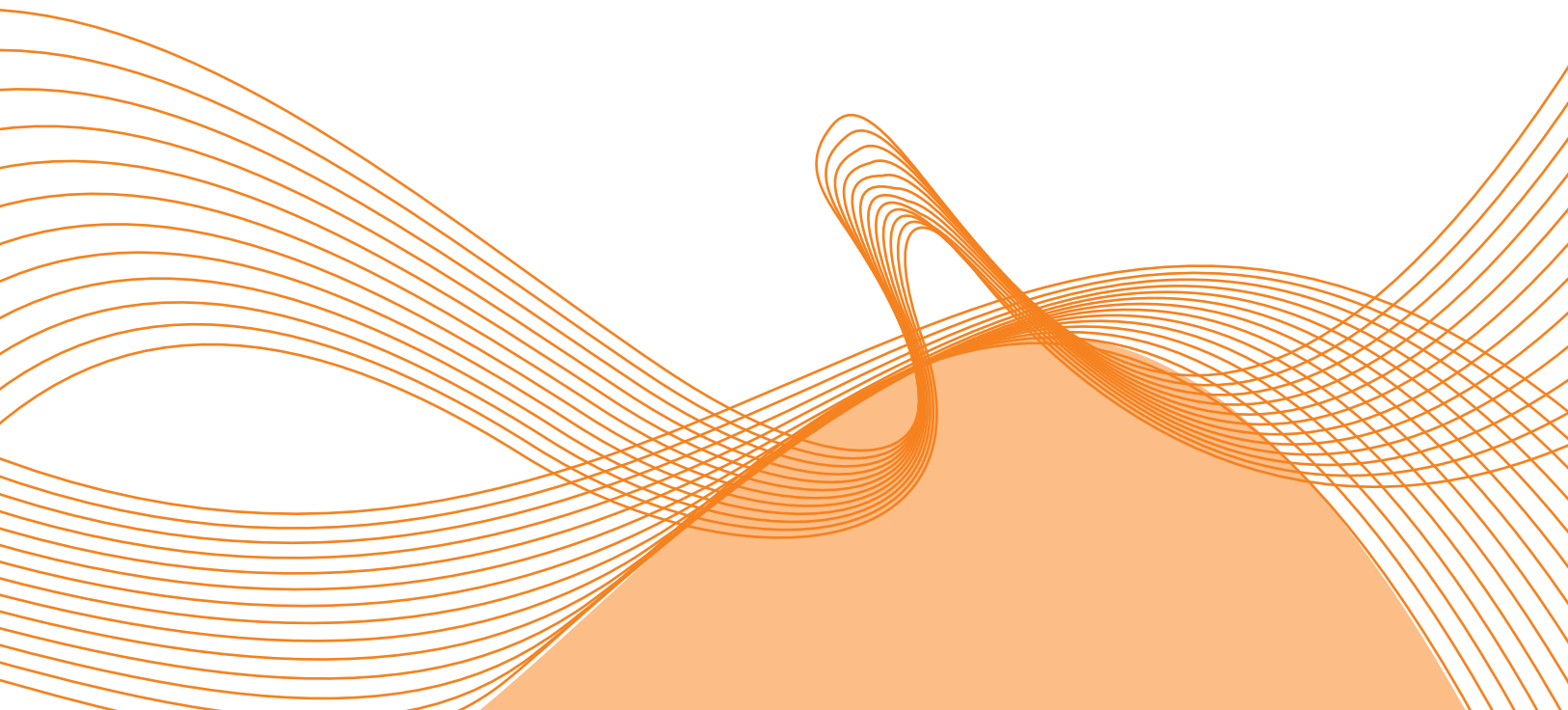


# People Mutuals

Social security initiative of DHAN Foundation

*Annual Report 2010*



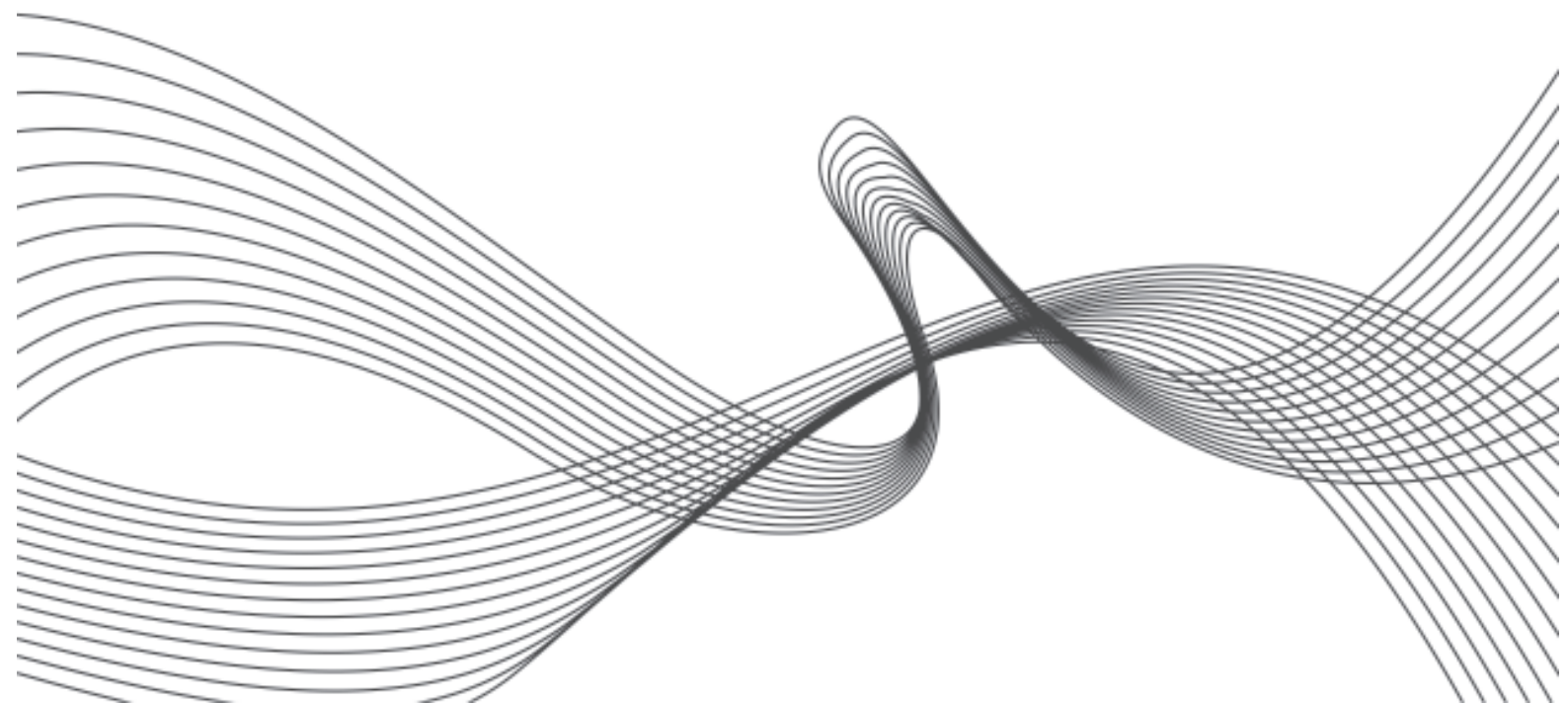
## Evolution of Mutual Insurance

2010	<ul style="list-style-type: none"> <li>Initiation of insurance to people living with HIV</li> </ul>
2009	<ul style="list-style-type: none"> <li>Initiation of Livestock Mutuals</li> </ul>
2008	<ul style="list-style-type: none"> <li>Initiation of Health Mutuals in 13 locations in Madurai district</li> </ul>
2007	<ul style="list-style-type: none"> <li>Initiation of Health Mutuals in 6 Locations in Theni District with a 24 hours community secondary care hospital</li> <li>Registration of Federation Mutuals at Kadamalai</li> <li>Mutual crop risk solutions initiated at Natrampalli and Mudukulathur</li> <li>Universal Health Insurance Programme in Coastal Conservation and Livelihood development locations</li> </ul>
2006	<ul style="list-style-type: none"> <li>Mutual solutions in 12 federations - 9 federations have evolved whole life mutual solutions</li> <li>Mutual Crop risk solutions at Tirumangalam</li> </ul>
2005	<ul style="list-style-type: none"> <li>Community based life risk management programmes in Pudur &amp; Gangai</li> <li>First federation mutuals of the nation registered at Gangai</li> <li>Funeral expenses &amp; emergent hospitalisation expenses in 20 federations</li> <li>Old age people risk solutions at Appanthiruppathy</li> </ul>
2004	<ul style="list-style-type: none"> <li>Rainfall indexed crop insurance in Natrampalli &amp; Tirumangalam</li> </ul>
2003	<ul style="list-style-type: none"> <li>Promotion of People Mutuals</li> </ul>
2002	<ul style="list-style-type: none"> <li>LIC – Krishi Shramik Samajik Suraksha Yojana</li> </ul>
2001	<ul style="list-style-type: none"> <li>Coverage under the products of private insurance companies</li> </ul>
2000	<ul style="list-style-type: none"> <li>Community based health risk management programme in Kadamalaikundu</li> <li>LIC Janashree Bima Yojana</li> </ul>
1997	<ul style="list-style-type: none"> <li>Community based life risk management programme in Kadamalai, Uchipuli, Appanthiruppathy and Alanganallur</li> </ul>
1995	<ul style="list-style-type: none"> <li>Livestock insurance in collaboration with mainstream insurers</li> </ul>
1992	<ul style="list-style-type: none"> <li>Mutual Programme to meet funeral expenses</li> <li>Rural : Appanthiruppathy</li> <li>Urban : Tiruppathy</li> </ul>

# People Mutuals

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## I. BACKGROUND

DHAN Foundation is a premier NGO of the nation working with over 800,000 households through different thematic programmes to reduce poverty. The insurance programmes took genesis in 1992 and insurance is invariably a programme component under all themes of DHAN Foundation. However, the required insurance focus and the importance of insurance as a tool for poverty reduction were not fully conceptualized and operationalized at the field. This necessitated the creation of a separate institution to support the programme locations to access insurance to poor.

