Insuring Bharat: Scaling Up People Led Risk Protection

'A study on mutual and cooperative insurers in India'

Payal Agarwal
Kumar Shailabh
Dr. Shariq Nisar

Bharat Inclusion Research Fellowship

About the Authors

Payal Agarwal

Payal is a financial inclusion and mutual insurance specialist with more than 15+ years of experience. Her rich and varied experience comprises of work done across five countries with insurance companies, government, not-for-profit and consulting organisations to facilitate access to finance, risk reduction and promote sustainable livelihood opportunities for the poor.

At present she wears multiple hats at Uplift Mutuals – she is developing a full stack mutual aid digital platform for gig economy workers and truck drivers. She also leads the research and consulting projects on microinsurance and financial inclusion. Payal is a Trustee of Uplift Mutual Aid and Development Society.

She is an alumnus of The Institute for Social Studies, The Hague, the Netherlands, and has completed a Masters of Arts in Social Work from Tata Institute of Social Science (TISS), Mumbai. Payal can be reached at payal@upliftmutuals.org

Kumar Shailabh

Shailabh is an ASHOKA fellow, a thought leader in the mutual microinsurance space and co-founder of Uplift India Association. He has been working with Uplift for the last 16+ years to pioneer the mutual model of health microinsurance in India that focuses on wellness and prevention. Led by women and enabled by tech, the Uplift Mutual model provides a strong evidence of alternative risk management that is close to communities yet advanced in its management.

He is currently building a model of preventive health and mutual insurance for school children in India as well as building a digital twin of the mutual health microinsurance model. Shailabh can be reached at krshailabh@upliftmutuals.org

Dr. Shariq Nisar

Shariq is a PhD in Economics and an Islamic finance specialist. At present he is Professor of Finance at Rizvi Institute of Management Studies and Research (RIMSR), Mumbai. Prior to this, Shariq was a Senior Visiting Fellow at the Harvard Law School.

Before moving to academia, Shariq worked in the Indian finance industry where he is credited to have launched Shariah Indices (for BSE and NSE), ethical mutual fund and venture capital fund approved by SEBI. He helped GICRe launch its Retakaful division. He was invited to appear before the Select Committee during the discussion on Insurance Amendment Bill (2015). He founded India's First Centre for Alternative Finance at ITM Business School, Kharghar.

Dr Shariq is on the Board of various companies and advisor to Cheraman Financial Services Ltd, a Kerala Government's initiative.

Shariq can be reached at shariq.nisar@upliftmutuals.org

Editing Support: Shrishti Abrol, Associate - Publications, CIIE.CO
Research Support: Prachi Chavda, Sr. Associate, CIIE.CO
Design Support: Pinakeen Bhatt, Sr. Executive - Graphic Design, CIIE.CO;
Niraj Mulani, Manager - Marketing, CIIE.CO

Table of Contents

List of Abbreviations

AGM	Annual General Body Meeting
AHPI	Association of Healthcare Providers India
BoP	Bottom of the Pyramid
ICMIF	International Cooperative and Mutual Insurance Federation
III	Insurance Institute of India
IRDAI	Insurance Regulatory and Development Authority of India
GIC Reinsurance	General Insurance Corporation of India Re
MCCOs	Mutuals, Cooperatives and Community-based Insurance
MIS	Management Information System
NHA	National Health Accounts
OOPE	Out-of-Pocket Expenditure
SAMI	Standalone Microinsurance Company
SEBI	Securities and Exchange Board of India
SHGs	Self Help Groups

Executive Summary

The year 2020 will be remembered as a catalyst year for times to come. It laid threadbare many institutions and practices that maintained the running status quo and, challenged almost everything we know. Exposing our vulnerabilities it pushed us to cooperate, collaborate and go digital, like never before. A similar analogy can be drawn with the state of Insurance in India. While insurtech was gaining ground, the past year has led to significant adoption of tech in insurance.

The insurance regulator (IRDAI) brought out the Standalone Microinsurance Company (SAMI) recommendations that gave a vision and pathway to improve insurance penetration in India. The SAMI recommendations also highlighted the role of cooperative and collaborative insurance models in improving access to insurance for the population at Bottom of the Pyramid (BoP).

That insurance can be people led, is a radical notion, but one that has precedents and lessons for Covid-19 impacted India. This report on scaling-up people led insurance models comes at a crucial time - when the need for insurance and the focus on what truly matters cannot be understated any more. This report creates a foundational knowledge base about mutual and cooperative insurance in India and offers pathways on how they could be scaled, to serve a larger population at the BoP.

The first section of the report looks at the protection gap in India with a total addressable market of over 500 million people who need insurance and only 70 insurance companies who are mostly focused on the high- and middle-income population. It studies the existing mutual and cooperative insurers and identifies the common characteristics of these people led insurance models. The report studies the Global mutual and cooperative insurance movement, their share in the global insurance market and how technology is being leveraged by mutual and cooperative insurers worldwide. It also discusses the recent rise of the Mutual Aid model in China.

In the second section, the report narrates the journey of mutual and cooperative insurers in India. With about 19 mutuals and cooperative insurers covering about 3.5 million + people, mostly in the western and southern parts of India:, it studies their product offerings, unique financial design, organic governance design and their use of technology. A SWOT analysis of mutuals and cooperative insurers is done to identify factors contributing to their success and those acting as roadblocks in their scaling up.. It brings voices from the ground from mutual and cooperative insurance members to understand the demand side perspective and future growth opportunities in terms of products and services.

In the third section, the report identifies key stakeholders in this space to, shares insights from them on the crucial aspects of mutual insurance. It uses the influence-interest matrix for stakeholder mapping to analyse which stakeholders need to be educated and influenced such that the sector prospers. It discusses the recent SAMI recommendations and what it means for the future of cooperative and mutual insurance in India.

The fourth and the last section is a culmination of the entire study and identifies use cases on how these people led insurance models can be scaled.

Use Case 1: Leveraging the Self-Help Group (SHG) movement to scale mutual insurance

The National Rural Livelihoods Mission (NRLM) has promoted 65.5 lakh SHGs across India covering 7.1.7 crore households spread across 683 districts and 34 states/UT. The SHG movement provides for the most appropriate conditions for scaling up an insurance model that has customers at the centre of design and delivery. Being member owned and led they provide the right governance structure to manage mutual and cooperative insurance.

Use Case 2: Building a digital twin for mutuals

Mutuals and cooperative insurance have a key feature which is a strength and sometimes a shortcoming - that they are localised. Being closer to their members is essential for the value they provide and their long-term sustainability. However, this has also been the reason that they have shied away from scale. The increasing penetration of smartphones and cheap data has now made it possible to build a digital twin that mimics grassroot Mutuals' values and services. Even if half the number of smartphone users are taken as potential digital mutual clients – it comes to an overwhelming 250 million people in urban and rural India.

The availability of digital public goods (like the India Stack, the India Health Stack, the Open Credit Network) provide a never before opportunity to build digital journeys. The Sandbox approach of the IRDAI is already leading in this aspect and the same could be done for mutual and cooperative insurance.

Use Case 3: Building an open-source knowledge platform for mutuals

There is little technical knowledge available in the public domain when it comes to mutual and cooperative insurance. This report is the only third attempt to bring out the exhaustive details of mutual and cooperative insurance in India in over 25 years. The idea is to build a 'Center for Mutual Insurance' that provides technical assistance in setting up mutuals to all types of collectives and aggregators.

Use Case 4: Building a Shariah-Compliant model of insurance

India has one of the largest population of Muslims (over 17 crores+) in the world. However, the lack of Shariah compliant insurance serves as a great barrier for them to access risk protection products. Scholars of Muslim community believe that commercial insurance which trades in risk and earns profit through investment in interest-bearing securities violate Islamic norm of sharing of risk and reward.

Mutual insurance with its risk- sharing design comes close to being Shariah compliant and this could serve as one of the most successful models for reaching out to this large population in India.

1. Setting the Context

Image source: Uplift Mutuals

In this introductory section, we discuss the gaps in risk protection and the current state of insurance in India and thereby the need for mutual and cooperative insurance. We then move ahead to discuss the mutual and cooperative insurance model, its characteristics and the global landscape.

1.1 The risk protection gap in India

The Covid-19 pandemic has brought to limelight the inadequate health and health-financing infrastructure in the country.

Decades of neglect and lack of investments have made our public healthcare frail and unprepared to handle the pandemic. It has compelled people to turn to private healthcare which is unaffordable for most, and rely on a health insurance system which is at best reluctant to pay for health access. There has been widespread media coverage of the huge Out-of-Pocket Expenditure (OOPE) on Covid-19 treatment.

Even insured patients are paying out of pocket for Covid-19 care as insurance companies, private healthcare providers and the insurance regulator debate on what insurers should pay.

Given widespread complaints about exorbitant hospital bills, State governments have stepped in to cap the hospitalisation rates and the insurance regulator has directed insurance companies to cover Covid-19 under the existing insurance policies. However, on-ground realities are complex – insurers want to pay only the capped amount and the private hospitals are still charging higher rates. Private hospital associations such as the Association of Healthcare Providers India (AHPI) have petitioned the Insurance Regulatory and Development Authority of India (IRDAI) pointing out that capped rates are too low for their businesses. The jury is still out on the effectiveness of the 'Corona Kavach and Corona Rakshak' - the mandatory Covid-19 insurance that all General and Health insurance companies have to provide.

The Covid-19 financing experience is manifest of a larger risk protection gap across income groups.

As per an India Spend Report, in 2017 about 900 million-plus Indians did not have life insurance and those who had it were covered for only 7.8% of the financial loss in case of death.

On the supply side the insurance market is lopsided - with a large number of insurance distributors and a very small number of insurance manufacturers.

