

# **Roundtable on Micro-insurance in Bihar: Challenges and Prospects**

**14<sup>th</sup> February, 2014**

**Organized by:**

**ACCESS ASSIST**

**Venue:**

**Hotel Chanakya, Patna, Bihar**

## **Summary of Proceedings**

Supported by DFID, the Poorest State Inclusive Growth Programme (PSIG) is being implemented by SIDBI to enhance the income and employment opportunities of poor households in underserved states in India including Uttar Pradesh, Bihar, Madhya Pradesh and Odisha. The key purpose of the program is to improve income and reduce vulnerability of poor people and small producers by expanding their access to finance and markets. The PSIG programme it is envisaged to benefit the poor and vulnerable people, especially women, in the above low-income states, providing financial access to 12 million poor by way of capacity building of MFIs, facilitating technology led models, product development and roll-out, setting up risk funds etc. ACCESS-ASSIST, a specialised affiliate of ACCESS Development Services for Financial Inclusion, has been assigned the task of implementing the critical policy and enabling environment component under the programme.

One of the identified priorities within PSIG policy mandate is to undertake initiatives leading to increase outreach of micro-insurance in Bihar. As a part of the programme mandate, ACCESS-ASSIST has been organizing various thematic workshops, roundtable discussions, consultative meetings etc. at both national and state levels, involving different key stakeholders and facilitating constructive and forward looking discussion specifically between different institutional stakeholders of micro-insurance.

The first such consultation under PSIG initiatives in Bihar has been organized at Patna on 14<sup>th</sup>February, 2014. This proceeding is prepared based on the deliberations held in the above Roundtable.

### **1. Context and Objectives**

Micro insurance helps to manage risks with low premiums and low caps / coverage. In this definition, "micro" refers to the small financial transaction that each insurance policy generates. Microinsurance is a financial arrangement to protect low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved. The beneficiaries typically consists of persons ignored by mainstream commercial and social insurance schemes, as well as

persons who have not previously had access to appropriate insurance products. The definition of micro insurance in India is primarily a product-based, monetary one. Insurance potentially is one of the basic institutions which can provide a defense against social and financial exclusion for people whose existing coping strategies are failing. The regulation sets the boundaries of the cost and coverage of the product and provides clarity about distribution mechanisms.

There are today 27 General Insurance and 24 Life Insurance companies in India. Keeping in mind concerns that a competitive, open environment could lead to the neglect of the rural and weaker sections of India, the Insurance Regulatory and Development Authority of India (IRDA) passed the IRDA (Obligation of Insurers to Rural or Social Sectors) Regulations Act in 2002. After that, every insurance company was required to engage with the rural and social sectors by complying with mandatory obligations.

The IRDA regulations set rural insurance targets for each company. These require that 7 per cent of all life insurance business should be generated from the rural social sector in the first financial year, and this should increase annually to reach 18 per cent by the sixth financial year. For general insurance, 2 per cent of insured premium in the first financial year should be from rural social business, increasing annually to 5 per cent in the sixth year.

But the micro insurance industry no doubt suffers from several other issues. These include high cost of selling micro insurance, difficulty in finding effective distribution channels, assuming MI as a social obligation rather than a profitable business, low insurance awareness among consumers, companies finding rural social obligations unviable, and so on. The number of micro insurance products registered with IRDA over the last six years also shows a decline from 11 in 2007-08 to just one in 2009-10. No products were registered from 2010-11. Only seven life insurance companies sold micro insurance products in 2010-11.

To understand the challenges and prospects of Microinsurance in Bihar, ACCESS-ASSIST and SIDBI organized a Roundtable on “**Micro-insurance in Bihar: Challenges and Prospects**” on 14th February, 2013 at Patna, Bihar, under the Poorest State Inclusive Growth (PSIG) Programme. The key objectives of the Roundtable were to;

- To understand the operational and policy related challenges in Microinsurance delivery in Bihar.
- To understand the factors and requirements of scaling up of promising models of Micro insurance delivery in the state.
- To seek inputs on how PSIG and other programmes can collaborate and facilitate in overcoming some of these critical issues and facilitate the Microinsurance penetration in the state.

## **2. Participants**

The workshop was attended by stakeholders such as the officials from public as well as private sector Insurance Companies, representatives from MFIs and NGOs, delegates from apex development financial

institution like SIDBI, Funding organisations (DFID), sector experts from different organizations like MIA, CIRM and independent consultants. A list of participants is provided as **Annexure 1**.

