Learning Journey

ICICI Prudential Life Insurance Company Ltd

Microinsurance for Tea Planters

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Project Basics

About the project

ICICI Prudential is piloting a term life insurance with a savings component delivered to groups of tea workers through intermediary agencies. The intention is to significantly reduce transaction costs and improve customer service and overall efficiency by using an aggregating distribution channel supported by technology. Intermediary agencies would be trained to create awareness, enroll policy holders, collect premiums, facilitate claims settlement and provide customer service.

ICICI Prudential launched its Rural Business Channel in February 2007 and has established a strong service delivery infrastructure through more than 300 micro offices in India. It has more than 200 rural offices, in addition to partnerships with other distribution channels such as Micro Finance Institutions, to increase access and service. Based on six years of microinsurance experience, the company is reengineering its delivery systems to improve the viability of microinsurance products. The project innovates by (1) tying delivery channels more closely to both the insurer and the insured and (2) using an online service delivery system to reduce the costs of serving low-income persons significantly. Pre-defined targets - such as reducing premiums significantly – are among ICICI Prudential’s strategies that make microinsurance more affordable to low-income individuals.

Diagram 1.

1. ICICI Prudential sets up a service centre at each tea garden which serves as contact points for

2. The service centre is provided with a desktop loaded with the required software linked up to ICICI’s Management Information

3. Data is processed online. Data is collected at the service centre, sent to central operation, verified and in case of no error, policy is issued. Premium payment is done through electronic clearing system. No physical flow of documents, policy will be printed at the service centre. Fast and Effective
Diagram 1 models the delivery system that ICICI Prudential is implementing with tea plantation workers through this project. A key feature of the system is the collection of premiums through the service centres located at the tea gardens given that tea workers cannot afford to miss a day’s work.

<table>
<thead>
<tr>
<th><strong>Project Summary</strong></th>
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<tbody>
<tr>
<td><strong>Project Name:</strong></td>
</tr>
<tr>
<td><strong>Project Start Date:</strong></td>
</tr>
<tr>
<td><strong>Duration:</strong></td>
</tr>
<tr>
<td><strong>Country:</strong></td>
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<td><strong>Product:</strong></td>
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Project Updates

Key Indicators

The following performance indicators are valid as of August 2011.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>December 2009</th>
<th>March 2010</th>
<th>May 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of beneficiaries with accepted premium</td>
<td>1</td>
<td>1,059</td>
<td>2300</td>
</tr>
<tr>
<td>Number of claims (since Jan 2010)</td>
<td>0</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Number of lapsations (since Jan 2010)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
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What is happening?

As of Nov 2008

Product was approved by the Insurance Regulatory and Development Authority (IRDA) end of November, almost two months behind schedule, causing delays in project implementation. The process of online delivery has been identified, and proposals from 3 IT companies have just been received. Options for marketing were explored (five options were considered: the community video volunteers concept, street plays workshop in collaboration with local NGOs, mobile video screening, organizing workshops by ICICI Prudential employees in canopies inside tea gardens, and stationary in English with translation in Assamese, the local language) and after thorough evaluations, a tie-up with the Video Volunteers for the production of community video units was forged. Consumer education materials are being designed. The profile of the sales force has been identified, in consideration of the unique realities of the target market, and recruitment is expected to commence soon.

As of Nov 2009

ICICI Prudential has entered into a partnership with Mc Leod Russel India (MRIL), the largest tea producer in the world, managing six estates. Six service centers in these tea estates are being set up. Two Bank Assurance Officers and six Corporate Processing Agents (CPAs) have been hired amongst the educated unemployed tea tribe youths. A five-day consumer education and financial literacy workshop in association with Indian School of Microfinance for Women (ISMW) was conducted. The workshop, participated by 6-7 worker representatives from each of the six estates, focused on visioning, financial planning, cash management, savings, wasteful expenses, credit, investments, insurance and budgeting, all imparted through role plays, games, movies, etc. Baseline research preparations have been started to address learning agenda questions in a more structured way.

As of May 2010

ICICI Prudential has completed setting up the six service centers. More members of the team were hired: three financial services consultant and thirteen CPAs. Participants of the consumer education and financial literacy program set a day to conduct a mass awareness day for each of their estates. Four mass awareness campaigns were organized with an average attendance of around 500 laborers. This expansive financial literacy initiative touching upon issues affecting the workers’ socio-economic life in an innovative model generated interest and enthusiasm in the community, as well as activities like
street plays focusing on relevant themes like alcoholism. AASAA (All Adivasi Student Association of Assam - a youth union for all the tea tribes’ community in Assam) has approached the CVU to express support. The tea estate management has also suggested taking up themes like safety at work and environmental issues.

