



**ORIGINAL RESEARCH PAPER**

**Commerce**

**GROWTH AND TRENDS OF MICRO INSURANCE POLICIES IN INDIA**

**KEY WORDS:** Micro Insurance, Irda, Premium, Claims

**Sumi Susan Philip**

Research Scholar Puthuparampil House Manjadi P.o Thiruvalla -689105 Pathanamthitta, Kerala

**Dr. Biju T George\***

Research Guide And Principal Bishop Abraham Memorial College, Thuruthicad – 689597 Pathanamthitta, Kerala \*Corresponding Author

**ABSTRACT**

Micro insurance is indispensable in Indian scenario today. Micro insurance scheme was introduced by the Government of India for the poor people and it is one of the insurance policies with low premium and low coverage. The age limit of a person who can avail this policy is 18 to 60 years. Micro insurance can help low income people to manage risk in their lives and to provide economic development. This paper analyses the growth and development of LIC and private micro insurance companies in India. LIC and private micro insurance companies operates a micro life insurance business in India which aims to cover risk in the life of the insured person and to promote savings. Main objectives of this paper are to analyze the growth of new business and agents of micro insurance, to analyze the trends of premium collection and to identify and analyze the trends of claim settlement of micro life insurance in India. Analysis is done by using secondary data collected from the IRDA annual reports and journals. The result of this studies is LIC has a positive growth in new business, group category of premium collection and group death claim settlement. Private insurer has positive growth in number of micro insurance agents and individual death claims settlement.

**INTRODUCTION**

In life uncertainties may come unexpected, so people need insurance. Insurance is a financial plan for the company and the people to cover or meet any risky financial losses. Insurance is one of the complex systems that encompasses a variety of factors including premium, claim, insurer, insured and life of the people. Insurance Regulatory and Development Authority of India (IRDAI) has made special type of insurance policies called micro-insurance policies to promote insurance coverage among the unprotected economically weaker sections of the community. Micro insurance is a protection system for the poor people in the society at low cost. Through micro insurance our country can achieve overall growth and development. And it is considered as an essential tool for the socio-economic development of the weaker sections in the society. Micro insurance is an effort to deliver insurance coverage for the poor people in rural and urban communities. In micro insurance, risk or liability is below than the typical insurance plan, so the insured people pay smaller premium. Micro insurance is a part of micro finance and it includes a number of micro financial services targeting low income families. Micro insurance includes covering losses arising from life, crop, health, livestock, property, and disaster. It can cover the health risk of people, natural disaster and property loss at a lower premium.

In 2007, Micro insurance Academy, India defined micro insurance as, "a risk transfer device characterized by low premiums and low coverage limits and designed for low income people not served by typical low insurance schemes." IRDA guidelines helps to enhance insurance coverage to people working in the informal economy and are financially excluded as compared to the rich people of the society. IRDA (Micro Insurance) Regulation, 2015 has recommended a special distribution channel for micro insurance agents. Agents are playing an important role for obtaining new business in the insurance sector. The agents are;

- Non-Government Organization (NGO)
- Self-Help Group (SHG)
- Micro-Finance Institutions (MFI)
- RBI regulated NBFC-MFIs
- District co-operative Banks licensed by RBI
- subject to being eligible as per extant norms of RBI
- Regional rural banks established under Section (3) of Regional Rural Banks Act, 1976 subject to being eligible as

per extant norms of RBI

- Urban co-operative banks licensed by RBI subject to being eligible as per extant norms of RBI
- Primary Agricultural Co-operative societies
- Other co-operative societies registered under any of the
- Business correspondents appointed in accordance to the extant RBI guidelines with any of the scheduled commercial banks.

**Major players of micro life insurance in India**

1. Aviva	2. Bajaj Allianz
3. Birla Sun Life	4. Canara HSBC OBC
5. Edelweiss Tokio	6. HDFC Standard
7. IDBI Federal	8. ICICI Prudential
9. ING Vysya	10. Met Life
11. Sahar	12. SBI Life
13. Shriram	14. Star Union
15. Tata AIG	16. Life Insurance Corporation of India

**OBJECTIVES**

1. To analyze the growth of new business and trends of premium collection of micro life insurance in India.
2. To assess the growth of micro insurance in India.
3. To identify and analyze the trends of claim settlement of micro life insurance in India.

