



Micro Insurance and India Economy

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ABSTRACT

Considering the socio economic plight of the people of India with one fourth of them under poverty line and a vast majority living in rural areas vulnerable to numerous perilous risks, the importance of micro insurance—an insurance which focuses on the protection of the people at the lower strata of the society—need not be over emphasized. The foregoing analysis brings out the bleak picture of Indian Insurance industry with regard to Insurance Penetration, Density and Coverage which is much below world average and of many Asian countries. The insurance industry is still at nascent state in India even after centuries of operational tradition. In life insurance segment about 77 seven percent and in General Insurance sector about 87 percent of the population remains without any insurance coverage. However, thanks to IRDA regulations a sea change is occurring in micro insurance. There is now large potential for micro insurance players to chip in with innovative products and services to tap myriad of opportunities in the segment of micro insurance at the lower strata of the society leading to protection against risk of loss of life and property of the hapless people there at the bottom. This of immense socio economic significance in a country like India where one fourth of the masses lie below poverty line and most of them are vulnerable to numerous perils.

Keywords

Micro insurance, lower strata, society, Insurance Penetration, Density, Coverage

● Introduction

A country like India where more than one fourth of the population is lying below poverty line with majority of the people stand stranded at the bottom of the pyramid and marooned from the mainstream deprived of basic amenities including essential financial services, the progress of the nation is clouded under darkness. As CK Prahlad observes —If we stop thinking of the poor as victims or as a burden and start recognizing them as resilient and

creative entrepreneurs and value conscious consumers, a whole new world of opportunity will open up. It is quite logical as well as practical in this context to bring the poor and marginalized section of the society to the mainstay of a financially inclusive India where Democratization of credit, financialisation of savings, adequate insurance and particularly micro insurance coverage are provided. The developmental aspirations and socioeconomic safety precautions of these vulnerable sections of the society greatly revolve round these parameters of financial inclusion touching micro finance and micro insurance.

As defined by RBI Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream institutional players. Financial Inclusion should include access to financial products and services like, Bank accounts, Immediate Credit, Savings products, Remittances & Payment services, Insurance, Healthcare, Mortgage, Financial advisory services, Entrepreneurial credit and so on. For extending access to these services and hedging risks against possible losses of life and property, both micro finance and micro insurance shall have to play a distinct role in the process of financial inclusion. Insurance is a Risk-transfer mechanism that ensures full or partial financial compensation

for the loss or damage caused by event(s) beyond the control of the insured; it sits at the intersection between social protection and financial inclusion. And micro insurance forming part of Insurance focuses on protecting the susceptible section at the lower strata of the society against varied risks of life and property. According to the Consultative Group to Assist the Poor (CGAP) working group on micro insurance appointed by Government of India defined the term as —the protection of low income households against specific perils in exchange for premium payments proportionate to the likelihood and cost of the risk involved.

- **Literature review**

UNDP (2007), reported that the outreach of micro insurance was around 5 million people covering only 2 per cent of the poor in the country. The report showed that there was a huge potential for micro insurance market in the country. Maez. M. S. and Wong. S (2006) revealed that life insurance penetration in India after all these years was still rather at a low level of 4.1 per cent of the GDP and non-life insurance penetration at a mere 0.60 per cent. In comparison, U.K., South Africa and Taiwan had a ratio between 11 and 13 per cent. Chatterjee and et.al (2011) revealed that the clients' awareness level on life micro insurance as a financial product was low but varied widely across the regions. The Centre for Microfinance, Jaipur (2010) found that awareness about the various social security schemes varied in the rural and urban population. Prasad (2007) argued that with over 90 per cent exclusion rate and several million of those excluded falling within 'insurable' range, the potential for life micro insurance was huge in India. Ito and Kono (2010) carried out experiments which found that age, household size, gender, value of land assets, credit constraints, sickness, hyperbolic risk preference, risk loving and location dummies were factors significantly explaining health micro insurance uptake. ILO (2004) conducted a study about the products of Indian insurance companies which documented that out of 80

listed insurance products, 45 (55%) cover only a single risk. NABARD report (2008) documented that in case health micro insurance, penetration level was even much lower than life micro insurance. Siegal and et al (2001) argued that the design of micro insurance programmes was a critical determinant of their success. (Churchill, 2007) identifies that Health insurance and life insurance are more popular forms of micro insurance, followed by property insurance and accidental insurance. (Munich Re, 2005) finds that insurance coverage in low and middle income countries is only around 1-2% which is quite low and the poor rely on their savings, mortgaging their assets or arrange emergency loans from informal sources.

