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December 2014 Vol - 2 Issue- 12

## EVOLUTIONARY MARKET TRENDS IN MICRO INSURANCE IN INDIA

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### ABSTRACT

**I**nsurance in worldwide, is one of the most potent financial sector. The risks are inevitable being an indispensable part of human life and cannot be thrown out of life; hence the risk management and risk transfer become one of the basic requirements. The insurance is the only answer to the solution. Micro insurance is one of the key elements in the financial service package introduced by the Government of India for the upliftment of rural people under the financial inclusion scheme. Regulations on micro insurance were officially gazetted by the Insurance regulatory and development Authority (IRDA) on 30<sup>th</sup> November 2005. These regulations impose obligation on insurers towards the rural population. After micro insurance regulation, there are some clear trends emerging in the way of micro insurance business. Micro insurance is recognized as a useful tool in socio- economic development of weaker sections. In this context it is very important to identify the evolutionary market trends in the micro insurance sector in India. The study is based on secondary data and it is revealed that the market trend of micro insurance is growing positively in India though at a slow pace.

**KEYWORDS:** Micro insurance, Market Trends, Market Leader, Players

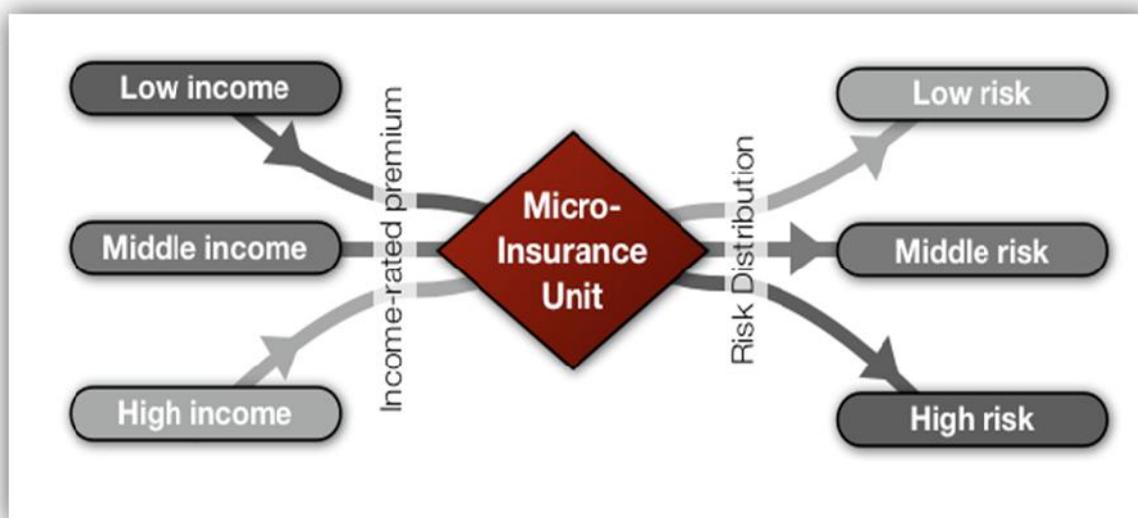
## INTRODUCTION

Risk is pervasive in the lives of poor and low-income groups. Uninsured risk leaves many poor households more vulnerable to losses from negative shocks. So regulations on micro insurance were officially gazetted by IRDA on 30 November 2005. Micro insurance has drawn attention of policy makers, insurers, business leaders and others in recent years. LIC of India vision 2020 is to have a 'policy in every pocket'. The regulation impose obligation on insurers towards the rural population. So many companies are launching micro insurance product to fulfill their social obligation. Micro insurance has been seen as one of the major risk managing tools for the poor and low income groups and as a potential market for

business it leads to the socio- economic development of weaker sections. After micro insurance regulation, there are some clear trends emerging in the way of micro insurance business. In this context it is very important to understand and analyse the evolution of market trends in micro insurance.

## DEFINITION OF MICRO INSURANCE

A simple definition of micro insurance offered by Churchill (2006) is that it is an insurance that (i) operates by risk pooling (ii) financed through regular premiums and (iii) tailored to the poor who would otherwise not be able to take out insurance. Micro insurance cover to the vulnerable groups could be useful to protect them against common risks such as illness, injury or death and supplement their risk managing capacity.



