



## Model Insurance Villages

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### Why in News

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The **Insurance Regulatory and Development Authority of India (IRDAI)** has mooted the concept of '**Model Insurance Village (MIV)**' to boost insurance penetration in rural areas.

- According to the **Economic Survey for 2020-21**, India's insurance penetration, which was at **2.71% in 2001**, has steadily increased to **3.76% in 2019**, but stayed much below the global average of 7.23%.
- Recently, the Parliament has passed the **Insurance Amendment Bill 2021** to increase the **foreign direct investment (FDI) limit in the insurance sector to 74% from 49%**.

### Key Points

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- **Concept of Model Insurance Village (MIV):**
  - The idea is to **offer comprehensive insurance protection to all the major insurable risks that villagers are exposed to** and make available covers at **affordable or subsidised cost**.
  - In order to make the premium affordable, **financial support** needs to be explored through **NABARD, other institutions, CSR (Corporate Social Responsibility) funds, government support and support from reinsurance companies**.
  - It may be implemented in **a minimum of 500 villages** in different districts of the country in the first year and **increased to 1,000 villages** in the subsequent two years.
  - **Every general insurance company and reinsurance company** accepting general insurance business and having offices in India **needs to be involved** for piloting the concept.

- **Possible Offerings under MIV:**
  - Weather Index product or hybrid product combining weather index and indemnity-based insurance protection for various **crops that remains uncovered under Pradhan Mantri Fasal Bima Yojna (PMFBY)**.
  - Flexible Farm Insurance Package Policies **targeting comprehensive needs of crops, livestock, farmer, farm implements**.
  - Separate products for **high value agriculture, contract farming and corporate farming community** as their needs are different.
  - **States can be offered macro insurance covers** based on predefined parametric weather indexes covering large complex risks arising out of natural catastrophes affecting the agriculture ecosystem and rural economy.
- **Challenges in Spreading Insurance to Rural Areas:**  
**Lack of awareness, limited choice of insurance products, absence of people-friendly and transparent claim settlement mechanisms, and weak network of insurance firms**, are some of the issues and challenges in advancing growth of rural insurance business.

### **Insurance Regulatory and Development Authority of India**

- Following the recommendations of the **Malhotra Committee report, in 1999**, the **Insurance Regulatory and Development Authority (IRDA)** was constituted as an **autonomous body** to regulate and develop the insurance industry.
- The **IRDA** was incorporated as a **statutory body in April 2000**.
- The key **objectives** of the IRDA include the promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums while ensuring the financial security of the insurance market.
- It is **headquartered in Hyderabad**.

### **Reinsurance**

It is a process whereby one entity (the **reinsurer**) takes on all or part of the risk covered under a policy issued by an insurance company in consideration of a premium payment. In other words, it is a form of an insurance cover for insurance companies.

**Source: IE**