

Removing uncertainty, Equitably



Microinsurance – Enablers and Impediments

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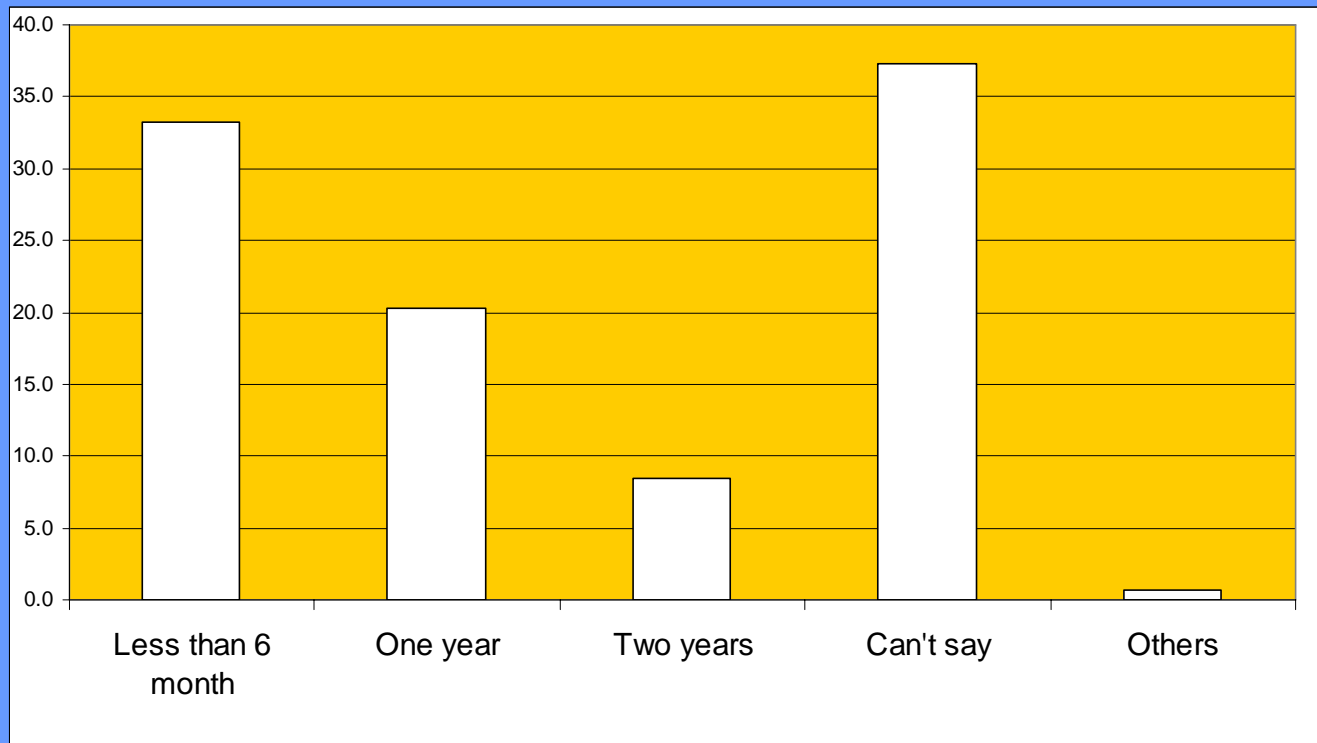
Senior Director, New Markets
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Why Microinsurance

- **Risk management**
 - Financial and social stability
- **Savings Vehicle**
 - Supplement insurance
 - Contribute to asset goals
- **Investment Vehicle**
 - Retirement
 - Economic Participation

