



LIC OF INDIA'S MICRO INSURANCE POLICIES AND PERFORMANCE - AN OVERVIEW

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Abstract

LIC of India is pioneer in distributing Micro insurance for rural and urban poor. Micro insurance policies are like conventional policies of LIC, with very less amount of premium and sum assured. LIC was started their Micro insurance business after the intervention of IRDA's Micro insurance regulations were issued in the year 2005. The performance of Micro insurance is in the growing trend from the year of inception. It is also one of the ways to serves the poor people to mitigate their poverty and face the unexpected risks.

Introduction

Insurance is emerging as a necessity for the low income people also. Recent developments in India, as elsewhere, have shown that not only can the poor make small periodic contributions that can go towards insuring them against risks but also that the risks they face are eminently insurable as these risks are mostly independent or idiosyncratic. Micro insurance is generally, but inaccurately, referred to as a new concept. Micro Insurance looks to aid low-income households by offering insurance plans tailored to their needs and provide protection to individuals who have little savings. Because the coverage value is lower than a usual insurance plan, the insured people pay considerably smaller premiums.

It first appeared as a new financial service within microfinance and then developed into a sector of its own. Micro insurance in India has broadly developed as a sub sector of the insurance industry. India is among the few countries to draft and implement specific micro insurance regulations. Micro insurance, like regular insurance offered for a wide variety of risks. A wide variety of micro insurance products exist to address these risks, including crop insurance, livestock/cattle insurance, insurance for theft or fire, health insurance, term life insurance, death insurance, disability insurance, insurance for natural disasters, etc. Micro insurance is recognized as a useful tool in economic development.

LICI's Micro Life is a micro insurance product providing death, disability, accident and funeral expenses benefits besides substantial savings and returns on maturity. Perhaps the first of its kind in the Pacific region, this product is offered in Fiji only and aims to provide low cost life insurance solutions to the segments of society who have up to this point been underserved, thereby promoting greater financial inclusion.

After passing the Micro insurance regulations by IRDA in the year 2005, all the insurance companies (both life and non life) are started to introduce the MI products. LIC started micro insurance initiative immediately after the IRDA micro insurance regulations were issued by IRDA in November, 2005. It is a pioneer in MI (life) segment from the year 2006. It continues to be the dominant player in expanding not only conventional life insurance products but also micro life products too.

Micro insurance efforts of the corporation are in addition to the sale of conventional life insurance products and social security (Government aided) schemes, which cater to the needs of the under privileged section of the society. Thus MI policies of LIC has provided risk cover protection to most vulnerable people through 4.5 million MI policies of which more than 97% have been sold in rural areas. Thus MI policies of LIC has provided risk cover protection to most vulnerable people through 4.5 million MI policies of which more than 97% have been sold in rural areas.

Review of Literature

Ramalakshmi and Ramlingam (2014) study is to analyze the awareness of policyholders about micro insurance products in respect to source of information, period of awareness, influencer for micro-insurance policy, payment mode, grace period and its utilization. The sample size of the study comprised of 370 micro insurance policy holders of Madurai district. The data was collected through personal interviews both from urban and rural areas of the district. The study found that there was a vast majority of the respondents are aware about micro-insurance products of LIC and particularly about Jeevan Madhur product.

Darl and Dar (2012) in their research study "Initiatives taken by private and public insurance companies for the growth of rural population of India" highlights the role of micro insurance for the upliftment of rural, poor population and also focuses on the initiatives taken by private and public insurance companies in the growth of rural sectors and also helps to understand how micro insurance is helpful in alleviation of poverty. He suggested that IRDA should look into the matter that all the insurers develop their own micro insurance products and fulfil the rural obligations.

Significance of the Study

The contribution of insurance to poverty alleviation and the welfare of the poor is also potentially of considerable importance, although the quantitative evidence on this point is not on very firm grounding. LIC is the giant in the life insurance sector and also in the MI sector. The number of policies sold under LIC's MI individual category from the year 2007-08 to 2014-15 has been in increasing trend. LIC MI is more important to the people in low income level. Hence this present study is highly significant one.

Objectives of the Study

- To study the performance and growth of micro insurance of LIC of India.
- To know the Micro insurance policies of LIC of India.

Research Design

The research design is descriptive study in nature.

LIC's Micro Insurance Policies

Micro Insurance Policies	
Name of Product	Date of Launch
Jeevan Madhur*	28 th Sep, '06
Jeevan Mangal*	3 rd Sep, '09
Jeevan Deep *	27 th Aug, '12
New Jeevan Mangal [†]	January 2014
Bhagya Lakshmi [†]	December 2014

Source : IRDA report 2012-13

* These 3 policies were closed by LIC on December 2013 and introduced a policy.

