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MICRO INSURANCE IN INDIA
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India is enjoying rapid growth and benefits from a young population. Its middle class is also growing rapidly but 70 percent of the population is rural, often very poor. Poor people are vulnerable to risks and economic shocks. One way for the poor to protect themselves is through insurance.

The insurance industry in India, private and public, has its roots in the 19th century. The insurance industry has started in a big way in India in the 90s, micro insurance is a very recent phenomenon. India has perhaps the most exciting and dynamic micro-insurance sector in world. Micro Insurance, that basically refers to insurance for the low-income people is picking up in India. Micro Insurance is a form of health, life or property insurance, which offers limited protection at a low contribution (hence “micro”). It is aimed at poor sections of the population and designed to help them cover themselves collectively against risks (hence “insurance”).

This chapter enumerates the basic concept and definitions of micro insurance, micro insurance policy, micro insurance product, the need for micro insurance, characteristics of micro insurance, the structure and environment of micro insurance, Evolution of micro insurance in India, micro insurance in Global Paradigm, Micro insurance legislation, IRDA regulation on micro insurance, distribution channels for micro insurance, benefits of micro insurance, limitations of micro insurance, review of existing micro insurance scheme, new micro insurance scheme in India and the present status of micro insurance Micro Insurance.

3.1 BASIC CONCEPTS AND DEFINITIONS

The micro insurance concept is basically different from other concept, because, it is especially designed for the rural people and poor people.

3.1.1 The concept of Micro Insurance:

Micro insurance is a system of protecting poor people against specific shocks using risk pooling in return for regular affordable premium payments proportionate to the likelihood and cost of the risk involved. Appropriate delivery mechanisms, procedures, premiums, and the coverage, define micro insurance policies that respond to the limited and variable cash flow of low-income households, and the often unstable economic environment in which they live.²⁹

3.1.2 Definition of Micro insurance

"Micro insurance is the protection of low-income people against specific perils in exchange for regular monetary payments (premiums) proportionate to the likelihood and cost of the risk involved. As with all insurance, risk pooling allows many individuals or groups to share the cost of a risky event. To serve poor people, micro insurance must respond to their priority needs for risk protection (depending on the market, they may seek health, car, or life insurance), be easy to understand, and affordable" - Craig Churchill.³⁰

3.1.3 Micro-insurance policy

"Micro insurance policy" means an insurance policy sold under a plan which has been specifically approved by the Authority as a micro-insurance product

3.2 THE NEED FOR MICRO INSURANCE

Micro Insurance is highly needed in India. Since, huge people live below the poverty line, and covering the risk of those people is the need of the hour. There are other needs which all listed below:-

- Governments, households and businesses in poor countries cannot easily afford commercial insurance to cover their risks, or they lack access to such services. Only 1% and 3% of households and businesses in low-and middle-


income countries, respectively, have catastrophe insurance coverage, compared with 30% in high-income countries. Instead of insurance, they rely on family and public support, which is not always forthcoming for catastrophes that affect people throughout a region or country at the same time (referred to as dependent or covariant risks.) Without support disasters worsen poverty as victims take out high-interest loan (or default on existing loans), sell assets and livestock, or engage in low-risk, low-yield farming to lessen exposure to extreme levels. Many poor persons in low-income countries have two or more sources of livelihood, and often they encourage their children to take on jobs in and out of the region to hedge against family disaster. When all else fails, the poor rely on their governments and the ad hoc generosity of international donors. In the past, these post-disaster sources of finance have been woefully inadequate to assure timely relief and reconstruction of critical infrastructure. For example, two years following the 2001 earthquake in Gujarat, India, assistance from a government reserve fund and international sources had reach only 20% of original commitments. As another example, in the first 60 days after the 2004 tsunami, even with a massive relief effort, just 60% of families reported receiving timely and adequate aid. More worrying, disaster assistance discourages governments and individuals from taking advantage of the high returns on preventive actions. Hence, it needs disaster micro insurance.

- The development of micro insurance tend to focus on efforts to promote economic development as a strategy to achieve these targets, they have to recognize that gains can quickly be lost when vulnerable households experience a loss or crisis. It is necessary to complement efforts to boost productivity with corresponding efforts to provide protection.

- Micro insurance helps to address the health related objectives of reducing child mortality, improving maternal health and combating HIV/AIDS, malaria and other diseases. Health micro insurance schemes typically provide immunizations, train birth attendants and make it possible for women to afford...
transportation and hospitalization for difficult births.

- Some micro insurance schemes provide valuable information and resources for risk prevention. By providing education about risks and promoting good health habits, these schemes can reduce incidents of disease and extend life expectancy.

- Micro insurance can also assist in promoting gender equality and empowering women. If insurance can help protect vulnerable households from falling back or further into poverty, they will be less likely to have to choose which child to send to school. Furthermore, long term savings and insurance policies enable the poor to accumulate assets that can be used to pay for education, for daughters as well as for sons.31

3.3 CHARACTERISTICS OF MICRO INSURANCE

Micro Insurance is designed to service excluded populations must be sensitive to the focus condition; it needs to be simple, affordable, proximity and self management.

3.3.1 Simplicity

Majority of the people in the informal sector are unable to cope with procedural complexities. Many people simply cannot read or write, and even literate persons may find it very difficult to “fill the form” because they may be unable to provide such seemingly simple details as an address, date of birth or income information. Formalities and procedures must take account of this reality. Simplicity is important not just because of the technical problems. It projects a public image of micro insurance is approachable by poor people. For the same reason, micro-insurance units have to be prepared to deal with applicants who join when they are in need, expecting immediate support, if for no other reason than that it is easiest to see the utility of insurance in moments of need. Response time on applications for affiliation should be as short as possible. However, expeditious decisions about

induction should not be confused to mean a decision to provide immediate financial help; micro-insurance units may have to impose some restrictions, particularly on expenses that are not random at the time of entry.

3.3.2 Affordability

The absolute level of premiums obviously makes a difference. Affordability is linked, at least partly, to a sense of utility. The perceived return for the premium can be as important as its absolute level. And the confidences that in case of need the insurance will pay for the member also enhance the subjective feeling of affordability. Another feature that will play a role is transparency about expenditures in general and about overhead costs in particular. People tend to view as "affordable" costs that they feel are justified. Streamlining operations to reduce costs is as important in Micro-insurance as it is micro-finance or in any other financial dealing oriented towards the poor. Another aspect of affordability is the periodicity of payment. Regular periodicity of income flow, characteristic of wage earners in the informal sector, is rare with most people in rural or informal activity. People whose income periodicity is erratic cannot be expected to pay a regular monthly premium. Micro-insurance needs to be flexible enough to enable its affiliates to pay when they can. Likewise, the knowledge that all members have to abide by the same equitable rules is important. Lastly, affordability may also depend on the types of transaction.

