



INSURANCE FOR THE VULNERABLE – A MULTI-FACETED CHALLENGE

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Marketing and Franchising’
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भारतीय बीमा संस्थान
Insurance Institute of India

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Discussion Themes

-  ***What is the problem?***
-  ***Why insurance can be a solution?***
-  ***What conditions make insurance work ?***
-  ***Which are the focus areas for insurance?***
-  ***How do we make a start?***

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 ***What is the problem? Everyone's Problem***

 **Common challenges in life for all:**

-  ***Disease // Disability - Livelihood***
-  ***Death - Livelihood of others // Debt - Future Livelihood***
-  ***Damage / Destruction of Assets***

 **Causes:**

-  ***Natural causes // Sudden calamity***









 **Higher vulnerability of the poor**

-  ***Higher Mortality, malnutrition, environment,***
-  ***Ignorance of right solutions***
-  ***Lesser access & Lower affordability to solutions***

 **The 'Poverty Trap'**

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 ***What is the problem?*** **Problem of poverty**

-  **Affected incapable of solving problems**
-  ***Bigger day-to-day problems***
-  **Inability of society to provide safety net**
-  ***No Joint family or community support***
-  **Inability of State to take care**
-  ***Insufficient welfare funds***
-  ***Incompetent hospital network***
-  ***Inefficient support systems***

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What is the problem? - The Woman

 ***She gets ill – but does not tell any one***

 ***Living - sleeping - even toilet is a problem - illness ??***

 ***If she stops – the family stops -***

 ***She is food factory – washing machine – cleaner***

 ***She manages children's wellbeing - schooling***

 ***She looks after the old – care - comforts***

 ***Years of financial planning will go haywire***









 ***She is challenged – whether husband will go astray***

 ***She is the king maker - anchors the family***

 ***Solution – change her behavior – SM – SF***

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What is the problem? **OTC Approach**

-  **No solutions to natural or gradual problems**
-  **As sole source of relief, Govt. uses funds allocated for development for tiding over crisis**
-  **Ex-post solutions designed to solve aftermath of calamities/ disasters turn out to be sub-optimal -**
 -  ***Funds for development get reallocated***
 -  ***Distribution systems prove inefficient***
 -  ***Efforts to solve problems, fail***
 -  ***Affected suffer despite all efforts***
-  **Result – OTC Solutions do not serve the purpose**



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Why insurance can be a solution?

- **Financial risks arising out of the problems are transferred to insurer on payment of premium**
- **As an ex-ante system for funding ex-post financial burden, insurance can reduce Govt.'s burden**
- **Govt. can use organized channel of insurance to reach out to the affected**
- **In developed countries, Governments need to provide only residual funding after insurers and humanitarian agencies play their respective roles**

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





- ***What conditions make insurance work ?***
- **For insurance to work, insurers need to . . .**
- **Get the spread: *Insurance works on concepts of mutuality and large numbers. To cover disaster, larger numbers are needed to be viable***
- **Limit individual company exposures: *Due to catastrophic nature, insurers need reinsurance to limit exposures & spread risks across territories.***
- **Get the proper figures: *Dependable data needed to estimate frequency & severity of losses correctly. Statistical predictive modeling.***
- **Governmental Support: *As target population may not have ability to pay, financial support from Govt. needed for providing insurance, at least in the initial years.***

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-  ***Which are the focus areas for insurance?***
-  **Insurance can provide at least limited financial relief through simple insurances in situations of:**
 -  ***loss of life***
 -  ***permanent disability***
 -  ***incapacity to pay for healthcare needs***
 -  ***incapacity to repay loans and***
 -  ***loss of belongings - ranging from movable possessions, cattle, cultivation, house etc., which change with the varied income levels of the disaster affected.***

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How do we make a start? Insurers

 **Simple insurances with realistic Sum Insured**

 **Life Insurers**

 ***Death/ Permanent Total Disability SI of Rs. 2 lakhs***

 ***Permanent partial disability SI of Rs. 2 lakhs and***

 ***Repay loans of Rs.1,00,000 Sum Insured – for above long term basis***

 **Non-Life Insurers**

 ***Health Insurance for tertiary care***

 ***Loss of property / belongings - movable possessions, cattle, cultivation, house etc. with a Sum Insured of Rs. 1,00,000 for people just above poverty line.***

 ***...these can include catastrophe situations as well.***







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- **How do we make a start? Insurers**
- **Logic of fixing Sum Insured - Rs. 2,00,000.**

	Per Person per day	Family of four per day	Family of four per year	Stabilisation Period of 3 years
BPL Level (Planning Commission)	29	116	42340	127020
BPL Level (Critics)	60	240	87600	262800






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How do we make a start? Regulator

-  ***Standardization: IRDA, Life/ General Insurance Councils to ensure that insurers sell similar products at the same price so that there is no confusion in the market on product features.***
-  ***Mandate: IRDA may stipulate that a fixed percent of insurers' premiums should be from catastrophe insurances by way of their social obligations.***
-  ***Govt. to help to get the maximum spread: Make carpet coverage possible for all people and property over the entire areas of vulnerability and near-vulnerability. To get across to all states, Central and State Governments should drive the scheme.***
-  ***Share Data: All share historic data available.***

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***How do we make a start?* Government**

-  ***In collecting data: To approach the matter in a meaningful and scientific manner, the Govt. (NDMA) may set up a system of collecting data from across the country on every calamity above a threshold level.***
-  ***Free Insurance: Govt. can pay premium for those who cannot afford, to ensure that no one is deprived of insurance***
-  ***Subsidized Insurance: For those just above poverty line, need insurance badly but cannot afford it.***
-  ***Safety net for insurers: Govt. may assure insurers that if losses cross a set level (by amount or percentage), Govt. will pick up the bill and support the insurer.***
-  ***Stop Loss cover of 125% to 150% could be one model***








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How do we make a start?

-  **In the Indian context, stake holders may need to:**
-  **Ensure Commitment of Multiple players**
 -  ***Governments, Insurers, Bankers, Non-Banking Finance Companies, Corporates***
-  **Create Multiple mechanisms**
 -  ***Alternate models of Insurance, recognition of the power of Mutuals, Self-Help Groups, Social Entrepreneurship, Social Marketing, Social Franchise***
-  **Educate:**
 -  ***Awareness of the Insurance as a Concept, Power of Insurance as a benevolent social welfare mechanism***
-  **Capture Imagination of the Nation:**
 -  ***Build a dream like 'Gross National Happiness' of Bhutan.***

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THANK YOU ALL.

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