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A Study of Micro Insurance Industry in India

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Abstract: *The journey of micro insurance started in India from the year 2002. The first nominative provision for micro insurance has made in the Insurance Regulatory Development Authority of India (Micro Insurance) Regulation 2002. It was just a starting in this sector. It set a quota system for the insurers to promote the micro insurance. The complete regulation issued by IRDA in the year 2005. A number of insurers is working in the micro insurance sector in India. According the definition of the term micro insurance it does refer the security against risk to poor people. Those have no capacity to pay a normal premium. The term micro insurance generally seems a term of non life insurance. But the authority permitted to continue the micro insurance business to both life and non life insurers. The industry is performing well from last ten years. The insurers issued 937768 policies in individually and 7598 group schemes in the year 2007-08 and collect a premium of Rs. 1823.10 Lakhs. From individual and 20127.46 Lakh from group business and covered 12242027 lives. The status of the business was increasing year to year It was at the highest stage in the year 2009-10. When the insurers was collect Rs. 15822.4 from individual premium and 24341.81 Lakh from group premium collection. The premium collection is decreasing after 2009-10. It may be an effect of financial recession.*

Keywords: *Insurance, Premium, Business, Industry and Micro.*

I. INTRODUCTION

Micro insurance is a part of micro finance industry. Micro finance is an instrument to reduce the poverty of the nation. It is a boost up system for development. The micro finance institution proved itself in the last decade. These all institutions of micro finance developed as main tools of development in the country. NABARD was the first institution to initiate in the micro finance sector in the year 1992. It made collaboration with banks, NGO's and self help groups SHG's to help the poor people of the country. As per the status report of micro finance, industry showed high growth from 2006 to 2010. The overall micro finance sector in term of loan portfolio stood at Rs. 53801 coror including self help group, bank linkage model Rs. 39325 coror and micro finance institution model Rs. 14425 coror as on march 2013.

The government approved the micro insurance act the year in 2005. It helps regulates the micro insurance sector. As per IRDA annual report 3.65 million policies were sold in India.

Insurance means protection against premium. Micro insurance is an instrument to protect the low income people, against a low cost of premium. The micro insurance is differing from the insurance as it's used from low income group or people. The product of micro insurance is also different from the life and general insurance. It is designing only for the people, who have no capacity to pay more. India is also a emerging market for micro insurance. More than 30 percent people have no capacity to pay the premium. The micro insurance industry has a big space and opportunities to grow.

Every person faces the conditions of accident, illness in the life. These circumstances are more harmful when a person has no capacity to pay. Micro insurance is building a capacity to face the risk. The poor Indian goes to finance to the land lord. It creates a very crucial condition for the family or group.

The history of micro insurance had cross a long journey. The history of micro insurance in India started from micro insurance. The history of insurance was start from collective protections in India. A reference is available in Rig-Veda as stated by F.J. Meclum in his book human side of insurance it has been stated that the Sanskrit term 'Yogakshema' is found in Rig-Veda and that some kind of commercial insurance was practiced by Aryan that was micro level in 3000 years ago. Basically it was the Indian concept as a welfare state. The Manu Smriti is also support the welfare concept. It was the protection to the general people of state against some payment of Kar /Tax. The society of ancient India supported to the citizen micro level. It was kind of micro insurance.

In the Modern form the micro insurance word came into existence in the year 1999. The definition of micro insurance is changing year to year in India and abroad. The basic definition of micro insurance was a tool of protection of low income people against a nominal amount of premium.

1. It is a risk transfer device characterized by low premium and low coverage limits and design for low income people not served by typical social schemes (Micro Insurance Academy, India 2007).
2. Micro insurance is a mechanism to protect the poor people against risk (accident, illness death in the family, natural disasters etc.) In exchange of insurance premium payments tailored to their needs, income and level of risks (ILO's Micro insurance innovation facility, 2008).
3. It means that the micro insurance is a financial service instrument for poor people on a low payment. It protect the poor people again risk of illness, accident, death, agriculture, instrument feature, animals and other low level risk which occur time to time. The difference between insurance and micro insurance is payment of premium which designed affordable for low income group. The documentation process also made easy to support the low income peoples.

II. OBJECTIVE

1. To study the business performance of micro insurance industry.
2. To study the regulation passed to run the micro insurance business in India.
3. To study the present status of Micro insurance Industry.