**METHODOLOGY**

This study is based on secondary data. Secondary data are collected from IRDA annual reports, reputed research journal, websites etc. Tables and charts are used for presenting the data. The data regarding micro insurance policies has been collected from the year 2012-13 to 2017-18.

**REVIEW OF LITERATURE**

**Prabhakar Nandru, Byram Anand and Satyanaryana Rentala (2016)**, This study mainly focuses on private sector and LIC. For the rest of the year, there are positive trends in the insurance business, but the micro insurance business is showing low trends in new business policies and premium collection in 2012-2013. In India, micro insurance products having increased with low-income and low-cost premium. The main drivers of micro insurance development factors are classified in to two i.e.; Demand and Supply. Demand factor consisting of income, saving, education, welfare, attitude and

usage. Supply factor consisting of suitable products and distribution mechanism.

**Preeti Dixit and Dr. Sanjeev Mahotra (2015)**, This study is based on the irda report in the year of 2013-2014. Micro insurance is a low-cost business, so it's outcomes and sustainability depended mainly on reducing transaction cost. It concludes that LIC is performing well in case of new business, both individual and group death claims and duration wise claim settlement as compared to private insurance sector. 2010-2011 survey reports states that, only seven companies sold micro insurance products and private insurer do not rely solely on micro insurance to meet the liability of the rural sector

**Shahid Husain (2010)** Concludes that more than 20 companies entered in to the business after the insurance sector was privatized. So, the monopoly system of LIC is ended and started a competitive environment. Despite the new policies and existing policies, the LIC could not earn much income. LIC lost market share in the number of issued policies. And most of the LIC offices are in semi-urban or in small towns.

**Dr. D. Geetha and S. Vijayalakshmi (2014)** Concludes that, on the basis of irda report, in the category of individual, private company offers sixteen policies and LIC offers three micro (life) policies. The micro insurance policies are sold to their members through co-operatives, Self Help Groups, Non-Profit Organization and Micro Finance Institutions. The number of micro insurance agents in LIC is increasing than the private insurer. As compared to private insurer, LIC performing well in individual and group death claim settlement.

**Renu Gholia (2019)**, this study is based on both descriptive and analytical in nature and the data has been collected from the IRDA report of 2016-17. It concluded that private sector is leading in individual new business and public sector is leading in new group of micro insurance business and number of policies issued. Private insurer depends other micro insurance agents and public sector insurer depends NGO and other agents for the distribution of the product. Public sector is leading in number of lives covered, claims reported and claims paid in both individual and group category. This study indicates that public sector is taking more risk of the insured.

**Paramasivan.C and Rajaram.S (2015)** Concluded that, in insurance products death claim plays an important role. The duration of micro insurance policies differs from one year to an unlimited time. If the policy holder dies within the first two years of the commencement of policy is called early death claims. If the insured person dies after two years of policy started is called non early death claims or normal death claims. In case of normal death, if the insured persons, policy documents and age proof must be submitted for the settlement of claims.

**Narinder Pal Singh and Dr. Anand Bansal (2017)** concludes that both private and LIC, micro insurance business and agents are increasing well and both having progressive growth. People got awareness about micro insurance through the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) schemes introduced by the Prime Minister. In microinsurance, delivery mechanism is poor, and there is a need to improve it to meet the growth of insurance. Individual Life Insurance Products, Savings linked individual life insurance products, individual and group general insurance products and group term life insurance products etc. are the other micro insurance products are registered with IRDA.

**Dilip Bania and Dr. Sankar Thappa (2018)** highlights that

this study is based on primary and secondary data. Primary data collected from 300 respondents are not aware about micro insurance, 90% of the people do not have any insurance policy and safety is the influencing factor for taking the policy. In Assam, in the year 2006-07 LIC started Jeevan Madhur policy under micro insurance. In both individual and group category, under new micro insurance business, private player issued more policies. In individual category, premium collection is higher in public and in group category, premium collection is higher in private. Private micro insurance agents are higher in the year 2015 - 2016. Finally, in public and private insurance companies, micro insurance in India cannot make continuous progress.

