



# People Mutuals

Insurance Initiative of DHAN Foundation

**Annual Report 2011**

## Evolution of Mutual Insurance

2011	<ul style="list-style-type: none"> <li>• Initiation of Livestock Mutuals at Shanarpatti and Punganur</li> <li>• Storage structure created at Sengapadai for managing price risks</li> </ul>
2010	<ul style="list-style-type: none"> <li>• Rainfall indexed crop insurance at Thiruvallangadu, Tirukalunkundram, Poondi, Punganur, Sengapadai, Theni, T-Kallupatti and Sedapatti</li> <li>• Registration of 8 federation mutuals at Salem region</li> <li>• Initiation of insurance to People Living with HIV</li> <li>• Initiation of Micro Pension programme</li> </ul>
2009	<ul style="list-style-type: none"> <li>• Initiation of Livestock Mutuals at Thirumangalam and Natrampalli</li> <li>• Rainfall indexed crop insurance at Kottampatti, Singampunari, Sayalkudi and Thirupullani</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	<p>Mutual Programme to meet funeral expenses</p> <ul style="list-style-type: none"> <li>• Rural : Appanthiruppathy</li> <li>• Urban : Tiruppathy</li> </ul>



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## **I. Background**

DHAN Foundation is a premier NGO of the nation working with over 9,00,000 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 Eureko Re insurance company, The Netherlands.

## **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 of 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. The contribution amount varies with age and sex. Kailasagiri Kalanjia Samakya, Pudur Vattara Kalanjiam, Gangai Vattara Kalanjia Mutuals, Karumbalai Vattara Kalanjiam, Shanthinagar Kalanjia Samakya, Vaisakhi Kalanjia Samakya and Neithal Vattara Kalanjiam.

Whole life mutual locations are covering 12971 households. The contribution varies with age and sex and is paid up to 65 years of age for a life long cover. As at March 2011, the coverage is 16775 people, out of which 12971 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, Salem Gangavalli, Salem Kondalampatti, Triyani and Theni District Tank federation. During the year, a total of 90891 people comprising of 56514 females and 34377 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 prices 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 hospital providing cash less secondary care at the district level. The secondary and tertiary care could be availed also 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 Eureko Re ensures sustainability of the programme.

The health mutual insurance programme has reached to 37,212 people during the year. Of them, 15,389 are females and the rest are males. The total contribution received under this programme was Rs.34.70 lakhs for a cover of Rs.2976 lakhs. The benefits realized by the covered people during the period were Rs.76.16 lakhs.

### 1.3 Insurance for PLHIV

It is pertinent to note that the People Living with HIV are excluded under the life and health insurance products of commercial insurers. Whereas a tailor made insurance product by them would involve high premium rates and small benefits which would make them inappropriate and wean the PLHIV from accessing these products. The hotspots for HIV infection are the sub epidemic regions of Madurai and Salem. Under these circumstances, a pilot project for providing insurance to PLHIV has been initiated in 10 federations of Salem region for ensuring financial support to their families. The project would involve safeguarding PLHIV from life risks and providing them as well as their family members, a health risk cover. DHAN Foundation has collaborated with Population Services International for working out an affordable risk solution for the life and health risks of PLHIV.



The life risks of non PLHIV would be covered under the Janashree Bima Yojana of LIC and the risks of PLHIV are retained at the Mutuals. Similarly the health risks of the general population and the family members of PLHIV who are not HIV+ would be covered under the Universal Health Insurance Scheme (UHS) of National Insurance Company Limited (NIC) and the health risks of PLHIV are retained at the Mutuals.

About 29619 people – 15414 female and 14205 male are covered under life insurance, whereas health insurance is accessed to 22356 people comprising of 11131 females and 11225 males in 6500 families.

### 1.4 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.

The crop mutual insurance is implemented in 15 federations of Tank fed Agriculture, Rainfed Agriculture and Coastal conservation programmes of DHAN Foundation. This involves installation of village level rain gauges. The rainfall received at the rain gauges would be basis for deciding the pay out. Thus, it can be called as rainfall indexed crop insurance.

