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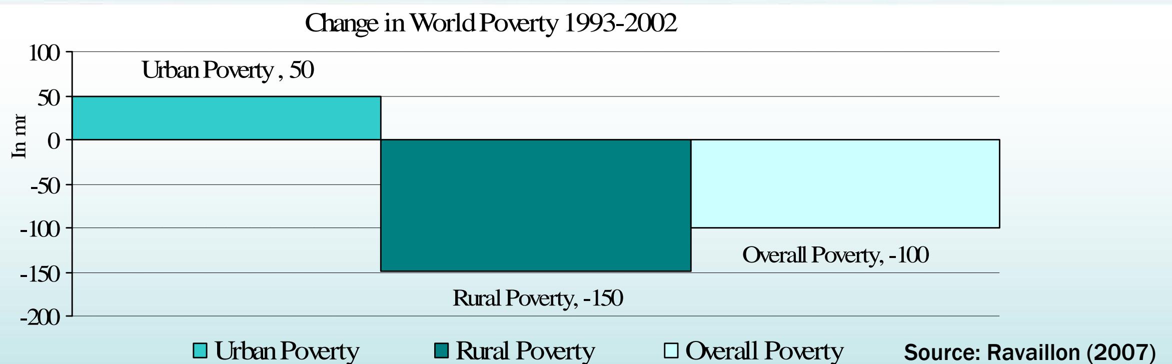
From research to reality on what works for urban poor

The presentation contains the personal view of the speaker on the subject and these are not necessarily the organizational views of ICICI Prudential Life Insurance Company / National Insurance Academy SoM

Worldwide the poor are urbanizing faster than the population as a whole



Source: Ravaillon (2007)

- Change in world poverty over 1993 – 2002
- 50 million people were added to the urban poor
- No. of rural poor decline by about 150 million (mn); overall fell by 100 mn
- India's urban poor constitute significantly to the world's urban poor
- Urban Poverty in India declining but at a slower rate than rural poverty
- Expected to triple by 2030 – reach 40% about 1/3rd of which will live in slums

Why we need to study Urban Market?

India's urban market – approximately 28% of India's total population

Urban poverty lower in headcount terms, is deeper & more severe (Poverty Gap)

Inequality is highest in urban areas compared to Rural (Gini Index)

Display poor demand or low health seek behaviour elated to:

Cost of services higher than in rural areas

Limited access to facilities

Vulnerability* to health shocks

62 % Hospitalization & 81 % Non-Hosp treatments are privately provided

Not a homogeneous group: different target policy interventions needed

50% live in shelter; 23% no access to toilets; 8% no access to drinking water

Urban poor 35-40% of the pop, but only 0.01% have banking relationships

Poverty Gap (Distance b/w the poor & poverty line - 6.2 Urban as compared to Rural 5.8

Gini Index (Inequality) – 37.6 Urban as compared to Rural 30.5

How poor people protect themselves from Risk?

Prevention & Avoidance
- Careful Sanitation
- Identifying Business Opportunities

Preparation
- Saving & Short Term Investment
- Buying/Accumulating Assets (Livestock)
- Buying Insurance*
- Educating Children

Coping
- Taking Emergency Loans
- Depleting Savings
- Selling Productive Assets
- Defaulting on Loans
- Reducing Spending

*To serve poor people, insurance here must be:
- Responsive to their priority needs (Risk protection)
- Affordable
- Accessible
- Available

Health Insurance: The need of the hour

Underpinning Concepts

- Vulnerability to health shocks as mostly private spending
- Low awareness levels and poor health infrastructure
- Ignorance of what insurance can and cannot do
- Limited affordability
- Reimbursement Model not suitable
- Anti Selection (e.g. only sick get enrolled)
- Lack of Products on offer by insurers
- Absence of active micro insurance sales agents
- Issues related to governance and management

Aim and Objective

- To analyse the reasons for low insurance penetration (urban poor)
- To analyse the products available in the market (with attributes)
- To study the feasibility and efficiency of the various distribution channels
- To develop a broad cost effective distribution strategy or a model

Premise

- Involvement - local distribution channels leads to more premium collection
- Awareness & Affordability leads to higher penetration
- Lesser variation in products availability need of more customization
- Requirement of more distribution channels to increase penetration