III. METHODOLOGY

It is an analytical study of performance of micro insurance business in India. The data used in the analysis collected from annual report of insurance regulatory and development authority. Some statistical tools will be applied to analyze the data. To present the data and study in a proper manner computer tools will also apply.

IV. TYPES OF MICRO INSURANCE

As it is very claim that the micro insurance is facility and review for low income people/group. The micro insurance is involved in every sector of insurance micro income is involved in following sector-

1. Life insurance industry is a biggest industry of insurance sector. Life insurance provides a security against dept risk. It is hardy available for low income people.
2. Health insurance is emerging area of insurance India have a very pare condition in this sector. Health insurance provides security agent illness. It is also a important kind of micro insurance.
3. Property insurance- it provides a security against the damage of property and damage.
4. Agriculture Insurance- It is very important kind of insurance. It provides a security to farmers against the natural calamities, illness and failure of crops by other reasons. It is also help to improve the modern facility to the farmers. It

also facilitates to the low income farmer to repay the loans.

V. CHALLENGES AGENTS MICRO INSURANCE

Literacy- Micro insurance deals with low income group people. The illiteracy is very normal in this group of people. This group of people is not aware about this type of facility. This is the responsibility of the institution/organization to educate and aware to the people about micro insurance facility.

Trend Agent- This is very necessary to appoint trend agent which deals with the people. The institute must appoint the trend agent according the status of that area. The agent is required to know the local language of that area. They must know the problem of that area. The Geographical knowledge will also help to the agent.

Documentation- The government should made easy to the documentation process of micro insurance. It may be easily understandable for normal people. The formality may be reduced to promote the micro insurance facility.

VI. MICRO INSURANCE REGULATION IN INDIA

There are two regulation come into existence in India. The first regulation passed in 2002. It was for obligation of insurers to rural social sectors in India. Actually it was a Quateo system which compel to the insurance company and other organization institution involve in insurance business to sale the product with a limit in poor people. The new insurance establishment was against of this quota system, a lack was also in this regulation. There was not any clear instruction about the incomes level of poor people/client. It was confusion for the insurers. The regulation instructs that the client must be form rural areas.

It is very different to achieve the target under these regulations. Many insure was failed to achieve the given target according this regulation. It was also a complaint from the client/insured people that the insurers were not providing the good services.

The micro insurance industry is proposed two type of product. One is the life insurance micro product second is general insurance micro product. It received a specified amount of premium for these products. There are many situations occurs in which a micro insures will not product will not qualify for exemption of micro insurance.

Micro Insurance Regulation 2005

The IRDA notified the IRDA (micro insurance) regulation the year 2005. It provides the power to carry the micro insurance business with normal insurance companies. The insures which are carrying the business of life as well as general insurance till the formulation of this regulation can carry the micro insurance business activity now.

VII. MAIN PONT OF REGULATIONS

The act provides the condition to tie up between two companies or players which were doing separate business till now to sale the product in rural area. The company which is carrying the life insurance business can tie up to general insurance company for micro insurance activity. In another hand if any company carrying general insurance business it can tie up with life insurance Company to sale life micro product both are the subject of provision u/s 64UB of the act.

VIII. APPOINTMENT OF MICRO AGENT

The regulation provides the liberty to appoint the micro insurance agent for distribution of the micro insurance product. The Micro insurance agent may be the followings.

1. Non Governmental Organizations NGO's,
2. Self Help Groups SHG's
3. MFI's

4. RBI regulated NFBC, MFI's,
5. District co-operative banks U/s (3) RRB act 1976 subject to brief eligible as per norms of RBI.
6. Primary Agriculture co-operative societies registered under co-operative society act.
7. Business correspondent appointed in accordance to the extant RBI guidelines with any of the scheduled commercial Bank.

Insurers can appoint any one of above as a distributor of the product and collection of micro insurance premium. All distributing agency will follow a code of conduct. The agent will under sign a deed with insurers. The Insurers will clear the terms and conditions of appointment and their duties and responsibility. It is also clear that a agent can do the work with any one insurers. Every company or insurers will provide at least 25 hours training to the micro insurance agent in the local language. All micro insurance agents may be paid, remuneration for all function. He also found a commission by the insurers under regulation 5. The rate of commission is as follows.