People Mutuals was established as a separate entity on second day of October 2003 and registered as a trust under Indian Trusts Act on December 11, 2003. It was promoted by people federations facilitated and organized by DHAN Foundation. The institution is a mutual insurance initiative promoted through collaboration between DHAN Foundation, Oxfam Novib, Rabobank Foundation and Eureka Re Insurance Company, The Netherlands. Micro Insurance Association Netherlands (MIAN) provides technical support.

## II. MISSION

“Safeguarding poor from risks and vulnerabilities through collaboration with insurance providers and mutual solutions to reduce poverty”

## III. PROGRAMME COMPONENTS

- ✎ Capacity building / education on mutuality and social security
- ✎ Product promotion and development
- ✎ Mainstream collaboration to ensure risk cover to all people
- ✎ Research, studies and documentation
- ✎ Policy advocacy
- ✎ Institution building

## IV. APPROACH

People Mutuals strives to provide access to insurance services to poor through two approaches.

- ✎ Linking mainstream insurance providers with poor when the products are meeting the needs of poor.

- ✎ Identifying the gaps in the insurance company products vis-à-vis the needs of people and facilitating community based mutual risk management solutions at federations and ensuring viability and sustainability of them.

## V. ACTIVITIES AND ACHIEVEMENTS

### 1.0 Mutual Help Programmes

The basic premise of People Mutuals is ensuring social security to poor by safeguarding them from risks and vulnerabilities. Mutual help programmes are an important approach of designing risk financing solutions for addressing the risks of poor which are not covered under the products of insurance companies.

#### 1.1 Life Mutual Help Programme

Existing life insurance products of insurance companies cover the life risks up to 60 years of age and no insurance company product is providing life cover to poor after 60 years of age. This need is addressed by term / whole life mutual help programmes, which provide life risk cover irrespective of age. Safety net mechanism by way of risk sharing arrangements through People Mutuals and a cross guarantee fund at DHAN Foundation ensures sustainability of life mutual help programmes.

##### 1.1.1 Whole Life Mutual Help Programme

Whole life insurance programmes involve payment of contribution by people up to 60 / 65 years of age for the life risk cover all along their life time. Kailasagiri Kalanjia Samakya, Pudur Vattara Kalanjiam, Gangai Vattara Kalanjia Mutuals, Karumbalai Vattara Kalanjiam, Shanthinagar Kalanjia Samakya, Vaisakhi Kalanjia Samakya, Neithal Vattara Kalanjiam and Theni District Vayalagam Federation, are

Whole life mutual locations cover 13000 households. The contribution amount varies with age and sex and is paid up to 65 years of age for a life long cover. As on March 2010, the coverage is 16984 people, out of which 13000 are females and the rest, are males.

