CHAPTER I
INTRODUCTION

Security in any facet of life is the primary prerequisite that impels the individual and the society to push forward to get to the heights of social and economic prosperity. People are vulnerable to risks and economic shocks. The people want to protect themselves from the risk. Insurance is one of the way and best way for the people to protect themselves. Insurance is a provision which a prudent man makes against inevitable contingencies, loss or misfortune. Among the population, risk pooling and informal insurance are not entirely new. Informal risk sharing schemes have been around for generations, even in some of the most accessible places. However, these schemes are usually limited in their outreach and the benefits typically cover only a small portion of the loss. People generally regard insurance as a scheme when and where you have to lose a lot to gain a little. Nevertheless, insurance is still the most reliable tool which an individual may use to plan for his future.

Insurance is a tool in the hands of resourceful to mitigate the future uncertainty. Insurance products are designed on the assumption that anyone with savings after meeting the present basic needs, would ideally plan for incertitude. For the conventional insurance industry, the poor and marginalized households do not come under its ambit as they lack the capacity to save.

Life Insurance in its modern form came to India from England in the year 1818. Oriental Life Insurance Company started by Europeans in Calcutta was the first life insurance company on Indian soil. All the insurance companies established during that period were brought up with the purpose of looking after the needs of European Community and Indian natives were not being insured by these companies. However, later with the efforts of eminent people like Baby Muttylal, the foreign life insurance companies started insuring Indian lives. But Indian lives were being treated as sub-standard lives and heavy extra premiums were being charged on them.

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Bombay Mutual Life Assurance Society heralded the birth of first Indian life insurance company in the year 1870, and covered Indian lives at normal rates. The Parliament of India passed the Life Insurance Corporation Act on the 19th of June 1956, and the Life Insurance Corporation of India was created on 1st September, 1956, with the objective of spreading life insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost.

Life Insurance provides for financial security in the event of death or on the inability to earn due to physical disabilities. Besides providing for financial security in the case of one's untimely death, it can be used to accumulate a kitty for your old age, systematically build assets, for funding your child's education and also for saving on taxes. The LIC has adopted several products to meet out the risk in the people life. Generally insurance products are divided on the basis of individual scheme, group scheme and market segmentation. Most of the products are more suitable for urban area people. Insurance services do not reach properly to the poor people and rural people. The insurance services are reaches only 24% of the people out of which total population. The life insurance growth is less than 30% in India. In Tamil Nadu District 50% of the people are excluded from insurance services. In India, more than 72% households live in rural areas, 26% or households are Below Poverty Line, 64% of literacy people. In providing insurance services to the majority of Indian population which lives in the rural areas, scattered over a wide dissection of geographical, social-cultural and linguistic landscape will major challenge for both public and private institutions concerned with delivering insurance services. The challenge is even more daunting because of low literacy levels, poor infrastructure and nascent and urban centric insurance industry at this point of time. The importance of having a deep penetration of insurance services in the rural sector need not be overstated, to highlight its importance for the overall strength of the Indian economy.  

Insurance as a concept is as much a dilemma for the poor as it is to the poor

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affluent. However, recent developments in India, as elsewhere have shown that not only can the poor contribute towards their insurance but also that they are insurable as the risks they face are predictable and there are cost-effective ways of extending insurance to them. Insurance companies operating in a competitive market rarely serve the low end of the market as offering insurance to the low income people who can barely afford premium is not very attractive. Few insurance covers are affordable to the poor. As a strategy to face the growing competition from private players in the insurance sector, the LIC giant now thinks to have direct dealing with its policy holders by maximizing the use of technology. Broadening its horizon, the corporation would now make foray in the micro-insurance segment. This is a new area of business with life, health and property, which has immense potentiality. The move comes at a time when insurance firms are still examining the viability of micro-insurance and the challenges of managing distribution and costs effective in this segment.

Micro insurance intends to offer the poor protection against specific risks in return for payment of regular premiums proportionate to the likelihood and cost of the risk involved. Micro Finance Institutions (MFIs) that intend to provide micro insurance services to their clients. Micro insurance, when available at affordable prices, is now recognized as an important financial service provider to protect to the poor in the event of personal and natural disasters.

The LIC creates micro insurance product to attract the rural segment of market, to tackle competition of private insurance companies. It is planning to introduce in a market. At the same time it celebrated the Golden Jubilee Celebrations of the LIC in which launched the micro-insurance policy. The name of the micro insurance policy is “Jeevan Madhur” policy. The very objective of the micro insurance policy is to cover the economically underprivileged segments of society. LIC during the last five decades has been a partner of the government in every economic activity. LIC has mission to reach every segment of the society through

career agents, development officer and NGOs to the remotest corner of the country.