[†] existing policies at present under Micro insurance plan

LIC's first MI policy in individual category 'Jeevan Madhur' was launched in September, 2006 by Dr. A.P.J. AbdulKalam to mark the fiftieth anniversary of LIC for economically under-privileged segments of society. LIC was conferred "**Skoch challenger Award 2008**" for financial inclusion in insurance sector through Jeevan Madhur initiatives.

LIC is using MIAS (micro insurance Agency software) to communicate with its MI intermediaries. The software will enable the micro insurance intermediaries to completely manage their insurance portfolio and provide them with reporting capabilities. It will facilitate information exchange with LIC's systems and be a desktop-based full -fledged application with local repositories of information pertaining to the agents.

MI (Life) Business in India

Micro insurance not only provides a platform for LIC to enlarge its frontiers and increase their market share (increased premium), it also provides the opportunity to enhance insurance penetration and insurance density amongst the low income population. LIC MI offers a good platform in creating additional employments i.e. agents, specialists etc. The micro insurance regulation (2005) has helped the growth of regulated micro insurance in India.

MI Policies Sales- Individual Category

No of policies

Year	LIC	Private	Total
2007-08	8,54,615	83,153	9,37,768
2008-09	15,41,218	6,10,851	21,52,069
2009-10	19,85,145	9,98,809	29,83,954
2010-11	29,51,235	6,99,733	36,50,968
2011-12	38,26,783	7,93,660	46,20,443
2012-13	43,40,235	6,95,904	50,36,139
2013-14	22,05,820	5,61,339	27,67,159
2014-15	4,00,341	4,16,027	8,16,368

Sources : IRDA report (2007 – 2013)

MI New Business Premium Individual Category

Premium ` in lakhs

Year	LIC(₹)	Private(₹)	Total(₹)
2007-08	1,613.36	209.74	1,823.10
2008-09	3118.74	537.81	3,656.55
2009-10	14,982.51	839.78	15,822.29
2010-11	12,305.76	735.09	13,040.85
2011-12	10,603.49	964.22	11,567.71
2012-13	9,949.05	1,018.54	10,967.59
2013-14	8635.77	929.29	9565.06
2014-15	1640.23	1249.22	2889.45

Sources : IRDA report (2007 – 2013)

According to the IRDA annual report, 8.16 lakhs of Individual MI (life) policies were sold in India in the year 2014-15. The premium collected from individual MI (life) policies was 2,889.45 lakhs. After the ten years of MI regulations, there are clear trends in the way, business is conducted. LIC's contribution is high when comparing to the private Micro insurers in all the years.

Micro Insurance (Life) Agents in India

LIC and private insurers has provided wide employment opportunities to the public through micro insurance from 2006-15. The Authority has reviewed the Micro Insurance Regulations, 2005 comprehensively and notified IRDAI (Micro Insurance) Regulations, 2015 permitting several more entities like Business Correspondents of Scheduled commercial banks, District Co-operative banks, Regional Rural Banks, Urban Co-operative banks, Primary agricultural co-operative societies, other co-operative societies, RBI regulated NBFC-MFI's to improve penetration of Micro Insurance. As per IRDA's draft LIC had appointed conventional agents as MI intermediaries from July, 2012.

The number of agents active in the micro insurance segment of the insurance sector in India has steadily grown from 1,311 in the financial year 2006-07 to 20,855 in the financial year 2014-15. This means that the regulations made by IRDA in the year 2005 are supportive and are attracting more and more organizations to become part of the micro insurance sector.

MI Agents of Life Insurance Companies

Year	LIC	Private	Total
2006-07	1,232	79	1,311
2007-08	4,166	418	4,584
2008-09	6,647	603	7,250
2009-10	7,906	770	8,676
2010-11	9,724	758	10,482
2011-12	11,546	1,251	12,797
2012-13	15,228	1,824	17,052
2013-14	18401	1,656	20,057
2014-15	19,379	1,476	20,855

Source: IRDA Reports (2006-13)

LIC registered high growth of MI agents than the private sector i.e The number of micro insurance agents at the end of March 2015 stood at 20,855; of which 19,379 agents pertained to the LIC and the remaining represented the private sector companies.

Suggestions

The Central Government with the assistance of State Government can make it mandatory for the inclusion of micro insurance policy along with all micro credit programmes. As Micro Credit (MC) is fastly spreading throughout the country covering even the poor people in remote rural areas, it will be highly beneficial to poor, if micro insurance policies by Government mandate are accompanying every micro credit transaction. The necessary policies can be framed to involve LICs basic MI policies in this package programme (MC LIC MI Policy Package).

Conclusion

Micro insurance sector will soon cease to be influenced by low income segment of the society. India has experimented a lot with micro insurance and the sector is still driven by distribution channel interventions. LIC of India has to apply various distributing strategies to cover all the rural and urban poor to get into micro insurance and also does not consider the distribution cost. It results, LIC MI will significantly contribute to the progress of low income people in the society and the development of the economy in the forth coming years.

References

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