CHAPTER – 1

MICRO INSURANCE - AN INTRODUCTION

Summary
In this study, chapter 1 highlights the meaning of insurance, its history at world level way back from 3rd million BC to till today and at Indian level from 1818. Further chapter discussed the concept and environment of micro insurance, structure, necessity of micro insurance, Products, Development, major players, role of government & present position of micro insurance in India. The chapter also described that how micro insurance provides social security to unprivileged people and make social changes in the society. In this chapter, growth of micro insurance business at both individual & group level in public and private insurance companies have been discussed and analyzed.
1 INSURANCE- AN INTRODUCTION

“Insurance is a contract by which the one party, in consideration of a price paid to him adequate to the risk, becomes security to the other that he shall not suffer loss, damage or prejudice by the happening of the perils specified to certain things which may by exposed to them.”

-Justice Lawrence

Practically every kind of human activity is risk related. Whether planning a picnic, there is a risk, that rain will happen; when ordering a drama tickets, there is the risk, that the ticket will sold out and while proposing to a girl, there is the risk that she will say no.

Several risks contain economic aspects. If your house catches fire, it could cost a lot of money to repair it. If your scooter is stolen, you will require money to purchase a new one. On behalf of several economic risks a person can pay a premium to an insurance company, and then the company will take over the economic risk or at least a most important portion of it. If your scooter was insured when it was stolen, you inform the theft to the insurance company, and the company will pay you the cost of the scooter, perhaps reduced by certain deductible.

Thus, Insurance is security against uncertainty. There exists an agreement (policy) between the insurance company and the policy holder. The policyholders pay a particular amount of money (Premium) to the insurance company. In return the company will offer him economic compensation if a specified incident that brings him economics loss. At the time when if a specified is made, neither the policyholder nor the company knows:

- Whether this incident will occur.
- When it will occur.
- How (to what extent) it will occur.

The policyholder pays for a product before it is delivered, and at the time when the product is sold, neither the buyer (the policyholder) nor the seller (the insurance company)know how much it cost the seller to deliver the product to the buyer. As a result, the selling of the product, the insurance company has acquired insecurity. Alternatively, for the policyholder the negative influence of uncertain happenings has been reduced. Therefore, the uncertainty has been shifted from the policyholder to the insurance company.
Uncertainty or insecurity is the base of insurance; Insurance would not create rationality without uncertainty. If together you and the insurance company know that there will be no harm on your house during the next year, at that moment there would be no object to set up an agreement or pact on covering costs of destruction to the house. On the other hand, if both insurance company and you know that your house will be completely damaged by fire on June 21, then the premium should to be equivalent to the entire value of the house, perhaps reduced to the time while the premium is paid. Accordingly insurance would not create logic in this situation also; the policyholder could just as well set premium amount on a bank account.

Whereas uncertainty in the utmost other lines of business is an unintended and unwanted moment of the universal activity. In insurance it is the base of the business.

In addition to this there are several other fields where uncertainty founds the base of the business like lotteries and casinos. However this can in a sense are considered as the opposite of insurance. In insurance the client pays to get rid of uncertainties whereas in lottery he pays to obtain uncertainty.

1.1 HISTORY OF INSURANCE

1.1.1 WORLD

“The world Insurance history can be traced back in Emperor Hamurabi’s Babylonya 3000 years B.C in the primitive form of Marine Insurance through contracts providing security to the traders undertaking risks of importing goods from Eastern countries like India and China, etc.”

Insurance in the modern intellect originated in the Mediterranean during 13th and 14th century, though Greek and Romans may have used it even earlier. Marine Insurance, write Mayerson, A.L. in “Introduction to Insurance” is the oldest known type of insurance recorded in 1347. “This was followed by life insurance some 300 years later. In 1400, a merchant of Florence wrote a book on insurance goods sent by sea. From Italy, marine insurance spread to Europe and England by Lombard merchants. In England a court judgment on marine insurance is found in 1500/1562 A.D. An act of parliament was passed in the year 1601 relating to marine insurance.”

Some further development of world insurance has been shown in table 1.1.1 into an Appendix.
1.1.2 INDIA

Insurance Industry in India has a deep rooted background. It is also written in Manu (Manusmrithi), Yagnavalkya (Dharmasastra) and Kautilya (Arthasastra). In those writings it is mentioned about group of resource that can provide safety against flood, fire, disaster and epidemics. In modern days it is probably a pre-cursor. The Indian ancient history has conserved the original drops of insurance in the formula of maritime job loans and carriers’ agreements. Indian Insurance has progressed over period, seriously sketch through other countries, particular from England.

