

**Group and Retail Micro insurance
TATA AIG Life learning's
at
Micro insurance Conference2007
Mumbai
13th November 2007**

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Agenda

Rural/social
Mandate
& MI
Regulations

Group /Retail
What
stakeholders
Indicate

Tata AIG life
Retail
Initiative

Results
so Far &
Projections

‘Rural Sector’ - means the places or areas classified as ‘Rural’ while conducting the latest decennial population census -(Census’ 2001 of India)

General Insurer –

% of total GPW written direct in that year

- 2% in the first financial year
- 3% in the second financial year
- **5% there after –**

Budget 2006-07: GPW \$8 m

Life Insurer –

% of total new policies written direct in that year.

- 7% in the first financial year
- 9% in the second financial year
- 12% in the third financial year
- 14% in the fourth financial year
- 16% in the fifth financial year
- 18% in the sixth financial year

‘Social Obligation’ in respect of all Insurers –

Unorganised sector, Informal sector, Economically vulnerable or backward classes and Other categories of persons, both in Rural and Urban areas

- 5000 lives in the first financial year
- 7000 lives in the second financial year
- 10,000 lives in the third financial year
- 15,000 lives in the fourth financial year
- **25,000 lives from the fifth year of operation**

The obligations follow the Indian fiscal year April 1 to March 31 the following year.

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General Insurer –

“General Micro-Insurance Product” (GMI) – means any

- **Health insurance** contract, (max. \$675)
 - **Personal Accident** contract (max. \$1100)
- OR any contract covering belongings such as*
- **Hut** (max. \$675)
 - **Livestock** (max. \$675)
 - **Tools or Instruments** (max. \$675)

Either on ***Individual or Group basis.***

Life Insurer –

“Life Micro-Insurance Product” (LMI) – means any

- **Term insurance** contract with or without returns (max. \$1100)
- **Endowment insurance** or
- **Health insurance** contract (max. 675) with or without **Accident benefit** rider (max. \$1100)

Primarily on ***Individual basis.***

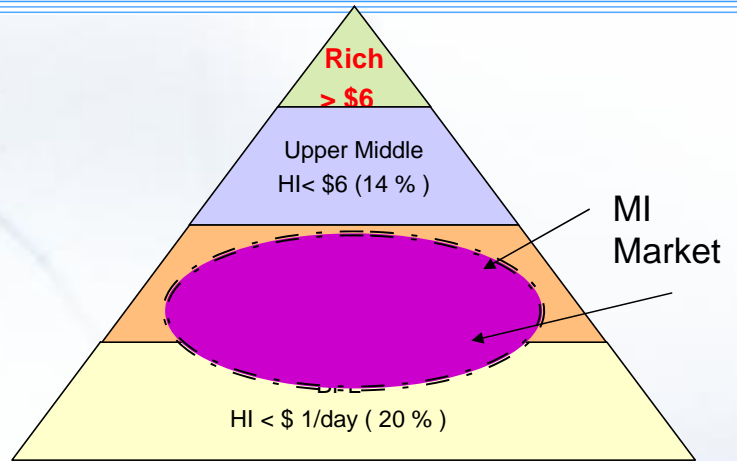
MicroInsurance Agent: Can be an NGO, Self Help Group or a Microfinance Institution

Commission structure is different from normal insurance – level as opposed to heaped.

Training norms are more relaxed, 25 hours mandatory instead of 100 hours

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- Unorganized
 - Rural / Urban (Migrant)
 - **Very few sizable groups**
 - **Data issues**
- Heterogeneous
 - **Choice in the context of development.**
- Education/Awareness
 - **Who bears the cost of this ?**
- Insurance Products
 - Most prefer with returns
 - Relevant/Affordable
 - Prefer Short tenure
 - **Long tenure needs different strategy**
- Infrastructure
 - Banks
 - Roads
 - Telecom
 - Others
 - **Suggests high dependency on human capital for sales and service. Who builds this and over what tenure ?**
- Higher and Unstable mortality /morbidity rates
 - **Acceptability and explanation of rate changes.**



Rural India

- NGO's /Civil society
- MFI's
- Self Help Groups
- Rural Banks
- Cooperative banks
- Gram Panchayat
- Other Rural organizations/ Wholesalers/Distr.etc.
- Costs of Doorstep delivery and Service
 - **Compensation as percent of premium OK with large numbers – need many large organizations**
 - **Company may need to support in most cases.**
- Education/Awareness
 - **Livelihood of Grassroots Human Capital**
 - **Company investments in training content and delivery costs.**
- What's in it for the channel ??
 - MFI's /Others
 - Ideology/ business sense
 - **Subsidizes Micro credit ?**
 - **Can MI be a revenue model consistent with ideology ?**