### 1.1.2 Term Life Mutual Help Programme

Whole life programme involves member contribution according to age and sex. The concept of varying contribution amount is not accepted by all federation members. Whereas there is a need of life cover irrespective of age for a common contribution amount. The contribution is subsidized by young to the aged in the process of uniform contribution. Such term life mutual help programmes are run by the kalanjiam federations of Kadamalai Kalanjia Mahalir Vattara Sangam, Vaigai Vattara Kalanjiam, Sri Padmavathy Mahila Abyudaya Sanga - Tirupathi, Mullai Vattara Kalanjiam, Salem Veerapandi Vattara Kalanjiam, Salem Ponnampet Mangani Vattara Kalanjiam, Salem Kottai Vattara Kalanjiam, Salem Attur Gramapura Vattara Kalanjiam, Salem Attur Nagarpura Vattara Kalanjiam, Thalaivasal Therkku Vattara Kalanjiam, Thalaivasal Vadakku Vattara Kalanjiam, Salem Vattara Kalanjiam and Triyani. During the year, a total of 86357 people comprising of 47846 females and 38511 males were covered.

### 1.2 Health Mutual Help Programme

With a virtual absence of a health social security system in India and a high proportion of national health spending met by households, the need for a widespread health insurance system is urgent and pressing. The status is graver with poor who could access health care which ever is available. Mostly quality health care at affordable price is inaccessible to poor. An integrated health care cum financing programme was conceptualized and experimented at Kadamalai during April 2000. The



scheme provides cover on the health risks of primary, secondary and tertiary care, whereas only hospitalization cover is available under mainstream health insurance products. The programme involves establishment of primary health care clinics at federations and community hospitals providing cash less secondary care at the district level. The secondary and tertiary care also could be availed from the networked referral private hospitals and government hospitals. Wage loss compensation is additionally available if hospitalization care is availed in Government hospitals. On successful implementation of the programme at Kadamalaikundu, it was replicated in five federations of Theni district and subsequently in 11 federations of Madurai. Safety net arrangements by way of backup insurance cover of 75% of the risks with National Insurance Company Limited and risk sharing arrangements with People Mutuals and Eureka Re ensures sustainability of the programme.

The health mutual insurance programme has reached to 34,272 people during the year. Of them, 16,106 are females and the rest are males. The total contribution received under this programme was ₹27.36 lakhs for a cover of ₹560 lakhs. The benefits realized by the covered people during the period were ₹49.08 lakhs.



### 1.3 Crop Mutual Help Programme

Farming is fraught with many risks and vagaries of nature. Uncertainty of crop yield owing to excess/deficit rains, pest/disease attack, etc. is a matter of grave concern for farmers. They also face price risks. The uncertainty of income from their farms over years is a matter of serious threat to the very



existence of farming since farmers are unable to repay the farm loans, meet the overhead costs and even bare living expenses. With most of the farmers owning less than half hectare, protecting them from crop risks would make farming as the viable and sustainable livelihood.

Indian agriculture is highly sensitive to the vagaries of weather, of which rainfall is the most critical. We receive 80% of the total rainfall just in three months i.e., during June to September under the impact of southwest monsoon. As a result, floods cause serious damage to agriculture. Indeed, one third of average flood prone area in the country is agriculture land. At the same time, drought is the recurring problem in some parts of India. Rainfall variability has considerable economic consequences to Indian agriculture. To sustain agricultural production in such weather dependent conditions a system of insurance that meets the farmers' requirements is a must.

During the year, People Mutuals designed and experimented crop risk solutions of



- ✎ Rainfall indexed mutual crop insurance programme by installing village level automatic rain gauges in Thirumangalam Rainfed Farming Theme location and Tank fed Agriculture Programme locations of Mudukulathur, Kottampatti and Singampunari and CALL Programme locations of Thirupullani and Kadaladi. The village level raingauges are existing in 58 villages at present.
- ✎ Crop income indemnification programme by ascertaining income level in each farm at Natrampalli Rainfed Farming Theme location.

Experimenting of these mutual crop insurance programmes was facilitated with the safety net arrangement of a back up guarantee from Eureka Re of The Netherlands. During the year, the crops - paddy, chillies, black gram, green gram and maize in 620 hectares of land owned by 936 farmers of six federations were covered. The premium paid by the farmers is about ₹4.7 Lakhs for a cover of ₹265 Lakhs. The benefits paid during the year amount to ₹0.89 Lakhs.



## 1.4 Livestock Mutual Help Programme



Livestock mutual help programme was initiated from January 2009. About 968 animals in the locations – Thirumangalam, Natrampalli, Pavagada, Sira, Gudipalle, Kurinjipadi and Punganur locations, worth ₹36.78 lakhs were covered. The people paid a contribution of ₹1.29 Lakhs. So far benefits to an extent of ₹36,800 were paid.

## 2.0 Reinsurance and Solvency building

### 2.1 Reinsurance arrangement for mutual life insurance

After the People Mutuals project initiation, during 2005, term life mutual programmes designed with the technical assistance of Interpolis were initiated in Gangai and Pudur. The reinsurance support on quota share basis on philanthropic lines was provided by Interpolis Re with a nominal fee of 297 Euros. The federation mutuals were the insurers and the People Mutuals was the reinsurer with Interpolis Re was the retrocessionaire. Thereafter whole life programme was initiated at Kailasagiri location and from April 2006, the mutual programmes are implemented by more locations.

The quota share reinsurance metamorphosed into stop loss cover from 2006-07, with 10% of premium payable to People Mutuals. The cover would be in excess of claims over the net risk premium and reserves of the federation mutuals. People Mutuals would meet the claims up to the level of contribution received from federations and the reserves available with it. If the claims received

exceed the level, it would fall back on the cross guarantee fund mobilized from Oxfam Novib, Rabobank Foundation and Donatus insurance company, The Netherlands and kept at DHAN Foundation. So far there is no reinsurance life claims to Eureka Re / cross guarantee fund, which amounts to ₹3.6 millions at present.

### 2.2 Reinsurance arrangement for mutual health insurance

Health mutual insurance programme was in operation at Kadamalaigundu since April 2000 without any reinsurance cover. From 2006, the programme is implemented with the backup insurance support from National Insurance Company for 75% of the risks. The remaining 25% risks are retained by People Mutuals, who is the mutual insurer for the retained risks and stop loss reinsurance cover is available from Eureka Re for People Mutuals. As on March 2010, 16 locations in Madurai and Theni districts are implementing health mutual insurance programmes.