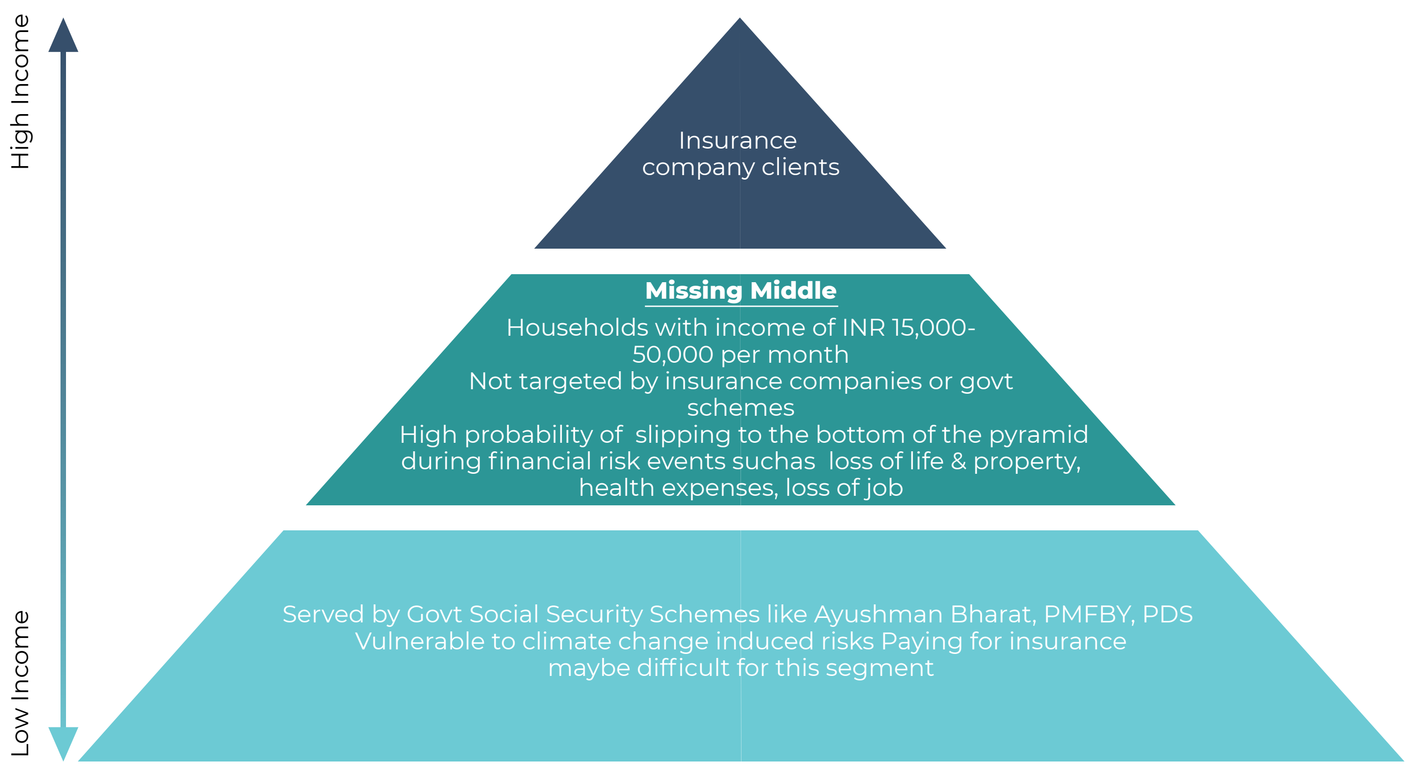
India has only 70 insurance companies; in contrast, the US has 5,965 and Germany 528. Incumbent insurers have to go a long way to meet the insurance needs of the majority. India's share is only 1.9% of the global insurance market. Most of the insurance business is skewed towards life (74%) with non-life insurance (including motor, health, assets etc.) accounting for only 26% of the business. India's insurance density and penetration are far below other BRICS countries (refer table 1). The level of insurance penetration in India is 3.7%, a decline from the high of 5.2% ofin 2009. Moreover, non-life penetration stood at less than 1% in 2018. Developed insurance markets like the U.S. have an insurance penetration of 7.4% and an insurance density of US$ 4,481.

Table 1: Insurance penetration and density across BRICS nations		
Country	Insurance penetration* (2018)	Insurance density** (2018)
India	3.7	74
Brazil	3.9	345
South Africa	12.89	840
China	4.22	406
Russia	1.53	164

Swiss Re, Sigma Volumes 3/2018 and 3/2019
** Insurance penetration is measured as ratio of premium (in US Dollars) to GDP (in US Dollars)*
***Insurance density is measured as the ratio of premium (in US Dollar) to total population.*

The insurance penetration is low because the high- and middle-income households are the core target group for conventional insurance policies.
The people at the bottom of the pyramid, generally the poorest of the poor are eligible for the government social security schemes. In between there is a vast segment that has the ability to pay but has not been tapped. Only 10.1% of the low and middle-income population is covered by microinsurance in India (not including the government insurance).

The Missing Middle in Insurance



Millions of Indian households fall in the 'missing middle' of insurance — neither covered by government schemes nor insured by insurance companies.
This is best demonstrated in health insurance, the fastest growing segment in insurance. OOPE on healthcare is one of the biggest reasons for people falling into poverty. As per the latest National Health Accounts (NHA) 2016–17, OOPE as a percentage of total health expenditure was 58.7%. While health financing is a mess, the health insurance industry is also in good health either. The net claims ratio for the government health insurance scheme was 113% in 2018–19.

Mutuals, Cooperatives and Community-based (MCCOs) insurance have the potential to provide a viable avenue to democratise access to affordable insurance.
Indians are no stranger to community and cooperative based financing models - India has 600,000 cooperatives with 240 million members, the SHG-Bank linkage model has empowered hundreds and thousands of women to come out of poverty.

The long term, value based and needs driven approach of MCCOs, makes them an appropriate platform for building resilient communities and improving access to insurance in India. In these times of climate change, their nimble and client centered approach will go a long way in helping vulnerable communities in urban and rural areas.

The committee on Standalone Micro-insurance Company (SAMI) acknowledges the work done by MCCOs in insuring the people at the BoP.
It recommends that MCCOs should also be allowed to set up microinsurance companies albeit with a reduced upfront capital of INR 20 crores (US$ 2.7 million) from the current level of INR 100 crores (US$ 13.67 million) for one line of business.

It also recommends providing access to reinsurance for these MCCOs, creating a common digital infrastructure, a risk-based capital approach and setting up a development fund. While the recommendations make the right noise, raising funds for mutuals remains a challenge as they mostly are not- for- profits. Cooperatives, on the other hand, that have adequate capital base, may find it relatively easy to set up shop under the new recommendations.

Any mention or recognition of mutual insurance was removed from the Insurance Laws (Amendment) Act, 2015. With the SAMI committee acknowledging the existence of mutual insurers in India, it seems that the Indian insurance regulator and the insurance ecosystem at large are warming up to the potential of MCCOs in insurance, which was very long overdue.

Therefore, **this study comes at a very opportune moment and aims to understand how MCCOs can be scaled up to improve access to insurance. It identifies factors that have impeded the growth and scaling up of MCCOs in India.**

Study Objectives

- Provide an update on the current landscape and relevance of mutuals in India
- Identify the potential of mutuals in India
- Find out roadblocks and challenges in scaling up MCCOs
- Suggest appropriate supporting structure required for MCCOs to fulfil their true potential
- Present use cases on scaling-up MCCOs

1.2 Understanding the Mutual, Cooperative and Community based organiszations (MCCOs) insurance model

There is no commonly agreed definition of mutuals since, institutions define mutuals based on the perspective that they may have developed while working with them.
As per the European Commission mutuals are "voluntary groups of persons (natural or legal) whose purpose is primarily to meet the needs of their members rather than achieve a return on investment". The Association of Mutual Insurers and Insurance Cooperatives in Europe (AMICE) defines "Mutual and cooperative insurers, i.e. insurers in the legal form of a mutual or a cooperative, as owned or controlled and governed by their members. Their objective is to insure their members, natural or legal persons, against risks they face."

According to the International Labour Organization (ILO) (2001) "a mutual health organsization is a non-profit voluntary association of people, operating on the basis of solidarity between all its members. By means of its members' contributions, and based on their decisions, the mutual health organiszation organiszes insurance, mutual aid and solidarity measures aimed at insuring against risks related to illness, bearing the consequences and promoting health."

In the Indian context, the definition in the ICMIF and Insurance Institute of India (III) study is the most suitable.
MCCOs as in the Indian context (or elsewhere) should be founded on mutuality and have a strong mutual ethos. "Its organiszational structure and insurance-like operations should be for the protection needs of the marginalized population which forms the bulk of its membership. It should be community-owned and be governed, owned and run with member participation. It should have regular engagement with its members and designed for long-term financial sustainability."

Common Characteristics of MCCOs

- They are owned by their members/policyholders, and were created to serve the common interests of their members
- It is a bottom-up model of insurance
- The risk is not transferred to an insurance company but retained by the community
- The focus is to design & deliver need-based products; to protect members during a risk event
- They work with a risk reduction approach
- Any surplus or loss made by the institution accrues to members. Surplus earned by the company is either retained or shared with the policyholders as dividends or as reduction in premiums

Basically, mutuals are organically grown organizations – historically communities have organized themselves based on their needs for risk cover. The basic foundation of 'member ownership' remains the same for both cooperatives and mutuals in some form or the other across the globe. However, they both may serve non-members as well. Over time, these organizations received attention from the State and were recognized as formal institutions. In some countries, the regulation does not allow mutuals to pay dividends, in others like cooperatives they can. With such recognition (enabling policies and regulation) - these MCCOs have grown tremendously as discussed in the next section on the global landscape of MCCOs.

1.3 Global Mutual Insurance Scenario

Key Stats on MCCOs

- Have **26.7%** share of the global insurance market
- Cover **922 million** policyholders
- Spread over **77** countries
- Wrote **USD 1.3 trillion** in insurance premiums

Source: ICMIF, Global Mutual Market Share 10

The majority (82%) of total global mutual premiums were written by mutual insurers in Europe and North America in 2017.
In advanced economies such as France, Germany, Austria, Netherlands, the MCCOs have more than 50% of the insurance market share. In terms of premiums, the U.S. is the largest market for MCCOs. Mutual insurance presence is lower in emerging economies, however some of these economies have the fastest growing mutual insurance markets.

In the last few decades, MCCOs have gone through phases of demutualisation and re-mutualisation, mostly due to external economic situation.
Before the 2008 financial crisis there was a demutualisation phase, the decade following the 2008 financial crisis saw a resurgence in the mutual insurance space. In the 10-year period since the onset of the financial crisis (2007 to 2017), premium income of the global MCCOs sector grew by a total of 30% compared to 17% growth of the total global insurance industry. This growth in MCCOs has largely been ascribed to trustworthiness, local connect and better customer service.

As MCCOs scale and grow large, member engagement and participation become a challenge.
Attendance in annual general meetings is low. Ordinary members have little say in the running of large mutuals. Mutuals often have board members who have affinity or share a common background with the members.

In the microinsurance space, MCCOs outnumber commercial insurers, although the former's overall market share is smaller.

For instance, in Africa, 77% of all insurance providers are community-based institutions but they cover about 12% of the total insured lives and properties in the continent. In many parts of the world, financial institutions especially microfinance institutions (MFIs) have branched out into MCCOs and are leveraging their existing microfinance structure for member acquisition and distribution. The mutual insurance products are bundled with the loan product or offered on a voluntary basis.

In recent times, there has been increased start-up activity in the MCCO space across the globe.

New mutuals have been formed in Turkey, Southeast Asia and Latin America. In China, the insurance regulator drafted rules to promote mutual insurance pilot schemes in 2015. In 2016, some pilot mutual insurers were given approval including a credit insurance for small enterprises, construction insurance, and one on pension and healthcare insurance.

A mutual aid with 100 million customers

The most successful amongst the mutual aid models has been Xing Hu Bao (mutual protection), introduced by AliPay. It has attracted over 100 million participants since it was launched in 2018. A health protection product, it is an early adopter of blockchain technology. The transparency provided by Xing Hu Bao due to adoption of blockchain has been one of the key reasons for its uptake.

A model similar to mutual insurance - Mutual Aid, has made headlines in recent times and managed to attract millions of customers.

As the name suggests, it is a simple product wherein the participants create a collective risk pool through small payments and claims are paid from the pool. The mutual aid platforms are using advanced technology such as blockchain, artificial intelligence and chatbots for transparency and ease of processing - resulting in trust building and thereby attracting a large number of people. However, unlike the MCCOs the policyholders are not necessarily the owners in a mutual aid model. Most mutual aid platforms are on digital platforms owned by service providers who charge a service fee on claims.

MCCOs have realized the potential of technology, with mutuals in Europe and Australia leading the digitization process.

The traditional agent/broker model is facing stiff competition from the online model of distribution. Upgradation in technology has helped MCCOs provide better customer experience, improve member engagement and simplify processes. Mutuals are also investing in big data, smart analytics as the competition from non-traditional insurance players increase (Amazon, Facebook etc).

In the next section, we look in detail at the prevalent mutual and cooperative insurance models in India - membership base, geographical spread, products - and the challenges faced by them in scaling-up.

2. Mutuals & Cooperative Insurance in India

In this section we concentrate on the landscape of mutual and cooperative insurers in India. For the purpose of this study, our focus will be on the mutuals catering to the people at the Bottom of the Pyramid (BoP). We will look into the current state of the mutuals and cooperative insurers, discuss the findings of a survey with mutual members and understand the strengths, weaknesses of the mutual model.

