

Trend and Pattern of Micro Life Insurance in India

Shantosree Dutta 1 and Parag Shil 2

1Research Scholar, Department of Commerce, Assam University, Silchar -788011. 2Associate professor, Department of Commerce, Assam University, Silchar -788011.

Abstract: Micro Insurance, a recent phenomenon, broadly deals with the insurance for the less-privileged masses, who could, otherwise, not afford insurance services. According to the International Labor Organization (ILO) above 850 million Indians are paid less than 2 dollars a day which is very low to subscribe to any mainstream insurance services. Majority of the Indian population are engaged in the informal sector, do not give any taxes and cannot afford any type of formal insurance coverage. Micro Insurance is the insurance for such economically weaker population who are more prone to natural disasters and financial risks, compared to the financially stable group of the population. Micro Insurance has the coverage for life, health, micro-credit, asset, and livestock and accidents coverage. But unlike other developed economies, micro insurance is not yet fully developed in India. It is still in its infant stage as it has been introduced only a decade ago by the public and private insurance companies in India. This paper is an attempt to analyze the overall trend and pattern of micro insurance in India. The other aspects of micro insurance are outside the scope of the study and only the Micro (Life) Insurance is considered in this study.

Keywords: Micro Insurance, IRDA, Micro-Credit, Economically weaker section, Policy-holders.

I. Introduction:

The term 'Financial Inclusion' is an emerging idea introduced in a few developing economies. Previously, the poor were never imagined to have included or offered the basic financial amenities, not even themselves; the people who struggle to fulfill the everyday fundamental needs like food, clothe and shelter could hardly think of having an insurance facility subscribed. Insurance has always been a thing of ignorance ironically for the economically weaker section of the society. Until the IRDA's regulations in the year 2005, insurance was mainly provided by the mainstream insurance players to those sections of the society who could afford insurance services at good premium sums, mainly the middle class and high class people. On the contrary, there was no financial protection against the demise of the sole breadwinner of a poor family or when a child is hospitalized in an economically disadvantaged family or when the home or crop of an unprivileged family is destroyed by fire or natural disaster. The very survival of the poor people is literally challenged by every serious illness, death of any of the member of the family specifically the head of the family, every major accident and every natural adversity and thereafter may thrust them to deeper levels of poverty.

'Micro Insurance' is generally offered as a credit plus service. Most of the public and private insurance schemes in India are not able to access the target group of rural and urban poor mainly because of either the high premiums or the inaccessibility of the previous insurance services before the introduction of a specific insurance service called 'micro' insurance, specifically designed for the poor and deprived section of the society. Micro Insurance is an endeavor to insure the otherwise unprivileged population at minimal and affordable premiums. Micro Insurance is generally provided in the form of life, health, or property insurance coverage to the beneficiaries at moderate premium remuneration. It is designed to meet the basic insurance requirements of the target group, i.e., the low-income or economically weaker masses, thereby enabling them to protect their lives, health and properties against the adverse and unavoidable risks possible.

II. Objectives of the Study:

- To examine the growth of Micro Insurance in India.
- To analyze the trend and pattern of the overall scenario of Micro Insurance in India.

III. Methodology of the Study:

This research paper is an explanatory one and the methodology of this study has been divided under three heads, namely, the Coverage of the study, Sources of Data and Data Analysis which are explained below:

(a) **Coverage of the Study:** This research paper has been confined to the extent of discussing the present scenario of Micro Insurance in India, Development and overview of Micro Insurance in India and the Growth of Micro Insurance (Individual and Group) Business. The study covers the study period from 2007-08 to 2011-12.

(b) **Sources of Data:** The study is based on secondary data which are collected from various published sources like books, journals, business magazines, IRDA Annual Reports, LIC Annual Reports, Internet websites and various research publications etc. The findings have been analyzed in the light of published literature.

(c) **Data analysis:** Analysis of data and information collected from published sources has been made keeping the objectives of the study in consideration. Here, descriptive statistics like the Average Annual Growth Rate (AAGR), Compound Annual Growth Rate (CAGR), Mean, Coefficient of Variation have been used.