- **Importance**

By definition micro insurance one that is accessed by the low income population, provided by a variety of different entities, but run in accordance with generally accepted insurance practices. Micro-insurance is a key element in the financial services package for people at the bottom of the pyramid. People at the lower strata of the society are susceptible to myriad risks arising from within and outside their living environment to which there are no solutions. Studies have shown that existing relief and compensation mechanism for farmers against crop loss is ad hoc, chaotic and politicised and has failed to bring timely and adequate help to affected farmers. Insurance is considered as one of the most effective means of reducing the vulnerability of the poor from the impact of death, disease, theft, violence, disability, fire and other hazards. Potential global market size of micro insurance market is estimated to be around \$48bn. For India the annual potential market size of micro insurance is around USD 1.3 billion. Around 77 percent of the Indian population constituting of 920 million people are not covered by insurance and 89 percent of Indian labour force are still left out from any kind of insurance(UNDP, 2017). There is large potential for micro insurance players to chip in with innovative products and services to tap myriad of opportunities in the segment of micro insurance at the lower strata of the society leading to protection against risk of loss of life and property of the hapless people there at the bottom. This of immense socio economic significance in a country like India where one fourth of the masses lie below poverty line and most of them are vulnerable to numerous perils.

- **Objective**

1. To have a general understanding about Insurance
2. To overview the IRDA Regulations on Micro insurance.
3. To analyse the present scenario of Micro Insurance in India.

- **Profile of Indian Insurance Industry**

Insurance is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss. It is the equitable transfer of the risk of a loss, from one entity to another, in exchange for payment. Insurance is an ex-ante risk management tool through which individuals and businesses hedge potential financial losses in exchange for fixed

premium payments. In India, insurance has a deep-rooted history. It finds mention in the writings of Manu (Manusmriti), Yagnavalkya (Dharmasastra) and Kautilya (Arthashastra). The writings talk in terms of pooling of resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine. In the year 1818, the modern Life Insurance came to India from England in the form of Oriental Life Insurance Company started by Anita Bhavsar in Kolkata was the first of its kind in the sub continent.

Table 1.1
Insurance Density Vs Insurance Penetration 2016 -17

| Country | Insurance Density in (US Dollars) | | | Insurance Penetration (Percentage) | | |
|-----------|-----------------------------------|--------------------|--------|------------------------------------|--------------------|-------|
| | Life Insurance | Non Life Insurance | Total | Life Insurance | Non Life Insurance | Total |
| India | 46.5 | 13.2 | 59.7 | 2.72 | 0.77 | 3.49 |
| Japan | 2803.4 | 928.3 | 3731.7 | 16.65 | 3.34 | 19.99 |
| Singapore | 2894.5 | 882.4 | 3776.9 | 16.2 | 1.41 | 17.61 |
| China | 189.9 | 147.2 | 337.1 | 2.34 | 1.81 | 4.15 |
| UK | 3033.2 | 1030.5 | 4063.7 | 7.58 | 2.58 | 10.16 |
| USA | 1724.9 | 249.2 | 1974.1 | 3.02 | 4.29 | 7.31 |
| World | 353 | 285.3 | 638.3 | 3.47 | 2.81 | 6.28 |

Source: Hand Book on Indian Insurance Statistics 2016-17 -IRDA

In India till recently the insurance industry was state run. The life insurance business was managed exclusively by Life Insurance Corporation of India (LIC) and the non life insurance products were managed by General Insurance Corporation and its four subsidiaries.