2.1 The Supply side story –mutual and cooperative insurers in India

Table 2: A glance at the Mutual & Cooperative Insurance in India	
Number of Cooperative & Mutual Insurers	19 (10 serving the BoP)
Primary Membership	90% Women Policyholders
Products	Health Insurance, Hospital cash, Credit Life, Livestock & Asset insurance
Distribution Model	Mainly bundled with microfinance loans
Geographical Outreach	Southern and Western India
Number of lives covered	3.5 million+ low-income people
Claims TAT	Average 30 days
Claims Ratio	60-85%
Claims Rejection Ratio	3-4%

2.1.1 Outreach, product, processes and systems

The study found 19 mutual and cooperative insurers in India (see table 3). These include Microfinance Institutions (MFIs), SHG federations, women's cooperatives and professional associations of Doctors where the members came together and pooled their risks. Out of the 19 mutuals, 10 exclusively cater to the bottom of the pyramid (BoP). Most of the Mutuals/Coop represent a single community (often brought together by microfinance).

Mutuals catering to the BoP cover 35 lakh + people. They vary significantly in terms of scale — large mutuals like DHAN Foundation have more than 5 lakh member households insured covering 26.5 lakh people; similarly, Anapurna Mahila Credit Cooperative Society provides life, health and asset insurance to more than 5 lakh members in Pune and Mumbai, whereas Self Help Promotion for Health and Rural Developments (SHEPHERD) in Tamil Nadu runs a small and sustainable health mutual with 15,000 members.

Mutuals, working with low-income groups started due to market gaps or market failures. As Shree Kant Kumar, the CEO of Vimo SEWA explains, "We started a mutual for hospital cash product,[1] as most microinsurance products did not cover for wage loss and those that covered did not include hospitalization of children. However, SEWA members felt the need for a hospital cash product that covered children also because parents cannot go to work when their children are hospitalized." Similarly, Uplift Mutuals did a survey in 2002 with 900 low-income families in Pune and found that the demand was for a prevention led health insurance model and not the one centred around hospitalization.

Why have low income communities started their own mutuals?

- non-availability of appropriate products in the market
- increasingly unviable premiums of commercially available products
- tedious claim settlement processes of insurance companies
- need for a transparent and accountable risk management system

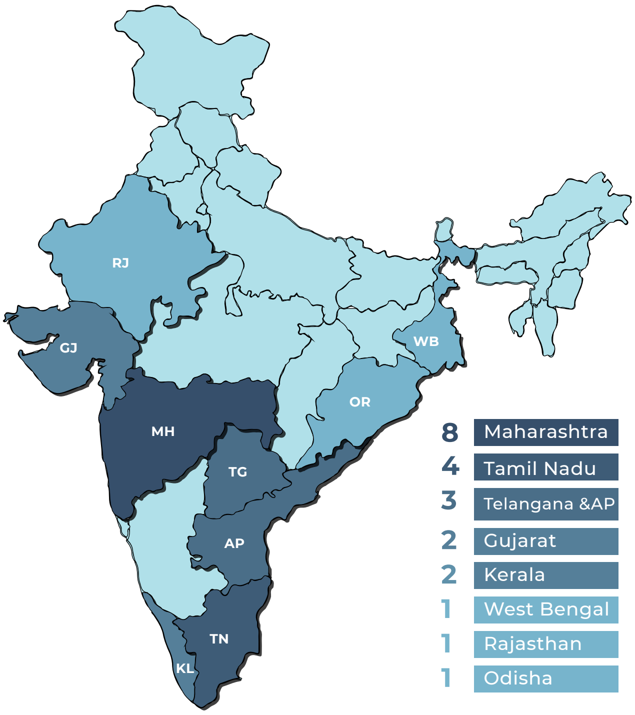
Most mutual and cooperative insurers in India started between 2002-2010. This was because many SHG federations had matured and MFIs were growing exponentially — the structures of these microfinance organisations were used to distribute mutual insurance. Moreover, women through these SHG federations and MFIs had experienced handling money (savings & credit) and were ready to take the next leap into insurance. As described by Bapusaheb Bhosale, MD Sai Microfinance, "The health mutual insurance complements our core microfinance business, improves client stickability and ensures that the loans are used for livelihood promotion and not health expenses".

Mutuals serving middle- and high-income households are much older, the oldest being Calcutta Hospital and Nursing Home Benefits Association which was started pre-independence.

Most mutuals are women led and women constitute more than 90% of the primary membership. This is because most mutuals are run by women collectives such as SHG Federations, trade unions and MFIs. As Dr Nandini, the CEO of Uplift Mutuals describes, "About 95% of our primary membership is women, as our 9 mutual communities spread across three states are all women collectives. As with microfinance, the mutual insurance model has seen more success with women-led groups. This could be because ours is a health mutual and it has been observed that

[1]A daily hospital cash plan provides a lump sum amount in case of hospitalization and this amount can be used as per the liberty of the insured. He can use the money for meeting such additional expenses or for even compensating the loss of income during the period of hospitalization

women are more conscientious about the health of the entire family". Some recent development has been observed in the mutual insurance space, where products are being designed for gig economy workers who are primarily men. If these experiments are successful then, we may see a change in the gender composition of mutual members.



Mutuals were found to be concentrated in Southern and Western India, because these are regions with a relatively well-developed microfinance sector. Community microfinance is the bedrock on which mutual insurance has been established in India. We have not found any mutuals in North-East India. Mutuals are present in Maharashtra (8) Tamil Nadu (4), Telangana & Andhra Pradesh (3), Gujarat (2), Kerala (2), West Bengal (1), Rajasthan (1), and Odisha (1).

Majority (80%) of the mutuals and cooperatives offer health insurance followed by credit life and life insurance. Health insurance is the most common product as a single incidence of health can erase all the gains from microfinance and livelihood support programs. Mutuals want to avoid this fate for their members. Most of the health products are family floater policies with premiums ranging from INR 300-1,600 per family per year depending on the cover and services offered. Credit life[2] is another commonly offered product as the parent organization of most mutuals are MFIs or SHG federations and they want to secure their loans. Goat and asset insurance are the other products being offered. Some of the products being developed are in fisheries, piggery and poultry.

[2]*Credit life insurance is a type of life insurance policy designed to pay off a borrower's outstanding debts if the borrower dies.*

Making Livestock Insurance Work: A case of VIDIYAL

Globally, timely claim settlement and fraud management have been the two pain points in livestock insurance. VIDIYAL, a mutual working in 25 villages of Tamil Nadu seems to have solved this. They run a Goats Mutual Insurance program as part of their larger goat rearing promotion program. The goat rearing program provides risk reduction services thereby drastically reducing goat mortality.

Premiums are collected at the village level federationwhere the entire value of the Goat is insured. The federation has a Monitoring Committee that investigates goat deaths and in genuine cases the claims are paid the same day.

The claims turn-around time (TAT) ranges from 1 day - 30 days depending on the claim settlement process followed by the mutual. In many mutuals the claims committee (consisting of elected member representatives) meet once a month to decide on claims and hence the TAT is 30 days such as PARVATI, SHEPHERD. The claims are awarded in a public meeting to ensure transparency and trust. In others such as Uplift, the claims that meet the eligibility criteria are settled by their inhouse software within 48 hours. Only the claims that are not straight forward are discussed by the claims committee that meets once a month. In VIMO SEWA it takes around 5 days. Since claim filing has been a pain point with commercial insurance companies, the mutuals have tried to solve it by designing simple claim filing processes where members are assisted in the entire process by the field staff.

Table 3: Snapshot of Mutuals & Cooperative Insurers in India

No.	Mutual & Cooperative Insurer	Legal Entity for Mutual	Geographical Presence	Product (s)	Target Group
1.	Calcutta Hospital and Nursing Home Benefits Association	Not for Profit Mutual Insurer	West Bengal	Hospitalization Insurance	Middle class
2.	SAI Microfinance/ Sarathi Trust	Section 8 Not for Profit Company	Maharashtra	Hospitalization Insurance with risk reduction measures	Urban poor
3.	National Insurance VimoSEWA Cooperative Ltd	Multi State Cooperative	Gujarat	Hospital cash insurance	Urban and rural poor
4.	Uplift Mutuals	Society/Public Trust	Maharashtra, Rajasthan & Gujarat	Hospitalization and OPD Insurance with risk reduction measures	Urban, rural and tribals at Bottom of the Pyramid (BoP)
5.	Parvati Swayamrojgar	Cooperative	Maharashtra	Hospitalization Insurance with risk reduction measures	Urban poor
6.	Vidiyal	Self Help Group Federations	Tamil Nadu	Goat Insurance, Life Insurance	Rural poor
7.	Self Help Promotion for Health and Rural Developments (SHEPHERD)	Association of Persons (AoP)	Tamil Nadu	Hospitalization Insurance	Rural poor
8.	Annapurna Pariwar Vikas Samvardhan	Not for profit section 8 company	Maharashtra	Hospitalisation, life, asset, accident	Urban poor
9.	People's Mutual (DHAN Foundation)	Public Trust	Multiple states	Hospitalization, outpatient care and life insurance	Urban and rural poor
10.	Stree Nidhi	Credit Cooperative Federation	Telangana	Credit Life	SHG members
11.	Swabhiman	Public Trust	Maharashtra	Hospitalization Insurance with risk reduction measures	Urban poor
12.	Indian Medical Association – Andhra Pradesh	Internal Welfare Fund	Andhra Pradesh and Telangana	Life	Doctors
13.	Ahmedabad Medical Association	Internal Welfare Fund	Gujarat	Life	Doctors
14.	All India Ophthalmological Society	Internal Welfare Fund	All India	Life	Doctors
15.	Indian Medical Association (IMA)	Internal Welfare Fund	All India	Life	Doctors
16.	Indian Medical Association – Tamil Nadu	Internal Welfare Fund	Tamil Nadu	Life and Health	Doctors
17.	Indian Medical Association – Kerala	Internal Welfare Fund	Kerala	Life, equipment, hospital infrastructure, professional protection (against legal action), health and disability insurance	Doctors
18.	Indian Dental Association - Kerala	Internal Welfare Fund	Kerala	Life	Dentists
19.	National Integrated Medical Association	Internal Welfare Fund	Maharashtra	Life, health and disability	AYUSH Doctors

2.1.2 Financial Design of Mutual and Cooperative Insurers

One of the most intriguing features and one that gets asked around a lot, but never seems to be adequately answered, is the financial model of a mutual. Based on our research and discussions we present here some features of the financial modelling that we have found across mutuals. We have tried to bring out some of the salient features and have no claims of either them being exhaustive or completely representative.

All 10 mutuals serving the BoP are financially sustainable, with adequate premiums for paying claims. A mutual insurance product generally has three broad components – risk awareness, risk reduction and risk management. Table 4 looks at each of these in detail:

Table 4: Financing the components of a mutual insurance product

Components	Financing	Time Period for financial sustainability
Risk Awareness: Primarily involves information, education and communication with members to: • raise awareness about insurance, • improve member participation in decision making processes and • build trust and transparency.	Grant Funding	3-6 years (Priced in the premium and becomes sustainable at scale)
Risk Reduction: Preventive and promotive strategies to: • Focus on well-being rather than only risk management • reduce claim ratios For instance: Health screenings, outpatient care for members for early identification of diseases	Mostly through grants or cross subsidization from microfinance operations	3-6 years (Priced in the premium and becomes sustainable at scale)
Risk Management- the compensation for the event of loss (insurance) which also includes at times pricing for reinsurance	Financed from premiums; in rare cases cross subsidized from microfinance income /grants if the claims ratio is more than 100%	1-2 years

Almost all mutuals started with some form of financing or cross subsidization in setting up the business. Since mutuals are not considered as a formal line of business, most of this financing came from grants and in-kind support. What remains incisive is that mutuals who have never subsidized the risk management component (claims), have been more successful, than others in sustaining themselves over time. The early investment has gone in financing the risk reduction, the governance and capacity building of members and technology adoption. Cross subsidizing is also quite common as most of the mutuals have ridden on the back of community microfinance that has typically subsidized the massive cost of distribution and member governance. Many Mutuals have been able to attract actuarial resources as in kind contribution, which would have been expensive to manage via the premiums or even the grants.

