

Performance of micro insurance policies with respect to life insurance corporation of India

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Abstract: *Risk is persistent in the lives of poor and low-income groups. The economic, social, natural and other factors distort households' risk management capability and they struggle to come out of poverty. In India the insurance sector is penetrating in a faster pace in the rural and vulnerable sections of the society. Micro Insurance policy is for low income people living in rural areas with no knowledge and awareness of insurance. They are the people who tend to face more risk and are more prone to illness due to working in hazardous condition or malnutrition with little or no experience in dealing with financial institutions. Micro Insurance in India has made a steady progress with increase in Life Insurers, new products, strengthened infrastructure every year. Though there is a growth in the Micro Insurance but still India has very low Insurance penetration. Two third of world's poor are in India and hence there is a huge need to improve financial security for these low income people in the country. Micro Insurance can be one of such tool that can mitigate the risk for low income group. Though there is a growth in the Micro Insurance but still India has very low Insurance penetration. The main objectives of the study are to study Micro Insurance market in India, and the performance of micro insurance policies with respect to Life insurance Corporation of India. Analysis is based on secondary resources and study is limited to growth in micro insurance sector post liberalization in India. The development of micro insurance is both a moral and an economic imperative, not only for achieving the inclusive financial systems but also for the equitable mitigation of risks.*

Keywords: Micro Insurance, Mitigation of risk, Insurance, LIC

Introduction

Risk is persistent in the lives of poor and low-income groups. The economic, social, natural and other factors distort households' risk management capability and they struggle to come out of poverty. Sometimes poor and weaker sections are often forced to deplete their financial, physical, social and human assets just to cope with the contingencies in the case of multiple risks. The common risks they confront with are illness, death of main earning members of the family, accident, unemployment, crop loss, loss of livestock, fire, theft, drought, flood, and loss in petty trading activity due to market factors. Some groups are more vulnerable to many of these risks than the others and unable to cope with risk events. Hence, the uninsured risk leaves makes many poor households more vulnerable to the losses from negative shocks. Hence it is very important to understand their need as well as demand for some financial products including insurance. Many low income households may involve in activities or managing the enterprises of smaller scale which are of higher risk and uncertainty. It makes them helpless because they are

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more prone to economic and financial collapse. In this situation it is interesting to analyze how can micro insurance play a meaningful and sustaining role in household risk managing efforts, in rural credit and insurance market and providing business opportunity. In this regard the paper focus on current scenario of outreach and efficacy of Micro insurance in India, and major factors that encourage and prevent the growth of the micro-insurance.

Review of Literature

Pushpalatha (2017) in her study highlighted the importance of insurance penetration in the rural areas in an around Visakhapatnam. She analyzed that the awareness of micro insurance as well as insurance policies is low in the rural areas. The liberalization has opened the avenues for insurance sector after privatization and so many companies offered a variety of products for different sections of the society.

Narendar and Sampath (2014) observed in their study about the level of awareness towards the rights and duties regarding insurance and analysed that they are negligible. The study was conducted to understand the scenario of the awareness of policyholders rights and duties towards life insurance products after the privatization of the insurance sector with special reference to Indian insurance sector. The total study concentrated on the individual behavior, attitudes and also crating the awareness regarding their contribution on Indian insurance sector.

Viswanathan and Karthi (2014) observed that the competitive climate in the Indian insurance market has changed dramatically over the last few years. At the same time, changes have been taking place in the government regulations and technology. The present study is to analyze the Satisfaction level of LIC policy holders related to investment in particular policies provided by the LIC of India, and to know about the policy holders knowledge and experience in investing particular policies, to find out the reasons for purchasing the policy from LIC of India. They suggest Life Insurance Corporation of India should introduce many new products in the market which have competitive advantage over the products of Private Insurance because the private Insurance companies have introduced some new innovative services to attract the customers by offering more bonus facilities and attractive services.

Vijayalakshmi, Geetha (2015) in their study has conducted a study in the area of Coimbatore to understand the socio economic profile of the sample customers. They also analyzed the perception of micro-insurance policy holders of LIC towards Micro Insurance. Based on the study it was recommended to LIC company to come up with multi-benefit micro-insurance policies that fulfill the needs of different types of low income people in both rural, unorganized sector and also in the urban areas. Micro insurance products design must be based on that perception. The company has to introduce more premium payment points and allow the premium points to collect the MI policy premium from the MI policy holders directly. Some other strategies like opening premium counters in the public places where there is density of LIC MI policy holders. Local community based organizations could organize premium collection Day / Mela as they have better access to the local people.

