor has been a mega success. 100% cash less service in network hospitals is offered along with flat fee for standard procedures. Lately ICICI Lombard have also introduced pre- authorization of all hospitalization cases.

Ñ **ICICI Lombard and Government of Rajasthan**

Post the initial success during the launch of weather insurance during 2003-04, the product was offered to a larger population. The government of Rajasthan endorsed the product and gave a premium subsidy for the small and marginal farmers and provided support for operations through the Apex cooperative bank. This was the first time the state government provided such a support to a private insurance company and it is a noteworthy achievement for a one year old product. During the project, a total of 1014 lives were covered.

Ñ **ICICI and Manipal Academy (MAHE)**

ICICI Lombard partnered with Manipal group of hospitals to provide health coverage for clusters in the catchments area around the hospitals from North Goa to North Kerala. Approximately 50,000 lives have been covered in the first phase itself. A comprehensive coverage including cover for pre-existing diseases and outpatient consultation and diagnostics is being provided at discounted rates to the rural population as a 100% cashless service.

Ñ **Microcredit Foundation of India**

A cover for death and disability is provided to 2 lakh lives. The products offers are designed in consultation with MCFI and the data is collected and transmitted through a network of kiosks. Through this partnership, ICICI Lombard provides insurance at low value premium as a value addition to credit. The cover is a combination of personal accident and critical illness. Every business has a specific set of requirements. ICICI Lombard range of business products is especially designed to meet the business needs across the commercial spectrum. It is pivotal to get adequate insurance cover for the business to mitigate risk. Thus, ICICI Lombard is a fast emerging company. It has a plan for further expansion with in the country and outside the country. Internally, the plan is for a nation-wide expansion and also going to semi-urban and rural areas. The company also feels that it's business should be so built that its technology, leadership meet customer needs which are at the heart of its functioning.

Slump & Non-Life Insurance (ICICI Lombard)

The slowdown in the auto sector is likely to cramp the pace of growth of the non-life insurance business this year. This segment of insurance hit a three-year low growth rate during April-June (2013) of 18 percent with a gross premium of Rs 18,869 Crore. Thi growth is likely to slow down further. Motor Insurance accounts for 46 percent of gross premium earned by non-life insurers, while health insurance accounts for 26 percent and property insurance 10 percent. According to Bhargav Dasgupta, MD and CEO of ICICI Lombard General, he is of the opinion that a slowdown due to the current macro-economic scenario will not affect its performance, but he still expect the industry to grow around 15 percent. This is because of the penetration factor. There is a large number of uninsured vehicles, many of which are coming into the insurance fold. In motor third party segment, premiums have been hiked by the regulator. Also in several other segments, the premiums have been raised based on the model and geography. And health will continue to grow. The negative factors were there even last year and still the industry managed to grow by 20 percent, added Dasgupta (ICICI Lombard, MD & CEO). Non-life Insurance companies had 18.6 percent growth in gross premiums to Rs. 64,688 Crore in 2012-2013 from Rs.54,537.53 crore in 2011-12. According to Saxena, CMD of the government-owned oriental insurance, said "It is difficult to predict the growth right now. If interest rates drop and the economy improves, the non-life insurance sector may do well. In a nut shell slump in new car sales and overall slowdown in economy has impacted the general insurance industry.

Role of Technology in Insurance Business (ICICI Lombard)

Companies like ICICI Lombard and Bajaj Allianz Insurance are now working towards to adopting smart settlement methods with the use of tablets connected to a central office server to ensure efficient service. The project titled Easytab aims to help settle their simple motor, cattle and retail claims up to Rs. 20,000 by sending pictures of the relevant documents through a tablet. This equipment, which is connected to the central server of the head office, will let the executives to do an instant verification and if eligible, disburse money due for settlement through online bank transfers on the same day. Over 60 percent claims are from tier-II and tier-III cities but market penetration in these areas has been the biggest impediment for most insurers. As mobile phones have deepest reach in the country they help penetrate rural areas with greater ease. ICICI Lombard in-house team has developed the software for the project and the firm intends to supply configured tablets to most of its agents. They already have a facility to issue instant insurance to folks in rural areas through such a tablet-card reader combination.

Rural General Insurance

ICICI Lombard at present is offering different types of general insurance products to its esteemed customers in the rural areas, some of them are as follows:

- Ñ Home Insurance
- Ñ Travel Insurance
- Ñ Auto Insurance
- Ñ Health Insurance
- Ñ Fire Insurance

General insurance is a form of risk management basically used to hedge against the risk of a contingent, uncertain loss. More over general insurance is equitable transfer of the risk of a loss, from one entity to another, in exchange for payment. General Insurance rate is a factor used to determine the amount to be charged for a particular amount of Insurance coverage, called the premium. Risk management, the practice of appraising and controlling risk, has come out as a discrete field of study and practice.

Rural Marketing Strategy

Rural Marketing Strategy is the complete and unbeatable plan designed specifically for attaining the Marketing objectives of the firm. It is a logic that brings in the targeted sales income and profits of a brand and hence of the business unit/corporation as a whole Marketing Strategy consists of 3 main tasks which are as follows.

- Selecting the target market
- Positioning the after and
- Assembling the marketing mix.

This implies that the essence of the rural marketing strategy of a firm for a given product/brand can be grasped from the target market chosen, the way it is positioned and how the marketing mix is organized. The target market shows to whom the unit intends to sell the products, positioning and marketing mix together show how and using what uniqueness or distinction, the unit intends to sell. The three together constitute the marketing strategy plat form of the given product. Strategy is Assembling the Marketing Mix. Insurance being a service it is intangible and requires 7Ps to accomplish its objectives. And always to sell an insurance product is a challenge and to face this challenge 7Ps are required.

- Price
- Place
- Product
- Promotion
- People
- Process and
- Physical evidence

These 7Ps play a very important and dominant role because Marketing Mix is the visible part of the Marketing Strategy of the firm. The understanding that the marketing Mix is the visible representation of the Marketing Strategy of a firm will come handy in formulating one's own competitive/Rural Marketing Strategy.

Conclusion

The overall conclusion to be derived from the study is that the awareness of rural people regarding general insurance instruments is very limited as such, the first task of the insurance instruments is very limited as such, the first task of the insurance companies is to literate and educate the rural people regarding the benefits of insurance policies. They must make them very convincing to make the rural population as very beneficial in their activities.

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