The percentage of this investment/subsidization ranges from 300% to 400% of the premium per person per year and is mostly spent on education, training, technology adoption and risk reduction services and reduces considerably as the membership grows over a three to six-year period.

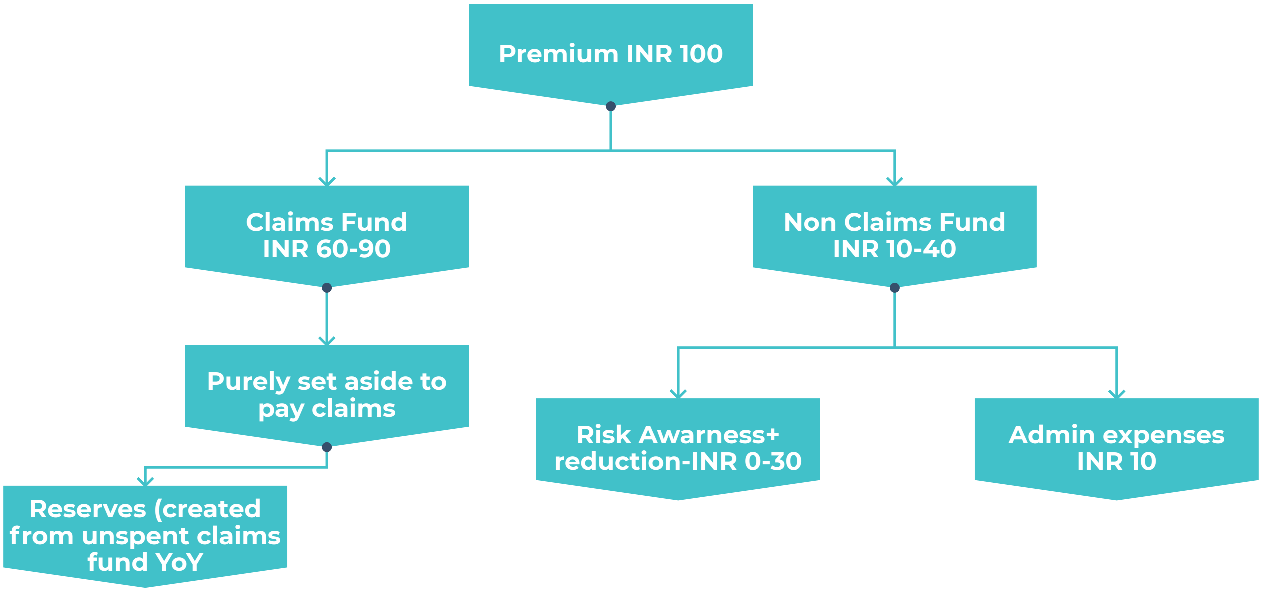
Most mutuals have a risk reduction focus and have prevention-led models. Mutuals and Cooperative insurers have realized early on that member households seek value for money and need to invest in risk understanding and prevention as a way to keep claims ratio under control and premiums affordable. They have gate-keeping mechanisms in place to ensure early detection and treatment of risks. For instance: awareness campaign run by health mutuals on malaria and dengue during the monsoon season. Similarly, Annapurna, Parvati and Uplift have a robust health navigation support system for their members, which directs them to quality and affordable healthcare providers thereby saving millions of rupees annually for their members in out-of-pocket expenditure and at the same time reducing the claims-payout amount.

Majority of the successful mutuals and cooperative insurers in India have a business plan ranging from 3-5 years with projections of claims and administrative expenses which are annually updated based on data sourced from their inhouse MIS. A periodic actuarial review of the product, helps them to review the pricing and increase the cover or the premium depending on the annual experience of claims. This business plan is presented to the governing body (comprising members) and its summary discussed in the Annual General Body Meeting (AGM). Feedback on the product and services is taken from the members.

Mutuals have a fixed claims fund. Mutuals divide the premium into two parts – the claims fund and the non-claims fund. The claims fund is purely used to pay claims and the non-claims fund is used for risk awareness, risk reduction services and administrative costs. The larger portion is always attributed to the claims fund, the ratio varies from 90:10 to 60:40 depending on the product. The graphical representation demonstrates this division between claims and non-claims funds with an INR 100 premium.

Majority of the mutuals build reserves in the absence of reinsurance. Most of the mutuals and cooperatives do not start with a capital base and are able to build a corpus over time (subsidy provides them the cushion in the initial years) from the unspent fund which they term as reserves. These reserves serve them as a buffer against a possible negative claims experience or even ruin. Some of the Mutuals have their own formula to spend a portion of the reserves on special claims or provide more benefits to their members once the reserves accumulated cross a certain threshold.. These reserves form the basis of solvency in the long term and mutuals who have matured reserves, go for solvency calculations and ruin scenarios to strengthen their financial health.

Internal Workings of Mutual & Coop Insurers



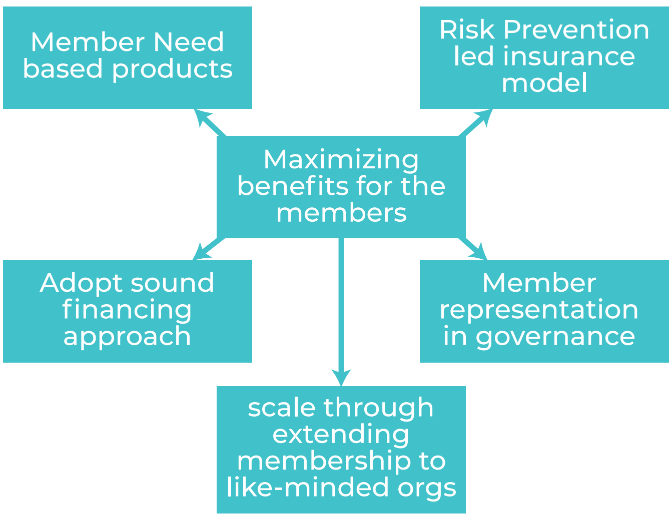
Mutuals have a low fraud ratio as they are built on trust, transparency and ownership. Mutuals invest in member education and help them understand that the risk pool is owned by the members and any fraud will have an adverse impact on the members themselves. They also have strong checks and balances in place in the form of elected representatives who often know the members personally.

2.1.3 Ownership and Governance Design of Mutual and Cooperative Insurers

Mutuals are of the policyholders, by the policyholders and for the policyholders. Mutuals and cooperatives are member owned insurance models and in that differ from private shareholding models diametrically. A customer of a mutual/ cooperative is known as a member and the only way a household/individual can access their products is by becoming a member first.

The main aim of mutuals and cooperative insurers is to maximize benefits for their members.

Main Drivers for Creating Value for Mutual Members



Mutuals are legally registered as not for profit companies, some are not for profit societies and the rest are co-operatives.
Majority of these mutuals are set up as subsidiaries of SHG Federations/ Credit Co-operatives where low-income households are already collectivized for savings and credit purposes. It has been observed that once mutuals achieve a certain scale, they set-up a separate Public Trust for management of mutual operations. While in many of the mutuals and cooperatives, the existing governance of community microfinance is co-opted, some go extra mile to setup a new one altogether

Key Role of Community Representatives

Eyes and ears on the ground

- Provide insights from the grassroots on the product & services
- Educate members

Product design and claims settlement

- Actuarially verified product is vetted by the reps
- Community reps meet to discuss and decide on the claims

Ombudsman

- Experienced community reps are also appointed as ombudsman

Mutuals and cooperatives elect, select, or nominate, individuals from amongst their membership base to act as representatives of the members.
Elections are usually held during AGM's and the community representatives are elected to the board of these mutuals. Mutuals generally have one representation per 1,000-3,000 members. Mutuals and Co-ops train their elected community representatives on the product, process and claims management for a minimum of two years. The community representatives receive all financial data regarding the operations, ensuring transparency and trust.

Insight into mutual governance: The Uplift Mutuals Model

Uplift Mutuals has setup, a not-for-profit society to allow formal membership to the mutual business. It is also perhaps the first mutual to have a multi community risk sharing model where membership comes from different communities cutting across states and occupation groups.

At Uplift there are two committees – the benefit management committee and the technical committee. The former comprising of community representatives is formed out of all the participating communities who get representation on the committee, generally the ratio is 1:3000 (i.e. one community representative per 3000 members). The community representatives that perform well during the capacity building programs are selected to the Benefit Management Committee.

The technical management committee as the name suggests comprises technical experts such as doctors, actuaries, IT professionals who manage the day-to-day
operations.

Based on the recommendations made by the technical committee, the Benefits Management Committee is responsible for:

- Final decision making on the claims
- Changes in product design
- Premium revisions

The Benefit Management Committee meets once a month to oversee the financials of the mutual and decide upon claims that require scrutiny for fraud or policy review. The claims that clear policy and product guidelines are settled by Uplift within 48 hours. This change was brought based on member feedback on expediting the claim settlement process.

Some members from the Benefits Management Committee are also on the board of Trustees of the Pubic Trust created to pool risks from different communities.

Further, Uplift has developed an app for its members in local language where financial performance of the mutual is available to every member and voting can be organised for electing representatives or collecting feedback.

2.1.4 Use of technology in mutual and cooperative insurers

Mutuals and cooperative insurers are playing catch-up where use of technology is concerned. Most are still dependent on Microsoft Excel for data storing and analysis. Only a handful have a working MIS, only a couple of them have developed mobile apps . Multiple factors have contributed to this lack of digitization: cost constraints being a major roadblock followed by the capacity of the field staff, the nature of the membership (most are women, who are not apt at using mobile apps) and the lack of internet connectivity in the remote villages.

Most mutuals rely on offline processes for member facing activities such as onboarding, education and claim settlement. Uplift and Vimo SEWA have started investing in mobile apps and using third party technology such as Whatsapp business accounts to reach out to their membership.

Table 5: Stocktaking of the member facing (front-end) digitization

Processes – Front End	Offline	Digital
Member Education	VIMO SEWA, Parvati, DHAN Foundation, SHEPHERD, SWABHIMAN, VIDIYAL, Annapurna	Uplift Mutuals (embedded YouTube videos in the in-house app)
Onboarding: Form Filling	All are offline currently, Uplift and VimoSewa are building digital onboarding capacities	
Onboarding: Premium Payments		
Digital Copy of Policy		Uplift Mutuals (in-house app)
Digital Services Registration		Uplift Mutuals (in-house app)
Claims Submission	Parvati, DHAN Foundation, SHEPHERD, SWABHIMAN, VIDIYAL, Annapurna	Uplift Mutuals (in-house app)
Claims Validation	Parvati, DHAN Foundation, SHEPHERD, SWABHIMAN, VIDIYAL,	Annapurna, Uplift Mutuals (in-house app),VimoSewa
Claims Payment	Parvati, DHAN Foundation, SHEPHERD, SWABHIMAN, VIDIYAL,	Annapurna, Uplift Mutuals

Claims Meeting	Parvati, DHAN Foundation, SHEPHERD, SWABHIMAN, VIDIYAL, VimoSewa	Annapurna, Uplift Mutuals (in-house app)
Voting and Feedback	Parvati, DHAN Foundation, SHEPHERD, SWABHIMAN, VIDIYAL, VimoSewa, Annapurna	Uplift Mutuals (in-house app)
Member Messaging	Parvati, DHAN Foundation, SHEPHERD, SWABHIMAN, VIDIYAL, VimoSewa, Annapurna	Uplift Mutuals (in-house app)

All mutuals and cooperative insurers rely on some kind of technology to manage their backend operations such as data management, accounting and reporting (see table 6). The smaller mutuals rely primarily on Microsoft Excel due to cost constraints. The ones with a larger membership base have invested and developed in-house web-based MIS. The usage and adoption of these MIS varies from one mutual to another depending on the ease of use and training provided to the field staff.