Table 1.2
Life Insurance Vs General Insurance 2016-17

| Description | Life Insurance | Non Life Insurance | Total |
|--|-----------------------|---------------------------|--------------------|
| A. Number of Operators | 24 | 31 | 55 |
| i.Private/Others | 23 | 17 | 40 |
| ii.Public | 1 | 5 | 6 |
| Iii.Others | 0 | 9 | 9 |
| B. Premium Collection | 418477(Cror es) | 88725(crores) | 507202(cror es) |
| C. Growth Rate | 15.04% | 15.87% | |
| D. Insurance Coverage | 23% | 13 % | |
| Source: Hand Book on Indian Insurance Statistics 2016-17 -IRDA | | | |

With the recent opening of insurance sector for private companies, there are 23 entrants in life insurance business and 26 entrants in the non-life sector.(Table 1.2).The insurance penetration explained by the ratio of premium paid to Gross Domestic products in India is much below the world average and most of the other countries in Asia. The same is the case with Insurance Density which stands for premium paid in US Dollars to total population. Thus in terms of penetration and density Indian Insurance industry is lagging behind other countries and over all world average. However the Insurance industry registers decent growth of more than 15 percent on an average. These statistical highlights on Indian Insurance industry show that India is heavily underinsured and throws light on the large unexplored opportunities waiting insurers in both life and non- life in the Indian Insurance sector. The opening of insurance sector as the aftermath of liberalisation policy might be a significant step in this regard, particularly taking insurance business to the vulnerable section of Indian society, who is at the bottom of the economic pyramid.

- **Micro Insurance**

The term “Micro-insurance” was almost oblivious till 2000. However with the success stories of micro finance gathering momentum the concept has drawn the attention of academics, donors and different governmental agency. Consequently over the last couple of decades a lot of works have been done in this field which highlight the failure of many poverty alleviation programmes of different governments as poor are prone to various kinds of risks like natural calamities and health problems for which they do not have any panacea at their disposal rather than turning back to conventional mechanics to combat them. The impacts of health and life risks have serious consequences on the earning capacity of the poor. So the poor are unable to come out of vicious cycle of poverty. Gradually in many countries including India, Micro-insurance was begun to be recognised as an effective weapon to tackle this malady.

Micro-insurance is defined as “insurance that is accessed by the low income population, provided by a variety of different entities, but run in accordance with generally accepted insurance practices. This means that the risk insured under a micro-insurance policy is managed based on insurance principles and funded by premiums” (International Association of Insurance Supervisors, 2007). It is also defined as “essentially risk pooling tools designed for benefit and afford ability of low income persons” (McCord, 2002). This definition is essentially the same as one might use for regular insurance except for the clearly prescribed target market: low-income people. Insurance involves a risk- pooling element. Those in the risk pool who do not suffer a loss during a particular period, essentially pay for the losses experienced by others. Insurance reduces vulnerability as households replace the uncertain prospect of losses with a certainty of making small, regular premium payments.

Micro insurance is the protection of low-income people against specific perils in exchange for regular premium payment proportionate to the likelihood and cost of the risks involved. In other words, it is a set of market based insurance products and processes designed to address both life and non-life risks faced by the people at the bottom of the socioeconomic pyramid. These products are priced at rates affordable for the intended clients, while being financially viable for sustainability of operations.

Micro insurance is the key element in the development of the people at the bottom of the pyramid. The poor face more risks than the well-off, but more importantly they are more vulnerable to the same risk. Usually, the poor face risks of Crop Losses, Livestock Losses, Premature Death, Accidents and Ill Health, Loss of Assets, Natural Disasters, Market Risks and so forth. . To combat these risks, the poor do pro-active risk management – grain storage, savings, asset accumulation, loans from friends and relatives, etc. However, the prevalent forms of risk management (in kind savings, self insurance, mutual insurance) which were appropriate earlier are no longer adequate. Hence the scope of Micro Insurance encompasses Life Insurance, Health Insurance, Property Insurance, Disability Insurance, Crop Insurance, Disaster Insurance, Unemployment Insurance, Reinsurance, and Livestock Insurance. Micro insurance is regarded by some as a risk management mechanism that the poor can use to compensate for the lack of appropriate state-sponsored social protection programmes (Wipf, J & D Garand, 2010). Non Governmental Organisations (NGOs), Self Help Groups (SHGs) Micro Finance Institutions (MFIs), Insurance agents, Cooperatives, Non profit Companies Under section 25 of the Companies Act and so on are involved in delivering various micro insurance products and services to the people who are at the bottom of the pyramid.