- Needs a sustainable MI program
 - Decreasing Exp. Ratio
 - Expense ratio = $\text{Expenses}(vc + fc) / \text{FYP} + \text{RP}$
 - *Yield to effort ratio in Group will remain constant /could decrease*
- Investments in
 - Processes / Services
 - Channel Training
 - Customer awareness
 - Product design
 - MI team
 - scale up numbers
 - geographical spread to derisk business.

Long tenure investments in MI suggest a retail initiative

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- Government , Regulators ,
 - Financial Inclusion ?
 - *Groups tend to exclude*
 - Savings in Organized sector
 - *Applicability of Group savings linked insurance products*
- Donor / International Development Sector Community /Reinsurers etc..
 - Sustainable and new model
 - *What's new and sustainable about group ?*
 - Replicable and Scalable

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Micro insurance Challenges

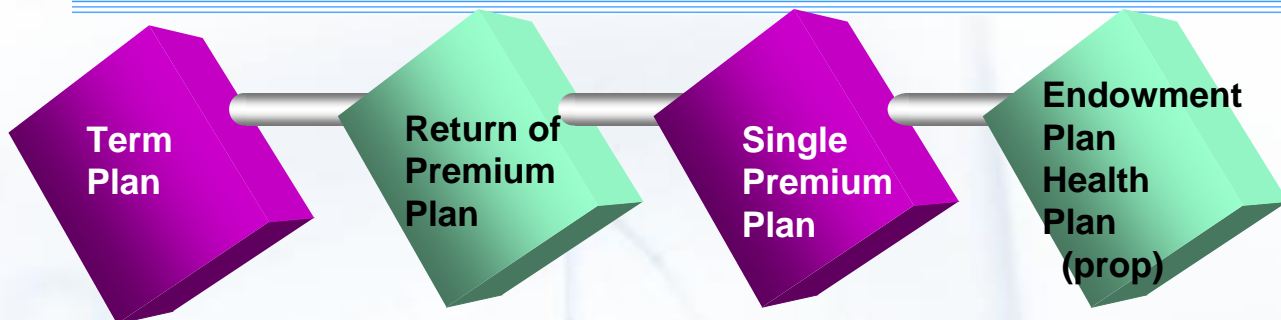
- Group :
 - Poor largely unorganized.
Exception MFI's /Rural Banks
 - Only few with big base
 - Coverage current members
 - Prefer liability cover
 - GTL/Credit Life ?
 - Annual shopping
 - Small MFI's subsidize MFI operations
 - Banks --regulation
 - Insurability angle
 - Customer Awareness
 - Products with Returns
 - Long tenure products
 - Mortality/morbidity data and its collation.
- Retail :
 - In house team and their retention.
 - Training and building human capital.
 - Micro agent controls
 - Partner retention
 - Customer awareness
 - Scale takes time
 - Seasonal and uncertain income patterns
 - Requires considerable investment for servicing.
 - Legal status of potential good partners.

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Group Indicators

- Homogenous needs with bundling possibility
 - Term Life –MFI clientele/Banks
 - Disaster cash – Governments/Projects
 - Accidental death and disability- Governments
 - Health Insurance – Aggregator based where provider networks exist
 - Assets financed by MFI/Banks – cattle