A Memorandum of Understanding with the Video Volunteers has been signed and a Community Video Unit (CVU) has been set up in the tea estate to build the capacity of the workers to produce videos of their own experience on health-hygiene, education, insurance and savings. In terms of consumer education, the CVU has conducted PRA (Participatory Rural Appraisal) exercises in all the six estates; training of producers is ongoing; plays at schools and colleges on Malaria and Hygiene, together with street plays at labor lines on alcoholism, safe sex, family planning, and domestic violence have been successfully conducted. Marketing collateral has been distributed in the households and big umbrellas have been placed in tea gardens as part of promotional campaign. Some processes related to policy issuance and continuation have been revamped to make it more customer-friendly. Field work and data collection across four tea estates comprising 600 sample sizes has been started.

Staffing of the roles of the head of the Microinsurance Department and the project manager of the Innovation Project changed at the end of May 2010. In addition, a Microinsurance Fellow is coming on board in June 2010.

As of November 2010

ICICI Prudential is seeking to scale up business operations by establishing new partnerships and deepening existing partnerships. Currently, ICICI Prudential is drafting a Memorandum of Understanding with Goodricke Tea Company, which has tea gardens in Assam and West Bengal. Frequent field visits are being carried out in two tea gardens, Nonaipara and Oranguijulie in Assam. To strengthen ties with existing partners, ICICI Prudential is offering workshops and feedback sessions with workers, initiated manpower recruitment in all 15 estates, and identified locations for service centres. In addition, ICICI Prudential has received approval from MRIL to scale up in 24 additional estates spread across four clusters. To further increase awareness and training, campaigns were conducted in 6 tea estates in the Mangaldoi district of Assam. These campaigns included door step financial literacy drives, educational community meetings providing information on product features, policy lapsation and continuation, and street plays with a focus on policy continuation.

The Community Video producers of the CVU have now completed 11 videos with the help of Video Volunteers. As a result of the success of the project in generating enthusiasm and developing trust within the community, new projects are underway including a baseline survey to identify social issues in the region, street plays on issues such as hygiene and malaria prevention, and experience sharing on vocational training.

The project continues to boast 100 percent policy continuation or zero lapsation. In order to obtain such an impressive continuation rate, ICICI Prudential follows up with absentee workers, permits workers to deduct from a spouse’s wage in case of cash deficits, and sends the request for premium payments fifteen days prior to the due date. ICICI Prudential continues to strengthen its relationship with clients by offering brochures printed in the regional language and upgrading the software module to reduce the lag time in policy issuance and policy document generation.

The first death claim was received on 15 July, and the claim was settled in the name of the tea estates. A cash payment was delivered to the home of the policy holder’s family.
As of July 2011

The product Anmol Nivesh was withheld by ICICI Prudential due to changes in ULIP guidelines (Unit linked Insurance Plans) by the regulator in Aug 2010. Based on feedback from the market and initial observations, ICICI Prudential decided to redesign a product suitable for delivery through employers.

While awaiting regulatory approval on the refilled product specifications, ICICI Prudential continues to focus on consumer education, social awareness campaigns and policy continuation campaign. To promote consumer education, ICICI Prudential is conducting home visits to raise awareness of the importance of financial management and good savings habits. The visits targeted households that are in the current target pool but did not enrol during the first phase of the insurance enrolments. In addition, ICICI Prudential is reaching out to local leaders from the tea gardens as they begin to expand the microinsurance scheme in new areas.

In February 2011, JAWA CVU completed technical training in video production giving the team the necessary tools and knowledge to independently manage the production of short films. With the help of a Fellow, JAWA prepared an action plan for the next twelve months including a list of topics for video production and a process manual for the production cycle of a video. JAWA has also started the production of a short film on financial services, produced mini-films on a variety of educational topics, and produced four news reports on real events and social issues. The first film screenings have been a success. A film on education was viewed by over 4,000 people (40% of the total worker population) in 6 tea gardens between December 2010 and February 2011.

ICICI Prudential has continued its practice of making household visits to clients who are absent from work to maintain continuation rates of 100 percent. To increase the effectiveness of the visits and help motivate workers, local ICICI Prudential staff were accompanied by local leaders from the trade union, mothers’ club or tea company. Through regular analysis of attendance records, ICICI Prudential found that workers take paid and unpaid holidays in the period from December to February, and are therefore more likely to be found absent from work than in other times of the year, thereby affecting automatic policy premium payments.

As of March 2014

Since further sales of Anmol Nivesh had been stopped due to regulatory guidelines, ICICI Prudential went back to the tea gardens and the workers to explore possibilities for other savings-based life insurance products. A new product was then developed – Anmol Bachat (precious savings) and submitted to the regulator for approval. The product was approved towards the end of 2013 and introduced with a fully digitized enrolment process.

