



People Mutuels

Insurance Initiative of DHAN Foundation

Annual Report 2013

People Mutuals: Annual Report March 2013 – A glance

People Mutuals is the Social Security Initiative of DHAN Foundation. It is a separate entity to implement the insurance programme for the poor members organized under themes of DHAN Foundation was setup on October 2, 2003 as a mutual trust, owned and controlled by the poor. With its advancement into the decade year, the People Mutuals insurance access has crossed one million poor by March 2013. About 1,026,456 poor are covered under products of insurance companies and mutual solutions.

Insurance access to poor

During 2012 – 13, the collaboration with mainstream insurance companies gained momentum. The poor covered with various mainstream insurance companies are 925400 by March 2013. The significant partnerships are with Life insurance corporation of India and HDFC Standard Life Insurance Company Limited under life insurance. Under non life insurance, the prominent partner are National Insurance Company Limited under health and livestock and Agriculture Insurance Company of India under crop insurance.

The uncovered risks of mainstream insurance companies were focused under mutual help programmes to ensure cover of risks of poor in its entirety and during the year, the mutual insurance contracts have reached a new peak of 479083. The phenomenal growth is experience under health which is at 329421.

Poor paid a premium of about Rs. 110.73 millions for an insurance cover of about Rs. 53.48 billions during the year.

System Development

As part of professionalizing People Mutuals, establishing systems using Information Communication Technology had been given emphasis during the year with the guidance and support from Achmea IT team. Technological up gradation from the present level to the next level of professionalization involves high level of technical expertise which is provided by Achmea's IT team. It is playing the mentor role and intense activities were initiated by DHAN ICT team with them in this regard.

Micro Insurance Resource Center

People Mutuals is being projected as a knowledge center on micro insurance through its focused activities of capacity building studies and documentation and policy advocacy.

During the year, the major research studies were on agriculture risks – Optimum spacing of rain gauges, farm ponds and tank index insurance. Desk researches on UHIS, JBY, RSBY and livestock insurance were taken up. The other studies undertaken are BCC on crop insurance, study on health expenditures, health risks of poor, disaster risk and impact of life insurance. The documentation during the year are Hand books in vernacular languages on life, health, livestock, crop insurance and Insurance to PLHIV.

For knowledge dissemination and increasing the skill set of micro insurance practioners – NGOs, insurers and funding agencies, national and international capacity building / trainings programmes were conducted.

Remarkable policy advocacy initiatives were undertaken on universal health insurance scheme and crop insurance during this year.

Technical Mission

The technical missions during the year focused on professionalization of People Mutuals and focused on the road map and business plan for the ensuing phase.

Institution Building

For focused micro / mutual insurance interventions at the grass roots level, focused people institutions – federation mutual were promoted and by March 2013, there are 86 federation mutuals.

Introduction to People Mutuals

People Mutuals is the Social Security Initiative of DHAN Foundation. It is a separate entity to implement the insurance programme for the poor members organized under themes of DHAN Foundation was setup on October 2, 2003 as a mutual trust, owned and controlled by the poor.

DHAN Foundation, a professional development organization works with the focus of poverty reduction by engaging highly motivated and educated youth in the development work at the grassroots. They work on developing new innovations in rural development and to upscale development interventions to eradicate poverty in vast areas of the country. The Foundation works to bring significant changes in the livelihoods of the poor through different thematic programmes to reduce poverty. While focusing on livelihoods development, the need for protecting the poor from potential risks was also felt which led to the genesis of insurance programmes in 1992 and since then insurance has become 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 – “People Mutuals” to support the programme locations to access insurance to poor.

People Mutuals is envisioned to be the preferred risk manager for the poor and strives for, “Safeguarding poor from risks and vulnerabilities through collaboration with mainstream and mutual solutions to reduce poverty”

The core values of the organization are:

- ❖ **Mutuality:** The mutuality is the basic character in any organized community and it is the potent value practice that helps the community to circumvent the common community problems and risks. The mutuality is the basic premise of any community risk management programmes, by which one or few affected are helped by the contributions of the many unaffected in a community. Mutuality is the most prominent value of People Mutuals.
- ❖ **Enabling:** The central approach of the programmes is enabling approach. It means gradual withdrawal of the organization by transferring important roles to the community and taking new roles to facilitate the growth and development of the people organizations. It further leads to promotion of strong demand system.
- ❖ **Collaboration:** This is another core priority for the organization, as it believes that the collaboration with different stakeholders would lead to large scale impact.
- ❖ **Innovation:** People Mutuals is known for its experimentation and innovation. It encourages grassroots innovation to contextualize the development action for the benefit of the communities.
- ❖ **Excellence:** It is important to set new standards and bench marks and encourage best practices to impact the poor and marginalized communities.
- ❖ **Self regulation:** At the individual, organizational and the community level, the practice of self regulation is highly envisaged as part of the culture building process.
- ❖ **Dissemination:** It is important to share the best practices, experiential knowledge and skills to different micro insurance/micro pension practitioners and aspirants for the development of the sector.