### **3. Summary of discussions**

The half day-long deliberations in the Roundtable were held mainly on the following key areas;

- Availability of Products
- Proper Channel – efficient service provider
- Financial literacy – at beneficiary and service provider level

#### **3.1 Availability of Products:**

There are 16 micro-insurance products available in the market. But the transaction cost according to insurer point of view seems to be very high making the micro-insurance product rather complicated. Moderately concentrating on the cost, first of all there is a need to generate the demand from the community, however be the cost, and evaluate these products from the point of view of beneficiaries. The customer also views the MI product as savings product and less on shielding product making the MI less feasible. Ms. Mandeep Maini, from MIA, in her presentation (**Annexure 3**) mentioned that product should be developed through participatory approach, which will enhance faith of people in that particular product. Product development should follow pull model not push model. Customization of product is very important and as per discussion it came out that health insurance products can be customized easily than other insurance products. Also, instead of bringing in new products, pick up the existing product, look at the issues around the channels and products, bring stakeholders together and making them viable. Tweak the processes and try to find out the way to make the existing product and channels, viable. According to MFIs combo products are better for beneficiaries as they get more than one benefit from a single policy. Independent products are difficult to roll out. In case of livestock, products are available for 3 and 5 years but annual product is more relevant in case if the beneficiary sells the insured livestock. Whereas, in case of life insurance premium for 2-3 years should be collected at once which will reduce transaction cost of service provider and the later years will think it as a profitable business. So, out of discussion it came out that customization of product and participatory approach in product development is very important steps need to be taken.

#### **3.2 Proper Channel – efficient service provider:**

According to LIC, they prefer service provider partners who have better infrastructure and human resource to reach to beneficiaries. They have experienced fraud in case of claim settlement and after analyzing it now they are giving claim settlement cheque directly to beneficiaries unlike earlier, when they gave cheque to NGO/MFI partners

making the transparency and more efficiency in service delivery. There is also a need to serve the intermediaries which will definitely make the cheaper product which will help in deeper penetration of micro-insurance. As per MFIs and NGOs, service charge from insurance companies is not satisfactory. At the same time for a smaller organization it is difficult to operate profitably if existing infrastructure for insurance provision is not available. At the same time the NGOs/CBOs who are not able to perform can be blacklisted and make it available for public views. The CBOs/NGOs/MFIs cannot be only insurance channels but they can provide other services too to provide a better remuneration to the staff/volunteer as well as more services to their existing customers. Since marketing cost of insurance product is very high, awareness and communication cost should be bear by insurer.

Ms. Rupalee Ruchismita from CIRM gave presentation (**Annexure 4**) on PSIG Initiative and Opportunity for Micro-insurance in Bihar. In her presentation, she mentioned that most of the MFIs in Bihar offering only life insurance and a few offer health insurance. Agriculture and Livestock Insurance are very important sector in which institutions need to work. 81% of Bihar's population depends upon agriculture. Livestock has also substantial contribution in rural economy. Disaster and natural catastrophe insurance can also be targeted by the institutions as Bihar is categorized as most flood prone state in India.

Out of the discussion, it came out that insurers and service providers should work together to make insurance products more accessible to beneficiaries. At the same time for a deeper penetration, there is a need to open offices at the unreached places too will make MI more reachable and lucrative to the agents. If accessing the viability of creating a physical infrastructure is concerned, there can be possibility of opening a brick and mortar branches (just like a bank who are successful in providing the services) vs possibility of sending out agents to penetrate and create markets.

### **3.3 Financial Literacy – at beneficiary and service provider level:**

Education at beneficiary level is very important for acceptance and success of any insurance product. Generally, people see insurance product as an investment and expect some return. Awareness generation of beneficiaries, on importance of insurance needs to be provided to the targeted client base as a first step. Participation of local channels and people required in order to penetrate into rural areas.

Series of sensitization workshops with stakeholders based on existing products; along with examples from other areas should be organized jointly by service provider and insurance provider. Financial literacy at channel level should be done with their all level staffs – front line, middle management and senior management and content should be

conceptual channel specific and product specific. Implementing agency needs know how regarding the industry. **Mr. Mukesh Chandra Sharan** presented experience of Jeevika in implementing Microinsurance at field level. In his presentation he has shown that how Jeevika has included training as one of the most important component in the whole process. He also adds that developing faith among community is also important and timely claim settlement enhances their faith.