**Dr. Trilochan Sharma(2016)** concludes that the individual business micro insurance is not going in a good manner and growth of micro insurance business is not consistent. Insurer collect a premium annually through the micro insurance business. The higher portion of the premium is collected by the public sector. The insurer is responsible for promptly handling complaints that arised from the clients. Micro insurance agents are the responsible person to convey the product information to the clients. The agents shall help the people during the time of claim payment or settlement. There is a growth in lives covered and number of agents under micro insurance in private and public sector.

**Sanjeev Kumar Srivastaw(2013)** concludes that LIC has the higher number of micro insurance agents when compared to private sector. In the year 2012, private companies are leading in individual new business and LIC is leading in group new business under micro insurance. In premium collection is higher in LIC in both individual and group category and LIC has played an important role in coverage of life and income generation among the poor people. Household related risk and common risks like natural disaster risks are the main two types of risks faced by the poor people. Poor people face more risks because of lack of income, assets, poor housing and unsafe working conditions. In India, 70% of the population lived in rural areas they are facing risk, here micro insurance helps such people to minimize the risk and help to cope with the problem faced by them

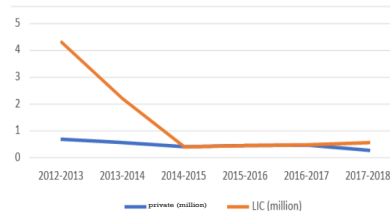
**ANALYSIS AND INTERPRETATION**

In order to examine the growth and development of micro insurance in India are categorized in to six heads. They are; growth of new business under micro insurance, trends of individual category of life micro insurance premium, trends of group category of life micro insurance premium, growth of micro insurance agents, trends of individual death claims and trends of group death claims.

**Table-1 Growth Of New Business Under Micro Insurance Policies**

Year	Private(million)	LIC (million)
2012-2013	0.69	4.34
2013-2014	0.56	2.2
2014-2015	0.41	0.40
2015-2016	0.45	0.45
2016-2017	0.47	0.48
2017-2018	0.27	0.56

Source: IRDA report



**Chart 1: Growth of new business**

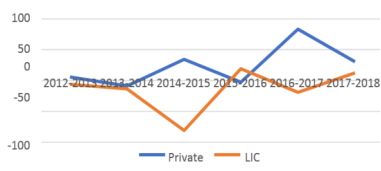
On the basis of irda report, in year 2012-13 there are 0.69 million private micro insurance policies sold in India.

In 2013-14 policies sold reduced to 0.56 million and in 2014-15 to 0.41. Then showed a positive growth in 2015-16 is 0.45 million and further to 0.47 in 2016-17 and it has a decline in growth of 2017-18 is 0.27 million. In case of LIC, in year 2012-13 there are 4.34 million policies sold in India. Then the policies sold is decreased to 2.2 million in 2013-14 and decreased to 0.40 million in 2014-15. Then it has a positive growth and it increased to 0.45 million in 2015-16 then increased to 0.48 in 2016-17 and further to 0.56 in 2017-18. The data clearly shows that in case of new micro insurance business LIC has positive growth and leading when compared to private sector.

**Table-2 Trends Of Individual Life Micro Insurance Premium**

Year	Private	Percentage	LIC	Percentage
2011-2012	964.22		10603.49	
2012-2013	1018.54	5.63	9949.05	-6.17
2013-2014	929.29	-8.76	8635.77	-13.2
2014-2015	1249.22	34.42	1640.23	-81
2015-2016	1217.95	-2.50	1953.78	19.11
2016-2017	2234.37	83.45	1587.13	-18.76
2017-2018	2917.02	30.55	1786.808	12.5

Source: IRDA report



Note: Figures in Percentage

**Chart 2: Trends Of Individual Life Micro Insurance Premium**

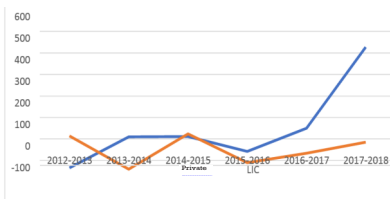
In private individual category of premium collection, shows that it has increasing and decreasing trend. It is started declining nearly by 8%, 2% for the year 2013-14 and 2015-16 respectively and increased in rest of the years.