Table 6: Stocktaking of the member facing (front-end) digitization

Processes – Backend	Microsoft Excel Based	In-house Web based MIS	In-house App
Data Storage	Parvati, Foundation, SHEPHERD, SWABHIMAN, VIDIYAL,	Annapurna, DHAN, VImoSewa, Uplift Mutuals	
Data Reports and Analysis	Parvati, Foundation, SHEPHERD, SWABHIMAN, VIDIYAL	Annapurna, DHAN, VImoSewa, Uplift Mutuals	
Data Transparency	Parvati, Foundation, SHEPHERD, SWABHIMAN, VIDIYAL	Annapurna, DHAN, VImoSewa,	Uplift Mutuals
Cloud based Data Security	Parvati, Foundation, SHEPHERD, SWABHIMAN, VIDIYAL	Annapurna, Uplift Mutuals	
API Availability	Uplift Mutuals		
MicroServices Structure			

Digitization will be crucial for mutual and cooperative insurers to reduce costs, improve efficiency and scale-up, especially to attract the urban and rural low-income youth. The SAMI recommendations[3] have very appropriately put the demand for building a common digital platform for all microinsurance players, as not every mutual will have the capacity or opportunity to invest in digital resources.

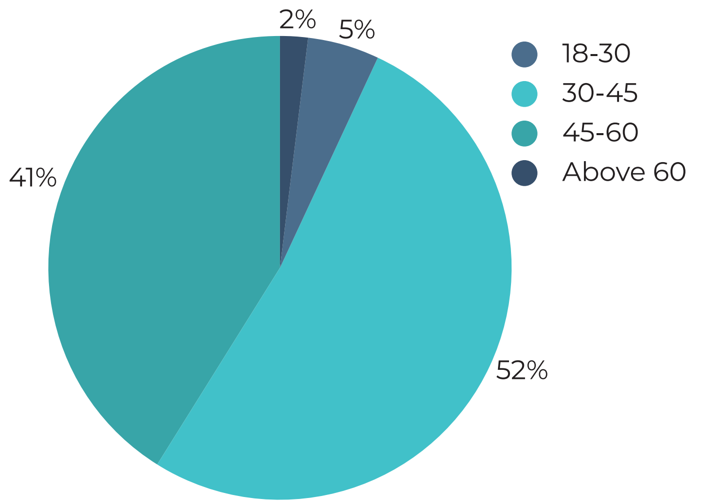
[3] *The Committee on Standalone Micro-insurance Company set up by insurance regulator IRDAI in 2020*

2.2 The Demand Side Perspective: Voices from the Ground

In this section, we discuss the findings of a survey conducted with members of mutual and cooperative insurers in the three Indian states — Gujarat, Maharashtra and Tamil Nadu (states with the highest density of mutual and cooperative insurers). The purpose of the survey was to understand the level of member demographics, awareness, participation and need for future products.

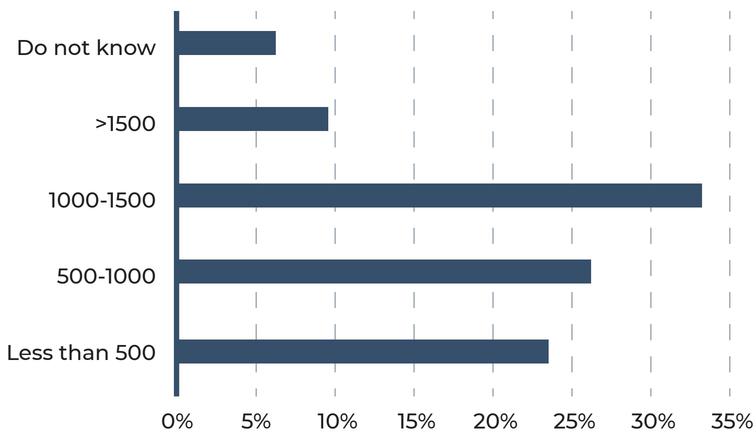
Mutuals have the demographic dividend on their side. Most of their members are in the active working age group of 30-45 years thereby less likely to severely fall ill or die thereby keeping the claims frequency and ratio low. Moreover, the prevention focus of mutuals and coop insurers should help members in leading healthier lives. Our survey found that 93% of primary members were women — which we believe is also representative of the general gender participation mix in the larger population of mutual and cooperative insurer membership base

Age wise distribution of members

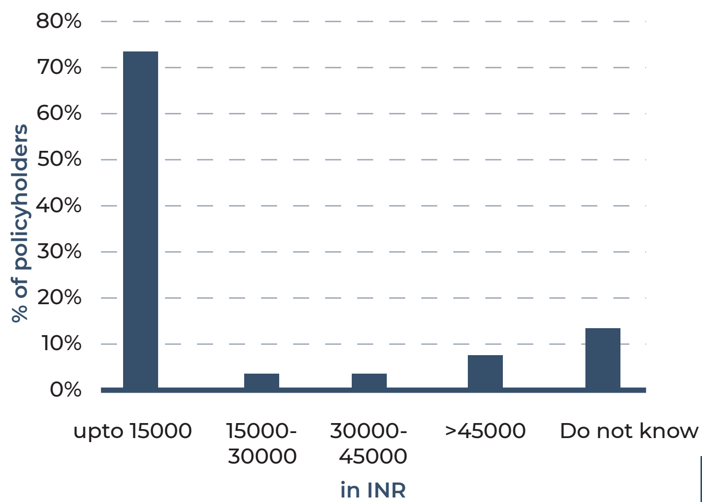


Mutual members demonstrated a high level of product awareness be it premiums paid or sum insured. As seen in the graph 92% of the members were aware about the premium amount.Likewise, 88% of the members were aware about the sum insured (see graph). Members cited regular meetings, communication from field staff and community representatives as the reason for this awareness. Given that these are low income, mostly primary school educated women in rural areas, this is a huge feat possible because of all the member education efforts of these mutuals.

Annual Premium (in INR)



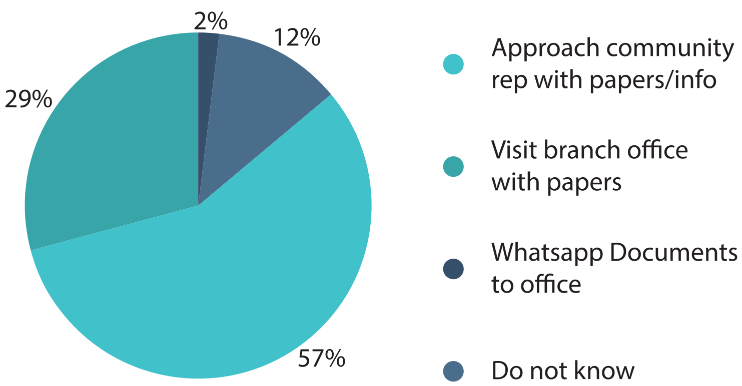
Sum Insured across Products (in INR)



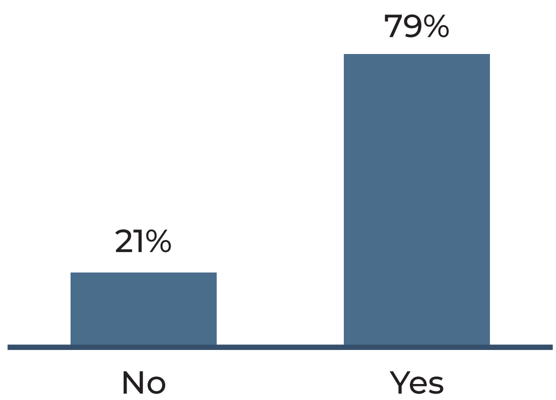
Intensive information, education and communication efforts to raise awareness about the product along with simple and easy to use claim filing have resulted in an overwhelming majority (88%) of members being aware about the claims filing process (see graph). In most cases the members have to approach the community representatives with papers who in turn are trained to help them, in 29% of the cases they could also visit the nearby branch office (in their village or slum) to submit the papers, a rare 2% reported that they could even Whatsapp the documents. Even members who reported that they did not know the claim filing process reported that they depended heavily on the community representatives and would approach them if the need arose. Members reported that about 50% of claims were settled within 7 days and 65% within 14 days of filing.

Interestingly, more than three-fourth of the members knew whom to approach for grievance redressal in case they were not satisfied by the services or the claim decision.

Member Awareness on Claim Filing



Awareness about Grievance Redressal Mechanism



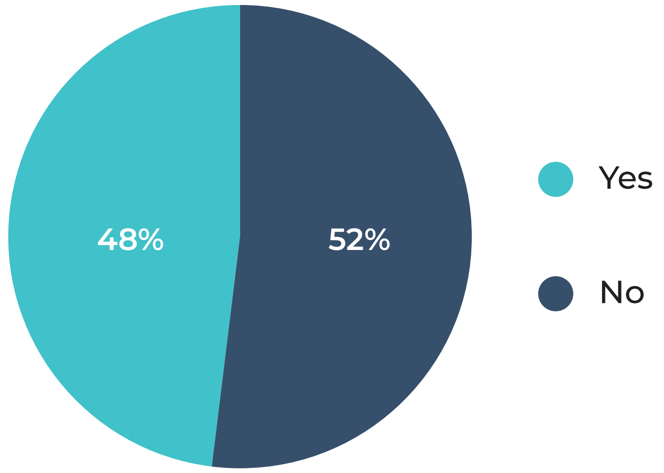
Although only 2-6% of the insured had claim experience, 74% members reported using risk reduction services and 95% feel connected due to regular communication from mutuals. Members who had goat insurance were supported with goat vaccination, sharing information on best practices of goat rearing and had access to a series of voice mails on goat rearing. Members who had health insurance in Pune & Mumbai had access to a bouquet of primary health services including regular doctor consultations, health navigation support, discounted medicines, diagnostics and tele-medicine.

About 95% members reported that mutual insurers were in regular communication with them through social media (Whatsapp), regular SMS, phone calls and monthly meetings. All these tangible benefits are reflected in the renewal rates (60-90%) of mutual and cooperative insurers.

The membership plays an active role in governance with more than half of the members across mutuals having participated in at least one Annual General Body Meeting (AGM) in the last three years. In some mutuals especially the ones in rural areas the AGM participation figures are quite high, whereas in urban areas the figure dips.