The life insurance business in India, has its presence from 1818 with the establishment Oriental Insurance, Calcutta. This Company however failed in 1834. “In 1829, the Madras Equitable had begun transacting life insurance business in the Madras Presidency. Year 1870 saw the enactment of the British Insurance Act and in the last three decades of the nineteenth century, the Bombay Mutual (1871), Oriental (1874) and Empire of India (1897) were started in the Bombay Residency. This era was dominated by foreign insurance offices which did good business in India, namely Albert Life Assurance, Royal Insurance, Liverpool and London Globe Insurance. The Indian offices were up for hard competition from the foreign companies.”

Important milestones of life insurance and general insurance business in India are given in the following tables 1.1.2, 1.1.3 and 1.1.4 in appendix.

The Insurance industry in India is fastest growing industry with 15-20% growth rate. With Insurance and Banking service it adds 7% to the GDP’s pf the country. Indian has come up with developed and grow insurance sector who provide boom to economic growth with long term funding also encourages the risk taking strength in the country peoples.

1.2 MICRO INSURANCE

In the present day, the assurance of giving public safety to be fulfilled in India as, in numerous growing nations. Communal marginalization is getting higher. Merely, 20% of countries peoples likes to enjoy satisfactory security socially. Especially, the rural poor, who are mostly requiring the safety against socials problems are the omitted ones. The populations in rural areas has to look at various risk and hardships. Poor families are facing various risks and financial problems. Single method for the low income in care for ourselves is from micro
insurance. Life insurance in rural households is viewed as resources to save money to cover long time family goals, such as purchasing of land or meeting the expenditure of daughter’s marriage. Not like in urban areas, where the buying of insurance is influenced by tax consideration, rural consumers are bound to prefer endowment and anticipated endowment product with policy terms of 25 years and further.

Viewing the choice of rural households for saving. The insurance regulator Insurance Regulatory & Development Authority (IRDA) has requested companies to make “innovative saving product for rural markets”, instead of making themselves to present pure term insurance wrap to carry out rural business quotas. By serving poor families in handle vulnerabilities micro insurance provide them monetary assurance yet in the condition of important risk.

1.2.1 MEANING OF MICRO INSURANCE

“Micro insurance is the protection of low-income people against specific perils in exchange for regular monetary payments (premiums) balanced to the likelihood and cost of the risk involved.” With the help of insurance poor people or groups can easy share the price of uncertain accruing vulnerabilities.

Micro insurance is a growing area. It is progressively known that families, mainly low earning families, require certain level of safety regarding the dangers. From the insurance the effect of risk among the low earning households can be decrease with the help of group of risk dealing procedures. Group of risk dealing includes that small groups of people make small amount of premium payment into routine terms. And from this premium investment they will get safety against very uncertain problem occurs at uncertain situations like illness, hospitalization expenses, accidents, house burn etc. Group of risk has quit a large potential to give maximum satisfaction to low income people with minimum cost and this brings habit of saving among them.

“In India recently many important developments have been taken place in micro insurance. With the rapid growth in the micro insurance in current years, India has achieved an insurance density of US $ 53.2 for 2012 and insurance penetration of 3.96 % of GDP in 2012. On the other hand, 90% of the Indian population and 88% of Indian labour force (the majority of unorganized labour force) are still excluded from any kind of insurance and pension cover.”
The report of UNDRP, “Centre of Human Development Unit” shows the potential and prospect of micro insurance in India.

Table 1.2.1: Potential Market Size of Micro Insurance in India

<table>
<thead>
<tr>
<th>Category</th>
<th>Potential Market Size</th>
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</thead>
<tbody>
<tr>
<td>Life</td>
<td>Rs.15.39 to 20.14 billion per year</td>
</tr>
<tr>
<td>Health</td>
<td>Rs.13.42 to 17.89 billion per year</td>
</tr>
<tr>
<td>Crop</td>
<td>Rs.9.76 to 13.01 billion per year</td>
</tr>
<tr>
<td>Livestock</td>
<td>Rs.5.86 to 8.2 billion per year</td>
</tr>
<tr>
<td>Pension</td>
<td>Rs.201.3 billion per year (unorganized workforce)</td>
</tr>
</tbody>
</table>

Source: Potential and Prospects of Micro insurance in India; UNDPR regional Centre of Human Development Unit 2011

1.2.2 THE ENVIRONMENT AND STRUCTURE OF MICRO INSURANCE

The growth of micro insurance includes larger growth of fresh product and the fresh organizations to distribute them. Micro insurance involves the action of numerous diverse organizations at diverse stages. The diagram displays how organizations are elaborated at micro, meso and macro levels.