3.3.3 Proximity

Micro insurance units need to be near their client base, simply because the poor or the rural population have neither the means nor the latitude to travel form their place of residence to service centre. If micro-insurance units were started in a large locality, they might be more successful if launched in several sub-sectors of a large community. Proximity is in fact necessary at all periods of operation, not just at recruitment, since the locus of decisions rests with the community.

3.3.4 Self management

In addition to the main characteristics of micro-insurance mentioned above, another fundamental feature is its community base. Micro-insurance is the enterprise
of the community. The democratic process of jointly defining the risks that should be covered is in itself unique to micro-insurance. Unlike commercial insurance or social health insurance it depends on need-based decision-making by the beneficiaries, and capped by the resources that they can commit. This approach provides several concurrent advantages.

3.4 THE STRUCTURE AND ENVIRONMENT OF MICRO INSURANCE

The development of micro insurance involves more than the development of new products and new institutions to deliver them. Micro insurance entails the actions of many different institutions at different level. This is illustrated Figure 1, which shows how institutions are involved at micro, meso and macro levels. Effective interventions must take place at each level.

The Micro-Level

At the very center of the micro insurance system are policyholders and the micro insurers. The insurer can be a single institution that carries the risk, markets or distributes the product, and administers the policy. Sometimes these tasks are carried out by separate organizations, so that the risk might be carried by the insurer and the product distributed by a micro finance institution, while a specialized third party might undertake the claims administration.

The Meso-Level

The meso-level consists of the financial infrastructure needed to facilitate the functioning of micro-level activities. For example, actuaries are necessary to assist the insurer in understanding the risks in relation to a product and in setting premiums appropriate to the risk they have accepted. Meso-level infrastructure also includes such things training facilities for micro insurance managers and staff, the availability of efficient software, and servicing to keep it working. A critical component of the meso-level is quality market information. Such information is a key to professional


product development as well as to the setting of policy, and helps to effectively drive both the macro-and micro-level.

**Figure 3.1 - The structure and environment of micro insurance**

*Source: Micro Insurance Centre, LLC*

The Macro-Level

At the macro-level, the state needs to establish the rules under which insurers can operate, and once these rules are set, to supervise insurers to make sure that they comply. A pact from regulating and supervising insurers, governments may need to regulate meso-level actors like actuaries or claims adjusters. They may also play a role in enhancing consumer protection through the funding of an Ombudsman.

3.5 **Evolution of Micro Insurance in India**

In an earlier stage micro insurance schemes were often some variant of a community-based model or in-house insurance managed by MFIs.

In the community-based model, a group of people get together and essentially develop their own insurance scheme in which they pool funds and develop their own rules. The Swayamkrushi Youth charitable Organization (YCO) in the Andra Pradesh is an example of a community-based model that still operates. It is primarily a
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savings and credit association with added insurance features. The co-operative’s 8,100 members pay a yearly premium of Rs.100 into a pool managed by the co-operative and receive cover for death and property loss. The life insurance benefit is Rs.15,000 for a natural death, and double that in the event of an accidental death.

In the in-house or full-service model, and MFI or NGO runs its own insurance scheme for its clients and any profit or loss is absorbed by the MFI. While this approach was more common before the quota system, it will edicts in some organization, including SPANDANA, which a discussed below.

The passage of the Rural Social Sector’ Obligations change the Indian micro insurance landscape dramatically. This requirement has motivated insurers to seek partnerships with MFIs and NGOs to act as agents, selling and servicing the insurer’ policies. This model of collaboration, the partner-agent model, has become the dominate approach to micro insurance in India and has encouraged many MFIs to switch from a full-service to a partner-agent approach. For example, SEWA, a micro insurance pioneer, after years of switching back and forth between the partner-agent and self-insurance, is now offering its life, health and asset coverage in partnership with various insurers.

3.6 MICRO INSURANCE IN GLOBAL PARADIGM

In the globalised world, Micro Insurance is provided by 126 countries countries and 3 continents. Most of the schemes are health micro insurance scheme.

3.6.1 Micro Insurance in Sri Lanka

In Sri Lanka only a minority of persons in the working age group is covered by formal insurance schemes. Regular commercially-motivated policies are unaffordable for the poor. While the insurance industry is still quite small-with a total market penetration of probably less than 10%- it is certainly growing more rapidly than the economy as a whole. An enormous potential remains to be exploited. At the level of the poor through, the big commercial insurance firms have taken no serious


www.microfinancegateway.orsection/resourcecenters/microinsurance
initiatives until now. This means that the vast majority of the poor are not covered by any formal system. In the past decade, some initiatives have been taken for risk management schemes for the poor in Sri Lanka. A couple of NGOs and the government poverty alleviation program ‘Samurdhi’ have started to offer micro-insurance products to poor communities. Among those projects is Yasiru. The micro-insurance activities of the Sri Lankan ‘Yasiru Mutual Provident Society’ have been point of departure. Yasiru is a mutual and self-managed insurance scheme for the poorest people living in rural areas of Sri Lanka. Being designed when micro insurance as such was being explored in different parts of the world, Yasiru has a novel and highly innovative character. Like many other micro insurance schemes, Yasiru is not a formally regulated insurance institution. It has neither of local and regional self-help schemes for which the beneficiaries pay a contribution instead of a premium. Its mutual character is enhanced by the redistribution of annual surpluses to the same beneficiaries.  

3.6.2 Micro Insurance in Bangladesh

Micro credit provides working capital and disposable income to the landless poor. Micro-insurance ensures that this disposable income is not wasted and ensures the protection of assets acquired through micro credit. Micro – Insurance responds to the basic insurance needs of the poor, i.e. life, health and property. The Gono Bima and Grameen Bima programs are operated by the Delta Life Insurance Company, which is fully licensed and regulated. The programs had similar motives. The rapid growth of the programs has led to the decision to merge them under one institution, separate from Delta Life Insurance Company. The new institution will be registered as a not-for-profit company. Delta Life Insurance Company was established in November 1986. Grameen Bima was initiated in February 1988. Initially the aim was to make the service available to those who most needed insurance (low-insurance people) and for those who lack the financial resources or security and are unable to leave their family with financial security upon death. The premium to be paid by the policyholder could be invested in income generating activities instead of lying idle in a bank account at low rates of return. Therefore, Delta decided to combine the

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insurance program with micro credit. It was also decided that the Delta directors would not take their dividend from the Grameen Bima. Inspired by the experience of Grameen Bima, in October 1993, partly to create competition, and to achieve faster growth. Gono Bima was initiated. Gono Bima grew faster than Grameen Bima in terms of premiums collections.  