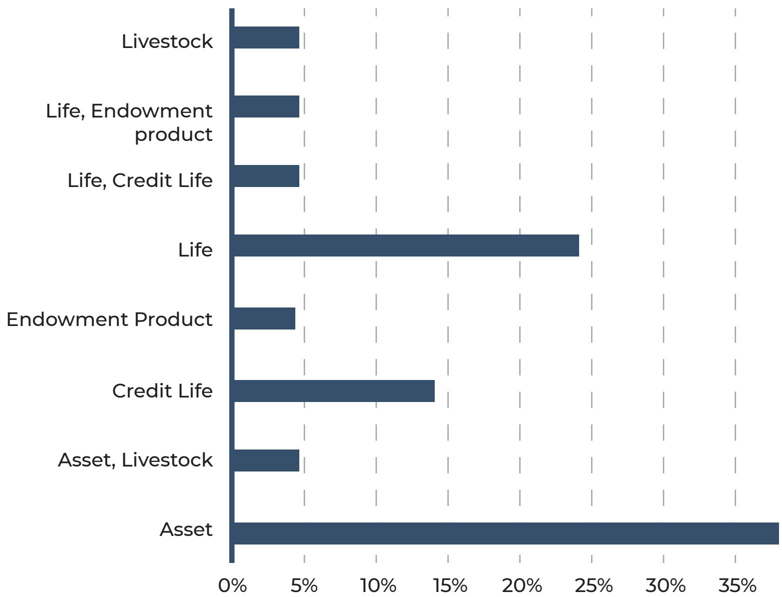
In the future, mutuals may have to look at digital means to improve these participation numbers.

Member Partcipation in an AGM (last 3 years)

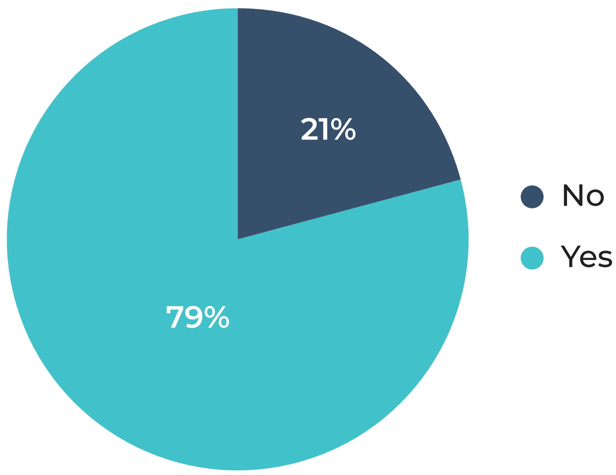


Mutual and cooperative insurers have huge potential for scale – horizontal and vertical. Within their existing membership, 79% members were willing to pay premiums for new products (despite the survey being conducted during the v-19 lockdown). Close to 40% members would like to insure their assets, especially the income generating ones such as vegetable carts, sewing machines, farming equipment and big ticket items such as houses. Despite the plethora of life insurance products available for the low-income segment, members expressed trust in the mutuals and wanted them to start life insurance also. Endowment products which allowed members to invest and save for their children's education and marriage were also in demand.

Demand for new products by type



Percentage of members who want additional products

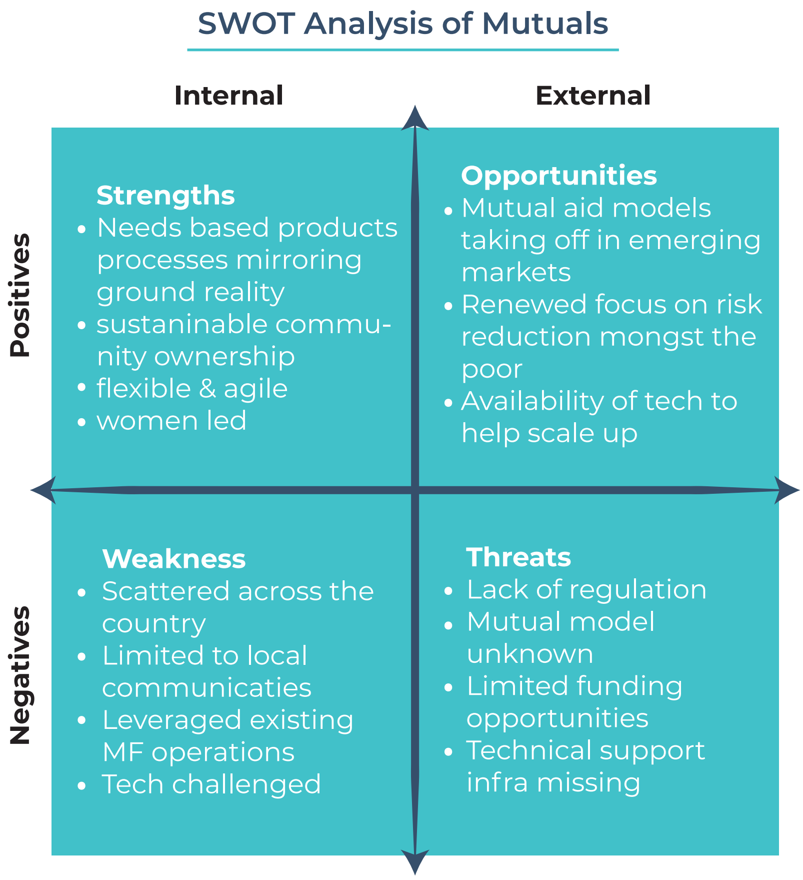


2.3 A SWOT analysis of mutual and cooperative insurers

In this section, we discuss the findings of a survey conducted with members of mutual and cooperative insurers in the three Indian states — Gujarat, Maharashtra and Tamil Nadu (states with the highest density of mutual and cooperative insurers). The purpose of the survey was to understand the level of member demographics, awareness, participation and need for future products.

Indian mutual and cooperative insurers have mostly stayed true to the 'text-book' mutual model. Strong community support and need based services have helped them remain relevant.

Mutual and cooperative insurers work in their own silos and hence continue to reinvent the wheel. They are limited to their own communities with little effort to scale beyond the SHG Federations or MFI to the general public. There is hardly any reading material, training manuals publicly available about mutuals. The adaptation of technology has been slow and they primarily leverage the MFI distribution system. These attributes hinder the scaling up and replication of the mutual model.



The success of mutual aid models in China has generated interest in mutual insurance amongst investors, donors and InsurTech and present a great opportunity to Indian mutuals to mobilize funds. Mutuals need to grasp this opportunity and showcase how their model is comprehensive and more integrated than their Chinese counterparts. Similarly, the high penetration of smartphones and availability of cheap internet has opened a floodgate of opportunities to scale at low costs

One of the biggest threats to mutual insurers is the ambiguity around regulation and consequent lack of access to reinsurance. The Insurance Act 2015 does not recognize mutual insurance. Operating in a regulatory vacuum also impedes their access to reinsurance which is critical in scaling up. The SAMI committee has recommended that mutual and cooperative insurers in the microinsurance space should have a reduced capital requirement of up to INR 20 crores (INR 200 million). The ones that will be able to generate this capital, will get an insurance license and have huge opportunities for scaling up.

Why have some mutuals succeed while many have failed?

While undertaking this study, we came across a number of mutual insurers that had closed operations. These organizations had the requisite funding, captive community (microfinance members) and years of experience in running community-based institutions. This got us thinking on why some mutuals succeed while others fail. We found that successful mutual and cooperative insurers:

- Focus on member education, building trust and ownership
- Design prevention led insurance with focus on risk reduction
- Offer actuarially vetted products and invest in technology
- Have a solid working governance structure in place
- Maintain financial transparency and communication with members

Three key reasons for failure of mutual and cooperative insurers were:

- Offered insurance without risk reduction services
- Did not put systems and processes in place
- Experimented in isolation and did not learn from the mistakes made by the older and successful mutuals

In order to have a comprehensive assessment of the mutual and cooperative insurance space – we also need to identify the key stakeholders and study how each one of them understand and interact with mutual and cooperative insurers. The next section focuses on this.

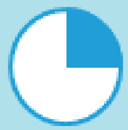
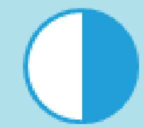
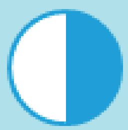
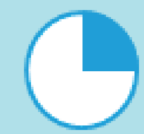
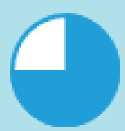
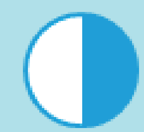
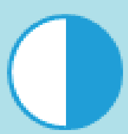
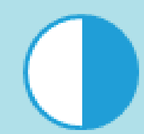
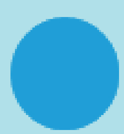
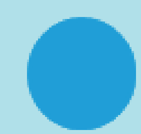
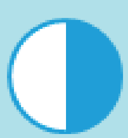
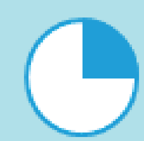
3. Involving the key stakeholders in scaling up the mutual and cooperative insurance sector

Image Source: Uplift Mutuals

In this section we identify key stakeholders in the space, share insights from them on the important aspects of mutual insurance and use the influence- interest matrix to map them and analyse which stakeholders need to be educated and influenced in order for the sector to prosper.

Table 7: A glance at the Mutual & Cooperative Insurance in India

Strong **Weak**

Stakeholder type	Awareness about the model	Financial Viability	Impact	On potential to scale	Interest in the model
Donors		Not much material available in the public domain; mutuals need to raise awareness about the model	Proof of concept (POC) need to be demonstrated and presented to key stakeholders. Model needs to be showcased	Scaling cannot happen without the government buying the idea. Initiatives such as National Rural Livelihood Mission could be a good fit to scale up	
Policy makers			High impact in small communities; impact at scale needs to be seen	With increased focus on risk protection for the poor and microinsurance – mutuals and cooperatives have a large untapped market. They should look to collaborate with insurance companies.	
Multilateral organizations		Mutuals should cover only idiosyncratic risks, with insurance companies covering high level risks	High impact. Been able to solve for localized risk management problems of the communities they work with.	Can scale beyond their SHG/MFI base if tech is used effectively. Good oversight required so that impact can be maintained at scale	
Start-up Incubators		Financially viable and sustainable model. Definitely of interest to incubators and investors ready to deploy patient capital - looking for average returns and high impact	People who know about the model are aware about the impact. More needs to be done to make the larger start-up community aware	Tech needs to be adopted at a large scale. Empowering regulation will help. Government may not be the right partner for scale up, as government wants to scale fast which may not be consistent with the mutual model	
Insurance think-tanks		Mutuals over the years have provided enough proof about their financial viability	Mutuals create a way of life as they build long-lasting covenants and integrate themselves with the communities where they work with	Three requirements for mutuals to scale: Professional management, regulatory empowerment and access to reinsurance	
Academics		Unviable in the long run as insurance is a game of scale and mutuals will lose their mutuality as they scale. Not a product that economics would justify.	Sceptical. Inherent conflict of interest, people deciding on a claim are the claimants themselves. The moment there is subjectivity in loss assessment there is a problem.	Scaling will come with an element of mis-selling as mutuals will also cover people who do not need the product to make it viable	

3.1 Stakeholder Perspective

Large donors and policymakers have limited awareness and knowledge about the model. Unlike the community-based microfinance or the SHG model little is known about the community-based insurance model i.e., mutuals and cooperative insurers. The financial viability or impact is known in close circles that mutuals work with and not the larger donor or policymaker community. Increasing awareness amongst large donors and policymakers would be essential for its wide scale adoption, enabling policies and funding.

> Information on how mutuals work is not readily available- need publicly available material, training programs and standard operating procedures, maybe even a Centre for Mutual Insurance .
>
> **Malika Srivastava**
> Tata Trusts

There is an increasing interest in the start-up community be it incubators, investors, fintechs and insurtechs in mutual insurance and mutual aid. There is an interest in starting mutual aid models and a couple of start-ups are already working on it. Insurtechs have expressed interest in partnering with existing mutuals to help them scale up beyond their traditional communities. Fin tech and other aggregator platforms are more open to exploring the mutual insurance model for their customers as traditional insurance products have not shown much traction amongst client groups such as gig economy workers.

