

microfinance India
SUMMIT 2010



Roundtable on Client Education and Micro-Insurance



TABLE OF CONTENTS

About CARE..... 3

About ACCESS ASSIST 4

About the Roundtable Event 5

Context 6

Roundtable Proceedings..... 7

References 9

Annexure-1: Agenda 10

Annexure-2: List of participants 11

About CARE

CARE is well known humanitarian agency present in over 70 countries. In India, since 1950, CARE is primarily engaged in livelihood, education and healthcare. CARE partners with community, civil society and government on long term projects. CARE focuses on developing the potential of women to drive long-lasting, equitable change. It challenges discriminatory practices that exclude the most marginalised, help in implementing measures to ensure systems of good governance and address the inadequacies of essential public services. CARE enables the poorest of the poor to access quality education, understand and receive their healthcare entitlements, discover greater livelihood opportunities and recover from disaster.

CARE places special focus on working alongside poor women because, equipped with the proper resources, women have the power to help whole families and entire communities escape poverty.

Women are at the heart of CARE's community-based efforts to improve education, reduce malnutrition, prevent the spread of HIV, increase access to water and sanitation, expand economic opportunity and protect natural resources.

By developing the potential of women, CARE helps millions of people effect real, positive changes in their lives, every year.

Core Values:

- **Respect** - CARE affirms the dignity, potential and contribution of participants, donors, partners and staff
- **Integrity** – CARE maintains complete honesty and dignity in all its works
- **Commitment** – CARE works together to serve the larger community
- **Excellence** - CARE strives towards the highest levels of learning and performance

About ACCESS ASSIST

ASSIST is a newly incorporated entity as a specialized affiliate of the ACCESS group, which has been set-up to give strategic focus to some of the key initiatives within the microfinance vertical of ACCESS, particularly the ACCESS Microfinance Alliance (AmFA), a network of partner institutions. In the last three years since birth, ACCESS has enjoyed phenomenal success and an accelerated pace of growth; and has established strong credibility within the sector. Its two important verticals, microfinance and livelihoods, offer a wide range of services at all levels within the value chain – local and national. In order to proactively manage the challenge of growth and focus and to ensure that customer satisfaction is not sacrificed, a need was felt for a separate entity that would focus on our partner relationships and further enhance performance on all fronts. ACCESS-ASSIST was born out of this need.

Most of the Tier I & Tier II portfolio of ACCESS was transitioned into the new company with a mandate to organize and aggregate demand and thereby catalyze a larger quantum of fund flow to the poor. The core operational strategy would be to incubate and build strong microfinance institutions / SHPIs (self Help Promoting Institutions) and microfinance support institutions. Simultaneously, one prong of the ASSIST strategy would focus on engaging with the supply side and building the interest among banks and other FFIs, investors and promoters towards greater engagement with smaller institutions.

While broadly, ASSIST will further build on the ACCESS microfinance portfolio passed to the new entity, it will seek to further innovate and refine its strategies to remain relevant and provide value to the sector through its interventions. ASSIST will position itself as a narrowly focused, specialized affiliate of ACCESS to contribute to both the organized growth of the microfinance sector and the larger national agenda of financial inclusion.

ACCESS Development Services – The Parent Institution

ACCESS Development Services (also referred to as ACCESS) was instituted jointly by CARE and DFID in March 2006, as an exit strategy to build on the expertise and experiences of a large scale successful program called CASHE (Credit and Savings for Household Enterprises), one of the most successful program of DFID with a value of GBP 10 million.

Vision

“ACCESS is a global partner of choice providing inclusive and innovative livelihood solutions enabling the poor to overcome poverty and live with dignity”.

Mission

“To build the capacity of community based institutions that deliver relevant financial; and livelihood development services to the poor and unreached households.”

Microfinance Strategy of ACCESS Development Services

At the ground level, ACCESS provides technical assistance and mentoring support to new / nascent and grown-up NGOs / MFIs which have the potential to transform to full fledged sustainable microfinance operations through its Microfinance Resource Centres spread across six regions. Prior to providing the technical assistance and mentoring support, a qualitative and quantitative assessment is done of the NGOs / MFIs through the Institutional and Capacity Assessment Tool (I-CAT). Based on the results of this assessment, customized technical services are provided to the institutions.

At the meso level, ACCESS has established the ACCESS Microfinance Alliance (AmFA) spread across the country and covering around 4 million clients. The partners in the network are provided various services including structured technical support, linkages with financial and non-financial institutions and learning opportunities by ACCESS.

At the national level, as supporting sector building, we have structured a slew of initiatives under the banner of "Microfinance India" where we organize the Annual Microfinance India Summit, release the annual State of the Sector Report, organize policy retreats and work with stakeholders to develop a state vision document in an underserved region.