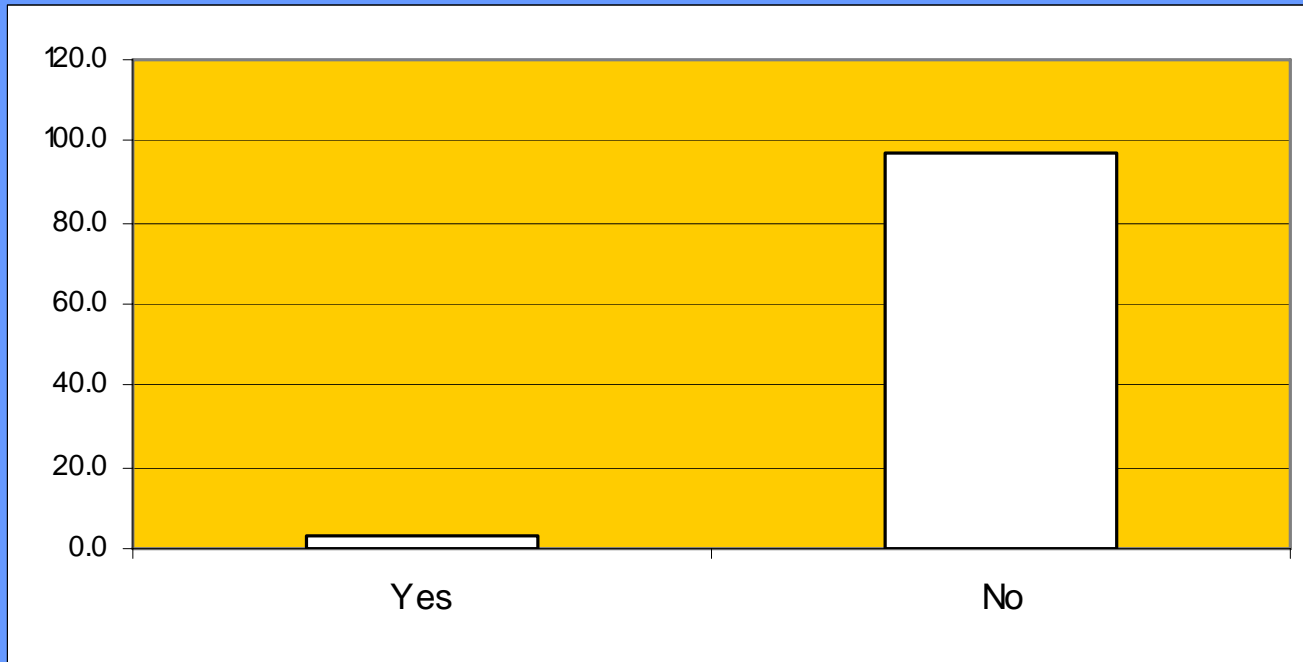
In Case of Loss of Major Source of Household Income



Source: India Financial Protection Survey
NCAER, Govt of India & Max New York Life 2007