The goals of People Mutuals are:

Goal I : Building social capital by instituting sustainable mutual trusts at federations of poor.

Goal II : Impacting to bring large number of poor households out of poverty through access to insurance and social security schemes

Goal III : Contributing significantly to development sector through knowledge building by development practice and dissemination and through grooming and nurturing quality human resources.

Goal IV : Influencing micro insurance/ micro pension policies from the learning generated by large scale practice to have nationwide and global impact.

Approaches:

People Mutuals strives to ensure insurance access to poor through different approaches.

- ❖ **Collaboration with mainstream insurers** : The mainstream insurance products are negotiated for better premium rates and systems to ensure their access to poor.
- ❖ **Mutual Solutions** : The gaps in the mainstream insurance products and system & processes are addressed through design of mutual insurance products in tune with the needs of poor and establishing pro poor systems and processes.
- ❖ **Hybrid approach** : This is a combination of the above two approaches and is most common at present in DHAN.

The initiative has emerged as the premier micro insurance initiative of the nation with insurance access to over one million poor under different insurances – Life, health, livestock, crop and micro pension.

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People Mutuals is in its decade year, when it is acknowledged as the premier micro insurance initiative of the nation. It is recognized at national and global levels as a knowledge institution on mutual and micro insurance. It is a pioneering insurance initiative of the nation involving insurance contracts of over 1.5 millions, ensuring different insurance – life, health, livestock, crop and micro pension etc. to poor in pursuit of poverty reduction.

The fundamental pre-requisite for insurance access to poor is the insurance literacy and People Mutuals focused intensively on this. The organized poor were sensitized on their inherent risks and vulnerabilities, need for insurance and the different products and solutions available. The insured were constantly in different insurance activities of administration etc which resulted in increase of trust and belief on the product / solution. The insurance literacy / education is vital for insurance access through collaboration or mutual help programmes.

1. Activities and Achievements

1.1. Life Insurance

1.1.1. 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 are 916237 by March 2013.

1.1.1.1. Life Insurance Corporation of India: Our main collaboration is with LIC of India. The coverage is 521797 under Janshree Bima Yojana, Group Insurance schemes, LIC KSSSY scheme and LIC DHAN Micro pension scheme. Premium paid by people excluding the government subsidy, is Rs.48.2 millions (Rs.81.5 millions including subsidy) for a cover of Rs.21 billions and the claims received are Rs.62.3 millions by 1384 families. As an additional benefit of LIC schemes, about 47448 children studying in IX to XII standards received educational scholarship amounting to Rs.56.9 millions leading to educational security.

1.1.1.2. HDFC Standard Life Insurance Company Limited: The level of collaboration with HDFC Insurance Company is strong and the coverage is about 47868 lives. Premium paid by people is Rs.1.17 millions for a cover of Rs.465.4 millions and the claims received from the company is Rs.1.62 millions by 81 families. Regular steering committee mechanisms are in place.

1.1.1.3 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 6,221 lives continue to have cover of Rs.62.21 millions under Bima Kavach product of Birla Sunlife Insurance Company.

1.1.2. Life Mutual Help Programme

1.1.2.1. 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.

A replicable model of mutual life mutual help has evolved involving life risk cover to people irrespective of the age. It involves payment of Rs.150 as annual contribution by all participating members in a federation. The life risks of persons upto 59 years of age are transferred to Life Insurance Corporation of India by paying an annual premium of Rs.100 for a cover of Rs. 30,000 for

natural death and Rs.75000 for death/ disability due to accident. Out of the remaining Rs.50, Rs.10 is the administrative cost portion and Rs.40 is the mutual help programme contribution for the life mutual help programme for people aged over 59 years and the death cover available to them is Rs.10000. Thus the lives of the entire population of members and spouses irrespective of age, in a federation are covered over years under this programme.

About 40 locations are initiating such life mutual help programme every year through direct action during this phase. The mutual insurance systems and norms have been put in place and literacy activities were initiated in the pilot federations. This involved the activities of cultural programmes, screening video films and focus group discussions. The people leaders and people staff were trained on the concepts and principles of insurance and operational aspects for taking the programme to the people. The professionals were trained on the technicalities of insurance, insurance accounting, reinsurance and solvency building.

During the year, a total of 126216 persons were covered under the term life mutual programme of whom 67468 are females.

1.1.2.2. Whole Life Mutual Help Programme

Whole life mutual help 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 offers whole life mutual programme.

