CHAPTER - II

REVIEW OF LITERATURE
CHAPTER II
REVIEW OF LITERATURE

The literature review suggests that the life insurance business is the most important in India and its role of life insurance in mobilization of savings, investment, employment and security coverage. Micro Insurance is a new concept in India. But, it is not a new concept in the world. It is provided by 26 countries, 3 continents. More than 125 health micro insurance are available in all over the countries. The main aim of the Micro Insurance is to attract the rural people and to protecting from the risk. Micro Insurance is one way to help the low-income people and to manage the risks. Insurance companies are offering micro insurance through MFIs and NGOs. Currently 32 MFIs are plays a role of micro insurance distributors.

In an earlier stage, Micro Insurance was offered by different organization. Now, it is changed. Different types of micro insurance products are available in other countries. In India, Health Micro Insurance and Disaster Micro Insurance are widely available. Very few life micro insurance schemes are available. LIC is the most important public insurance sector in India. Now it has launched life micro insurance scheme for poor people.

The review of literature was carried out from the previous research studies, case studies related to micro insurance in India, case studies related to micro insurance in other countries, International discussion Forum Report, Report Proceedings, Workshop Report on micro insurance, Conference Report on micro insurance, articles from IRDA journal and The Insurance Times.

Tripati Rao (1997), "A study of Indian Life Insurance Industry." The study was discussed about the evolution and development of life insurance industry in India over a period of three and a half decades. The aims of the study were to study about the evolution of life insurance in India, to examine the growth and performance of life insurance.
insurance by the analysis of operating results of the life insurance corporation, to examine the macro-economic importance in terms of the role of life insurance in mobilization of savings, investment, employment and security coverage, to critically examine the case for and against privatization and the implications following foreign participation in life insurance business. The study depends mainly on published literature. The study was attempt to life insurance business in India, life insurance business prior and after the nationalization in India. The statistical data collected and it used standard method of financial method. It also determined the growth rate of insurance business, capital market, infrastructural development, macro economic factors.

Alberto Viano (2000), "Health Micro-Insurance – Compendium”. The objective of the study was to identify the persons and institutions involved in the development and management of and/or provision of technical assistance to HMIS. Thereafter, the study contacted key players to enquire their activities related to health micro-insurance. Finally, information was compiled either by means of completed standard questionnaires or through consultation of relevant documentation. It was found that the key information on 130 health micro-insurance schemes (HMIS) from 26 countries and 3 continents. It allows parties to obtain a broad overview of a large number of the health micro-insurance schemes that exist in the world today. The study was discussed about different micro insurance scheme offered by Organization. In India, ACCORD, ASSEFA, CDF, SEWA, SPARC were offered the micro insurance scheme.  

David M.Dror & Christian Jacquier (2000), "Micro insurance- Extending Health Insurance to the Excluded". The aim of the study was to know about a way to improve health provision for populations who are usually excluded from access to

---

health services. It is based on field testing and analysis of several tens pilot cases. He was found that the MI to be attractive to excluded populations low income people, middle income people and rural people. MI must be adapted effectively to living and working conditions of people, which are usually area- or trade-specific. He was explained about the concept of Micro insurance, MI how to motivated to rural people, features of MI, problems of Micro insurance. The article included implementing MI, the five stage strategy to implement Micro Insurance. MI must be simplicity, affordability, transparency, proximity, Self management.

Hasan (2000), "International Discussion Forum on Micro-Insurance". The objectives of the discussion were to study about the concept and basic principles of insurance as one way to help low-income households to manage risks, to introduce a basic framework for evaluating insurance products, to discuss the various types and variants of micro insurance products, and the experiences of various micro-insurance products in various countries. The presentation included the findings of a study of 32 microfinance institutions that are currently offering micro-insurance products. It was explained about the definition of micro-insurance and locates the product within the delivery of other micro finance products and services offered by microfinance institutions. The presentation offered a framework for thinking about micro-insurance products in general, and for understanding and evaluating these products within the context of Bangladesh and the World. The initial motivation for the study came from requests from various institutions to USAID for information on micro-insurance, particularly the design of micro-insurance products. Other donors such as Ford Foundation and the UN Foundation were also receiving similar requests for information. These micro finance donors had the desire reach deeper levels of poverty by providing access to financial services. Therefore, the study was designed to test two hypotheses. Firstly, to test the hypothesis regarding the need for insurance among low-income households. Secondly, to test the hypothesis that insurance can