28.8% would take more than a year to find an equivalent
37 % had no idea

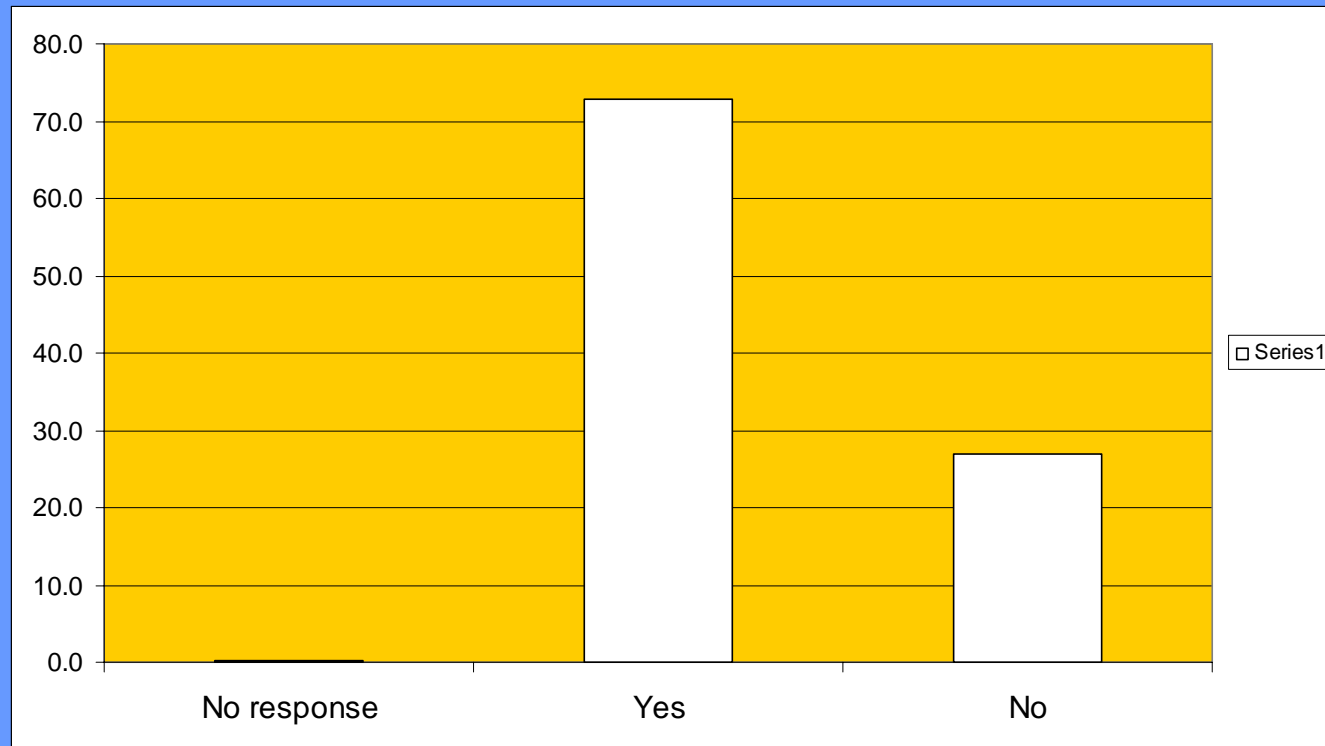
In case of death of Chief Wage Earner...



Source: India Financial Protection Survey
NCAER, Govt of India & Max New York Life 2007

