

Case Study:- Common Service Centre and Universal Sompo General Insurance Company (USGIC) Tie-Up

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The Indian rural market has emerged as an important growth engine in the India. Rural economy is critical for the Indian economy, especially for the small and marginal farmers. More than two-thirds of India's population lives in rural areas and despite of having many income source, profit for the rural population are highly unpredictable. In case of agriculture and farming, the production rate is precarious due to the constant changes in the climatic conditions that affect the crop. Even non-agriculture income sources like poultry, cattle etc., may not give the expected outcome because of the effect of failing health due to epidemic or endemic diseases. In such cases securing a farmer's assets financially will reduce bumps of losses of a farmer, which is possible only by "insurance". However a benefit of the range of products sold by all insurers is not reaching to the customers residing in semi-urban and rural areas. This is mainly because of the concentration of brokers, Agents in and around big cities. Therefore to increase the penetration of insurance in semi urban and rural areas, the presence of intermediary who represents the customer is very vital, to increase insurance penetration in the country. Hence in order to reach benefits to rural people at the time of distress, IRDAI has allowed insurance companies to use licensed Common Service Centres (CSCs) as a distribution network in rural areas. Common Services Centres (CSC) in general are multiple-services-single-point model for providing facilities for multiple transactions at a single geographical location. The main purpose of these centres is to provide a physical facility for delivery of e-Services of the Government of India to the rural and remote locations where availability of computers and Internet is currently negligible or mostly absent.

This case study deals with the initiatives taken at USGIC (hereinafter referred to as the Company) to offer various insurance products through CSCs.

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About CSC

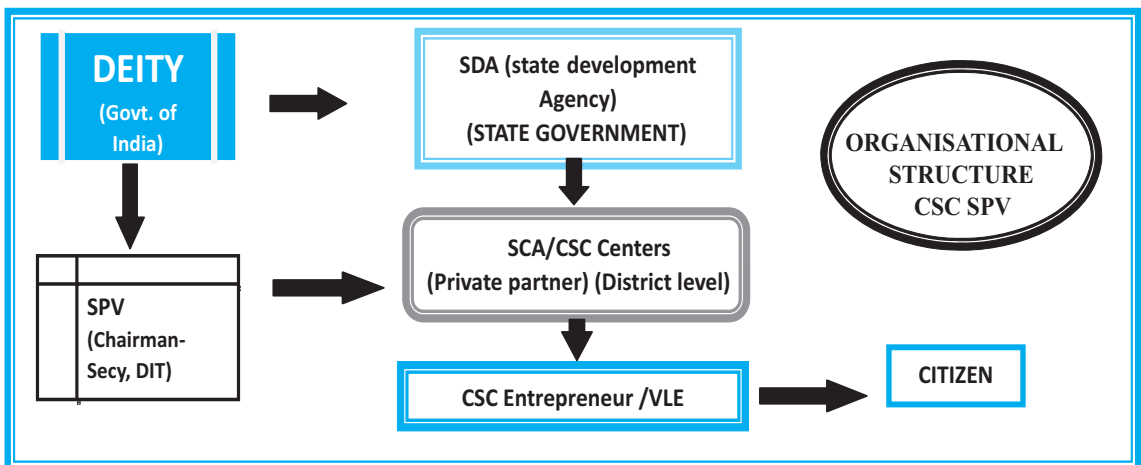
The National e-Governance Plan (NeGP) is an initiative of the Government of India with a vision to make all government services available to the citizens of India via electronic media. NeGP was formulated by the Department of Electronics and Information Technology (DeitY) and Department of Administrative Reforms and Public Grievances (DARPG).

The CSC project, forms a strategic component of the National e-Governance Plan and was approved in September 2006. In order to provide government services to the citizen at their doorstep at an affordable cost and in a sustainable manner Common Service Centers were established. It is one of the approved projects under the Integrated Mission Mode Projects of the National e-Governance Plan.

In order to achieve this objective under the NeGP framework, more than 1 lakh Common Services Centre have so far been established in rural areas as means of providing access to services and technology as well as assuming the task of assisting citizens with the provision of both private and public services.