Insurance provider should also communicate about their authorized distribution partners at ground level so that beneficiaries can trust on service provider. Sensitivity in dealing with demand side by insurers needs to be enhanced. There is a need to play an active role from each of the stakeholder which assuring claim settlement who are the client (here beneficiary) - Facilitator (here NGOs/CBOs/MFIs) - and the insurance companies. If anyone becomes latent there will be problem in the settlement which will definitely lose the faith from the community side; as a result making the MI as a non-faithful protection, which will hinder the growth of Microinsurance to more unreached ones.

So, education and sensitization needs to be done on each stakeholder level. This is a very crucial area in which investment should be done.

#### **4. Key Take Away:**

- Go back to the stakeholders, align incentives, contributions from various agencies, revising the channels
- Instead of bringing in new products, pick up the existing product, look at the issues around the channels, bring stakeholders together and go about working with the existing channels and making them viable. Tweak the processes around the existing channels.
- Develop data banks (process and risk) so that it helps insurers about premiums and products to create better products.
- Assessment of the viability gap, who bears it? Assessing the viability of creating a physical infrastructure, versus using a different channel may be a brick and mortar branch, or sending out agents to penetrate and create markets.
- Project needs to carve a niche for the market it wants to create.
- Specific sensitization around schemes.
- Demonstrating pilots that can advise policy and help in scale up
- Insurance Sector report needs to be developed.
- What do we need to do to make micro-insurance viable for public and private companies?
- What support do insurance companies need if it has been mandated that micro insurance branches have to be opened? How these branches can be viable?

**5. Concluding Remarks**

Mr. Mallikarjun from SIDBI said that we need to identify between micro insurance being a business product or a social product. Once it has been identified as a social product, NGOs need to be made channel partners, so that they serve micro-insurance as a side product. Viability is an issue of how the local offices, NGOs and insurance companies need to put their heads together. Use the RRB network, work out a synergy with them at the loan dispensation level itself, which could be profitable to both.

**6.** Vote of Thanks was given by Ms. Radhika Agashe from ACCESS ASSIST.

Annexure 1:

S. No	Name	Designation	Organization	E-Mail	Phone No.
1	Samsit Das	Area Manager	Future Generali	<a href="mailto:samsit.das@futuregenerali.in">samsit.das@futuregenerali.in</a>	930478692
2	Alok Samayar	Dy Manager	Oriental Insurance	<a href="mailto:aloksamayar@orientalinsurance.co.in">aloksamayar@orientalinsurance.co.in</a>	9431418552
3	Aparna Shukla	Manager	ACCESS ASSIST	<a href="mailto:aparna@accessassist.org">aparna@accessassist.org</a>	7542025560
4	Shubhangi Jaiswal		ACCESS ASSIST	<a href="mailto:shubhangi@accessassist.org">shubhangi@accessassist.org</a>	8447420804
5	Ragini Choudhary	PSD Advisor	DFID	<a href="mailto:r-choudhary@dfid.gov.uk">r-choudhary@dfid.gov.uk</a>	9999716998
6	Radhika Agashe	Executive Director	ACCESS ASSIST	<a href="mailto:radhika@accessassist.org">radhika@accessassist.org</a>	9871108204
7	Mandeep Maini	Consultant	Microinsurance Academy	<a href="mailto:mandeep@mia.org.in">mandeep@mia.org.in</a>	9717298054
8	Pompy S	Consultant	UID, IFMR, GIZ	<a href="mailto:pompy.rsby@gmail.com">pompy.rsby@gmail.com</a>	9819797189
9	Amit Kumar	Asst. Manager	Arohan	<a href="mailto:amit.sinha@arohan.in">amit.sinha@arohan.in</a>	9771498400
10	Rishikesh Kashyap	Chairman	COFFED	<a href="mailto:info@coffedltd.com">info@coffedltd.com</a>	7654159923
11	A.K. Sinha	Sr. Branch Manager	LIC	<a href="mailto:ashok.sinha@licindia.co.in">ashok.sinha@licindia.co.in</a>	8987263097
12	Vidya Prakash	Chief Manager (MI)	LIC of India (DO-2)	<a href="mailto:v.prakash@licindia.com">v.prakash@licindia.com</a>	8986274317
13	Neeraj Sinha	Dy Manager	LIC of India (DO-1)	<a href="mailto:Niraj.sinha@licindia.com">Niraj.sinha@licindia.com</a>	9431252377
14	S. Acharya	Asst. Secretary (MI)	LIC ECZO, Patna	<a href="mailto:acharya.s@licindia.com">acharya.s@licindia.com</a>	8544240680
15	Parthasarathi Mishra	Senior Regional Manager	SKS Microfinance Ltd.	<a href="mailto:parthasarthimishra@skcindia.com">parthasarthimishra@skcindia.com</a>	9755557591
16	Dr. Sarita Mishra	Manager	New India Assurance	<a href="mailto:sarita.mishra@newindia.co.in">sarita.mishra@newindia.co.in</a>	9431431862
17	M.C. Sharan	Project Coordinator - FI	Jeevika	<a href="mailto:mukesh@brlp.in">mukesh@brlp.in</a>	9934014194
18	Jiban Kr. Jha	Project Manager (MI)	Jeevika	<a href="mailto:jiban@brlp.in">jiban@brlp.in</a>	9771478319
19	Rishikesh Kr. Gautam	Administrative Officer	United India Insurance	<a href="mailto:rishikeshkumar.uiic.co.in">rishikeshkumar.uiic.co.in</a>	7765805035
20	S. Mallikarjun	GM	SIDBI	<a href="mailto:smallik@sidbi.in">smallik@sidbi.in</a>	7763801358
21	Rita Jha	Manager	SIDBI	<a href="mailto:ritajha@sidbi.in">ritajha@sidbi.in</a>	7209110871
22	Sonmani Choudhary	State Director (PSIG)	SIDBI	<a href="mailto:sonmanic@sidbi.in">sonmanic@sidbi.in</a>	9431565048