Research Design…

Primary Market Research / Survey – Descriptive & Exploratory

Data Sources: Mainly Primary Data

Research Instrument – Questionnaire; Discussion in Small Groups

Research Method - Highly flexible; bit Unstructured & Qualitative

Sampling Units – Slum areas in and outskirts of Pune; Mumbai; Kolkata

Sampling Plan / Method – Respondents were selected Randomly

Sample Source – 30 Slum Areas & 500 Slum Dwellers; 6 Channels

Study Phase –Analysis of Data; Develop SOD*, SOS*& Efficiency Template

* SOD Service Output Demand Template
SOS – Service Output Supplied Template

Service Outputs Demand

THE SERVICE OUTPUTS DEMAND (SOD) TEMPLATE FOR MICRO-INSURANCE								
Segment	Bulk Breaking	Spatial Convenience	Delivery-Waiting Time	Assortment-Variety	Pre-Sales Service	Post-Sales Service	TAT	Claims & Lodging
	Minimum Sum Assured	Ease of accessibility to consumers & efficient means of transferring the transaction	Initiation and execution time (payment of premium and receiving the policy)	Assortment of benefits	Amount of advice to be given by channel members to customers before selling the policy	Amount of service provided to customers for processing of renewals	Efficient process utilized for issue of policy documents, renewals, claims settlement	Service provided for lodging claims and TAT for efficient settlement of claims
TYPES OF POLICIES								
Individual	High	High	High	High	High	High	High	Medium
Group	Medium	Medium	High	Medium	Medium	Medium-High	High	Medium
INCOME LEVEL								
High	Medium	Medium-High	High	High	Medium-High	Medium-High	Medium-High	High
Low	Medium - High	High	High	High	High	High	High	High

Service Outputs Supplied

THE SERVICE OUTPUTS SUPPLIED BY DIFFERENT CHANNELS FOR MICRO-INSURNACE								
	Bulk Breaking	Spatial Convenience	Delivery-Waiting Time	Assortment-Variety	Pre-Sales Service	Post-Sales Service	TAT	Claims & Lodging
Micro-Insurance Agents	High	High	High	Medium-High	High	High	High	High
NGOs / Coop/ SHGs	Medium	High	Medium	Medium	High	High	Medium-High	Medium-High
Coop Banks / RRBs	Medium	Medium	Medium	Low-Medium	Low	Low-Medium	Medium	Low-Medium
Panchayats	High	High	Medium	Medium	Medium	Low-Medium	Medium	Medium
E-Bima	High	High	High	High	High	Medium	Medium-High	Medium-High

Efficiency template for each channel was prepared with various channel flows

Service Promotion

Pre – Sales Cost (Training Cost)

Enrolment (Premium Collection & Doc)

Services & Claim Management

	Bulk Breaking	Gap	Spatial Convenience	Gap	Delivery-Waiting Time	Gap	Assortment-Variety	Gap	Pre-Sales Service	Gap	Post-Sales Service	Gap	TAT	Gap	Claims & Lodging	Gap	Total Gap
For Individual Policies	High(5)		High(5)		High(5)		High(5)		High(5)		High(5)		High (5)		Medium (3)		
Micro-Insurance Agents	High(5)	0	High(5)	0	High(5)	0	Medium-High (4)	1	High(5)	0	High(5)	0	High(5)	0	High(5)	0	1
NGOs / Cooperatives/SHGs	Medium-High (4)	1	High(5)	0	Medium (3)	2	Medium (3)	2	High(5)	0	High(5)	0	Medium-High (4)	1	Medium-High (4)	0	6
Cooperative Banks / RRBs	Medium (3)	2	Medium (3)	2	Medium (3)	2	Low-Medium(2)	3	Low(1)	4	Low-Medium(2)	3	Medium (3)	2	Low-Medium (2)	1	19
Local Bodies	High(5)	0	High(5)	0	Medium (3)	2	Medium (3)	2	Medium (3)	2	Low-Medium(2)	3	Medium (3)	2	Medium (3)	0	11
E-Bima	High(5)	0	High(5)	0	High(5)	0	High(5)	0	High(5)	0	Medium (3)	2	Medium-High (4)	1	Medium-High (4)	0	3
For Group Policies	Medium (3)		Medium (3)		High(5)		Medium (3)		Medium (3)		Medium-High (4)		High(5)		Medium (3)		
Micro-Insurance Agents	High(5)	0	High(5)	0	High(5)	0	Medium-High (4)	0	High(5)	0	High(5)	0	High(5)	0	High(5)	0	0
NGOs / Cooperatives/SHGs	Medium-High (4)	0	High(5)	0	Medium (3)	2	Medium (3)	0	High(5)	0	High(5)	0	Medium-High (4)	1	Medium-High (4)	0	3
Cooperative Banks / RRBs	Medium (3)	0	Medium (3)	0	Medium (3)	2	Low-Medium(2)	1	Low(1)	2	Low-Medium(2)	2	Medium (3)	2	Low-Medium (2)	1	10
Local Bodies	High(5)	0	High(5)	0	Medium (3)	2	Medium (3)	0	Medium (3)	0	Low-Medium(2)	2	Medium (3)	2	Medium (3)	0	6
E-Bima	High(5)	0	High(5)	0	High(5)	0	High(5)	0	High(5)	0	Medium (3)	1	Medium-High (4)	1	Medium-High (4)	0	2

