



# GROWTH AND DEVELOPMENT OF MICRO INSURANCE IN LIC OF INDIA

**Dr. Chanda Srinivas**

Professor and Principal

Vivekananda Degree and PG College

Karimnagar

## ABSTRACT

*The word “micro” represents the relatively small transaction with the size of lower premiums. Micro insurance (MI) is the protection of low-income people against specific perils in exchange for regular premium payment, proportionate to the likelihood and cost of the risks involved. In India LIC of India is one and only public insurance company which introduced micro insurance policies with effect from 28<sup>th</sup> September 2006. The present study has made an attempt to study the micro insurance schemes & distribution channels of LIC of India, growth and development of micro insurance business and claims and settlements of LIC of India. The data required for the study have been collected from secondary sources. The secondary data have been collected through IRDAI, LIC of India Annual reports, publications, books, journals, dissertations, case studies carried out by the previous research studies and official websites. The LIC of India micro insurance agents gradually increased, maturity claims were more than the total death claims and number of micro insurance policies continuously increased later the number of policies had fallen down drastically.*

**Keywords:** Micro Insurance(MI), Claims and Settlements, LIC of India.

## INTRODUCTION

A developing number of insurance companies are tapping into markets in developing countries through micro insurance, it provide low cost insurance to individuals generally not covered by traditional insurance or government programs. Micro insurance products tend to be much less cost than traditional schemes and thus extend security to a much wider market. Products vary in type and structure but are generally distinguished by high volumes, low cost and efficient administration. Social security measure is often related to micro insurance for low-income groups. Micro insurance can play a crucial role as a comprehensive tool to reduce vulnerability, poverty and inequality, particularly where public social security measures are insufficient and unequally distributed. Unfortunately, more than half of the world's total low-income groups do not benefit from any form of social security measures. In order to develop and enhance the growth of the insurance sector, the IRDAI came up with the Micro insurance regulations on 10<sup>th</sup> November 2005. The regulation made

mandatory for all the insurance companies operating in India to launch micro insurance products and the regulation also pre-determined the limits in terms of minimum and maximum sum assured, the term of product, the allowable age group and the maximum commission to agents. The regulation also stated that Micro insurance (MI) Agents, Self Help Groups (SHGs), Micro Financial Institutions (MFIs) and Non-Governmental Organisations (NGOs) were allowed to become MI Agents. IRDAI modified these regulations of 2005 and notified new micro insurance regulations on 13<sup>th</sup> March 2015. The revised micro insurance regulation (2015) tries to overcome some of the barriers in the growth of micro insurance business in India. This has provided a framework for insurers to design suitable micro insurance products. Norms are also laid down to recognize micro insurance agents. In India LIC of India is one and only public insurance company which introduced micro insurance policies with effect from 28<sup>th</sup> September 2006. The LIC of India has eight zones all over India. The micro insurance policyholders of LIC of India should pay the premium through Authorised Premium Collection Centres of LIC of India. The LIC of India designed MI Agent Mobile Application for collecting the renewal premium from the micro-insurance policyholders. Total LIC micro insurance agents are eligible for accessing the LIC of India MI agent mobile app.

## REVIEW OF LITERATURE

**Kirti Singh and Vijay Kumar Gangal (2011)** in their study “Micro-Insurance- a tool for upliftment of Rural India” provided an insight into the significance of micro-insurance in eradicating poverty and also explained the initiative taken by insurance companies in promoting MI policies. This is a descriptive study based on secondary data which explained the growth of insurance business in rural area. It was opined that insurance companies have to customize MI products according to the conditions of rural individuals. They should create awareness among the poor. Insurance Regulatory and Development Authority of India (IRDAI) should take the necessary steps to monitor trained agents.

**Tinsy Rose Tome and Selvam, V. (2012)** in their study “Micro Insurance: Illuminating the Real Challenges in India” identified research gap in the area of rural self-help groups’ micro insurance. The study conducted to analyse the real problems in micro insurance. Most of the respondents were farmers. It was opined that all the insurance firms should concentrate on creating awareness about micro insurance to the poor. Insurance companies should aim at rural market and micro insurance companies should try to identify the needs and requirements of customers and should try for expansion of the micro insurance market.

**Namrata Anand (2013)** in his study “Micro-Insurance and Vulnerable Section of Society: An Analytical Study” tried to understand the perspective of micro-insurance sector in India. The study tried to find factors responsible for the slow growth of micro-insurance sector and to give possible solutions in product proposal and distribution. Respondents were not satisfied with claims and settlements, the application process and the behavior of insurance staff. It is suggested that the government should open more branches in rural and also it should encourage private insurance companies to open their branches in rural areas. They should appoint agents in villages to explain the benefits and procedure involved in micro-insurance.

