# Learning Journey

**Centre for Insurance and Risk Management (CIRM)**

Spatial mapping of best practices and scale of microinsurance products in India

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Project Basics

About the project
Microinsurance Map (MIM) is an online resource portal housing comprehensive information, data, research and analysis about the Indian microinsurance sector (www.advancinginsurance.com). The data is collected across four main risk areas – life, health, livestock and agriculture. MIM also provides extensive information on insurers, intermediaries and regulators of the sector.

MIM enables users to obtain snapshots of the microinsurance industry in two main ways: firstly, through pre-defined reports; and secondly, by enabling users to generate their own reports based on variables relevant to them. This allows users to gain a better understanding the sector, challenges and possible solutions. This information may also be relevant for other comparable developing regions.

Key aspects of MIM:

- Provides insurers with information about the specific needs of the low-income households and communities that they presently serve or aspire to serve, and up-to-date market information about sustainable business models to serve this market segment
- Presents localized knowledge about infrastructure and potential risks, to allow insurers and mutuals to expand to new geographies and build informed partnerships with risk carriers
- Provides intermediaries with customized analysis of the features and pricing of available products, to allow them to make informed choices
- Enables donors, policy makers and regulators to develop a deep understanding of the impact of regulatory changes on the sector, encouraging them to put in place facilitative policies
- Presents analysis of trends across risk areas, products and players, showing the impact of regulation on these trends and encouraging best practices and innovation

Project summary

<table>
<thead>
<tr>
<th>Project name:</th>
<th>Spatial mapping of best practices and scale of microinsurance products in India</th>
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<tbody>
<tr>
<td>Project start date:</td>
<td>August 2008</td>
</tr>
<tr>
<td>Duration:</td>
<td>4 years</td>
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<td>Country:</td>
<td>India</td>
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Project Updates

What is happening?

As of July 2010

- Consolidated relevant insurance industry information (contacts, regulation and major players) in order to devise a plan and strategy for the project
- Started gathering data and designed the survey to be used with insurance companies
- Collected data from 16 insurance companies on their rural, social sector and microinsurance business
- Collected data from around 40 intermediaries, including microfinance organizations, trusts and non-governmental organizations

As of March 2011

- Collected and organized data on the rural, social and microinsurance market
- Carried out risk profiling of agricultural crops, by obtaining data from the Indian Meteorological Department at a district level. This will allow greater transparency in pricing for insurers and intermediaries
- Started the development of a comprehensive online database on microinsurance, the MIM
- Carried out a soft launch of the website in the first week of November 2010. The map has been changed and updated several times subsequently
- Decided to collect secondary data, which has been reported to the regulator by insurers, in order to obtain a consistent set of data

As of September 2011

- Began collecting primary data from insurers and intermediaries
- Collected data from 25 MFIs. Many insurers were reluctant to share data
- Designed the concept for the second phase of the website, based on feedback on the existing website

As of February 2012

- Selected a vendor to start work on the back end of the website and the user interface
- Gathered requirements for the scope of work and website functionalities
- Initiated the next phase of website development, and added new functions to accommodate more information and ease of navigation
- Analyzed the information collected from the insurance companies
An overview of the website

Comparing product features

The website can be used to compare the most important features of products. This is a useful tool for users who want to take decision on which product best meets their requirements.

Screenshot of a product comparison of micro life insurance products registered with IRDA
Comparing business performance across geographies

The graph below shows the number of policies issued by SBI Life Insurance Co. in the year 2009-10 across different states. The comparison shows that SBI Life insurance Co. has most of its rural business in Andhra Pradesh, Kerala, Maharashtra, Tamil Nadu and Orissa.

Screenshot of the number of policies issued by SBI Life Insurance Co. in major states (2009-10)
Comparison across products of the same organization

The two major life insurance products offered by LIC are Jeevan Madhur and Jeevan Mangal. While Jeevan Madhur was introduced as a microinsurance product in 2006, the Jeevan Mangal product was introduced in 2009. Based on the graph below it can be inferred that from 2006 to 2008, the Jeevan Madhur policy grew, but it has issued fewer polices in consecutive years with the introduction of Jeevan Mangal in 2009.