---

reduce risk and increase effectiveness of credit and savings activities.⁷

Mehul K. Pandya (2003), "The Role of Micro-insurance in Disaster Management: A Case Study of Afat Vimo (Disaster Insurance)." He was done the study on disaster micro-insurance in India especially on All India Disaster Mitigation Institute (AIDMI). The objectives of the study were to study about the AIDMI experience in disaster management, micro insurance under disaster risk coverage, types of risk coverage in AIDMI. He was found that, 4.88% of the disaster insurance was taken by India. It was compared with America and Europe. In India disaster risk coverage is very low. He concluded that the South Asia region is attracting global attention for risk reduction; due to economic acceleration and increasing vulnerability, Disaster destroys markets. Insurance sector can rebuild it rapidly, The small businesses have very limited access to micro insurance, Low cost insurance products has greater utility, Mere provision of regulatory mechanism at macro level does not help, provision of micro-insurance at micro level makes real difference.⁸

Martina Wiedmaier pfister and Ellis Wohlner (2004), "Micro insurance sector study -- Sri Lanka". He was conducted the empirical survey to analyze the status for low income people in the insurance sector, and to give an inventory of all relevant bodies including government, private insurance companies, NGOs and MFIs, to present the activities of donors in the insurance sector and to identify entry points for German Development Cooperation. The study found that the large commercial insurers have generally, no serious interest in servicing low-income segment, social mobilization programmes, a few private insurer have interest in micro insurance, the role of MFIs on micro insurance. Donors that promote micro finance are generally interested in micro insurance; GTZ has a strong presence in Sri Lanka to play in rural

and financial sector development. He was discussed about that the micro insurance regulation in Sri Lanka, existing micro insurance schemes, Donors in micro insurance schemes.  

Florentine Fokma (2004), "Assessment of the demand for micro-insurance products in Sri Lanka", a safety net in risky waters. The domain of the study was to investigate the risks faced by the poor people in Sri Lanka, to study about the way to which the people handle the shocks they presently experience and based on that, the need for micro insurance products was examined. The research was conducted among participants of the Yasiru Mutual Provident Society and other involved parties. Yasiru is a legally independent entity for which, by now, ten NGOs work as agents selling policies to its members. The research included individual interview and two group discussion. Policy holders, Non-policy holders, Animators, NGO management were taken as a sample. The study was conducted in the central and southern parts of Sri Lanka. The research found that, 78% of the people affected by the death, disability and hospitalization, 13% of people are facing the risks of hospitalization costs. The research concluded that micro insurance has proved to be a great support for poor rural people in Sri Lanka. There is a big need for crop-insurance and household asset insurance, many of the interview persons consider the costs of children’s education a big risk, the cost of medical treatment/hospitalization can become a real problem for poor people in Sri Lanka in future.

Armonaza (2004), “Need for Developing Micro-Insurance in India.” It provided the information on need for developing micro-insurance. It has the objectives of development goal of micro insurance, institutional adaptation on micro insurance and Proposed Micro-insurance regulations. The implicit restriction of

---

micro insurance to the partner-agent model limits the potential scope; the paper was overly prescriptive regarding product design; and it only allows intermediaries to collaborate with one life insurance Company and one general insurer—at present many Indian MFIs have met the needs of their clients by partnering with a variety of insurers. In addition, the concept paper recommends reducing the training for NGO agents from 100 hours (or 50 for life insurance) to 25 hours. Quality control with regard to NGO skills in this area can hence no longer be ensured since the number of hours is unlikely to be sufficient for most organizations.