1. Life insurance business- Single Premium policy 10 percent of the single premium.
2. Single premium policies- 10 percent of the premium of all years of the premium paying term.
3. Non Life Single premium polices- 20 percent of the premium for all the years of the paying term.
4. Non life- 50 per cent of premium.

IX. DUTIES OF INSURES

It is ensure by all the micro insurers that the all terms and conditions must be followed at every level of the business. The all activity must be under the define rule and regulation which is in micro regulation 2005. It is also the primary duty to all insures to convey the all information about micro insurance time to time to the IRDA.

X. DISPOSALS OF THE COMPLAINTS

Insurers are also responsible to handle and speedily disposed of the complaints erase by the client. The quarterly report must be send by the insurers to the authority on insurance/companies.

XI. BUSINESS PERFORMANCE OF MICRO INSURANCE INDUSTRY

The micro insurance business starts functioning separately from the year 2002. It was a time when some compulsion has been made for insurers to sale the micro insurance product. The product was sold at affordable prices to the poor people. The industry take a shape after regulation 2005. The government of India and state government is also contributing time to time promote the industry. The life and non life both insurers can sale the micro product. In the year the 2012 the authority expands the definition of micro insurance agency. The IRDA issued a circular in the year 2013. The several entities district cooperative bank, RRB's Kirana Shops, also appointed as agent to facilitate the people. It created a better penetration in the micro sector.

XII. NEW BUSINESS (INDIVIDUAL)

The following table is showing the clear picture of micro insurance individual new business. The data is showing the policy issued by the insurer's public as well as private sector. There are a number of players in this sector to sale the product.

Table-1 New Business of Micro Insurance (Individual)**(Premium in Lakh)**

Year	Policies Issued		Premium		Total Industry	
	Private	Public	Private	Public	Policy	Premium
2007-08	83153	854615	209.74	1613.36	937768	1823.10
2008-09	610851	1541218	537.81	3118.74	2152069	3656.65
2009-10	998809	1985145	839.78	14982.51	2983954	15822.29
2010-11	699733	2951235	735.09	12305.76	3650968	13040.85
2011-12	793660	3826783	964.62	12305.76	462443	11567.71
2012-13	695904	2951235	1018.54	9949.15	5036135	10967.59
2013-14	561339	4340235	929.29	8635.77	2767159	9565.06
2014-15	416027	2205820	1249.22	1640.23	816368	2889.45

Source – Annual report of insurance regulatory development authority related years.

Table -1 The public and sector insurers issued 8, 54,615 and 83153 policies in the year 2007-08, collect a premium of Rs. 1613.36 and 209.74 lakhs rupees. The individual business was increase more than 7 times of private insurers in the very next year the policy issued by private players was 6,10,851 in the year 2008-09 and collect a premium of Rs. 537.81 lakhs which was also increase three times in a year. The public sector also increase the policy issued quantity it was just double in comparison of last year. The people showed a good interest in the micro product. The total number of policy issued in the year 2008-2009 was 2152069 and the premium collected by the insurers through micro individual business was Rs. 3656.65 lakh. The private players maintain a growth 2009-10. The private player's growth was stopped from the year 2010-11. The sale of policy was start to reduce from 2010-11. The reduction process in sale of policy and collection of premium is continued in both public and private sector. The policy issued by the public and private players in the year 2014-15 was 416027, 2205820 respectively, premium collected by both type of players was 1640.23 and 1249.22. The total policy issued in the year 2014-15 was 816368 and the premium collected from the sale of policy was 2889.45 lakhs. After the analysis of above table it's clear that the position of micro insurance individual business is not fair. The growth of business is not steady and sustainably.

XIII. NEW BUSINESS (GROUP)

The following table is showing the status of group new business in micro insurance industry. The Insurers are issuing many schemes year to year in the micro insurance sector.

Table-2 New Business of Micro Insurance (Group)**(Premium in lakh)**

Year	Schemes		Premium Charge		Total
	Private	Public	Private	Public	
2007-08	15	7583	1613.36	19256.23	20127.46
2008-09	14	6883	3326.8	17268.54	20592.34
2009-10	17	5190	1472.09	22869.72	24341.81
2010-11	23	5446	1719.14	13803.67	15522.81
2011-12	112	5461	1150.67	9831.63	10982.30
2012-13	151	5325	756.89	2145.76	14176.68
2013-14	164	5292	1595.23	12581.45	31560.02
2014-15	62	5417	3366.22	28193.8	31560.02

Source – Annual report of insurance regulatory development authority related years.