Potential global market size of micro insurance is estimated to be around \$48bn. For India the annual potential market size of micro insurance is around USD 1.3 billion. The breakup is as follows: Life Insurance - USD 0.33 to 0.42 bn per year; Health - 0.25 to 0.3.2 bn per year; Crop - 0.22 bn per year; and Livestock - 0.13 to 0 .15 bn per year. Around 77 percent of the Indian population constituting of 920 million people are not covered by insurance and 89 percent of Indian labour force are still left out from any kind of insurance (UNDP, 2017).

- **Characteristics**

Micro Insurance has the accompanying Characteristics among Many Others which include: Low salary populace as target, Security is for particular dangers, Installment of corresponding premium in connection to the likelihood of the danger, Approaches are straightforward, Premiums are low and most extreme wholes protected are low, Adaptability of premium installment, Mass utilization of approach holders and Claims documentation simple.

- **Key differences between micro and conventional insurance**

| Conventional Insurance | Micro Insurance |
|--|--|
| Regular premium payments | Premium often collected in cash or associated with another financial transaction |
| Screening requirements may include a medical examination | If there are any screening requirements, they would be limited to a declaration of good health |
| Limited eligibility with standard exclusions | Broadly inclusive, with few if any exclusions |
| Sold by licensed intermediaries | Often sold by unlicensed intermediaries |
| Large sums insured | Small sums insured |
| Priced based on age/specific risk | Community or group pricing |
| Complex policy document | Simple, easy to understand policy document |

- **The Insurance Regulatory Development Authority (IRDA) Regulations**

On realising the importance of insurance among the poor people in India, IRDA came out with the notification called Insurance Regulatory and Development Authority (Micro-Insurance) Regulation, 2005 in which it has not only defined micro insurance but has also stated unambiguously as who qualify as micro insurance agents and what role insurers have to play in the area of micro insurance. They provide a platform to distribute insurance products, which are affordable to the rural and urban poor and to enable micro insurance to play its role.

The regulation has fixed minimum sum assured as Rs.10, 000 and maximum sum assured as Rs.50, 000 for term assurance (with or without return of premium) and accident benefit as a rider. Maximum sum assured will be restricted to Rs.30, 000 for endowment assurance, health insurance (for individual as well as for family) and insurance on livestock, crops and all related assets. The minimum and maximum terms for which the life assurance benefits are to be granted are 5 years and 15 years respectively. For non-life insurance, there will be one year renewable covers like the existing non-life conventional plans.

According to the regulation micro-insurance agent means either a NGO or a SHG or a MFI who is appointed by an insurer to act as a micro insurance agent. It is also mentioned that the micro insurance agent can not employ any persons without obtaining approval of the insurer. The regulation stipulates the rates of commissions applicable for the agents working in life and non-life areas. To encourage the agents to provide prompt and efficient service to the policyholders/beneficiaries, the regulation has made provision for payment of commission at the same rate throughout the term of the contract in case of life assurance.

The regulation states that micro insurance products are to be developed for the benefit of both the rural and social sectors. By rural sector, it refers to a place which has a population of less than 5000, a population density of less than 400 per square Kilo meter and which has more than 25% of male working population engaged in agricultural activities. By social sector it refers to unorganized sector, informal sector and economically vulnerable sections of the society living both in rural and urban areas. All this makes the potential market of micro insurance really very large. The market not only feels the need of the rural poor but also the need of those whose nature of occupation and place of residence may be such that the insurers currently do not consider them as strong prospects.

As per the guidelines issued by IRDA all the insurance companies are required to conduct a portion of their business in rural areas covering the social sector of the society. The regulation makes it mandatory for the life insurers to sell 16% of their policies in rural sectors and sell at least 20,000 policies to social sector. This target is to be achieved within five years. The non-life insurers have to bring 5% of total gross premium from rural sector within three years. They have also to cover at least 20,000 lives in social sector within five years. In case an insurer fails to meet this target, it has to pay fines to the concerned authority. Similarly, MI agents exempt from licensing requirements – relaxation in distribution rules and are required to sell only MI products, with simplified product design.

