Force-multipliers for Rural Life Insurance

Agencies

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India's major opportunities lie in the 70% of its population in the Rural Sector.

With the liberalisation of the insurance industry market in the country in 2000, its penetration increased from 1.77 per cent in 2000 to 4.10 per cent in 2006-07. Although it declined slightly to 4 per cent in 2007-08, life insurance penetration in year 2008-09 was 4.30 per cent.

One can take heart in the fact that, according to the RNCOS report on 'Emerging Rural Insurance Market in India, the total life insurance premiums market in India has the potential to grow from Rs 16,8600 crore (Nearly US$ 42.85 billion) in 2006-07 to Rs 1,230,000 crore (nearly US$312.6 billion) by 2010-11.

Where else would these numbers come from but where the majority of the population belongs to – the rural sector?

The under-penetrated rural market holds tremendous growth opportunities for life insurance companies. Because, not only a fillip is seen in the market's commercial viability, that is rising incomes, but also the fact that saving is a habit for most Indians in rural areas, although not through formal financial modes or institutions. These savings can be channelised into insurance.

Coming together of forces

Considering the potential that the rural and social sectors offer in improving insurance penetration for the uninsured sections of the population, it has become imperative for entities to pool in their resources to better risk management, innovations on product design and distribution, infusing technology and greater investments.

Canara HSBC Oriental Bank of Commerce Life Insurance is a case in point – a JV between Canara Bank, HSBC and Oriental Bank of Commerce. All shareholders have strong penetration and a number of successful social and rural sector initiatives to their credit, which has created strong trust and provides a captive market for the life insurance JV.