Micro insurance agent is an intermediary between the beneficiaries and the insurance company. In case of micro insurance agent need not have to pass the test to become a certified agent. This change is designed to provide a much needed fillip to the distribution channels in rural India for marketing low value products which till date was an area of concern, since getting agents in rural areas has been a perennial problem. The micro insurance agent would also perform functions like collection of proposal forms, remittance of premium to

the insurance company, help in settlement of claims, administration of policies; etc. The Micro insurance Regulation of IRDA (2005) proposed specialized distribution channel for micro insurance through the Micro Insurance Agents (MIA). This intermediary role has been played mainly by

- ♣ Micro Finance Institutions (MFIs)
- ♣ Non- Governmental Organizations (NGOs)
- ♣ Self-Help Groups (SHGs)
- ♣ Co- operative societies
- ♣ Other community benefit institutions

### The Major Micro Life Insurance Players in India

Number	Insurer	Number	Insurer
1.	Aviva	10.	ING Vysya
2.	Bajaj Allianz	11.	PNB MetLife
3.	Birla Sun Life	12.	Sahar
4.	Canara HSBC OBC	13.	SBI Life
5.	DLF Pramerica	14.	Shriram
6.	Edelweiss Tokio	15.	Star Union
7.	HDFC Standard	16.	Tata AIA
8.	IDBI Federal	17.	Life Insurance Corporation of India
9.	ICICI Prudential		

#### OBJECTIVES

1. To understand and analyze the market trends of new business and collection of premium of micro life insurance in India.
2. Identify and analyze the trends in agents and offices of micro insurance in India.

#### METHODOLOGY

The study is based on secondary data. Data have been extracted from Annual Reports of IRDA, websites, journals etc. Percentage analysis was done for analyzing the data. Tables and charts are used for presenting the collected data. The study relates to previous six years i.e. from 2007- 08 to 2012- 2013.

#### ANALYSIS AND DISCUSSION

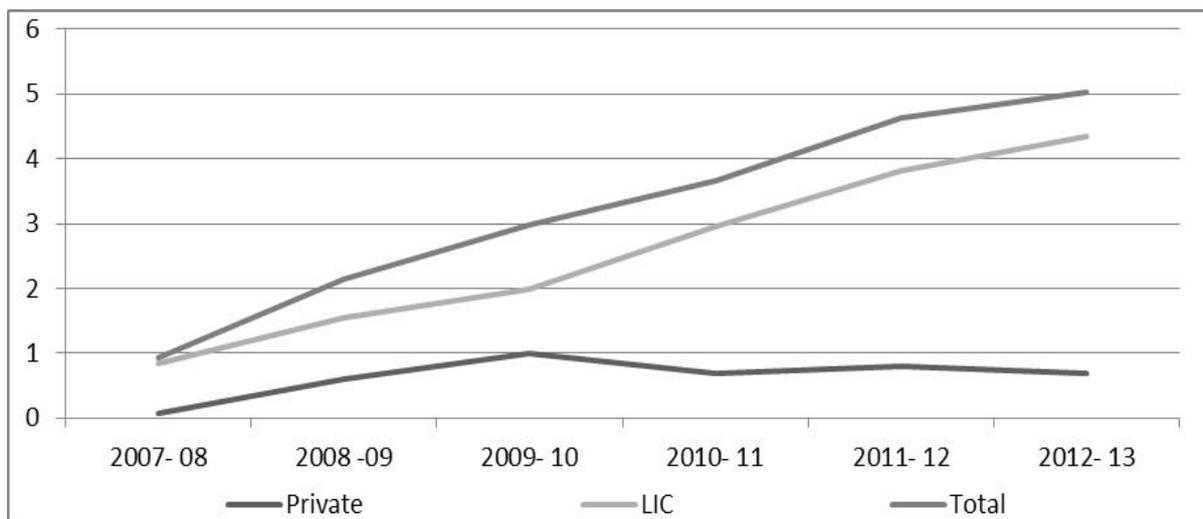
After micro insurance regulation, there are some positive trends emerging in micro insurance business in India. Table 1 and Chart 1 show trends in number of micro insurance policies in India. According to the IRDA Annual Report, 2012-13, 5.03 million micro insurance policies were sold in India. So a positive growth in micro insurance policies from 0.93 million in 2007- 08 to 5.03 million in 2012- 13 is experienced. Apparently, LIC has gained its market share with 4.34 million numbers of policies.