The number of micro insurance agents at the end of March 2017 stood at 35200; of which 19301 agents pertained to the LIC and the remaining represented the private sector life insurers. Out of the total 35,200 MI agents of Life insurance industry, NGOs form 21.7%, SHGs form 1.1%, MFIs form 1.0%, Business Correspondents (BCs) form 0.2% and other MI Agents form 75.9% (Table 1.3). Out of the 28 micro insurance products of 17 life insurers were available as at 31st March, 2017. There are around sixty products (e.g., Cattle Micro Insurance Policy, Kisan Agriculture Pumpset Micro Insurance Policy, Janata Personal Accident Sukshma Bima Policy, Silkworm Sukshma Bima Policy, Sheep & Goat Micro Insurance Policy, Sampoorana Griha Suraksha Policy etc.) offered by the registered general insurance companies targeting low income segment of the population

According to the IRDA Annual Report, 2016-17, 19.3 million micro insurance policies were sold in India in the year 2016-17 covering lives of 22.3 million people. The cumulative premium collected from micro insurance was Rs.4.43 billion. Hence, micro insurance constituted 4.51 per cent of the total lives covered, 8.1 per cent of total number of policies and 0.54 per cent of premium collected by the insurance industry of India. After half a decade of micro insurance regulation, there are clear trends in the way business is conducted

The Authority undertook the review of the Micro Insurance Regulations, 2005 comprehensively. In this connection, the Authority has notified the amended regulations on 13th March, 2015 wherein it has permitted several more entities like, RBI regulated NBFC-MFIs, District Cooperative Banks, Regional Rural Banks, Urban Co-operative banks, Business correspondents (BCs), Primary Agricultural Cooperative Societies along with NGO, SHG and MFI to be appointed as Micro Insurance agents facilitating better penetration of Micro Insurance business.

- **Challenges ahead**

- Perceived as an obligation and not as a business
- The supply side is alright but the demand side is yet to develop
- Low insurance awareness among the targeted segment
- Need of more innovative but simple and flexible products ,with broader coverage
- Simplification of procedures
- Reluctance of foreign/private players
- Affordability of premium—limited disposable income
- Re insurance to minimise risk
- Mobility of the targeted population
- High volatility and uncertainty of income
- High transaction cost
- All documents must be in vernacular language
- Need to develop Health micro insurance products
- Need of good quality data.
- Regulatory assistance

11. The Way Out.

- Improvement in the Financial literacy of the people at the lower strata of the society
- Big players in Insurance shall also step into the field of micro insurance along with SHGs, NGOs, MFIs etc, with insurance products suiting the rural masses.
- Suitable Legislations may be enacted. The amended IRDA regulation 2015 is going to be decisive.
- Role of Public Sector insurance companies may be broadened to include micro insurance as a priority product in their portfolio.
- Use of insurance linked loan schemes and other financial products may be implemented.

Table 1.3
Details of Micro Insurance Agents of Life Insurers 2016-17

| Micro Insurance Agents | Private Total | LIC | Industry Total |
|-------------------------------------|----------------------|--------------|-----------------------|
| NGOs | 142 | 7504 | 7646 |
| SHGs | 20 | 369 | 389 |
| MFIs | 22 | 337 | 359 |
| Business Correspondents (BCs) | 6 | 74 | 80 |
| Other MI Agents | 15709 | 11017 | 26726 |
| Micro Insurance Agents Total | 15899 | 19301 | 35200 |

Source: IRDA Annual Report 2017

12. New Business under Micro-Insurance Portfolio (Life Insurers)

Despite there are large number of players in the micro life insurance segment, the role of most of them seems negligible, with LIC still ruling the roost, particularly in the group category (Table 1.4). LIC is upfront both in terms of lives covered, which is 71 percent, and premium collected, forming upto 74 percent of the total Rs 46043 lakhs as per 2017 figures. But when it comes to Individual Category, the situation is evenly poised between private operators and LIC, with slight variations in the amount of premium collected. Among the private operators, HDFC is leading from the front in both Individual and Group Category, followed by Birla sunrise, SBI and Bajaj Alliance. While Canara HSBC OBC, DHFL Pramerica, IDBI Federal and Shriram have a good impact in the Group Category, Edelweiss Tokio, ICICI Prudential, Kotak Mahindra and Sahara exerts moderate impact in the individual category. Considering the number of lives covered and the amount of premium collected, Group Insurance scheme is really popular among the rural masses. For instance, the number of lives covered under group category during 2016- 17 was 32246563 as against 956161 individual category.

