

Summary

Microinsurance Conference 2008

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Centro De Convenciones y Exposiciones
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Session 1 – Distribution

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Making Microinsurance work: multiple insurance products in Orissa's Milk Federation, in India.

The experience of India's Orissa Milk Federation (OMFED) in the development of its microinsurance products is unique in more ways than one. Unlike a microfinance institution, which is a common delivery channel for microinsurance services, OMFED is a state co-operative producers federation. Moreover, most of its products have been developed in response to an internal demand by its members. It facilitates the provision of life insurance and cattle insurance for its pouring members. Besides, this it has introduced a life insurance policy for its retailers. These 2500 retailers sell OMFED milk and milk products, from kiosks in different parts of Orissa. The federation also unsuccessfully experimented with the provision of calf insurance, but had to abandon it due to lack of support from the partner insurance company. Over time, OMFED has adapted the insurance products to the requirements of its members. Furthermore, it also facilitates the interaction between its members and the partner insurance company. Before 2000, OMFED tried to partner with the National Insurance Company Ltd (NIC), in providing cattle insurance to its members. This did not materialize due to their higher premium rates. OMFED then initiated a partnership with the United India Insurance Company limited, for provision of cattle insurance for all the milk producer unions within OMFED.

In PUMUL alone about 25 percent (3000-4000) members have voluntarily bought cattle insurance. Initially the price of cattle was determined in a cattle census. However, due to difficulties in conducting such surveys, it was decided to insure the cattle for a sum of Rs 10,000. The premium is about 4.8 percent per annum for three years. The union deducts this in ten monthly instalments during the time of payment to the members. Furthermore, the claim procedure has been simplified for easy and fast execution. The cattle records are maintained by OMFED. In the event of the death of cattle due to disease or accident, verification by the veterinary officer and the society's supervisor is all that is needed. The union office handles the contact with the insurance company for its members and the claims are usually settled within a month.

Like agriculture, purchase of the calf and its maturity into a milking cow takes time (on average about two years). Death of calf during this period therefore means a total loss. Due to this potential milk producers hesitate to buy the mixed breed cows that yield more milk. Provision of calf insurance was thus a way of insuring the producers and encouraging them to invest in mixed breed cows. Further experimentation with this product is underway and OMFED hopes to build a successful product.

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OMFED members are insured under the Group Savings Linked Insurance Scheme (GSLI) with the Life Insurance Corporation of India. Under which members can choose from two categories of life insurance: the first with Rs 40,000 (yearly premium of Rs 500) and the second with 20,000 (year)

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Key messages:

Microinsurance delivery through a state co-operative producers federation.

Products development through internal demand of its members.

Provision of microinsurance products for both producers and retailers.

Multiple product provision, like life insurance, cattle insurance & experimentation with new products.

Facilitates the members and retailers while constantly adapting the procedures for speedy and effective implementation.

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