

# *Converging Microfinance and Microinsurance – Possibilities, Issues and Challenges*



5<sup>th</sup> International Microinsurance Conference  
2009

Dakar, Senegal

Nov. 03 – 05 2009

*Arman Oza*

*Quadrant Consultants Pvt. Ltd.*

*Ahmedabad, India*

# *Microinsurance By MFIs – The Indian Experience*

<b>MFI SNAPSHOT - INDIA*</b>			
<b>Type of MFI</b>	<b>No. of MFIs</b>	<b>Active Borrowers</b>	<b>Loan portfolio (INR in bn.)</b>
Small Portfolio Size < INR 50 mn.	132	615,301	1.64
Medium Portfolio Size INR 50 mn to 500 mn	65	2,403,537	12.05
Large Portfolio Size > INR 500 mn	30	14,562,171	89.61
<b>TOTAL</b>	<b>227</b>	<b>17,581,009</b>	<b>103.3</b>

\*Source: The Bharat Microfinance Report – Quick Data 2009

# *Microinsurance By MFIs – The Indian Experience*

- Large MFIs have successfully integrated microinsurance (Basix, SKS and SEWA Bank)
- Smaller ones haven't been able to go beyond credit life.
- Need to understand the points of divergence between MF and MI.

# Risks Addressed

MF

MI

F  
R  
E  
Q  
U  
E  
N  
C  
Y

High Frequency  
Low Severity

High Frequency  
High Severity

Savings &  
Credit

Credit

Low Frequency  
Low Severity

Low Frequency  
High Severity

Savings

Insurance

SEVERITY

# Cultural Differences

MF

Ready Demand  
(for credit)

Very Little  
Marketing Effort

MI

No Demand

Is Seldom Bought  
Always Sold

# Business Risks

MF

Delay, Default  
In Repayment

-Risk Capital  
- Better Credit  
Appraisal

MI

Delay, Rejection  
of Claims)

-Consumer Education  
- Effective Servicing

# *Managing Antagonisms*

- At the strategic level
  - An acknowledgement of the fact that the two businesses are different. Percolate this understanding down the line.
  - Start with common clientele but also aim at independent clients.
  - Aim at providing total risk management solutions to the community.

# *Managing Antagonisms*

- At the operational level
  - Ensure optimal cost sharing through appropriate systems and processes.
  - Training staff to handle the different approaches in MF and MI.
  - Balanced incentives to staff that promote MF as well as MI.

# *Devising Synergistic Business Models*

- Piggybacking MI on MF.
  - An opportunity as well as a threat.
  - Can be used as an start-up strategy only.
  - Inherent benefits of insurance have to be explained.
  - As benefits start manifesting, independent demand for MI has to be built.
  - Products like term life, savings linked life, health and weather insurance need to be roped in.

# *Devising Synergistic Business Models*

- Addressing the most critical risks through MF and MI.
  - Will bring in more business – with less effort.
  - Will perceptibly improve the community risk profile.
  - Will make both the businesses sustainable.

# *Devising Synergistic Business Models*

- Up-selling on improved risk profile
  - Bigger and more secure loans.
  - More insurance products of higher value.
  - Scope for introduction of other financial products.
  - Better business and concrete community development.



**THANK YOU / MERCI**



Visit us at [www.riskquadrant.in](http://www.riskquadrant.in)  
Contact: armanoza@hotmail.com