![Structure of Micro Insurance Diagram](source)

Figure 1.2.2: Structure of Micro Insurance
• **The Micro-Level**
Policy holders and micro insurers are at the center of the micro insurance structure. The insurer can be sole organization which brings the danger takers, marketers or distribute the products, and manages the products. Sometime separate organizations carried out these assignment, Thus the danger carries by the insurer for product allocation can reduce by a microfinance organizations, although specify third party might undertake the claim management.

• **The Meso-Level**
The meso-level involves with the monetary arrangement required for help the working of micro-level actions. E.g., actuaries are essential to contribution to understand the risk by insurer and the danger in connection to a policies and setting in premium suitable to the danger accepted by them. Meso-level structure too contain training facilities things for micro insurance supervisors and subordinates, the accessibility of proficient software, and working to keep the servicing. A very important part of meso-level is market information at quality standard. At every level information is the key for the product development so as to plan the policies which helps to bring the successful outcome at micro and macro level.

• **The Macro-Level**
In this level the higher authorizes needs to develop rules and regulation for the working of insurers and when these rules set up the admin authorities tries to makes sure that those rules are fulfill. In this level apart creating rules by administration for the insurance it is very important to look at the needs of the consumers and to provide consumer protections by funding.

• **Superseding at all levels**
Conventionally, more of the contribution or emphasis at micro finance was on the micro level, in specific the formation of micro credit sellers. Over and over again the actions quit restricted with various drawbacks at the meso and micro-level. Micro insurance donor does not require to again learn the lesson that micro credit donor moved way beyond already. Responding at the needs which has been accepted at all 3
levels define to create micro insurance involvements ample extra active since the beginning.

1.2.3 MICRO INSURANCE REGULATION- DEVELOPMENT AND PRESENT POSITION

In 2005 Insurance Regulatory Development Authority (IRDA) has come up with micro insurance approach for the first time in India. Indian is one of the developing nation who plan and apply the definite rules and regulation for micro insurance. Whereas, in 2002 rural and social sector obligations was developed by IRDA that was compulsory for every insurance companies to fulfill;

1. “Percentage of polices to be sold in rural areas;
2. Number of lives to be covered in the social sector.”

In 2003 a consultative group has been create to look at the various issues related with micro insurance which has been highlighted the:

a) Non-viability of standard micro insurance program.
b) Insurance companies has lack of interest regarding micro insurance.
c) The prospective of substitute mediums.

Rural Regional Banks in 2004 permissible to sale insurance as “corporate agent” and in 2005 IRDA has come up with micro insurance rules and regulations those recommends:

1. “Condition of product limits in terms of minimum and maximum sum assured, the term of product, the allowable age group and the maximum commission to agents.
2. SHGs, MFIs and NGOs were allowed to become Micro Insurance Agents (MIA). A status that has easy agency authorization process and sustainable long term earning potential.”

<table>
<thead>
<tr>
<th>TYPE</th>
<th>SUM ASSURED (Rs.000)</th>
<th>TERM (Years)</th>
<th>AGE (Years)</th>
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</thead>
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<tr>
<td>Term life</td>
<td>5-50</td>
<td>5-15</td>
<td>18-60</td>
</tr>
<tr>
<td>Endowment</td>
<td>5-30</td>
<td>5-15</td>
<td>18-60</td>
</tr>
<tr>
<td>Health (Individual)</td>
<td>5-30</td>
<td>1-7</td>
<td>Insurers Discretion</td>
</tr>
<tr>
<td>Health (Family)</td>
<td>10-30</td>
<td>1-7</td>
<td></td>
</tr>
<tr>
<td>Accident rider</td>
<td>10-50</td>
<td>5-15</td>
<td>18-60</td>
</tr>
<tr>
<td>Livestock/assets</td>
<td>5-30</td>
<td>1</td>
<td>NA</td>
</tr>
<tr>
<td>Accident (non-life)</td>
<td>10-50</td>
<td>1</td>
<td>5-70</td>
</tr>
</tbody>
</table>

Source: IRDA, www.irda.gov.in
In Indian micro insurance regulation is an important while for insurance sector. IRDA on 31st March 2009 has registered 7250 MIAs. But these regulation has certain limited aspects, for e.g.