Pooja Tagra, Pawan Kumar Dhiman (2017) has done the studies on the schemes of government and initiatives of IRDA in promoting life insurance in rural and social sectors. The paper examines the insurance and social security schemes being implemented by the government of India and initiatives taken by IRDA to increase life insurance coverage in rural and social sectors. They concluded that the government and Insurance Regulatory authority of India have been taking initiatives to promote life insurance in weaker sections of society but still lot has to be done. The life insurance companies must develop products which should meet the needs of

rural people. To capture the rural market the innovation distribution channels should be used and the agents should be trained to make people aware about significance of life insurance.

Statement of the Problem

There is a huge gap in micro insurance policies demanded by BPL people and provided by insurance companies. The major gap exists between demand and supply of micro insurance and the branches of insurance companies were not established in rural areas. The previous studies have highlighted the outreach of insurance companies but not specific to LIC company. So it is an attempt to evaluate the performance of LIC in reaching the poor sections in Visakhapatnam District.

Objectives of the study

The following are the specific objectives of the present study.

1. To study the evolution and growth of Indian Micro Insurance sector in general and in particular.
2. To examine the details of products of Life Insurance corporation of India, its market share, and its business performance.

Methodology

The data required for the study have been collected from secondary sources.

Concept of Micro Insurance

Insurance is designed to protect the financial well-being of the individual and his dependents in the case of unexpected loss. The essence of insurance is the pooling and sharing of losses, and substitution of certainty in the place of uncertainty. When the risk under consideration is premature death, the possible financial hardships of the dependants of a deceased policyholder is indemnified through life insurance.

Micro-insurance is the guarantee against risk of low income people in exchange of regular premium in proportion to the value of risk involved. In case of India, Micro-insurance policy is for low income clients living in rural areas; who are illiterate or not familiar with insurance; who tends to face more risk compared to other class of society; more prone to illness due to working in hazardous condition or malnutrition with little or no experience in dealing with financial institutions. The size and potential of market is enormous due a sizeable portion of poor and low income population who live without any formal insurance.

Products offered by Life Insurers

Development of micro insurance sector in India is recent phenomenon. Micro Insurance portfolio has made steady progress during last few years after IRDA (Micro-insurance) Regulations 2005 that allow the insurers for composite covers or package products. Private and Public Sectors Insurance Company are offering a variety of Micro-insurance products with minimum premium the following table 1.

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Table 1: List of Micro-insurance products of Life Insurers as on 31.03.2016

Insurer	Name of the Product	
	Individual Category	Group Category
Aviva Life	Nayi Grameen Suraksha	
Bajaj Allianz Life	Bima Dhan Suraksha Yojana Bima Dhan Suraksha Yojana Bima Sanchay Yojana	
BhartiAxa Life	--	Jan Suraksha
Birla Sunlife	Bima Suraksha Super Grameen Jeevan Raksha	
Canara HSBC OBC Life		Sampoorna Kavach Plan
DHFL Pramerica Life -		Pramerica Sarv Suraksha
Edleweiss Tokio Life	Raksha Kavach Dhan Nivesh Bima Yojana	
HDFC Standard Life	Sarv Grameen Bachat Yojana	
ICICI Prudential Life	Anmol Bachat Sarva Jana Suraksha	
IDBI Federal Life	Termsurance Sampoorn Suraksha	Microsurance Plan
Kotak Mahindra Life	Sampoorn Bima Plan	
PNB Met Life	MetLife Grameen Ashray	
Sahara Life	Sahara Surakshit Pariwar Jeevan Bima	
SBI Life	SBI Life Grameen Bima	Grameen Super Suraksha Grameen Shakti
Shriram Life		ShriSahay SP
Tata AIA Life	Navkalyan Yojana Saat Saath	
LIC of India	New Jeevan Mangal - Bhagya Lakshmi	

Growth of Agents

In order to market the products, the Regulations, 2005 has allowed the Non-Governmental Organizations and the Self-Help Groups to act as agents to insurance companies. It has also allowed both life and non-life insurers in the promotion of products. Table 2 exhibits the growth of agents under life insurance business from 2007 to 2016 and also depicts the forecasted figure for 2020.

It can be inferred from the Table 2 that the agents under life insurers go on increasing every year. The number of agents as on April 1, 2007 was 1,311. Of this, a major portion of 1,232 agents which accounts for 93.97 per cent were pertained to public sector insurance companies, i.e. LIC of India. Every year there may be some additions and deletions in agents. The number of agents at the beginning of April 2016 stood at 27,041 of which 18,574 agents pertained to the LIC and the remaining (i.e. 8467) represented the private sector companies. The trend of agents for the year 2020 is estimated at 36065.