Life Microinsurance Products



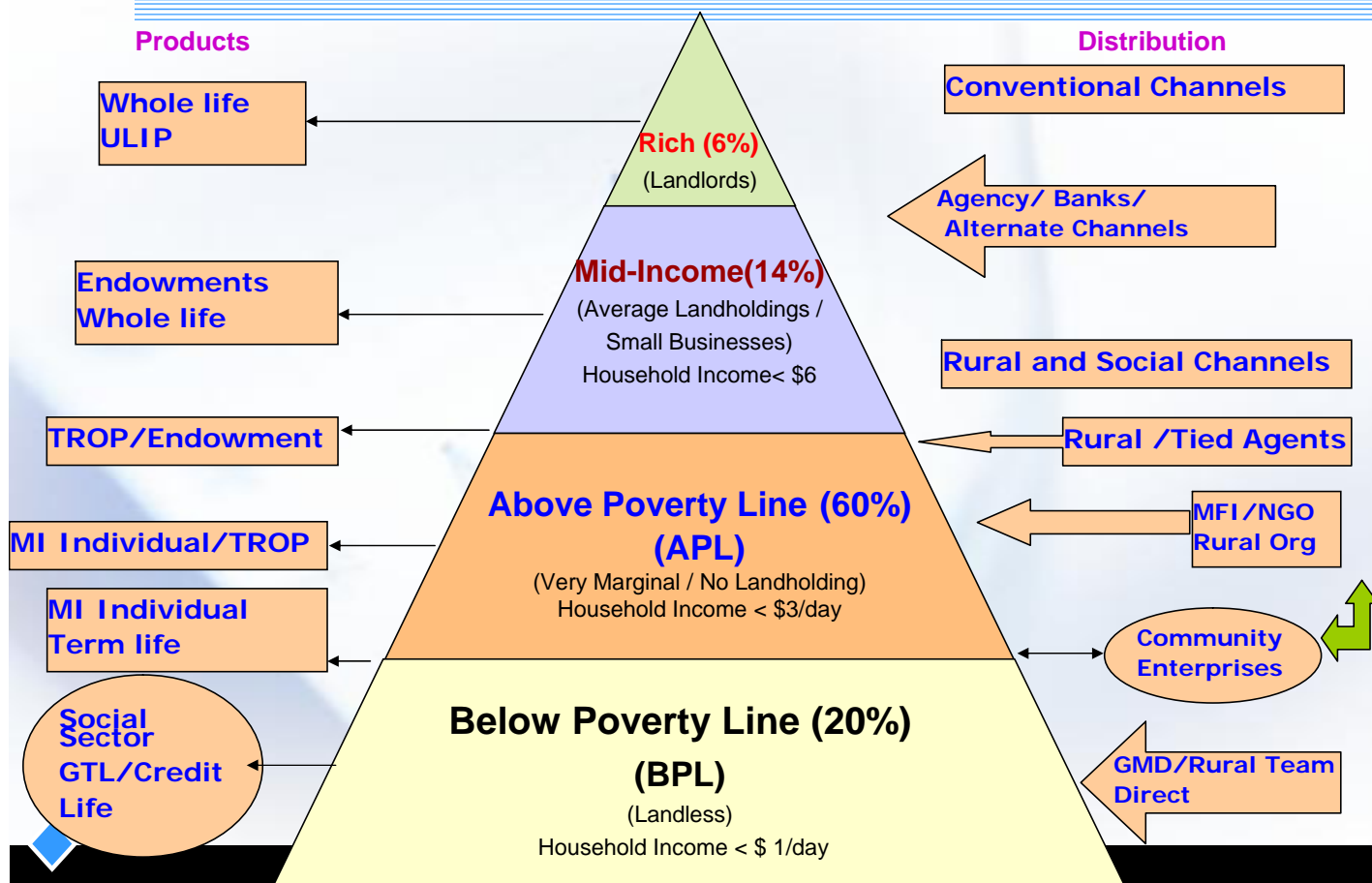
5 year renewable Term Plan
Entry age is 18-60
No return of premium
Accidental Death Benefit Rider
(For 35 years Age)
Premium @ 28c per \$22. i.e. \$3 for \$222 coverage

10 year payment for 15 yr. cover
Entry age – 18-60
(For 35 years Age)
Premium @ 65c per \$22 i.e., \$7.25 per \$222 coverage
Reduced paid up option after 3rd year