The product had a variable term of 5, 10 or 15 years and annual premiums varying from US$ 20 to US$ 70. Product modifications included a liquidity option for 10 and 15 year term policies, an increased entry age (up to 55 years), a single pay option and no exposure to market fluctuations. The product was also filed as a microinsurance product, so is available for only this segment of the population. Building on experiences of partnerships with large distributors, various process changes were also introduced:

- The client is given instant acknowledgement of their application with an application form number, which can be used for filing a claim, in case the policy document is misplaced.
• Premium collected is now carried out directly by the respective tea garden online, whereas earlier physical claim documents had to be sent to the insurer.
• Claims can be registered online from the common service centers established within the tea garden, removing the need to go to the insurer’s branch which may be far away from the insured.

Seven new service centres have been set up in addition to the existing six to provide better access to the tea garden workers and improve services. This helped the insurer to sell 2,242 new policies.
**Project Lessons**

**On process improvements and efficiency through technology**

The feasibility of rolling-out the IT system in service centres should have been considered more carefully. The system is internet-based and during implementation it was discovered that the internet connection in service centres was quite slow. To compound this problem, power interruptions were frequent. While these problems did not render the technology completely useless, they did create occasional delays in responding to customers and in data flow.

A new process had to be designed to streamline policy issuance and continuation and contain costs. All application numbers were generated online and data was entered in the system by an officer in the service centre. All KYC (Know Your Customer) documents were collected from the customer. However, unlike the usual ICICI Prudential process, there was no physical flow of documents. The physical copies of all identity and payment documents, such as drafts, were scanned. The scanned images were mailed to the central operations team in Mumbai who verified them online and completed the issuance. Post issuance the welcome kits were generated online. The kits were then printed at the service centre and handed to the customer.

The introduction of the new technology-driven processes has helped to bring down the cost of sales and reduce servicing turnaround times. A reduction in costs of 60% has been achieved due to the digitized process. Claim turnaround times have been reduced from 10 days to 5-7 days.

The technology and process improvements have also helped in building trust. In the current sales process instant acknowledgement is handed over to the client with the application form number. In case the policy document is misplaced, the acknowledgement number can be used for making a claim. The claims can also be registered online from the common service centers established within the tea gardens, which reduces the problems for the tea estate workers.

**On the impact of awareness campaigns**

The mode and method of the awareness campaign need to be carefully selected considering not just the interests of the target audience, but also the level of possible involvement and participation of the community. Community Videos were selected because the community video units are designed, managed and delivered by the participants from the community itself, thus allowing for a better connection with the audience.

The most effective way to form a partnership with promoters of Community Videos, was to highlight areas of converging interests and mutual benefit. Community Videos, focused on social activism, was not sure of the impact of the financial literacy program. However, the partnership was forged when ICICI Prudential highlighted the benefits of this awareness campaign on the tea tribes segment, which is one of the most forgotten segments in society.

The awareness program had to be designed while taking into account the political sensitivity of the region. The team management felt that any kind of education on social or economic issues may spark activism amongst the community. ICICI Prudential decided to stick to non-controversial issues like
health, nutrition, savings, insurance, education, etc. To provide better control and delivery of the program, family members of the management staff were involved to coordinate the entire awareness campaign, starting with the hiring of CVU staff. The effectiveness of this approach will be reported in the next update of the Learning Journey.

When deciding on sensitive matters, it is prudent to involve the management of the intermediary. This approach proved effective in gaining the attention of the workers and in instilling confidence in the workers and tea estate managers on the consumer education initiatives of ICICI Prudential. Subsequently, the management decided to use the CVU to address various labor-management issues such as labour absenteeism.

To earn the trust of the workers and increase uptake, more resources should have been allocated to involve more workers from the tea estates and to financially support the participants to conduct more mass awareness campaigns. The workshop conducted by ISMW had a positive impact in terms of increased awareness of matters related to microfinance and small-scale savings among selected workers’ representatives. The approach was a combination of training and facilitated workshop with the first three days focused on the training component and the last two days on allowing participants to design modules for mass awareness campaigns for their own tea estates. The awareness campaigns focused on the benefits of the insurance and savings product and were supplemented with coverage on pressing issues such as malaria. The training could not be conducted in all the gardens due to budget constraints. Also the trainers had little incentive to conduct the training as it was mostly performed after regular working hours. ICICI Prudential feels that if more resources had been allocated, it would have been possible to create a bigger impact.