Table 2: Growth of Agents – Life Insurers

MI Agents (As on 1st April)	LIC	Private	Total
2007	1232	79	1311
2008	4166	418	4584
2009	6647	603	7250
2010	7906	770	8676
2011	9724	758	10482
2012	11546	1251	12797
2013	15228	1824	17052
2014	17231	2015	19246
2015	19379	3382	22761
2016	18574	8467	27041
2020 (Projected)	32430	3635	36065

Source: Compiled from IRDA Annual Reports 2007-08 to 2015-16.

New Business under Micro Insurance (Life)

With expansion of distribution infrastructure and new business has shown upward trend in sector but it is still much smaller than the desired level. However, business in India largely constitutes group portfolio. Under the individual policy category, though more policies are underwritten, the total premium amount is low. Among the insurers the share of LIC was substantial in business and it is highlighted in Table 3. Table 3 given in the following page provides the new business under portfolio for life from the year 2007-08 to 2015-16.

The Regulations (2005) has also helped the growth of regulated in India which can be inferred from Table 3. According to the Table 2.9 and the IRDA Annual Report 2015-16, the individual new business premium under the segment in the year 2015-16 stood at Rs.3171.73 lakhs for 91.09 lakh new policies, the group business premium amounted to Rs.302.43 lakhs covering 2.92 crore lives. The LIC contributed to a significant component of the business procured in this portfolio by garnering Rs.1953.78 lakhs of individual new business premium providing cover to 45.22 lakh lives and Rs.254.26 lakhs of group premium covering 2.26 crore lives. The premium collection under individual as well as group category shows a fluctuating trend during the years under study, i.e. from 2007-08 to 2015-16. After more than half a decade of regulation, there are clear trends in the way business is conducted.

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Table 3: New Business under Micro Insurance Portfolio

Insurer	Individual		Group		
	Policies (Nos.)	Premium (Rs. lakh)	Schemes (Nos.)	Lives Covered (Nos.)	Premium (Rs. lakh)
2007-08					
LIC	854615	1613.36	7583	11367126	19256.23
Private	83153	209.74	15	874901	871.23
Total	937768	1823.10	7598	12242027	20127.46
2008-09					
LIC	1541218	3118.74	6883	11052815	17268.54
Private	610851	537.81	14	1498994	3326.80
Total	2152069	3656.55	6897	12551809	20595.34
2009-10					
LIC	1985145	14982.51	5190	14946927	22869.72
Private	998809	839.78	17	1895143	1472.09
Total	2983954	15822.29	5207	16842070	24341.81
2010-11					
LIC	2951235	12305.76	5446	13275464	13803.67
Private	699733	735.09	23	1983537	1719.14
Total	3650968	13040.85	5469	15259001	15522.81
2011-12					
LIC	3826783	10603.49	5461	9444349	19831.63
Private	793660	964.22	112	750555	1150.67
Total	4620443	11567.71	5573	10194904	10982.30
2012-13					
LIC	4340235	9949.05	5325	13223872	21045.76
Private	695904	1018.54	151	757450	756.89
Total	5036139	10967.59	5476	13981322	21802.65
2013-14					
LIC	2205820	8635.77	5292	11887303	12581.45
Private	561339	929.29	164	1291741	1595.23
Total	2767159	9565.06	5456	13179044	14176.68
2014-15					
LIC	400341	1640.23	5417	20596725	28193.60
Private	416027	1249.22	62	2531436	3366.22
Total	816368	2889.45	5479	23128161	31560.02
2015-16					
LIC	452291	1953.78	4844	22603919	25426.39
Private	458655	1217.95	153	6650805	4816.67
Total	910946	3171.73	4997	29254724	30243.06

Death Claims under Micro Insurance Portfolio

Claim settlement is the major issue for the insurer. The death claims paid by both the public sector insurer and the private sector insurer have been analyzed from 2007-08 to 2015-16. The settlement of death claims under individual and group category are given in Tables 4.

Table 4: Individual Death Claims under Micro Insurance Portfolio
(Benefit Amount in Rs. Lakh)