23	Shantanu Shoree	DIR	CIRM	<a href="mailto:shantanu.shoree1@cir m.in">shantanu.shoree1@cir m.in</a>	9094974217
24	R R Kalyan	Executive Director	CDOT	<a href="mailto:rrkalyan@cdotbihar.org">rrkalyan@cdotbihar.org</a>	9431004334
25	Pradeep Kumar Rai	ORM	BASIX- BSFL	<a href="mailto:pradeep.r@basicindia.com">pradeep.r@basicindia.com</a>	8386265543
26	K.K Mohapatra	Regional Manager	AIC	<a href="mailto:kkmohapatra@aicofindia.com">kkmohapatra@aicofindia.com</a>	9334501826
27	Mukesh Chandra	Manager	AKRSP (I)	<a href="mailto:spbihar@akrsp.org">spbihar@akrsp.org</a>	9771476627
28	Kanhaiya Pathak	D.O	AKRSP (I)	<a href="mailto:pathak.kanhaiya2013@gmail.com">pathak.kanhaiya2013@gmail.com</a>	9771476610
29	Sunil Kumar Pandey	Area Manager	AKRSP (I)	<a href="mailto:ampus@akrsp.org">ampus@akrsp.org</a>	9771476642
30	Lokesh Bhanu	Executive	Future Generali	<a href="mailto:lokesh.Bhanu@futuregeneralin.in">lokesh.Bhanu@futuregeneralin.in</a>	9304803641
31	Tushar Krishna	Sr. Project Coordinator	ACCESS ASSIST	<a href="mailto:tushar@accessassist.org">tushar@accessassist.org</a>	9931592437
32	Amit Sinha	Founder	Avaran		9835243141
33	Sanjay Kumar	BM (P& GS)	LIC, Patna	<a href="mailto:sanjaykumar@licindia.com">sanjaykumar@licindia.com</a>	9431261144
34	Girish Kumar	Regional Manager	LIC, Patna	<a href="mailto:kumar.girish@licindia.com">kumar.girish@licindia.com</a>	9473384880
35	Dharmveer Prakash	A.O, PTRO	UIIC	<a href="mailto:dprakash@uiic.co.in">dprakash@uiic.co.in</a>	9934110331
36	Nidan	SPM	NIDAN	<a href="mailto:sunil@nidan.in">sunil@nidan.in</a>	9693092815
37	Rajnish Kumar	Head of Internal Audit	Saija Finance Pvt. Ltd	<a href="mailto:rajnish@saija.in">rajnish@saija.in</a>	8298911622
38	Rupalee R	CIRM- DIR	CIRM	<a href="mailto:rupalee.ruchismita@cir m.in">rupalee.ruchismita@cir m.in</a>	9500058294

## Annexure 2: Compilation of Pre and Post Workshop Forms

### Pre- workshop

What are the channel and their approximate contribution to micro insurance targets:

Indicators	Output
Direct through agent network	67%
Through BC Network manager	33%
SHPIs/NGOs	58%
MFIs	50%

What are the top five issues/challenges with insurance companies, channels, clients that hamper the Micro Insurance reach in the state?