In LIC individual category of premium collection, shows that it has increasing and decreasing trend. It is started declining nearly by 6%, 13%, 81%, 18% for the year 2012-13, 2013-14, 2014-15 and 2016-17 respectively and increased in remaining years.

**Table-3 Trends of Group Life Micro Insurance Premium**

Year	Private	Percentage	LIC	Percentage
2011-2012	1150.67		9831.63	
2012-2013	756.89	-34.22	21045.76	114.06
2013-2014	1595.23	110.76	12581.45	-40.21
2014-2015	3366.22	111	28193.80	124
2015-2016	4816.67	43.08	25426.39	-9.81
2016-2017	12035.36	149.86	34007.62	33.74
2017-2018	75452.04	526.91	63184.98	85.79

Source: IRDA report



Note: Figures in Percentage

**Chart 3: Trends of group life micro insurance premium**

In private group category of premium collection, shows that it has increasing and decreasing trend. It is started declining nearly by 34% for the year 2012-13 and increased in rest of the years.

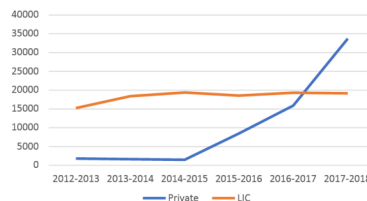
In LIC group category of premium collection, shows that it has increasing and decreasing trend. It is started declining nearly by 40%, 9% for the year 2013-14, and 2015-16 respectively and increased in remaining years.

From the table shows that in group premium collection, LIC is collecting high premium from the policy holders than private players.

**Table-4 Growth Of Micro Insurance Agents**

Year	Private	LIC
2012-2013	1824	15228
2013-2014	1656	18401
2014-2015	1476	19379
2015-2016	8467	18574
2016-2017	15899	19301
2017-2018	33724	19183

Source: IRDA report



**Chart:4 Growth of micro insurance agents**

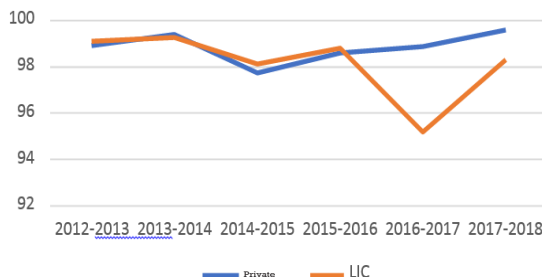
Table 4 shows that, In the year 2012-13, private insurance agents are 1824, then it has gone from 1656 in 2013-14 to 1476 in 2014-15. Then it highly increased to 8467 in 2015-16 and again increased to 15899 in 2016-17 and further to 33724 in 2017-18.

In the year 2012-13, LIC agents are 15228, and it increased to 18401 agents in 2013-14 and further to 19379 in 2014-15. Then the agents decreased to 18574 in 2015-16 and again increased to 19183 in 2018-19. It reveals that LIC are low in their number of micro insurance agents when compared to private insurer.

**Table 5 Trends Of Individual Death Claims**

Year	Private	Percentage	LIC	Percentage
2012-2013	3253	98.91	11,647	99.10
2013-2014	3562	99.41	12,048	99.27
2014-2015	1773	97.74	11,365	98.13
2015-2016	4427	98.60	9632	98.80
2016-2017	4244	98.88	8470	95.19
2017-2018	2909	99.59	7228	98.30

Source: IRDA report



**Chart 5: Trends of individual death claims**

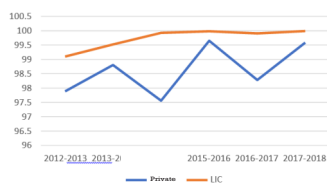
In the year 2012-13, the Claim Settlement Ratio (CSR) of LIC is better than the private insurance, that is LIC settled

