

EVOLUTION OF MICRO INSURANCE REGULATIONS & LATEST DEVELOPMENTS

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Developmental Initiatives

- Legislature delegated developmental responsibilities – A unique model
- Ensuring orderly growth and penetration of insurance are the prime objectives
- Introduction of development oriented regulations to Bridge the Demand Supply gap



Mandatory business norms to cover Rural and Social Sector

Rural Sector

Life Insurers

- First 5 years - 7% to 16% of total policies underwritten
- 6th to 10th* year - 18% to 20%

Non Life

- First 5 years - 2% to 5% of total gross premium
- 6th to 10th* year - 5% to 7%

Social Sector

Life & Non Life

5000 to 20000 lives for the first 5 years and 25000 to 55000 lives for 6th to 10th year*

* Pending Notification

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Constraints on the way to Spread

- From the commercial business sense
 - Properties and people are not viable for insurance
 - Insignificant premiums
 - Absence of financial infrastructure & high transaction costs
- From the perspective of under privileged people
 - High premiums of commercial lines of Insurance products
 - Absence of awareness
 - Lack of reliable distribution channel
 - Non-availability of plans that suit the composite needs

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Need for Micro insurance

- “Poor are also insurable” – Main premise that drives Micro Insurance
 - Facilitates an acceptable business model to tap the business potentiality
 - Accessibility of customized insurance solutions help faster penetration of insurance
 - To make an integral part of overall poverty alleviation programmes – Reduces the impact of multiple risks with a sense of security

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Objectives of Micro Insurance Regulations

- Lower Density & Lower Penetration of Insurance
- Accessibility and Affordability of Insurance - A prerequisite for Development of Insurance market
- Geographical, social and institutional rigidities to access the rural markets
- To customise the composite insurance solutions for the targeted
- Tap the services of local institutions already engaged in rural initiatives

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Business potentiality of Micro Insurance

- 10% of Cattle – A potential Premium of Rs 1000 crores (\$220 million)
- Overall Agri Insurance Premium – Rs 8000 Crores (\$1.74 billion)
- Life Insurance – 24 crore (240 million) individuals BPL, MBPL are insurable

(*Report of Consultative Group on Micro Insurance)

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What constituents Micro Insurance

- Life Insurance – Both pure term and Savings linked
- Health Insurance – Both in Life 'N' Non Life (also as riders)
- Personal Accident Coverage in Non life – Accidental Rider by Life
- Coverage of Live Stock, Dwellings and Micro assets
- Crop insurance

Constituents may be '*Micro*' in commercial sense but the **very livelihood** to the targeted segment

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Constraints of Standalone Micro Insurance players

- Issue of due diligence on interested aspirants at stake
- Restrictions of Resources – Techniques of commercial insurance, Unavailability of Data
- Limitations to infuse periodic additional capital – Exposure to covariant risk, adverse selection
- Issues of risk mitigation strategies in managing Micro Insurance

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Strengths of partner – agent model

- Credibility of existing players – Leveraging on strengths of existing Insurers
- Institutionalize Standalone Micro insurance Agency involving formal/informal institutions
 - 2.3 million S H Gs
- Access to the market segments of formal/informal groups

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Features of Micro Insurance Regulations

- Micro Insurance Product - Integration of Life & non life insurance products through a tie up
- A life micro insurance product offered by a life insurer may also offer a general micro insurance product & vice-versa
- Introduction of new institutional agency - Micro Insurance Agent
- Crossing the conventional barriers – Expanding the scope of coverage from individual to an individual's family

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MI Regulations – A pragmatic approach

- Micro Insurance Agency by mutual agreement – A relaxation from hardship of pre licensing test
- Empowering MI Agents with more Service functions – Bettering Micro Insurance Policyholders' services
- A need based reward – Level remuneration across the term of the policy

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Regulating Micro Insurance

- Micro Insurance Products subject to File and Use procedure - Minimum and maximum caps on limits of insurance
- Mandatory training norms & Code of Conduct to Micro Insurance Agents
- Simplicity of forms – Issuance of documents in vernacular languages
- Proven Track record – A pre-requisite for a micro insurance agent

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Facilitative approach towards Micro Insurance

- Premium contributions up to Rs.10000/- exempted from KYC norms
- Joint sales advertisements with micro insurance agents permitted under Advertisement guidelines
- Micro Insurance business also reckoned for Rural and Social sector business

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Developments

- 6 Life Insurers have filed 12 Micro Insurance Products
 - These products are mostly Endowment – Single and regular premiums and Term assurance – With risk and return of premiums
- 4 Non Life Insurers have filed 8 Micro Insurance products
 - These are mostly Health Insurance, Package cover and Crop Insurance products

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Way Forward

- Need for all stakeholders to focus on bridging the demand-supply gap
- In a country of 1 billion mass marketing is a profitable and cost effective option for gaining market share
- Innovative products in sync with rural needs backed by an efficient delivery system to be developed to penetrate to these sections
- Costs on smaller policy size offset by higher volumes

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Thank You