No unique channel to suffice the need

- For Micro-Insurance Agents
  - Insurance Company's Normative Profit Share is 51.95%,
  - Micro-Insurance Agent Normative Profit Share is 33.3%,
  - Customer's Normative Profit Share is 14.75%.
- For NGOs/SHGs
  - Insurance Company's Normative Profit Share is 32.15%,
  - NGOs / SHGs Normative Profit Share is 52.10%,
  - Customer's Normative Profit Share is 15.75%.
- For Cooperative Banks / RRBs
  - Insurance Company's Normative Profit Share is 49.70%,
  - Cooperative Banks / RRBs Normative Profit Share is 36.8%,
  - Customer's Normative Profit Share is 13.5%.
- For Panchayats
  - Insurance Company's Normative Profit Share is 40.75%,
  - Panchayat's Normative Profit Share is 43.35%,
  - Customer's Normative Profit Share is 15.7%.

Findings...

Mostly the people were insured where there was presence of NGO/MFI

Involvement - local distribution channels leads to more premium collection

Lesser variation in products availability need of more customization

Need of more customer centric products & more importantly processes

Need to think on pricing; subsidy and network facilities (OPD facilities)

Need of more distribution channels to increase penetration apart from NGOs

Few segments are less targeted by NGOs (not interested – awareness camps)

Some are not interested on any Insurance Plan (in future)

Experience of other users – negative word of mouth

Facility which was not a part of network/ initially part but later de-linked

Need to wait much longer and even treatment is sometimes denied

Table: 1 Coverage as per awareness

		Covered under some Health Insurance Scheme		
		No	Yes	Total
Aware of Health Insurance Schemes & Awareness on Insurance	No	300	25	325
	Yes	61	114	175
	Total	361	139	500

Table: 2 At the time of Renewal

	No	Yes	Total
Like to Renew the policy* for next year	78 (74.29%)	27 (25.71%)	105

** An insurer + NGO was involved*

NO USE FOR IT, WASTE OF MONEY/ DON'T THINK WILL REQUIRE IN THIS YEAR

No doubt…

Awareness & Affordability leads to higher insurance penetration

Awareness

- Education Level — 53.33% Primary; 30% Secondary; 16.67% HS & above
- Communication Channel (Radio/TV) — 26% Radio; 13% TV; 22% Radio + TV; 39% None
- Frequency of Panchayat Meetings — Hardly; It's mainly Corporation/ Municipality
- Awareness Camps — Hardly; Mainly related to some product selling
- Superstitions — Qualitative Analysis Not much; Believe in Medicals