- Non-Banking Financial Companies segregation and companies acting as MIAs as per section 25;
- Commission received has service tax;
- MIA status of Regional Rural Banks and cooperatives has lack of clarity;
- Limitation of life and non-life partner for separately MIA.

1.2.4 NEED OF MICRO INSURANCE

The development of the micro finance institutions came into focus because it provide wide range of financial protection to low income people for a supportable base and also fulfil the need of the economically backward segments. The condition was well define that the poor not only required thrift and credit but as well insurance to reduce and remove the risk. It was also determined, that like the formal banking sector; the insurance sector had also unsuccessful to reach to poorer groups of the society. The substantial reason is being high cost of operating grouped with low sales capacity in rural areas and lack of data about the customers. The growth of MFIs delivered the ample essential link that was speed up to service needs of the poor. IRDA played a most significant role by safeguarding, that the insurance companies use this system for reaching out to the rural and economically backward zones. The private companies were also encouraged to come in the rural market to accomplish their social obligation and increase the insurance coverage.

Classifying the need in the market the MFI’s speeds up the potential to provide micro insurance product to their members. This was done to attain two fold advantages.

1. “To safeguard the loans against the risk of non-repayment from the customers in case of death of member/husband.
2. To safeguard the members from the burden of repaying, in case of death of the main earning member of the family.”
Gradually the MFIs members might see the benefit of the credit insurance in form of funeral support, and loan waiver. The product increased motivation among the MFIs. The importance of introducing the insurance product as a necessary part of the financial package could be seen from the fact that the small MFIs even in their developing phase of development choose to distribute the insurance product.

Today, micro insurance product is taken as a significant part of the financial package delivered to the poor. The poor are continuously bare to numerous kinds of risks, which can be either considered as idiosyncratic (specific to the household) and covariate (common, e.g., drought, epidemic, etc.). To fight against the dangers, the low income do take active risk monitoring – crop storing, reserves, property buildup, advances from relatives and friends, etc. Although
these efforts are not sufficient to meet the ill effects of the risk exposed. Their vulnerability to all kinds of risks can undo all efforts of the government and the MFIs and bring them back to poverty. To deal with the ill effects of the risks exposed, the MFIs are endlessly trying to contain new insurance products in the basket of the financial package. Micro insurance products help in providing greater economic, social and psychological security to the poor and mitigate the impact of the risk exposed.

1.2.5 MICRO INSURANCE IN INDIA

A. Variety of Micro Insurance Products in India

India is home to various experiments in micro insurance. However formally there are 23 registered micro insurance products filed by 15 insurance companies. There are delivering of registered and non-registered micro insurance products in India.

Micro insurance products in India can be defined into four different categories:

- Micro insurance policies and schemes registered as products.
- Social and rural plans not listed as micro insurance products;
- “Community based products in partnership with insurance companies and”
- Self-governing communal based micro insurance plans.

“There are 83 micro insurance products filed by 19 insurance companies in India. Out of this, 42 were life and 41 were general insurance products and most of them are health product. Several MFIs, cooperatives, health mutual and health service are also provided life, health, crop and other general insurance products either individually or with some partnership with insurance companies.”10 “As per the ILO reported 60 such insurance products, of which 9 were sold without any insurance company partnership.”11

B. Registered Micro Insurance Products

Ever since the Micro Insurance Regulation of 2005, 15 companies have registered 23 micro insurance products with IRDA. The features of these products are:

- All of these products are registered by life insurance companies, who sell them mainly to achieve the rural and social sector obligation of IRDA;
- Maximum number of policies are individuals, the underwriting and premium collection is completed with group level.
The supply of products is generally done with the help of MFIs, and MFIs makes packages of the products for their micro credit customers. Whereas the loan products provided by MFIs is generally for one year period, and these products work as a life policies as credit if not renewed.

From these distribution MFIs received 20 to 40% premium on the policies for the first year.

Initially the policies period is 5-10 years so as to control the plan easy. But in real life situation the sustainability of these policies is very less.

C. Micro insurance products not registered as rural and social products

“Roughly 64 products are offered by both public and private life and general insurance companies to low income rural and social sectors, not registered as micro insurance products. These products can be defined in four groups.