IV. Micro-Insurance in India:

Micro Insurance is of very recent origin in India. It had been implemented and made compulsory to all the public and private insurance companies only after the IRDA Act, 2005. Initially, the Non Governmental Organizations (NGOs) and the Trust Hospitals started a few micro insurance schemes because of the contemporary demands in a few communities. Those small arrangements have now accumulated speed as a result of the overall development in the micro finance sector and also due to the IRDA Regulations which ensure compulsory participation in micro insurance services by all the registered insurance companies and make sure that they outreach their services to the under-developed rural areas which are otherwise devoid of such financial services. The intermediaries like the Micro Finance Institutions (MFIs) and the NGOs communicate and deal with the commercial insurance companies so as to avail such insurance packages that can be afforded by the economically weaker section of the society. However, it was observed that the outreach of such schemes was very limited but their efficacy and potential was considered to be effective. As such The Insurance Regulatory Development Authority of India (IRDA) came up with its 2005 regulations so as to enable the formal implementation of micro insurance as a step towards financial inclusion.

As a matter of fact, for ensuring proper implementation of micro insurance, the IRDA had set compulsory rural and social sector obligation rules that are mandatory to be achieved by every formally registered insurance company as for example, percentage of policies and number of policies which are to be vended to the rural people. However, there is still the need of time to time upgradation of the IRDA's norms so as to make sure that the design and supply and demand of micro insurance is efficient enough to meet the required standards.

India, being a developing economy, is such a country where the insurance sector is still quite unexplored and has a great potential as there is still a huge population remaining untouched. Moreover, a majority of the Indian population reside in the rural areas where there is still a great untapped market for insurance. The rural population being less educated and financially unstable, it is the 'micro insurance' which can play a major role in not only uplifting the poor and provide them with a financial security but also in the contribution to GDP in terms of premium volumes of life insurance business. The more the innovation, more is the competition. As such there is a win-win situation for both the insurers and the insurees. The current scenario of Indian Insurance Industry is still lagging behind immensely as merely 10% of the total population has been covered by insurance so far. Therefore, Micro Insurance in India has a huge potential to grow and develop in the near future.

V. Development of Micro Insurance in India:

The main objective of Micro Insurance Regulation, 2005, is to protect people with low income by offering affordable insurance products to help those people to mitigate their life risk with low premium. The regulation paves the way for SHGs and NGOs in order to act as insurance agents for the purpose of marketing the micro insurance products of various insurance companies (IRDA Annual Reports, 2005). The overall performance of micro insurance in India in the recent years is not very encouraging compared to some other countries. Insurance density is one of the performance indicators for judging the performance of the insurance sector (Srivastaw, 2013). It is calculated by dividing the premium collected with the total population. Insurance density for India was 64.4 Dollar in 2010 and 59 Dollar in 2011 much lower not only as compared with developing countries but also with their Asian counterparts Japan and Honkong. The growth and status of micro insurance providers in India in recent past are not very encouraging as compared to other developing or developed economies. In India, the micro insurance service of LICI has been playing a significant role, both in respect of coverage of life as well as income generation of weaker section are concerned and the other private players are, till date, only the followers of LICI under the compulsion of IRDA regulation..

VI. Growth of Micro Insurance in India:

Since its inception, the Micro Insurance business has made a persistent development not only in the public insurance companies but also in the private insurance companies. A good number of life and group micro insurance schemes have been initiated throughout the aforementioned study period (i.e., 2007-08 to 2011-12). As compared to the very starting phase, micro insurance business has given away quite satisfactory growth over the years. The channels of distribution of the products have depicted more firmness with its growth. However, the majority of the insurance density is held by the public insurance companies rather than the private insurance companies.

Table 1.1: Growth of Individual Micro Insurance Business in India (Rs in Lakhs)

Growth of Individual Micro Insurance Business (in Lakhs)								
Year	Public Insurance Companies				Private Insurance Companies			
	Policies	% change in growth rate of Policies	Premium	% Change in growth of Policies	Policies	% Change in growth of Policies	Premium	% Change in growth rate of Premium
2007-08	854615		1613.36		83153		209.74	
2008-09	1541218	80.34	3118.74	93.31	610851	634.61	537.81	156.42
2009-10	1985145	132.29	14982.5	828.65	998809	1101.17	839.78	300.39
2010-11	2951235	245.33	12305.8	662.74	699733	741.5	735.9	250.48
2011-12	3826783	347.78	10603.5	557.3	793660	854.46	964.22	359.72
AAGR	46.86%		110.51%		170.4%		57.83%	
CAGR	45.46%		60.11%		75.77%		46.43%	

Mean	2231799		8524.78		637241		657.328	
Co. V.	52.52%		68.73%		53.6%		44.88%	

Source: IRDA Annual Reports 2007-08 to 2011-12; Note: AAGR=Average Annual Growth Rate, CAGR=Compound Annual Growth Rate.