### 2.3 Reinsurance arrangement for mutual crop insurance

Crop mutual insurance was experimented at Tirumangalam location in the year 2006. From 2007 crop mutual solutions are implemented by Rainfed farming locations of Tirumangalam, Natrampalli and Mudukulathur Tank location. Crop risks are covariant in nature and hence reinsurance mechanism is inevitable for the viability of the programme. Back up guarantee cover was secured from Eureka Re for these programmes. There was a reinsurance claim of ₹0.46 millions during the year 2007 – 08 and there was no reinsurance claim to Eureka Re after that year.

### 2.4 Reinsurance arrangement for mutual livestock insurance

Livestock mutual insurance is implemented in 7 locations and the safety net arrangements is a stop loss mechanism covering aggregate ultimate net loss exceeding the original risk premium up to a level of 200% of the total original risk premium.

The brief summary of the safety net status of the mutual insurance programmes is furnished below:

## Safety net status

( ₹ in millions )

Programme	Cover available to people	Risk transferred to insurance companies	Risk retained	Safety net			
				Reinsurance	Solvency funds		
					Federations	People Mutuals	DHAN
Life	29,275	29,172	103.34	-	8.35	1.00	3.61
Health	348	310	38.49	4.38	-	1.13	3.60
Crop	27	25	1.49	1.09	-	0.62	-
Livestock	77	73	4.77	0.33	-	0.14	-
<b>Total</b>	<b>29,727</b>	<b>29,580</b>	<b>148.09</b>	<b>5.80</b>	<b>8.35</b>	<b>2.89</b>	<b>7.21</b>

### 3.0 Collaboration with insurance companies

Accessing insurance to poor by coverage under insurance company products is a major approach of People Mutuals for poverty reduction. During this year, the collaboration with mainstream insurance companies gained momentum. The lives covered with various mainstream insurance companies have reached to 698,238 which increased by 218,756 over last year.

#### 3.1 Life

##### 3.1.1 Life Insurance Corporation of India:

Our main collaboration is with LIC of India. A total of 476,491 lives have been covered under Janshree Bima Yojana, Group Insurance schemes and LIC KSSSY schemes. Premium paid by people is ₹4.33 crores for a cover of ₹2647 crores and the claims received are ₹3.29 crores by 1512 families. As an additional benefit of LIC schemes, 17650 children studying in IX to XII standards received educational scholarship amounting to ₹2 crores leading to educational security. Regional level steering committee meetings were conducted at Madurai, Ramnad, Salem and Chengelpet with LIC of India.

##### 3.1.2 Birla Sun Life Insurance Company Limited:

Among the private life insurers the collaboration is strong with Birla Sun Life Insurance Company Limited. About 117340 lives are covered under Bima Kavach product and group life insurance products of Birla Sunlife Insurance Company. The

premium paid by people is ₹1.17 crores for a cover of ₹117 crores and the claims received under this product are ₹70.40 lakhs by 804 families. Steering committee meetings were conducted regularly with Birla Sun Life Insurance Company.

##### 3.1.3 HDFC Standard Life Insurance Company Limited:

The level of collaboration with HDFC Insurance Company is increasing and the coverage is about 28997 lives. Premium paid by people is ₹7.25 lakhs for a cover of ₹72 crores and the claims received from the company is ₹4.5 lakhs by 18 families.

#### 3.2 Health

Remarkable collaborations with National Insurance Company (NIC) were forged during the year. National Insurance Company's health insurance product is providing a floater hospitalisation cover of ₹30,000 in a year for a



family of 5. Moreover NIC has covered the 75 per cent of the health risks under mutual insurance programme through a tailor made health insurance product. The collaboration with National Insurance Company is growing strong. A total of 38,330 people are covered under health insurance product of the company by paying a premium of ₹16.76 lakhs for the insurance cover of ₹33.53 crores. The claims received during the period were ₹8 lakhs. Two steering committee meetings with NIC were conducted during this year.

### 3.3 Livestock

The livestock is the major livelihood activity of poor. The animals owned by 7262 people were covered under the insurance products of National Insurance Company. Total premium paid by people for livestock insurance is ₹21 lakhs and the claims received were ₹12 lakhs during the year.

### 3.4 Crop



Agricultural Insurance Company (AIC) is the Government of India undertaking providing insurance cover for notified crops. In the locations of Vayalagam Tankfed Agriculture Programme, the crop insurance scheme of AIC, “National Agricultural Insurance Scheme” was taken up with people and 12657 farmers growing the notified crop of paddy have obtained crop insurance coverage to an extent of ₹7.59 crores by paying a premium of ₹12.7 lakhs.

The insurance coverage under products of insurance companies through the approach of collaboration is detailed below:

### Status of Insurance coverage under insurance company products as on 31.03.10

Sl. No.	Insurance provider	Coverage	%
1	Life Insurance Corporation of India	476,491	68.24%
2	Birla Sun Life	117,340	16.81%
3	HDFC Standard Life Insurance	28,997	4.15%
4	National Insurance Company	60,784	8.71%
5	Oriental Insurance Company	1,969	0.28%
6	Agriculture Insurance Company	12,657	1.81%
Total		698,238	100%

### 4.0 Revolving fund

Considerable numbers of people have been insured with insurance products of mainstream insurance companies. On the death of insured, the aggrieved family members with out exception resort to outside borrowings at exorbitant interest rates to meet the funeral expenses which could be cleared only on receipt of insurance claim amount. The normal time period for getting the claim settlement is three to six months. The interest burden often devours a considerable proportion of the benefit amount. More over, there was no source of funds for poor to meet the needs of immediate money on account of emergent expenses during fire, flood and emergent hospitalisation. Revolving fund to an extent of ₹1.8 millions are in place in 47 federations as safety net. It provides timely support by making available immediate money to meet emergent expenses during death for funeral expenses, fire, flood and emergent hospitalisation. Mutual help is provided by federations during the year is to the extent of ₹8 lakhs.

### 5.0 Insurance Education



The focus of insurance literacy activities is making the poor realize their risks and vulnerabilities and safeguarding them by social security mechanisms on the concept of mutuality. They would understand that a person who is affected is being helped through the contributions of many who are not affected under the concept of mutuality which is the basis for commercial / mutual insurance programmes. Hence insurance literacy through traditional and cultural mode is more appropriately practiced. The focus for insurance literacy continued during the year and a total of 25,450 people were covered through cultural campaigns, mobile theatre video shows and focus group discussions.

