

MICRO INSURANCE IN INDIA: AN EMPIRICAL STUDY

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ABSTRACT

In the recent scenario, one of the significant sectors showing an increasing trend is insurance. Indian life insurance sector is growing at a faster rate. India is the fifth largest life insurance market in the emerging insurance companies globally and is growing year on year. Micro insurance as the name suggests, is the insurance basically for the poor masses. It is aimed primarily at the developing world's low-income workers, especially those in the informal economy who tend to be under-reserved by mainstream commercial and social insurance schemes. The present paper studies primarily the life micro insurance of the entire private life insurance sector in India. For this purpose, the major indicators are growth in micro insurance agents in Indian life insurance industry has been analyzed, individual new business premium under micro insurance portfolio in terms of number of policies and premium collection has also been analysed. The sample for this study includes all the Indian life insurers and it analyses the data from 2007-2008 to 2013-2014.

KEYWORDS: Life Insurance, Micro Insurance, Individual New Business, Financial Inclusion

INTRODUCTION

Micro insurance is the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of risk involved (Churchill, 2007). According to International Labour Organization (ILO), micro insurance is a mechanism to protect poor people against risk (accident, illness, death in the family, natural disasters, etc.) in exchange for insurance premium payments tailored to their needs, income and level of risk. In order to facilitate the penetration of micro insurance to the lower income segment in India, the regulator – Insurance Regulatory Development Authority (IRDA), has formulated the Micro Insurance Regulations 2005. The regulation provides a platform to distribute insurance products which are affordable to the rural and urban poor and to enable micro-insurance to be an integral part of the country's wider insurance system. The main thrust of micro insurance regulation is the protection of low income with affordable insurance products to help cope with and recover from common risks. These regulations have allowed Non Government Organization (NGOs) and Self Help Groups (SHGs) to act as agents to insurance companies in marketing the micro insurance product and have also allowed both life and non-life insurers to promote composite micro-insurance products. The annual reports of IRDA mention the business under micro insurance in its annual report from the financial year 2007-08 onwards. Although micro insurance started off as a minuscule portfolio but has been able to demonstrate growth in the last few years.

REVIEW OF LITERATURE

Mohandoss & Balamurugan (2014) in his research paper studied that profitability of life insurance companies has undergone huge change due to change in its operating activities like selling new policies, appointment of active agents, giving commissions to its agents and evaluating the maturity values of its policies.

It also found that the growth of insurance business of private sector companies has been higher than government sector during the period 2001 to 2011.

Catherine (2014) analyzed the preference of the customer for life insurance products after the privatization of life insurance industry and studied the shift in customer's choice of a life insurance company. It found that wholesome commitment by the life insurance agents is the main reason for higher business retention. Moreover health needs of the economically downtrodden remain unfulfilled which urgently needs to be taken care of. It was also found that certain percentage of the insured population, still is not convinced that life insurance is a good measure of social society. Hence, insurance companies should enhance customer satisfaction & introduce needs based products that enable the customers to derive maximum benefits from an insurance policy.

Chandrayya (2015) analysed the challenges and opportunities faced in insurance industry. He focused on the need of laying the marketing strategies which fulfills the since launching of a policy till it reaches the hands of customers. Moreover, the new entrants coming in this sector should take pains to understand people's needs and transform their policies accordingly.

OBJECTIVES OF THE STUDY

- To evaluate the growth of micro insurance of entire life insurers in Indian insurance industry.
- To analyze the factors affecting micro life insurance premiums.
- To suggest the measures for improvement.

RESEARCH METHODOLOGY

The present paper studies the recent lifeinsurance scenario of the entire private life insurance sector in India in the light of changes mentioned above. For this purpose, the major indicator i.e. role of micro insurance in Indian life insurance industry has been analyzed.

The sample for this study includes all the Indian life insurers and it analysis the data from 2008 to 2014.

ANALYSIS AND INTREPRETATION

Growth of Micro Insurance in India

The following table shows the growth in number of micro insurance agents from the period 2008 to 2014

Table 1: Company Wise Number of Micro Insurance Agents (as on 31st March)

INSURER	2008	2009	2010	2011	2012	2013	2014
AEGON	0	0	0	0	0	-	-
AVIVA	0	1	1	1	2	659	667
BAJAJ	168	193	210	210	210	-	-
BHARTI	0	0	0	0	0	-	-
BIRLA SUNLIFE	77	104	129	33	90	97	97
CANARA HSBC	0	0	0	0	0	-	-
DLF PREMIUM	0	0	0	0	0	-	-
EDELWEISS TOKIO	0	0	0	0	0	-	1
EXIDE LIFE	0	0	0	0	0	-	-
FUTURE GENERALI	0	0	0	0	0	-	-

Table 1: Condt.,

INSURER	2008	2009	2010	2011	2012	2013	2014
HDFC STANDARD	0	0	0	0	58	-	-
ICICI PRUDENTIAL	0	14	14	47	0	74	78
IDBI FEDERAL	0	0	0	0	0	-	-
KOTAK MAHINDRA	0	0	0	0	0	-	-
MAX LIFE	0	0	0	0	0	-	-
PNB METLIFE	0	0	0	9	12	14	14
SAHARA	8	13	15	15	15	5	-
SBI LIFE	0	0	0	0	0	-	-
SHRIRAM	1	1	1	0	421	523	523
STAR UNION	0	0	0	0	0	-	-
TATA AIA	164	277	400	443	443	452	276
PRIVATE TOTAL	418	603	770	758	1251	1824	1656
LIC	4166	6647	7905	9724	11546	15228	18401
INDUSTRY TOTAL	4584	7250	8676	10482	12797	17052	20057

Source: IRDA Annual Reports

Table 2: Micro Insurance Agents

	Mean		Mean Difference	Std. Error	't' Value (df: 4)	Sig
	Before 2008-10	After 2011-14				
Private sector	7748	16635.33	-8887.33	2296.6	-3.86978	Sig

* significant at 5 % level

It is seen from Table 2 the means, mean difference, the standard error of the mean difference between the year 2008-10 and the year 2011-14 of the private life insurers the mean micro agents. Since the calculated 't' is significant at 5 per cent level it is concluded that the mean micro agents is higher during the time period 2011-14 than 2008-10 periods indicating improvement in the micro agents licensed with the time span.

