



Scope and Role of Micro Insurance in India

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Need for Micro Insurance

- Poor also need insurance protection
- Inclusive growth is the only way to ensure sustained growth
- Trickle down effect of the process of economic growth benefiting the poor belied
- Poor get excluded unless special effort is made to bring them into the development process
- Mandate insurers to devote attention to this segment of the population
- monitor it effectively

Legislative support



- As part of licensing requirement the Indian insurers are bound to extend their business activities to the rural areas and the weaker section of the society
- As insurance is sold and not bought, insurers have to design products for the weaker sections and make them affordable and accessible
- Regulator made responsible to lay down the quantum of business to be done every year for weaker sections and in rural areas
- Monitor the compliance
- To accomplish this task regulations made prescribing the minimum quantum of business to be done
- Separate Micro Insurance regulations issued to facilitate the accomplishment of the tasks by insurers

Indian Experience in Financial sector



- Banking sector launched special programmes to extend credit to weaker sections.
- Inadequate support mechanism to
 - A. Assess requirements
 - B. Determine repayment schedule
 - C. Effect recoveries
- Net effect is decreasing flow of credit from organized Banking Institutions to the poor
- Efforts are now on to reorient the approach of Banks to address the concerns of the poor

Emergence of alternate credit channels



- The increasing requirement of credit met by micro finance institutions
 - Channel for flow of credit
 - ❖ NGOs
 - ❖ Self help groups
 - ❖ Cooperatives
 - ❖ Organization of workers
 - Realistic assessment of requirements
 - Appropriate repayment schedule
 - Effective recoveries
- Banks resorting to channeling of credit through the above institutions

Approach to Micro Insurance



- stand alone Micro Insurance Companies are
 - Not easy to regulate and supervise
 - Prone to high risks due to
 - A. Composition of the Group itself
 - B. Absence of management skills
 - C. Inability to hire professions
 - D. Limitations of capital
 - Draw upon the experience of Banks

Approach to Micro Insurance contd...



- Adopt agent – Partner model
- Leverage the strength of existing
 - NGOs
 - MFIs
 - Self Help Groups
 - Cooperatives
- Design products in consultation with them
- Utilize them for marketing the products & servicing the policyholders

Feature of Micro Insurance Regulations



- Defines a micro insurance agent and the services that he can provide
- Provides liberal entry norms for micro insurance agents – no license required
- NGOs, MFIs, SHGs and Corps can become micro insurance agents
- Provides for extending coverage to the family as a unit
- Composite products covering life and non-life permitted with a tie up between life & non-life companies
- Single window offering insurance for life, health and assets
- Help in settlement of claims

Micro Insurance Products



- Micro Insurance product defined in regulations
- Monetary limits prescribed for minimum and maximum coverage

Other Initiatives of IRDA



- At the macro level the support of the Government agencies supplements the efforts to drive micro insurance
- Liaison with all state governments for making micro insurance a supplement to the poverty alleviation schemes
- Rural /Social Sector obligations have been benchmarked based on micro insurance standards for minimum/maximum cover
- It is proposed to permit micro insurance agents to issue co-branded advertisements
- Feedback taken from the industry on implementation of micro insurance guidelines

Conclusion



- The overall infrastructure of the financial system should be strong, capable and responsive to the needs of low income households and the providers
- New business models have to be innovated treating low income groups as a potential consumer segment
- Partnership between various stakeholders has to be cohesive and purposive
- Technological innovation is the key for reducing acquisition costs and to establish settlement mechanism

THANK YOU