Operational Model of CSC

The PPP (Public-private partnership) model of the CSC scheme envisages a 3-tier structure consisting of the CSC operator (called Village Level Entrepreneur or VLE); the Service Centre Agency (SCA), that will be responsible for a division of 500-1000 CSCs; and a State Designated Agency (SDA) identified by the State Government responsible for managing the implementation in the entire State.



Process Model

The Special Purpose Vehicle (SPV) in addition to the NLSA (The National Level Service Agency) has been proposed for the day-to-day monitoring of the CSC Scheme at higher level, in terms of channelling Government support, content aggregation, etc. It is essentially an entity created to be an integral part of the CSC.

- At the First level there will be the State Designated Agency (SDA). This will be under state government. This will facilitate implementation of the Scheme within the State and to provide requisite policy, content and other support to the SCAs.
 - As the representative of the State Government, the SDA is expected to provide the necessary to the CSC Scheme. All the state level supports such as identifying CSC locations, the Coordinate and network with other concerned state level entities, Selecting Service Centre Agencies (SCA) as per regulation etc.
- At the second/middle level would be an entity termed the Service Centre Agency to operate, manage and build the VLE network and business. An SCA would be identified for one or more districts one district would cover 100-200 CSCs. These large number of IT enabled CSC ensures low distribution cost for the insurers.
 - The SCA would be the prime driver of the whole CSC System. The roles played by SCA includes activities like identifying the required applications and services identifying, selecting and training the VLE, establishing the CSC by supplying, aggregating and updating content.
- At the Ground (CSC) level would be the local Village Level Entrepreneur (VLE) to service the rural consumer in a cluster of 5-6 villages. It ensures a large number of natural markets are available for Insurers.

The CSCs are run by Village Level Entrepreneurs (VLEs), who are chosen through a careful selection process adopted by Service Centre Agencies (SCAs) that have entered into a service level agreement with the State Governments within the Public-Private Partnership (PPP) model. It is the SCA's responsibility to appoint VLEs and manage the network in their respective areas.

A highlight of the CSCs is that it offers web-enabled e-governance services in rural areas, including application forms, certificates, and utility payments such as electricity, telephone and water bills.

Common Services Centres (CSC) is multiple-services-single-point model for providing facilities for multiple transactions at a single geographical location. After the notification of the Reserve Bank of India (RBI) on 28 September 2010, permitting banking institutions to appoint Business Correspondents (BCs) offered new opportunity for the CSCs to contribute to their national mandate of achieving financial inclusion as per the Five Year Plan, Many CSCs have started to act as bank services facilitation centres, and in some cases, even as extension counters. The RBI's directive of allowing banks to engage with CSC operators and VLEs is being fulfilled in many States. In certain special cases, a few CSCs operate solely as Business Correspondents' centres for enabling the thus far unbanked population's inclusion in the banking schemes.

The following financial services are offered through CSCs:

- Savings account opening
- Deposit/withdrawal
- NREGS wage distribution
- Government pension distribution
- Facilitation of loan distribution
- Facilitation of Kisan Credit Cards
- Micro-credit services
- Processing of loan for agriculture-related purchases, such as animal, tractor, motor, etc.
- Facilitation of recurring and fixed deposits
- Facilitation of loan recovery

A large number of CSCs that participate in financial inclusion schemes offering financial services to citizens have started using bio-metric thumb impression devices, an investment that is paying them back by bringing more footfalls into their centres for accessing services.

