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Awareness of Micro Insurance in Joypur Development Block Area Under Dibrugarh District of Assam

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KEYWORDS :

Introduction:
The world is full of uncertainties. Certainty, there are perils, hazards involved in various activities and that is why, there is necessity of insurance.

Insurance play an important role in economic development. It is said that when economy grows, insurance also grows. But it can also be said that when insurance grows, economy also grows. Insurance also contributes to development of financial sector whether it is financial stability, risk-transfer or investment for further capital development, insurance extend its help. Various risk encountered by industrialists and entrepreneurs are transferred to insurance companies on payment of small contribution called premium. Insurance relives the industrialists and entrepreneurs from the worries of various risks and help in continuation of economic activities. Risks of natural calamities, viz. earthquake, flood, storm, landslide etc. can well be covered by various insurance policies offered by insurance companies

Origin and Development of Insurance
The earliest form of insurance was in the nature of marine trade. Evidences are also on record that arrangements embodying the ideas of insurance were being practiced in Babylone and India, centuries ago. The word 'YOGAKSHEMA' used in Rig Veda – a most sacred book of Hindus suggests that some form of community insurance was being carried by the Aryans in our country well over 3,000 years ago. The existence of burial societies during the Buddhist period also acknowledges the existence of insurance which used to help the family of a deceased person by building a house and protecting the widows.

Insurance in its present form actually started in England sometime during the 12th and 13th centuries with Marine Insurance to come up first in the list. The casualties of ships and cargoes in high seas concerning trade between England and Italy basically created demand for such protection and Lombard Street of London gradually became the nerve centre of marine insurance. The next class of insurance to start was Fire Insurance during 14th Century, although the demand for such insurance started becoming prominent as a result of the Great Fire of London in 1666. The third in the list of development was Life Insurance during 15th and 16thCentury and the last in line as Accident Insurance during the 19th Century prompted by Industrial Revolution of 19th Century giving birth to various scientific developments and associated accidents.

Micro insurance:
Poor people are more vulnerable to risk and they know every the risks that they would to mitigate. But they are not insured themselves. They may be making harsh choice, such as reducing food consumption; withdrawing children from school, depleting productive assets to cover the expenses related to the risk event, when they exposed to financial shocked. They have no any protection against adverse event. They are not knocking on insurance company's door. Because, firstly, the absence of active sales agent in their midst. Secondly, the lack of affordable products offered by insurers. Thirdly, the biggest obstacles to demand are ignorance of what insurance can and cannot do.

When thinking about demand of insurance, one should remember that insurance is not the only way of dealing with financial risk. There are two strategies of risk management –ex-ante and ex-post. Ex-ante risk mitigation strategies involve taking actions that reduce the probability of the risk occurring. For example, buying a lock to prevent valuable one from being stolen or use of boiling water to avoid illness. Ex-post risk coping strategies are concerned with reducing the impact of the risk after it has occurred. For example, an emergency loan to pay for the unexpected funeral of a family member.

A poor people's property may be limited to a few animals or crops and modest shelter, but the destruction of any of these may be a great blow to the family's economy. Even small sums insured can ensure some protection and peace of mind for a poor person. Whether poor people want insurance, and if so, only micro insurance products are benefit able to the poor. Insuring against the adverse situation is one of the options before the poor. Insurance can assist them to manage and diversify their risks at the adverse situation. But it is difficult to be insured in the formal market, because of high risk and affordable premium for poor. Generally credit and insurance market are non-existent for the poor in the developing countries. Therefore, insurance benefits are modified for the low income group to suit their needs and it is named as micro insurance.

Micro Insurance in India (Growth and Development)
Micro insurance is a new concept In India, adopted in 2005, as per the Insurance Regulatory and Development Authority of India (IRDA) guidelines to enhance insurance coverage to people around the poverty line. Basically, micro insurance covers the people working in the informal economy and are financially excluded as compared to the rich people of the society.

According to the information from a research in TMK Institute of Management, Kollam, Kerala, the insurance activity have begun in India as early as second decade of 19th century with British based, Oriental Life Insurance Company. Before the nationalization the insurance business was carried out by the private sector and after nationalization it became a public sector unit in India.

The concept of micro insurance, in developing countries like India, has originated from the concept of microfinance. Microfinance institutions face high risks of default through death or physical disability of the borrower. As a result they (Microfinance institutions) began to associate with insuring bodies, both public and private.

The Indian regulator (IRDA) has bought in specified micro insurance regulations in November 2005, in which the regulator has undertaken the product design, specifying a distribution channel in form of NGO, Self Help Group or a MFI and the pricing mechanism to insurers.

Insurance Regulatory Authority of India (micro insurance) Regulation 2005 has been stated mainly two types of micro insurance:

General micro insurance product; and

Life micro insurance product.