It's mainly the awareness that matters and not education

Ignorance of what insurance can and cannot do

Difference between Saving & Insurance

Didn't know what the "HEALTH" card entitled them to

NO USE FOR IT, WASTE OF MONEY/ DON'T THINK WILL REQUIRE IN THIS YEAR

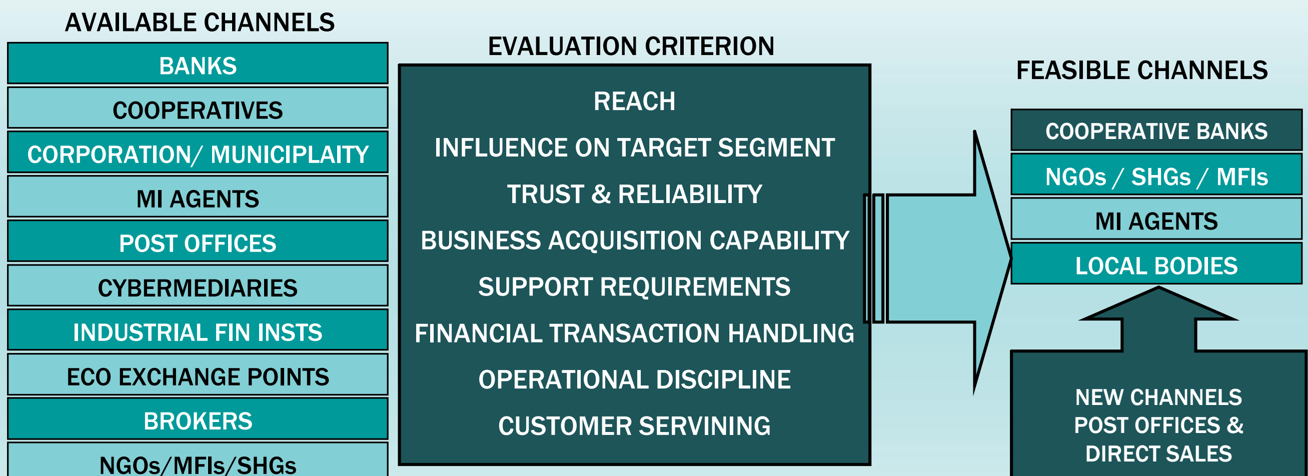
Distribution – An all time challenge

Key challenge is sheer spread and diversity

Key challenge is to adopt to one's language, culture and belief

Key challenge is to spread the right message at the right time

Locally available channels are effective "TRUST IS THE CORNER STONE OF RELATIONSHIPS"



There is no unique and efficient distribution channel which can cater to the entire urban market for which we need to have a mix of all the possible or feasible channels of distribution.

Need to bring a change

From	To
Settle for less	Stretch for more
Technology Intimidation	Technology Curiosity
Fear of Authority	Decreasing "Power Distance"
Reactance, Avoidance	Experience Seeking
Self Denial	Affordable Indulgence
Destiny Driven	Destination Seeking

IT'S POSSIBLE BY BUILDING A RELATIONSHIP & MAKING THEM THINK BEYOND THE HORIZON

THE BIGGEST CHALLENGE IS TO MAKE THEM UNDERSTAND THE "NEED" OF INSURANCE

What consumer expects?

- Information on products*; less of push & more of understanding their need
- Knowledge* of policy terms & conditions (grace/waiting period; exclusions)
- Having a regular contact & feeling their presence at all time
- A reminder of paying premium at the time of renewal & even collection
- An active involvement of the channel at the time of claim settlement
- Involvement of NGO (or any other channel) at time of Hospitalization in HI
- Explanation* at the time of rejection / repudiation of claim
- Dispatch of Policy doc*; health card and claim settlement within TAT

* In vernacular language

Establish attitudes of consumers towards the distribution channels and the insurance service

such as level of trust, satisfaction with utility,

benefit and appropriateness of services and products,

satisfaction with customer care & feelings of empowerment in the negotiation process.

What needs to be communicated?

FROM INSURANCE COMPANY PERSPECTIVE

- Usefulness of insurance; Legal rights as consumers; Knowledge on Ombudsman
- Services & Products offered; Process & docs to be filled during policy period
- Usefulness of MI in poverty alleviation & reducing vulnerability to Health Shocks
- Avoidance of money lenders & exorbitant interest rates charge at time of loan
- Use of Health I-card; Role of Network Hospitals / Cashless in Health Insurance
- Proper utilization & management of facilities obtained from health providers
- Timely and committed culture of premium payment
- Knowledge on the part of policy wordings; Reasons for rejection of claims

It hardly matters whether communication is at macro or micro level…

…what matters is efficiency and effectiveness

- Source – enquire about its reliability
- Information – check out its accuracy
- Complete – ensure it is complete in all respects
- Importance – need of the message
- Update- make sure the information is recent and relevant to the context

7 C's to Communication is valid anywhere and everywhere

Complete	Clear
Correct	Concise
Candid	Concrete

Courteous (whoever the listener is)

Tailor made staff training programs >>

A sales training program should built on the basis of five major decisions

A – Aim; C – Content; M – Method; E – Execution; E – Evaluation

Product Data (Understand price; coverage; exclusion; working application of product)

Ease & efficiency in solving customer problems; related product & customer requirements

Sales Technique (Less of push and more of understanding the customer needs)

Market Information (Aware off "WHO" should buy the product & also WHY & HOW)

Ensures that prospective clients are recognized and are well canvassed at

Company Information (Image of company - mission & vision of the organization)

Better morale and able to create a positive image in the customer mind

Enhances confidence & reduce uncertainty and lower turnover

>>Tailor made staff training programs

Handbook in a vernacular language giving basics of insurance

Making aware of the claim process along with TAT at various policy stage

MCQ test followed by every training module

Involvement more of local NGO/ MFI or individual agents

Regular Feedback on the process and on market – "OWNERSHIP"