The basic government to citizen (G2C) and business to customer (B2C) services provided by Common service centres are:

Government to Citizen services (G2C services)	Business to Customer (B2C) services
Election Commission of India (EC) services	Electricity Bill collection in various states
Unique identification Authority of India (UIDAI) services	Data Card Recharge
Passport Services	DTH Recharge
Banking Correspondent (27 banks)	CSC Bazaar -e commerce/shopping service
National institute of open schooling (NIOS) services	Mobile Bill Payments
PAN card services	Mobile Recharge
Pension Fund regulatory Development	E learning
NIELT services	Premium Collection
Agricultural services	Insurance
Health care services	Travel -IRCTC/AIR Tickets/Bus Bookings
E -District	Brilliants-medical/IAS/IIT/Banking courses
SSDG	
Mission Mode Projects	

Beside these services, other services provided by common services centres are:

- Agriculture Services (Agriculture, Horticulture, Sericulture, Animal Husbandry, Fisheries,)
- Education & Training Services (School, College, Vocational Education, Employment, etc.)
- Health Services (Telemedicine, Health Check-ups, Medicines)
- Rural Banking & Insurance Services (Micro-credit, Loans, Insurance)
- Entertainment Services (Movies, Television)
- Utility Services (Bill Payments, Online bookings)
- Commercial Services (DTP, Printing, Internet Browsing, Village level BPO).

CSC Selling Insurance

In order to increase insurance penetration in the country, IRDA has allowed insurance companies in year 2013 to use licensed Common Service Centres (CSCs) as a distribution network in rural areas. The facility has enabled both life and non-life insurers to market some categories of retail insurance policies through special purpose vehicle (SPV) network in the rural areas with the help of Rural Authorized Person (VLE)/ Village level entrepreneur who will act as insurance agents.

The move was beneficial for rural household in terms of increased accessibility of insurance products at their doorstep while for insurance companies; it has helped to improve market penetration in rural as well as semi-urban areas by using government infrastructure which is cost efficient.

However in order to benefit poor and needy segment of rural India and also to check on frauds, some specific guidelines have been laid by IRDAI for insurance products to be sold via common service centers like:

- The products developed for CSC Model should not have the Sum Assured (per life or risk) exceeding Rs. TWO LAKHS except for motor insurance.
- Products has to be approved by the authority (IRDAI) for the CSC Model then only can be marketed through the Common service centres.
- Service Level Agreement - Memorandum of Understanding shall be entered between the insurers and CSC-SPV and the agreement amongst various aspects should include list of Products to be marketed through the CSC-SPV channel.
- The CSC-SPV and the Insurers shall develop suitable system to ensure continuity in the services/products rendered by VLE to policyholders, even after the termination of agreement with licensed insurance VLE, and this should be recorded in detail in the agreement.

Association with Common Service Centre

Previous Process:

Bancassurance is one of the key strength of the company and it has helped us to benefit millions of rural and semi-rural customers to provide insurance coverage via bank branches. The company prime bank partners are Allahabad Bank, Indian Overseas bank and Karnataka bank have huge combined geographic reach in pan India which has helped the company to connect with rural India.

However in rural India, people who don't have bank accounts are having very limited knowledge on insurance and financial products often approach to nearest common service centres to avail financial assistance. Also at times bank employees are not well aware of the insurance products which affect business.

Hence to further strengthen its vision and outreach to insides of rural India, the Company has tailored specific products for insurance for selling via Common service centre at pan India.

The company with an agreement with CSC-e governance as an intermediary has introduced Personal Accident at inception followed by other products namely Motor liability policies, cattle insurance and farmer package in FY 2015-16 which had been successfully implemented and are now accessible to villages/semi urban area ensuring insurance coverage. In FY 2016-17, more products like motor comprehensive package, two wheeler policies and other government scheme based (PMFBY, PMSBY) products had been added to facilitate rural customers.

Challenges faced before deployment of the project

Association with common service centre was new to the company, there were several challenges had to meet at initial level like :

Meeting the dead line : An absolute time based deadline had been provided by IRDAI, which was quite challenging to understand new products and to develop these product technologically.

Communication co-ordination: For successful implementation lots of coordination and communication were needed internally among various departments in the company and externally from Ministry of e- governance CSC within stipulated time for successful implementation . Synchronizing all the communication for a successful implementation was a challenge for this project.

