



# People Mutuals

Insurance Initiative of DHAN Foundation

Annual Report 2012

## Evolution of Mutual Insurance

2012	<ul style="list-style-type: none"> <li>• Promotion of 35 federation mutual trusts</li> <li>• Micro pension pilot in 26 federations</li> </ul>
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>

## **I. Background**

DHAN Foundation is a premier NGO of the nation working with over one million 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 public charitable 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. Micro Insurance Association Netherlands (MIAN) provides technical support.

## **II. Mission**

“Safeguarding poor from risks and vulnerabilities through collaboration with mainstream insurers 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 cover 17995 poor, of which 13030 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 premium is unaffordable for most of the people, who are middle aged and above. Further there are great opportunities of programmes for similar premium amount. Hence whole life mutual locations are transforming to term life programmes.

### **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 104575 people comprising of 61366 females and 43209 males were covered.

## **1.2 Health Mutual Help Programme**

Health mutual programme is in operation for the past one decade in DHAN federations. For two years till 2010-11, 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 insurance 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. It was found that the coverage is only 10% 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 insurance. 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, during this year, it is decided to bring most of the covered families of different themes under UHIS 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.

The health mutual insurance programme has reached to 50148 people during the year. Of them, 25173 are females and the rest are males. The total contribution received under this programme was Rs.33.83 lakhs for a cover of Rs.27.48 crores. The benefits realized by the covered people during the period were Rs.13.12 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 was implemented in the federations of Salem region for ensuring financial support to their families. The project involves safeguarding PLHIV from life risks and providing them as well as their family members, a health risk cover. DHAN Foundation 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 were covered under the Janashree Bima Yojana of LIC and the risks of PLHIV were retained at the Mutuals. Similarly the health risks of the general population and the family members of PLHIV who are not HIV+ were covered under the Universal Health Insurance Scheme (UHIS) of National Insurance Company Limited (NIC) and the health risks of PLHIV were retained at the Mutuals.

About 63293 people - 32878 female and 30145 male are covered under life insurance, whereas health insurance is accessed to 22660 people comprising of 12145 females and 10515 males in 7104 families. The project has reached its completion. However DHAN would continue this in the existing Salem federations and would replicate in additional federations.

### **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.

159 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 over 400 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 1558.76 hectares of land owned by 5914 farmers of thirteen federations were covered. The premium paid by the farmers is about Rs.15.58 Lakhs for a cover of Rs.200 Lakhs. The benefits paid during the year amounts to Rs.23.90 Lakhs.

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

Livestock mutual help programme was initiated from January 2009. About 1004 animals in the locations – Thirumangalam, Natrampalli, Pavagada, Sira, Gudipalle, Kurinjipadi, Punganur, Shanarpatti and Palamner locations, worth Rs.94.25 lakhs were covered. The people paid a contribution of Rs.1.3 Lakhs. So far benefits to an extent of Rs.63,200 were paid.

### **1.6 Micro Pension:**

The world's population is growing older rapidly. It is estimated that by 2050, older people would outnumber the younger for the first time in the world's history. For emerging economies including India, in the next century, population ageing will be the most vital problem they would face. Without advanced planning and the necessary money to cope with the social and economic challenges of population ageing, emerging economies would face a potent issue of dawning old age poverty.

There is an increasing recognition that people in developing nations need better support through social protection mechanisms that reduce chronic poverty and build human capital. Among those who need social security are millions of older people, who have worked all their lives in the informal sector and are left in poverty without pensions or other regular income. With traditional family support systems eroding, millions work well into old age until ill health or frailty. Governments in developing countries have now recognized this and are initiating social pensions for reducing old age and intergenerational poverty.

A majority of India's working poor have traditionally been excluded by formal pension provisions. This population is very vulnerable to old age poverty, as barely 5% of them are presently saving for retirement and less than one in five have some form of insurance. There are more than 400 million poor in India, who are not covered at present mostly by any old age security scheme, but who are able and willing to contribute a small part of their incomes during their productive ages. Aged poor in India is still working for their survival because they do not have any other choice. They had been willing to save when they were younger but could not access to a financial mechanism that could ensure pension to them.

With these in view, DHAN Foundation with the support of Micro Pension Foundation, The Netherlands initiated a micro pension project for demonstrating that social security of poor can be ensured by pension through the poor saving for pension. The scheme was designed jointly with Life Insurance Corporation of India. The pilot was originally planned to be initiated at 10 federations. However with the enthusiasm of poor communities, it is being piloted in additional 16 federations apart from the original 10 pilot federations. The 26 pilot federations spread across four themes and four states. About 2415 members were enrolled by March 2012 and the contribution paid amounts to Rs.1.70 millions.

### **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 927389 which increased by 23898 over last year.

#### **3.1 Life:**

**3.1.1 Life Insurance Corporation of India:** Our main collaboration is with LIC of India. The coverage is 636995 under Janshree Bima Yojana, Group Insurance schemes and LIC KSSSY schemes. Premium paid by people is Rs.4.24 crores for a cover of Rs.3146 crores and the claims received are Rs.3.59 crores by 1156 families. As an additional benefit of LIC schemes, about 32500 children studying in IX to XII standards received educational scholarship amounting to Rs.3.5 crores leading to educational security. Regional level steering committee meetings were conducted at Madurai, Ramnad and Salem with LIC of India.

**3.1.2 HDFC Standard Life Insurance Company Limited:** The level of collaboration with HDFC Insurance Company is strong and the coverage is about 82389 lives. Premium paid by people is Rs.20.6 lakhs for a cover of Rs.82.39 crores and the claims received from the company is Rs.15.6 lakhs by 145 families. Regular steering committee mechanisms are in place.