General micro insurance product means any health insurance contract, any contract covering the belonging, such as hut, livestock, or tools or instruments or any personal accident contract, either on individual or group basis, as per terms stated in schedule-I appended to the regulations,

Schedule-I

Item	Type of cover	Min Amt. of cover	Max Amt. of cover	Term of cover Min	Term of cover Max	Min age at entry	Max age at entry
1	Dwelling & contents, or livestock or tools or implements or other named assets/ or Crop insurance against all perils.	Rs.5,000 per asset/ cover	Rs.30,000 per asset/ cover	1 year	1 year	NA	NA
2	Health insurance contract (individual)	Rs.5,000	Rs.30,000	1 year	1 year	Insurers discretion	
3	Health insurance contract (family) (option to avail limit for individual/ float on family)	Rs.10,000	Rs.30,000	1 year	1 year	Insurers discretion	
4	Personal Accident (per life/ earning member of family)	Rs.10,000	Rs.50,000	1 year	1 year	5	70

Note: The minimum number of members comprising a group shall be at least twenty for group insurance.

Life micro insurance product means any term insurance contract with or without return of premium, any endowment insurance contract or health insurance contract, with or without an accident benefit rider, either on individual or group basis, as per terms stated in schedule-II appended to the regulations.

Schedule-II

Type of cover	Min Amt of cover	Max Amt of cover	Term of cover Min	Term of cover Max	Min age at entry	Max age at entry
Term Insurance with or without return of premium	Rs.5,000	Rs.50,000	5 year	15 years	18	60
Endowment Insurance	Rs.5,000	Rs.30,000	5 years	15 years	18	60
Health Insurance contract (individual)	Rs.5,000	Rs.30,000	1 year	7 year	Insurer's discretion	Insurer's discretion
Health Insurance contract (family)	Rs.10,000	Rs.30,000	1 year	7 year	Insurer's discretion	Insurer's discretion
Accident Benefit as rider	Rs.10,000	Rs.50,000	5 years	15 years	18	60

Note:1. Group insurance products may be renewable on a yearly basis.
2. The minimum number of members comprising a group shall be at least twenty for group insurance.

The insurers identified the kind of risks faced by lower and middle class wage-earner and according designed and offered some products. The products are:

- Life insurance,
- Health insurance; coverage of damage to limbs or faculties,
- Agricultural insurance; coverage of agricultural risks,
- Third party liability in case of owners of vehicles,
- Insuring properties charged to financiers and banks,
- Schemes for family welfare and social well-being,
- Coverage of accuracy of employees in corporate, financial institutions and banks,
- Special schemes for pensioners.

Micro insurance Models in India:
There are four different models for delivering the micro insurance service in India to the target segment.

Partner-Agent Model : Here insures utilize MFIs delivery mechanism to provide sales and services to clients. This involves no risk and limited administrative burden for MFIs. This is the most commonly used model but as seen as many cases it involves time delays in claim settlement.

Full Service Model: Here the provider is responsible for all aspects of product design, sales, servicing and claims assessment. Besides, the insurer is responsible for all insurance-related cost and losses but, retain all profits.

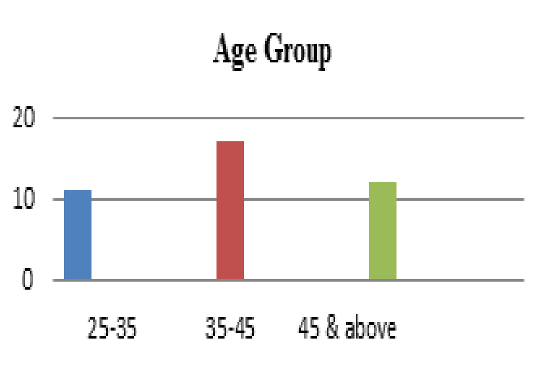
Community-based Model: Here the policyholders own and manage the insurance program.

Provider Model : In this model, the service providers and insurer's are the same i.e. hospitals or doctors offer policies to individuals or groups

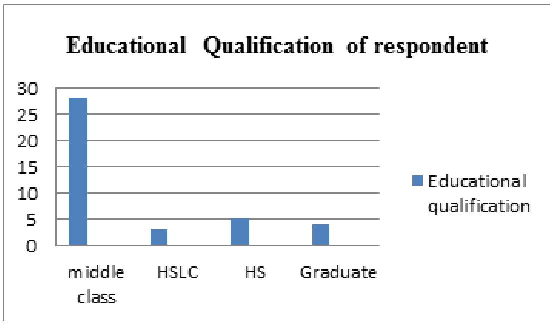
Area of study
The study is a descriptive based on both primary and secondary data. Primary data are collected through questionnaire. The study area is Joypur Development Block area under Dibrugarh district of Assam. A questionnaire that includes 18 different questions is prepared to collect relevant information from the 40 (forty) respondent. Secondary data are collected from various sources such as (1) IRDA Annual Report, (2) Websites, (3) Economic survey of India, (4) Books, published research papers/articles etc.

