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## CHAPTER 6

### CONCLUSIONS AND SUGGESTIONS

#### 6.1 CONCLUSIONS

The present study of General Insurance Corporation with special reference to Rural Insurance business was carried out in Sangli district. The data and information was collected by administering questionnaire to 335 respondents from different villages from Sangli District and interviewing insurance officers. The conclusions of the study are presented in this chapter.

(1) At the outset it was noticed that the awareness of various rural insurance schemes in rural areas is very limited. In contrast to the fire, marine and motor insurance propoganda made in the urban and metropolitan areas very limited thrust is given by the insurance companies to the spread of rural insurance in rural areas. No special efforts have been made by the insurance companies especially in this area.

(2) In addition to the illiteracy and ignorance on the part of the rural folks about rural insurance, there appears to be more misunderstanding and misconceptions about insurance company practices as well as different insurance covers and the risk covered. Farmers experience lot of difficulties in fulfilling the formalities and

producing various documents especially, when the claims are to be made. It appears that this is the major hindrance in opting many farmers any rural insurance cover.

(3) Out of the various insurance covers available, only cow, buffalo, bullock, he-buffalo, poultry, agricultural pumpset, gohar gas plant, animal driven cart/tonga, grape crop, new well, janata personal accident, and gramian personal accident insurance policies are taken by the rural folk from Sangli District.

(4) Majority of the respondents who are holding currently one or the other policy as well as those who have taken in past but not continued presently, have taken respective policy only due to compulsion made by the bank/society because they have taken loan for purchase of respective asset. Those who have taken in past due to loan have not continued this year because they have repaid the loan and hence are out of the obligation of bank/society.

(5) Out of 335 respondents 116 respondents have never thought of taking the benefit of any insurance cover mainly because they feel that if the assets are maintained properly, there is no need to pay premium and get a policy. Besides this, some are unaware of existence of such schemes. Some feel that the premiums are relatively higher than the risks covered. Others have become cautious since their fellow-farmers had bad experience in the settlement of their claims.

(6) The farmers who own livestock are of the opinion that in case due to some or the other reasons their livestock becomes non-productive they can simply sell and purchase the new one. Hence, there is absolutely no need for insurance. Further they feel that if there is no loss/damage in the insurance period, the premiums paid are not repaid and results in loss to them.

(7) Those who rear sheep and goat do not prefer to take any policy. This is because the animal reproduce normally twice a year. Such two or three reproductions and the sale of the young-ones fetch the owner more than the price of the animal. Secondly, sheep and goats hardly encounter any disease and in case the animal is unwell, they prefer to sell. Similar opinions are expressed by cattle owners.

(8) The farmers who cultivate different crops also are reluctant to take any insurance. As such the State and Central Governments pay part of the premium in case Jowar and Bajari crops. In Sangli District no crop insurance is being taken by any farmer so far.

(9) Though Sangli District is characterised by grape cultivation, the extent at which the grape cultivators take grape insurance is very insignificant. There are various reasons for this. Firstly, the grape insurance is insured on the input cost and not the output expected. Secondly, though the input cost is more, the crop is insured only for Rs. 40,000 per acre. Besides this, the risks covered are limited

and are conservative in nature, for instance, heavy rainfall in rainy season, different types of diseases, etc. Hence, the grape cultivators do not opt to take insurance cover for various reasons. The farmers feel that when they incur 50 per cent loss in the farm, the loss increases to 70 per cent when the grapes reach market. However, the insurance company only pays maximum 20 per cent of the claim made. Besides this, the surveyor or agent hardly come in time to inspect the loss, which is one of the important preconditions to be fulfilled while making the claim. By the time, they come the loss increases further to 20 per cent.

(10) The grape cultivators feel that the expected output per acre for a grape garden is around Rs. 1 to Rs. 1.5 lakhs. Hence, the insurance company should give the cover for Rs. 1 lakh. At the time of claim settlement, input costs like fertilizer, insecticide, and labour should be included. The risk covered should be broadened. The farmers would not then have reservation to take crop insurance cover.

(11) Poultry is done either a main business or side business in this area. Almost all the poultry owners are aware of poultry insurance scheme. However, the response to this insurance is surprisingly low despite large number of risk encountered. The major reasons being the premium is high, claim settlement is delayed, the procedure followed in registering the claim is cumbersome, the death birds record keeping is elaborative.

