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Theme: Innovative Products and Distribution Channels

MAKING MICROINSURANCE WORK – OMFED, INDIA

Dr. Ranjula Bali Swain
Department of Economics
Uppsala University, Sweden



Milk Products

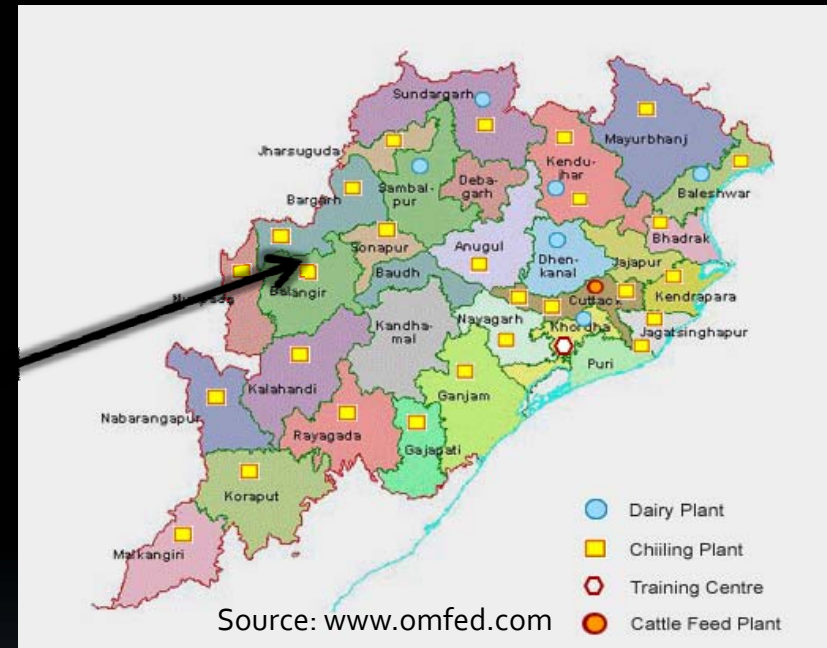
What makes Omfed interesting?

- State co-operative producers federation delivering microinsurance
- Internal demand for product development
- Multiple insurance products: life insurance, cattle insurance, calf insurance (experimental)!!!

What makes Omfed interesting?

- Insurance coverage for multiple clients : members of cooperative milk producer union and the retailers
- Adapting and simplifying the procedures for speedy and effective implementation
- Omfed and PUMUL, assist and support the members/ retailers in their communication with the insurance companies.