158 automatic rain gauges were installed in 15 locations. It has been planned to carry out crop insurance for six crops – Paddy, Chillies, Pulses, Cumbu, Sorghum and Maize this year. Risk period has started from September 2010 onwards. Coverage area should be in such a way to ensure the sustainability of the rain gauge also. Coverage should be 1000 acres per rain gauge. Each rain gauge involves the installation cost of Rs.25400 and the annual maintenance cost per unit is Rs.4500.

People Mutuals collaborated with Agricultural Insurance Company which takes the basis risk on the basis our village automatic rain gauge data. Non members also are eligible to enroll. Product design was fixed in consultation with the location.

Experimenting of these mutual crop insurance programmes was facilitated with the collaboration of Agriculture Insurance Company (AIC) of India. During the year, the crops - paddy, chillies, cumbu, sorgum, maize and pulses in 1007 hectares of land owned by 3107 farmers of twelve federations were covered. The premium paid by the farmers is about Rs.10.24 Lakhs for a cover of Rs.99.33 Lakhs. The benefits paid during the year amounts to Rs.8.54 Lakhs.

Further 271 farmers have insured their groundnut crop in Natrampalli block under mutual crop insurance scheme during the year.

### **1.5 Livestock Mutual Help Programme:**

Livestock mutual help programme was initiated from January 2009. About 1324 animals in the locations – Thirumangalam, Natrampalli, Pavagada, Sira, Gudipalle, Kurinjipadi, Punganur, Shanarpatti and Palamner locations, worth Rs.56.90 lakhs were covered. The people paid a contribution of Rs.1.99 Lakhs. So far benefits to an extent of Rs.89,600 were paid.



### **1.6 Micro Pension:**

It is planned to implement pension to poor - 'Micro Pension' in DHAN programmes, with the support of the Government of Netherlands, Pension & Development Network of Netherlands, HelpAge India and LIC of India. The pilot would be implemented in 10 locations of various programmes.

Dialogues with LIC, Chennai were initiated which resulted in a meeting of DHAN team with the Regional Manager LIC, Chennai. LIC has agreed to be the fund manager for DHAN's micro pension programme. The product design features were discussed and evolved during the meeting. Role of PFRDA in regulating the pension initiatives was also got clarified. It was informed that the pension plans of insurers including LIC would continue to be regulated by IRDA even if the PFRDA bill is passed and enforced in future. It was pointed out that LIC is managing many such group pension plans of private sector companies.

Community workshops have been started with Puducherry Federation. The workshops focused on understanding the aspirations of members, their willingness to participate in the pension programme, questions arising from their mind, and also to get inputs for the product design.

The project is in the advanced stage of preparatory phase and would be ready for implementation during 2011-12. The micro pension grant proposal is in the advanced stages of sanction.

## **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. 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 was 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 Eureko Re / cross guarantee fund, which amounts to Rs.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 100% of the hospitalization risks and 75% of the out-patient care risks. The remaining 25% of the out-patient risks are retained by People Mutuals, who is the mutual insurer for the retained risks and stop loss reinsurance cover is available from Eureko Re for People Mutuals. As at March 2011, 21 locations in Madurai and Theni districts are implementing health mutual insurance programmes.

Mutual solidarity fund of Rs.3.6 millions has been created in this regard, with the fund support of PSI /USAID under PLHIV project and the amount is kept at DHAN Foundation.

### **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 covariate in nature and hence reinsurance mechanism is inevitable for the viability of the programme. Back up guarantee cover was secured from Eureko Re for these programmes. There was a reinsurance claim of Rs.0.46 millions during the year 2007 – 08 and there was no reinsurance claim to Eureko Re after that year. This year we focused on collaboration with Agricultural Insurance Company of India to implement the crop mutual programme in 15 locations. Reinsurance with Eureko Re is in place for the mutual income insurance programme of Natrampalli and Kudiyatham locations of Rain fed programme.

## 2.4 Reinsurance arrangement for mutual livestock insurance:

Livestock mutual insurance is implemented in 8 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.

## 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 903,491 which increased by 182,037 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 594,240 lives have been covered under Janshree Bima Yojana, Group Insurance schemes and LIC KSSSY schemes. Premium paid by people is Rs.5.08 crores for a cover of Rs.3054 crores and the claims received are Rs.2.01 crores by 696 families. As an additional benefit of LIC schemes, 19835 children studying in IX to XII standards received educational scholarship amounting to Rs.2.38 crores leading to educational security. Regional level steering committee meetings were conducted at Madurai, Ramnad and Salem with LIC of India.



