Micro Insurance In Indian Insurance Industry

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ABSTRACT: Micro insurance has been defined by multiple institutions and individuals, as per the Micro Insurance Academy “A risk transfer device characterized by low premiums and low coverage limits and designed for low income people not served by typical low insurance schemes.” It has been defined by the International Association of Insurance Supervisors as, “Insurance that is accessed by the low-income population provided by a variety of different entities, but run in accordance with generally accepted insurance practices. Importantly this means that the risk insured under a micro-insurance policy is managed based on insurance principles and funded by premiums.” Micro-insurance is defined by International Labour Organisation’s Micro-insurance Innovation Facility in 2008 as, “A mechanism to protect poor people against risk in exchange for insurance Premium payments tailored to their needs, income and level of risk.”

INTRODUCTION
India is a developing nation where most of the population belongs to low income class and middle class strata. The Establishment has initiated several schemes at local and national level and to eradicate the poverty from Indian society and to make life of the poor less miserable. The micro insurance is one of the multiple measures used to protect the poor and low income segment in society against natural and non-natural fatal consequences and risks. Micro insurance has also been beneficial to incline the living standard of those people who are living in remote areas of India. It is expected that the more acceptance and affordability of the micro insurance in low income society shall accelerate the shift of the lower income group to the middle income group of the society. This shift shall automatically lead to the greater business opportunities in the insurance industry of India. The micro insurance can be used as a social and financial tool to initiate major transformation of poor families to replace them from low income group to middle income group. The micro insurance has also developed a new opportunity for insurance companies to expand their business by increasing their client base in addition to conventional insurance schemes. The micro insurance system is beneficial for insurer in multiple aspects like in creating a stronger brand value, to increase large client base, to create goodwill in newly emerged market, to participate in the long term benefits, etc. With the notification of the IRDA (Micro-insurance) Regulations 2005, by the Authority, there has been a steady growth of policyholder among poor people. Insurer’s now offering already approved general insurance products as Micro-insurance products with the approval of the Authority.[1]

RESEARCH METHODOLOGY
In this paper qualitative research and secondary data have been used, which have been collected from the report of IRDA, website of insurance companies and other insurance mechanism etc. Collected data have been categorized according to its needs and analysis with the help of simple percentage method.

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To study the approach and efficiency of Microinsurance, the present study has focused on poor and illiterate people who do not have knowledge about their Microinsurance and its uses. Keeping in mind limited variety of Microinsurance products/schemes and most of are only recently launched. As most of the insurers have focused on the simplest insurance products such as life insurance and other beneficial product for their companies.

MAIN FEATURES OF THE MICRO INSURANCE SYSTEM
Main features of the micro insurance is to provide protection to poor and lower income segment of society from such inevitable risk or loss which are next to impossible to be handled through the informal saving mechanism. The micro insurance has been designed to provide basic and fundamental need of the low income groups in the society. In India a vast segment of population is living below poverty line and a big portion of population is dependent upon the agriculture therefore there micro insurance seems so important in India. Micro insurance is a socio-economic mechanism known to provide economically, financial and physical protection to lower income group and marginal classes of society. It also offers multiple risk cover to low income classes against the natural disaster. Life Micro-insurance products are filling the gap between insurer and insured.[2]

INDIVIDUAL BENEFITS
There are several individual benefits of micro insurance product. The benefits can be classified as:

1) Health Risks
2) Lifecycle Risks
3) Financial Risks [3]
4) Disaster Risks - Micro insurance aims to protect low income family against such natural calamities that has capacity to affect livelihood of the family.[4]

MICRO INSURANCE DEVELOPMENT IN INDIA
The Micro - insurance provides future benefits and development to insurance sector. Micro insurance mechanism is believed to shift lower income group from poverty to the middle income group. This transformation allows insurance companies to enhance their business in
newly emerging middle income group segment. This newly emerged middle income group of people is able to afford high premium rates as compared to the low income policyholders. The insurance companies may plan for looking forward to increasing their client base after offering conventional insurance policies with multiple and higher coverage and high premium value. Micro-finance institutions and NGO’S are negotiating with the low-profit insurers for the purchase of customized group or standardized individual insurance scheme for the low-income people.[5]

There are socio-economic aims which could be achieved by the micro insurance mechanism e.g. micro insurance is beneficial:-

1) To reduce poverty from the low income group,
2) To provide micro income development of nation,
3) To control vital impacts of shock,
4) To control the income stream of the poor families,
5) To reduce the probability of falling into poverty,
6) To help poor families to focus about the education of children,
7) To help poor families to focus upon improving their living standard, quality of life, health and other fundamental requirements of the members,

To make available the economic, fundamental and social security to the lower income families.