Capacity building programs – retraining modules

Involvement during designing of forms in vernacular languages

Involvement in designing market campaigns – "BELONGINGNESS"

Promotional Mix>>

- Organizing health camps*: Spreading awareness on common diseases/ailments
- Creates a brand image and more importantly brand association with customer
- Participate in local festival by organizing a mela/ fair
- Right place to spread any message – Adopting to their culture & society
- Wall painting/poster advertisements on school walls, railway station/bus stop
- Involve local people – Giving them ownership (speak more on need of insurance)
- Use of pamphlets; brochures & flyers (speak more on product less on company)
- Use local language to reach people's mind

* Such Awareness / Prevention Campaign Program should be conducted at Local Body meeting

>>Promotional Mix

- Sponsor a local movie and show a marketing film in the interval
- Spread the message: Need of insurance (in much filmy way with song and humor)
- Road Shows: A right place to distribute product brochure & pamphlet
- Involve local people and local government body
- Arrange meeting/claim award ceremony at the municipality / local body office
- Discuss the cases relating to claim settlement and repudiation: Create trust
- Involve the local leader to spread the message: As people trust him /her more
- Voice of the post master of the area: As people have more faith on him

* Radio and TV won't create much impact as 40% of people are without both

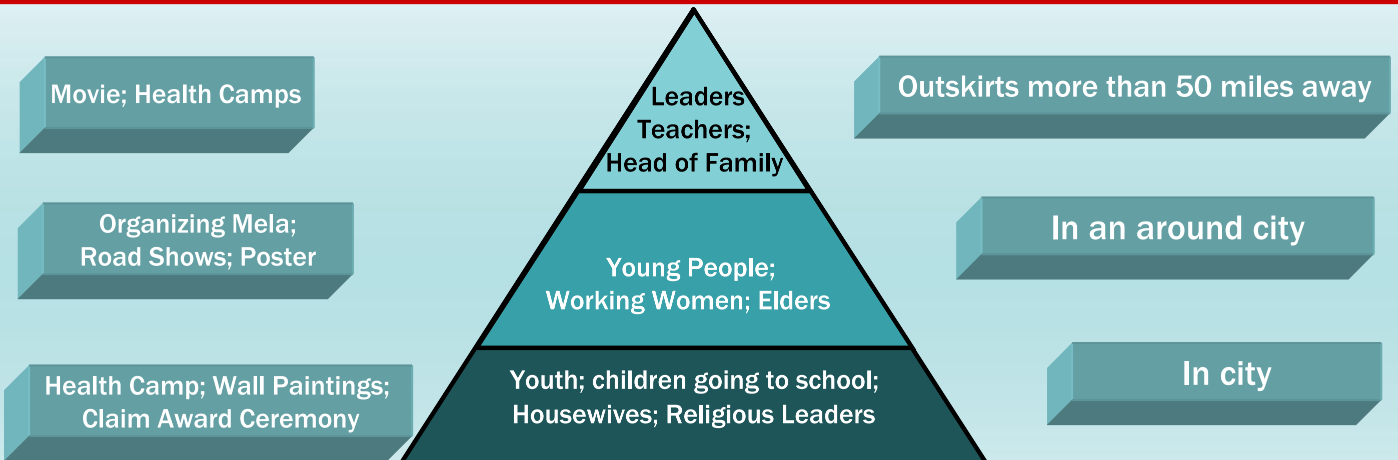
It works differently at different place

Key challenge is sheer spread and diversity

Culture & Belief

Language Barrier & Communication Gap

Locally available channels are effective "TRUST IS THE CORNER STONE OF RELATIONSHIPS"



As there is no unique and efficient distribution channel to cater the entire market so is here there is no unique promotional activity which can educate one and all at one time.

Challenges with solutions

CHALLENGES	SOLUTIONS
PRODUCT DESIGN	Cashless/Co pay as per situation + Additional Benefits + Free Consultations
AFFORDABITY	Low cost product + premium as per place, age occupation and no. of enrollees/policy
ANTI SELECTION	Tie up with local NGO/MFI covering all members involving the local govt./body
DISTRIBUTION	NGO/MFI/Agent making them stakeholder of various awareness program; Ownership
CUSTOMER EDUCATION	Use of various promotional mix & making presence felt always

Change Happens

Anticipate Change

Monitor Change

Adapt To Change Quickly

Change

Enjoy Change !

Be Ready To Change Quickly & Enjoy It Again.

"It is not because things are difficult that we do not dare, it is because we do not dare that things are difficult."

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