D.Sattaiah (2004), "Emerging Challenges and Opportunities in Insurance Industry in India". He was prepared the report from two days national conference in Kolkata. He was presented the report on Role of Micro Finance & Micro Insurance in the Development of Economy. He was study about the micro finance services available in India, Reasons for low access to financial services, Life-Insurance penetration of 2003-04, Insurance Sector-Opportunities, Insurance challenges & Possible responses and BASIX experience sharing on insurance services.12

Jim Roth, Michael J.MCord, and Dominic Liber (2005), "The landscape of Micro insurance in the world's 100 poorest countries". The report to attend the description of how micro insurance works, a detailed quantitative overview of micro insurance in the world's 100 poorest countries. The list of 100 countries used was taken from the 2004 United Nations Human Development Report. For a variety of reasons, mainly to do with a lack of reliable data available to the UN, some countries that should be likely candidates for inclusion are not show. (Somalia is One example) The information was gathered from primary and secondary research by a team of 11 micro insurance experts attempting to identify as many micro insurers and products, insurers delivery channels, regulations, social security schemes and donor interventions were all identified and assessed. The researchers identified that 357 micro insurance products separate from social security schemes, 116 social security

Chapter II

REVIEW OF LITERATURE

schemes, 246 micro insurers separate from government providers of social security, 78 million people in the 100 poorest countries were found to have micro insurance cover. 30 million low-income people are covered by over 130 products. The research reviewed about the micro insurance product, types of micro insurers, the micro insurance supply chain, and the demand for micro insurance.¹³

I. Jeomah Linus Aridiogbu, (2005) “Introducing Social Health Insurance to solve problems of poor Health Sector Financing in Nigeria”. The aim of the dissertation was to review the policy of Nigerian SHI and to develop recommendations that will improve health sector financing through affective implementation of SHI. The specific objectives of the study were to give an overview of health sector financing in Nigeria, and outline problems affecting adequate financing of the health sector and implementation of SHI, to review various countries experience with SHI and to analyse key components of the Nigerian SHI policy. The research was used both primary and secondary sources. The primary sources included discussions with care users and providers, hospital administrators and policy makers, dissertation supervisor, lecturer and colleagues who have worked in related fields. It also included information gathered from conference and workshops by author. Secondary data was collected from policy documents, Annual reports, Consultancy report, Research documents and publications on SHI from different countries. The output of the study was recommendation for effective implementation of SHI and improvement of financing of the health sector in Nigeria. It also acts as a guide for future planning, monitoring and evaluation of the program and for other countries trying to adopt SHI program. The research concluded that the Nigerian SHI schemes very comprehensive. It considered the ambitious and difficult to achieve. The research reviewed that the experience of other countries with SHI, key components of the Nigerian SHI policy, the problem of the Nigerian health sector financing.¹⁴

¹³ Jim Roth, Michael J.McCord, and Dominic Liber (2005), “The landscape of Micro insurance in the world’s 100 poorest countries”, www.ilo.org

MICRO INSURANCE BENEFITS TOWARDS POLICYHOLDERS
Rajeev Ahuja (2005), "Health insurance for the poor in India: An Analytical study". This analytical study charts the early development of micro-insurance in the country, with a focus on health insurance, mainly with the view to bring out certain issue that come up in the design of micro health insurance. He was pointed out micro insurance arrangements in India. He was concluded that deals with insurance for the poor are emerging in India. This is partly the result of policy intervention and partly due to the development of micro-finance activity in the country. In extending the reach of insurance to the poor, the role of nodal agency is deemed crucial. In this paper while bringing out the role of nodal agency extending health insurance, it discussed how health insurance for the poor is different from health insurance in general. Depending on the functions that a nodal agency performs, all micro insurance arrangements taking roots in the country can be categorized into three distinct types: intermediate type, manager type and provider type. The findings of the research were of interest to all the stakeholders.

James Roth, Craig Chruchill, Gabriele Ramm and Namerta (2005), "Micro insurance and Micro finance institutions- Evidence from India". The case study was discussed about the micro insurance legislation, profile of micro insurance in India, ASA's Micro insurance history, SHEPHERD's Micro insurance history, SPANDANA's Micro insurance history, the relationship between the MFIs and LIC in India and social security schemes in India. The study overviewed that the micro insurance from the perspective of micro finance institutions (MFI's) which are important micro insurance delivery channels. By reviewing the experiences of three Indian MFIs- SPANDANA and ASA in Tamil Nadu- it seeks to answer the questions about what products to offer, and how to design and deliver them. He was found that micro insurance schemes were often some variant of a community based model or in-house insurance by MFIs.