**3.1.3 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 16842 lives are having cover under Bima Kavach product. of Birla Sunlife Insurance Company.

### 3.2 Health:

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 142972 people are covered under different insurance products of the company by paying a premium of Rs.59.73 lakhs for the insurance cover of Rs.62.59 crores. The claims received during the period were Rs.82.46 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 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.72.26 lakhs and the claims received were Rs.43.34 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 41994 farmers growing the notified crop of paddy have obtained crop insurance coverage to an extent of Rs.31.49 crores by paying a premium of Rs.41.99 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 31.03.2012

S. No.	Insurance provider	Coverage (No. of policies)	%
1	Life Insurance Corporation of India	636995	68.69
2	Birla Sun Life	16842	1.82
3	HDFC Standard Life Insurance	82389	8.88
4	National Insurance Company	142972	15.42
5	Oriental Insurance Company	6197	0.67
6	Agriculture Insurance Company	41994	4.53
	<b>Total</b>	<b>927389</b>	<b>100</b>

### 5.0 Insurance Education:

The focus given during this year was on crop insurance, health insurance and micro pension. The federation team were given ToT and they took up member level insurance education activities. Virtual Education on Micro Insurance (VEMI) was conducted to build the knowledge base of professionals.

### 6.0 Institution Building

SHGs are federated to implement the thematic intervention programmes. Whereas, insurance is a programme component 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 trust were promoted. About 35 federation mutual trust have been promoted in different DHAN programme locations during the year.

At the August 2011 advisory committee meeting of People Mutuals, it was decided to have Mr.Natarajan, Former Secretary, LIC of India as the Chair person of the advisory committee. In the meeting, the advices on policy advocacy with respective LIC JBY and UHIS were provided. Moreover the way forward inputs on micro pension and research were given.

Two board meetings were convened during the year and the AGBM. The Annual General Body met on September 17, 2011, when the board of trustees were reconstituted by infusing development leaders into the board. At present the board comprises of 15 community leaders and 6 development leaders.

## **7.0 Research and Documentation**

Studies on Life insurance benefits to poor in Salem district and documentations on Gangai and Kailasagiri federation mutuals were conducted during the year. The research pilots on:

- Farm ponds for climate change adaptation
- Tank index insurance
- Health risk and vulnerabilities in Sigaram federation
- Behavioral change communication for crop insurance
- Optimising rain gauges to cover farmers in a area

are under progress.

## **8.0 Policy Advocacy**

Policy seminars / workshops were conducted on:

- Insurance to People Living with HIV (PLHIV)
- Janashree Bima Yojana
- Universal Health Insurance Scheme
- PLHIV and livelihoods

were conducted towards pro poor policy advocacy.

## **9.0 System Development**

Different softwares – inhouse software for life and health, Tally software for hospital billing, excel by federations for member enrollment, Dhanam software for micro finance programmes Volac for federation accounting etc are in operation in DHAN collective.

Towards standardizing and making the software systems comprehensive, steps have been initiated with the ICT team of Achmea, The Netherlands.

## **10.0 Resource Mobilization:**

The micro pension project has received funds to a tune of Rs.4.79 crores (Euro 737000) for five years from Micro Pension Foundation, The Netherlands.

The ILO funding for crop insurance ends by May 2012 and the third phase proposal funding from Achmea Foundation and Rabobank Foundation is getting completed by March 2013.

## VI. Synopsis:

Poor were covered under products of insurance companies and mutual solutions. They paid a premium of about Rs.7.29crores for an insurance cover of about Rs.3337 crores. People were accessed to insurance products covering multiple risks and a total insurance coverage is about 10,92,031 policies / insurance contracts by March 31, 2012.

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 657031 people as detailed below:

<b>Status of net Insurance coverage as on 31.03.12</b>				
<b>S.No.</b>	<b>Risk</b>	<b>Female</b>	<b>Male</b>	<b>Total</b>
1	Life only	58,987	30,310	<b>89,297</b>
2	Life & disability due to accident	256,744	127,384	<b>401,561</b>
3	Life, disability & pension	2,667	-	<b>2,667</b>
4	Health	54,752	44,797	<b>99,549</b>
5	Livestock	5,219	7,829	<b>13,048</b>
6	Crop	5,091	45,818	<b>50,909</b>
<b>Total</b>		<b>383,460</b>	<b>256,138</b>	<b>657,031</b>

### Progress Report of People Mutuals: March 31, 2012

Activity	Plan – March 2012	Status - March 31, 2012
Insurance coverage		
a) Life	110000	873174
b) Pension	30000	5203
c) Health	200000	149697
d) Livestock	10000	13048
e) Crop	30000 farmers	50909 farmers
<b>Total</b>	<b>1370000*</b>	<b>1092031</b>
Premium paid by people	Rs.10 crores	Rs.7.29 crores
Coverage available	Rs.4500 crores	Rs.3337 crores
Training to professionals	Virtual Training Programmes – 25 executives	Virtual Training Programmes – 16 executives
In house workshops and seminars	15	20
Programme manuals and handbook for People Staff & Leaders training	2	- Manual on Micro pension training material - Updated health insurance and livestock insurance manuals
Policy advocacy efforts	Policy seminars / workshops : 2	Policy seminars / workshops : 4
Events		
a) Board meetings	4	2
b) AGBM	July 2011	September 2011
Steering committee meetings	10	7
Auditing	June 2011	September 2011
Filing IT returns, 80G, 12AA	August 2011	September 2011
Institution building	100 federation mutuals	35 federation mutuals are registered