### **5.1 Cultural programmes**

DHAN has a cultural team with persons of experience and expertise who impart literacy and concept seeding programmes on different themes and issues. They do insurance literacy programmes at the locations. During the year, cultural programmes were conducted in 37 locations covering about 15,000 people.

### **5.2 Spreading insurance concept by leaders in the forefront**

It is obvious that the concepts would reach the members effectively through their leaders than by external people. The trainings were given with the help of People Academy of DHAN Foundation. The leaders were trained on aspects of mutuality and social security. Flip charts for training the members were provided to the trained leaders to impart insurance literacy to members. Duration of training varied from 1 to 3 days. The participants were leaders of different thematic locations. The trainers were persons with knowledge on mutuality and social security from People Mutuals, People Academy and federations. Training was imparted to 326 leaders in 23 locations.

### **5.3 Building the skill sets of People Staff**

People staff works at grassroots level who are engaged in conducting group meetings, writing group accounts of savings, credit and insurance of the respective groups of a cluster. A manual with the contents of the training were provided to the

participants. Training was imparted to 181 people staff in 23 locations.

### **5.4 Capacity building of professionals**

The technical missions during the year focused on building knowledge and practice advancement on solvency building, reinsurance, financial administration and financial reporting of mutuals as an insurance entity. Moreover mechanisms for improving the efficiency towards viability and sustainability were suggested during the missions.

Technical mission by the team comprising of Ms. Annette Houtekamer Van – Dam, Mr. Simon Kadijk and Mr. Willem de Jager during September 2009, took stock of the mutual insurance programme and provided technical inputs on mutual insurance accounting, financial administration and internal audit. Way forward inputs in the areas of product development on life, health, crop and livestock were provided. Design inputs on pension to poor were evolved through “Knowledge cum design workshop on Micro Pension”. Discussion on updation of technical training manual and designing the contents and modules for virtual training programme and mutual health insurance software were held. The mission accomplished the tasks of financial fine tuning, futuristic product development on mutual insurance and micro pension and way forward inputs for software development and virtual training design.

Virtual Education on Micro Insurance was imparted to 22 project executives of DHAN Foundation to improve the knowledge and skill sets on insurance programme implementation.

### **6.0 Institution Building**

People Mutuals is a people institution promoted by people federations with the federation leaders as the Board of Trustees. The success of the initiative lies in the strength of the institution and peoples’ ownership. The board meeting was conducted during August 2009 and the board of trustees took stock of the activities of People Mutuals and provided directions for action. The office bearers meet monthly and review the programme and financial aspects. The annual general body meeting

of People Mutuals was conducted in August 4, 2009 when the members were shared on the progress and financials and plan of action was evolved for 2010. The annual report was printed in English and vernacular languages and provided to the members at the general body meeting. The advisory committee met during July 2009 and provided advices and guidance in building data base for actuarial analysis of mortality rate, micro pension, VEMI and documentation areas. Support visits were undertaken to help the mutual locations in implementation and setting the systems in place for efficient operationalization. Half yearly reviews were conducted for monitoring. Regional councils of leaders are reviewing the insurance programme at regions and taking the initiative to the next level.

## 7.0 Research and Documentation

The insurance penetration among poor is negligible mostly due to the perception on poor as high risk profile segment resulting in meagre products with inflated premium calculations by mainstream insurance companies. There is no availability of data on mortality of poor with any insurer in India including Life Insurance Corporation (LIC) of India. With the help of Mr.R.Ramakrishnan, Former Chief Actuary of LIC of India, a data collection format was designed for the purpose of mortality analysis and data were collected in Gangai federation. The collected data were analysed with a software programme, designed with the support of him. Fine tuning the format and software programme was done after test analysis of the federation data.

During the year, the data collection was completed in 96 locations of Kalanjams, Vayalagams, Rainfed and Tsunami Programme. In total, data sheets for over 100,000 families were collected and were analyzed. The analysis of the data has been completed and it would be a valuable data bank for evolving insurance products to poor.

The study reports on “Life and Health Risks of Rural Poor”, “Health Expenditure of Poor”, “Proceedings of Knowledge Building Workshop on Crop Insurance”, “Piloting phase of People Mutuals” and “Proceedings of Knowledge Building

Workshop on Mutual Insurance” were published during the year.

## 8.0 Policy Advocacy

Mutual insurance companies incorporated under Indian Companies Act and Cooperative Life Insurance Societies registered under Cooperative Societies Act were providing insurance products to their members before the enactment of Insurance Regulatory and Development Authority Act, 1999 by the Parliament. Member owned and driven mutual and cooperative insurance only can address the risks of the poor and the rural people as its context and requirements are significantly different from that of non poor and urban segment. The commercial insurance companies with their offices located in metropolitan and urban areas are targeting only rich and urban middle class people with products designed to meet their needs. They are reluctant to cater to poor and rural mass due to the perception that it would involve larger number of policies with less cover resulting in significantly higher administrative and marketing cost. Moreover there is a fundamental belief among them that the poor and rural people are associated with high risk profile thus weaning away the insurance services to these people. In this context, it is left to the poor and rural people to organize themselves and evolve mutual solutions to protect them from risks and vulnerabilities. The mutual programmes are administered and managed by people resulting in good underwriting without adverse selection and moral hazard involving less operational cost and people oriented systems and norms.

Policy workshops were conducted on crop insurance, health insurance, life insurance and micro pension. One national training programme on Micro Insurance was conducted for the micro insurance practitioners from different parts of India. In the International programmes on Micro Insurance conducted by Tata-Dhan Academy during December 2008 and 2009, People Mutuals played a major resource provider role. People Mutuals and Tata-Dhan Academy jointly conducted a capacity building programme on mutual health insurance for the team from Cambodia comprising of mutual health insurers and ministry of health.

We are a permanent member of Asian Micro Insurance Network (AMIN) promoted by International Labour Organisation (ILO). The network aims for regular sharing of knowledge and experience and policy advocacy. We participated and involved actively in the AMIN members meeting at New Delhi which evolved the structure and strategies for achieving the objectives of the network. People Mutuals is a part of Advanced Skill and Knowledge Centre of Mutual Insurance (ASKMI) of Tata-DHAN Academy.

## 9.0 System Development

People mutual is implementing the social security schemes for the members belonging to the people institutions promoted by DHAN Foundation. As this programme is going to be implemented across the programme of DHAN Foundation and different states, managing the programme would be difficult with the existing data management practice of using Excel. More over the process and activities needs to be monitored which is not possible in Excel.