Whole life mutual locations cover 18,557 poor, of which 13,458 are females. The contribution varies with age and sex and is paid up to 60 / 65 years of age for a life long cover. Such contribution is unaffordable for most of the people, who are middle aged and above. Further there are great opportunities of programmes for similar contribution amount. Hence whole life mutual locations are transforming to term life programmes.

1.2. Health Insurance

1.2.1. Collaboration with National Insurance Company - Universal Health Insurance Scheme

Remarkable collaborations with National Insurance Company (NIC) were forged during the year. Significant collaboration is coverage under Universal Health Insurance Scheme, which provides hospitalisation health care cover of Rs.30000. A total of 295476 people are covered under UHIS by paying a premium exclusive of government subsidy amounting to Rs.12.4 millions for the insurance cover of Rs.2.4 billions. The claims received during the period were Rs.7.58 millions against the earned premium of Rs.5.96 millions (17.9 millions including government subsidy) during the period ending March 2013.

1.2.2. Health Mutual Help Programme

Health mutual programme is in operation for the past one decade in DHAN federations. For two years till June 2011, most of the primary health care risks were covered under the tailor made health insurance programme of National Insurance Company. NIC was not interested in continuing the tailor made insurance programme during this year. A redesign of the mutual help programme, with reduced primary health care cover of Rs.3000 along with a additional hospitalization risk cover of Rs.5000 was made during 2011-12. Our health mutual help programme involves a hybrid approach of collaboration with the mainstream insurer to cover the health risks of poor under their products and the risk coverage of gaps through mutual help programme. The health mutual help programme has reached to 329417 people during the year. Of them, 212,227 are females and the rest are males. The total contribution received under this programme was Rs.1.9 millions for a cover of Rs.117 millions. The benefits provided to the covered people during the last year were Rs.3.1 millions.

It was found that the coverage is only about 10 percent of the potential families. Unless most of the families are covered, the programme can not be viable and sustainable. Further, health insurance is

still new to the vast population of the state and also for DHAN programme membership. Even with the intense literacy efforts, the people are not able to understand the importance of health risk cover. It is apparent that, the people are unable to understand that most of the secondary care ailments that require hospitalization are not covered by the existing state government schemes and such risk incidence may push down people to stark poverty. Hence, it was found to be appropriate to ensure access to Government sponsored (66.66% subsidised) Universal Health Insurance Scheme (UHS) as the foremost step. UHS is in implementation throughout India, which provides hospitalization cover of Rs.30,000 apart from personal accident cover of Rs.25000 to head of the family and wage loss compensation on account of hospitalization of the head of the family. Thus facilitating access to health insurance under government subsidised programme at affordable premium would make poor understand the need for health insurance and realize the gaps in the hospitalization insurance programmes over a period of time for designing need based primary health care insurance programmes at actuarially calculated premium rates.

In view of the foregoing, it is decided during 2012, to bring most of the covered families of different themes under UHS and make them realize the benefit of hospitalization health risk cover. Once this is accomplished, the people would understand the gaps in the hospitalization insurance programmes over years for designing need based primary health care insurance programmes at actuarially calculated premium rates.

It was realized at present that primary health care cover is warranted and Primary Health Care product for the family at an annual contribution of Rs.200 was designed, which enables all the covered family members to access free consultation without any ceiling on number of visits and discounted prices on medicines and investigations at the federation clinics and SUHAM hospitals. About 50329 families compressing of 196283 persons have enrolled themselves under this programme.

1.3. Crop

1.3.1. Collaboration with Agriculture Insurance Company: 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 41994 farmers growing the notified crop of paddy have obtained crop insurance coverage to an extent of Rs.390.8 millions by paying a premium of Rs.7.82 millions.

1.3.2. Crop Mutual Help Programme

The crop mutual help programme is implemented in Gudiyatham and Thiruppathur - Natrampalli locations during the year covering 80.7 hectares of groundnut cultivated by 379 number of farmers. The premium paid by the people amounts to Rs.100,915 for a cover of Rs.2.9 lakhs. The claims have been triggered for 379 farmers amounting to Rs.291822.

Moreover, the rainfall indexed insurance is a crop mutual programme with financial administration by Agriculture Insurance Company. It is being implemented in 8 federations- Thirukalukundram, Singampuneri, Kottampatti, Mudhukulathur, Thirumangalam, Sedapatti, Chitamur and Punganur. About 4531 farmers participated in the programme covering 554.12 hectares of paddy, groundnut, chillies, cotton, and maize crops. The contribution made was Rs.0.77 millions and the total claims triggered were Rs.1.56 millions.

The mutual tank water level indexed crop insurance is being designed in two locations and pilot could be initiated during the ensuing crop season.