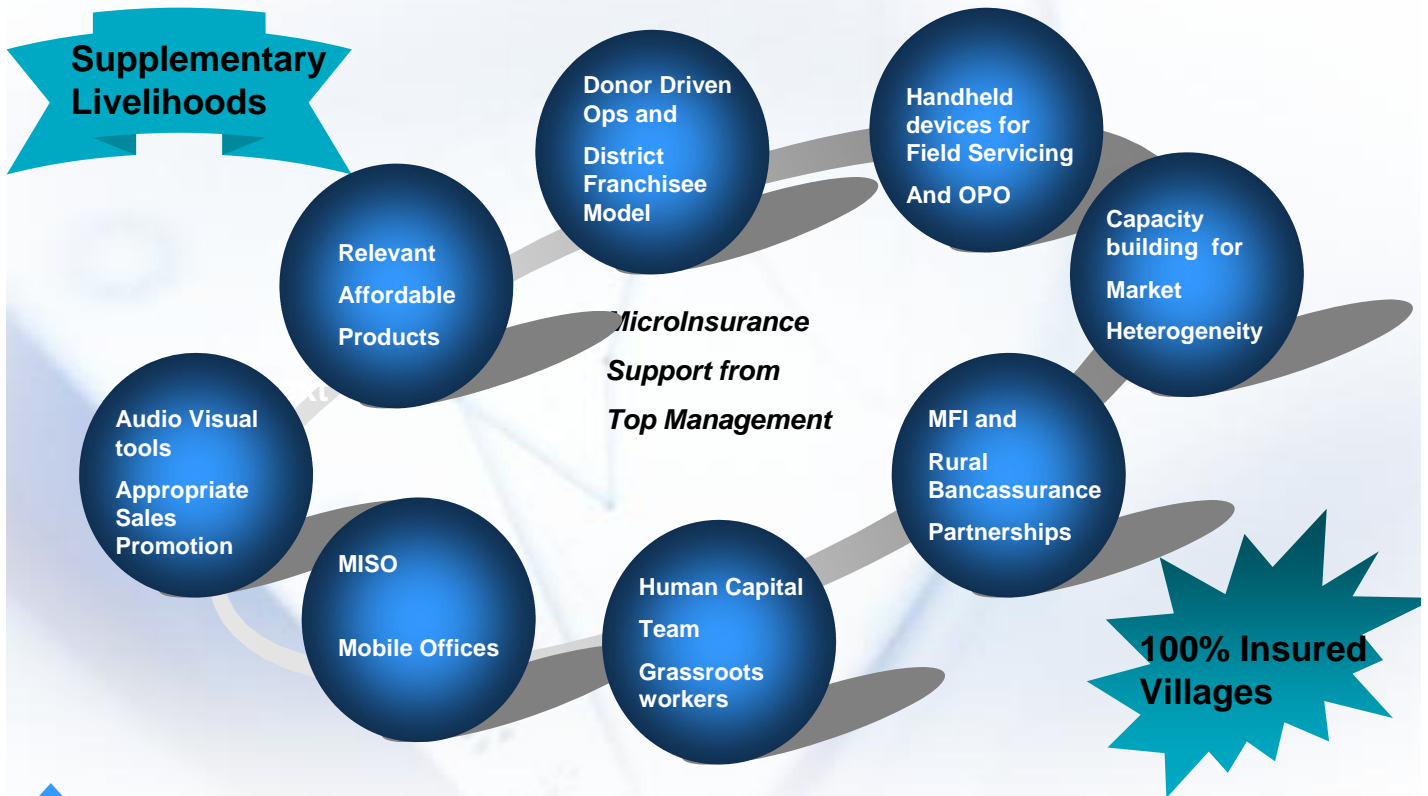
Single Premium Plan.
Payable for one year and coverage for 10 years
(For 35 – 50 years entry Age group)
Premium @ \$7 per \$22. i.e. Rs.\$70 for \$222 coverage
On Maturity, premium + 25% addition is returned to policy holder

Endowment Plan.
Entry Age 18-60
10 years payment with Money back from 6th year
Bonus on maturity
Health Plan
Minor illness benefit
Transportation cover

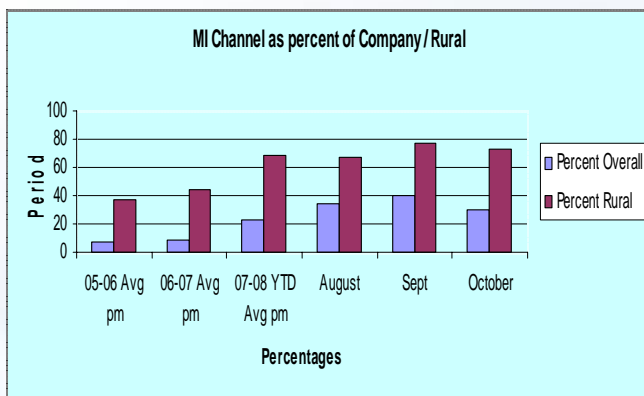
Rural Life Markets – Products and Distribution



Hindi – Marathi- Gujarati -Tamil-Kannada –Telegu -Malayalam-Bengali-Oriya-Assamese