Michael J. McCord and Craig Churchill (2005), "DELTA LIFE, Bangladesh". The objective of the study was to know about the micro insurance policy offered by the Delta Life Insurance in Bangladesh. It discussed about the delta cross-subsidized the start-up of the micro insurance activities. For direct micro insurance to be possible, it probably needs to be offered by a company that also services the upper market so the organization can create administrative efficiencies, professionalize systems, and lower expense ratios. MI must be managed with the same business approach as traditional insurance, even if the intention is to achieve developmental objectives. Good management is especially important for organizations that are entrusted with the long term saving of poor households. Micro insurers should not overlook the critical importance of management information systems, especially for large volumes of small policies. Effective management of an insurance business depends on timely and accurate information to price products appropriately, pay claims expeditiously, manage staff effectively, monitor performance carefully, etc. The study concluded that the Delta Life provides valuable insights and lessons of both good and bad practices. The challenge in interpreting the study is trying to ascertain which experiences are unique to the organization and/or to Bangladesh, and which ones are generally relevant to micro insurance in other countries. The study overview of micro insurance history in Bangladesh, insurance industries, micro insurance product such as Gono and Grameen Bima, different types of delta life insurance product, product development, operational costs for micro insurance.

ILO/STEP (2005), "Community based Schemes, An inventory of micro insurance schemes in India". The objective of a study was to know about the ownership of micro insurance. The study provided the information on 51 micro insurance schemes, which allow interested parties to obtain an initial interview. It found that, 33% of the schemes were implemented by organizations, 31% of the schemes were implemented by NGOs, 23% of the schemes were implemented by CBOs, and 12% of the schemes were implemented by health care providers. The

---


MICRO INSURANCE BENEFITS TOWARDS POLICYHOLDERS
research was done by the STEP of ILO. The research had thus to rely on primary information provided by the questionnaire and on Secondary data found in e.g., other documents and through the internet. The methodology used for the research was mostly derived from similar exercises carried out by the STEP programme. The ILO’s strategies and Tools against Social Exclusion and Poverty Programme (STEP) explore innovative methods that contribute to these solutions. One of them is micro insurance.18

Allianz AG, GTZ and UNDP (2006), "Market insurance, Demand and market prospects-India". The study examined social security in India. Government Programmes, formal private schemes (including micro insurance), informal collective arrangements and individual arrangements all exist to manage risk. The chapter ends with list of contacts at relevant donor agencies who are working on micro insurance. The research aims to attend the demand for micro insurance in three countries of Asia, to estimate the potential supply of micro insurance in terms of risk taker and various delivery channels. This estimation included a discussion of transaction costs for delivery of micro insurance services, to explore the option of undertaking pilot initiatives through the development of a basic process outline inclusive of estimated costs, to foster dialogue and cooperation between the insurance industry, governments, and civil society, and enhance North-South and South-South partnerships. The research team held discussions with the regulatory authority, micro insurance organizations, multi-and bilateral agencies, Meetings with representatives of government agencies, including the Ministry of Labour, and the Ministry of Finance, Banking and Insurance department, were held during a GTZ pre-appraisal mission in October 2004. The output of the study was that the market study explored options for engaging the insurance industry in providing micro insurance as a safety net mechanism for the developing countries by assisting in risk management and strengthening the development of local entrepreneurs and other poor and low-income groups within the overall framework of sustainable livelihoods and Millennium

Development Goals (MDGs).  