**Vinayagamoorthy, A. and Sankar, C. (2014)** in their study “Micro-insurance can build security for the poor in India” stated about the importance of micro-insurance in reducing the risk of poor and vulnerable sectors. Micro-insurance will protect the poor people from various risks by promoting small savings and it was

found that that MI is a part of financial inclusion. The study discussed the present status of MI regulations and it reviewed the existing micro insurance schemes. It was observed that MI in India is largely dominated by credit products of MFIs and micro-insurance is given second priority due to lack of awareness.

**Farah Farooqui (2016)** in this study “Micro Insurance in India: A Comparative Study of Public and Private Sector Insurance Companies” made an attempt to study the comparative analysis between Public and Private sector insurers in India, to study the customer satisfaction and to measure the enhancing of life insurance penetration in India. This study covered only life insurance schemes of micro insurance. Three companies were selected for this study i.e. LIC of India, ICICI Prudential Life Insurance and TATA A.I.A life insurance companies. The study found that most of the respondents highly dissatisfied with public insurers compared with the private insurers in terms of both performance and satisfaction. This study concluded that insurance companies to enhance the performance and should make them aware about the advantages of insurance and customized schemes according to the need and requirement of the people.

**Renu Bala (2019)** in this study “Micro-insurance in India: Role of Public and Private Insurers” examined the role of public and private insurers of micro insurance in India. It is observed from this study the LIC of India is offering individual MI policies with lower premium compared with the private insurers. The study concluded that the private sector is leading in new individual MI business but in the case of group MI business, the public sector insurer LIC of India is leading better than the private.

**Devika and Ashok Agrawal (2020)** in their study on “micro insurance in India: issues and challenges” discussed the issues and challenges of micro insurance product, distribution channels and consumer protection. The study was done with the unorganized workers and Below Poverty Line (BPL) families in both rural and urban slums areas. In the study it was opined that modified products, provide instant services and settlement of claims, policy proposal should be simple to understand, easily accessible. Use of local language and make it more understandable, increase in infrastructure facilities and more branches will also help in increasing the number of clients and may be taken to create awareness.

## NEED FOR THE STUDY

Majority of studies focused on regular insurance policies and micro-insurance sector being uncovered it grabbed the attention of the researcher. The LIC of India Micro-insurance policies are a good hope for daily labors who earn for their bread and butter. Very few studies concentrated on the LIC of India micro-insurance sector. This has motivated the researcher to identify the gap existed in earlier literature on micro-insurance schemes of LIC of India. The researcher has chosen, to study the growth and development of micro insurance business and claims and settlements of micro insurance in LIC of India with the following objectives.

## OBJECTIVES OF THE STUDY

1. To study the micro insurance schemes and distribution channels of LIC of India.
2. To study the growth and development of micro insurance business of LIC of India.
3. To study the claims and settlements of LIC of India.

## METHODOLOGY

This study reveals that the about the micro insurance schemes and distribution channels, growth and development, claims and settlements of LIC of India. The data required for the study have been collected from

secondary sources. The secondary data have been collected through IRDAI, LIC of India Annual reports, publications, books, journals, newspapers, dissertations, case studies carried out by the previous research studies, reports on micro-insurance and official websites. The collected data tabulated, analysed and interpreted with the help of various tools such as percentages, Mean, Standard Deviation (SD), Coefficient of Variation (CV %), and Compound Annual Growth Rate (CAGR).

### MICRO-INSURANCE SCHEMES OF LIC OF INDIA

In India LIC of India is one and only public insurance company introducing micro insurance policies with effect from 28<sup>th</sup> September 2006. From 2006 onwards LIC of India Introduced and withdrawn few micro insurance policies. The IRDAI decided to withdrawn some plans on 1<sup>st</sup> January 2014, 1<sup>st</sup> April 2016 and 31<sup>st</sup> January 2020. Where the existing individual products not in conformity with the provisions of new regulations of micro insurance at present Life Insurance Corporation of India (LICI) offers only three micro insurance products, these are Bhagya Lakshmi and LIC's New Jeevan Mangal and Micro Bachat policies.