1.3.3. Crop price risk management

Agriculture is faced with many risks, right from sowing to selling. In a good year farmers get good yield but because of the glut of crop produce, the supply exceeds the demand resulting in low price. Small and marginal farmers could not wait till getting a better price in the market because of lack of storage facilities to keep their produce safety. In order to help the farmers reduce their price risk, it

was planned to experiment on creating storage facilities in two villages during this year. The construction of the storage structure in Punganur and Natrampalli is completed and are being used for storage of seeds and fertilizers. The harvested produce of small millets like little millet and finger millet were stored before marketing. Further, the construction of storage structures have been initiated at Mudukulathur during this year.

1.4. Livestock Insurance

1.4.1. Collaboration with National and Oriental Insurance Company:

The livestock is the major livelihood activity of poor. The animals owned by 12044 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.9.25 millions for a cover of 185 millions worth of livestock and the claims received were Rs.5.14 millions during the year.

1.4.2. Livestock Mutual Help Programme

Livestock mutual help programme was initiated from January 2009. About 369 animals in the locations – Thirumangalam, Natrampalli, Pavagada, Sira, Gudipalle, Kurinjipadi, Punganur, Shanarpatti, Palamner and T.Kallupatti locations, worth Rs.2.49 millions were covered. During the year, the people paid a contribution of Rs.79,295 and benefits to an extent of Rs.6400 were paid.

1.5. Micro pension

Risks of longevity were perceived by our members and thus a pioneer micro pension scheme was launched with LIC of India known as DHAN-LIC Micro pension scheme during March 2012. About 8140 members from 26 federations were enrolled by the end of the year with annual contribution of Rs. 5,628,975 during the year.

In the state of Andhrapradesh, a Government co funded pension programme called Abhayahastham is being implemented. The product has combined features of LIC-JBY and a contributory pension product. About 2470 members are enrolled in this scheme.

2. Safety nets and Solvency building

2.1. Safety net arrangement for mutual help programme - Life

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 safety net support on quota share basis on philanthropic lines was provided by Interpolis Re with a nominal fee of € 297. The federation mutuals were the risk retainers and risk transferors and the People Mutuals was the risk transferee institution and Interpolis Re was the ultimate risk transferee. Thereafter whole life programme was initiated at Kailasagiri location and from April 2006 the mutual programmes are implemented by more locations.

The quota share safety net arrangement metamorphosed into stop loss cover from 2006-07, with Rs.5000 as risk transfer fee payable to People Mutuals by federation mutuals. The cover would be in excess of benefits amount over the net risk contribution and reserves of the federation mutuals. People Mutuals would meet the benefits up to the level of contribution received from federations and the reserves available with it. If the benefits paid exceed the level, it would fall back on the cross guarantee fund mobilized from Oxfam Novib, Rabobank Foundation, Achmea Foundation and Donatus insurance company of The Netherlands and this amount is maintained at DHAN Foundation.

The mutual life help programme safety net fund so created and maintained at DHAN Foundation amounts to Rs. 18.12 millions. The safety net fund available at different federation mutuals and People Mutuals exceeds Rs.30 millions. So far there is no safety net life claims to Achmea Re / cross guarantee fund.

2.2. Safety net arrangement for health mutual help programme:

Health mutual help programme was in operation at Kadamalaigundu since April 2000 without any

safety net arrangement. From 2006, safety net arrangement on stop loss basis from Eureka Re is in place for the retained risks. Safety net contract for this programme was force with Achmea Re for the period of 01.04.2012 to 31.03.2013.

2.3. Safety net arrangement for mutual help programme - Livestock:

Livestock mutual help programme is implemented in additional locations and the safety net arrangements is a stop loss mechanism covering aggregate ultimate net benefits amount exceeding the original risk contribution up to a level of 200% of the total original risk contribution. Safety net contract for mutual livestock help programme is in force with Achmea Re for the period of 01.01.2012 to 31.12.2012. So far, there is no safety net claim to Achmea Re under mutual livestock insurance.

2.4. Safety net arrangement for mutual help programme - Crop

The safety net arrangement for the mutual crop income indemnification programme at Thirupathur/Natrampalli and Gudiyatham locations is being instituted with Achmea Re.

For the envisaged tank water level indexed crop mutual pilot, the safety net arrangement is being designed by Achmea Re and would be put in place before the member enrollment.

3. System Development

As part of professionalizing People Mutuals, establishing systems using Information Communication Technology had been given emphasis with the guidance and support from Achmea IT team. Micro insurance is highly system oriented and Information and Communication Technology (ICT) plays a vital role in enhancing the efficiency and objectivity in micro insurance administration. However, it has to be in tune with the broader spectrum of services and programmes of the social infrastructures of Federation Mutuals. On the other hand technology cannot be seen in isolation because the whole of micro insurance runs on the primary platform of the social capital in DHAN like the Women Self Help Groups & its federation, Farmers association for Water & Rainfed Agriculture & its federation and similarly the fishermen communities. Any improvement in the technology for micro insurance should be preceded by the technological improvements in the base work of DHAN Collective.