3.6.3 Micro Insurance In Cambodia - GRET

GRET began its work in Micro-Insurance as an experiment in 1996. It began with three main products covering amputation, surgery and health. Initially the premiums were under US$50 for amputation and surgery and US$15 for death. GRET began its program in six villages, working through partner MFIs in the collection of the premiums. Since the provision of health insurance is a specialized business, this activity was separated from the other typical micro finance activities of the partners. A special program for women and children was recommended, as primary health care is not well developed in Cambodia. There was a need for providing additional support services in health, Premium levels were increased to US$52 for surgery, US$47 for amputations and US$4 for health. The GRET program currently covers 711 people in 167 families. Since GRET reaches about 27% of the population through its programs, outreach will be relatively easy.  

3.6.4 Micro Insurance in Uganda

Micro Insurance in Uganda has followed a dual path since the mid-1990s, One direction through commercially-based insurers. The community-based insurers started when DFID (UK Department for International Development) began promoting local approaches to health micro insurance. DFID worked with hospitals and other institutions to create health micro insurance products for low-income people in areas around hospitals. CIDR (Centre International Development Recherche) also worked to create community-based health micro insurance in areas North of Kampala with very people.  

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3.7 Micro Insurance Legislation

India has many informal insurance schemes. These schemes are often small, run by cooperatives, churches and non-governmental organizations (NGOs), which pool their members' contributions to create an insurance fund for a specific purpose, for example to cover funeral costs. In some countries, there is specific legislation to regulate these schemes, however in India, no such law exists; any organization conducting insurance has to comply with the stipulations of, among other regulations, the 1938 Indian Insurance Act as amended.

Compliance with this Act requires, among other conditions, over $22 million of capital. All insurance schemes that do not comply with the Act operate in a legal vacuum. At present, the IRDA has not taken action against informal schemes; however, regulated insurers have expressed their unhappiness about competing with informal insurers that do not bear any regulatory expenses.

Two central regulations have shaped micro insurance in India. The first is set of regulations published in 2002 entitled the Obligations of Insurers to Rural Social Sectors. This is essentially a quota system, imposed on private insurers that entered the Indian insurance market after it was liberalized, which compels them to sell a percentage of their policies to disadvantaged persons. The old public insurance monopolies have no specified quotas, but they have to ensure that the amount of business done with the specified sectors was "not be less than what has been recorded by them for the accounting year ended 31st March, 2002" – a figure will be revised from time-to-time by the regulator.

These quotas rise each year, reaching a maximum after 5 years. This requirement has generated massive pressure on insurers to sell micro insurance. If they do not, they cannot sell their more profitable products - the IRDA has fined some insurers for failing to meet their targets. Consequently, this regulation has stimulated some significant innovations. In their drive to meet their micro insurance sales targets, a few insurers are developing new products and delivery channels.
The impact of the quota is of course not all positive. There have been unverified reports that some insurers are dumping poorly serviced micro insurance products on clients solely to meet their targets. Some insurers stop selling micro insurance once they have met their targets. These practices are difficult to regulate, as it is harder to police the quality of insurance sold and serviced to the poor than its quantity.

The second central regulatory document is a paper published by the IRDA in August 2004 entitled Concept Paper on Need for Regulations on Micro-Insurance in India. While not regulation, the paper nonetheless reflects the intentions of the regulator. There is much that is commendable in the Concept Paper, but there are some concerns: The implicit restriction of micro insurance to the partner-agent model limits the potential scope.

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 hours for life insurance) to 25 hours. Quality control with regard to NGO skills sufficient for most organizations. 39

3.8 IRDA REGULATIONS ON MICRO INSURANCE

3.8.1 Micro insurance regulations

F.No. IRDA/MI/3/2005:- In exercise of the powers conferred by Section 114A of the Insurance Act, 1938 (4 of 1938) read with Section 26 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), the Authority, in consultation with the Insurance Advisory Committee, hereby makes the following regulations, namely:-

(i) These regulations may be called the Insurance Regulatory and Development Authority (Micro insurance) Regulations, 2005. (2) They shall come into force from the date of their publication in the official Gazette.

www.microfinancegateway.org/section/resourcecenters/microinsurance.
3.8.2 Micro-insurance Agent:

"Micro-insurance agent" (i) a Non-Government Organization (NGO): or (ii) a Self help Group (SHG): or (iii) a Micro-Finance Institutions (MFI), who is appointed by an insurer to act as a micro-insurance agent for distribution of micro-insurance products.

Explanation for the purposes of these regulations;

(I) **Non-Government Organization (NGO)** means a non-profit organization registered as a society under any law, and has been working at least for three years with marginalized groups, with proven track record, clearly stated aims and objectives, transparency, and accountability as outlined in its memorandum, rules, by-laws or regulations, as the case may be, and demonstrates involvement of committed people.

(II) **Self Help Group (SHG)** means any informal group consisting of ten to twenty or more persons and has been working at least for three years with marginalized groups, with proven track record, clearly stated aims and objectives, transparency, and accountability as outlined in its memorandum, rules, by-laws or regulations, as the case may be, and demonstrates involvement of committed people.

(III) **Micro-Finance Institution (MFIs)** means any institution or entity or association registered under any law for the registration of societies or co-operative societies, as the case may be, inter alia, for sanctioning loan/finance to its members.

3.8.3 Distribution of Micro-insurance product

In addition to an insurance-agent or corporate agent or broker licensed under the Act, read with the regulations concerned made by the Authority for licensing of individual or corporate agents, or insurance brokers, as the case may be, micro-insurance products may be distributed through the micro-insurance agents. Provided that a micro-insurance agent shall not distribute any product other than a micro-insurance product.
3.8.4 Appointment of micro-insurance agents

(1) 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. Provided that before entering into every such agreement, the same shall be got approved by the head office of the insurer.

(2) 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.

(3) The deed of agreement referred to in sub-regulation (1) shall specifically authorize the micro-insurance agent to perform one or more of the following additional functions, namely:

- a) Collection of Proposal forms;
- b) Collection of self declaration from the proposes that he/she is in good health;
- c) Collection and remittance of premium;
- d) Distribution of policy documents;
- e) Maintenance of register of all those insured and their dependants covered under the micro-insurance scheme, together with details of name, sex, age, address nominee and thumb impressions signature of the policyholder;
- f) Assistance in the settlement of claims;
- g) Ensuring nomination to made by the insured;
- h) Any policy administration service.

(4) The micro-insurance agent or the insurer shall have the option to terminate the agreement referred to in sub-regulation (1), after giving a notice of three months by the party intending to terminate the agreement. Provided that no such notice shall be necessary, where the termination is on account of any misconduct or indiscipline or fraud committed by the micro-insurance agent.
3.8.5 Employment of specified persons by micro-insurance agent

A micro-insurance agent shall employ specified persons with the prior approval of the insurer for the purpose of discharging all or any of the functions stated in sub-regulation (3) of regulation 5.