**3.1.2 Birla Sun Life Insurance Company Limited:** Among the private life insurers the collaboration with Birla Sun Life Insurance Company Limited is not continued at the instance of the company. The new enrolment under their products has stopped. However, presently about 131,464 lives are having cover under Bima Kavach product and group life insurance products of Birla Sunlife Insurance Company. The premium paid by people is Rs.65.73 lakhs for a cover of Rs.131 crores and the claims received under this product are Rs.9 lakhs by 90 families. One steering committee meeting was conducted during the year.

**3.1.3 HDFC Standard Life Insurance Company Limited:** The level of collaboration with HDFC Insurance Company is strong and the coverage is about 80,331 lives which is increased by 266% during this year. Premium paid by people is Rs.20.08 lakhs for a cover of Rs.80.33 crores and the claims received from the company is Rs.4.50 lakhs by 45 families. Regular steering committee mechanisms are in place.

### 3.2 Health:

Remarkable collaborations with National Insurance Company (NIC) were forged during the year under Universal Health Insurance Scheme (UHIS) and tailor made medical insurance scheme. UHIS is providing a floater hospitalisation cover of Rs.30,000 in a year for a family of 5 members. Moreover NIC has covered the 75 per cent of the health risks under mutual insurance programme through the tailor made health insurance product. The collaboration with National Insurance Company is growing strong. A total of 73,649 people are covered under different insurance product of the company by paying a premium of Rs.47.84 lakhs for the insurance cover of Rs.47.84 crores. The claims received during the period were Rs.92.26 lakhs. Three 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 8,045 people were covered under their insurance products of National Insurance Company and Oriental Insurance Company. Total premium paid by people for livestock insurance is Rs.32.18 lakhs and the claims received were Rs.0.20 lakhs during the year.

### 3.4 Crop:

Agricultural Insurance Company (AIC) is the Government of India undertaking providing insurance cover for notified crops and specified crops under crop mutual locations. In the locations of Vayalagam Tankfed Agriculture Programme, the crop insurance scheme of AIC - "National Agricultural Insurance Scheme" was taken up with people and 15,762 farmers growing the notified crop of paddy have obtained crop insurance coverage to an extent of Rs.9.46 crores by paying a premium of Rs.15.76 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 31.03.2011

S.No.	Insurance provider	Coverage (No. of policies)	%
1	Life Insurance Corporation of India	594240	65.77%
2	Birla Sun Life	131464	14.55%
3	HDFC Standard Life Insurance	80331	8.89%
4	National Insurance Company	79725	8.82%
5	Oriental Insurance Company	1969	0.22%
6	Agriculture Insurance Company	15762	1.75%
	<b>Total</b>	<b>903491</b>	<b>100%</b>

### 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 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 Rs.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 Rs.12 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 29,320 people were covered through cultural campaigns, mobile theatre video shows and focus group discussions. Literacy main focus was given for insurance to PLHIV, health insurance, livestock insurance and crop insurance. Appropriate materials were developed for achieving the purpose of insurance education to the people staffs, leaders and members.

### **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 16 locations covering about 10,000 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 482 leaders in 40 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 154 people staff in 40 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 for pension programme was facilitated to design the micro pension product. We are formulated business plan, training of trainers and agreement with LIC of India for fund management.

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.

DHAN has constituted a 5 member team consisting of S.Gayathri, K.Swaminathan, A.N.Vijaya Bharathi, K.N.Rajkumar and R.Pandimeena. The team is anchored by K.Swaminathan. The team is started to meet once in a month initially to know the understanding of the insurance concepts and its applications and providing clarifications whenever needed. The trainers will be approached then and there via email for unresolved queries. The members were shared with a copy of Micro Insurance from LLOYDS and an introduction to reinsurance by Swiss Re.

## **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 July 2010 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 July 30, 2010 when the members were shared on the progress and financials and plan of action was evolved for 2011. The annual report provided to the members at the general body meeting. The advisory committee met during June 2010 and provided advices and guidance in building data base for actuarial analysis of mortality rate, micro pension, actuarial course 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. Eight federation mutual trusts were registered in Salem district during the year.