Technological upgradation from the present level to the next level during professionalization requires not only finance but also technical expertise where Achmea's IT team is playing the mentor role and some of the activities done so far are as follows.

- ❖ *Achmea's team visited DHAN during November 2010*
- ❖ *Follow up discussion through email*
- ❖ *Constituting of e-team for discussion through Skype meetings during October 2011*
- ❖ *Technical training at Achmea in Tilburg during January 2012 for five member DHAN team*
- ❖ *Technical Mission to India by Achmea team in May 2012*

Based on the initial visit and follow up discussions through email, the e-team facilitated for a training need assessment and accordingly the five member team from DHAN was given technical training at Achmea in Tilburg during January 2012. The areas of the technical training are *complete IT Architecture for DHAN Collective, importance of Processes & relating with IT, Central / Member Database as separate, Data security including encryption, firewall and other security, Database, application & presentation layers, Database management, Archiving & Management Information System (MIS), Data import/export, predefined tables & normalization, Mobile applications & Call centre functions, Levels of gadgets usage at field, Federation Mutuals offices and People Mutuals, Brein – knowledge bank & e-learning, E-Health and Using available Open source tools*

The follow up of the training were taken up under the guidance of Achmea's IT team and are documentation of Processes in People Mutuals and DHAN Collective Units and attempted putting them in ARIS software, Central /Member database separate, Software need identification, Use of predefined tables and other initiatives such as exploring low cost tablet PC, community radio, experimenting SMS based reporting, etc and setting up of core and extended team for insurance domain, software development, hardware, ICT for literacy and Linux & Open Source.

This was further strengthened by the Technical Mission to India in May 2012 where the technical mission could understand the systems and processes within DHAN but also provided an opportunity to look at software and systems adopted by micro insurance organizations (Health Sprint, C2L Biz and Pharos) which was an eye opener to the DHAN ICT team. Based on further inputs the proposal part for the Technology was drafted and included into the main proposal. The guidance from Achmea IT helped in visualizing and forecasting the future needs and relating the same with the technological aspects like security, connectivity, etc as well as the cost likely to be incurred and the sustainability aspects.

The software team in DHAN continued its work in fine-tuning the DHANAM software and integrating the Social Security Software (SSS) into the DHANAM apart from integrating the different SSS – life and health. Successful trials were done and the same was shared online through Team Viewer to the Achmea IT team for further inputs & suggestions. This integration of the two softwares into one is likely to overcome all the previous issues faced and would become practically usable for life, health, etc. Also the team is exploring the security aspects like use of FIREWALLS in preventing entry of non users into the database. A user manual has been drafted. Moreover, the team also taken up the suggestion of member database and the same has been implemented.

With this little and past experience the team was able to visualize and link the technology for health and these concepts were also included into the proposal to Pharm Access. Also the team could appreciate the use of common IT backbone for micro insurance, microfinance, health, etc whereby the services and costs can be shared. The hardware team has given a series of training in using the Fedora Linux and Apache Open Office in the place of Windows and MS Office as DHAN plans to switch over to these freeware.

Similarly the IT team was able to take over from M/s Spatika Information Technologies; Bangalore for the annual maintenance contract for the automatic rain gauges used for the weather based crop insurance. The software team is likely to take full charge by March 2013 in maintaining the webpage as well as broadcasting such information. The team will also rope in RIMES an international organization in Bangkok which will provide weather forecast for 7-10 days as well as alerts for severe weather.

In using technology for literacy the Community radio, Village Knowledge Centre, etc are starting development of multimedia. The Skype is now a seen as a good tool for easy discussion with members in different locations. Particularly the Skype meeting with Achmea IT once in a fortnight provides agenda for the coming fortnight as well as strong feedback for DHAN IT team to proceed further.

The little experience of using technology for micro insurance service delivery and literacy a proposal was sent to Munich Re Foundation and they selected the paper which was presented in the 8th International Micro insurance Conference held in Tanzania (6-8 Nov 2012). This conference as well as the workshop in Nairobi and field visit to Pharm Access has given new insights.

4. Micro Insurance Resource Center

The micro insurance resource center focused on capacity building, studies and documentation and policy advocacy during the year.

4.1. Research

4.1.1. Addressing spatial basis risks in rainfall indexed crop insurance through optimum number of rain gauges at Thirumangalam and Peraiyur blocks of Madurai district.