Provided that corporate agents and insurance brokers procuring micro-insurance business shall continue to be governed by the Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations, 2002, and Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2002, as the case may be.

3.8.6 Filing of micro-insurance product design

(1) Every insurer shall be subject to the “file and use” procedure with respect to filing of micro-insurance products with the Authority.

(2) Every micro-insurance product which is cleared by the Authority for the purpose of micro insurance shall prominently carry the caption “Micro-Insurance Product”.

3.8.7 Insurance of Micro-insurance Product

(1) Every insurer shall issue insurance contracts to the individual micro-insurance policyholders in the vernacular language which is simple and easily understood by the policy holders. Provided that where issuance of policy contracts in the vernacular language is not possible, the insurer shall as far as possible issue a detailed write-up about the policy details in the vernacular language.

(2) Every insurer shall issue insurance contract to the group micro-insurance policyholder in an unalterable form along with a schedule showing the details of individuals covered under the group, and also issue a separate certificate, to each such individual evidencing proof of insurance, containing details of validity period of cover, name of the nominee, and addresses of the underwriting office and the servicing office, where both offices are not the same.
Underwriting: No insurer shall authorize any micro-insurance agent or any other outsider to underwrite any insurance proposal for the purpose of granting insurance cover.

Capacity Building: Every insurer shall impart at least twenty-five hours of training at its expense and through its designated officer(s) in the local vernacular language to all micro-insurance agents and their specified persons in the areas of insurance selling, policyholder servicing and claims administration.

Remuneration/Commission:
(1) A micro-insurance agent may be paid, remuneration for all the functions rendered as outlined in regulation 5 and including commission, by an insurer, and that the same shall not exceed the limits as stated below:

   a) For Life Insurance Business
      Single Premium Policies- Ten percent of the single premium.
      Non single premium policies- Twenty percent of the premium for all the years of the premium paying term.

   b) For Non-Life Insurance Business: Fifteen percent of the premium.

(2) Where the agreement between the micro-insurance agent and insurer is terminated for any reason whatsoever, no future commission/remuneration shall be payable.

(3) For group insurance products, the insurer may decide the commission subject to the overall limit as specified in sub-regulation(1).40

3.9 DISTRIBUTION CHANNELS

Micro insurance schemes can follow various delivery methods. For example, for asset insurance, the most frequent model in is where the insurance agency

provides the insurance product and the insurance delivery institution/organization takes up the activity of sales and servicing the clients. Examples include BASIX-India and the recent pilot by CARE-India in Tsunami-affected areas. Alternatively, an organization such as MFI can act as an intermediary between the target population and one of the insurance companies. SEWA is an example of such a scheme. The choice depends on the ability and willingness of the MFI to handle both micro insurance sales and regular financial activities.41

Micro insurers that employed a variety of different models and delivery structures, such as;

**Figure 3.2 Distribution channel for Micro Insurance**

- Partnership between insurers and distribution agents such as cooperatives and MFIs.
- Regulated insurance companies that serve the low-income market directly
- Healthcare providers offering a financing package and absorbing the insurance risk

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- Community-based programmes that pool funds, carry risk and manage a relationship with a healthcare provider.
- Government-sponsored or-subsidized insurance schemes.
- Self-insuring MFIs that assume the risk of offering insurance to their clients.

**Partner-Agent model**

Insurers, with products, are pairing with MFIs and others, with low-income markets, to provide micro insurance, as AIG does with MFIs in Uganda.

**Community-based model:**

Local communities form groups that capitalize and manage a risk pool for their members. ILO STEP and CIDR deliver health services using this model.

**Provider Model**

Hospitals and clinics create prepaid or risk pooling coverage for people at their facilities. MFIs such as ASA and Grameen use this model but manage their own clinics.

**Full service model**

Regulated insurers downsizing insurance services like Delta Life (Bangladesh), which offers a long-term saving product (annuity) with life insurance and a premium affordable by the poor. Some MFIs also assume the role of insurers. Most of these offer only basic credit life insurance to protect their loan portfolios.

**Social Protection models**

National governments often underwrite cover for certain risks through social insurance programmes such as with health care, crops and livestock, and covariant risk. These models are by which party absorbs the insurance risk local villagers. MFIs, health care facilities or regulated insurance companies. The litmus test for success is the entity's ability to manage the insurance risks. Micro insurance is a young financial service with few proven best practices. Demands are strong and indicate of an important potential market. Along with savings and emergency loans.
micro insurance, there are important considerations for MFIs and insurers, as well as for international institutions in terms of their support. Working together, micro insurance can be both a successful business venture and advantageous to the Poor.

3.9.1 Partnership model

The partner-agent model: How does it work?

As the name implies this model involves a partnership between an insurer and an agent that provides some kind of financial service to large numbers of low-income people. This could be a micro finance organization, an NGO, or a business that supplies precuts to large numbers of low-income people, such as a fertilizer supplier. This party is an agent, selling insurance policies to the clients on behalf of the insurance provider in exchange for a commission or fee. The insurance provider utilizes the established distribution channels of this agent and its financial transactions with low-income groups, that would otherwise be too costly to set up.

The partnership model uses the comparative advantage of each partner so that each can focus on its core business: the insurance provider is responsible for designing and pricing the product, the final claims management, and the investment of reserves, and absorbs all the insurance risk. In addition to selling the policies, the agent offers its infrastructure for product servicing such as marketing the product, premium collection, and assists in claims management.

Pros

- The system works better than in-house because the synergies are maximized, enabling both organizations to focus on their core business and expertise;
- Requires fewer skills for the agent than an in-house model;
- Uses legally recognized insurance companies that have adequate reserves, adhere to capital requirements, employ certified insurance professionals, and operate under the insurance law;
- Insurer has access to reinsurance;
- The overhead costs of both the organizations, the agent and the insurance
company, are reduced: the agent can use its infrastructure for collecting premiums, etc; the insurer provides the expertise on product development, etc;

- It reduces the need to build the capacity of agents such as NGOs and MFIs to sell insurance because the insurer can do some of this;

- Information asymmetries are minimized as the agent is familiar with the needs of clients and their situations, which reduces the time needed for claims verification and settlement, while receiving feedback on client satisfaction and product design, etc;

- The insurer assumes all the risks;

- The agent earns commission without risk, while the insurer earns profits

**Cons**

- Because of the quota system, the most well-known agents are already taken and have existing relationships with insurers. There are still many other organizations, however, that could act within a partnership;

- The insurance provider is dependent on the quality of the agent;

- NGOs in particular are often ‘here today, gone tomorrow’ relying on donor recognition and goodwill for their survival;

- Conflicts of interest may occur, especially when working with non-financial institutions. NGO or MFI staff or management may develop sympathy for a client and be lax about underwriting or claims verification. It should be noted that this is less likely to occur with an MFI partner is used to financial discipline with its lending activities.