The above **table 1.1** displays the comparative change in percentage of the growth rate of individual micro insurance business by both the public and private sector insurance companies. Here the base year is taken as 2007-08 for calculating the percentage change in the growth rate. It is observed that the public sector insurance companies have shown a positive trend in terms of the growth rate of the policies issued over the five years of the study period. But the private insurance companies have not shown a consistent rate of growth as there was an increase in the first two years (2008-09 to 2009-10) which had again fallen down in the year 2010-11 and again slowly increased in the year 2011-12. Correspondingly, both the public and private sector insurance companies has shown a positive increased growth rate during 2007-08 to 2008-09 but in the subsequent year 2010-11 showed a comparative decrease which again increased in the next following year 2011-12.

The AAGR of the public and private insurance companies with respect to the policies issued were found to be 46.86% and 170.4% respectively and the AAGR for Premium received for both the public and private insurance companies were 110.51% and 57.83% respectively. The CAGR of the public and private insurance companies with respect to the policies issued were 45.46% and 75.77% respectively and the CAGR for premium received for both the public and private insurance companies were 60.11% and 46.43% respectively. Therefore, it can be said that the performance of private insurance companies with respect to policies issued is better than that of the public insurance companies whereas the performance of public insurance companies with respect to the premium received is better than that of the private insurance companies. The mean of the public insurance companies with respect to the number of policies issued and premium collected is 22,31,799 and 8524.78 respectively. Likewise the mean of the policies issued and premium collected by the private insurance companies are 637241 and 657.33 respectively. The Coefficient of Variation for Public Insurance Company for Policies is 52.52 and for Amount of Premium Collected is 68.73. The Coefficient of Variation for Private Insurance Companies for Policies is 53.6 and for the Amount of Premium collected is 44.88. 1.7.2. The deviation is highest in the premium collection of the public insurance companies (68.73%) which is followed by the deviation of policies in private insurance companies (53.6%), followed by the deviation of policies of the public insurance companies. However, the deviation is least in case of policies of private insurance companies.

Fig. 1.1, Figure displaying the Growth Trend of the Public Insurance Companies in terms of Policies Issued:

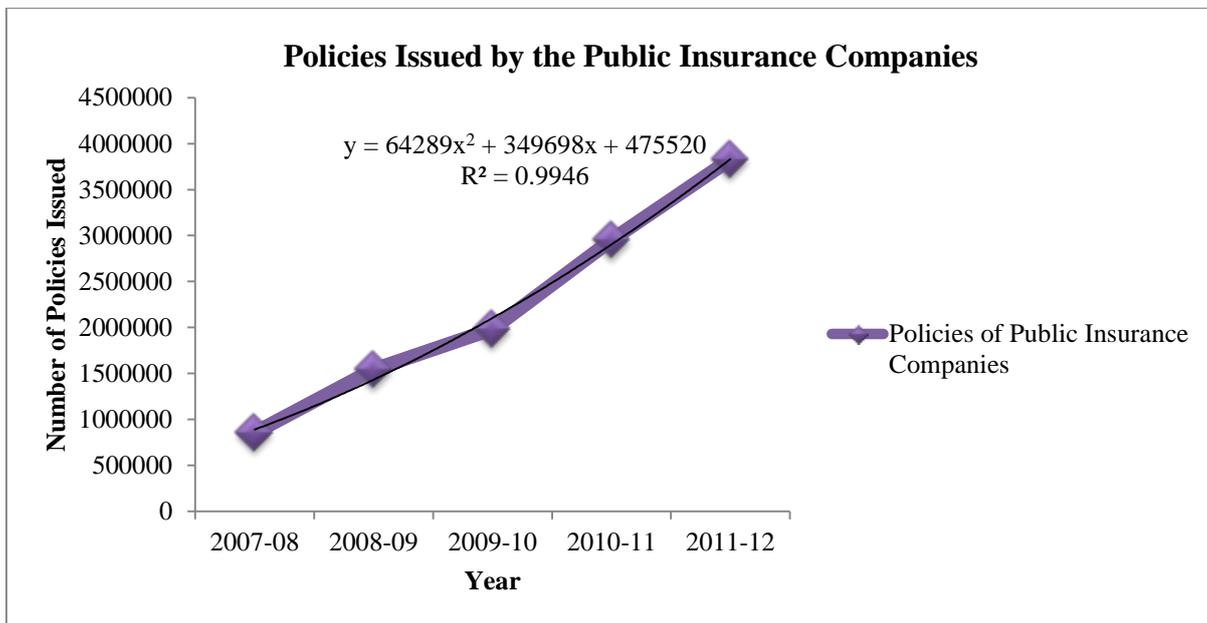
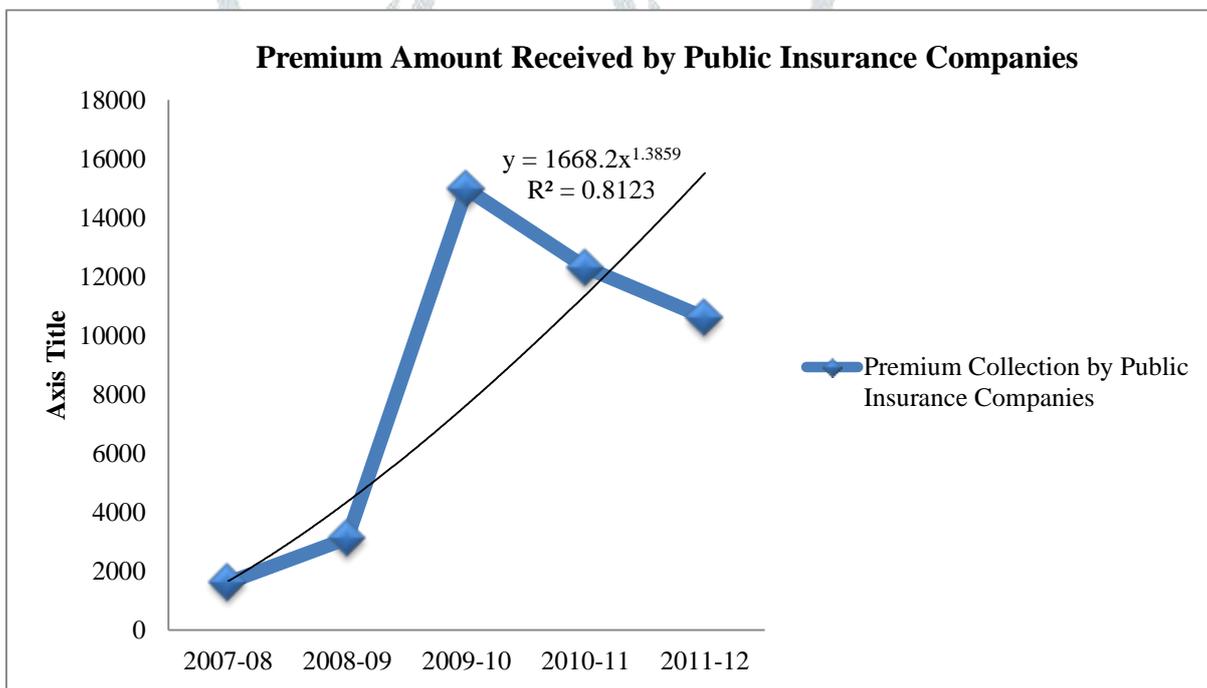


Fig. 1.2, Figure displaying the Growth Trend of the Public Insurance Companies in terms of Premium Amount Received:



From the above figures 1.1 and 1.2, it can be observed that the growth trend of the public insurance companies in terms of policies issued and the premium received, has exhibited a positive growth, but the trend line is non-linear.

Fig. 1.3, Figure displaying the Growth Trend of the Private Insurance Companies in terms of Policies Issued:

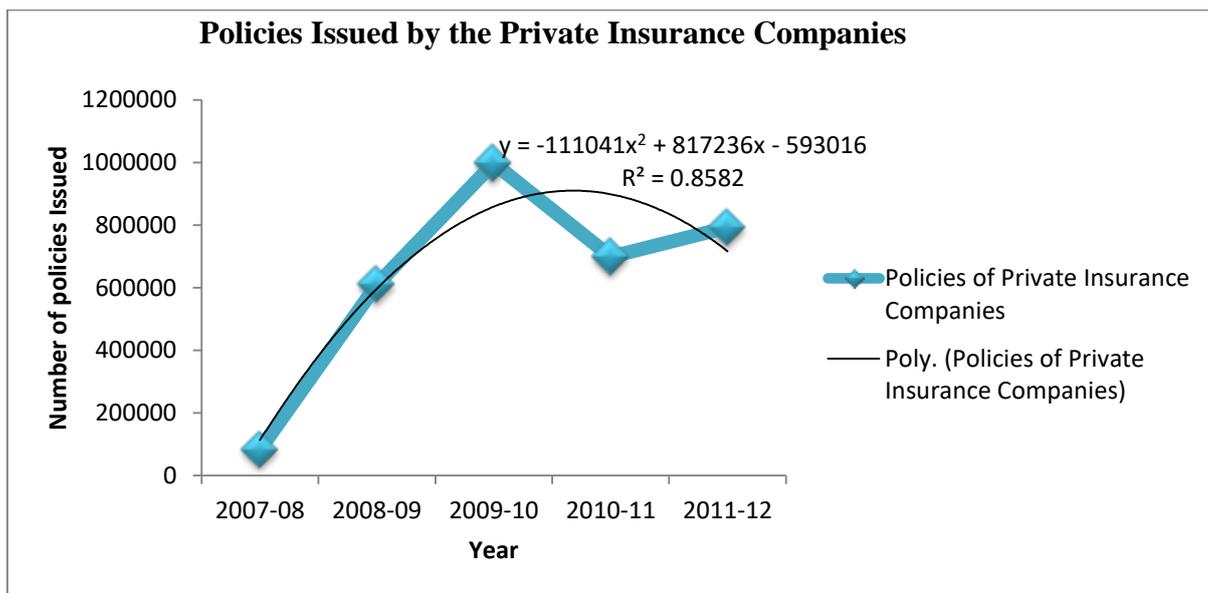
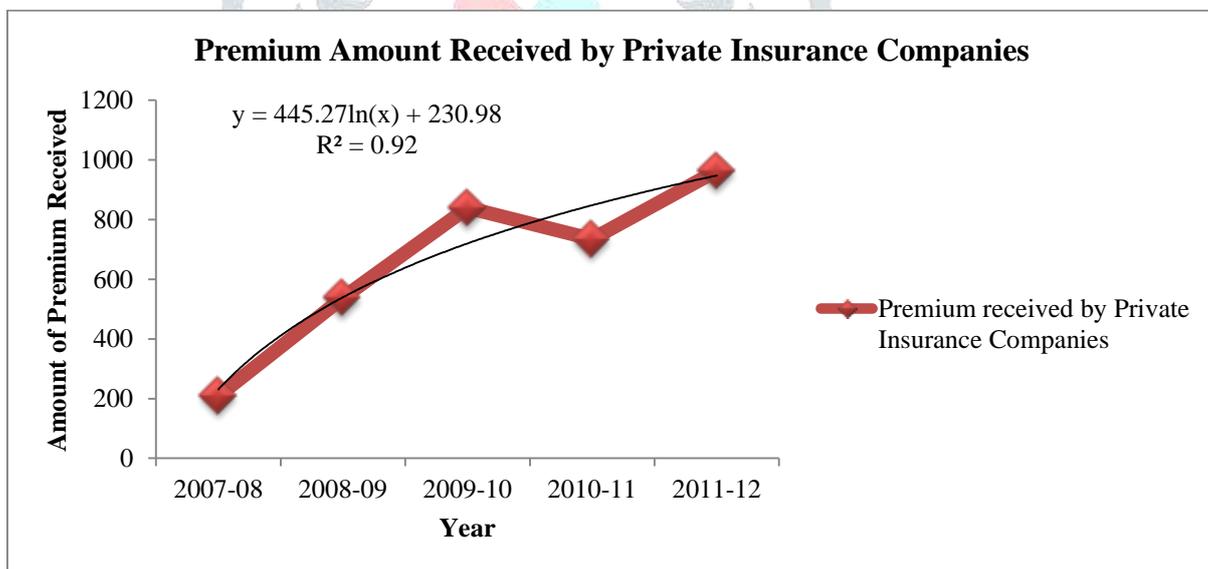


Fig. 1.4, Figure displaying the Growth Trend of the Public Insurance Companies in terms of Premium Amount Received:



From the above figures 1.3 and 1.4, it is seen that the growth trend of the private insurance companies with respect to the policies issued and collection of premium has shown a positive non-linear trend during the period under consideration.