Table-2 -The public sector insurers issued 7583 policies for groups and collect a premium of Rs. 19256.23 lakhs in the year 2007-08. The private sector issued only 15 group policy and collects a premium of Rs. 1613.36 lakhs. In the next financial year private player's collection of premium increases as it was Rs. 3326.8 lakhs. The collection of premium was not shows a steady growth in the public as well as private sector. It has some up and down year to year. The collection of premium was Rs. 28193.8, 3366.22 for public and private sector in the financial year 2014-15. The total premium collected by the insurers in group business was Rs. 31560.02 in the year 2014-15.

XIV. LIVES COVERED UNDER MICRO INSURANCE

The following table is showing the status of lives covered under micro insurance facility in India from the year 2007-08 to 2014-15. It shows the interest of people in micro insurance product.

Table -3 Lives Covered Under Micro Insurance

Year	Private	Public	Total
2007-08	874901	11367126	12242027
2008-09	1498994	11052815	12551809
2009-10	1895143	14946927	16872070
2010-11	1983537	13275464	15259001
2011-12	750555	9444349	10194904
2012-13	757458	13223872	13981322
2013-14	1291741	11887303	13179044
2014-15	2531436	20596725	23128161

Source – Annual report of insurance regulatory development authority related years.

Table-3 the table is showing the number of lives covered in several years. The private and public sector covered 874901, 11367126 lives respectively in the year 2007-08. The micro insurers covered 12242027 lives in the year 2007-08. In the next year private sector increase the coverage of lives but the public sector decrease slightly. The public and private both insurers found a hike in the year 2009-10. But this hike was not stable. The total number of lives covered reduced in the year 20011-12. At the end of the year 2014-15 the total lives covered were 23128161. The part of public and private sector in total was 20596725 and 2531436 in the year 2014-15.

XV. NUMBER OF MICRO INSURANCE AGENT (LIFE INSURANCE)

The insurer's appoints the agent to facilitate the low income group people. The agent will provide the service to the people at their doorstep. The main job of these agents is to inform about the product to the people. The agent will connect with the people directly and help the person to fulfill the document requirement for that product and convey the all information to company. The agents shall also support to the people at the time of claim, for the payment or settlement. The numbers of agents appointed by life insurers is given in the below table.

Table-4 Numbers of Micro Insurance Agent

Year	Private	Public	Total
2007-08	478	4166	4584
2007-08	418	4166	4584
2008-09	603	6647	7250
2009-10	770	-7906	8676
2010-11	758	9724	10482
2011-12	1251	11546	12797
2012-13	1824	15228	17052
2013-14	1656	18401	20057
2014-15	1476	19379	20855

Source – Annual report of insurance regulatory development authority related years.

Table: 4: The total number of micro insurance agents at the end of the year 2007-08 was 4584 in this 484 are in private sector and 4166 was recruited by life insurance corporation of India. The number of agents is increasing every year in both of the sector public and private. At end of the financial year 2014-2015 the total number of micro agent was 20855. LIC recruited 19379 in last 8 year and private insurers have 1476 agents for micro insurance business.

XVI. CONCLUSION

The micro insurance industry was not a separate industry before 2002. In the year 2002 the government starts a quota system. The system bound to the insurance for sale of micro product. The first regulation was issued in the year 2005 by insurance regulatory development authority. The regulation defines the future route of micro insurance in India. The special guidelines have issued for appointment of micro agent and rules to sale the micro insurance product. The micro insurance is a

tool for protection of poor people. The all type of insurance came under the micro insurance because the need of micro product is everywhere. The insurance industry has a good set up in India. The insurers have a appointment of 20855 micro insurance agent from 2006 to 2014-15. The government giant LIC appointed 19379 agents in the micro insurance sector. The insurers are collecting a very smart premium year to year through micro insurance business. The premium collected by the insurers at the end of the financial year 2014-15 was Rs. 2889.45 lakhs and issued 816368 policies at individual level. The collection of premium is decreasing from last some years. In the group business the collection of micro insurance insurers was Rs. 31,560 lakh at the end of financial year 2014-15. The maximum part of premium was collected by public sector corporations

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