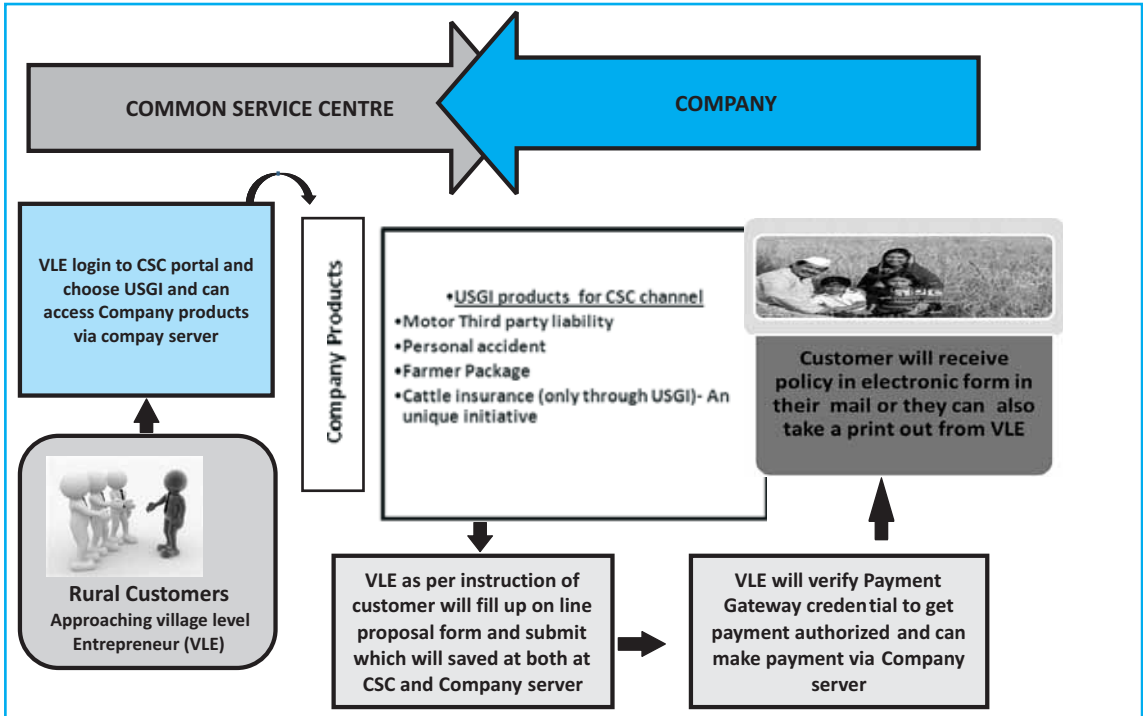
Designing the new product: CSC products are specifically designed and have been taken approval from IRDAI only to procure business vis CSC- channel. These products thereafter has been designed specifically with proper understanding in co-ordination with IT team to make them accessible as on line product to village level entrepreneur. Several technical difficulties were there at pre-deployment phases which have been meticulously sorted by a collective team effort.

Process Flow and Technologies implemented for this initiative

The Common Service Centres, which are manned by village level entrepreneur (VLE), are run by the government through intermediaries - the private partner called as service centre agency, (SCA). It is the SCA's responsibility to appoint VLEs and manage the network in their respective areas.

The company in an agreement with CSC-e governance as an intermediary has taken initiative to expand its outreach to rural/semi urban areas. For procuring the business via village level entrepreneur, commission is payable to CSC-e governance for their services. However as per IRDAI directive, CSC- e governance is subjected to distribute not less than 80% of the obtained commission to associated village level entrepreneurs.

Below mention flow chart summarises the entire process on how actually association of the company with CSC- e governance (common service centres) works out across pan India.



Technologies adopted :

The company has extended its technological advancement and have adopted interfaces like HTML POST & GET METHOD to increase rural penetration in the country. Utilizing such interface the company has collaborated with common service centers which are strategic cornerstone of the Digital India programme. Common Service Centers are meant to be a low cost vehicle for Government institutions to deliver e-Governance services to the rural population of India in most cost-effective manner. Via this strategic tie-up the company is now contributing to a digitally and financially inclusive society as well.