## 7.0 Research and Documentation

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 2010.

Among various crucial weather factors, rainfall gains importance as crops need irrigation at the time of critical period of crop production. With this perspective, rainfall indexed crop insurance favors farmers for coping up the loss at the time of crop failure. Within agro climatic zone, there is an existence of micro climatic zones over smaller geographies. Such micro climates would be able to identified and learnt by analyzing the rainfall data across small distances. Thus, the pattern and characteristics of rainfall need to be studied. Advanced Centre for Skill and Knowledge on Micro Insurance has initiated the study on evolving microclimate and optimum spacing. The research design is being finalized by ASKMI in consultation with seniors.

## 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.

A national workshop on micro insurance was conducted at New Delhi on March 29, 2011 involving insurance industry experts, regulators, mainstream insurers and NGOs. This has helped in positioning the institution.

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. ASKMI is exploring the possibility of becoming the secretariat for AMIN Network of ILO.

## **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 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:**

A proposal for the micro pension project was sanctioned from World Granny, Pension Development Network Netherlands and Mutual insurers / Pension funds of Netherlands for research.

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 Rs.3.8 crores and was sanctioned. A sum of Rs.124 Lakhs was received during the year.

A grant amounting to Rs.1.5 crores was secured from ILO for the project “Evolving Climatic Adaptation through Crop Insurance”. During the period Rs.70 Lakhs is received for project implementation in 15 locations of Tank and Rain fed programme.

A grant of Rs.25 Lakhs was received from Oxfam India to promote 10 life mutuals and 2 livestock mutuals apart from funds for policy advocacy and capacity building.

A two years project on “Insurance to People Living with HIV” is implemented in Salem district with the support amounting to Rs.57 lakhs from Population Services International / USAID.

## **VI. Synopsis:**

Poor were covered under products of insurance companies and mutual solutions. They paid a premium of about Rs.72.35 millions for an insurance cover of about Rs.33,311 millions. People were accessed to insurance

products covering multiple risks and a total insurance coverage is about 1,052,011 policies / insurance contracts by March 31, 2011.

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 698,894 people as detailed below:

#### Status of net Insurance coverage

S.No.	Risk	Female	Male	Total
1	Life only	172613	57225	<b>229838</b>
2	Life & disability due to accident	262422	128454	<b>390876</b>
3	Life, disability & pension	4769	-	<b>4769</b>
4	Health	27067	29421	<b>56488</b>
5	Livestock	5047	3500	<b>8547</b>
6	Crop	-	8376	<b>8376</b>
<b>Total</b>		<b>471918</b>	<b>226976</b>	<b>698894</b>

The growth of insurance programmes in DHAN Foundation is depicted in the following table. This indicates the phenomenal growth of insurance reach to poor at DHAN's programme through our initiative during the past 8 years.

#### VII. 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	66862	9512	<b>76374</b>	6233	6570	<b>12803</b>	<b>9.0</b>	<b>1.08</b>	<b>7.14</b>
2004	67701	22759	<b>90460</b>	7047	9356	<b>14551</b>	<b>10.4</b>	<b>1.33</b>	<b>8.21</b>
2005	151144	47547	<b>198691</b>	12572	11520	<b>24092</b>	<b>20.2</b>	<b>2.95</b>	<b>16.14</b>
2006	203921	68861	<b>272782</b>	17121	11318	<b>28439</b>	<b>27.1</b>	<b>4.36</b>	<b>12.27</b>
2007	266136	83063	<b>349199</b>	19566	12029	<b>31595</b>	<b>29.3</b>	<b>7.53</b>	<b>22.53</b>
2008	312810	127312	<b>440122</b>	37305	23244	<b>60549</b>	<b>41.1</b>	<b>10.18</b>	<b>37.83</b>
2009	396145	204007	<b>600152</b>	72714	47956	<b>120670</b>	<b>41.9</b>	<b>19.71</b>	<b>49.87</b>
2010	545469	292081	<b>837550</b>	78973	60339	<b>139312</b>	<b>59.7</b>	<b>29.73</b>	<b>73.66</b>
2011	634370	442057	<b>1076427</b>	94899	78037	<b>172936</b>	<b>72.35</b>	<b>33.31</b>	<b>82.51</b>

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