3.9.2 Agency model

**The agency model: How does it work?**

In this model the insurer uses its normal agency office and sells micro insurance products directly. The clients come to the agency office for sales and servicing of the product. Insurers described this model but the authors could find no examples of it operating in practice.
Pros

- Does not require much additional investment in infrastructure;
- Better control of the quality of the agent than with the partnership model.

Cons

- Difficult to reach large numbers especially in rural areas where clients may be unwilling to travel to the office;
- Agents will need special training in dealing with low-income clients;
- Offices may intimidate poor clients;
- Individual policies only would be sold; generally such micro insurance policies have not proved commercially viable.

3.9.3 Micro-agent model

The micro-agent model: How does it work?

While the partnership model is relatively common, the micro-agent model described below is unique. It is the invention of Tata-AIG, specifically an employee of Tata-AIG, Vijay Artheye. The Central building blocks of the model are Rural Community Insurance Groups (CRIGs) supervised by rural organizations such as churches, NGOs or MFIs, CRIGs are partnership firm formed of five women from a self-help group(SHG). The leader of the CRIG is licensed as an agent. The CRIG is a de facto brokerage firm (in the technical, not the legal sense of the term). All CRIGs in the same geographic area meet in a single centre, usually organized with the assistance of the rural organization, and receive training and assistance from Tata-AIG. This practice reduces training costs.

Pros

- The model creates an insurance distribution infrastructure in low-income neighbourhoods. In addition, it creates a new profession, that of micro-agent, with new livelihood opportunities in his/her vicinity
- Sustainability; Because the position is a commercial one with financial
incentives, Tata-AIG believes that it will last in the long term, facilitating the sale of long-term products. As mentioned under the partner-agent model, NGOs and MFIs are often dependent on the goodwill and public recognition of aid flows, and so their long-term existence is precarious. Chances are good that CRIGs, being registered firms, will survive, in the event of a member of leader dropping out. The leader could be replaced by another from the community, thus mitigating the risk of orphaned policies;

- In the event that a CRIG disbands, the orphaned policies can be taken over by another CRIG that operates under the same NGO.

Cons:

- Training is costly, especially in relation to premium values;

- The transaction costs of the sales agent are cheap at first but increase as soon as the agent has sold to all the people/he knows and needs to sell to strangers, especially to those living far away;

- In many cases in the partnership model, when a claim arises the MFI or NGO investigates the claim pay the benefit immediately, and then claim it back from the insurer. Immediate payment of claims helps maintain client confidence, and this is not possible under the CRIG system;

- This model is new, and much more experience is needed before it can be reasonably evaluated.42

3.10. BENEFITS OF MICRO INSURANCE

Micro insurance is benefited to the policy holders, intermediaries, insurance companies and society.

3.10.1 Benefits to policyholders

Payment of an amount equal to total premiums payable during the entire term of the policy along with vested bonuses, if any. On death arising as a result of

Available online: www.microfinancegateway.org/section/resourcetccess/microinsurance
accident an additional amount, equal to death benefit sum assured shall be available during the term of the policy. On total and permanent disability arising due to accident (within 180 days from the date of accident), the accident benefit will payable in monthly instalments spread over 10 years. If the policy becomes a claim either by way of death or maturity before the expiry of the said period of 10 years, the disability benefit instalments which have not fallen due will be paid along with the claim.

Auto-Cover Facility: If at least two full years’ premiums have been in respect of this policy, any subsequent premium be not duly paid, full death cover shall continue from the due date of First Unpaid Premium (FUP) for a period of two years or till the end of policy term, whichever is earlier. During the Auto Cover Period, the Accident Benefits shall not be available.

Participation in profits of the corporation: Simple Reversionary Bonuses shall be declared per thousand death benefit sum assured annually at the end of each financial year depending upon the Corporation’s experience, provided the policy is in full force. In case of a paid up policy bonuses shall be payable only if at least 3 full years’ premiums have been paid. On surrender, the discounted value of vested bonuses, if any, will be payable.

Paid-up value: If after at least two full years, premiums have been paid in respect of this policy, any subsequent premium be not duly paid, this policy shall not be wholly void, by shall subsist as a paid up policy and the Sum Assured shall be reduced to a sum, called the paid-up. The Paid up Sum Assured shall be calculated as the Maturity Sum Assured multiplied by the ratio of number of premiums actually paid to the total number of premiums originally stipulated for in the policy. This paid up value along with vested bonuses, if any, shall be payable on the date of maturity or at Life Assured’s prior death.

The Accident Benefit will cease to apply if the policy is in lapsed condition.

Surrender Value: You may surrender the policy for cash after at least two full years’ premiums have been paid. The Guaranteed Surrender Value is equal to 30 percent of the total amount of premiums paid. Corporation may, however, pay surrender value
as the discounted value of Paid up sum assured and vested bonus, if any, as applicable on date of surrender, provided the same is higher than guaranteed surrender value.43

3.10.2 Benefits to Insurance sector
- Insurance sector will increase the total policy holders of the corporation.
- Insurance companies can increase their business profit through investment.
- Insurance companies will increase the market share of a business.

3.10.3 Benefits to Intermediaries
- MFIs can generate capital for itself in terms of acquiring some percentage of commission and profits from the insurer.
- Intermediaries had a social objective of providing appropriate insurance service to the low income households, joining hand with the MFIs in launching the term micro-life insurance product has addressed their social objective by providing insurance benefits to the low income households. Similarly, launching of this product has contributed to meeting the financial objective of intermediaries by earning income in terms of commission and profits.

3.10.4 Benefits to the society
- Micro-insurance schemes may take over some of the social protection functions such as redistribution, with internal cross-subsidies or through the channeling of external subsidies to their members (public subsidies).
- Micro-insurance schemes should not only be evaluated on technical aspects (financial viability, etc.) but also on their capacity to reach social protection expected outcomes (financial protection in case of a shock, access to a minimum, efficient and relevant health package, etc.); more generally the socio-economic impact of these schemes on their members and on the non-members should be taken into consideration. A non-regulated market may fail in providing an efficient benefit package to the poor.
- Micro-insurance schemes have an important role to play in the promotion of empowerment and participation of their members, which has implications in

terms of the design of the products, the choice of the most appropriate benefit / premium combinations, the organization of the schemes (participative decision making).