It is worth noting that the private sector players of the segment is making remarkable achievements in the past couple of years in terms of both life covered and premium collected as the number of lives covered under group category shot up from 6650805 in 2016 to 9281170 in 2017 showing an increase of about 25 percent within a one year period. An identical trend is visible in premium collection as well. The group category premium collection also registers about a threefold increase during the same period. Consequently, it may be construed as the positive reflections of the IRDA Regulations and the overall encouraging environment for micro life insurance to flourish both in terms of demand and supply.

Table 1.4
New Business Under Micro-Insurance Portfolio (Life Insurers)

(Premium in Rs lakh)

| Insurer | Individual Category | | | | Group Category | | | |
|------------------------------|---------------------|---------------|-------------|-------------|-------------------------|-----------------|--------------|--------------|
| | No of Policies | | Premium | | Number of Lives Covered | | Premium | |
| | 2015-16 | 2016-17 | 2015-16 | 2016-17 | 2015-16 | 2016-17 | 2015-16 | 2016-17 |
| Aviva | 16 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bajaj Allianz | 3756 | 42107 | 92 | 1228 | 0 | 18653 | 0 | 22 |
| Birla Sunlife | 61843 | 62156 | 48 | 27 | 32787 | 0 | 12 | 0 |
| Canara HSBC OBC | 0 | 0 | 0 | - | 47168 | 9515 | 28 | 10 |
| DHFL Pramerica | 0 | 0 | 0 | - | 983591 | 3376957 | 985 | 3730 |
| Edelweiss Tokio | 2527 | 5045 | 4 | 8 | 0 | 0 | 0 | 0 |
| HDFC | 280065 | 229438 | 560 | 459 | 0 | 197939 | 0 | 446 |
| ICICI Prudential | 29753 | 52584 | 116 | 115 | 0 | 0 | 0 | 0 |
| IDBI Federal | 0 | 0 | 0 | - | 379725 | 288711 | 268 | 232 |
| Kotak Mahindra | 36772 | 47172 | 74 | 94 | 0 | 0 | 0 | 0 |
| Sahara | 2768 | 0 | 130 | 37 | 0 | 0 | 0 | 0 |
| SBI Life | 4267 | 5408 | 18 | 24 | 59207 | 173249 | 262 | 124 |
| Shriram | 0 | 0 | 0 | 0 | 5148327 | 5216146 | 3262 | 7472 |
| Tata AIA | 36888 | 31359 | 177 | 242 | 0 | 0 | 0 | 0 |
| Private Total | 458655 | 475269 | 1218 | 2234 | 6650805 | 9281170 | 4817 | 12035 |
| percentage to Industry Total | 50 | 50 | 38 | 58 | 23 | 29 | 16 | 26 |
| LIC | 452291 | 480892 | 1954 | 1587 | 22603919 | 22965393 | 25426 | 34008 |
| percentage to Industry Total | 50 | 50 | 62 | 42 | 77 | 71 | 84 | 74 |
| Industry Total | 910946 | 956161 | 3172 | 3822 | 29254724 | 32246563 | 30243 | 46043 |

Hand Book on Indian Insurance Statistics 2016-17 -IRDA

13. Pradhan Mantri Fasal Bima Yojana (PMFBY) 2006- 2017

PMFBY came into operation from April 2016 is new initiative launched by the centre to provide Crop insurance. Coverage of this scheme in, 2017 was as following - Gross Premium collected was Rs 17255.24 crore, total claims were Rs 6573.66 crore, and number of farmers benefitted was 8712396

(Table 1.5). The private players are leading from the front, with AIC taking the lead. About 40 percent of the premium collected to be distributed as claims to the beneficiaries this year. It is argued that the scheme benefits only North Indian farmers and hence the mechanism of the scheme may be modified to cover the entire farmer community in India. The public Sector insurance companies shall take active steps to give more coverage to

farmers who are affected the most.

It is quite encouraging to see that all the 15 Insurers (Table 1.5) have underwritten the Crop Insurance (PMFBY) during 2016-17. Besides the centre made provision of Rs 5,500 crore for PMFBY for 2016–17. Further, it planned to bring 40 per cent of agricultural area under PMFBY in 2017–18 and, accordingly, a provision of Rs 9,000.75 crore was made in Budget 2017–18. Later on, additional allocation of Rs 1,701 crore was made through supplementary demands, taking the total allocation to Rs 10,701 crore, as per the news reports (Down to Earth).