Trust can be instigated by common service centres :

Insurance is based on trust. Once that is established, its benefits can be better explained. Insurance penetration is low in the rural sector. To increase the penetration, product customization is

essential. Rural population needs to understand the benefits and trust for the insurance provider. For the rural customer, with limited funds available, safety of the invested funds is naturally of paramount importance. Village level entrepreneur are usually local people who are well known to rural customer and a mutual trust is already there.

Business and growth from premium obtained via common service centres can be seen from the Annexure 1.

Increased Presence in Pan India:

The company expanded exponentially since past one year across India for CSC- specific insurance products.

The company is first general insurance Company in India to introduced cattle insurance via common Service centers (CSC) leveraging its gradually expanding networking to e-facilitate rural genera. All other products are also increasing their presence in India. Rural population has specifically benefited most from easy availability of Motor- third party liability policies at their doorsteps. This is quite evident as Motor liability policies has contributed most in term of both revenue generation and number of policies.

Business % of Motor Business Via CSC Centres and Business % of Rural & Personal Accident Policies can be seen from Annexure 2.

Product(s) for Common Service Centres

Motor Third Party Liability and Motor Comprehensive Policy

Third Party Liability insurance is compulsory for all types of vehicles as per Motor Vehicles Act. The company procure business for all motor third party liability policies via common service centre (CSCs) where compensation for motor accidents are made by the company under Third Party Insurance Policies for third party death or damage to property etc.

Besides liability policies, company also provides motor Comprehensive product via the CSC channel, by which the company provides protection for car against damage not resulting from a collision, as well as from theft. It covers a wide array of events that can damage your car, including vandalism, fires, and rockslides on twisting mountain roads.

Motor Liability Policy By The Company	Motor Comprehensive Policies By The Company
Motor - Passenger Carrying Liability Policy	Motor - Private Car Package Policy
Motor - Private Car Liability Policy	Motor - Two Wheeler Package Policy
Motor - Miscellaneous Vehicle Liability Policy	
Motor - Two Wheeler Liability Policy	
Motor - Long Term Two Wheeler Liability Policy	

Individual Personal Accident

The company has introduced policy for Individual Personal Accident which provide coverage for death, permanent total disablement or temporary total disablement as per selection of insurer.

Farmer Package Policy

The company has introduced Farmer Package Policy which is a complete and comprehensive policy for farmer and it covers the entire risk to which farmer is exposed under one policy. The designed policy is also cost effective and easy on farmer pocket. The policy provides coverage to the farmers against perils like :

- Fire Perils including Earthquake of household contents
- Burglary & theft of contents kept inside house
- Loss of Cattle
- The loss or breakdown of the Pump set
- The loss or damage to the Animal Driven Cart
- Death & Permanent Total Disability of insured and family
- The loss to Bio Gas Plant due to Fire & Allied Perils
- The loss or damage to the tractor/Trolley

Scheme based Insurance Products

The company also cater insurance product based on government scheme like Pradhan Mantri Fasal Bima Yojana (PMFBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) via this channel to improve penetration of the government based schemes products.

Cattle Insurance via CSC - An Unique Initiative

Livestock sectors are critical for the rural economy, especially the small and marginal farmers. They not only contribute to their income but also are their best insurance against any natural calamity. Realizing their importance and contribution to economy as well as to human welfare, the Company has offered Cattle Insurance Policy soon after business inception, for protection of Indian rural people from financial loss due to death and partial disability of their cattle, which is

one the most valued possessions of the rural community. More than two-thirds of India's population lives in rural areas without proper access to insurance products. Hence to further strengthen its vision and outreach to insides of rural India, the company has introduced cattle insurance via common service centers (CSC) leveraging its gradually expanding networking to e-facilitate rural genera.

The company has also taken an unique initiative to provide cattle insurance to both loanee as well as non-loanee to provide insurance coverage to animals like Milch cows, Buffalo, Studs etc. The policy covers the death due to accident or any disease which animal may contract during the policy period.

Brief on Cattle insurance at CSC

Cattle insurance of CSC the Policy covers animals such as Milch cows, Buffaloes, Studs, Bullocks, Sheep & Goats being in sound and perfect health and free from injury or disease by a veterinary doctor / surgeon at the time of insurance. The maximum sum insured has been capped at Rs 2 lakh per policy.