**Table 1: Micro Insurance Schemes of LIC of India**

Sl.No.	Name of the Scheme	Date of Launch	Date of Withdrawn
1.	LIC's Jeevan Madhur Plan No: 182	28 <sup>th</sup> September 2006	1 <sup>st</sup> January 2014
2.	LIC's Jeevan Mangal Plan No: 198	3 <sup>rd</sup> September 2009	1 <sup>st</sup> January 2014
3.	LIC's Jeevan Deep Plan No: 810	1 <sup>st</sup> September 2012	1 <sup>st</sup> January 2014
4.	LIC's New Jeevan Mangal Plan No: 819	9 <sup>th</sup> January 2014	1 <sup>st</sup> April 2016
5.	LIC's Bhagya Lakshmi Plan No: 829	29 <sup>th</sup> December 2014	1 <sup>st</sup> April 2016
6.	LIC's Bhagya Lakshmi Plan No: 839	11 <sup>th</sup> April 2016	31 <sup>st</sup> January 2020
7.	LIC's New Jeevan Mangal Plan No: 840	11 <sup>th</sup> April 2016	31 <sup>st</sup> January 2020
8.	LIC's Micro Bachat Plan No: 851	18 <sup>th</sup> Feb. 2019	31 <sup>st</sup> January 2020
9	LIC's Bhagya Lakshmi Plan No: 939	1 <sup>st</sup> February 2020 01 <sup>st</sup> March 2022	28 <sup>th</sup> February 2022 -
10	LIC's New Jeevan Mangal Plan No: 940	1 <sup>st</sup> February 2020 01 <sup>st</sup> March 2022	28 <sup>th</sup> February 2022 -
11	LIC's Micro Bachat Plan No: 951	1 <sup>st</sup> February 2020	-

**Source:** LIC of India Divisional Office, Kadapa and [www.licindia.in](http://www.licindia.in).

Table-1 displays that, Micro Insurance Schemes of LIC of India. It is found from the table the LIC of India first time introduced micro insurance scheme Jeevan Madhur on 28<sup>th</sup> September 2006, withdrawn this plan on 1<sup>st</sup> January 2014. After withdrawn Jeevan Madhur plan LIC of India introduced Jeevan Mangal scheme on 3<sup>rd</sup> September 2009, withdrawn this plan on 1<sup>st</sup> January 2014. After withdrawn Jeevan Mangal plan LIC of India

introduced Jeevan Deep policy on 1<sup>st</sup> September 2012, withdrawn this plan on 1<sup>st</sup> January 2014. After withdrawn Jeevan Deep policy LIC of India introduced New Jeevan Mangal Scheme on 9<sup>th</sup> January 2014, withdrawn this plan on 1<sup>st</sup> April 2016. After withdrawn New Jeevan Mangal Scheme LIC of India introduced Bhagya Lakshmi policy on 29<sup>th</sup> December 2014, withdrawn this plan on 1<sup>st</sup> April 2016. LIC of India introduced one more micro insurance policy namely Micro Bachat on 18<sup>th</sup> Feb. 2019. In the view of the new product regulations of IRDAI 2019 LIC of India has been decided to modify the New Jeevan Mangal, Bhagya Lakshmi and Micro Bachat policies on 31<sup>st</sup> January 2020. LIC of India with the modifications reintroduced New Jeevan Mangal with the Plan Number: 940, Bhagya Lakshmi Plan Number: 939 and Micro Bachat Plan Number: 951 policies on 1<sup>st</sup> February 2020.

## MICRO INSURANCE DISTRIBUTION CHANNELS OF LIC OF INDIA

In India according to IRDAI Micro Insurance Regulations Act 2015, micro insurance policies are marketing through distribution channels comprising NGO's, SHG's, MFI's, DCCB's, RRB's, UCB's, PACS, Cooperative Societies, BC's, Corporate Agents and other MI agents i.e. Selected Conventional Agents.

**Table 2: Micro Insurance Distribution Channels(Agents) of LIC of India**

Sl. No.	Micro insurance Agents of LIC of India	2019-20 (In %)	2020-21 (In %)	2021-22 (In %)
1	Non-Governmental Organization's (NGO's)	6,504 (31.11)	6,548 (30.39)	5,094 (25.75)
2	Self Help Group's (SHG's)	336 (1.61)	341 (1.58)	274 (1.39)
3	Micro Financial Institution's (MFI's)	295 (1.41)	295 (1.37)	228 (1.15)
4	Business Correspondents (BC's)	101 (0.48)	103 (0.48)	103 (0.52)
5	Other MI Agents	13,671 (65.39)	14,260 (66.18)	14,081 (71.19)
<b>Total MI Distribution Channels(Agents)</b>		<b>20,907 (100.00)</b>	<b>21,547 (100.00)</b>	<b>19,780 (100.00)</b>