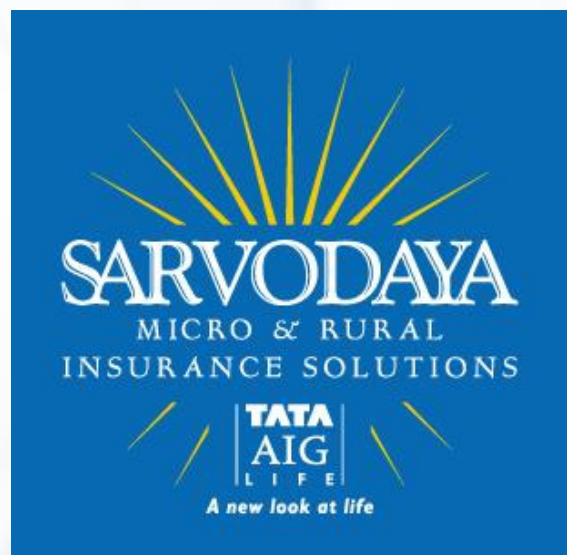


Results So Far

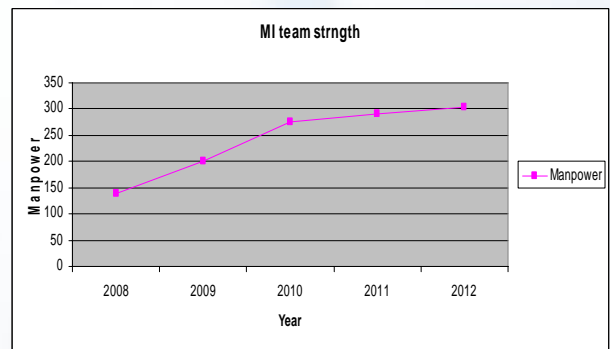
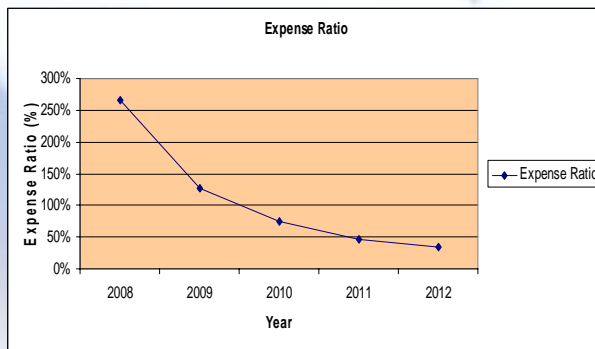
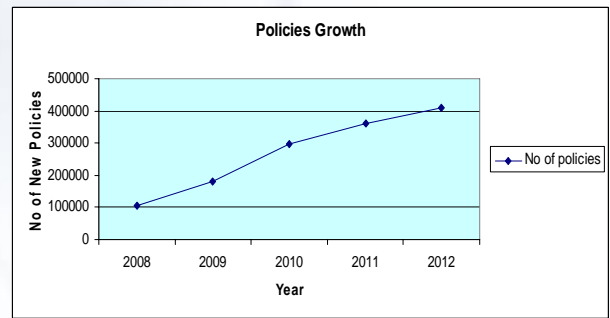
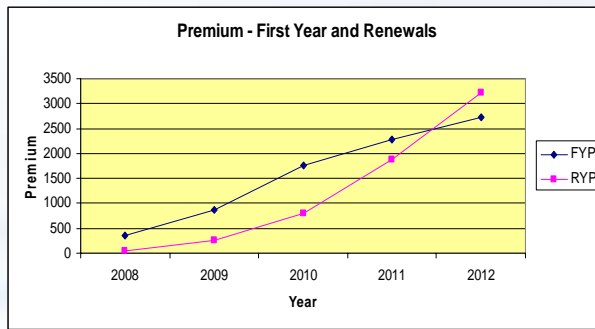


- The only sub-brand created so far
- First Indian Insurance Company to launch Micro insurance products.
- FYP on MI grew 220 % Apr- Oct 2007 when compared to similar period last year.

YEAR	Rural Obligation Required	Achieved	Social Obligation Required	Achieved
2001-2002	7%	11%	5,000	7,500
2002-2003	9%	10%	7,500	11,825
2003-2004	12%	14%	10,000	10,758
2004-2005	14%	18%	15,000	16,117
2005-2006	16%	21%	20,000	120,000
2006-2007	18%	19%	25,000	27,000



Looking Forward.....



To reach 1 million retail policyholders by 2012

The Final Word



- Sustainability of MI in a diverse country like India !!
- Ideologically driven and scale with long term commercial viability !!
- Possible with a different kind of commitment !!

It's a long and winding Road .
The journey tells us what to do.....

Thanks
Vijay Athreya