Michal Matul (2006), "Market for Micro insurance in Romania (Low-Income Households Needs and Market Development Projections)." Main goal of a research was to explore low-income households' needs for micro insurance as well as opportunities and challenges to micro insurance provision in order to project micro insurance market development in Romania. The research was done by using of qualitative and quantitative research techniques. The researcher was selecting the sample from the focus groups and 1071 household heads has been carried out using face-to-face method. The researcher was to select random sampling technique and it was stratified by 8 development regions where interview were proportionally distributed according to the size of settlement. The study found that our estimations out of 5.17 million low-income households in Romania approximately 45% can benefit from private micro-insurance services. It seems like micro-insurance should be an attractive venture for commercial insurers as the market is sizeable and relatively easy to reach due to a positive attitude towards for commercial insurers as the market is sizeable and relatively easy to reach due to positive attitude towards insurance and insurers. Low-income market constitutes more than half of the total insurance market in terms of number of policies to be issued is almost 6 million policies for health/disability/life and 3 million for property insurance. It concluded that the new micro-insurance products adapted to low-income market expectations, the outreach strategy should incorporate three other components: basic education on micro-insurance, marketing strategy putting emphasis on the price factor and low-cost delivery channels allowing delivering services affordable for the target group.

---


Reinhard Mechor, Joanne Linnerrooth-Bayer and Davie Peppiatt (2006), "Disaster Insurance for the Poor? A study review of micro insurance for natural disaster risks in developing countries". The study found that the creative alliances among NGO/community groups, micro finance organizations, government regulators, entrepreneurs and international financial and donor institutions in pioneering micro insurance programs. The study concluded that reducing disaster-related poverty through micro insurance presents formidable challenges to local, national and international communities. A major challenge is assuring the financial sustainability of micro insurance providers and at the same time providing affordable premiums to poor and high-risk communities. The different roles of national and international solidarity play in supporting micro insurance schemes in India is playing a leading role with its pro-poor insurance regulation that provides pre-disaster solidarity through a cross-subsidized insurance system. It revealed that a lack of direct links and incentives on the part of present micro insurance programs to reduce the direct losses from disasters. The study discussed about that the benefits and limitations of Disaster micro insurance scheme and review of disaster micro insurance schemes in India like that Swayamkrushi of Andhra Pradesh, Vimo SEWA of Hyderabad, India. For disaster micro insurance serve as a ‘wide scale’ safety for the poor.21

Craig Churchill (2006), "Protecting the poor - A micro insurance compendium", the book is organized into six parts. The first part, Principles and Practices, defines micro insurance, provides insights into the risk-management needs of low-income households and explains the critical social protection function of micro insurance. The third part of the book explores micro insurance operations in detail. It includes chapters on product design, marketing, premium collection, claims, pricing, financial and risk management, governance, organizational development examines performance nations of the micro insurance schemes. Micro insurance can


MICRO INSURANCE BENEFITS TOWARDS POLICYHOLDERS
be delivered through a variety of institutional arrangements. Part Fourth examines these arrangements to analyze the conditions in which one might be preferable to the others.\textsuperscript{22}

Sven Enarsson and kjell wiren (2006), "All Lanka Mutual Assurance Organization (ALMAO) and Yasiru Mutual Provident Society (YASHIRU) - Sri Lanka". It revealed about two micro finance institutions involvement in micro insurance product offering in Sri Lanka. The objective of the study was to analyze the trend of Micro Insurance Scheme (2000-2003) in Sri Lanka. The overall view of this study All Lanka Mutual Assurance Organization (ALMAO) is offering new product, adjusted its products to the requirements of the formal insurance. The study team is a bit puzzled by the difficulties in selling new products. ALMAO offers new product for low income people. But, really it is reachable to middle-income and high income people. The Yasiru Mutual Provident Society does not offer the new product. But, it reviewed existing micro insurance policies in Sri Lanka. In 2003, ALMAO adjusted its products to the requirements of the formal insurance industry. The increase of the premiums to LKR 3,000 ($30) for three of the four new products evidently made it difficult for the majority of Sanasa members to buy the insurance products. The rather complex nature of the products was possibly confusing to low income people. The greater influence by professional insurers has also affected the design as well as the rules on viability. The management of ALMAO expressed the opinion that profits generated in the general insurance sector might be used to support the implementation of new micro insurance products. The main issue within the Yasiru is that there are no new products. The products offered by Yasiru have been changed stepwise in order to meet needs and demand from the clients and to improve the financial sustainability of the scheme. At present challenge is to attract new, qualified partners to the program and to expand the membership through them.\textsuperscript{23}