Insurer	Claims Payable		Claims Paid			
	No. of Lives	Benefit Amount	No. of Lives	%	Benefit Amount	%
2007-08						
LIC	318	47.25	309	(97.17)	45.82	(96.97)
Private	182	23.07	130	(71.43)	16.33	(70.78)
Total	500	70.32	439	(87.80)	62.15	(88.38)
2008-09						
LIC	2854	285.75	1825	(98.44)	280.70	(98.23)
Private	783	99.20	702	(89.66)	50.48	(50.89)
Total	3637	384.95	2527	(95.83)	331.18	(86.03)
2009-10						
LIC	4133	642.92	4102	(99.25)	637.17	(99.11)
Private	3441	188.31	3406	(98.98)	182.05	(96.67)
Total	7574	831.23	7508	(99.13)	819.22	(98.55)
2010-11						
LIC	7320	1190.17	7244	(98.96)	1174.12	(98.65)
Private	4071	514.59	4039	(99.21)	505.23	(98.18)
Total	11391	1704.76	11283	(99.05)	1679.35	(98.51)
2011-12						
LIC	9615	1558.10	9499	(98.79)	1540.40	(98.87)
Private	5033	580.83	5010	(99.54)	568.72	(97.92)
Total	14648	2138.9	14509	(99.05)	2109.12	(98.61)
2012-13						
LIC	11753	1974	11647	(99.10)	1954.95	(99.03)
Private	3289	326.74	3253	(98.91)	315.47	(95.55)
Total	15042	2300.74	14900	(99.06)	2270.42	(98.68)
2013-14						
LIC	12136	2022.98	12048	99.27	2005.35	99.13
Private	3583	361.45	3562	99.41	357.62	98.94
Total	15719	2384.43	15610	99.31	2362.97	99.10
2014-15						
LIC	11582	1845.48	11365	98.07	1817.67	98.49
Private	1814	405.39	1773	97.74	339.86	83.84
Total	13396	2250.87	13138	98.13	2157.53	95.85
2015-16						
LIC	9749	1584.27	9632	98.80	1563.55	98.69
Private	4490	607.82	4427	98.60	483.33	79.52
Total	14239	2192.09	14059	98.74	2046.88	93.38

Note: Figure in brackets show percentage of the respective total claims. Source: Compiled from IRDA Annual Reports 2007-08 to 2015-16.

It is observed from Table 4 that of the total individual death claims settled in individual category, the LIC has settled more than 96 per cent of total claims in all the years under study whereas the private insurers have settled 71 per cent of the total claims in 2007-08, 51 per cent

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Table 5: Group Death Claims under Micro Insurance (Life) Portfolio
(Benefit Amount in Rs. Lakh)

Insurer	Claims Payable		Claims Paid			
	No. of Lives	Benefit Amount	No. of Lives	% Paid	Benefit Amount	% Paid
2007-08						
LIC	41964	11840.00	41958	(99.99)	11836.80	(99.97)
Private	1785	259.81	1730	(96.92)	252.12	(97.04)
Total	43749	12099.81	43688	(99.86)	12088.92	(99.91)
2008-09						
LIC	47582	15022.09	47466	(99.76)	14988.11	(99.77)
Private	2940	485.78	2872	(97.69)	474.80	(97.74)
Total	50522	15507.87	50338	(99.64)	15462.91	(99.71)
2009-10						
LIC	41662	17328.25	41175	(98.83)	17188.61	(99.19)
Private	2354	603.60	2288	(97.20)	579.57	(96.02)
Total	44016	17931.85	43463	(98.74)	17768.18	(99.09)
2010-11						
LIC	46306	19746.19	45965	(99.26)	19607.62	(99.30)
Private	4499	1097.25	4285	(95.24)	1028.07	(93.69)
Total	50805	20843.44	50250	(98.91)	20635.69	(99.00)
2011-12						
LIC	124890	40574.70	124421	(99.62)	40432.13	(99.65)
Private	5920	1173.88	5840	(98.65)	1165.14	(99.26)
Total	130810	41748.58	130261	(99.58)	41597.27	(99.64)
2012-13						
LIC	140512	43329.41	139242	(99.10)	42947.45	(99.12)
Private	3650	831.65	3573	(97.89)	824.63	(99.16)
Total	144162	44161.06	142815	(99.07)	43772.08	(99.12)
2013-14						
LIC	138720	44055.19	138048	99.52	43840.08	99.51
Private	4118	969.48	4069	98.81	958.20	98.84
Total	142838	45024.67	142117	99.50	44798.28	99.50
2014-15						
LIC	127836	41477.61	127751	99.93	41443.90	99.91
Private	5655	1252.09	5517	97.56	1218.38	97.31
Total	133491	42729.70	133268	99.83	42662.28	99.84
2015-16						
LIC	9749	1584.27	9632	98.80	1563.55	98.69
Private	4490	607.82	4427	98.60	483.33	79.52
Total	14239	2192.09	14059	98.74	2046.88	93.38

Note: Figure in brackets show percentage of the respective total claims. Source: Compiled from IRDA Annual Reports 2007-08 to 2015-16.

Table 5 points out that the LIC has settled more than 99 per cent of total claims under group death claims in micro-insurance. It is also evident that the private insurer's settlement is also more than 95 % in all the years except in 2015-16.

Conclusion

Micro insurance is must for poor people and it is the only way to ensure overall growth in a country. Insurance is an intangible product for the working poor having limited disposable income. It is hard for poor people to allocate funds to protect against an event that they hope won't even happen when they do not have funds for buying their basic needs. There is a strong need to make sure that that they have access to appropriate products, and have a positive experience with insurance.

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