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KEY FINDINGS

From the ICMIF country diagnostic study on mutual and cooperative microinsurance in India

July 2017

The International Cooperative and Mutual Insurance Federation (ICMIF) in association with the Insurance Institute of India (III)



“ Two thirds (64%) of respondents in a recent survey failed to identify whether they had bought a life or health insurance policy, without the help of the survey interviewer.”

Asia Insurance Review, “2 in 3 are risk-averse and opt for traditional insurance”, March 2016

“ People want someone to come to their home, explain the benefits of health insurance. So, these are some of the reasons why health insurance has not achieved higher penetration.”

Mr G Srinivasan, Chairman and Managing Director of The New India Assurance, Asia Insurance Review, “Health insurance market forecast to grow at 20% p.a.”, February 2016

“ Medicines constitute as much as 46% of non-communicable diseases-related out-of-pocket health expenses of households.”

Financial Express, “Regulator asks insurers to control management expenses”, March 2016

“ The same survey (National Sample Survey) from April 2016 also found that in rural areas, the second most important reason for not having health insurance was cited as 'no medical facility available in neighborhood', accounting for 15 per cent of cases.”

The Hindu, “Health cover, too little too scarce”, April 2016

THE MICROINSURANCE SECTOR IN INDIA

India leads the microinsurance coverage in Asia with over 422 million lives and properties reported covered under various voluntary and social microinsurance schemes. For the period 2010-2012, microinsurance in India witnessed an annual growth rate of 30% and accounted for almost 70% of the growth in voluntary microinsurance in Asia¹.

Figure 1: Microinsurance models in India



COMPULSORY MODEL (INSURANCE BUNDLED WITH CREDIT PRODUCTS)

- ▶ Emerged out of “piggybacking” insurance with a fast-moving microcredit product
- ▶ Credit life and index-based weather insurance products
- ▶ Limitation: Outreach limited to microcredit customers

SUBSIDIZED MODEL / SOCIAL INSURANCE

- ▶ Premiums subsidized by the government, quickly acquired and in huge volumes
- ▶ Term life, agriculture and health insurance covers offered to the ultra-poor households
- ▶ Limitation: Lack of information and facilitation at the ground level and absence of effective monitoring mechanisms

VOLUNTARY MODEL (INCLUDES MUTUAL INSURANCE)

- ▶ Promotes microinsurance through hard selling, such as the mainstream insurance sector
- ▶ Comprises a partner-agent arrangement with mainstream insurers as well as mutuals
- ▶ Limitation: problems of scalability, financial viability and misselling, besides the inability to offer inorganic growth

¹ The Landscape of Microinsurance in Asia and Oceania – Briefing Note GIZ and Munich Re, 2013



LESS THAN 10% OF THE INDIAN POPULATION HAVE INSURANCE

Despite the growth of microinsurance in recent years, less than 10% of the Indian population and only 14.7% of the potential microinsurance market in the country are covered. In terms of coverage ratio (ie the number of people covered as a proportion of the target population), India was behind the Philippines (20.6%) and Thailand (13.9%) and much below South Africa which had a coverage ratio of more than 50% in 2011².

The failure of commercial microinsurance providers to meet the needs of the poor may be attributed to a lack of motivation by both insurers and distributors, and most commercial insurers still view microinsurance as a regulatory obligation³.

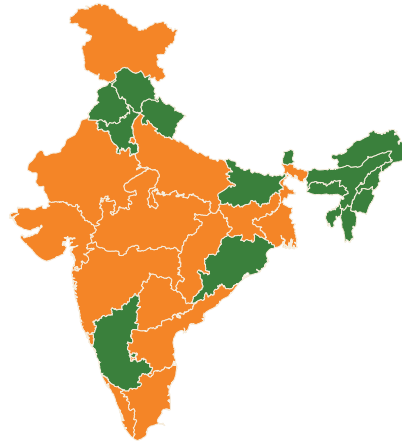
Furthermore, insurers do not make any money from it. For example, Indian insurance companies are consistently losing money on crop insurance, which accounts for only 6% of their overall portfolio, despite being the fourth largest segment in terms of premium collected⁴.

As a result, insurers and supply chains have failed to provide innovative, sustainable and scalable microinsurance systems⁵, which can be connected to a lack of efficiency.

THE MUTUAL SECTOR IN INDIA

According to the study there are 15 mutuals and cooperatives, across 13 States, providing insurance services to approximately 1 million people using risk retention or risk sharing models.

There were mutual insurance companies in existence even before the country's independence in 1947 however since the Insurance Laws Amendment Act of 2015, mutuals seem to have been excluded from its scope. Therefore the MCCO (Mutuals, Cooperatives and Community-based Organisations) space within the overall insurance and microinsurance environment of India is still very small.