With this in view, software for life and health insurances were developed in house and operationalized. The software provides the list of eligible members for enrollment, enrolled and not enrolled in the insurance programmes and track the member administration aspects of premium collection, member details and policy issuance particulars. It administers the claim process and payments under different risk programmes. Complete administration is computerized through this software which would generate the financial statements as output at a point of time. The software interacts with micro finance software of DHAN Foundation, “Dhanam software” for member base line details. The tools used for this software are Java Server Pages, Apache Tomcat server, MySQL Database. The insurance software’s possesses five modules – master module, insurance programme module, claim module, finance module and reports module.

The life and health mutual insurance federations are using the software for their administration and operationalization.

## 10.0 Resource Mobilization

Significant efforts were initiated for resource mobilization during the year. The second phase of People Mutuals has ended by November 2009 and the proposal to Oxfam and Rabobank Foundation was submitted for ₹3.8 crores. The decision is awaited.

A grant amounting to ₹1.5 crores was secured from ILO for the project “Evolving Climatic Adaptation through Crop Insurance”.

A project on “Insurance to People Living with HIV” is implemented in Salem district with the support amounting to ₹58 lakhs from Population Services International / USAID.

A proposal for the micro pension project is explored with World Granny, Pension Development Network Netherlands and Mutual insurers / Pension funds of Netherlands.

## VI. SYNOPSIS

Poor were covered under products of insurance companies and mutual solutions. They paid a premium of about ₹60 millions for an insurance cover of about ₹29,727 millions. People were accessed to insurance products covering multiple risks and a total insurance coverage is about 837,550 policies / insurance contracts by March 2010.

The insurance coverage ensures multiple accesses of different insurances to people. This implies that some people would possess insurance coverage under multiple products and multiple risk programmes. Taking these into account, the insurance access has reached to about 561,015 people as detailed below:

S.N.	Risk	Female	Male	Total
1	Life only	122,839	40,804	163,643
2	Life & disability due to accident	221,990	109,885	331,875
3	Life, disability & pension	4,769	-	4,769
4	Health	18,411	20,699	39,110
5	Livestock	8,014	202	8,216
6	Crop	1,266	12,136	13,402
Total		377,289	183,726	561,015

# **GROWTH OF INSURANCE COVERAGE:**

Years	Total insurance coverage (No. of policies)			Of total insurance coverage, coverage under mutual programme			Premium paid by people during the year (Amount in millions of Rs.)	Risk cover available to people during the year (Amount in billions of Rs.)	Benefits Received by People during the year (Amount in millions of Rs.)
	Female	Male	Total	Female	Male	Total			
2003	66,862	9,512	76,374	6,233	6,570	12,803	9.0	1.08	7.14
2004	67,701	22,759	90,460	7,047	9,356	14,551	10.4	1.33	8.21
2005	151,144	47,547	198,691	12,572	11,520	24,092	20.2	2.95	16.14
2006	203,921	68,861	272,782	17,121	11,318	28,439	27.1	4.36	12.27
2007	266,136	83,063	349,199	19,566	12,029	31,595	29.3	7.53	22.53
2008	312,810	127,312	440,122	37,305	23,244	60,549	41.1	10.18	37.83
2009	396,145	204,007	600,152	72,714	47,956	120,670	41.9	19.71	49.87
2010	545,469	292,081	837,550	78,973	60,339	139,312	59.7	29.73	73.66

**GANESH PRASAD**

Chartered Accountants

SB 1 & 2, "G" Block, Vajra Apartments, 202, Bye Pass Road, Madurai - 625 016.

Phone: +91(452) 4355225/ 3012552

E-mail: natan@ganeshprasad.com

**FORM NO. 10 B**

(see rule 17B)

Audit Report under section 12A(b) of the Income-Tax Act, 1961, in the case of charitable or religious trusts or institutions.

**AUDITORS' REPORT**

We have examined the Balance Sheet of PEOPLE MUTUALS, 22, PILLAYAR KOIL STREET, S S COLONY, MADURAI-625 016 P.A.No.AAATP9554A as at 31st March 2010 and the Income and Expenditure account for the year ended on that date which are in agreement with the books of account maintained by the trust.

We have obtained all the information and the explanations which to the best of our knowledge and belief were necessary for the purposes of the audit. In our opinion, proper books of account have been maintained by the above named trust so far as appears from our examination of the books, and subject to the comments given below:

In our opinion and to the best of our information, and according to information given to us, the said accounts give a true and fair view -

- (i) in the case of the balance sheet, of the state of affairs of the above named trust as at 31st March, 2010, and
- (ii) in the case of Income and Expenditure account, of the **Deficit** of its accounting year ending 31st March, 2010.

Place : Madurai

Date : 29/07/10

For **GANESH PRASAD**

Chartered Accountants

F.R.No.000872S

  
S.NATANAGOPAL

Partner

M.No.22841



**Offices at Madurai - Chennai - Hyderabad - Coimbatore**

**GANESH PRASAD**

Chartered Accountants

SB 1 & 2, "G" Block, Vajra Apartments, 202, Bye Pass Road, Madurai - 625 016.

Phone: +91(452) 4355225/ 3012552

E-mail: natan@ganeshprasad.com

**AUDITORS' REPORT**

1. We have audited the attached the Balance Sheet of **PEOPLE MUTUALS**, as at 31st March, 2010. These financial statements are the responsibility of the management of the Trust. Our responsibility is to express an opinion on these financial statements based on our audit

2. We conducted the audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We further report that:-

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit;
- b) The Balance Sheet dealt with the report are in agreement with the books of accounts;
- c) In our opinion, proper books of accounts are maintained in conformity with the requirements of the Chartered Accountants Act, 1949;
- d) In our opinion the Balance sheet comply with relevant Accounting Standards.
- e) In our opinion and to the best of our information and according to the explanations given to us, the statements together with the schedules attached and read with the Accounting Policies give a true and fair view in conformity with the Accounting Principles generally accepted in India:
  - I. In the case of Balance Sheet of the state of affairs as at 31st March 2010.
  - II. In the case of Income & Expenditure Account, of the **Deficit** for the year ended on that date.