> Insurance companies do not have inclination or ability to reach the masses. You need community-based institutions to address this deficit.
>
> **G. Srinivasan**
> National Insurance Academy

> Local knowledge is critical for mutual insurance, so hosts of mutual orgs supported by backend infra which includes reinsurance, tech support essential for scaling up
>
> **Nachiket Mor**
> Member
> IRDAI SAMI Committee

Unanimity amongst the stakeholders on the need for some enabling policies and regulation for mutuals and cooperative insurers. Incubators, insurance think-tanks and others familiar with the mutual model advocate for recognition from the regulator as it would help in accessing reinsurance. Moreover, in terms of capital requirement the recommendation is for a Risk based Solvency, minimum threshold for capital and solvency could be set by the regulator but beyond that it should be a risk based regime.

Two contradictory views emerging on the role of government in scaling-up mutuals. One set of stakeholders feel that the government would be a natural partner in scaling up mutuals as it is interested in insuring the poor and is the largest Self Help Group Promoting Institution (SHPI) in the country (through NRLM). Others feel that governments want to scale very rapidly, which may take away the focus from building high quality mutuals, thereby mutuals losing their very essence.

A base layer of infrastructure has to be developed for mutuals to achieve their true potential. Small and localised mutuals cannot invest in the required technology systems, negotiate with reinsurers, or have mobile apps to deliver services. Shared infrastructures need to be developed for mutuals (such as IT support, reinsurance arrangements, MIS) for them to efficiently run their operations.

Some stakeholders feel that mutuals are by nature unscalable, the moment they scale they lose their mutuality. However, large mutuals such as DHAN Foundation (outreach 26.5 lakh people) have shown that if the grassroots foundation is strong in their case the SHG federations, then mutuals can scale up and still maintain mutuality. DHAN has created a federation structure where SHG Federations at the village level run the day-to-day operations and are reinsured by People Mutuals, a federation of all mutuals. Scaling up has its challenges in terms of maintaining community participation in governance, product and process design. Each mutual will have to solve for this as they grow.

3.2 Stakeholder engagement

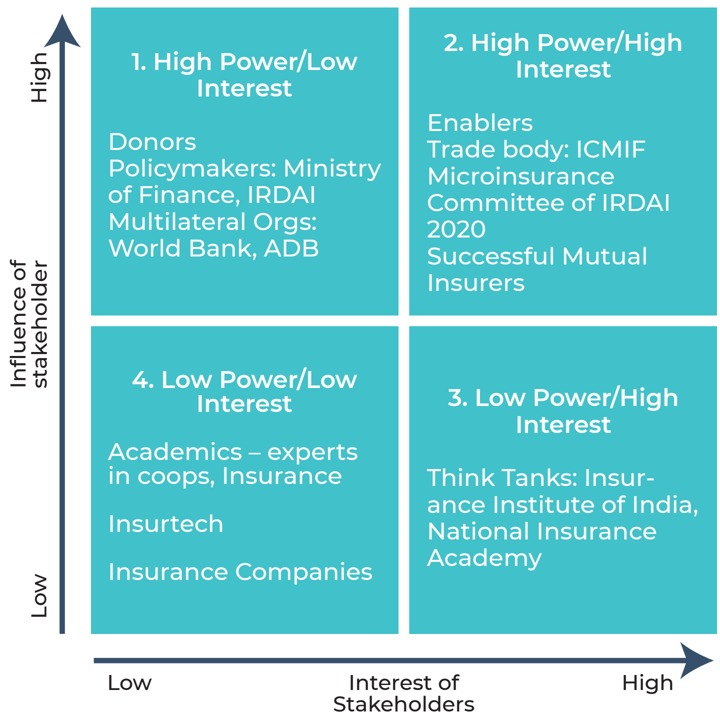
Influence: ability of the stakeholder to change the course of the mutual insurance sector

Interest: shared goals between the organization and the mutual insurance sector; also includes awareness about the sector and its potential

This is not a static representation, players can move across quadrants

Stakeholders in Quadrant 1 (Donors and policymakers) are crucial for sector building - intensive efforts are required to move them to Quadrant 2. Donors and multilateral organizations are important sources of funding and intensive efforts need to be made to educate them through increasing presence on social media, writing blogs on mutuals, education material, exposure visits and others. Similarly, policymakers need to be influenced such that they create enabling policies. Continuous engagement with policymakers through representation in various committees, articles in media and sharing of reports and studies on mutuals is a must.

Influence/Interest Matrix



Stakeholders in Quadrant 2 are already huge assets for the sector and they need to be managed and kept engaged. The interest from start-up incubators needs to be maintained, a few successful incubations for scale and partnerships with Fintechs will go a long way in keeping the engagement and interest high. Similarly, members of the SAMI committee created by IRDAI have already included mutuals and cooperative insurers in their recommendations on microinsurance.

Stakeholders in Quadrant 3 have high interest in the sector and need to be kept informed. They can be very helpful and one government directive can make them relevant and shift them to quadrant 2. The Insurance Institute of India (III) produced the first of its kind report on mutual insurance in India and has been a strong advocate of mutual insurance. Likewise, the National Insurance Academy (NIA) understands the mutual model and sees its value.

Stakeholders in quadrant 4 need to be monitored, at present they have little interest or power to influence the sector. However, stakeholders such as insurance companies may play an important role in the future if the cell-captive model[4] comes into implementation.

[4]SAMI committee has proposed that a cell captive model may be offered as a way for micro players to underwrite the micro-insurance business. As per this model, existing insurers and others can become cell owners by bringing in capital and share the underwriting risk with SAMIs with a capital of no more than Rs 5 crore or such contribution as may be considered appropriate

Relevance SAMI Committee recommendations for MCCOs

In early 2020, the IRDAI setup a committee to give recommendations on a standalone microinsurance (SAMI) company that came out in the last quarter of 2020. The Committee's recommendations include:

- A reduced capital requirement of INR 20 crores for microinsurance companies and suggested that the same be applicable for Mutuals and Cooperatives making it possible for them to formalize their business if and when the recommendations are made into law.

- Access to reinsurance for mutual and cooperative insurers

- Moving to the regime of risk-based capital in India from a fixed capital requirement; ideal for mutuals and cooperatives to grow and scale given that they cannot easily raise external investments.

Based on the demand, supply and stakeholder analysis of the mutual and cooperative insurance sector, we have arrived at four use cases on how mutuals can scale up, the next section presents details on this.

4. Pathways to Scaling Mutual and Cooperative Insurance – The Use Cases

This section is a culmination of the findings of study on the mutual and cooperative insurance sector in India. It provides pathways to scale people led insurance models. These use cases can be adopted by mutuals and coops depending on their nature and area of strength.

Use case 1: Leveraging the Self-Help Group Movement to scale mutual insurance

The Problem Statement

The SHG- bank linkage movement which began in the 1980s have revolutionized women's access to savings and credit facilities and made hundreds and millions of women 'bankable'. With time SHG federations have taken up various mantels - efficient delivery of government schemes, skill development, livelihood promotion to community development programs.

However, insurance still remains a 'weak link' - savings and credit have been performing the function of insurance in these groups. Women and their families have to fall back on their savings and take credit for health events, loss of livelihood, crop failure which should ideally be covered by insurance. One major health incidence or two continuous seasons of crop failure can destroy the assets built and negate all the financial inclusion efforts of the SHG movement.

The Solution

SHG Federations are one of the best suited institutions to run their own mutuals as they share the same foundation values of community ownership and participation. Moreover, the basic financial and distribution infrastructure is ready at the SHG federations and members trust the institution.

The mutuals can be designed based on the needs of the SHG members, the possibilities are varied – it could insure their livelihoods, life, health – or all three. The mutual insurance products can be customized at block levels to meet the specific needs of the community. All it requires is a group of 3,000-5,000 women to come together and establish their own mutual and run it with the help of technical experts and pay them an administration fee.

The Government of India through the NRLM is now the largest promoter of SHGs in India and needs to be convinced through pilots and on ground evidence about the benefits of community owned insurance (i.e. a mutual)

The Potential for scale

The number of SHGs in India is staggering **– the National Rural Livelihoods Mission (NRLM) has promoted 65.5 lakh SHGs across India covering 7.17 crore households spread across 683 districts and 34 states/UT.**

The Workings

		OPPORTUNITY
WHY	There is a huge untapped demand for the right kind of insurance products amongst SHG members. Climate change and unpredictable weather has further made these groups vulnerable to loss of livelihoods, diseases and crop failure.	Every district and block in this country has SHG federations
WHAT	SHG federations can design and offer customized insurance products that meet the needs of their communities. They can cover risks that are not covered by conventional microinsurance products such as asset insurance, home insurance and climate risk related products.	SHG Promoters are realizing the importance of insurance and do not have very good experience with commercial insurance companies
WHO	SHG Federations with a good track record and experience of 4-5 years would be ideal candidates to start their own mutual. A group of SHG federation in a block/district who share the same risks can form a collective to start a mutual. These federations can be supported by technical experts in product design, risk pooling and setting up governance mechanisms. Donors will have to fund these initiatives, especially the risk reduction measures for 3-years till the time the mutuals become sustainable.	Donors and SHG promoters are increasingly open to trying out the 'mutual' model.
HOW	Small pilots will have to be done across the country covering various risks. Innovative product design and the subsequent governance mechanism will be the key to success of these initiatives. Product development for insuring fisheries, goats, boats, crops, outpatient care and all such risks that impact the lives of SHG women and their families will have to be done	Reinsurers/Donors who are interested in the Mutual Aid market can be tapped.

Use case 2: Building a Digital Twin for Mutuals

The Problem Statement

Mutual insurance models in India are extremely localised. The existing mutual models take a long learning curve to build, are exclusive (entry restricted by microfinance) and investment heavy. Most of the mutuals are inward looking, limited by their primary business, and are satisfied with their current outreach.

The current pace of digital infrastructure being built in India, whether it's the India Stack, the Accounts Aggregator or the WhatsApp/Telegram based sachet delivery of financial products, brings a never before opportunity to build a digital mutual insurance product on solidarity, as more and more people in India get connected to the internet and have smartphones.

The Solution

Building a digital twin that mimics grassroot Mutuals' values, services and efficacy may be the best way to scale what works and unlock the value that mutuals can bring in bridging the massive risk protection gap in India.

The Potential for scale

The possibilities are endless - according to a techARC study, India had 502.2 million smartphone users as of December 2019;[31] this trend is further corroborated by a jointly released report by Indian Cellular and Electronics Association and consulting firm KPMG that India will have 820 million smartphone users by 2022.[32]

Even if we take a conservative estimate and halve the number of existing smartphone users as potential digital mutual clients – it comes to an **overwhelming 250 million people in urban and rural India.**

The Workings

		OPPORTUNITY
WHY	Availability of mutual insurance is limited. It is a model that is proven to work for its members. The demand for insurance that works is high but supply of models like mutuals is extremely limited because it is solidarity based and available only offline.	500 Million people do not or cannot access or afford existing insurance products.
WHAT	A digital mutual insurance model will provide one tap access to insurance for the people at the BoP and at the same time retain the value proposition of mutual model of solidarity, need based products based on risk reduction. It will no longer be limited to pre-formed communities such as SHG federations.	The fintech/insurtech scene in India is growing exponentially. The technology to build a digital mutual is available.
WHO	The low hanging fruit would be to start in urban areas and target occupational groups, age segments that are mobile savvy and are already present on digital platforms. Health insurance would be a good product to start, given the post Covid-19 demand. This can be done by an existing or new Mutual, who partners with a tech company/startup to build a digital twin that mimics group building, risk sharing and risk reduction online. Key stakeholders would include: Mutuals who are already experimenting with innovative risk sharing and risk reduction ideas that look at not just health but also livelihood protection products; Tech start-ups who are offering financial or social protection solutions and are looking to offer products that work; Investors/Donors who like to have skin in the game, are patient and have a risk appetite to discover new and bold business models.	Increased risk appetite (in fintechs, crowdfunding platforms) to look at alternatives to commercial insurance. Investors seem to be open to Mutual aid models after some success in Asian countries.
HOW	Existing mutuals can do Proof of Concepts (PoCs) that build digital communities around risk sharing and risk reduction in partnership with tech start-ups. Tech start-ups who have already solved for digital onboarding and payments and have access to a particular segment such as gig economy workers will be the best suited for such PoCs.	Reinsurers/Donors who are interested in the Mutual Aid model can be tapped.

