



INTERNATIONAL CONFERENCE ON MICRO HEALTH INSURANCE

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**“ What Reinsurance Means For
Micro Insurance Schemes
(and constraints to be resolved)? ”**

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Reinsurance

- **Insurance of Insurers**
- **Provide Capacity**
- **Give Protection for huge or cat losses**
- **Stabilize results of insurance companies**



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Reinsurance (contd..)

- **Whenever there is Insurance, reinsurance follows**
- **Normally reinsurance is visualised with huge risks and cat losses**
- **Smaller risks – retained with the insurer**
- **Micro-insurance is to reach these small risks**
- **Small risks but large numbers**

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GIC of India

- **GIC is the Indian Reinsurer**
- **Support all non-life insurance companies**
- **Supporting few products of life companies**
- **20% of every non-life policy is ceded to GIC**
- **Smallest risk to huge complex risks**

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Micro - Insurance

- **The most underdeveloped part of Micro Finance.**
- **Schemes protecting assets and lives of low income groups.**
- **Offers limited protection at low premium.**
- **Credit facility schemes for health cost or medical savings cannot qualify as insurance.**
- **No access to Reinsurance.**

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Constraints of Micro - Insurance Units

- **Small Group Size and Income Instability.**
- **Lack of technical platform for data collecting, reporting and audit.**
- **Lack of underwriting and managerial skills.**
- **Erroneous Risk Probability Estimation.**
- **Lack of strong distribution system.**

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Urgent needs of Micro - Insurance

- **Finance, Capacity and Stability**
- **Underwriting and Managerial Assistance**
- **Pooling Risks**
- **Public awareness**
- **Market Research**
- **Reducing Transaction Costs**
- **Getting commercial insurers interest**
- **Improving effective distribution.**
- **Staff training for domain knowledge.**

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Reinsurance and Micro-insurance

- **Reducing the fragility of small insurance schemes.**
- **Enhancing the financial stability.**
- **Increases capacity availability.**
- **Reducing the probability of insolvency.**
- **Reducing fluctuations in risk / loss exposure.**

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Micro - Insurance Regulations

- “Insurance Regulatory Development Authority (Micro-Insurance) Regulations – 2005”.
- The amount covered – Rs. 5,000 to 50,000
- General Micro-Insurance Products:
Dwelling & contents, Livestock, Tools, Implements, named assets, Crop insurance, Health Insurance and Personal Accident.
- Life Micro-Insurance Products:
Term Insurance, Health Insurance and Accident Benefit as rider
- Micro-Insurance Agents
- The “Tie-up”

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Summary

- ❖ Combined efforts of the micro-insurance units, life / non-life insurance companies and reinsurer.
- ❖ Micro-insurance units (NGOs, SHGs, MFIs) - Corporate Agents.
- ❖ Life / Non-Life Insurance Companies - Offering and insuring products.
- ❖ Reinsurance - Offers reinsurance protection - 20% support to all types of insurances of non-life insurance companies on India.
- ❖ GIC of India will support the insurance companies in their endeavour to introduce micro-insurance products.

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THANK YOU