(12) The poultry premium for the entire period of 72 weeks is taken initially. However, the claim can only be made after completion of 72 weeks. The claims are then scrutinised and the payment is obtained after 2 years or so. As such, poultry business is high-risk prone. The disease like Gamboro or R. D. results in almost all death of birds in the shade. Despite this, due to above reasons the poultry owners do not take any insurance cover. In addition, the operative costs have significantly increased and the egg price is decided by NEEC. This does not permit them to shoulder an <sup>i</sup>additional premium burden. The poultry bird of 20 to 25 weeks fetches a market price of Rs. 50 to Rs. 60 and in case of death of such bird, the insurance company pays substantial low amount.

(13) Very few farmers take agricultural pumpset policy. This is attributed to less risk coverage, delayed claim settlement, untimely visit of surveyor in case of damage, ceiling on claim as per horse power of pump, etc. The farmers complained that when the surveyor does not visit for 10-15 days after intimation of damage, the crop does not get water during that time. In case they carry out the repairs, the insurance company does not permit any such claims. This practical problem does not warrant them to take the insurance cover.

(14) Out of total 335 respondents surveyed, 14.13 per cent grape cultivators, 48.95 per cent cattle owners, 33.82 per cent sheep and goat owners, 20.50 per cent agricultural pumpset owners, 9.28 per cent

animal cart owners, 18.75 per cent poultry owners and 8.33 per cent new well owners, 4.48 per cent Janata/Gramin Personal Accident policy have undertaken respective insurance cover. Among these, it is further noticed that the majority (80 to 90 per cent) have taken respective policy only because it was made compulsory by the bank or society since they have taken loan for undertaking respective activity. Thus, the proportion of voluntary policy takers is significantly negligible.

(15) According to the insurance company the rural insurance has penetrated into the rural India, though not to 100 per cent but at least to 80 per cent. The free medication camps, shibirs, agents help significantly to understand the importance and benefits of having a particular insurance cover.

(16) In spite of this, the insurance officials feel that the rural insurance business has not gathered sufficient momentum due to various reasons like, illiteracy and conservative approach of rural folks, proper care and maintenance of the assets under their possession, misunderstanding and misconception about insurance company as regards claim settlement, elaborate documentation involved in making a claim, etc.

(17) There are two types of premiums - one for those under IRDP and the other under non-IRDP scheme. The premiums are just and adequate since they are scientifically fixed by the Chairmen of four subsidiary

companies of GIC, Advisory Tariff Committee and other experts at all India level. The policy, risks and the exclusions are decided by this body itself after an indepth study and adopting a wholistic approach.

(18) The procedure of making a claim is simple and easy to understand by a common man. The main reasons for delay in claim settlement is due to non-compliance of documentary evidence, and at times, making false claims. The amount of claims settled is not at all decided by the insurance company but is entrusted to the competent personnel in the field like surveyors and veterinary doctors. In case of the livestock claim, the amount settled depends on the original price of the animal, age, breed, physical condition and in case of milching animal the capacity to give milk, all these parameters are scientifically set.

(19) According to the veterinary doctors, almost all kinds of animals and birds are prone to one or the other kind of disease. The diseases are however, not common in all animals/birds. The diseases can broadly be divided in to five types namely, ordinary diseases, frequent illness, serious diseases, contagious diseases, and seasonal illness. Poultry birds have high risk of any disease as compared to any other birds/animals. The cross-bred animals as well as foreign breed animals are more prone to any disease than the domestic. Hence, from the point of veterinary doctors it is must to have policy for such types of animals/birds to reduce the risk in eventuality.



(20) The study of the rural insurance business of the four insurance companies in Sangli District reveals that the cattle insurance, sheep and goat, poultry, and agricultural pump set insurance covers are taken to a major extent. Among the four insurance companies, the New India Assurance Co. Ltd., and the Oriental Insurance Co. Ltd., have major market share of rural insurance in Sangli District. The other rural insurance covers taken by the rural folks in this area are Janata Personal/Gramin Accident Policy, Hut Insurance, Animal Driven Cart/Tonga, and Lift Irrigation, however, the percentage of these to the total rural insurance is significantly low.