Analysis of Data and findings:
After compilation of collected data by tabulation, data can be analysis as following:

Majority of the respondents are belongs to 35 – 45 years i.e. 17 respondent. 12 respondents are more than 45 years and 11 respondents belong to the age group 25 – 35.

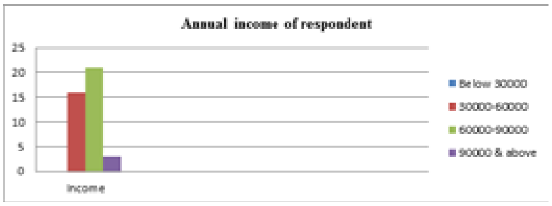


Most of the respondents are middle class (class five to class ten) in educational qualification i.e. 28. The number respondent belongs to HSLC, HS and graduate are 3, 5, and 4 respectively. Percentage of HSLC, HS and graduates are 7.5, 12.5 and 10 respectively.

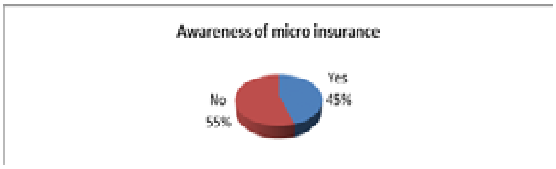


Development of an area is depending on the education of population of that area. Most of the people of study area are till middle class. Therefore it is needed to educate target group for micro insurance. The IRDA along with the existing insurers should take the responsibility to educate the people through printing materials, TV or radio advertisement, hoardings, campaigning and through the oral communication of the life insurance agents. Another thing is that distribution channel. To development of the micro insurance in rural areas it is very important to development of distribution channel in to the rural areas.

A major portion of respondents i.e. 21 belongs to income group 60,000 – 90,000 and 16 respondents annual income in the range of 30000 – 60000. Only 3 respondent's annual income more than 90,000 and no respondent having less than 30,000 annual incomes.

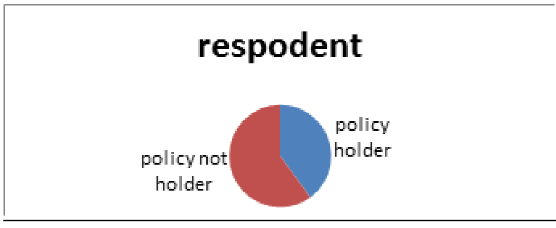


From the study it is found that only 45% respondents are aware about the micro insurance i.e. 18 respondent and 55% (22respondents) are not aware about it.

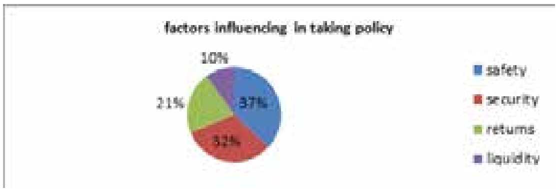


From the above analysis it is found that majority of the population are not aware about micro insurance in this area. They have not any idea about micro insurance. The agents are given more preference to them who are financially sound. Therefore it is highly recommended to give more and more trained rural life insurance agents, especially micro insurance agents, for the micro insurance products only. For this purpose IRDA should monitor the quality of training imparted to the life agent/advisors. More quality training institutes are required for this purpose.

Only 40% (i.e. 16 no.) respondents have any kind of micro insurance and other 60% (24 no.) have not hold any insurance policy.



From the collecting data it is found that only 40% of respondent having any kind of insurance policy and other 60% do not having any kind of policy. While purchasing policy majority of the respondent given importance in the factor of safety i.e. 36.9% (37%) of the policyholders. The second factor influencing in taking insurance policy is security i.e. 31.9% (32%). The third factors of taking insurance policy is return, it is 21.2% (21%) while the fourth factor is only 10%.



Conclusion:

Insurance being a commercial activity it gives importance only persons and bodies with financially sound. As a result of give attention on upper class, the middle and lower income group is neglected. Poor people are more vulnerable to risk. They are also needed possible protection to cover their lives assets. They may be make harsh choice such as reducing food consumption, withdrawing children from school, depleting productive assets to cover the expenses related to the risk event. They have no any protection against adverse event. Micro insurance is the only way to provide greater economic and psychological security to the poor.

For a long time the poor were not considered as insurable. Now, poor people can also be insured him/her self through micro insurance. Micro insurance is a subset of micro finance, serving a specific income segment. It is a new concept and is yet to be tested for its conductivity to the needs of the target segment. The market extension and density of micro insurance can be increase further by increasing awareness. Finally, micro insurance in combination with micro saving and micro credit can definitely help in financial inclusion of poor people.

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