Supplementing microinsurance education with activities such as street plays that discuss relevant themes like alcoholism and safety-at-work can increase the interest, enthusiasm and participation of the community. A participatory approach in consumer awareness and education activities can increase the engagement and contribution of the community. By involving tea workers in their awareness program ICICI Prudential was able to reach out to huge communities of tea planters. These communities are usually apprehensive about any developmental initiatives, but goodwill was easily built as workers joined the initiative once they observed their peers participating in it. Such education activities that precede business implementation can encourage community to become active participants, help identify and validate problems, and generate solutions. However, a cost-benefit analysis of such activities should be undertaken since the expense of carrying out extensive consumer awareness and education activities across widespread geographical areas can be high.

Continuous and relevant consumer education combined with an effective collection mechanism aids in improving persistency for insurance products. High renewals (monthly payments of premium) of 97% suggests that households can save regularly if product benefits are well understood and payments are very easy.

On setting up an effective delivery method by an intermediary

A pre-requisite to building a partnership with a delivery channel is the channel’s awareness of two things: benefits of microinsurance for their constituents and the benefits of the partnership for the channel. ICICI Prudential created this awareness among labor unions, opinion leaders and tea estate management by highlighting the advantages of ICICI Prudential’s insurance services including doorstep
hassle-free institutional saving option with protection, customized liquidity to serve life cycle needs and premium in line with cash flow of the policy holders, skills enhancement and employment generation, and commissions for the channel.

In terms of formalizing the partnership, the signing of the Memorandum of Understanding (MoU) can take a substantial amount of time. It is important to build in sufficient time to allow for revisions in the proposed MoU document as per legal and compliance requirements.

In terms of the operational implications, several process adjustments had to be implemented by ICICI Prudential to increase relevance for the partner and target customers. Among these were: 1) the readjustment of the premium payment process from a monthly deduction from wages to a weekly deduction given that wages were paid on a weekly basis (credit of payment was still on a monthly basis); 2) in case of absenteeism resulting in the non-payment of a wage tea workers suggested deducting the premium from the wage of the spouse or children with due authorization from the policy holder; 3) in case of a death claim, policy proceeds were given to the beneficiary through the tea estate as many policyholders did not have bank accounts.

Implementing a wage deduction system for premium payment became an administrative concern. A lot of deductions (for electricity, house rent etc.) were already happening in the plantation. There was a requirement of system enhancement and customisation. Nevertheless, it proved a very effective mechanism for ensuring regular premium payments. The system changes were completed with inputs from the tea plantation management and consultation with the IT team of ICICI Prudential.

The project would have garnered larger support and acceptance across tea companies if it had been bundled with other development initiatives that the tea company was pursuing. As a result of the additional focus groups held with the tea plantation workers and dialogue with tea estate management, ICICI Prudential has realized that the integration of insurance services can be more effectively achieved if the stakeholders come together and have more dialogue, engagement and institutional rapport building at the outset and on a continuing basis. ICICI Prudential is now incorporating its financial education activities into community dialogues to gain and retain interest of the target group.

Delivery and education through an employer has proved effective and increases trust. The workers responded in a positive fashion when asked about their understanding of insurance and financial services:

- Workers believe that insurance will help them save money, and keep it safe
- They believe that insurance is good for future planning for their families
- Workers trust an insurance company recommended by their tea estate for enrolments
- 84% agrees that savings are important for long term security
- 63% believes that savings are important to meet the future expected and unexpected expenses
- 66% believes that money planning is important to balance present desires and future needs.

On Project Management

In the case of a new product, do not underestimate the time needed for product approval. In the case of ICICI Prudential, project start-up was delayed for almost two months because of the unanticipated delay in securing an approval from the IRDA.
On marketing and sales

The choice of the sales force should take into account the political sensitivities of the target market and the channel partner. This is a concern for ICICI Prudential because while product delivery will be through the plantation company, the sales function remains the insurer’s responsibility due to requirements by the IRDA. These considerations made ICICI Prudential arrive at three unique profiles to choose from: 1) the educated, unemployed youth from the tea tribe community with no involvement with any of the trade union/student union; 2) people from within the family members of the management staff who are well-qualified and have undertaken some voluntary work for the tea tribe community; 3) outsiders who had worked with NGOs working in health and hygiene projects of the tea tribes.
Next Actions

ICICI Prudential continues to focus on scaling operations by reaching out to households in existing estates with household visits. In addition to the 13 tea estates where the product has been introduced, it also has plans to expand to 12 more estates. ICICI Prudential will also continue to carry out consumer education through video screenings and household visits. It is targeting 22,000 new policies for 2015.

Furthermore, ICICI Prudential plans to further scale such inclusive microsavings sales models in different areas, such as Rajasthan, Tamilnadu, Punjab, Haryana, Madhya Pradesh, Gujarat, Andhra Pradesh, Karnataka & Maharashtra; through further channels, including ICICI Bank; and among other groups like farmers, self-help groups and self-employed groups.