99.10% claims disclosed and private insurance companies settled 98.91% of claims. In 2013-14, the CSR of private insurer is better than the LIC, that is private insurer settled 99.41% claims disclosed and LIC settled 99.27% of claims. In 2014-15, CSR of LIC is better than the private insurance, that is LIC settled 98.13% claims disclosed and private insurance companies settled 97.74% of claims. In 2015-16, the CSR of LIC is better than the private insurance, that is LIC settled 98.80% claims disclosed and private insurance companies settled 98.60% of claims. In 2016-17, CSR of private insurer is better than the LIC, that is private insurer settled 98.88% claims disclosed and LIC settled 95.19% of claims. In 2017-18, CSR of private insurer is better than the LIC, that is private insurer settled 99.59% claims disclosed and LIC settled 98.30% of claims. The trends reveal that private insurer performs best in settlement of individual death claims than LIC

**Table -6 Trends of Group death claims**

Year	Private	Percentage	LIC	Percentage
2012-2013	3573	97.89	1,39,242	99.10
2013-2014	4069	98.81	1,38,048	99.52
2014-2015	5517	97.56	127751	99.93
2015-2016	14429	99.65	117827	99.98
2016-2017	35348	98.28	144194	99.91
2017-2018	61682	99.59	155602	99.99

Source: IRDA report



**Chart 6: Trends of group death claims**

In the year 2012-13, the Claim Settlement Ratio (CSR) of LIC is better than the private insurance, that is LIC settled 99.10% claims disclosed and private insurance companies settled 97.89% of claims. In 2013-14, CSR of LIC is better than the private insurance, that is LIC settled 99.52% claims disclosed and private insurance companies settled 98.81% of claims. In 2014-15, CSR of LIC is better than the private insurance, that is LIC settled 99.93% claims disclosed and private insurance companies settled 97.56% of claims. In 2015-16, CSR of LIC is better than the private insurance, that is LIC settled 99.98% claims disclosed and private insurance companies settled 99.65% of claims. In 2016-17, CSR of LIC is better than the private insurance, that is LIC settled 99.91% claims disclosed and private insurance companies settled 98.28% of claims. In 2017-18, CSR of LIC is better than the private insurance, that is LIC settled 99.99% claims disclosed and private insurance companies settled 99.59% of claims. The data clearly shows that LIC is good in settlement of group of death claims than private insurer.

**FINDINGS**

- In new micro insurance business LIC has positive growth and leading when compared to private sector.
- In group category of premium collection, LIC is collecting high premium from the policyholders than private players.
- The number of micro insurance agents are higher in private sector and has a positive growth when compared to LIC.
- Private insurer performs best in settlement of individual death claims than LIC.
- LIC is good in settlement of group of death claims than private insurer.
- High risk coverage and low premium are the key to attractiveness of a micro insurance policy.
- Safety and security are the influencing factors for taking

insurance policies.

- Policy holders are satisfied on premium and it is acceptable to all the low-income and some of the clients are not satisfied with the behavior of agents.
- Most of the people heard about micro insurance through SHG and it provides excellent service to clients.
- Low income people are financially illiterate so they are not well aware about all micro insurance schemes but most of the people are aware about micro health insurance.
- Policyholders did not get any financial assistance for paying the premium because micro insurance having low premium
- LIC does not advertise for new micro insurance schemes because of lower premium.

**CONCLUSION**

The insurance sector has a huge chance to contribute to the higher growth and development of the economy and nation. Insurance has the capacity of influencing the foreign investors also. Micro insurance helps the poor people to increase the standard of living and provide social security. Micro insurance has made a continuous progress in both the public sector and private sector companies. The insurance structure is generating affordable premium mechanism and reduced administration cost. To ensure a win-win situation for both government and insurance companies it's imperative to have insurance companies incentivized to cover the rural sector on wider scale. In India, micro insurance has a good stature and provides quality services to the policy holder. Proper understanding of the customers will help the insurer to design the required products, to set the right price and maximize profit. The authorities should take action and initiative to introduce more insurance products to the poor. Government must make serious efforts should be taken to popularize the micro insurance schemes. Providers of micro insurance need to increase awareness of insurance products for rural and poor people. People will get awareness through posters, television, campaigning, anganwadies and mouth to mouth communication. Satellite branches in rural areas can be opened to promote the insurance concept in rural market. Micro insurance should reach the poor in the country and to provide complete security to them. In India, the significance of micro insurance is increasing now.

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