Micro insurance is a tool allowing low-income households better manage financial pressures of unexpected shocks and stresses. 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.

Micro insurance is defined as "the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved" - Craig Churchill.  

STATEMENT OF THE PROBLEM

In India, more than 75% of the total population lives in the rural areas, 50% of the population is women and 33.1/3% population is economically backward. The micro insurance system, a new concept in India, is capable of penetrating all sections of the masses to provide the needed social and financial security to the people. The Indian insurance market is necessitating insurance companies to develop products for the low-income segment of the market however it is satisfied by the micro insurance. The growing competitions and the increasing private participation are posing a threat to the LIC. The LIC has adapted to special marketing strategies to gauge the changing scenario of the customer expectation as well as to ensure the continued customer satisfaction through its innovations and modifications of the product and services. Micro insurance provides innovative product to the insurance market. The LIC has adopted the different product for attracting the customers but it is suitable to urban and rich people. Now it thinks in way that how to attract the rural people and poor people. According to this, it facilitates micro insurance product for poor people. So, micro insurance protects the poor people from the risk. Poverty could be eradicated in planned period if the micro finances were upscaled and micro insurance allowed to play a major role. It leads to micro insurance reduces the poverty among the poor people.

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LIC has offered several products for the poor people. Every product has its own unique feature. For example, Social security products are offered by the LIC. It has government subsidies and it is not applicable to all the people. Micro Insurance policies are offered by both public and private insurance companies. This research makes the comparative analysis between the existing micro insurance products. It gives full details regarding the micro insurance policies and how it’s different from new micro insurance policy. Micro insurance requires an intermediary between the customer and the insurance company. Preferable, this intermediary is a non-governmental organization or micro finance institutions. NGOs play a major role in micro insurance distribution. This study made an attempt to explore clear idea about current distribution model, NGOs role and its advantages and disadvantages of distribution of micro insurance product and move specifically the significance of micro insurance to policy holders in the study area.

**IMPORTANT OF THE STUDY**

The two faces of micro insurance- one focused on extending social protection to the poor in the absence of appropriate government schemes and the other offering a vital financial service to low-income households by developing an appropriate business model that enables the poor to be a profitable market segment for commercial or cooperative insurers Micro insurance concept is new concept. It is importance in different view. Micro insurance is protection of poor people and their families against specific perils like death, illness, weather catastrophe, etc.. But there are several things that differentiate it from normal insurance and group insurance. It is so important to work with a local, grossroots, NGO or MFIs. Raising awareness is the most important think for us. People in poor regions are not familiar with the concept of insurance. The insurance companies are working with this problem by cooperating with local NGOs that are very trusted institutions in the regions where they work. Micro insurance can be made financially sustainable. It opens the door for a huge potential market. Furthermore there is a need to build an efficient infrastructure by increasing the capacity of micro finance institutions or NGOs that can handle insurance policies at such a large scale. This has been done in an attempt to increase the insurance cover for the lower strata of society. An insurance company has adopted
several products in marketing. Each product has uniqueness. In the past years, the various insurance product offered by LIC such that (Jeevan Anurag, Jeevan Aathar, Jeevan Anand, Jeevan surabhi, Jeevan taran, Jeevan Nidhi, New Jeevan Dhara, Jeevan Plus, Future Plus) The above products are macro insurance product. With these significance to the policy holders in general the researcher has attempted to study on the perception – about micro insurance product especially to “JEEVAN MADHUR an micro insurance policy of LIC of India and its benefits to the policy holders.

**OBJECTIVES OF THE STUDY**

The overall objective of the study is to know about the present status of micro insurance in India, new micro insurance policy in LIC and policyholders benefits. The specific objectives of the study are

- To study about the present status of Micro Insurance
- To study about the existing Micro Insurance policies.
- To analyse on the benefits of Micro Insurance to Policy holders.