Individual New Business Premium Under Micro Insurance Portfolio

While the individual new business premium for private life insurance sector under the micro-insurance segment in 2012-13 stood at Rs.1018.54 lakhs for 695904 new policies whereas it dropped to 929.29 lakhs for 561339 new policies only for the year 2013-2014 & LIC contributed a significant component of the business procured in this portfolio by garnering Rs. 8635.77 lakhs of individual new business premium under 2205820 policies in 2013-2014. Also, the authority had issued a circular on 3rd April, 2013 permitting several more entities like District Co-operative Banks, Regional Rural Banks, Individual owners of Kirana shops, etc. who are banking correspondents to be appointed as micro-insurance agents with a view to facilitating better penetration of micro-insurance business.

To remove various impediments to financial inclusion, insurance companies have been permitted to accept as Proof of Identity (PoI) and Proof of Address (PoA) (i) Current Passbook (updated up to the previous month) and (ii) Current statement of accounts. Simultaneously, the authority has directed discontinuance of the need for confirmation or authentication by the bank for these documents in case of micro-insurance products. The decision was aimed at facilitating reduction of the on boarding costs in the financial inclusion drive proposed by the Government of India. Table 8.7 shows the individual new business in terms of number of policies and premium under micro insurance portfolio from the period 2009 to 2014.

Table 3: Individual New Business Under Micro-Insurance Portfolio (Premium in Laks)

Insurer	2008-09		2009-10		2010-11		2011-12		2012-13		2013-14	
	NOP's	Premium	NOP's	Premium	NOP's	Premium	NOP's	Premium	NOP's	Premium	NOP's	Premium
Aegon Religare												
Aviva	310	1.52	3757	18.17	11222	58.87	6322	36.4	9789	58.52	17328	51.39
Bajaj Allianz	10226	85.47	127	2.42								
Bharti Axa												
Birla Sunlife	280659	147.69	568647	263.72	290395	186	256226	168.14	123147	53.88	91760	47.95
Canara HSBC												
DLF Premica												
Edevis Tokyo												
Future Generali												
HDFC Std.							176464	352.93	221276	442.55	199774	399.54
ICICI Prudential	234299	122.05	344926	288.18	324889	256.08	321009	281.44	296323	306.12	212650	338.22
IDBI Federal												
India First												
Kotak Mahindra												
Max New York												
PNB MetLife	734	18.69	125	7.19	3501	4.21	9243	10.63	5886	23.45	489	0.32
Reliance Life												
Sahara	604	8.21	324	4.9	1483	12.24	6282	39.43	10940	72.89	2205	16.77
SBI Life									695	2.28	8071	30.89
Shairain												
Star Union												
Total AIG	84019	154.17	80903	255.2	68243	217.69	18114	75.25	27848	59	28832	43.99
Private total	610851	537.81	998809	839.78	699733	735.09	793660	964.22	695904	1018.54	561339	929.29
LIC	1541218	3118.74	1985145	14982.51	2951235	12305.76	3826783	10603.49	4340235	9949.05	2205820	8635.77

Source: IRDA Annual Reports

Table 4: Individual New Business under Micro-Insurance Portfolio Number of Policies (NOP)

	Mean		Mean Difference	Std. Error	't' Value (df: 4)	Sig
	Before 2008-10	After 2011-14				
Private insurer	2159199	3457613	-1298413	766138.6	-1.69475	ns

ns- non significant at 5 % level

It is seen from Table 4 the means, mean difference, the standard error of the mean difference between the year 2008-10 and the year 2011-14 of the private insurer the mean NOP. Since the calculated 't' is non significant it is concluded that the mean performance is on par during the time period 2008-10 and 2011-14 period.

Table 5: Individual New Business under Micro-Insurance Portfolio Premium

	Mean		Mean Difference	Std. Error	't' Value (df: 4)	Sig
	Before 2008-10	After 2011-14				
Private sector	704.2267	970.6833	-266.457	92.26	-2.88811	Sig

* significant at the 5 % level

It is seen from Table 5 the means, mean difference, the standard error of the mean difference between the year 2008-10 and the year 2011-14 of the Private insurer the mean premium earned. Since the calculated 't' is significant at the 5 per cent level, it is concluded that the mean performance is higher during the recent time periods 2011-14 than 2008-10 periods.

CONCLUSIONS

Hence, it can be concluded that rural India and making the rural population financially included is becoming the top priority for government. The insurance industry, however, is facing the challenges in providing the affordable products

via micro insurance to a large target segment. There is thus a need to create awareness about micro insurance products amongst the target customers and the agent can play an important role in enabling the environment that is conducive by providing insurance knowledge as well as formal education to illiterate persons. Also, there is a huge untapped market, which includes the one categorized this as belonging to Below Poverty Line (BPL); unorganized sector, daily wagers, farm labors which needs to be tapped yet.

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