Table 1.5
Pradhan Mantri Fasal Bima Yojana (PMFBY) 2006-2017

| Insurer | No of Farmers Covered | Gross Premium in Lakhs | Claims Reported | |
|------------------|-----------------------|------------------------|-----------------------|-----------------|
| | | | Number of beneficiary | Amount Rs Lakhs |
| AIC | 23882055 | 663204 | 6129300 | 272472 |
| Bajaj Allianz | 1221595 | 65204 | 220365 | 180846 |
| Chola MS | 1782012 | 27379 | 101926 | 7010 |
| Future Generali | 1602767 | 21297 | 100000 | 6944 |
| HDFC ERGO | 3410353 | 202489 | 563369 | 26074 |
| ICICI Lombard | 2501534 | 140354 | 300650 | 26026 |
| IFFCO Tokio | 3646915 | 110562 | 650122 | 61665 |
| Reliance General | 2581660 | 91944 | 118409 | 16490 |
| SBI General | 578429 | 36526 | 26054 | 5353 |
| Shriram | 290953 | 10239 | | |
| Universal Sampo | 949252 | 43897 | 345468 | 35135 |
| National | 1888707 | 23730 | 59394 | 3792 |
| New India | 633616 | 104642 | | |
| Oriental | 70402 | 396 | 197 | 14 |
| United India | 5130706 | 141721 | 203 | 36 |
| Total | 50979363 | 1725524 | 8712396 | 657366 |

Source: IRDA Report 2017

14. Findings and Conclusion

Considering the socio economic plight of the people of India with one fourth of them under poverty line and a vast majority living in rural areas vulnerable to numerous perilous risks, the importance of micro insurance-an insurance which focuses on the protection of the people at the lower strata of the society- need not be over emphasised. The analysis brings out the bleak picture of Indian Insurance industry with regard to Insurance Penetration, Density and coverage which is much below world average and of many Asian countries. The insurance industry is still at nascent state in India even after centuries of operational tradition. In life insurance segment about 77 seven percent and in General Insurance sector about 87 percent of the population remains without

any insurance coverage. This is an undesirable situation having adverse impact on the socio economic progress of the rural masses constituting majority of Indian Population. The life Insurance segment in micro insurance is still dominated by LIC while the role of public sector General Insurance companies is not much significantly felt.

However thanks to IRDA regulations a sea change is occurring in micro insurance. The Amendment to the Regulation 2015 has permitted several more entities like, RBI regulated NBFC-MFIs, District Cooperative Banks, Regional Rural Banks, Urban Co-operative banks, Business correspondents (BCs), Primary Agricultural Cooperative Societies along with NGO, SHG and MFI to be appointed as Micro Insurance agents facilitating better penetration of Micro Insurance business. The Regulation also specifies attractive commissions, incentives and relaxations for MI agents to do business. According to the IRDA

Annual Report, 2016-17, 19.3 million micro insurance policies were sold in India in the year 2016-17 covering lives of 22.3 million people. The cumulative premium collected from micro insurance was Rs.4.43 billion. Hence, micro insurance constituted 4.51 per cent of the total lives covered, 8.1 per cent of total number of policies and 0.54 per cent of premium collected by the insurance industry of India.

It is worth noting that the private sector players of the segment is making remarkable achievements in the past couple of years in terms of both life covered and premium collected as the number of lives covered under group category shot up from 6650805 in 2016 to 9281170 in 2017 showing an increase of about 25 percent within a one year period. An identical trend is visible in premium collection as well. The group category premium collection also registers about a threefold increase during the same period. The future of India's insurance sector looks good, driven by the country's favourable demographic prospects, greater awareness, supportive government, customer-centric products and practices that give businesses the best environment to grow. India's insurable population is anticipated to touch 75 crore in 2020, with life expectancy reaching 74 years. Nevertheless, Insurance industry in India is lagging in many respects which require more creative initiatives from insurance companies to penetrate the vast potential of the rural insurance market with micro insurance products designed to benefit both the insurer and the hapless people at the bottom on the way to the mainstay of a financially inclusive India.

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