1. Product diversification
2. Flexibility of product
3. Simple documentation
4. Slow Claim settlement
5. Client awareness/literacy
6. Training & Extension
7. Less remuneration
8. Most of the NGOs/MFIs lose interest in providing the insurance
9. Funding
10. Demand creation
11. Funding
12. Better product according to their need
13. Training and knowledge sharing
14. Infrastructure like payment and premium
15. On time information
16. Mistrust
17. No real time servicing
18. Product coverage inadequate
19. Mis-selling
20. Inadequate awareness of benefit and claim process
21. Actual demand and product offering
22. Literacy on insurance
23. Effectiveness with distribution channel
24. Not considered as a business proportion among insurance companies.
25. Cost of insurance
26. Problems regarding services after sale
27. Consistent distribution channel

- 28. Retention of customers
- 29. Infrastructure sports for group for settlement of claims and benefit to beneficiaries
- 30. Information to the end people for which the product is desired.

**Post - Workshop**

Output of the impression listed:

Percentage of output gained from the workshop:

Indicators	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
The roundtable has met my expectations	32%	48%	8%	12%	
I will be able to learn regarding other initiatives in micro insurance in the state	56%	36%	8%		
I was able to identify new potential for partnership and collaboration	16%	20%	32%	32%	
Adequate time was provided for question and discussion	64%	32%	4%		

Please mention three important take away from this discussion:

1. Intermediary agency worker should be trained time to time
2. Capacity building
3. Advertisement
4. Regular meeting at high level.
5. Insurance literacy
6. Need exists
7. Huge Challenges exists
8. Client sensitization and awareness is important
9. Move away from only life insurance
10. Demand Generation is a key
11. Agent Model is not Effective
12. Actual experience of good promoting models
13. Servicing challenges needs to be taken care of
14. Information exchange required
15. Capacity building
16. Micro Insurance is not only social responsibility but also a pure business
17. Microinsurance penetration
18. Collaboration with supply side
19. Work and intervention of CIRM

20. Moderated discussion on channel was quite good. Applicability of group insurance to sell insurance.
21. Mismatch the expectation between provider and seller
22. Cost of servicing client
23. The discussion should be more field based and less data base
24. Learning on various insurance product and delivery model
25. Mass customization is required
26. Distribution channel is needed to be strengthened
27. Data Bank support system is required
28. Sensitization of distribution channel
29. More suitable product required
30. Enhancing servicing
31. Sensitization of distribution channel
32. Participation of Private players is important

What are your suggestions on effective next steps that PSIG can undertake as follow up to this consultation?

1. Periodic interaction of this kind is required to spread MI.
2. More practical less theoretical.
3. It should have been more participate; this was felt as there was presence of experts like Ms. Sridhar, Ms. Rupalee & Ms. Maini.
4. It should have started with introductory presentation Insurance as whole, with a focus on micro-insurance.
5. To tie up with more & more institutions.
6. PSIG should clear out their policies regarding the MI in the state.
7. Strong channel identification is needed so that the micro insurance can be done properly.

What you think consultations like this one will help in improving the status of Micro insurance coverage in the state?

1. Since it is a baby step forward, but need follow up too.
2. The frequency of such consultation must be increased and involve the entire stakeholder.
3. Partnering with PSIG on Micro insurance

Please provide any suggestion you may have to make such meet/workshop more relevant?

1. Engage – Claim settlement, time to time to verify.
2. A workshop should be on “how to develop insurance literacy and claim process for intermediary.

3. The Government official and IRDA to attend the meeting.
4. Case lets may be documented
5. Participants should sit in mixed groups.
6. Subject shall be given to participants to participate so that, they come prepared.
7. Varieties in participation- customers, Insurer, mediators etc...
8. Need to ensure that there is a proper representation of stakeholders.
9. Conduct sector specific discussion at a given point of time/session.
10. Brief detail of products by different organization to be provided to all participants.
11. Live data to be given to participate to share in the market
12. Call the staff from Microinsurance offices.