Failure of crops due to deficit or excess rainfall is the common risk faced in rainfed cropping. Rainfall indexed crop insurance is an attempt to manage the rainfall risks of farmers. The experience of implementing weather index based insurance indicates that there is considerable basis risk faced by the farmers due to difference in the risk measured by the risk index. One way of addressing this issue is increasing the number and distribution of rain gauge stations for capturing spatial variation in rainfall

pattern. But given the scarce resources and the investment required to install automatic rain gauges, it is very much essential to know the optimum spacing between rain gauges. Identifying optimum spacing of rain gauges in a particular area would serve the purpose of finding out the number for saturating that area.

With the objective of identifying the optimum number of rain gauges needed to cover Thirumangalam and Peraiyur blocks to reduce the spatial basis risk of crop insurance, rainfall data of 23 automatic rain gauges, taluk office and IMD data of Peraiyur and Thirumangalam blocks were analysed for seasonal, monthly and weekly. There is an existence of basis risk and some rain gauges shows similarities with significant correlation of 0.7 value and upto 6.5 Kms , rainfall shows similarity of significance and 13 rain gauges lies with this value. These are categorized in five groups based on the relationship and instead of 13, five may be sufficient.

Knowledge of community on homogenous zoning of area covered under rain gauges was explored by Focused Group discussions. Even though the distance from rain gauge and the cropping fields is more than 2 KM, monsoon rains would be same for an area. But, they could not say up to which distance it will not vary. Generally, they did not find much variation for monsoon rains. Due to insufficient data, we could not draw valid conclusions.

During the later part of the year, the study has been further taken up by involving a research associate in ASKMI. The study focuses on determining the optimum number of rain gauges based on Coefficient of Variance method and determining the raingauge zones by Thiessen polygon method. The study is in the final stages and would be completed in a month.

4.1.2. Risk reduction of farmers through farm ponds in Savariyarpattinam of Ramnad district

Data collection and review of literature is completed. Data processing and analysis of the master sheet for 100 samples (30% of 321 farm ponds) would be done. Rainfall analysis results would be compared with community recall data.

Some findings are that farm ponds also act as drainage structure apart from supplementary irrigation for chillies crop. It could supplement two irrigations and save the crop. Farmers irrigate mix of saline water from wells with rain water stored in farm ponds for irrigation and this is experienced by farmers to increase the yield of chillies but however reduce the paddy yield.

4.1.3. Tank Index Insurance

The risk of agriculture loss, due to insufficient water for irrigation is very high. Thus crop insurance is a very important tool to secure the earnings of the farmers. Akin to the rainfall indexed crop insurance, a new product may be evolved based on the tank filling status and level of water storage in the tank. The tank water level may be a proxy for the rainfall. Filling up of the tank located in a cascade - chain of tanks, could be related to crop yield under tank fed conditions. This action research study has been initiated in two different geographical areas with diverse agro climatic conditions.

The study area is at the two tanks Vasavapaneri Tank in Srivaikundam Block of Tuticorin district and Maruthagam Tank in Mudukulathur Block of Ramnad district. Discussions with community were held to determine the critical periods and critical levels of water levels in tank. A product was evolved in consultation with the farmers. However, the product could not be piloted in the Rabi 2012 as the tank received enough rainfall immediately after discussion. Knowing that the sufficient rainfall would be obtained to take up successful crop the farmers didn't show interest to enroll themselves. IT was agreed to take the product in Rabi 2013 but sufficiently well before the on set of rainfall.

4.1.4. Desk Research

Desk researches completed during the year were on:

- Universal Health Insurance Scheme
- Livestock insurance
- Janashree Bima Yojana

- Rashtriya Swasthya Bima Yojana

4.1.5. The other studies being undertaken are:

- Evolving behavioral change communication for crop insurance
- Study on health expenditures in Kalanjiam member families
- Bringing social security in National Rural Employment Guarantee Scheme
- Understanding the health risks in member families of Sigaram federation
- Study on Thane cyclone case study basically on disaster insurance
- The impact of life insurance in Kalanjiam member families in SHG federations of Salem region

The studies are in various stages of progress and would be completed before the mid of June 2013.

4.2. Documentation

The documentations during the year are:

- Handbooks on life, health, livestock and crop insurance in vernacular languages
- Insurance to People Living with HIV
- Policy brief on Universal Health Insurance Scheme
- Life insurance impact study in Salem

The draft report has been documented on 'Mutual Experiences of Gangai Federation'

4.3. Capacity Building

National Training on Micro insurance was conducted during July, involving participants from different parts of India. The participants were enthusiastic and expressed the need for further technical support from DHAN.

Keeping in mind of the spatial and language barriers as expressed by different NGOs, statewide micro insurance trainings to NGOs in vernacular languages were conducted at Visakapattinam – Andhra Pradesh, Sailana – Madhya Pradesh and Bangalore – Karnataka during the year.