Screenshot of the number of policies issues by LIC’s Jeevan Madhur and Jeevan Mangal products from 2006-07 to 2011-12
Comparison of policies issued in different states

The graph below showcases the spread of the RSBY scheme across Indian states for 2010-11. It shows that Uttar Pradesh has the maximum penetration among those below the poverty line. The other major states where this population is benefitting are Kerala, West Bengal, Haryana, Maharashtra and Haryana.

Screenshot of the number of policies issued by RSBY across all states in India
Tracking product growth over time

The graph below indicates the growth of the National Agricultural Insurance Scheme (NAIS) and the Weather Based Crop Insurance Scheme (WBCIS), offered by the government run insurance company, the Agriculture Insurance Corporation of India. NAIS has shown almost a constant growth from 2004-05 to 2008-09, with a sudden increase in total number of polices issued in 2009-10.

Screenshot of the number of policies issued under NAIS and WBCIS agriculture schemes over time
Project Lessons

On the implications of the lack of a common definition of microinsurance

Different definitions of microinsurance lead to an overestimation of the number of players and products in the microinsurance market. Most insurers do not define the products they offer to low income households, except for products registered as microinsurance products with IRDA. Furthermore, the insurance industry is not very clear on the definition of a microinsurance client. The regulator uses a definition based on geography and certain product features, which have been widely used but may not always be appropriate.

As a result of this lack of consensus, the total number of players that were captured by the MIM included insurers catering to poor and non-poor clients, as these were both reported to the regulator based on its Rural and Social and Micro Insurance Regulatory Definition.

Table showing the groups catered to by insurance companies

<table>
<thead>
<tr>
<th>Target Client</th>
<th>Urban</th>
<th>Rural</th>
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<tbody>
<tr>
<td></td>
<td>Non-LIG</td>
<td>LIG*</td>
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<tr>
<td>Product Filing (Regulator)</td>
<td>Products under ‘Rural and Social Sector’ Obligation</td>
<td>1</td>
</tr>
<tr>
<td>Product Filing (Regulator)</td>
<td>Products under ‘Microinsurance Act 2005’</td>
<td>5</td>
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*low income group

The diagram above shows the number of insurers catering to both non-low income group and low income group segments, in urban and rural settings. All these were included in the MIM. However, if a stricter definition of microinsurance were followed, limited to those products serving the low-income segment, only the numbers in green boxes would have been included.

In addition, the Rural and Social Sector Regulatory Obligations define a microinsurance product as a product sold in rural areas. This can also lead to an overestimation, as there are products in rural areas that cater to rural households who do not belong to low income groups. Furthermore, insurers usually sell the same products to mainstream urban and rural clients.

On project planning

Changes to the project planning which might have allowed the initial stages of the project to proceed more smoothly include:

- Develop a website prototype through free web sources
- Collect data from insurers’ websites and depend less on primary data collection
- Find the right contacts at the insurance companies
On the information needs of practitioners

Insurers and other stakeholders will get more use from, and be more interested in contributing to, the MIM if it shows how microinsurance can be a business opportunity. In the needs assessment conducted by CIRM, market players particularly identified the need for tools and information to facilitate decision making.

To serve this requirement, a Market Potential section has been created to aid business decisions. It contains:

- Area specific market potential estimations
- Infrastructural information for risk areas – agriculture, life, health & livestock
- A comparison matrix of product features

For example, based on the data shown below, an insurer can investigate the potential of agricultural insurance in any state, since a high presence of rain gauges would facilitate weather assessments, and therefore claim processing.

*Screenshot showing the number of rain gauges installed across states. The data is represented on the map as colour gradients*
Next Actions

Going forward CIRM will continue to work on expanding the information available in the map by:

- Aggressively expanding its list of partners (insurers, intermediaries and regulators)
- Developing the portal with insightful analysis and ‘easy to digest’ trend sheets
- Designing the user interface to make it more comprehensive and easier to navigate
- Formally launching the website among insurers and creating strategies to increase its use

This will enable the website to reflect the message in its tagline: ‘Data, Trends and Analysis’.