- In any case, the decision to implement or support micro-insurance schemes is not only driven by a risk analysis but also by political considerations: on priority contingencies to cover, on populations to be targeted, on the relevance of this mechanism as compared to others, on its comparative advantages, on the possibility to link it to other mechanisms and other social protection components, in order to improve each others efficiency, to increase coverage and to progressively create more coherent and equitable systems of social protection. Because they have a specific role, micro-insurance schemes in the context of social protection should be considered in a different way from other micro-insurance schemes (e.g., property micro-insurance (assets, livestock, housing), or credit life micro-insurance securing the reimbursement of loans) regarding in particular use of public subsidies, design of the benefit package and regulation

3.11 LIMITATIONS OF MICRO INSURANCE

- The total population covered in most countries is far from reaching the target populations. In fact, many of the schemes have great difficulties in extending their geographic or socio-occupational outreach and in increasing the size of their membership.

- Many micro-insurance schemes have poor viability and sustainability.

- These 2 points are linked with poor management skills (not enough financial resources in order to hire professional staff) and information systems (difficulties to produce information and monitor the scheme’s operations).

- Members’ ability to pay is most often very low, which leads also to a very limited coverage in the absence of subsidies.

- Most of these schemes do not take over the functions that are usually played by statutory social security schemes such as redistribution / solidarity between richer and poorer segments of the population (since contributions in such
schemes are very often flat rate), and do not reach the poorest segments of the excluded groups (those that cannot contribute).

- In many countries the legislative framework and regulations are not adapted to these schemes and do not facilitate their extension.
- Micro-insurance schemes are most often self-governing organizations. They may pursue objectives that are not in line with government's strategy of social protection and their promoters may be unwilling to participate in the design and set up of national systems of social protection for this participation would challenge the schemes' autonomy.44

3.12 REVIEW OF EXISTING MICRO INSURANCE SCHEME

In India, in an earlier period the micro insurance scheme was introduced by the Community based organization and Non governmental organization. Then it is slowly developed by both public as well private insurance companies. In 2000, the LIC of India was introduced the social security scheme for rural people, Now, it is called as micro insurance scheme (Janashree Bima Yojana). In 2006, TATA-AIG insurance company has introduced the three micro insurance scheme for rural people (Navkalyan Yojana, Ayushman Yojana and Sampoor Bima Yojana).

3.12.1 LIC Janashree Bima Yojana Scheme (LIC-JBY)

The JBY scheme was started in the year 2000. The annual premium is Rs.100. The benefits are more attractive than the social security scheme. In case of natural death of the member, the nominee gets Rs.20,000 and Rs.50,000 in case of accidental death. In case of partial disability, Rs.25,000 will be paid and in case of total disability Rs.50,000 will be paid. The unique feature of this scheme is that scholarship benefits are offered for school-going children up to Rs.1200 in a year. However, evidence of two premium payments should be produced and the beneficiary students should have an excellent academic record. LIC will release scholarship payouts based on their administrative norms.

44 Carmen V. Caballero (2007), Setting-up a Health Micro Insurance Scheme Relevance, challenges and process, pp: 7-15.
http://www.ilo.org/igi/mi/RessShowRessource.do?ressourceId=92&longTitle=default&author=default&ressYear=0000
3.12.2 Shiksha Sahayog Yojana (SSY):

In pursuant to the Government’s announcement in the Budget 2001-2002, LIC launched the Shiksha Sahayog Yojana for the benefit of children of members Janashree Bima Yojana. The Scheme provides for the scholarship of Rs.300/- per quarter to students studying in 9th to 12th standards. The beneficiary has not to pay any premium for availing the supplementary benefit of scholarship.

In regard to weaknesses of the above two schemes, LIC in a written reply stated as follows:

- No Scheme can be offered to individual members unless they form a group of atleast 25. Only heads of families are covered.
- Identifying beneficiaries who are below poverty line or marginally above poverty line is difficult. Hence benefits of the scheme may be drawn even by those who are not eligible for the same.

3.12.3 Royal Sundaram Health Insurance Scheme

In order to address the health needs of the women members holistically, an insurance scheme in association with the Royal Sundaram Alliance Pvt ltd was started in 2001. Members enrolled in the RSA-HIS are entitled to hospitalization benefits for admission to a private hospital. In case of maternity Rs.3000 can be claimed. Maternity benefits are allowed up to two children. In case of cataract surgery, a maximum of Rs.3000 in a year can be claimed. For surgery and other illnesses, a maximum of Rs.7000 in a year, subject to a maximum of Rs.5000 for one admission, can be claimed.

**Premium:** Up to 18 years premium is Rs.65, Between 18-45 years an amount of Rs.125, Between 45-60 years an amount of Rs.175, Between 60-75 years an amount of Rs.210.

3.12.4 Royal Sundaram Shakthi Security Shield

On a special request from World Women Forum (WWF), Royal Sundaram Alliance Private brought out a scheme exclusively for the benefit of poor women
members in 2002. The annual premium is Rs.34. In case of accidental death of the insured or spouse or parents/guardian an amount of Rs.25,000 can be claimed. The member and her husband or parent/guardian dies in accident the legal heir/nominees of the deceased is entitled for the insurance amount of Rs.50,000. In case of total disability i.e. loss of two limbs, the insured gets a claim of Rs.25,000 whereas for a loss of one limb or one eye Rs.12,500 can be claimed.

The scheme also provides cash relief for the period when the insured its temporarily or totally disabled from engaging in any work. Under such circumstances, a sum of Rs.100 per week subject to a maximum of Rs.1500 will be paid. The scheme also has a provision to reimburse hospitalization expenses arising out of an accident-up to a limit of Rs.1000. Also, compensation is provided for the loss of or damage to the insured’s dwellings and household goods due to natural calamities-up to Rs.1000 for dwelling and Rs.500 for contents. So far, 7,37,235 Premium holders have paid a premium amount of Rs.2,38,65,880. And 4542 members have benefited to the tune of Rs.2,53,46,423.

3.12.5 Swayamkrushi

The saving and credit cooperative Swayamkrushi of Andra Pradesh, India, has been providing micro finance to its women members engaged in informal sector employment since 1997. In 2001, in collaboration with insurer ICICI it added a compulsory life and property insurance. For an annual premium of 100 Rupees, cover for accidental death (30,000 Rupees, as well as the write-off of loans taken to finance working tools, equipment and other productive equipment in the case of death and/or property losses is granted. In 2002, 8100 participants were registered. With a membership base considered small, defaults of contributions have occurred posing some strain on the system. Furthermore, understanding of insurance among clients is limited, as members have been pressuring to receiving return on the premium paid. The scheme operates without external assistance


3.12.6 Tata AIG Micro Insurance Scheme

Tata AIG was offering the micro insurance policy to the rural India. Tata AIG Life Micro insurance plans are available with or without survival benefits and with death benefits ranging from Rs.5,000 to Rs.50,000. With premiums as low as Rs.5** per month, there is now an affordable life insurance product for nearly every rural household in India. The premium mentioned above is exclusive of Service Tax.