About the Roundtable Event

Venue : Rudraksha Hall, India Habitat Center, New Delhi

Topic : Client Education and Micro-Insurance
 Micro-insurance, the term used to refer to insurance to the low-income people, is different from insurance in general as it is a low value product (involving modest premium and benefit package) which requires different design and distribution strategies.

Providing micro-insurance coverage to the poor has been a daunting task given their low levels of income and high levels of perceived risk exposure. Securing the lives and livelihoods of the poor is increasingly recognized as an imperative for sustainable development, but is hampered by the complexity of the products and endemic illiteracy. Insurance companies, find it difficult to serve the poor, especially in remote rural areas. In terms of provision, there are numerous challenges on account of finding the right product mix to cover specific risks in a cost-effective way.

Apart from finding correct product mix which suits the client’s as well as company’s need, another important consideration in this regard is the fact that micro insurance requires lot of client education as the clients attached with this are not educated. All the aspects like risks that are covered, premium etc must be clearly communicated.

The roundtable discussions focused on exploring the importance of client education as a critical area in enhancing the outreach and benefits out of insurance for poor. It also evaluated the need for client education, means and approaches available in the sector for educating poor clients on insurance, and the role various stakeholders can play to make this more effective.

Participants : There were four participants from CARE. Apart from this, there was a strong presence of NGOs/MFIs in the round table with five participants representing different organizations of from varied states like Orissa, North East, Tamil Nadu. Micro Insurance experts from agencies like Micro-Insurance Academy were also present. Persons who have devoted substantial number of years of their life to micro-insurance and currently acting as independent consultants were also present to give their perspective. The participation would have been incomplete without representation from Insurance companies. Representatives from Future Generali Insurance one of biggest insurance companies was present to express problems being faced by insurance companies in this sector.



International experts were also present to give international perspective and status of micro-insurance. The list of all the participants is presented in Annexure-2.

Context

Historically in India, a few micro-insurance schemes were initiated, either by nongovernmental organizations (NGO) due to the felt need in the communities in which these organizations were involved or by the trust hospitals.

These schemes gathered momentum partly due to the development of micro-finance activity, and partly due to the regulation that makes it mandatory for all formal insurance companies to extend their activities to rural and well-identified social sector. As a result, increasingly, micro-finance institutions (MFIs) and NGOs started negotiating with the for-profit insurers for the purchase of customized group or standardized individual insurance schemes for the low-income people.

Role of Regulation:

Insurance companies have been forced by IRDA for Micro Insurance. The rural obligations are in terms of certain minimum percentage of total policies written by life insurance companies and, for general insurance companies, these obligations are in terms of percentage of total gross premium collected. Some aspects of these obligations are particularly noteworthy. First, the social and rural obligations do not necessarily require (cross) subsidizing insurance. Second, these obligations are to be fulfilled right from the first year of commencement of operations by the new insurers. Third, there is no exit option available to insurers who are not keen on servicing the rural and low-income segment. Finally, non-fulfillment of these obligations can invite penalties from the regulator.

Roundtable Proceedings

Following were main points of discussions in round table discussion on topic “Reaching the Unreached: Client Education and Micro-Insurance”

Mr Dev Prakash of CARE India opened the discussions and stressed the need to educate clients about insurance. Dr. Iddo Drar moderated the session.

Talking about the need for client education, Dr. Iddo Drar stressed that Product is the key and that poor people understand with heart. Once the familiarity is there, the product finds buyers itself. He cited the example of telecom products / shampoo sachets wherein people are buying without having any education. He also shared that in Uganda, when there was a saturation in sales of General insurance, the General Insurance companies came together and invested on client education. Quoting the health insurance, he cited that in India right now only the products are available and there is a mismatch between what the clients want and what the companies are offering. Therefore, he said that, there is a need for insurance companies, hospitals, accreditation centers to work together.

“Product is the key. Poor people understand with heart. Once the familiarity is there, the product finds buyers itself”

- Dr. Iddo Drar

Mr Francis stressed the need to have a product designed as per clients need. He quoted an example of a labourer saving money for about a week to have a bottle of Coke and enjoying the hard earned Coke for about 2 hrs. He defined micro-insurance as “Converting uncertainties of poor into affordable product”. He laid special emphasis on having micro insurance products that touch the hearts of poor and that the product must be seen as a social status for it to succeed. He also shared that if the product touches the hearts of the people and meets their requirement, then there is no need for client education as they are smart enough and only advertisement will suffice.

“Why can't we develop a product which gives social status to clients?”