**Table 1.2: Growth of Group Micro Insurance Business in India (Rs in Lakhs)
Public Insurance Companies**

Year	Schemes	% Change in Growth Rate of Schemes	Lives Covered	% Changes in Growth Rate of Lives Covered	Premium	% Change in Growth Rate of Premium
2007-08	7583		11367126		19256.23	

2008-09	6883	-9.23	11052815	-2.77	17268.58	-10.32
2009-10	5190	-31.56	14946927	31.49	22869.72	18.77
2010-11	5446	-28.18	13275464	16.79	13803.67	-28.32
2011-12	5461	-27.98	9831.63	-99.91	9444349	48945.68
AAGR	-7.16%		-19.67%		170.75%	
CAGR	-7.87%		-82.86%		370.59%	
MEAN	6112.6		10130433		1903509.4	
Co. of Variation	17.31		57.96		221.46	

Source: IRDA Annual Reports 2007-08 to 2011-12; Note: AAGR=Average Annual Growth Rate, CAGR=Compound Annual Growth Rate.

Private Insurance Companies

Year	Schemes	% Change in growth rate of Schemes	Lives Covered	% Change in growth rate of Lives Covered	Premium	% Change in growth rate of Premium
2007-08	15		874901		871.23	
2008-09	14	-6.67	1498994	71.33	3326.8	281.85
2009-10	17	13.33	1895143	116.61	1472.09	68.97
2010-11	23	53.33	1983537	126.72	1719.14	97.32
2011-12	112	646.67	1150.67	-99.87	750555	86048.89
AAGR	109.25%		0.62%		109.51%	
CAGR	65.30%		-80.95%		441.77%	
Mean	36.2		1250745		151588.9	
Co. of Variation	52.51		65.89		220.88	

Source: IRDA Annual Reports 2007-08 to 2011-12; Note: AAGR=Average Annual Growth Rate, CAGR=Compound Annual Growth Rate.

The above table 1.2 highlights the growth of micro insurance business of the public insurance companies in India during the five years of study period, i.e., 2007-2012. The group micro insurance schemes have shown a decreasing trend over the years until the year 2009-10, but increased during the year 2010-12. Whereas in case of the private insurance companies, there was a downfall in the year 2008-09, but again increased in the subsequent years until 2011-12. Similarly, in context to the lives covered by the public & private insurance companies, there was a positive growth trend until the year 2010-11 but decreased in the next year 2011-12. However, in case of the collection of premium by both the public and private insurance companies, there were fluctuating growth trend over the years. 2008-09 and 2010-11 showed a negative growth rate whereas 2009-10 and 2011-12 showed a positive rate of growth. Now according to the AAGR and CAGR values, we see that the schemes of private insurance companies have shown a better performance in comparison to the public insurance companies. However, the mean value of public and private insurance companies is found to be 6112.6 and 36.2 respectively. As per the Coefficient of Variation, there is high deviation in schemes of the private insurance companies than that of the public insurance companies. Next, the AAGR and CAGR values for the Lives covered under micro insurance group business, it can be observed that the AAGR for public insurance companies is negative but that of the private insurance companies is positive. However, the CAGR values for both the public and private insurance companies show a negative growth rate. The mean for lives covered by the public

and private insurance companies are 10130433 and 1250745 respectively. As per the Coefficient of Variation the deviation is higher in case of the private insurance companies with regards to the lives covered. The AAGR for the amount of premium received is higher in case of public insurance companies whereas the CAGR for the same is higher in case of the private insurance companies. The mean for the public and private insurance companies are 1903509.4 and 151588.9 respectively. However, the coefficient of Variation is almost the same for both the companies; as such it can be assumed that the deviation is quite similar for both the public and private insurance companies.

Therefore, from the above tables it is evident that the private insurance companies have shown a better level of performance in terms of the number of policies issued with respect to the individual micro insurance business. On the other hand, in case of Group Micro Insurance business, the overall growth rate of the private insurance companies is higher in case of the number of schemes offered and collection of premium amounts but it is negative in case of the number of lives covered as compared to those of the public insurance companies.

