



## Microfinance : Microinsurance

### Health Mutuals: Microinsurance Band Aid

Health insurance is a given in Europe. In the U.S. president Barack Obama won his election promising adequate health coverage for every citizen. The majority of humanity, however, still lacks access to health insurance. A project run by Bajaj Allianz and CARE India is now trying to offer health insurance in a new way.



A doctor examines the X-ray of a patient who was injured during an earthquake in Tangdaar, India (Photo: Reuters)

When asked about the necessity of health microinsurance, Michael J. McCord, President of the U.S. based MicroInsurance Centre, tells the story of two women:

When Mary Anyango contracted typhoid in Kisumu Kenya, her family simply took her to her home village to die. Across Lake Victoria in Kampala Uganda, when Betty Waswa was bleeding to death after the birth of a child, she was taken to a top level hospital where she was treated and released in good condition to return home. Both had lived on about two dollars a day. Mary couldn't afford to buy drugs against the fever, Betty didn't need the savings, she had a health microinsurance policy.

Adequate insurance can make all the difference. In a rich country, contracting a severe fever can be a real nuisance. For poor people in the developing world, a fever often means death.

Health insurance, says CARE Indian regional manager Devaprakash, therefore ranks top in the list of priorities among poor rural communities in India and elsewhere.

"It is the health risks and the consequent expenditure that impoverish the poor. It drains their income and burdens them with credits from informal money lenders at exorbitant rate of interest," Devaprakash says.

That is why partners Bajaj Allianz and CARE India decided to diversify their microinsurance portfolio in Indian State of Tamil Nadu and deliver their own brand of micro health insurance to rural communities in the area.

But health insurance is tricky—and expensive. How to make the scheme economically viable and still affordable? How to avoid fraud without creating a bureaucratic monster?

"When we looked at conventional health insurance, we found that the premiums were way beyond the paying capacities of the people," says RN. Mohanty, Chief Operating Officer at CARE India. The only way of offering affordable health coverage was through a mutual health insurance managed at community level.

"Such microinsurance faces two challenges," says Shreeraj Deshpande, responsible for developing the health microinsurance at Bajaj Allianz in Pune. "The first is finding a distribution model which works at low costs. The second is to establish a process that allows us to handle a large number of insurances with very low premiums."

Drawing on their existing microinsurance experience with local partner organizations, CARE and Bajaj Allianz opted for insurance schemes run and controlled by local community organizations. In such

a model, the community, usually comprising of several villages, pools the premium and administers its use. Each community takes full control of governance and management of the mutual.



Picture Gallery (click on the image to start)

Villagers standing in front of their damaged hut. See more pictures (Photo: Bajaj-Allianz)

Bajaj Allianz, essentially, takes the role of a micro reinsurer. It receives 33 percent of the premiums and settles cases at the higher end of the spectrum. All else is handled by CARE India and the respective community organization.

To reduce costs, CARE has tied-up with pharmaceutical companies and pharmacies to provide medicines at low costs. Arrangements with local hospitals and doctors help reduce expenditures for more intensive treatment and stationary care.

Trusted doctors act as gate keepers and refer patients to specified hospitals if necessary. "After one year, we have seen that 80 to 90 percent of cases can be dealt with at the community level," reports RN Mohanty.

Additionally, health care education allows the member's of the mutual to live healthier lives and prevent risky situations. For RN Mohanty, this is one of the most important aspects. "Most of our work is actually training and educating people. In my opinion, all the microinsurance we have done is founded on education."

But does it make sense to offer health insurance in a rural areas with little medical infrastructure? "The lack of medical infrastructure is one of the key challenges we face", agrees RN Mohanty. "But we have to make sure that health insurance is there, even if the next hospital is 50 or 100 kilometers away. But also a lot of public infrastructure is coming up now. And, fortunately, Tamil Nadu, where our project started, is a state where the medical infrastructure is manageable."

Eventually, the scheme could cover huge parts of India, says Bajaj Allianz' Shreeraj. "We feel that this is the most self sustainable model for micro health insurance in the country."

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When every member is responsible for the premiums collected than some sort of mutual control reduces fraud to a very minimum —because a working health insurance could make the difference between life and death for every member.

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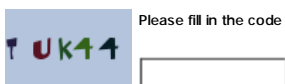
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