Use case 3: Building an Open-Source Knowledge Platform for Mutuals

The Problem Statement

The number of failed mutuals in India is greater than successful ones. Cooperatives, SHG Federations, NGOs across the country have tried to start their own mutuals and a large number of them have failed. Some of these were heavily funded, others started small from their own capital but did not succeed. There are also others who had to give up after initial setbacks and those who thought that mutuals would be an extremely risk prone business and never started.

But what was common amongst all these 'failed' or would have been mutuals was the lack of technical knowledge on how to administer a mutual. Many of them were trying to reinvent the wheel and solve problems that have been already solved by successful mutuals working with similar target segments in India, such as product design essentials, MIS, detection of fraud in health claims payment, community engagement and governance mechanisms that are critical to long term sustainability.

This high rate of failures has also discouraged other community-based institutions from trying out mutual insurance. Moreover, many of them who are interested do not know where to begin and whom to ask. Unlike the SHG promotion and bank linkage model where reading material, training modules are available in the public domain, not much is available on the workings of the mutual insurance.

The Solution

Build a 'Center for Mutual Insurance' that provides technical assistance in setting up mutuals to all types of collectives and aggregators. This organization should develop standard operating procedures (SOPs), capacity building programs, conduct training of trainers to catalyse the mutual insurance space in India. Develop basic infrastructure be it software, back end systems which can be used by all interested mutual insurance players in India.

The Potential for scale

There is a huge untapped potential with the growing interest in mutual aid and insurance models in India. The target audience will range from SHG Federations, NGOs, Cooperatives, to Fintechs and MFIs.

The Workings

		OPPORTUNITY
WHY	There is hardly any publicly available resource or capacity building program on starting and running a mutual insurance operation in India. As a result, numerous initiatives have failed or are inefficient and many communities though interested have not ventured into starting their own mutuals. Lack of know-how on the workings of mutuals has been a major hindrance in its growth in India.	The success of the mutual aid models in China and the recommendations of the SAMI Committee has generated interest in mutual insurance.
WHAT	The Center for Mutual Insurance provides know-how, hand holding and capacity building support to organizations interested in starting mutual insurance. The Centre could also launch a platform where different communities can launch their mutual product which is managed by the platform and not be bothered about day-to-day administration.	FinTechs, start-ups working with gig economy workers, crowdfunding platforms are increasingly expressing interest in starting their own mutuals
WHO	A mutual or a group of mutuals who have successfully demonstrated a working business model can come together and establish this Centre for Mutual Insurance. Uplift Mutuals and the Dhan Academy are two institutions who already conduct training programmes and exposure visits around mutual insurance. This needs to be broad based	Increasing recognition amongst donors and think-tanks that a support system/basic infrastructure is required for mutuals to grow in India
HOW	Develop open-source SOPs, governance frameworks; conduct TOTs and other capacity building programs, provide handholding support for on-ground implementation Offer a bouquet of services such as: Build-Operate-Transfer (BOT), management of claims fund, MIS management such that organizations can pick and choose depending on their need.	Impact Investors, donors should provide the base capital.

Use case 4: Building a Shariah-Compliant Model of Insurance

The Problem Statement

India has third largest Muslim population globally after Indonesia and Pakistan.[33] The 2011 census puts the Muslim population at 17.22 crore or 14.22% of India's total population.[34] According to several research studies, the Muslim community in India is financially most excluded amongst religious groups; one for lack of financial literacy and second for lack of financial solutions that meet the ethical-religious needs of the community.[35] Scholars of Muslim community believe that commercial insurance which trades in risk and earns profit through investment in interest-bearing securities violate Islamic norm of sharing of risk and reward.

Globally, policymakers have addressed this challenge by encouraging financial innovations to meet the expectations of the community and designing Shariah compliant[5] products. Indian capital market regulator Securities and Exchange Board of India (SEBI) has also taken the lead in allowing many financial products which cater to this growing need. General Insurance Corporation of India (GIC Re) is offering a Shariah compliant reinsurance scheme for last 10 years, but such option is not available to retail customers.[37] Consequently, Muslims have been shying away from voluntarily participating in insurance activities.

The Solution

Mutual model of insurance is commensurate with the Islamic norm of sharing and caring through mutual support and cooperation. If the money (premium) collected is invested in ethically approved activities, then it becomes a fully Shariah compliant model.

[5] *An act or activity that complies with the requirements of the Shariah, or Islamic law. The term is often used in the Islamic banking industry as a synonym for "Islamic" for example, Shariah compliant financing or Shariah compliant investment.*

The Workings		
		OPPORTUNITY
WHY	There is no Shariah-compliant model of insurance available for the public in India. Mutual insurance model fits the bill with great potential for promoting financial inclusion amongst Muslims, resulting in reducing risks and building resilient communities.	Significant percentage of Muslims do not access existing insurance products. The potential market size is 17 crore+ people.
WHAT	The adoption of mutual insurance model can provide Muslim communities cutting across income segments with a risk sharing mechanism that is a viable alternative to commercial insurance. As the model scales up, the type of risk covered, products offered and the sum insured can improve.	Investor and donor interest in innovative financial inclusion models.
WHO	The target client could be Muslims across the country or in a particular region or income group depending on the capacity of the institution offering the mutual insurance model. These products could be offered by: Existing mutual and cooperative insurers can offer Shariah compliant products. Financial institutions and community-based organizations with a significant Muslim clientele/membership can run their own mutual which is Shariah Compliant with technical assistance from existing mutuals.	The SAMI committee recommendations have generated a lot of interest in mutual insurance.
HOW	Run pilots across the country using a hi-tech model (where possible) so that it can be iterative and scaled fast. These pilots can be funded through angel investments and grants. Islamic Finance scholars could highlight the successful models for wider adoption.	Zakaat[6] funds could be mobilized for financing the pilots. GIC Re has a Retakaful fund which can be tapped for reinsurance.

[6] Zakat is an Islamic finance term referring to the obligation that an individual has to donate a certain proportion of wealth each year to charitable causes. Zakat is a mandatory process for Muslims and is regarded as a form of worship.

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Annexure I: Scope of Research & Methodology

Scope

This report explores how mutual and cooperative insurance can be scaled up to improve access to insurance in India thereby building resilient communities. The study identifies factors that have impeded the growth and scaling up of mutual and cooperative insurance in India.

The study assesses the current landscape of insurance in India and also looks at the government social security measures to identify gaps in risk protection. It studies in detail the existing mutuals and cooperative insurers in India using their internal (membership data, financial information, audit reports etc) as well as external data (case studies, third party impact assessment reports) available inorder to identify their key characteristics, strengths and weaknesses.

The final outcome has been development of use cases that present a blueprint on scaling up mutual and cooperative insurance in India.

The Research Questions asked were:

1. What is the current risk protection gap in India?
2. What efforts have been made by mutuals and cooperative insurers in filling the risk protection gaps?
3. What worked for mutuals and cooperatives, what did not work and why?
4. Which factors have limited the growth of the mutual and cooperative insur ance sector in India?
5. What is the potential for growth and what kind of existing structures can be used to catalyse this growth?

Methodology

This study employed a mix of secondary desk research and primary data collection. Secondary desk research involved an extensive review of annual reports by IRDAI, reports submitted by IRDAI committees, websites of government social security programs, prior report on mutual insurance by ICMIF, reports on microinsurance and white papers on mutual aid and insurtech. Websites and annual reports of mutual insurers and blogs on emerging technologies in insurance were also an important source of information.

Primary data was heavily relied on to understand the interest and influence of key stakeholders in the mutual and cooperative insurance ecosystem. Donors, policymakers, think tanks on insurance, insurtechs, impact investors and start-up incubators were interviewed. Customized discussion guides were developed for each stakeholder interview and telephonic interviews were conducted with 31 stakeholders.

The ten mutual and cooperative insurers working with the BoP segment were approached for interviews. Seven of them agreed to be interviewed for the study. Telephonic interview based on a questionnaire was conducted with the heads of these organizations to understand their business model, target member base product, financial sustainability and the reason for starting a mutual or cooperative insurance. A survey was also conducted with the members of existing mutuals in Gujarat, Maharashtra and Tamil Nadu to understand the demand side perspective.

Study Limitations

Impact of Covid-19 on primary data collection: Planned field visits to mutuals had to be cancelled and replaced with telephonic interviews. Focus Group Discussions with mutual members could not be conducted, instead the organizations were requested to conduct a survey within their membership.

Reliance on self-reported data by Mutuals: Some mutual organizations did not maintain requisite data or were reluctant to share data on financial sustainability, external funding, lives covered etc. The respondents may have overstated or understated a problem or impact of their work. Lastly, dependence on their memory for historical facts may have resulted in missing some key issues. (such as problems faced in product and process design, initial challenges in member education, setting up governance). Efforts were made to mitigate this limitation through desk research on these organizations

Annexure II: List of Key Stakeholder Interviews

No.	Name	Organization.
1.	Anish Kumar	Transform Rural India Foundation
2.	Anjani Kumar	Bill & Melinda Gates Foundation
3.	Arman Oza	Quadrant Consultants Pvt. Ltd.
4.	Arun Agarwal	Insurance Industry Veteran
5.	Arup Chatterjee	Asian Development Bank
6.	Ashish Khetan	Indigram Labs Foundation
7.	Bapusaheb Bhosale	SAI Social Microfinance Foundation
8.	Elaine Tung	Just In case, Japan
9.	Francois - Xavier Hay	WingSure
10.	G. Srinivasan	National Insurance Academy
11.	Gaurav Sharma	Xaas Taag
12.	Dr George Thomas	Insurance Institute of India
13.	Kamaraj Keppanan	VIDIYAL
14.	Kaushal. K. Mishra	Insurance Industry Veteran
15.	Malika Srivastava	Tata Trusts
16.	Mirai Chatterjee	SEWA
17.	Prof M.S Sriram	IIM (B)
18.	Dr N. Devdasan	Health Systems Transformation Platform
19.	Dr Nachiket Mor	Member, SAMI & Health Insurance Advisory Committee (IRDAI)
20.	Dr Nandini	Uplift Mituals
21.	N.K Ram	Rang De
22.	N. Peter Palaniswami	Self Help Promotion for Health And Rural Developments
23.	Rahul Mathur	BimaPe
24.	Rupali Bhosale	Parvati Swayamrojgar
25.	Sanjay Jain	CIIE.CO

26.	Shree Kant Kumar	Vimo SEWA
27.	Srirang Samant	Insurance industry veteran
28.	Suresh Krishna	Yunus Social Business Fund Bengaluru Pvt Ltd
29.	Sourav Roy	National Rural Livelihood Mission
30.	Vijay Mahajan	Rajiv Gandhi Foundation

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ciie@iima.ac.in

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