**Source:** Annual Reports of IRDAI.

**Note:** The respective percentages indicate the share of the respective totals.

The number of micro insurance agents of life insurers as on 31<sup>st</sup> March 2022 are presented in the above table-2. As on 31<sup>st</sup> March 2022 the LIC of India have 19,780 micro insurance agents. Out of the total micro insurance agents of LIC of India, NGOs form 25.75 per cent, Self Help Groups (SHGs) form 1.39 per cent, Micro Finance Institutions (MFIs) form 1.15 per cent, Business Correspondents (BCs) form 0.52 per cent and other MI Agents form 71.19 per cent. The other micro insurance (MI) Agents are more than the other distribution channels. It is concluded and observed from the table that other MI Agents are playing a dominant role in doing micro insurance business when compared with NGO's, SHG's, MFI's and BC's in LIC of India. The total number of micro insurance agents of both public and private insurers have 99,961 micro insurance agents as on 31<sup>st</sup> March 2022. Out of total MI agents 20 per cent agents belong to public sector company LIC of

India. Out of the total Micro Insurance agents, NGOs, SHGs, MFIs and BCs constitute six per cent and remaining 94 per cent is other MI Agents majorly consisting of CSCs.

### MICRO INSURANCE BUSINESS OF LIC OF INDIA

The LIC of India micro-insurance business in India generally constitutes individual and group category. Table - 3 depicts the micro-insurance business of LIC of India during 2011-12 to 2021-22. Under the LIC of India individual micro insurance category, though more policies are recommended, the total premium of LIC of India individual micro-insurance is low. The LIC of India group micro insurance category, though less number of policies is recommended, the total premium of LIC of India group micro-insurance is high.

**Table 3: Micro Insurance Business of LIC of India**

Year	Individuals			Group			Total	
	No. of Policies	In %	Premium (Rs.Lakhs)	No. of Policies	In %	Premium (Rs.Lakh)	No. of Policies	Premium (Rs.Lakhs)
2011-12	3826783	28.84	10603.49	9444349	71.16	9831.63	13271132	20435.12
2012-13	4340235	24.71	9949.05	13223872	75.29	21045.76	17564107	30994.81
2013-14	2205820	15.65	8635.77	11887303	84.35	12581.45	14093123	21217.22
2014-15	400341	1.91	1640.23	20596725	98.09	28193.80	20997066	29834.03
2015-16	452291	1.96	18953.78	22603919	98.04	25426.39	23056210	27380.17
2016-17	480892	2.05	1587.13	22965393	97.95	34007.62	23446285	35594.75
2017-18	564541	-	1786.81	892 (Schemes)	-	63184.98	-	64971.79
2018-19	617653	100.00	2091.43	-	-	-	617653	2091.43
2019-20	8.59 (Lakhs)	-	222.09 (Crores)	1 (Schemes)	-	34.55 (Crores)	-	256.64 (Crores)
2020-21	9.92 (Lakhs)	-	352.93 (Crores)	624 (Schemes)	-	114.53 (Crores)	-	467.46 (Crores)
2021-22	7.32 (Lakhs)	-	257.92 (Crores)	1,574 (Schemes)	-	67.36 (Crores)	-	325.28 (Crores)

**Source:** Annual Reports of IRDAI from 2011-12 to 2021-22.

**Note:** Figure in per cent column show percentage of respective total number of policies.

The table- 3 describes the LIC of India group micro-insurance business had been more than the individual micro insurance from the year 2011-12 to 2017-2018. It is observed that the LIC of India individual micro-insurance business increased during the year 2011-12 to 2018-19 except during the year 2013-2015. It is found from the LIC of India that it did not have any group micro insurance business during 2018-19. It is observed from the LIC of India that the group micro-insurance business is more than individual micro-insurance business. It is concluded and reason behind this is that under LIC of India group micro insurance policyholder had taken a number of policies than LIC of India individual micro-insurance policies.

**CLAIMS AND SETTLEMENTS OF LIC OF INDIA**

The maturity and death claims settlements is a major issue for LIC of India Table-4 provides the LIC of India maturity and death claims. The settlements of maturity and death claims are given separately. The maturity and death claims settled by LIC of India have been analyzed from 2012-13 to 2021-22.