4.4. Community workshops

Community workshops were conducted to get the design inputs for the weather indexed crop insurance programme for Rabi 2012 season. Products were jointly designed with Agriculture insurance company for Paddy, chillies, minor millets, pulses, cotton and maize crops for 14 farmers' federation.

4.5. Networking

The efforts are being initiated to takeover the Asian Micro Insurance Network (AMIN) of ILO. In this regard, communications have been initiated with the 22 network members of AMIN to revive the network with the facilitation of ILO.

Further, for strengthening the network of ASKMI, the processes, mechanisms and criteria for network membership are finalized and steps are being initiated to enroll eligible participants of past micro insurance training programmes for establishing a vibrant ASKMI network, who would be provided with resource support and affiliation processes for advancing the micro insurance initiative.

4.6. Policy Advocacy

The people institutions of DHAN collective facilitate access to health insurance for the member families through Universal Health Insurance scheme. The scheme is a co-contributory scheme with one third premium payment by the insured families and two third premium payment by the Central Government. However, the government decided to stop the co founding for the scheme from August 31, 2012. DHAN took up an advocacy effort with the Ministry of Finance to make it evident the importance of continuation of the government's co funding of the scheme. Further to DHAN's efforts, co funding of the scheme by the government is extended until March 2013. DHAN continues to take up the policy advocacy efforts to convince the Government to fund the Universal Health insurance

scheme apart from enhancing the product features and improving the scheme processes and systems. The policy advocacy note on UHIS is given in Annex 2.

People Mutuals takes up continuous efforts to strengthen its relationship with collaborating institutions to ensure the access of appropriate insurance services reach the poor. In this regard People Mutuals facilitated the visit of Mr. K.N.Rao, DGM, Agriculture Insurance Company, New Delhi, Dr P K Joshi, Director (South Asia), International Food Policy Research Institute (IFFRI) and Dr P K Aggarwal, Program Leader, International Water Management Institute (IWMI). The current level of crop insurance access by farmers and the areas of piloting were discussed during the visit and joint initiatives in this regard were conceptualized.

Discussions with National Insurance Company and Life Insurance Corporation of India are taken up on a continuous basis for improved insurance access and pro poor insurance product development as well as poor based processes and systems.

Further, DHAN is involved in a national level strategy formulation with GIZ on livestock insurance to poor.

5. Technical assistance by the mission team

Professionalising the insurance operations of People Mutuals has been given focus since the year 2010. A six member team has been constituted in DHAN to pursue the matter. This team is guided by the technical mission team from the Netherlands comprising of Annette Houtekamer, Corporate Social Responsibility Manager, Achmea, Gerard Frank Solmann, Manager of a competence Centre regarding Financial Reporting under IFRS in Achmea Netherlands leading a team of finance professionals and advisor of Director Finance, Executive Board, Eureka and Eureka Finance Organization and Tom Buijtenorp, Manager, Group Strategy, Achmea, the Netherlands

The business plan of People Mutuals for the next phase with the focus of Professionalising People Mutuals' was shared with the technical mission team at Achmea during DHAN team's visit in September 2012. It was followed by the visit of Ms. Annette Houtekamer and interactions with different teams in DHAN collective that are related to the project of Professionalising People Mutuals. The inputs received were incorporated in the business plan of People Mutuals for the next phase and submitted to be discussed during DHAN's visit to Netherlands in April 2013.

6. Institution Building

People Mutuals is a people institution promoted by people federations with the federation leaders as the Board of Trustees to focus on insurance and social security initiatives of the federations. The success of the initiative lies in the strength of the institution and peoples' ownership. The office bearers meet monthly and review the insurance and social security programmes and financial aspects.

Support visits were undertaken by People Mutuals to help the mutual locations in implementation and setting the systems in place for efficient operationalization of insurance and social security programmes. Half yearly reviews were conducted for monitoring.

Moreover, stand alone insurance focused people institutions were promoted. The SHGs are federated to implement the thematic intervention programmes like community banking, tankfed agriculture development, coastal agriculture and livelihoods development, etc and insurance is one of the programme components in all the themes of DHAN Foundation. To focus on insurance access towards poverty reduction and implementing such other member based programmes, separate federation mutual trusts were promoted. About 86 federation mutual trusts have been promoted in different DHAN programme locations as detailed below.