PROGRAMMING OF MICRO-INSURANCE

Micro Insurance Agent [6]
In this model the insurance company uses the MFIs delivery system for providing insurance products as well as other basic services to the policyholders. In this system the risk probability is very low, it also has very limited administrative burden for the Micro Finance Institute’s (MFI). Though, the model is the most popular model in insurance sector but it involves unwanted delay during the claim settlement process. In the year of 2011 there are total 9724 registered LIC agent, which is 92.76% of Micro-insurance agents share in Indian Insurance Industry.

The Life Micro Insurance [7]
- A term insurance contract with or without return of premium
- Any endowment insurance contract or
- A health insurance contract necessary for poor people.
- They can be with or without an accident benefit/compensation rider and
- Either on an individual or group basis

There is flexibility in the regulations for insurers to offer composite covers or package products that include life and general insurance covers together

Crop Micro Insurance [8]
In India’s low income group population is involved in some way in agriculture. Crop insurance sector has always been a social and first priority for the Indian Government, and in theory there should be demand for additional commercial cover. In addition to insurance sold together with agricultural equipment, e.g., water pumps, agricultural insurance tends to cover crops and livestock.

CHALLENGES

There are so many challenges in the field of micro insurance in Indian society. Indian population has multiple diversity of economy, finance, occupation, education, geography and therefore people have different kind of perspective and expectations. Multiple perspective and challenges are seemed to be as big challenges for micro insurer. They have to draw customized insurance proposal as per specific requirements of policy holders. The low-income families in India are dependent on agriculture or laboring work, where income is not regular and permanent and therefore it adversely affects the payment of premium of micro-insurance policies. Many other challenges in micro insurance are like.

1. The wrong selection of the insurance product,
2. The poor infrastructure facilities,
3. Moral hazards,
4. High administrative cost,
5. Claims leading to inadequate compensation,
6. Discontinuity in payment of premium,
7. Lacking awareness about the micro-insurance,
8. Illiteracy etc.

The Government and other organization are facing challenges in making aware the lower income families about the micro-insurance and to convince them to invest their money in micro insurance against the inevitable risk. It is very difficult to aware and conveyance loss income segment to join micro insurance system.

In India there is problem of availability of genuine data relating to the potential claims and due to such unavailability it is very difficult for insurer to design good quality micro-insurance products for lower income group. The transformation of micro insurance policy holders from one place to another place is also a big challenge for the insurer. Micro insurance policy holders who work as farm laborer actually keep moving from one place to another place and therefore the portability becomes the big issue for the insurance companies. Largest population of micro-insurance belongs to low income population therefore dropped out ratio in this kind of insurance is more as compare to the conventional insurance system. The low income segment of the society does not have regular, permanent source of income therefore they are unable to pay policy premium at time. In case of failure to pay premium the previously paid premium is also forfeited by the insurer. It has been observed that impact of the shocks adversely affect the women more as compare to men. In Indian society there are some very common reasons which are behind the weak condition of the women in Indian society.

Example:-

1. High level of illiteracy,
2. Unstable marriage,
3. Health problem like pregnancy is not protected under micro insurance product etc.

In micro insurance the insurer offers different kind of sum in case of natural death and accidental death which creates confusion and ambiguity in the minds of less educated people related to the low income families, due to such confusion the poor people feel hesitation to buy micro insurance products. The unwanted delay in the process of claim settlements is major challenge in the micro insurance especially in death claim. Requirement of death certificate and other requisite documents are the main reason for the delay. Uneducated and poor people face multiple problems to produce such documents. It has also been observed that mostly the sum of claim is paid through the cheques by the insurer but poor and illiterate people who do not have bank accounts face so many problems to encash the cheque. And Life and Health are the two most popular risks factors for which insurance is demanded.[9]

STATUS OF MICRO INSURANCE IN INDIA

With the view of penetration of the insurance in the lower income class of society the authority notified the micro insurance regulation, 2005. The authority provided the base or platform for distributing the micro insurance products specially designed for the low income group of the rural and urban area of India. As per the latest Annual Report of the authority there are 16 micro insurance companies which were dealing in the Pradhan Mantri Fasal Bima Yojana till 31/3/2017. In the year of 2017 the total number of the life micro insurance policies issued by the insurance companies was 9.54 lakh which generated 38.22 Crore premium, in the group life micro insurance the premium amount was 460.43 Crore covering 3.22 Crore lives. The total number of micro insurance agents was 35100. Out of 35100 agents 19301 agents were from Life Insurance corporations and rest were from private sector micro insurance companies. For the betterment of low budget group of people there is tie up between life insurer and general insurer.[10] The accurate figure of micro insurance agents is as follow;

