



Microfinance : Microinsurance

India: A Microinsurance Revolution

Two million new insurance clients in less than a year and plans for up to ten million by the end of 2009—such numbers are only possible in a country like India. Yogesh Gupta, microinsurance specialist at Bajaj Allianz, explains the story behind these numbers.



Yogesh Gupta, Head of Business Procurement & Microinsurance Business, Bajaj Allianz, India

"Our objective was to create something like a revolution and cover a huge mass of communities spread out over a huge territory." (Photo: Bajaj Allianz)

What significance has life micro insurance in rural parts of India?

Life microinsurance has helped the rural population a lot, because it created an awareness of proper risk management and saving instruments. It also facilitates outreach to a stratum of our population that has traditionally been neglected.

In India, some 80 percent of the population is still living in rural areas and there is a lot of potential for insurance in this segment. But no major company has thought of really entering this market yet. These people only have poor paying capacity and the operational structures of mainstream insurance wouldn't work either.

So why offer life microinsurance?

Well, we took this as a challenge. Our objective was to create something like a revolution and cover a huge mass of communities spread out over a huge territory and educate them about their personal security and saving avenues. Profit making was not our prime objective, but of course we can't afford to incur losses for the company.

Penetrating markets that were so far deemed non-reachable was only possible with the help of established microfinance institutions like SKS, local NGOs, regional rural banks, co-operatives, dairy boards. We are continuously conducting R&D to find other innovative avenues to improve our outreach.

Together with these partners we now offer extremely low-cost savings and security products. Premiums can be paid flexible and we do not charge high penalties on premature withdrawal or other hidden charges.

We managed to create an attractive risk pool and offer low insurance premiums, which helped our field reps to successfully cross-sell micro credit and insurance.

Top Microlenders



How much do you have to pay for such insurance?

These are very low price products with premiums as low as 45 rupees per month (1.13 dollars) for a policy with a minimum term of 5 years. The insurance covers losses up to 2,500 rupees (62.75 dollars) and in addition offers accident and disability and death benefits.

Our clients can also obtain a loan under the program for up to 85

percent of the cash surrender value of the policy. The people can save to the extent of 6 to 10 percent on net invested premiums at the end of the term in these policies.

How many customers do you have and in which areas? What are your aims for the future?

We have already covered 2 million rural customers spread across the entire country with a major density in South India. Our aim for this fiscal year is to reach 10 million people and provide them a backbone for their financial investments and life safety. Simultaneously we are developing product variants for the children coverage, single premium policies, and [health policies](#).

What are the problems you face in daily business?

We face several obstacles when we want to sell insurance to the rural population. In general there is [low awareness of the benefits of insurance](#). Low literacy levels make it harder to educate people. Then there is a lack of trust in insurance and big companies.

On the operations side our local field representatives have to cover a very high number of policies in order to be profitable, because each policy sold has a very low value.

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The area, in which we sell our products is very huge. Unfortunately, logistics and communication infrastructure there is poor. Finally, we face linguistic problems. Indians has 22 official languages, but people speak hundreds of different languages.

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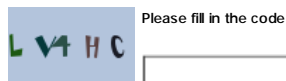
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