The company has already insured more than 145 live stocks predominantly including goat, milch cows and buffalows in various states. An initiative of the company exclusively made for CSC has benefitted so many cattle rearer and marginal farmers since past two months.

Location wise successfully insured cattle from below mentioned states at pan India

State	Cattle Name	No. of policy	State	Cattle Name	No. of policy
Bihar	Calves and Hiefer - Cow	4	Karnataka	Milch Buffaloes	3
	Milch Cows	13	Maharashtra	Calves and Hiefer - Cow	1
Gujarat	Milch Buffaloes	93		Milch Cows	5
	Milch Cows	21	Rajasthan	Bullock Or He Buffaloes	1
Haryana	Bullock Or He Buffaloes	1	Tamil Nadu	Milch Cows	6
	Calves and Hiefer - Cow	1	Uttar Pradesh	Bullock Or He Buffaloes	4
	Milch Buffaloes	9		Goat	21
	Milch Cows	5		Milch Buffaloes	20
Jharkhand	Milch Cows	30	Uttarakhand	Milch Cows	2

New Launch of Health & Domestic travel products via CSC channel

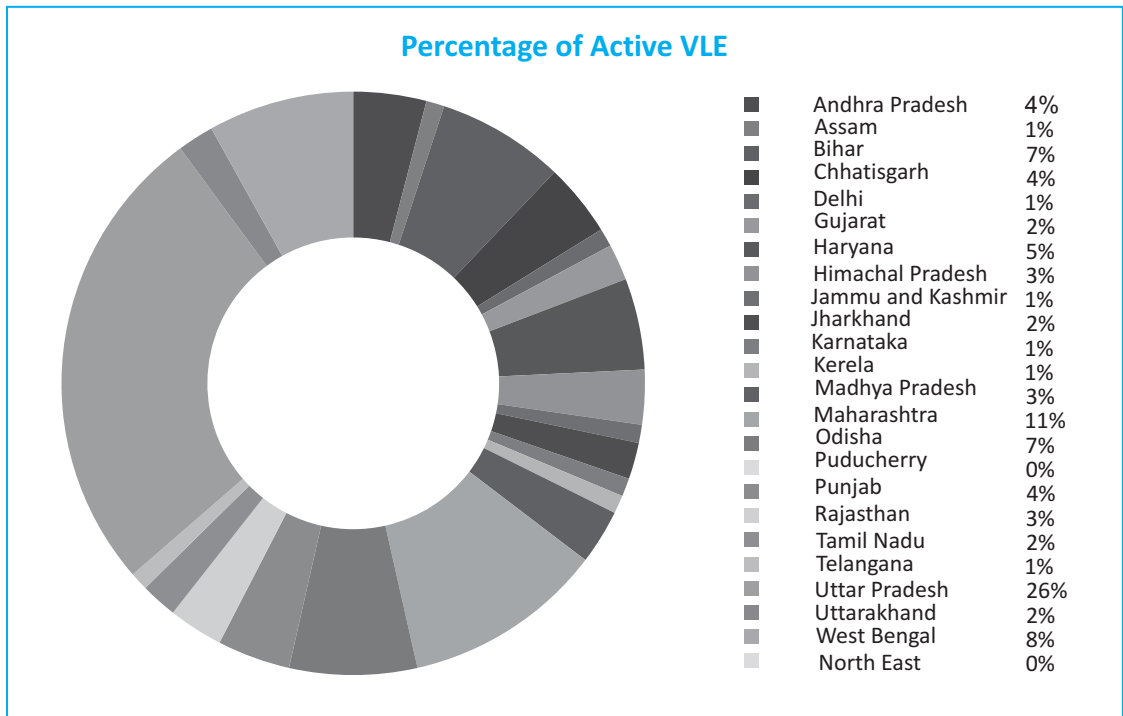
India's larger portion of the population lies in the rural area and which is exposed vulnerable to risks such as illness, injury, accident and death because of their social and economic situation. Health insurance could be a way of removing the financial barriers and improving accessibility to quality medical care by the poor and also an effective social security mechanism. But the rural people still lags behind than the urban people in the matter awareness and subscription of health insurance. Hence we have taken initiative to introduce health as well as domestic travel insurance products as well and launched our premier product complete health Insurance which other health insurance product are in the process.