**Table 1: Trends in number of new Life Micro Insurance Policies in India**

Year	Private	LIC	Total
2007- 08	0.08	0.85	0.93
2008 -09	0.61	1.54	2.15
2009- 10	0.99	1.98	2.98
2010- 11	0.69	2.95	3.65
2011- 12	0.79	3.82	4.62
2012- 13	0.69	4.34	5.03

*Note: Figures in Million*

**Chart 1: Trends in number of new Life Micro Insurance Policies in India**



Note: Figures in Percentage

Companies have actually registered MIAs in last 7 years. Chart 2 shows that growth of agents in public and private micro life insurance sector in India. Micro insurance business is generated through 15,228 Micro

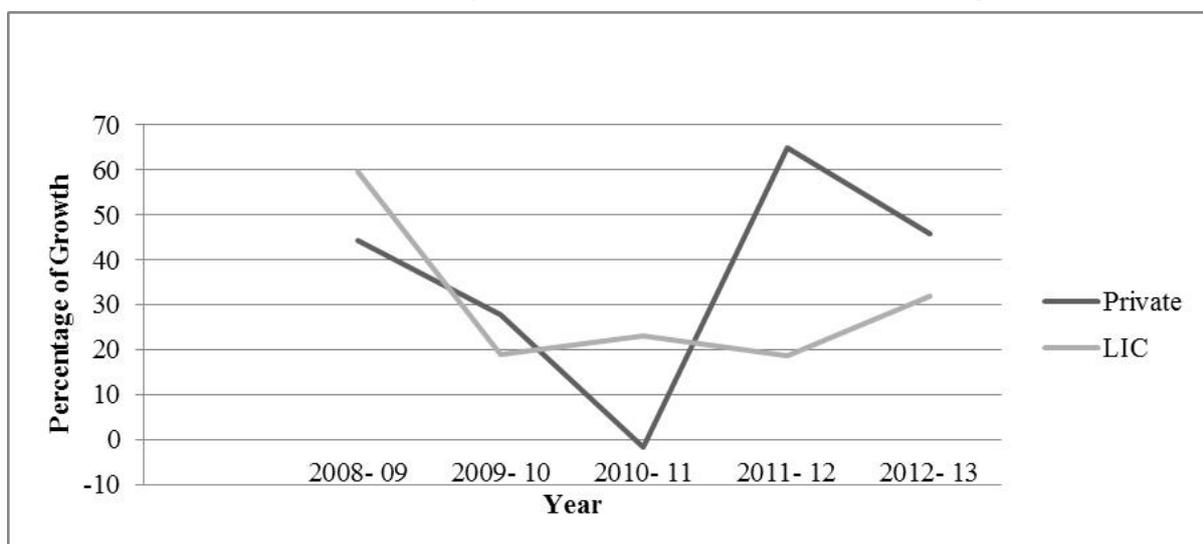
Insurance Agents (MIA) in LIC and 1824 in private players. LIC has steady growth in case of agents' growth. The trend revealed that some private players are low in their number of MIAs in comparison to public players

**Table 2: Agents Growth Rate of Public and Private Life Insurers**

Year	Private	Percentage	LIC	Percentage
2008-09	603	44.25	44.25	59.55
2009-10	770	27.69	7906	18.94
2010-11	758	-1.55	9724	22.99
2011-12	1251	65.03	11546	18.73
2012-13	1824	45.8	15228	31.88

Note: Figures in Percentage

**Chart 2: Evolutionary Trends in Life Micro Insurance Agents**



Note: Figures in Percentage

Chart 3 and 4 revealed that LIC is focusing on individual micro insurance policies, whereas the private players increasingly prefer group portfolios. The public life insurer is the market leader with a premium collection of Rs.3.09 billion in 2012- 13. So there is growth in micro insurance premium from 2.19 billion in 2007- 08 to 3.28 billion in 2012- 13. The cumulative premium collected from micro insurance was Rs.3.28 billion.