Place : Madurai

Date : 29/07/10

For **GANESH PRASAD**

Chartered Accountants

F.No. 0008725

*S. Natanagopal*  
S. NATANAGOPAL

Partner

M.No.22841

**Offices at Madurai - Chennai - Hyderabad - Coimbatore**



**PEOPLE MUTUALS**  
(SOCIAL SECURITY INITIATIVE OF DHAN FOUNDATION)  
22, PILLAIYAR KOIL STREET, S.S. COLONY  
MADURAI - 625016

**CONSOLIDATED BALANCE SHEET**

		As at March 31, 2010	As at March 31, 2009
<b>SOURCES OF FUNDS</b>	<i>schedule</i>	<i>(In Rupees)</i>	
CORPUS FUND AND CAPITAL FUND	1	143,949	343,961
SPECIFIED FUNDS	2	2,889,812	1,772,974
CURRENT LIABILITIES			
Payables	3	-	157,042
FIXED ASSETS WRITTEN OFF AS PER CONTRA	4	24,847	29,232
Total		<u>3,058,608</u>	<u>2,303,209</u>
<b>APPLICATION OF FUNDS</b>			
FIXED ASSETS WRITTEN OFF AS PER CONTRA	4	24,847	29,232
INVESTMENTS	5	2,879,958	1,257,210
CURRENT ASSETS , LOANS AND ADVANCES			
Bank Balances	6	145,961	24,362
Receivables	7	7,842	992,405
Total		<u>3,058,608</u>	<u>2,303,209</u>
Notes on accounts	8		

Schedules 1 to 7 & 8 form an integral part of Balance sheet

**For PEOPLE MUTUALS**

  
Chair Person


  
Treasurer

  
Chief Executive

Place: Madurai

Date: 29/07/10

**Vide our Report of date**  
**For GANESH PRASAD**  
**Chartered Accountants**  
**F R NO.000872S**

  
S.Natanagopal  
Partner  
M.No.22841



**PEOPLE MUTUALS**  
(SOCIAL SECURITY INITIATIVE OF DHAN FOUNDATION)

**INCOME AND EXPENDITURE ACCOUNT**

	FOR THE YEAR ENDED	March 31, 2010	March 31, 2009
<b>INCOME :</b>			
Grants received			
Birla sunlife Insurance Company Ltd	55,230		144,049
National Insurance Company Ltd	47,358	102,588	37,012
Contribution received from member institutions			
For Mutual Help Programme - Health	435,230		
For Mutual Help Programme - Crop	88,680		
For Mutual Help Programme - Livestock	43,200	567,110	146,272
Registration Fees		-	1,800
Bank Interest			
Interest on Savings account	6,927		
Interest on Fixed deposit actual / accrued	158,009	164,936	100,390
<b>Total</b>		<b>834,634</b>	<b>429,523</b>
<b>EXPENDITURE:</b>			
Benefit paid to member institutions			
For Mutual Help Programme - Health	435,230		
For Mutual Help Programme - Crop	88,680		
For Mutual Help Programme - Livestock	43,200	567,110	146,272
Employees remuneration and benefits		214,833	-
Travel and Local conveyance		12,023	-
Rent, Water and Electricity charges		60,000	55,345
Books and Magazine		-	2,000
Auditor fees		5,515	5,618
Postage and Telephone charges		33,619	41,012
Bank charges		7,375	1,872
Excess of (Expenditure over income)/Income over expenditure		(65,841)	177,404
<b>Total</b>		<b>834,634</b>	<b>429,523</b>
Appropriation of excess of expenditure over income/income over expenditure:		(65,841)	177,404
Accrued Interest transfer to People Mutuals own corpus fund	12,016		
Accrued Interest transfer to Expendable corpus fund:			
Mutual Help Programme - Life	99,225		
Mutual Help Programme - Health	24,578		
Mutual Help Programme - Crop	7,671		
Mutual Help Programme - Livestock	2,697		
Balance fund transfer to Capital Fund Account	(212,028)	(65,841)	177,404
Notes on accounts	8		

Schedules 8 form an integral part of Income and Expenditure account

**For PEOPLE MUTUALS**

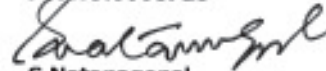
  
Chair Person

  
Treasurer

  
Chief Executive

Place: Madurai  
Date: 29/07/10

Vide our Report of date  
For GANESH PRASAD  
Chartered Accountants  
F R NO.000872S

  
S. Natanagopal  
Partner  
M.No.22841



**PEOPLE MUTUALS**  
(Social Security Initiative of DHAN Foundation)

**SCHEDULES TO CONSOLIDATED BALANCE SHEET**

AS AT MARCH 31,	2010	2009
	(In Rupees)	

**Schedule 1: Corpus and Capital fund**

Corpus

People Mutuals own corpus

Opening Balance	111,294		
Add: Current year interest income appropriation	12,016	123,310	111,294

Capital Fund

Opening Balance	232,667		
Less: Deficit during the year	(212,028)	20,639	232,667

<b>Total</b>	<b>143,949</b>	<b>343,961</b>	
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**Schedule 2: Specified Fund**

Mutual Help Programmes Expendable Corpus Fund

**Mutual Help Programme - Life**

Opening Balance	893,095		
Add: Accrued interest/Appropriation of income	99,225		
Add: Corpus received during the year	73,500	1,065,820	893,095

**Mutual Help Programme - Health**

Opening Balance	842,504		
Add: Accrued interest/Appropriation of income	24,578		
Add: Corpus received during the year	655,716		
Less: Expenditure incurred during the year	435,230	1,087,568	842,504

**Mutual Help Programme - Crop**

Opening Balance	21,635		
Add: Accrued interest/Appropriation of income	7,671		
Add: Corpus received during the year	685,256		
Less: Expenditure incurred during the year	88,680	625,882	21,635

**Mutual Help Programme - Livestock**

Opening Balance	15,740		
Add: Accrued interest/Appropriation of income	2,697		
Add: Corpus received during the year	135,305		
Less: Expenditure incurred during the year	43,200	110,542	15,740

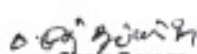
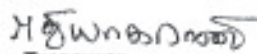

<b>Total</b>	<b>2,889,812</b>	<b>1,772,974</b>	
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**Schedule 3 : Payable**

Benefits Payable

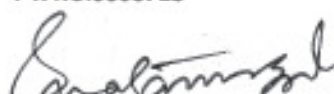
	-	157,042	
<b>Total</b>	<b>-</b>	<b>157,042</b>	

For PEOPLE MUTUALS

 Chair Person  
 Treasurer  
 Chief Executive

Place: Madurai  
Date: 29/07/10

Vide our Report of date  
For GANESH PRASAD  
Chartered Accountants  
F R NO.0008725

  
 S. Natanagopal  
 Partner  
 M.No.22841



**PEOPLE MUTUALS**  
(Social Security Initiative of DHAN Foundation)

AS AT MARCH 31,	2010	2009
	(In Rupees)	