## 6.2 SUGGESTIONS

(1) In view of very low extent of awareness of rural insurance policies, their benefits and misconceptions about such policies, a major advertising campaign has to be undertaken by the General Insurance Company, similar to that of Life Insurance Corporation. This can be done through advertisement in local dailies, shibirs, free vaccination camps, T. V., Radio, and insurance agents.

(2) Suitable arrangement should be made by the General Insurance Companies through its subsidiaries, to see that the necessary formalities for the insurance claims should be completed through its own infrastructure in view of the difficulties faced by the illiterate rural folks, which inturn delays the claim settlement and create unnecessary misunderstanding about the insurance company working.

(3) In view of the complaints and the difficulties expressed by the respondents in the present study, it is necessary to review all the rural insurance policies, the risks coverage should be broadened and the premium rates be moderated. Especially, it should be noted that in case of animal covers almost all diseases should be covered under the risk.

(4) The grape cultivators have very strong reservations against the Tariff Advisory Committee's recommendation of sanctioning Rs. 40,000 for loss per acre. They feel that this should be increased taking into consideration the inflation and the cost of input. It is further suggested that the claims should be based on the output price instead of the input cost and more risks should be covered in the policy. It is expected that if these wants are fulfilled there will be more demand for grape insurance policy.

(5) In case of poultry birds insurance, the claims are settled only after completion of 72 weeks despite of birds' death any time during this period. This is highly inconvenient to the poultry owners and severely affects their liquidity. Hence, the claims especially, in case of poultry should be settled immediately after due formalities are completed. The rates of premiums are also said to <sup>be</sup> high which compel the poultry owners not to opt for such cover.

(6) In the course of this study, there were allegations from both sides namely, farmers and insurance officials. According to farmers the

officials at times take bribe to settle the claim or to manipulate the claim. At the same time, the insurance officials charge few farmers to put a false claim. This can be avoided provided there is good administrative set-up devised in the field area. Under this setup, there should be a fullfledged veterinary doctor, agent, and supervisory staff, appointed by the GIC, to periodically check up the day-to-day operations. Appointment of Liason Officer may help the GIC to have constant contact and interactions with the insurance field staff and the farmers. This will not only increase the awareness about insurance policies but also will help to administer the schemes professionally.

(7) The insurance officials agree that the administrative staff is inadequate at present. The appointments are made by GIC itself and the Divisional Offices have no say in this. They just carry on the work. This perhaps may be the major reason for ill-opinion about the working of insurance company. It is necessary to increase the number of Development Officers.

(8) In the present setup any person can get policy at any place irrespective of his location of business. Similarly, any agent can handle business any where. This open-door policy needs to be revived and areawise agents have to be employed. This will enable them to look after the area and problems of the policy holder and ensure better and prompt customer satisfaction.

(9) The agents grumble of low rate of commission. This makes the insurance business non-lucrative to them and they are less motivated. In view of this either the commission rates may be increased or the agents should be appointed based on the salary and work as employees of the insurance company.

(10) On the lines of LIC and banks, GIC must also try out schemes of (Samanya Bima Gram) General Insurance Village. This would create awareness among the villagers about General Insurance. The scheme should take door to door survey of villages for assessing existing and potential insurance needs.

(11) At Regional Office level, separate publicity department should be formed and these offices should be equipped with sufficient number of publicity vans and cinema projectors as in the LIC. The use of posters, hoardings and wall painting should be made.

(12) All forms and policy documents, premium receipts and covernotes should be translated into the language of the State.

(13) Composite/comprehensive covers with all conceivable risks of a rural household should <sup>be</sup> promoted. This will eliminate possibility of any omission of cover and would be economical to the insured and the insurer.

(14) The office procedures of acceptance and settlement of claims in rural areas should be simplified and claims should be settled on minimum requirements and documents.

(15) The training programmes should be organised for agents/rural representatives and regular meetings should be conducted.

(16) It is necessary to approach and keep rapport with financial institutions, consumer associations, voluntary agencies, and Govt. departments engaged in rural development, to impress upon them the benefits of various rural insurance schemes. These agencies in turn will insist upon the borrowers to insure their assets.

To conclude, there is vast potential for the development of general insurance in rural areas, in general and in Sangli District in particular. For this it is necessary to adopt strategies like to penetrate the rural masses, inculcate insurance awareness, understand and assimilate characteristics of buyers, evolve benefiting covers suiting all pockets, implement risk improvement and loss minimisation.