- **Individual life insurance products**, which were registered prior to the micro insurance regulation in 2005. Most of the life insurance companies have discontinued such products as they have registered micro insurance products of similar nature. However, some life insurance companies are still continuing these products since they do not wish to invest in developing new micro insurance products, as they would not significantly contribute to their profitability. There are about 6 such products currently operating in the market.

- **Savings linked individual life insurance products**, which are piloted through unique technology and distribution channels. For example, the Max New York Life Insurance Company uses mobile phone-based transactions and ICICI Prudential has tried to start Unit Linked (ULIP) pension products for workers of Tea Estates of Assam.

- **Individual and group general insurance products**, which are distributed through channels that do not necessarily qualify for MIA. Most of the general insurance products are distributed through specific retail distribution channel (e.g. agriculture input suppliers, tractor dealers etc.) and individual agents. These rural products constitute 20-25% of annual premium of the general insurance companies.

- **Group term (life) assurance products**, which are becoming increasingly popular among life insurance companies because:
With the advent of rural agency channels (and other alternative rural channels), the dependence of most insurance companies on micro insurance products to meet their rural and social sector obligations is decreasing. Hence the companies are switching towards more profitable group products, which involve much lower transaction costs.

- The premium of the group products are low as compared to individual micro insurance products for the same sum assured. The low premium enables the MFIs (and rural banks) to charge less for insurance on the loans disbursed. Thus MFIs (and rural banks) are attracted to group policies, rather than individual policies.

- The premium can be negotiated and terms can be customized (for profit sharing, service level agreements etc.) according to the requirement of the MFIs and the insurance company."

D. Insurance Companies Partnership with Community Based Products

Currently, there are around 40 insurance policies run by different NGO, MFI and community based organizations in partnership with insurance companies. These policies are not listed as unique micro insurance products, and IRDA does not control them individually as they are partly or totally in corporation with insurance companies. But, these products are distinctly different from the other type of products:

- The schemes were maintained by CBOs (Community Based Organizations) with 12.5%, micro finance institutions is 47.5% and Non-government organizations is 40%. Thus they are largely considerable for MFIs and NGOs.
- These policies are limited to only two or four states of the nation and repeat in the new fields only when the operating organization moved to other states of the country to make the wider scope of operations.
- These insurance schemes are covering both life and non-life insurance. The MFIs, NGOs and CBOs maintain the premium collection and distribution cost and retain certain amount of premium as a part of saving. The policies or schemes they offer are covering 3 or 4 group insurance policies of diverse kind of insurance and protects from different types of dangers. Such as VIMO SEWA provides Packges
which covers hospitalization expense, asset and accidental insurance in a group scheme.

- In Indian 90% micro insurance is focused or provided in the south part of the nation. Such states like Tamil Nadu (30%), Andhra Pradesh (35%), Karnataka (15%) and Maharashtra (10%).

### 1.3 MICRO INSURANCE: AN INDEPENDENT COMMUNITY BASED PRODUCTS

In India presently 10 CBHs products run which provides health services at individual level and at mutual level. The kind of services which are provided are; hospitalization expenses in network based connection between the hospitals in the particular areas of community base on customer’s requirement. The administration of these policies are maintain by the third party in most of the cases. Some of the very unique features of these policies are;

- The maximum coverage schemes are Yeshasvini Health Scheme which cover around 3 million customer under it.
- In some of the schemes of micro insurance the contribution from customers is taken as a kind form instead of cash terms to feel the transportation requirement of the customers. Such Schemes is Jawhar Arogya Yojana run by Kasturba Hospital, Sevagram in this schemes people contributed in terms of grains instead of cash.

### 1.3.1 MICRO INSURANCE MARKET TRENDS IN INDIA

The regulation from IRDA 2005 has gave right path for the growth of micro insurance in India. According to the 2010-11 annual report of IRDA 3.65 million policies micro insurance were sold in India, Covering 18.9 million people lives. The total annual premium collected is Rs. 2.86 billion from micro insurance. Thus, micro insurance covers 4.59% total lives, 7.65 number of policies in total and premium collection is 0.23% by Indian insurance industry of the population.
LIC the market leader of micro insurance

Figure 1.3.2: Market Share of LIC in Micro Insurance

Figure 1.3.2 shows the market share of LIC in Micro Insurance while figure 1.3.3 shows that Private insurers are preferring group micro insurance business more whereas, LIC is focusing towards individual micro insurance business.
Rs. 2.61 million premium collection, LIC as a public insurance company is the market leader. LIC’s has produced over 9,724 Micro Insurance Agents (MIA) from micro insurance business.