3.12.6(i) Navkalyan Yojana

A regular premium payment, low cost term plan for the rural adults who seek life insurance protection without any maturity benefit.

Key Features

- Policy Term: 5 years
- Coverage Limits: Minimum Death Benefit (Sum Assured): Rs.5000/-
- Maximum Death Benefit (Sum Assured): Rs.50,000/-
- Premium Payment frequency: Monthly, Quarterly, half yearly & yearly
- Death Benefit: Sum assured to the policyholder’s nominee
- Maturity benefit: None
- Rider: Option to attach Accidental death Benefit Rider for issue ages 18 to 55 years at a nominal extra charge.

3.12.6 (ii) Ayushman Yojana

A single premium plan where the policyholder pays the premium at the beginning of the policy term. This is especially useful for those rural people who have a seasonal income.

Key features

- Policy Term: 10 years
- Coverage Limits: Minimum Death Benefit (Sum Assured): Rs.5,000/-
- Maximum Death Benefit (Sum Assured): Rs.50,000/-
- Death Benefit: Sum assured to the policyholder’s nominee
- Maturity Benefit: On survival, 125% of the single premium paid.
3.12.6(iii) Sampoorn Bima Yojana

A low cost insurance plan where the policyholder receives all the premiums paid during the policy term upon survival until the term of the policy. Premiums are payable for only 10 years, while the coverage is upto 15 years.

Key features

- Policy Term: 15 years
- Coverage Limits: Minimum Death Benefit (Sum Assured): Rs.5000/-
- Maximum Death Benefit (Sum Assured): 50,000/-
- Premium payment frequency: Monthly, quarterly, half yearly & yearly
- Death Benefit: Sum assured is paid to the policyholder's nominee
- Maturity Benefit: At the end of the 15 year all the premium paid returned to the policyholders.47

3.13 NEW MICRO INSURANCE SCHEME (JEEVAN MADHUR) IN INDIA

The country's largest public sector insurance firm is Life Insurance Corporation. Now LIC has launched a new Micro Insurance policy that targets to benefit economically deprived and backward section of the society. The new micro insurance scheme is offered by the Life Insurance Corporation of India. It has launched in the year of September 2006. The Micro Insurance policy name is "JEEVAN MADHUR". It is a life micro insurance policy. It is simple saving related life insurance plan where you may pay premiums regularly at weekly, fortnightly, monthly, quarterly, half-yearly intervals over the term policy.

Table 3.1 Minimum installment premium for different modes of premium payment shall be

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekly</td>
<td>Rs25/-</td>
</tr>
<tr>
<td>Fortnightly</td>
<td>Rs50/-</td>
</tr>
<tr>
<td>Monthly</td>
<td>Rs100/-</td>
</tr>
<tr>
<td>Quarterly, Half yearly, yearly</td>
<td>Rs250/-</td>
</tr>
</tbody>
</table>

Source: LIC Product, www.licindia.com

Further, the premium chosen by you shall be subject to the minimum and maximum sum assured of Rs5000/- and Rs30000/- respectively payable on death and maturity under this plan. Maturity benefit: On your surviving to the date of maturity, payment of the maturity sum assured along with vested bonuses, if any. The specimen maturity sum assured per Rs1200/- annual premium are given below for some of the decennial ages and terms.

Table 3.2 Policy Term and Age limit for Micro Insurance

<table>
<thead>
<tr>
<th>Age at Entry</th>
<th>Policy Term</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5 years</td>
</tr>
<tr>
<td>20</td>
<td>5089</td>
</tr>
<tr>
<td>30</td>
<td>5081</td>
</tr>
<tr>
<td>40</td>
<td>5026</td>
</tr>
<tr>
<td>50</td>
<td>4847</td>
</tr>
</tbody>
</table>

Source: LIC Product, www.licindia.com

The table 3.2 represents that, the age limits to purchasing the micro insurance.

Table 3.3 Eligibility conditions and other restrictions

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum age at entry</td>
<td>18 years (completed)</td>
</tr>
<tr>
<td>Maximum age at entry</td>
<td>60 years (nearest birthday)</td>
</tr>
<tr>
<td>Maximum age at maturity</td>
<td>65 years (nearest birthday)</td>
</tr>
<tr>
<td>Term</td>
<td>5 to 15 years</td>
</tr>
<tr>
<td>Minimum Sum Assured</td>
<td>Rs.5,000</td>
</tr>
<tr>
<td>Maximum Sum Assured</td>
<td>Rs.30,000.48</td>
</tr>
</tbody>
</table>

Source: LIC Product, www.licindia.com

The table 3.3 reviews that the minimum and maximum age at entry for micro insurance, micro insurance policy term, and minimum and maximum sum assured amount during the policy term.

## THE PRESENT STATUS OF MICRO INSURANCE

From the table 3.4 and table 3.5 reveals that, the micro insurance position in India, Tamil Nadu and Tirunelveli District.