**Schedule 5 : Investments**

Mutual Programmes Expendable Corpus Fund			
Fixed Deposits with Canara Bank	2,458,959		
Add: Interest accrued upto the previous year	97,016		
Add: Interest accrued during the year	<u>127,586</u>	2,683,561	1,027,553
Fixed Deposits with Pandiyan Gramma Bank	157,976		
Add: Interest accrued upto the previous year	21,681		
Add: Interest accrued during the year	<u>16,740</u>	196,397	229,657
<b>Total</b>		<b><u>2,879,958</u></b>	<b><u>1,257,210</u></b>

**Schedule 6 : Receivables**

Mutual Help Programme - Life	-	17,300
Tax Deduction at source	7,842	1,046
Claims from National Insurance Company	-	974,059
<b>Total</b>	<b><u>7,842</u></b>	<b><u>992,405</u></b>

For PEOPLE MUTUALS


  
 Chair Person
   
 Treasurer
   
 Chief Executive

Place: Madurai

Date: 29/07/10

Vide our Report of date

For GANESH PRASAD  
 Chartered Accountants  
 F R NO.000872S

  
 S. Natanagopal  
 Partner  
 M.No.22841



**People Mutuals**  
(Social security initiative of DHAN Foundation)

**Schedule 4 : Fixed Assets**

(In Rupees)

PARTICULARS	GROSS BLOCK AT COST			DEPRICIATION		NET BLOCK	
	As on 01.04.2009	Addition	As on 31.03.2010	For the year	As on 31.03.2010	As on 31.03.2010	As on 31.03.2009
Office Equipments	29,232	-	29,232	4,385	4,385	24,847	29,232

**For PEOPLE MUTUALS**

*O. Srinivasan*  
Chair Person

*M. Ganesan Prasad*  
Treasurer

*[Signature]*  
Chief Executive

Place: Madurai

Date: 29/07/10

Vide our Report of date  
For GANESH PRASAD  
Chartered Accountants  
F R NO.000872S

*[Signature]*  
S.Natanagopal  
Partner  
M.No.22841

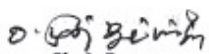



**PEOPLE MUTUALS**  
**(SOCIAL SECURITY INITIATIVE OF DHAN FOUNDATION)**  
**22, PILLAIYAR KOIL STREET, S.S. COLONY, MADURAI -625016**

**Schedule 7: Notes on Accounts**

1. The guiding principles that are fundamental to the Trust are:  
"Safeguarding poor from risks and vulnerabilities through mutual solutions and collaboration with insurance providers to reduce poverty."
2. In pursuance of its objects and based on the guiding principles set out in Para 1 above the trust :
  - 2.1 Linking mainstream insurance providers with poor when the products are meeting the needs of poor.
  - 2.2 Identifying the gaps in the insurance company products vis-à-vis the needs of people and facilitating community based mutual risk management solutions at federations and ensuring viability and sustainability of them.
3. Mutual help programme are an important approach of designing risk financing solutions for addressing the risks of poor which are not covered under the products of insurance companies.
4. Fund received under Mutual Help Programme are treated as Specified fund Expendable corpus fund which could be utilised for Life, Health, Crop and livestock programmes.
5. Contribution received and accounted as income to the extent of expenses incurred for the programme.
6. Fund received under programme of collaboration with insurance companies are treated as revenue income.
7. The trust follows accrual system of accounting except Donations and Grants which are accounted on Receipt basis.
8. Fixed Assets are written off in the year of acquisition as an expenditure in the income and expenditure account. However to present a more realistic picture of the value of assets appearing in the balance sheet, depreciation at the rates provided in the Income Tax Act, 1961 is being reduced from the cost of fixed assets on the written down value method. Written down value of assets so arrived at is shown as contra on both the assets and liabilities side of the Balance Sheet.
9. Previous year figures have been reclassified/regrouped wherever necessary.

For PEOPLE MUTUALS

   
Chair Person      Treasurer

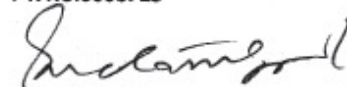
  
Chief Executive

Place: Madurai

Date: 29/07/10

Vide our Report of date

For GANESH PRASAD  
Chartered Accountants  
F R NO.000872S

  
S.Natanagopal  
Partner  
M.No.22841



## Board of Trustees

S.No.	Name	Location	Role	Programme
1	Smt. O. Muthu Pillai	KKVS, Kadamalai	Chair person	KCBP
2	Smt. K.Nagabushanamma	SPMS, Tiruppathi	Vice-Chair person	KCBP
3	Shri. Micheal	Mudukulathur	Secretary	VTADP
4	Ms.Shanta Dattaraya Badiger	Jewargi	Joint Secretary	KCBP
5	Smt. M.Thiagarani	Pudur, Madurai	Treasurer	KCBP
6	Smt. I. Nihara	Gangai, Madurai	Trustee	KCBP
7	Ms. V. Jayalakshmi	Kanakapura North	Trustee	KCBP
8	Smt. S. Raghavamma	Kailasagiri, Vizag	Trustee	KCBP
9	Shri. Srinivasan	Tiruvallangadu	Trustee	VTADP
10	Sri. C. Nagarathinam	Eruvadi Fishermen Federation	Trustee	Costal Conservation
11	Sri. M.P.Ganesa Sundaram	Keelaiyur East Vayalagam	Trustee	Costal Conservation

## Advisory Committee

S.No.	Name
1	Mr.R.Ramakrishnan, Former Chief Actuary of LIC of India Retired Executive Director, LIC of India - Chairperson
2	Mr.D.Sivasubramanian, Retired Executive Director, LIC of India – Former GM, GIC of India – Member
3	Mr. V.Natarajan, Former Secretary, LIC of India - Member
4	Mr.M.P.Vasimalai, Executive Director, DHAN Foundation – Member
5	Ms.V.K.Padmavathy, Chief Executive, Kalanjiam Foundation – Member
6	Mr.A.Gurunathan, Chief Executive, DHAN Vayalagam (Tank) Foundation – Member
7	Mr.M.Kalyanasundaram, Chief Executive, INAFI India – Member



### **People Mutuals**

52, T.B.Road, II Floor, La Salle Towers  
Mahaboobpalayam, Madurai - 625 016. Tamil Nadu, INDIA  
Tel: +91-452-2301510, Fax: 2602247  
Email: [peoplemutuals@ghan.org](mailto:peoplemutuals@ghan.org)  
Website: <http://www.ghan.org>