Company Products to be introduced via CSC	Key benefits
<ul style="list-style-type: none"> ● CSC-Complete Health insurance (CHI) (Already Launched) 	<ul style="list-style-type: none"> ● Hospitalization (Basic Health Cover) ● Critical Illness ● Personal Accident and Hospital Daily cash as extension
<ul style="list-style-type: none"> ● CSC- Hospital Cash 	<ul style="list-style-type: none"> ● Hospital Confinement Benefit ● Intensive care benefit ● Convalescence benefit ● Additional benefits like family discount, portability etc.
<ul style="list-style-type: none"> ● CSC- Individual Health Insurance Policy 	<ul style="list-style-type: none"> ● Hospitalization Cover ● Critical Illness as extension
<ul style="list-style-type: none"> ● CSC- Senior Citizen Health Insurance Policy 	<ul style="list-style-type: none"> ● Hospitalization (Mandatory) ● Critical Illness (Optional)
<ul style="list-style-type: none"> ● CSC- Domestic Travel 	<ul style="list-style-type: none"> ● Medical Treatment ● Personal Accident ● Personal Liability ● Emergency Hotel extension /Accommodation ● Delay of Checked -In Baggage

Status of Village Level Entrepreneur

At present there are number to village level entrepreneur which are procuring business for the company and the number is on continuous increase.

Maximum numbers of village level entrepreneurs are active in Uttar Padesh which is of high population density. Among other region , village level entrepreneurs of West Bengal, Orissa, Andhra Pradesh and Maharastra are relatively more active on better digitisation.



Workshop for VLEs

Further the company is STRENGTHING this personal line initiative by conducting more workshop for VLE to educate them for insurance related products and by conducting educational training in various location at time to time

The company is consistently educating village level entrepreneurs through work shop s / seminar to improve their knowledge in insurance domain so that they can effectively help rural customers and make Financial Inclusion as successful move.

State	District	State	District
Uttar Pradesh	Lucknow	Rajasthan	Jaipur
	Kanpur	Punjab	Mohali
Bihar	Muzaffarpur		Gurdaspur
	Gaya		Patiala
	Madhubani		Moga
Maharashtra	Aurangabad	Gujarat	Bhavnagar
	Pune	Madhya Pradesh	Jabalpur

Promoting the channel by trade fairs like KRISHITHON (In which the company has participating to resolve the queries of VLEs and educate the rural customers/ VLEs) in past years.

CSC Potential/Opportunities for future

In the recent years rural market have acquired significance and attract the attention of marketers as 68.84% population of India reside in 6,38,000 villages and overall growth of economy has resulted into substantial increase in the purchasing power of the rural communities.

The rural market has been growing gradually over the past few years and is now even bigger than the urban market. The saving to income percentage in rural area is 30% higher than urban area. Major opportunities available in rural market are as follow:

Increase in Literacy Rate

Literacy rate is increasing in rural areas. According to census 2011 there are more graduates in rural than in urban India. This brings social and cultural changes in buying behavior of the rural customers and more awareness about national and international brand. Due to increase in literacy rate they get jobs in nearby towns. They earn urban salaries but continue to live in self owned homes in the villages, they have high purchasing power and prefer to buy branded product. This will increase buying capacity in future.

Increasing In Disposable Income and Purchasing Power

Projects from private companies and the rural employment initiatives by the Government like MNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) schemes have given the rural population an opportunity to meet their daily needs. Government decided to expand the agriculture loan at lower rate of interest and distribute million of Kisan Credit Cards, has given a boost to the income level to the rural sector. According to advanced estimates of national income released by center statistic organization. The Per Capita income at current prices during 2011-12 is estimated to be Rs. 60,972 compared to Rs. 53,332 during 2010-11 showing a rise of 14.3%. Companies have the opportunity to enter in this new market and take the advantage of increased disposable income.

