

## **Dairy Network Enterprise notes from CIRM's Livestock Risk Roundtable**

Highlights of the discussions at the roundtable:

**1) Lack of dependable information on insured livestock** - The insurance companies in general faced three major problems:

- Lack of presence in remote rural areas where the livestock owners mostly reside.
- Lack of information on mortality rate or healthcare of animals in a particular geography
- Lack of availability of proper veterinary care, which increases the risk for insurers.

The insurers would prefer to drive their product through an entity that is already present locally; biggest issue being the availability of a dependable entity in rural areas which has the capability to carry out minimum tasks required for insurance like health certification of livestock and basic healthcare services. Though the insurers do realize that the non-loan cattle is a huge market that is lying untapped, the current focus on loan cattle insurance is primarily due to the lack of proper channel and lack of proper knowledge about insured livestock.

**2) Highly specialized service providers catering to a limited range of services** -

Dairy health and breeding service providers like BAIF operated in different states and were quite successful but are not built on commercial models that can be replicated easily across the country. Moreover, the approach was to help in breed improvement for the future and not exactly to provide the entire set of risk mitigation measures for the existing lot.

Similarly, entities like NDDB are present across the country but they have not been able to get involved with cattle insurance owing to the complexities involved in the process of issuing cattle insurance. Their subsidiary, Indian Immunologicals Limited is trying to provide access to preventive healthcare services at the doorstep of the dairy farmers but they have steered clear of any kind of insurance related activities.

### **3) Limited bandwidth of MFIs to offer livestock registration/healthcare services to its clients -**

Currently, MFIs are focused entirely on loan disbursements and collection. For microfinance institutions in India, about 40% of the total portfolio is accounted by loans given for purchase of cattle. Interestingly, even large MFIs like SKS did not insure the livestock (predominantly cattle) purchased by its customers, even the cattle purchased on loan are not insured.

According to the MFIs, it is a major hassle to get the livestock insured owing to the current processes involved. The MFIs are not comfortable performing other tasks like health certification for livestock insurance and healthcare for livestock. They would prefer any other entity to do it for them. The insurance companies are not able to service all the MFI clients when required, moreover, there appears to be a lot of issues when it comes to claim settlement.

### **4) Difficulty in uniquely identifying livestock and complications in the process -**

One of the major issues raised by insurance companies was identification of animals. For identification purposes, solutions like RFID tags, bar coded tags etc were discussed. A deeper discussion revealed that proper identification of animals was difficult primarily because of the process constraints. In many cases, the insurance company is not even able to reach the animal for cattle registration and this leads to fraudulent claims.

There was a felt need for processes to be relooked across the board. In case of death of cattle for instance, post-mortem of the animal is mandatory. Interestingly, it is widely known that most of these post-mortem documents are forged based upon which the claim settlements happen. The participants of the forum discussed reconsidering the requirement of post-mortem documents at all when it was not conducted anyways. In fact, requirement of such documents actually lead to a lot of money being paid as bribe to local veterinary doctors.

### **5) Need to build awareness on terms and conditions of the insurance coverage and benefits of livestock insurance -**

The other area of concern was the bad experience the dairy farmers have with regards to claim settlements. The insurance companies were of the

opinions that from their side they genuinely tried to settle all claims but it often turns out that the necessary documents (like vaccination certificates, etc) for the claim settlement process, never reach the insurance company. It was because of these reasons that a lot of the claims were not settled.

During the discussion it was also felt that awareness about the terms and conditions of coverage was not clear to the farmers, which in most cases, resulted in discontent amongst the farmers brought about by undue expectations from the insurance policy with regards to claim settlement. It was felt that the practice of making the livestock owners aware about the terms and conditions of the insurance product has to be strictly followed.

#### **6) Need to evolve models based on community involvement or TPA -**

The community based models being piloted by DRDA in Andhra Pradesh with assistance from World Bank, the community based insurance model being practiced by PRADAN and the DNE model were discussed at length.

The ability to replicate such efforts was deliberated upon and it was felt that community based models with adequate government support were the best possible delivery channels for risk management solutions but such models were limited in its ability to be replicated fast owing to the multiple dependencies. It was however important to take lessons from each of them and try to evolve channels which could be replicated faster.

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