- Mr. Francis

After Mr Francis presented his views, Mr Kumar of CARE India made a small presentation covering details of CARE micro insurance initiatives. His presentation covered following main points:

- Current scenario of program
- Understanding target population
- Details of various distribution channels
- CARE’s approach to client education
- Various communication strategies
 - Various forces that influence decision making
 - Covering all aspects of education



- Various tools and mechanism used
- Mass awareness programs
- Various lessons learned from past experiences

The presentation concluded with lessons learnt from past experiences like (i) in order to create micro-insurance awareness among the clients, it is necessary to understand their existing knowledge levels and past experiences in micro-insurance; (ii) always build on and utilize local anecdotes; (iii) settle claims in huge gatherings so that other people are aware of the benefits reaped through insurance; (iv) request the claimants to share their experiences and advantages of having an insurance; (v) establish the brand image of the insurance provider keeping in mind the intermediary who has the relationship with the clients / members; (vi) allow the community / clients / members to take decisions regarding insurance, rather than taking decisions on their behalf; act as a facilitator; (vii) focus more on opinion leaders, village leaders and other influencing centers in the village; (viii) take care of the social, cultural and economic structure of the village; (ix) build a sound tracking and monitoring systems not only regarding the insurance policies sold and claims settled but also regarding the awareness levels of the community; (x) evaluate client satisfaction levels and have a mechanism of continuous feedback from the community; among others.

*“Poor understand with their heart not mind”
- Mr. Francis*



The Presentation was followed by questions pertaining to methods of making client education more cost effective, involving insurance companies into it, developing synergy among various stake holders.

This presentation was followed by discussion among participants on various aspects. Big question was raised on insurance companies refusing claims in case of natural calamities and MFIs losing their money. Participants felt that in such instances, it is the NGO which faces

criticism from clients as they are the front face. Instances like these further strengthen the fact that insurance companies need to properly educate the NGOs regarding the exclusions in policy.

Mr Iddo Dor of Micro Insurance Academy, Delhi brought about point regarding client mentality and said that in a group, only leaders make a choice and rest just follow the leader, a practice which may back fire in case the policy chosen by leader is not suitable. Thus there was a need to break this habit of poor and make them take their decisions independently.

It was felt by all participants that micro-insurance sector is in its nascent stage and no guidelines are



available on client education. Various strategies that can be adopted like development of appropriate tools, increasing outreach, having mass awareness programs etc. were discussed. Need for comprehensive regulation was felt in this regard. Also the fact that there should be proper Code of Conduct for insurance companies to be followed and same must be ensured.

Mr Francis suggested an important point that before educating about the product, clients must understand the term “Insurance”. He insisted on having first general awareness programs educating about insurance and then awareness on specifics of product can piggybank on general awareness program.

The round table concluded with participants agreeing to need for comprehensive regulations, having simple but clear product and effective education of both end client and nodal agency.

References

http://www.microhealthinsuranceindia.org/content/e22/e156/e288/e289/conceptpaper_microinsurance_aug182004.pdf :-assessed on 24-Nov-10

<http://www.icrier.org/pdf/wp162.pdf>:-assessed on 24-Nov-10

http://www.sggwrites.com/docs/GuthridgeGould_11_Microinsurance%20India.pdf:- assessed on 24-Nov-10

Annexure-1: Agenda

**Microfinance India Summit
 “Client Education and Micro-Insurance” Roundtable
 November 17, 2010
 1430 – 1700 hrs**

Rudraksha Hall
 India Habitat Center, Lodhi Road, New Delhi

Time	Agenda
1330 – 1430 hrs	Lunch
1430 – 1440 hrs	Opening remarks, R. Devaprakash, CARE
1440 – 1450 hrs	Introduction to the theme, Dr. Iddo Dror
1450 – 1510 hrs	Presentation, Francis Somerwell, MicroCare
1510 – 1530 hrs	Presentation, C Kumar, CARE India
1530 – 1645 hrs	Participant remarks and discussion
1645 – 1700 hrs	Moderator’s concluding remarks

Annexure-2: List of participants

No	Name	Organization
1	Mr. Narayan Satyapathy	Asian Institute for Rural Regeneration
2	Mr. Burgen Belltown	Center for Microfinance
3	Mr. Iddo Dror	MIA- New Delhi
4	Mr. Devaprakash	CARE India
5	Dr. G. Senthil Kumar	CARE India
6	Mr. C. Kumar	CARE India
7	Mr. Devabalan	CARE India
8	Ms. Felicia Meyercwitz	Sa-Dhan
9	Dr. G. Gandhi	Independent consultant
10	Mr. Ashok Kumar Panigrahi	SARC, Bhubaneswar
11	Mr. K.I. Aroon Joshva Rusewelt	Aussi Codes
12	Mr. Krishna Kumar	Avvai, Nagapattinam
13	Mr. Lawrence	REAL, Cuddalore
14	Mr. Dasarathi Senapati	CARR, Bhubaneswar
15	Dr Ajay Verma	Future Generali
16	Mr. Francis Somerwell	Head, Microcare, Uganda
17	Mr. Ramlal Keshari	Northeast Region Finservices Ltd.,
18	Mr F Britto	CREED