Arman Oza (2006), “Importance of Delivery Mechanism- Role in Micro-Insurance”. The objective of the study was to determine the distribution mechanism on micro-insurance. The findings of the study was available distributing model and to find out the appropriate channel for distributing of micro-insurance product. It also mentioned about the features of micro insurance. Micro-insurance depicts certain typical features like small ticket size, access to widespread rural population and regional as well as demographic diversity of risks. These factors were concerned in this study. It reviewed that the deliverers role on micro insurance. The deliverer should be take the factors of risk identification and assessment, education and awareness among people and marketing activities of insurance companies. From the study, we can understood current scenario in micro insurance distribution. The current models in vogue for micro-insurance distribution include the conventional partner-agent model.24

Peter Mukwana and Edward Kiyaga (2006), “Micro Insurance- Exploring ways to Assess its impact”. The aim of the study was to contribute to the field of micro finance by identifying and redefining indicators that can be need to study the impact of micro insurance, it explored how household financial behavior may change as a result of purchasing insurance and compare how those with insurance (or policyholders) cope with risks differently from those without (or non-policyholders). The research used quantitative methods, including focus group discussions, PRA tools and individual 14 focus group discussions with a total of 170 participants. The findings of the research were the cause pathways and key areas of impact were much easier to identify for health insurance than for group accident insurance. Trying to understand how the latter benefits individuals was more challenging because most of the clients have never used it. It concluded that health insurance can benefit the household by reducing the negative impact of health shocks, such that families can maintain their current consumption levels keep their children in school. It discussed the factors impact on micro insurance. Such factors are differences in knowledge and

Attitudes, changes in behavior, changes in other variables.\textsuperscript{25}

C.A.Rao (2006), "Micro Insurance Regulations". The articles presented the information on micro insurance regulations. It has to attain the theoretical aspects of micro-insurance, such as definitions of micro insurance scheme, micro insurance policy, micro insurance product in LIC and GIC. It was mentioned about the NGOs, MFIs, SHGs and its regulations on micro insurance. The aim of study was to know about the micro insurance regulations on nodal agency. It was discussed about the micro-insurance agent shall be appointed by an insurer by entering into a deed of agreement, which shall clearly specify the terms and conditions of such appointment, including the duties and responsibilities of both the micro-insurance agent and the insurer. A micro-insurance agent shall not work for more than one insurer carrying or life insurance business and one insurer carrying on general insurance business. The functions of micro insurance agent is collections of proposal forms, collection of self declaration from the proposer that he/she is in good health, collection and remittance of premium, distribution of policy documents, maintenance of register of all those insured and their dependants covered under the micro-insurance schemes, assistance in the settlement of claims, ensuring nomination to be made by the insured and any policy administration service.\textsuperscript{26}

Ramesh Bhat&Nishant Jain, (2007), "Factoring affecting the demand for insurance in a micro health insurance scheme" The objective of the paper was to analyze factors determining the demand for private health insurance in a micro insurance scheme setting. The study uses two-stage model to examine this issue. First, the study determined the factors which affect the insurance purchase decisions and at second level, it focus on studying factors which affect the amount of insurance purchase using Heckman two-stage estimation procedure. The data collection was based on survey and collection of primary data from the Anand district of Gujarat


MICRO INSURANCE BENEFITS TOWARDS POLICYHOLDERS 24
where Charotar Arogya Mandal is offering a health insurance scheme. The result indicates that income and healthcare expenditure are significant determinants of health micro insurance purchase. Age, coverage of illness and knowledge about insurance were also found to be affecting health insurance purchase decision positively. For the decision regarding amount of health insurance purchase, income was found to be having significant but non-linear relationship. The study was discussed about that the health insurance, micro health insurance, community health insurance in India and features of different micro health insurance products.27

The review of literature on Micro Insurance, In India, Micro Insurance, Very few researches were carried out in this field. There is more number of research world wide considering its importance to the development of poor people of the nation. As for as India is concerned it is in the nascent stage were more and indept research is required. Thus, understanding the need, the researcher has tried to explore indebt idea and significance to the policy holders who are poor in the rural area to develop & make awareness on micro insurance.

27 Ramesh Bhat&Nishant Jain. (2007),"Factoring affecting the demand for insurance in a micro health insurance scheme".