### TABLE 3.4 THE PRESENT STATUS OF MICRO INSURANCE - INDIA (STATEWISE)

**AS ON 31-03-2007**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of State</th>
<th>No. of policies</th>
<th>Percentage of policies</th>
<th>Sum Assured ('000s)</th>
<th>Percentage of Sum Assured</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>KERALA</td>
<td>23626</td>
<td>29.81</td>
<td>345506.7</td>
<td>32.97</td>
</tr>
<tr>
<td>2.</td>
<td>TAMIL NADU</td>
<td>18057</td>
<td>22.77</td>
<td>218396.2</td>
<td>20.84</td>
</tr>
<tr>
<td>3.</td>
<td>ANDHRA PRADESH</td>
<td>16560</td>
<td>20.89</td>
<td>238487.1</td>
<td>22.76</td>
</tr>
<tr>
<td>4.</td>
<td>UTTAR PRADESH</td>
<td>4218</td>
<td>5.32</td>
<td>50881.38</td>
<td>4.85</td>
</tr>
<tr>
<td>5.</td>
<td>MAHARASHTRA</td>
<td>3844</td>
<td>4.85</td>
<td>20017.3</td>
<td>1.91</td>
</tr>
<tr>
<td>6.</td>
<td>KARNATAKA</td>
<td>3841</td>
<td>4.84</td>
<td>50315.94</td>
<td>4.8</td>
</tr>
<tr>
<td>7.</td>
<td>BIHAR</td>
<td>1993</td>
<td>2.51</td>
<td>29433.62</td>
<td>2.81</td>
</tr>
<tr>
<td>8.</td>
<td>WEST BENGAL</td>
<td>1413</td>
<td>1.78</td>
<td>19008.05</td>
<td>1.81</td>
</tr>
<tr>
<td>9.</td>
<td>ASSAM</td>
<td>1084</td>
<td>1.37</td>
<td>7648.5</td>
<td>0.73</td>
</tr>
<tr>
<td>10.</td>
<td>SIKKIM</td>
<td>733</td>
<td>0.92</td>
<td>11430.76</td>
<td>1.09</td>
</tr>
<tr>
<td>11.</td>
<td>MADHYA PRADESH</td>
<td>636</td>
<td>0.8</td>
<td>8347.6</td>
<td>0.8</td>
</tr>
<tr>
<td>12.</td>
<td>GUJARAT</td>
<td>556</td>
<td>0.7</td>
<td>8295.96</td>
<td>0.79</td>
</tr>
<tr>
<td>13.</td>
<td>UTTARANCHAL</td>
<td>510</td>
<td>0.64</td>
<td>8044.31</td>
<td>0.77</td>
</tr>
<tr>
<td>14.</td>
<td>TRIPURA</td>
<td>502</td>
<td>0.63</td>
<td>9983.78</td>
<td>0.95</td>
</tr>
<tr>
<td>15.</td>
<td>RAJASTHAN</td>
<td>318</td>
<td>0.4</td>
<td>5705.75</td>
<td>0.54</td>
</tr>
<tr>
<td>16.</td>
<td>MANIPUR</td>
<td>196</td>
<td>0.25</td>
<td>1403.22</td>
<td>0.13</td>
</tr>
<tr>
<td>17.</td>
<td>ORISSA</td>
<td>146</td>
<td>0.18</td>
<td>2156.2</td>
<td>0.2</td>
</tr>
<tr>
<td>19.</td>
<td>JHARKHAND</td>
<td>113</td>
<td>0.14</td>
<td>1571.1</td>
<td>0.15</td>
</tr>
<tr>
<td>20.</td>
<td>CHHATISGARH</td>
<td>109</td>
<td>0.14</td>
<td>1000.6</td>
<td>0.1</td>
</tr>
<tr>
<td>19.</td>
<td>JAMMU &amp; KASHMIR</td>
<td>66</td>
<td>0.08</td>
<td>487.2</td>
<td>0.05</td>
</tr>
<tr>
<td>21.</td>
<td>PUNJAB</td>
<td>53</td>
<td>0.07</td>
<td>572</td>
<td>0.06</td>
</tr>
<tr>
<td>22.</td>
<td>HIMACHAL PRADESH</td>
<td>7</td>
<td>0.02</td>
<td>160</td>
<td>0.02</td>
</tr>
<tr>
<td>23.</td>
<td>NATIONAL CAPITAL TERRITORY - DELHI</td>
<td>590</td>
<td>0.74</td>
<td>7626.24</td>
<td>0.73</td>
</tr>
<tr>
<td>24.</td>
<td>UNION TERRITORY - CHANDIGARH</td>
<td>116</td>
<td>0.15</td>
<td>1507</td>
<td>0.14</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>79287</strong></td>
<td><strong>100</strong></td>
<td><strong>1047987</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: LIC Report

MICRO INSURANCE BENEFITS TOWARDS POLICYHOLDERS
The table 3.4 shows that, In India, 29.81% of the micro insurance policies covered in Kerala. 22.77% of the micro insurance policies covered in Tamil Nadu. 20.89% of policies in Andhra Pradesh, 5.32% in Uttar Pradesh, 4.85% in Maharashtra, 4.84% in Karnataka, 2.51% in Bihar, 1.78% in West Bengal, 1.37% in Assam, 0.92% in Sikkim, 0.80% in Madhya Pradesh, 0.74% in Delhi, 0.7% in Gujarat, 0.64% in Uttarakhand, 0.63% in Tripura, 0.4% in Rajasthan, 0.25% in Manipur, 0.18% in Orissa, 0.15% in Chandigarh, 0.14% in Jharkhand and Chhattisgarh, 0.08% in Jammu & Kashmir, 0.07% in Punjab and 0.02% of the micro insurance policies covered.

From the table 3.4 it found that the more number of micro insurance policies sell in Kerala and Tamil Nadu. Kerala is a first place for micro insurance sales; Tamil Nadu is a second place for micro insurance sales.

**TABLE 3.5 THE PRESENT STATUS OF MICRO INSURANCE - TAMIL NADU (DISTRICT WISE) (AS ON 15-07-2007)**

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Name of the District</th>
<th>No. of Policies</th>
<th>Percentage of policies</th>
<th>Sum Assured (‘000s)</th>
<th>Percentage of Sum Assured</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>CHENNAI</td>
<td>7343</td>
<td>31.47</td>
<td>83158.4</td>
<td>27.26</td>
</tr>
<tr>
<td>2.</td>
<td>TIRUNELVELI</td>
<td>6392</td>
<td>27.39</td>
<td>105897.4</td>
<td>34.71</td>
</tr>
<tr>
<td>3.</td>
<td>VELLOOR</td>
<td>4158</td>
<td>17.82</td>
<td>40215.19</td>
<td>13.18</td>
</tr>
<tr>
<td>4.</td>
<td>THANJAVOOR</td>
<td>2524</td>
<td>10.82</td>
<td>18484.2</td>
<td>6.06</td>
</tr>
<tr>
<td>5.</td>
<td>SALEM</td>
<td>1409</td>
<td>6.04</td>
<td>20583.3</td>
<td>6.75</td>
</tr>
<tr>
<td>6.</td>
<td>COIMBATORE</td>
<td>818</td>
<td>3.5</td>
<td>12613.0</td>
<td>4.13</td>
</tr>
<tr>
<td>7.</td>
<td>MADURAI</td>
<td>690</td>
<td>2.96</td>
<td>24144.8</td>
<td>7.91</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>23334</strong></td>
<td><strong>100</strong></td>
<td><strong>305096.3</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: LIC Report

The table 3.5 shows that, Out of the total micro insurance policyholders in India, 23334 micro insurance policies covered in Tamil Nadu. Out of the total policyholders in Tamil Nadu, 31.47% of the micro insurance policies reached in Chennai. 27.39% of the policies covered in Tirunelveli. 17.81% of the policies.
covered in Velloor. 10.82% in Thanjavoor, 6.04% in Salem, 3.5% in Coimbatore, 2.96% in Madurai.

From the table – It is clear that as on 15th July 2007, Tirunelveli accounts to 27.39% which is next to Chennai, which means that the implementation and penetration of micro insurance is better compared to all other districts in Tamil Nadu.

Thus, This research gets prominence in understanding about the policy holders and their perspectives and also the significance of micro insurance to the policy holders which may lead to high penetration to all other districts in Tamil Nadu and gradually to other states of India.