Cattle insurance through electronic identification chip technology -- IFFCO-Tokio

About the Project

Project Name: Cattle insurance through electronic identification chip technology -- IFFCO-Tokio
Type of Facility Project: Microinsurance innovation grantee
Country of Operation: India
Region: Asia and the Pacific
Sub Topics: Financial institutions, Claims, Agriculture, Transaction processing
Type of Risk Carrier: Regulated insurance company
Type of Distribution Channel: Credit union, cooperative or other member-based financial institution

Organizational Overview

IFFCO-Tokio General Insurance Co. Ltd. (ITGI) is a joint venture between Indian Farmers Fertilizer Cooperative Ltd (IFFCO), formed by more than 40,000 farmers' cooperatives, and Tokio Marine and Nichido Fire Inc of Japan. ITGI serves the insurance needs of the economically underprivileged rural masses across India through 52 strategic business units and a network of over 293 offices. ITGI is experienced in designing and marketing livestock microinsurance distributed through farmer cooperatives and cooperative banks.

Project Description

IFFCO-Tokio General Insurance Co. Ltd. (ITGI) is piloting a cattle insurance project targeting more than 25,000 poor farmers and their families in the Indian states of Gujarat, Punjab, Maharashtra, Rajasthan and Orissa. For these farmers, livestock is one of the main sources of income, mostly from the milk produced and sold daily to milk producer cooperative societies. In this context, livestock insurance is a critical service to mitigate the loss associated with the death of the animals. Howeve... READ MORE

Beneficiaries

The project targets more than 25,000 poor farmers and their families in the states of Gujarat, Punjab, Maharashtra, Rajasthan and Orissa who depend on livestock as a main source of income. For these farmers, livestock is a continuous source of income, mostly from the milk produced and sold daily to milk producer cooperative societies.

Learning Agenda

- To what extent the implementation of the technology reduce fraudulent claims?
- To what extent will farmers accept the new technology? How does the introduction of the technology improves value from livestock insurance for cattle owners?
- What is overall impact of the technology and new related processes on costs, efficiency and profitability?
- To what extent does the technology can be integrated within a livestock management system to improve animal health practices and herd management?

Project Status

Key Performance Indicators
### Project Updates

As of April 2010 For effective implementation of the innovation technology, IFFCO-Tokio selected five sites in the states of Gujarat, Maharashtra, Punjab, Rajasthan and Orissa in India based on established linkages with milk producers' cooperative societies and the livelihood dependence among society members on milk production. A market study was conducted with past loss data of public sector insurers sourced from various cattle insurance intermediaries. The team appointed one dedicated vet...

### Project Lessons

**On reducing moral hazard and fraud**

Using RFID technology enabled IFFCO-Tokio to reduce fraud through more accurate identification of animal and changing business processes for livestock insurance. The claims for livestock insurance are often high due to the prevalence of moral hazard and fraud, reducing the availability of affordable coverage. IFFCO-Tokio is testing a model to reduce fraud by using an identification...

**On costs, efficiency, and profitability**

The RFID technology could be a cost-effective solution to make livestock insurance viable with scale. During the pilot, the expense ratio fell from 521 per cent in Phase I to 84.6 per cent in Phase III, as the initial fixed costs related to technology and project management were spread across a larger number of policies. The expense ratio of 84.6 per cent is still high, but...

**On client value**

Contrary to previous concerns, the RFID driven cattle product is well accepted by clients. According to CIRM client satisfaction survey of 180 farmers who benefited either from the RFID or traditional product, 90 per cent of RFID product clients were very satisfied with the product while 81 per cent of traditional clients declared high satisfaction. By and large, the cattle owners are accept...

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