![Figure 1.3.3: Individual premium as % of total micro insurance premium](image)

**Figure 1.3.3: Individual premium as % of total micro insurance premium**

Micro insurance products such as group insurance products has quit growth in place of individual products, in cost of distribution and distribution agent’s suitability. The public insurance companies has reduces their focus on group micro insurance policies because:

- Public insurance companies i.e., LIC has highly focused on larger earning plans of micro insurance instead of term products. LIC premium for individual micro insurance policy is Rs. 417 in comparison to private insurance companies’ policies which is only Rs. 105. Thus, LIC can achieve the transaction costs of individual micro insurance policies.

![Figure 1.3.4: Premium per individual policy](image)

**Figure 1.3.4: Premium per individual policy**

- Unlike private players, LIC sells its group credit-life micro insurance even through the small MFIs, This has reduced its premium per group scheme. Hence, LIC does not
enjoy the reduction in transaction cost in group policies that private players gain through their larger transactions.

**Figure 1.3.5: Premium per individual policy**

### 1.3.2 UNEVEN DISTRIBUTION OF MICRO INSURANCE

“The IRDA regulation of micro insurance 2005 suggested a specialized delivery channel for micro insurance through the Micro Insurance Agents (MIA). In last five years only 8 insurance companies have registered themselves for MIAs and very few private players. A number of the trends in micro insurance distribution are:

**Figure 1.3.2.1: Micro insurance agents of insurance companies**

Source: Micro save India Focus Note 87
• Few insurers use MIAs more keenly than the others. Understanding the advantage of group credit-life and the delivery cost of individual micro insurance products earlier, some companies in the beginning produced a group of MIAs. These companies have moved their attention away from individual policies, so their MIA group remains idle.

• The Insurance companies in the rural areas distribute their insurance products through specific retail distribution channels (e.g. agriculture input suppliers, tractor dealers etc.) and individual agents. However the distributors of general insurance, companies do not qualify to be MIAs, but create 20-25% of the general insurers business. Thus, none of the general insurers have MIAs, while they regularly over-achieve their social sector and rural targets”

1.4 SOCIAL SECURITY, SOCIAL CHANGE AND MICROINSURANCE

“Social security and social change of poor and low income groups are primarily linked with micro insurance. Micro insurance can play an important inclusive method to decrease inequality, deficiency and risk; largely anywhere the community communal security methods are insufficient and unequally spread. As per the research additional than partial of the entire countries low income population which does not get profit from any measures of societal security and social change. In the meantime the development of micro insurance security for the poor individuals to deal with same nature of dangers, which protects from the left out low income, labors and females in unceremonious segment. In many developing countries like India, the percentage of informal work force in whole work force is significant and there is increasing tendency in the direction of casual nature of labor. In this situation, it becomes risky work on the side of the government to offer social security as well as make social change to all. Around 90% of the employed population of India is working in the informal segment and roughly 30% of the disorganized workforces are very poor who wants public social security supports. Although current social protection and change methods comprise of health, disability, death, old age and economic risks are lineup, its finance and application keep on challenging. In India social protection and change is a separate area, it has its private political economy. Hence, in the absence of a reliable social protection the importance of micro insurance turn out to be limitless. Within born limits of the existing social protection methods in the country. There is also a vast necessity to fight the adverse effects of natural disasters such as drought, floods, cyclone etc. Unluckily, the ex-post handling tools mainly supported
by the Government are not sufficient and do not cover all sets in all segments. So far India has showed with series of pro-poor anti-poverty actions concerned to decline of vulnerability and risks, micro insurance can contribute indirectly as it frequently eliminate covariant risks from their collection”\(^{14}\).