S. No	Programme	Regions	Locations	Registered Federations	Registered Federation mutuals
1	Kalanjiam Foundation	23	130	95	67
2.	Vayalagam Foundation	9	38	26	6
3.	Coastal Agriculture and Livelihoods development programme	4	38	38	12
4.	Rainfed farming development programme	2	13	1	1
Total		38	219	160	86

7. Synopsis

Poor were covered under products of insurance companies and mutual solutions. They paid a premium of about Rs.110.73 millions for an insurance cover of about Rs.53.48 billions. People were accessed to insurance products covering multiple risks and a total insurance coverage is about 1,404,483 policies / insurance contracts involving 1,026,456 people, by March 31, 2013.

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. The following table shows the risk wise coverage of all programmes.

Status of net Insurance coverage as on Mar 13				
S.No.	Risk	Female	Male	Total
1	Life only	85,588	65,406	150,994
2	Life & disability due to accident	266,240	129,160	395,400
3	Life, disability & pension	12,721	175	12,896
4	Health	224531	183707	408239
5	Livestock	4,965	7,448	12,413
6	Crop	4,651	41,863	46,514
Total		598,697	427,759	1,026,456

The insurer wise coverage under various insurance products is given as below:

S.No.	Insurance provider	Coverage (No. of policies)	%
I. Collaboration			
1	Life Insurance Corporation of India	521797	37
2	Birla Sun Life	6,221	1
3	HDFC Standard Life Insurance	47,868	3
4	National Insurance Company	303,292	21
5	Oriental Insurance Company	4,228	1
6	Agriculture Insurance Company	41,994	3
Sub total		925,400	66
II. Mutual Programmes			
7	Mutual Programmes	479,083	34
Total		1,404,483	100

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Through DHAN Foundation:

- Achmea Foundation
- Rabobank Foundation
- GIZ
- Population Services International
- Micro Pension Foundation, The Netherlands
- Achmea Re
- World Granny

Collaborating Insurance Companies:

- Life Insurance Corporation of India
- HDFC Standard Life Insurance Company Limited
- Birla SUN Life Insurance Company Limited
- National Insurance Company Limited
- Oriental Insurance Company Limited
- Agricultural Insurance Company of India

Evolution of Mutual Insurance

2012	<ul style="list-style-type: none"> • Promotion of 84 federation mutual trusts • Micro pension pilot in 26 federations • Storage structure at Nattampalli and Mudukulathur for managing price risks
2011	<ul style="list-style-type: none"> • Initiation of Livestock Mutuals at Shanarpatti and Punganur • Storage structure created at Sengapadai and T-Kallupatti for managing price risks
2010	<ul style="list-style-type: none"> • Rainfall indexed crop insurance at Thiruvalangadu, Tirukalunkundram, Poondi, Punganur, Sengapadai, Theni, T-Kallupatti and Sedapatti • Registration of 8 federation mutuals at Salem region • Initiation of insurance to People Living with HIV • Initiation of Micro Pension programme
2009	<ul style="list-style-type: none"> • Initiation of Livestock Mutuals at Thirumangalam and Natrampalli • Rainfall indexed crop insurance at Kottampatti, Singampunari, Sayalkudi and Thirupullani
2008	<ul style="list-style-type: none"> • Initiation of Health Mutuals in 13 locations in Madurai district
2007	<ul style="list-style-type: none"> • Initiation of Health Mutuals in 6 Locations in Theni District with a 24 hours community secondary care hospital • Registration of Federation Mutuals at Kadamalai • Mutual crop risk solutions initiated at Natrampalli and Mudukulathur • Universal Health Insurance Programme in Coastal Conservation and Livelihood development locations
2006	<ul style="list-style-type: none"> • Mutual solutions in 12 federations - 9 federations have evolved whole life mutual solutions • Mutual Crop risk solutions at Tirumangalam
2005	<ul style="list-style-type: none"> • Community based life risk management programmes in Pudur & Gangai • First federation mutuals of the nation registered at Gangai • Funeral expenses & emergent hospitalisation expenses in 20 federations • Old age people risk solutions at Appanthiruppathy
2004	<ul style="list-style-type: none"> • Rainfall indexed crop insurance in Natrampalli & Tirumangalam
2003	<ul style="list-style-type: none"> • Promotion of People Mutuals
2002	<ul style="list-style-type: none"> • LIC – Krishi Shramik Samajik Suraksha Yojana
2001	<ul style="list-style-type: none"> • Coverage under the products of private insurance companies
2000	<ul style="list-style-type: none"> • Community based health risk management programme in Kadamalaikundu • LIC Janashree Bima Yojana
1997	<ul style="list-style-type: none"> • Community based life risk management programme in Kadamalai, Uchipuli, Appanthiruppathy and Alanganallur
1995	<ul style="list-style-type: none"> • Livestock insurance in collaboration with mainstream insurers
1992	<p>Mutual Programme to meet funeral expenses</p> <ul style="list-style-type: none"> • Rural : Appanthiruppathy • Urban : Tiruppathy