**Table 4: Claims and Settlements of LIC of India**

Year	Maturity Claims Settled				Death Claims Settled				Total Claims Settled	
	No. (Lakhs)	Amount (Crore)	Paid %	Outstanding %	No. (Lakhs)	Amount (Crore)	Paid %	Outstanding %	No. (Lakhs)	Amount (Crore)
2012-13	173.85	64630.13	99.47	0.53	9.78	9447.71	99.10	0.90	183.63	74,077.84
2013-14	248.87	81424.54	99.67	0.33	10.13	9761.91	99.52	0.48	259.00	91,186.45
2014-15	222.17	79365.71	99.77	0.23	10.15	11092.45	99.56	0.44	232.32	90,458.16
2015-16	205.75	83,667.60	98.26	1.74	9.96	12,181.34	98.67	1.33	215.71	95,848.94
2016-17	205.11	99,109.66	97.20	2.80	10.47	13,581.14	98.71	1.29	215.58	1,12,690.8
2017-18	267.36	117888.30	95.50	4.50	10.09	14283.15	98.55	1.45	277.45	1,32,171.45
2018-19	249.62	145636.06	92.95	7.05	9.92	17468.43	98.27	1.63	259.54	1,63,104.49
2019-20	206.66	142350.76	87.66	12.34	9.32	17419.57	95.44	4.56	215.98	1,59,770.33
2020-21	222.76	161031.20	89.83	10.17	11.47	24195.01	98.27	1.73	234.23	1,85,226.21
2021-22	256.47	2,02,083.84	91.09	8.91	15.72	36,597.52	98.50	1.50	272.19	2,38,681.36
Mean	225.862	117719	95.14	4.86	10.701	16602.8	98.459	1.531	236.563	134322
SD	29.2216	44085.8	4.47412	4.47412	1.8485	8308.39	1.1572	1.15582	29.9936	51988.2
CV %	12.9378	37.4501	4.70267	92.06	17.2741	50.042	1.17532	75.4945	12.6789	38.7043
CAGR	3.96477	12.0752	-0.8762	32.6051	4.86037	14.5019	-0.0607	5.24098	4.01425	12.4121

Source: Annual Reports of LIC of India.

During 221-22 the LIC settled 272.19 lakh claims for 2,38,681.36 Crores (Including Micro Insurance and Pension & Group Schemes). The table-4 describes the Claims and Settlements of LIC of India are given. The LIC of India were settled 256.47 lakh maturity claims for 2,02,083.84 Crore (Including micro insurance and pension & group schemes) during 2021-22. The life insurance corporation of India were settled 15.72 lakh death claims for 36,597.52 Crore during 2021-22. The life insurance corporation of India were settled 272.19 lakh maturity and death claims for 2,38,681.36 Crore during 2021-22. It is observed from the table that the total number of settled maturity claims are more than the total death claims of LIC of India. The reason behind this is that in India human life span has increased and the death rate has come down. The Compound Annual Growth Rate (CAGR) registered the highest value of 32.6051 per cent of outstanding maturity claims and the lowest value of -0.0607 per cent for death claims amount settled in number of claims.

**FINDINGS**

1. Out of total MI agents 20 per cent agents belong to public insurance company LIC of India. Out of the total Micro Insurance agents, NGOs, SHGs, MFIs and BCs constitute only six per cent and remaining 94 per cent is other MI Agents majorly consisting of CSCs.
2. The total number of micro insurance agents had continuously increased. The number of LIC of India micro insurance agents gradually increased except 2021-22.
3. The LIC of India did not have any group micro insurance business during 2018-19 and the group micro-insurance business is more than individual micro-insurance business.

4. The LIC of India number of micro insurance policies continuously increased. The reason is that the number of policyholders had increased rapidly at the initial stage of micro insurance business. Later the number of policies had fallen down drastically during 2014-15. The micro insurance schemes were withdrawn by the insurers as the customers were not attracted towards those schemes.
5. The total settled maturity claims were more than the total death claims settled by the LIC of India.

## SUGGESTIONS

- To increase the level of micro insurance LIC of India may focus on bringing products that into the rural areas and the LIC of India should settle claims instantly to their policyholders.
- LIC of India should offer better service to the micro insurance policyholders and increase number of distribution channels apart from the existing to sell its micro insurance products.
- LIC of India should conduct revival campaigns at both rural and urban areas and create more awareness on revival campaigns to the existing micro insurance policyholders.

## CONCLUSION

The LIC of India should take steps to increase the micro insurance business. The LIC of India has maintained the market value of their micro insurance products. Now a days the private insurers are also coming up with different strategies now a day, competition is increasing and LIC of India has made efforts to continue its business. The study suggests that it is very important and appropriate that LIC of India should take steps to spread awareness about LIC micro insurance products through various sources. The revised micro insurance regulations (2015) tries to overcome some of the barriers in the growth and development of micro insurance. If the micro insurance regulations are rightly implemented, it could bring a lot of change in the living standard of rural people.

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