Fig. 1.5, Figure presenting the Growth Trend of the Public and Private Insurance Companies in terms of Schemes Available:

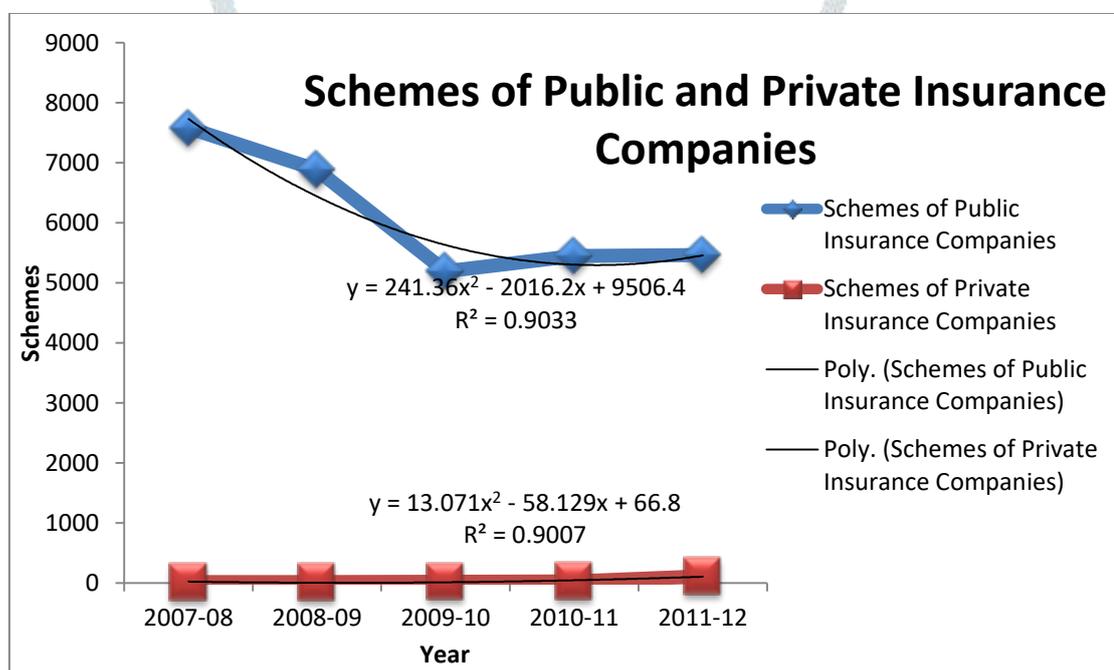


Fig. 1.6, Figure presenting the Growth Trend of the Public and Private Insurance Companies in terms of Lives Covered:

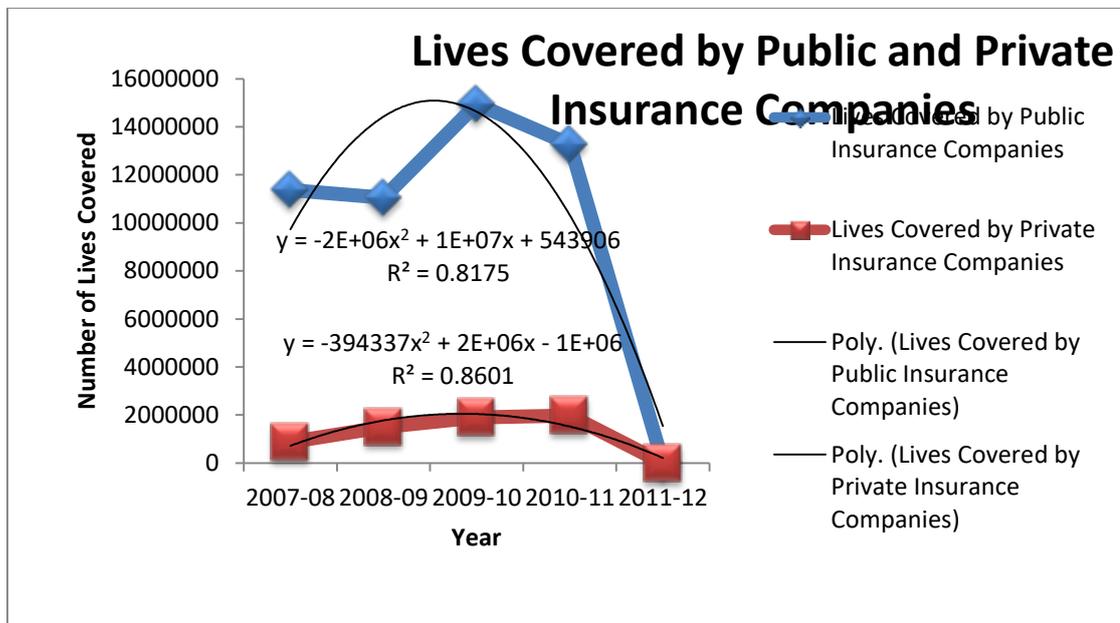
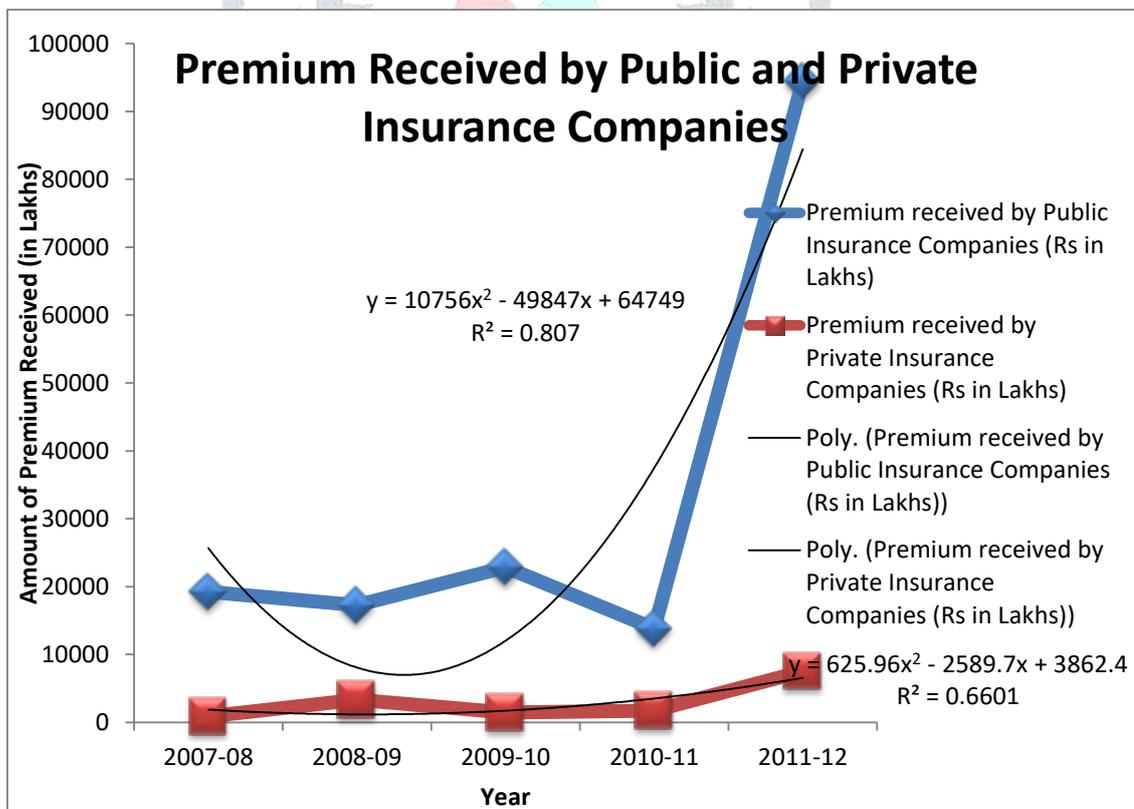


Fig. 1.7, Figure exhibiting the Growth Trend of the Public and Private Insurance Companies in terms of Amount of Premium Received:



From the above figures it is evident that in case of Group Micro Insurance Business, the growth trend of private insurance companies is higher with respect to the number of schemes issued and premium collection but negative with regards to the number of lives covered as compared to the public insurance companies.

VII. Conclusion:

Micro Insurance is an emerging area of Financial Inclusion mostly for the developing economies. It can work as a safety net for the economically weaker section of the society by assuring some financial strength to the vulnerable population. Since Micro Insurance is of very recent origin in India, as such there is still a huge gap between the demand and supply factors for the same. In the present study it is observed that the public and private insurance companies are growing effectively. However, the need of the hour is to suffice more and more opportunities and facilities for the better growth and performance of the Micro Insurance business in India. It becomes a win-win situation for both the natives and also the economy as a whole.

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