**IN INDIA
THERE ARE
15 MUTUALS AND COOPERATIVES
ACROSS
13 STATES**

CHARACTERISTICS OF MCCOs IN INDIA:

- ▶ Low-income clients with women-led membership
- ▶ Presence in most parts of the country
- ▶ Limited outreach
- ▶ Product portfolio consists of health, credit life and cattle
- ▶ Non-profit and community-based governance
- ▶ Simplified claims processes that buck moral hazard
- ▶ Small ticket size premiums and priority to risk reduction services
- ▶ Product designed in consultation with communities
- ▶ Focus on insurance education
- ▶ Existence of a grievance redressal mechanism
- ▶ Financial sustainability

² *The Landscape of Microinsurance in Asia and Oceania* – Briefing Note, GIZ and Munich Re, 2013

³ *MicroSave India Focus Note 88, Challenges of Microinsurance in India*, MicroSave 2013

⁴ *Why crop insurance has come a cropper in India*. Live Mint, 9 June 2016

Source: <http://www.livemint.com/Politics/btcTLmLxDtXiOTKToICKLL/Why-crop-insurance-in-India-has-come-a-cropper.html>

⁵ *MicroSave India Focus Note 88: Challenges of Microinsurance in India*, MicroSave 2013

Figure 2: SWOT analysis of MCCOs in India



STRENGTHS

- ▶ People-first approach; policyholders are owners
- ▶ Community-led model
- ▶ Customized products
- ▶ Better client value

WEAKNESSES

- ▶ Lack of efficient MISs
- ▶ Complex operational models
- ▶ Insufficient capital infusion
- ▶ Underutilization of technology

OPPORTUNITIES

- ▶ Huge potential to scale up, with 250 million cooperative members in India
- ▶ Government's emphasis on financial inclusion
- ▶ Availability of new avenues of funding such as CSR, focus on the United Nations (UN) Sustainable Development Goals (SDGs) and established mutuals via the 5-5-5 Strategy

THREATS

- ▶ Lack of regulation and recognition by the Government
- ▶ No reinsurance facility
- ▶ Limited donor and investor interest



CASE STUDIES FEATURED IN REPORT

- ▶ Uplift Mutuals
- ▶ DHAN Foundation
- ▶ The Goat Trust
- ▶ VimoSEWA
- ▶ Society for Elimination of Rural Poverty (SERP)
- ▶ ESAF Swaraya Multi State Cooperative Credit Society Limited (ESCCO)
- ▶ Calcutta Hospital & Nursing Home Benefits Association Limited (CHNHBA)

KEY TAKEAWAYS

1 A distinct Alternative Risk Management (ARM) model of MCCOs primarily catering to the low-income population has evolved and exists in the country.

2 These MCCOs are building an inclusive, bottoms-up risk reduction model where low-income families get a say in the design and delivery of insurance services.

3 The potential for developing MCCOs is huge in India.

4 MCCOs need support to scale-up and be sustainable.

5 The time has come for the Government/regulator to recognize this model if not regulate it; self-regulation could be a viable alternative.

6 MCCOs and commercial insurers can collaborate to provide efficient risk management to the low-income population.

RECOMMENDATIONS

Figure 3: Three recommendations based on country diagnostics



MACRO LEVEL - ADVOCACY FOR MCCOs


Advocate for specific enabling legislation leading to recognition (if not regulation) of MCCOs as a viable ARM mechanism for achieving inclusive growth.

MESO LEVEL - ORGANIZING MCCOs

Organize MCCOs under international forums, such as ICMIF. As policymakers may not be aware of the model and the parties involved many not have the capacity to secure their rights, there is a strong case for external support by way of advocacy and providing proof of concept.

MICRO LEVEL - CREATING EVIDENCE ON THE GROUND

Support existing MCCOs with scaling up through financial and technical support, and help establish new MCCOs to demonstrate proof of concept.



“ I called UPLIFT’S 24x7 helpline number and was directed to V.N Desai hospital immediately. After just 2 days of proper medical attention at the hospital, my daughter was back on her feet. I am glad that apart from the guidance we are also receiving our reimbursement cheque of INR 5,000 (USD 74).”

Ms Mistry, policyholder, Uplift Mutuals

“ Last year my child fell sick. I took him to a nearby doctor who said it was serious and he needed hospitalization and would cost 20-25,000 rupees (USD 300 – 385)... I didn’t have that kind of money. When I contacted Uplift Network Hospital for the same the doctor there said not to worry. I was so mentally relieved. MRI, CATSCAN, everything was done for 3,000 rupees (USD 46) only.”

Kanchan Salunke, policyholder, Uplift Mutuals

“ When Mayaben fell ill she had to be hospitalised for 3 days and had to spend a lot of money. But Mayaben had insurance - in fact she had been buying insurance for over three years and so when she was admitted she did not have to worry. She received 5,000 INR (77 USD) as her claim reimbursement. 'Insurance has been really helpful, if one suddenly falls ill and has to be hospitalised the insurance is there to help.'”

Mayaben, policyholder, VimoSEWA

“ Mrs Pottaiammal is blind. Her husband was a cooli - they fetched and carried their entire lives. They had been together so long Mrs Pottaiammal doesn’t even know how long. One night her husband died suddenly. 'I had no idea how to go on. How could I live like this?' she said. But the couple were insured and she received 10,000 INR (154 USD) which has allowed her to plan her future.”

S. Pottaiammal, policyholder, DHAN Foundation



The Insurance Institute of India (III), was established in the year 1955, for the purpose of promoting insurance education and training in India. III courses leading to Associate/ Fellow (AIII/FIII) certifications, specialized Diploma and training programs conducted by its College of Insurance are held in esteem both by the regulator and the industry in India and in many other countries. In its role as a leading education and training provider, III is closely associated with all the segments of the insurance industry which includes the Insurance Regulatory and Development Authority of India (IRDAI), both public and private sector insurance companies. III is Member of the Institute of Global Insurance Education (IGIE) and involved with global bodies like the International Insurance Society (IIS) and the Insurance Development Forum (IDF) in addition to several universities in India.

The International Cooperative and Mutual Insurance Federation (ICMIF) is a best practice organization committed to giving its members from around the world a competitive advantage. ICMIF helps to grow its mutual and cooperative insurance member organizations by sharing strategies and the latest market intelligence.

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