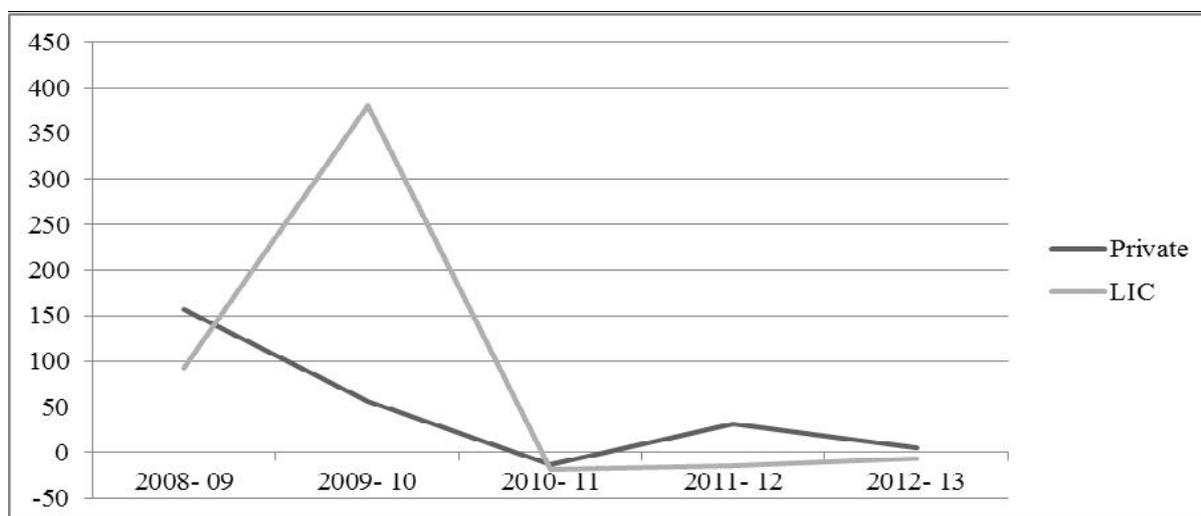
All players showed a positive growth with 10285 offices in India. The private life insurer is the market leader with 6759 offices in India. The trend of industry has been good in case of new business, premium, agents and offices under micro insurance portfolio. The performance of LIC is better in this respect, than that of private life insurers.

**Table 3: Life Micro Insurance Premium- Individual Category**

Year	Private	Percentage	LIC	Percentage
2008- 09	537.81	156.41	3118.74	93.3
2009- 10	839.78	56.14	14982.51	380.4
2010- 11	735.09	-12.46	12305.76	-17.86
2011- 12	964.22	31.17	10603.49	-13.83
2012- 13	1018.54	5.63	9949.05	-6.17