Omfed Operations

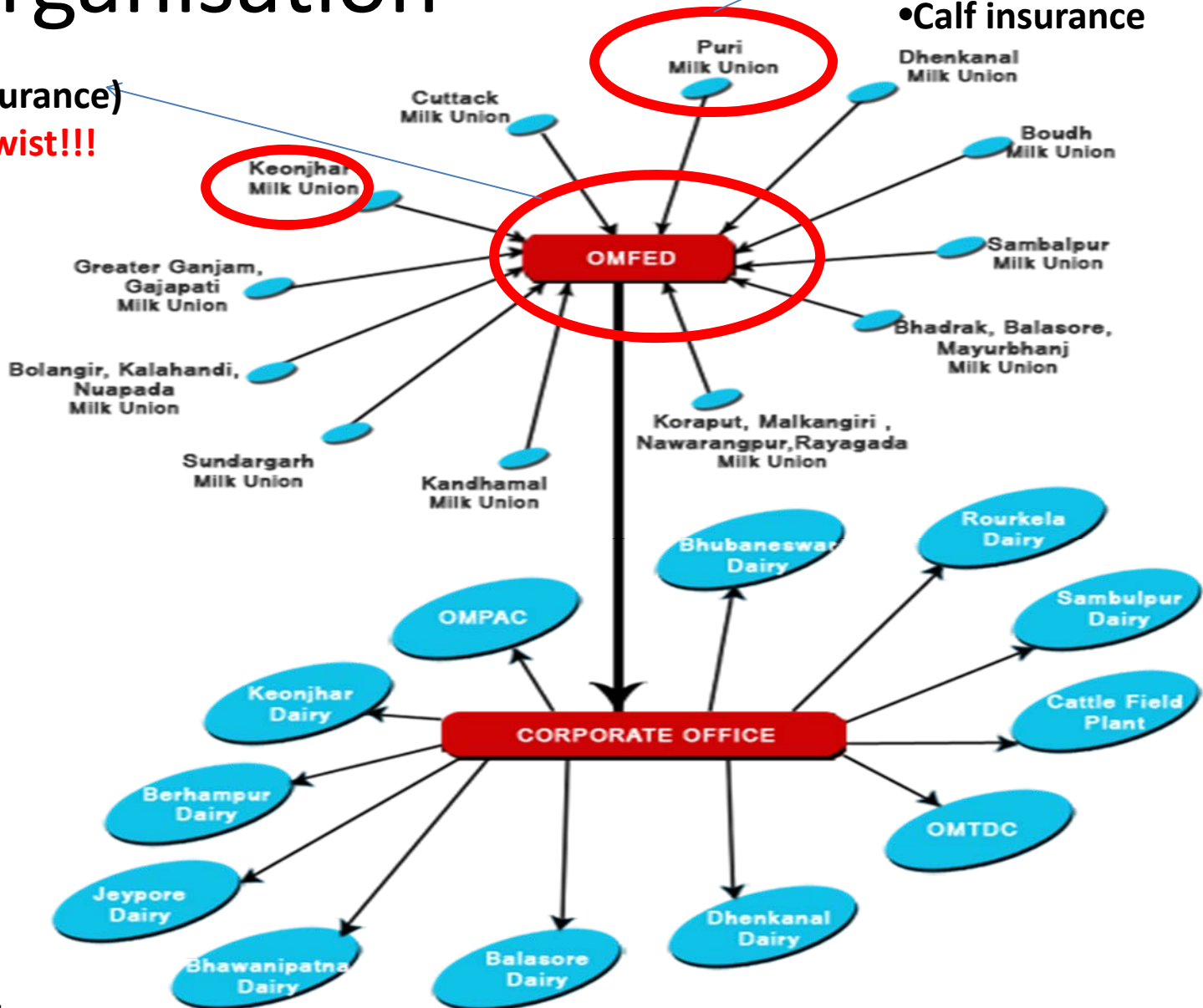


- Orissa is poor state, contributes only 1 % of milk production of India
- Produced on farms with marginal /small land holdings – important source of income

Organisation

GSLI (life insurance)
but with a **twist!!!**

- GSLI (life insurance)
- Cattle insurance
- Calf insurance



Physical achievements of Omfed as on March 2008

Particulars	Year of operation								
	99-2000	2000-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Time	99-2000	2000-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08
Organised DCS(No)	1044	1103	1072	1483	1557	2604	3377	3822	4387
Farmer Membership (No.)	105292	111292	112934	115131	140069	167802	204013	224002	236199
Milk Procurement(L PD)	69559	93955	105575	106599	135573	188500	302000	354368	360256
Milk sale (LPD)	99170	103832	105934	114176	148392	174219	318213	354368	361439

Source: www.omfed.com

OMFED'S INSURANCE PRODUCTS

- Group Savings Linked Insurance for members (not all unions in the federation!)
- Cattle Insurance (PUMUL only)
- Calf Insurance !!!
- Group Savings Linked Insurance for the retailers (all eligible)

Thank you for your attention!

Ranjula.Bali@nek.uu.se



GSLI for members



- Under GSLI with Life Insurance Corporation of India (largest life insurance company in India owned by the govt of India)
- For Puri-District Cooperative Milk Producer's Union (PUMUL) member - aged 18-59

	Yrly premium Rs. (USD)	Sgs Rs. (USD)	Risk premium Rs. (USD)	Sum assured Rs. (USD)
CAT 1	500 (10.3)	260(5.3)	240 (5)	40000 (823)
CAT 2	250 (5.1)	130 (2.7)	120 (2.5)	20000 (411)



Cattle Insurance



- 25% of PUMUL members have voluntarily bought cattle insurance
- Before 2000 – tried to partner with National Insurance Company Ltd. (NIC) – premiums were too high!!! – In 2003, PUMUL partnered with United India Insurance Company
- Covers
milch cows (2 yrs or age at 1st calving to 10 yrs)
female calves/heifers (6 months to 32 months
or upto the date of 1st calving)

Cattle Insurance

- For Milch cows (indigenous & cross-bred)
- Policy period – 3 yrs
- Premium 4.8 % p.a
- Each cow's valuation became difficult – complications arose

Cattle Insurance

- Valuation fixed at Rs. 10000 (USD 206) – premium is Rs 480 (~ USD 10)
- In case of death of the cattle – easy certification by any one of the two: village head, president or official or co-op credit society, official of milk collection center, local govt official, head master of govt school, bank official AND verification by veterinary doctor
- Union handles for the members and claims settled within 1 to 3 months



Calves/Heifers Insurance

- Policy cover - 2 years
- Death of calf? – loss of future income – members demanded risk coverage
- the premium and the amount payable varies with respect to the age
- For a calf /heifer of age - 5 to 24 months – premium varies between Rs. 104 (USD 2)– Rs. 10 (USD 0.2) - amount payable in event of death of calf Rs. 800 (USD 16.5) - Rs. 5400 (USD 111)

Calves/Heifers Insurance

- If calves do not become cows by 24 months then till 32 months covered by milch cow insurance scheme
- If calves do not become cows by 30 months (verified by Vet) , claims settled after completion of policy period
- Still in experimental stage !!! - Insurance co. difficult to implement, complicated for union and demand for members there but product needs further development
- Moral hazard!!!



GSLI for milk retailers

- Started in 2004 – 18-60 yrs retailers eligible – life insurance with LIC under GSLI - coverage for a year – about 1243 retailers insured
- Two retailers categories :
 - Cat I Selling between 50-<100 lts of milk/day
 - Cat II Selling more than 100 lts/day
- Retailers pay Rs 0.05 (USD 0.001) per liter to Omfed



GSLI for milk retailers

Category	Insured Sum Rs. (USD)	Premium Rs. (USD)	LIC Sgs@ 9% interest rate, returnable Rs. (USD)	Omfed sgs No interest, returnable Rs. (USD) TWIST!!!!
Cat I (100 ->100 ltr/day)	100000 (2057)	516 (10.6)	1032 (21.2)	If retailer selling 100 lts/day – 252 (5.2), interest free with Omfed
Cat II (50-<100 ltr/day)	50000 (1029)	258 (5.3)	416 (8.6)	

GSLI for Retailers

- TWIST ?

Increased competition from new players and loss of retailers – GSLI acts as a CARROT and the savings with Omfed act as a STICK - to retain loyalty to Omfed

Omfed sgs disciplining tool for retailers – not paid back in case of termination

Omfed can use these savings as working capital