1) NGOs agent = 21.7 %
2) Self-help group = 1.1 %
3) Micro financial institution = 1.0 %
4) Business correspondence = 0.2%
5) Micro insurance agents = 75.9 %
6) There are 28 micro insurance products being sold by 17 insurance companies.
7) Distribution of micro insurance product.[11]

MICRO-INSURANCE PRODUCT[12]

There are some insurance companies which are providing Micro-Insurance products in India.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of Insurer</th>
<th>Name of Product</th>
<th>Operating Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.</td>
<td>Birla Sun Life Insurance Co. Ltd.</td>
<td>BSLI Bima Kavach Yojana</td>
<td>21-Sep-01</td>
</tr>
<tr>
<td>5.</td>
<td>Birla Sun Life Insurance Co. Ltd.</td>
<td>BSLI Bima Suraksha Super</td>
<td>13-Aug-07</td>
</tr>
<tr>
<td>9.</td>
<td>DHFL Pramerica Life Insurance Co. Ltd.</td>
<td>DHFL Pramerica Sarv Suraksha</td>
<td>28-Jun-13</td>
</tr>
<tr>
<td>13.</td>
<td>ICICI Prudential Life Insurance Co. Ltd.</td>
<td>ICICI Pru Sarv Jana Suraksha</td>
<td>11-Sep-13</td>
</tr>
<tr>
<td>14.</td>
<td>ICICI Prudential Life Insurance Co. Ltd.</td>
<td>ICICI Pru Anmol Bachat</td>
<td>11-Dec-13</td>
</tr>
<tr>
<td>18.</td>
<td>PNB MetLife India Insurance Co. Ltd.</td>
<td>Met Grameen Ashray</td>
<td>28-Jan-14</td>
</tr>
<tr>
<td>20.</td>
<td>SBI Life Insurance Co. Ltd.</td>
<td>SBI Life Grameen Shakti</td>
<td>29-Jul-13</td>
</tr>
<tr>
<td>22.</td>
<td>SBI Life Insurance Co. Ltd.</td>
<td>SBI Life Grameen Bima</td>
<td>27-Nov-12</td>
</tr>
<tr>
<td>23.</td>
<td>Shriram Life Insurance Co. Ltd.</td>
<td>Shri Sahay</td>
<td>7-Feb-07</td>
</tr>
<tr>
<td>25.</td>
<td>Life Insurance Corporation of India</td>
<td>LIC's New Jeevan Mangal</td>
<td>2-Jan-14</td>
</tr>
<tr>
<td>26.</td>
<td>Life Insurance Corporation of India</td>
<td>LIC's Bhagyak Lakshmi</td>
<td>21-Oct-14</td>
</tr>
</tbody>
</table>
RESULT ANALYSIS

Micro-insurance is one of the most important sectors in India’s insurance sector and yet it is one of the most ignored product lines in India. According to the Economic Survey 2018, the insurance industry penetration or the ratio of premium underwritten to the GDP was 3.49 percent in 2016-17 while other Asian countries such as China and Malaysia had higher insurance penetration rate of 4.77 percent while Thailand boosted of 5.42 percent. On the other hand it goes without saying that there is need of boosting the insurance sector in India so each and every person get himself/herself insured. It is the survey report that only 2.7% of total country people get it insured themselves and it goes without saying that in India insurance industry are booming day by day and till the end of year 2025 this industry touch the milestone.

CONCLUSION

The micro insurance mechanism has been designed and notified by the authority to facilitate the penetration of the insurance in the lower income segment of Indian society. Micro insurance products are designed especially for the poor segment of the society to provide them protection against the inevitable risk or loss which can occur due to the natural or non-natural acts. It covers life, health, property and crop risks of the lower income segment of the rural and urban area. Due to the irregular income and continuous departure of the policy holders of micro insurance the irregular premium and drop out ratio of micro insurance is very high. The current figures of the micro insurance show that in spite of challenges the micro insurance is increasing in low income segment of Indian society frequently.

REFERENCES

[3] Dr. C.L. Tyagi & Dr. (Mrs.) Madhu Tyagi Insurance Laws and Practice (2nd Revised Enlarged Edition), p.12