“There are a huge range of growing programmes being maintained by the Government like Swarna Jayanti Gram Swarojgar Yojana (SGSY), National Rural Employment Guarantee Scheme (NREGS), Rastriya Swasthya Bima Yojana (RSBY), Rastriya Health Mission (RHM), Aam Aadmi Bima Yojana (AABY), Indira AwasYojana (IAY), Public Distribution (PDS), old age allowances, drought relief etc. which have facilitated the development of earnings levels of poor family unit. The public-package of Doubling Flow of Agricultural Credit has also allowed bigger institutional credit flow for farming and allied activities. On the other hand, all these plan interventions, though determined in specified intent, merely incidentally address domestic risks. The greatest vulnerable rural population, predominantly women, older people and rural people are generally omitted from the insurance market. It involves the necessity of this section of population for safeguard of their lives / income-generating assets against several threats. Presently, Personal Accident Insurance Scheme (PAIS) which is being provided as a bundled offering along with the Kisan Credit Card (KCC) Scheme and the Rashtriya Krishi Bima Yojana (RKBY) for insuring crops are, possibly, the only borrowed-linked risk mitigation devices obtainable to rural households. On the contrary, the growth in enrolment of the poor in the Rashtriya Swasthya Bima Yojana (RSBY) in its third year of process does not appear to meet the objective to cover all poor by 2012 (Narayana, 2010). Under this circumstances, prospect of micro insurance is expected to be much broader and challenging, particularly with vast network of monetary infrastructure in the country. For example, many commercial banks have partnered foreign insurance companies for providing life insurance policies. Thus, banking outlets (which number close to 70,000) and more than 1 lakh cooperative societies could deliver the desirable outreach to provide micro-insurance services without much addition to operation costs. Inappropriately, the chosen outreach and efficiency of micro insurance sector in India has not been attained.”\(^{15}\)
1.5 MICRO INSURANCE PLAYERS IN INDIA

There is only one public insurance company that provides life insurance and act as a market leader, i.e., LIC whereas there are many private insurance companies working in life micro insurance. However, in health and crop micro insurance there many public-private insurance companies are working. Table 1.5 shows the type of micro insurance and name of public & private insurance companies which are working in the field of micro insurance.

<table>
<thead>
<tr>
<th>S.NO.</th>
<th>LIFE INSURANCE</th>
<th>HEALTH INSURANCE</th>
<th>CROP INSURANCE</th>
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<td>2</td>
<td>“Bajaj Allianz Life Insurance Company Limited”</td>
<td>“ICICI Lombard general insurance Company Limited”</td>
<td>“ICICI Lombard general insurance Company Limited”</td>
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<td>“Tata AIG General Insurance Company Limited”</td>
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1.6 GOVERNMENT ROLE IN MICRO INSURANCE

The government has adopted four roles in order to maintain and support the development of micro insurance. These are:

- **Appropriate Framework Environment**: The government must focus to provide goof environment or atmosphere to the low income people as well as the companies so that the can easy motivates toward the purchasing of micro insurance.
• **Responsibility of Social Protection and Social Change:** Government also tries to maintain the social assistance by the companies to frame the appropriate products such as cash transfer, heath vouchers etc. And also with this that can be reasonable and affordable among the customers.

• **Invest in infrastructure:** For creating environment and provide proper social protection and safety it is necessary to develop an good infrastructure for the micro insurance which can easily deal with the impact of shocks with less cost of premium payment.

• **Capacity Building:** Building reasonable capacity among the poor people so as to purchase micro insurance is also one of the important role of government because without capacity they won’t influence to purchase any kind of insurance. As well as these capacities can be funded by donor agencies and political parties.

Apart from what effects government has being making to grow the micro insurance industry still concern about lack of government trust, transparency, high level of corruption and limited statistical information. But in spite of this insurance sector itself has its motive to enter into micro insurance market and cover as much as low income people under micro insurance.

### 1.7 GROWTH OF MICRO INSURANCE IN INDIA

The micro insurance business in India has made a continuous progress in both public insurance and private insurance companies. More life and group operations and many fresh policies have been lunched during the study period. The distribution system of policies has also been strengthened substantially, and the new business of micro insurance has shown a sufficient growth though the mass is still very low.

<table>
<thead>
<tr>
<th>Year/Companies</th>
<th>Public Insurance Companies</th>
<th>Private Insurance Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policies</td>
<td>% Change in growth rate of Policies</td>
<td>% Change in growth rate of Premium</td>
</tr>
<tr>
<td>2007-08</td>
<td>854615</td>
<td>1613.36</td>
</tr>
<tr>
<td>2008-09</td>
<td>1541218</td>
<td>80.34</td>
</tr>
<tr>
<td>2009-2010</td>
<td>1985145</td>
<td>132.29</td>
</tr>
<tr>
<td>2010-2011</td>
<td>2951235</td>
<td>245.33</td>
</tr>
<tr>
<td>2011-2012</td>
<td>3826783</td>
<td>347.78</td>
</tr>
<tr>
<td>CAGR (%)</td>
<td>45.46</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: IRDA Annual Report
The table no. 1.7.1 shows the percentage change in the growth rate of individual micro insurance business of public and private insurance companies. For calculating the percentage change in the growth rate during year 2007-08 has been taken as base year. The table clearly revealed that public insurance companies have increased the percentage of policies, but the private insurance companies only have increased percentage in first two years (2008-09 to 2009-2010) then after decreased in 2010-2011 and again increased in a year 2011-12. Similarly public insurance companies have increased growth rate for premium from the year 2007-2009 but later decreased in 2010-2011 and then again, increased in 2011-12. Whereas same condition is there with private insurance companies in case of the premium amount.