*Note: Figures in Percentage*

**Chart 3: Trends in Life Micro Insurance Premium in Individual Category**



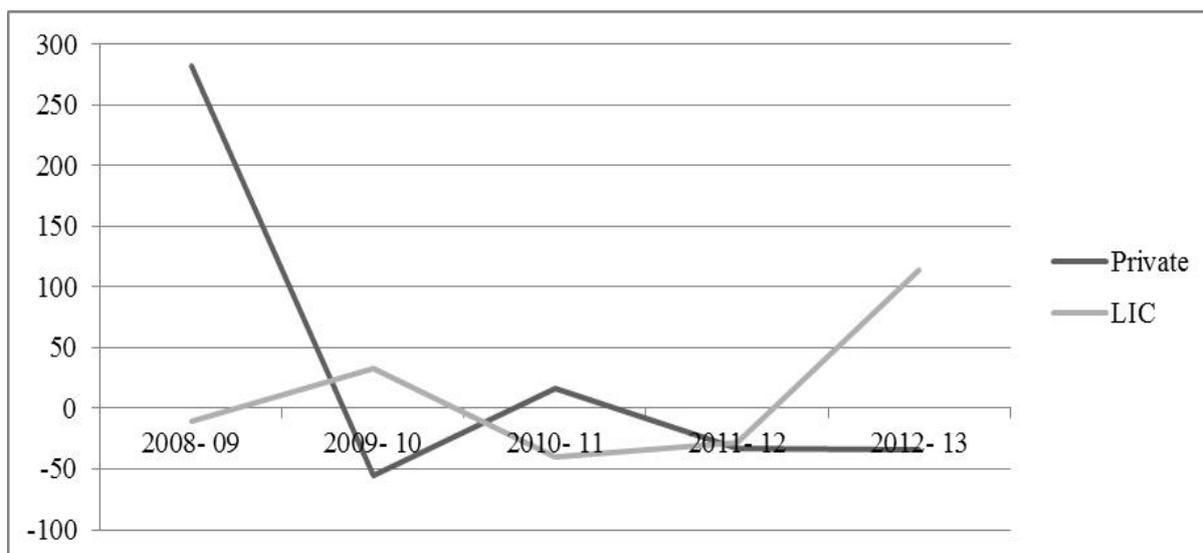
*Note: Figures in Percentage*

**Table 4: Life Micro Insurance Premium- Group Category**

Year	Private	Percentage	LIC	Percentage
2008- 09	3326.80	281.85	17268.54	-10.32
2009- 10	1472.09	-55.75	22869.72	32.43
2010- 11	1719.14	16.78	13803.67	-39.64
2011- 12	1150.67	-33.06	9831.63	-28.77
2012- 13	756.89	-34.22	21045.76	114.06

*Note: Figures in Percentage*

**Chart 4: Trends in Life Micro Insurance Premium in Group Category**

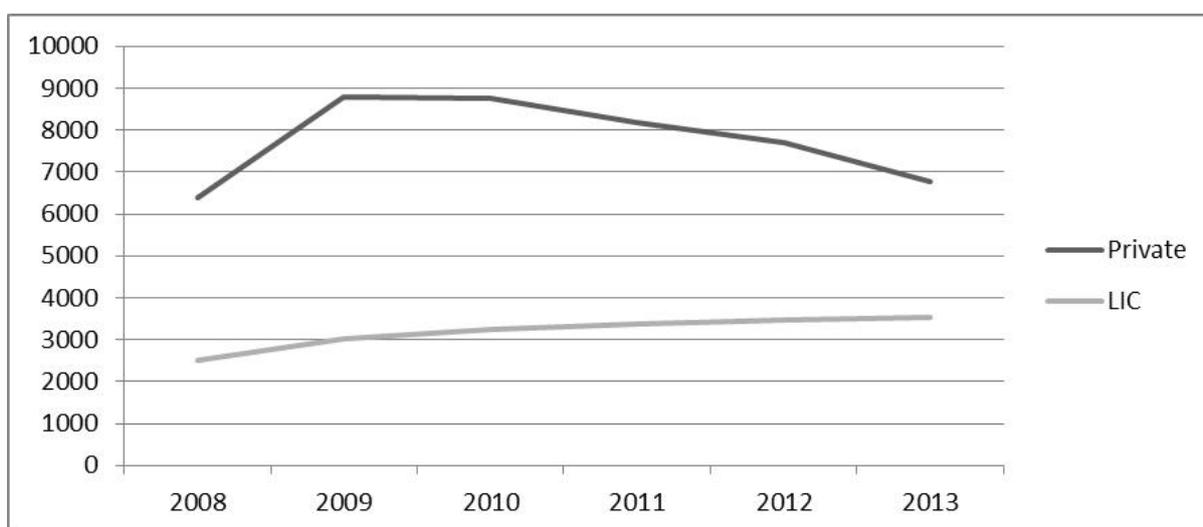


Note: Figures in Percentage

**Table 5: Number of Life Insurance Offices in India (As on 31<sup>st</sup> March)**

Year	Private	LIC
2008	6391	2522
2009	8785	3030
2010	8768	3250
2011	8175	3371
2012	7712	3455
2013	6759	3526

**Chart 4: Number of Life Insurance Offices in India: Trend lines (As on 31<sup>st</sup> March)**



Note: Figures in Number

## CONCLUSION

Micro insurance is the need of the hour and a proper implementation will benefit everyone in the society. It is evident that this sector influenced by the rural and urban areas of weaker sections obligations. The micro insurance figures show that there is a positive trend in its business. During the period of the study there is a positive growth of micro life insurance in India. So it clarifies that the micro insurance holds much hope for extension of protection to millions of resource-poor in India. The market trend of LIC is better in this respect, than that of private insurers except in the case of number life insurance offices. So all over public life insurance is the market leader in the industry. LIC is highly concentrated on individual micro insurance policies, in that case group based policies, and alternative microinsurance products have to be more specifically brought under micro insurance sector by LIC to protect and accelerate the

growth of micro insurance in India. After the introduction of IRDA (Insurance Regulatory & Development Authority), all insurers have become more conscious for their products. The study revealed the fact that there is no doubt the market trend of micro insurance is growing positively in India though at a slow pace.

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