**HYPOTHESIS OF THE STUDY**

- $H_0$: There is no association between the respondents income level and Reasons for selection of premium option.
- $H_0$: There is no association between the male and female satisfaction level on micro insurance premium.
- $H_0$: There is no association between the policy holders willingness to take micro insurance in the future and perception on micro insurance gives protection against risk.
- $H_0$: There is no association between the willingness to take micro insurance in the future and perception on micro insurance creates savings habit within themselves.
- $H_0$: There is no association between the policy holder’s willingness to take micro insurance in the future and perception on long term benefits.
- $H_0$: There is no association between the micro insurance in the future and perception on sum assured.
- $H_0$: There is no association between the willingness to take micro insurance in the future and perception on improves standard of life.
METHODOLOGY OF THE STUDY
The research used both primary and secondary data. The primary data was collected from the micro insurance policy holders. The secondary data was collected from LIC report, books, case studies carried out by the previous research studies, case study related to India and case studies in other countries, International discussion Forum Report, Report Proceedings, Workshop Report on micro insurance, and Conference Report on micro insurance, articles from IRDA journal and The Insurance Times. The research was conducted among the 155 micro insurance policy holders by administery Interview Schedule. The convenient sampling technique was used for selection of the samples. The policy holders were selected from the Pottal, Takkarammalpuram, karungulam, vitilapuram and veeralaperuchelvi of Tirunelveli District. After the data collection, the data was coded, edited and tabulated for further analysis. This study was analysed with the bi-variate and uni-variate analysis like percentage analysis, weighted average and chi-square analysis to test the association with selected variables to explore the reality.

LIMITATIONS OF THE STUDY
- It was time consuming process since it was used as tool for data collection than questionnaire because the samples are from rural and less educated people.
- Reaching the samples was difficult because they live in the interior part of rural village, even transport facility are not available.
- The data collection is limited to samples of few villages in Tirunelveli District only.
- It is very difficult to collect the full details on micro insurance because, some respondents are not willingly to answer the questions.

SOCIAL RELEVANCE OF THE STUDY
- From this study, the insurance company can get the information regarding the policyholder’s satisfaction level on micro insurance. If the policyholders have not satisfied on such factors, the insurance companies know about it. It will be useful to the insurance companies to take steps immediately or may be in future.
• This study discussed about the needs and expectations of the poor people, capability to paying the premium. The insurance company may use the information in future life micro insurance policy and to present the innovative micro insurance policy in future.

• This study gives the information about the relationship between the insurance company, NGOs, SHGs and policyholders. It will be useful to know about the role of intermediaries on micro insurance policy.

• This research reviews existing micro insurance policy in India. It is taken the few products in both public insurance company and private insurance company. It provides information to identify that which micro insurance policy will better suit to the people.

• It presents the data on the position of micro insurance. It represents that the micro insurance policy position in each states. So that, the insurance companies may improve their sales in different areas in future.

• It is useful to create future micro insurance policies because the study discussed about the feature, characteristics benefits and also disadvantage of the micro insurance policy. It may be rectified by the creation of future micro insurance policy by the insurance companies for social development.

CHAPTER DESIGN
The entire study has been presented in five chapters.

Chapter one gives an overview of the research. The justification of the problem, importance of the study, the objectives of the study, Hypothesis of the study, methodology of the study, method of data collection, analysis of data, limitations of the study and social relevance to the study.

Chapter two reviews the literature on micro insurance. This chapter overview the literature study on Indian life insurance industry, health micro insurance, the role
Chapter 1

INTRODUCTION

of micro insurance in disaster management, micro insurance sector in Sri Lanka, Assessment of the micro insurance in the Sri Lanka, need for developing micro insurance, emerging challenges and opportunities in Indian Insurance Industry, health insurance for the poor in India, Micro Insurance and Micro Finance Institutions in India, an Inventory of micro insurance schemes in India, demand and market prospects- India, Disaster insurance to the poor, Importance of delivery mechanism, Role in micro insurance – exploring ways to assess its impact, Micro Insurance Regulations, Factoring affecting the demand for insurance in a micro health insurance scheme.

Chapter three reveals that the micro insurance in India; Introduction to micro insurance, basic concepts and definitions of micro insurance, definitions of micro insurance policy, the need for micro insurance, the need for micro insurance, characteristics of micro insurance, the structure and environment of micro insurance, micro insurance in global paradigm, micro insurance legislation, IRDA Regulations, distribution channels, benefits of micro insurance, limitations of micro insurance, review of existing micro insurance scheme, new micro insurance scheme in India, the present status of micro insurance.

Chapter four deals about the analysis on policyholders of micro insurance; types of policies, awareness of micro insurance policies, Means of awareness of Micro Insurance, Number of policies owned by Policy Holder, Reasons for purchasing Micro Insurance, Terms of the Micro Insurance policy, Sum Assured of the Micro Insurance Policy, Amount of Micro Insurance Policy Premium, Option of Payment of Premium, Reasons for Mode of premium payment, Payment of Premium, Ways to pay the premium, Getting Financial Assistance to pay premium, Purchase of policy for Family Members, Number of policies bought for Family Members, Willingness to take Micro Insurance in the future, Micro Insurance coverage of anticipated risk and profile of micro insurance policy holders.

Chapter five enumerates summary of the study, findings of the study, suggestions to beneficiaries and conclusion.