Table 1.7.2: Growth of Group micro insurance Business (in Rs lakh)

<table>
<thead>
<tr>
<th>Year/Companies</th>
<th>Schemes</th>
<th>% Change in growth rate of Schemes</th>
<th>Lives Covered</th>
<th>% Change in growth rate of Lives Covered</th>
<th>Premium</th>
<th>% Change in growth rate of Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>7583</td>
<td>-9.23</td>
<td>11367126</td>
<td>-2.77</td>
<td>19256.23</td>
<td>7.87</td>
</tr>
<tr>
<td>2008-09</td>
<td>6883</td>
<td>-31.56</td>
<td>11052815</td>
<td>31.49</td>
<td>17268.54</td>
<td>-10.32</td>
</tr>
<tr>
<td>2009-2010</td>
<td>5190</td>
<td>-28.18</td>
<td>14946927</td>
<td>16.79</td>
<td>22869.72</td>
<td>18.77</td>
</tr>
<tr>
<td>2010-2011</td>
<td>5446</td>
<td>-27.98</td>
<td>13275464</td>
<td>13803.67</td>
<td>13803.67</td>
<td>-28.32</td>
</tr>
<tr>
<td>2011-2012</td>
<td>5461</td>
<td>-27.98</td>
<td>9831.63</td>
<td>9444349</td>
<td>9444349</td>
<td>48945.68</td>
</tr>
<tr>
<td>CAGR %</td>
<td>-7.87</td>
<td>-82.86</td>
<td>370.59</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year/Companies</th>
<th>Schemes</th>
<th>% Change in growth rate of Schemes</th>
<th>Lives Covered</th>
<th>% Change in growth rate of Lives Covered</th>
<th>Premium</th>
<th>% Change in growth rate of Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>15</td>
<td>-6.67</td>
<td>874901</td>
<td>71.33</td>
<td>871.23</td>
<td>80.95</td>
</tr>
<tr>
<td>2008-09</td>
<td>14</td>
<td>-33.33</td>
<td>1498994</td>
<td>3326.8</td>
<td>281.85</td>
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</tr>
<tr>
<td>2009-2010</td>
<td>17</td>
<td>13.33</td>
<td>1895143</td>
<td>1472.09</td>
<td>68.97</td>
<td></td>
</tr>
<tr>
<td>2010-2011</td>
<td>23</td>
<td>53.33</td>
<td>1983537</td>
<td>1719.14</td>
<td>97.32</td>
<td></td>
</tr>
<tr>
<td>2011-2012</td>
<td>112</td>
<td>646.67</td>
<td>1150.67</td>
<td>750555</td>
<td>86048.89</td>
<td></td>
</tr>
<tr>
<td>CAGR %</td>
<td>65.30</td>
<td>-80.95</td>
<td>441.77</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: IRDA Annual Report

The table 1.7.2 examine the percentage change in the growth rate of group micro insurance business during the last five years i.e., from 2007-2012.

In case of group micro insurance business, public insurance companies have been increasing percentage in schemes during the year 2007-2009 but decreased during the year 2009-10 and then increased in 2010-2012. Whereas the private insurance companies have decreased their
schemes in their 2008-2009 from 15 to 14 schemes but again increased in next three years. Similarly, in case of lives covered by public & private insurance companies there has been an increased trend of micro insurance from 2007-08 to 2010-2011, then again, decreased in 2011-2012. While in case of premium collection by public insurance companies, they had been rising trend premium amount from 2007-2009 but decreased in 2010 that again increases in 2011-2012. Same Condition is there with private insurance companies for the premium amount.

Therefore, the tables reveal that in case of individual micro insurance business the overall policies issued by private companies are more than public but the premium collection rate of public insurance companies is higher. Similarly in group micro insurance business private insurance companies overall growth rate is higher in number of schemes issued and premium collection but negative in lives covered then public insurance companies.