Infrastructure Improving Rapidly

In 50 years only, 40% villages have been connected by roads, in next 10 years another 30% would be connected. Rural telephone density has gone up by 300% in the last 10 years. Government of India is planning its most ambitious national program in January 2013 to facilitate electricity through decentralized renewable energy sources. The government aims to provide LED lights to around 400million homes that do not have an electricity connection by 2017. Rapid development of rural infrastructure is also major attraction for marketers and will benefit the insurance business as well.

Increase Population and Hence Increase In Demand

The rural market in India is vast and scattered and offers a plethora of opportunities in comparison to the urban sector. It covers the maximum population and regions and thereby, the maximum number of consumers. More than eighty percent of rural markets in India still do not have access to any sort of organized marketing and distribution. With increasing population demand for insurance products are also expected to pace up in future.

Spread of Mobile Phones

Although there is a general belief that the spread of mobile phones would eliminate the need for people to visit telecentres, but there is no indication that these phone are likely to replace telecentres in India. On the contrary, it is evident that the 700 million people, who live in rural areas, are using the CSC services frequently, more so after acquiring a mobile phone. The VLEs have intelligently started marketing their services to mobile subscribers in a personalized manner, thus increasing footfalls into their centers. Besides, numbers of common service centres are also on rise and are increasing gradually day by day. This trend shall, no doubt, continue at least until

2020. Any investment in CSCs would continue to result in producing high quality intermediary professionals, much required for achieving a society that is inclusive.

Besides increment in minimum support price and increased expenditure on rural infrastructure in budget FY 2018-19 will also improve disposable income in rural India.

CSCs with single sign-on integrated services on portals can organizationally transform public service delivery at both, the front and the back ends. They can increase functional productivity in Governments by identifying and improving governance processes and mechanisms across several Departments, leading to greater efficiency and effectiveness of services along with needed cost savings. With a focus on governance solutions that enhance service delivery and streamline public sector efficiency, it would also ensure participation of community using Public Private and Peoples' Partnership model for achieving sustainable socio-economic development.

Questions:

1. What are the benefits derived by the Company and Rural Customers from this initiative of tie-up with CSCs?
2. Given the CSC potential and the infrastructure already setup by the company. Discuss the opportunities available for the company in the short & medium term.

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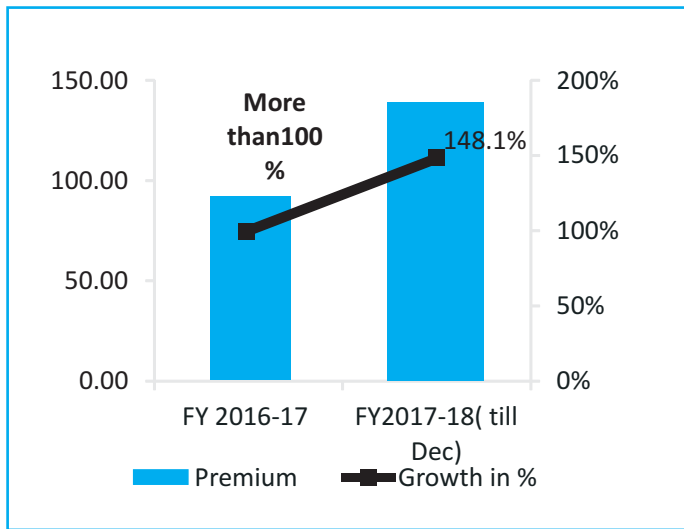
Website :

- <https://csc.gov.in/>
- <http://apna.csc-gov.in/>

Annexure 1

Business and Growth from Premium obtained via Common Service Centre

Business benefits on increased revenue			
Line of Business (Rs Lakh)	FY 2016-17	FY 2017-18 (till December)	Growth
Motor	88.38	133.82	149.3%
Personal Accident	0.53	0.12	-72.8%
Rural	1.89	1.92	192.4%
Grand Total	90.80	135.85	148.1%



Annexure 2