97% would not be able to sustain themselves

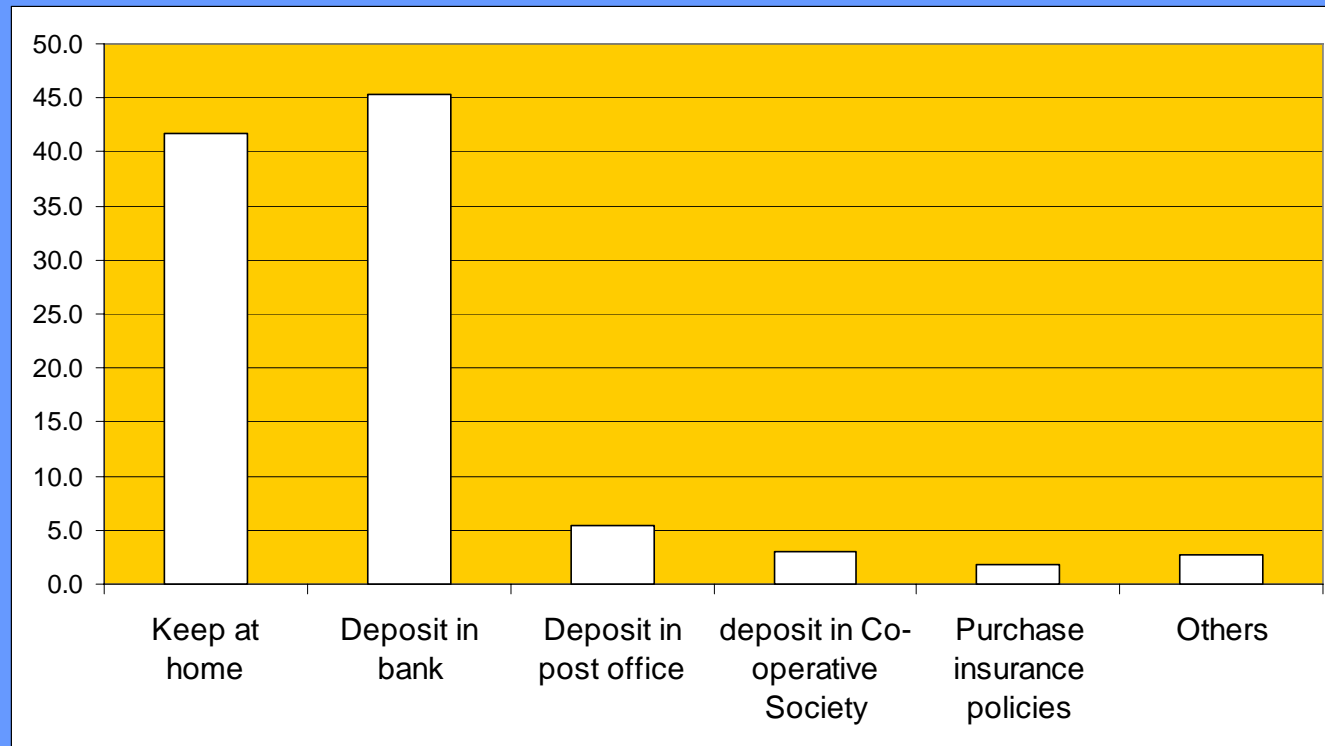
Awareness About Insurance Is Very High



Source: India Financial Protection Survey
NCAER, Govt of India & Max New York Life 2007

72.9 % were aware about Insurance

..But Almost No One Considers Insurance



Source: India Financial Protection Survey
NCAER, Govt of India & Max New York Life 2007

41.7% of the people prefer to keep cash at home
Only 1.8% considered insurance policies

Microinsurance Initiatives Driven by Non Market Motives

- Compliance drives product design and distribution
- Large sales in 'mandate' format (credit life)
- Supported by grants and subsidies

There Is Implicit Inequity in the Current Product Designs

- High commissions
- Lapse support
- Complex documentation to buy
- Complex claims procedures

Product Designs Lack A Consumer First Approach

- Payments don't match income cycles
- Consumer does not understand the proposition: pure term
- Poor service: not ubiquitous, language
- Difficult to understand contracts and conditions

The Service and Operations Model Is Not Customized to Consumer Needs

- High costs
- Difficult to access: Distance/complexity
- High minimums
- Restrictive access
- Low transparency

Lack of Value Awareness Among Customers

- Cash strapped masses wary of parting with limited resources for long term security
- Sense of waste
- End consumer largely unfamiliar with insurance providers and hence a lack of trust
- Short term perspectives blur long term line of sight

Progress on Regulation but Large Unfinished Agenda

- Minimums of training/entity/licencing etc
- Conduit neutrality not available
- No incentive to setup exclusive MI distribution setups
- Balance between consumer protection and flexibility needed
- Recognizing innovation in delivery and settlement for products and payments
- Investment in consumer education
- Regulation through design and monitoring instead of distribution (?)
- Co-branding & Co-packaging between insurers should be allowed

Possible Business Design Response

- Free financial products from the tyranny of the calendar and contract
- Reduce entry hurdles
- Build risk management features
- Drive down transaction costs
- Build peripheral programs to meet community aspirations as a part of the business proposition and credibility building

- Account for lumpy income streams, have flexi payments
- Reduce documentation, enrolment amounts
- Guarantees, Repayment holidays, health and life insurance
- Make collection of small amounts viable, technology
- Education counseling, employment generation in the community through distribution, investment, financial literacy

Microinsurance Needs to Be Driven by Shareholder Motives to Gain Scale

- Not seen as profitable
- Not seen as a significant opportunity
- Needs Large capital commitments

Drivers of a Potential 'Hyper Disruption'*

- Strategic pursuit of emerging markets by enterprises
- Offerings designed to leverage technology for access
- Community driven value creation for scale and scope
- On Demand solutions for rapid adoption

'Skills Divide' and Impact of the Emerging New Society Is Generating New Risks and Requirements

- Fear of traditional occupations becoming extinct
- Lack of transit opportunities to new and relevant skills
- Dilution of family ties/ social networks
- Geographical mobility becoming imperative for those dependent on manual labor and so the requirement of anywhere/anytime products
- Need for equality of educational opportunity for the young poor to break intergenerational poverty
- Desperate need for acquisition of assets to improve basic quality of life e.g. toilets

Thank You



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