



A Study of Growth and Claim Settlement of Micro Insurance in India during Recent Decade

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Abstract

In developing and emerging markets, micro insurance is a crucial tool for safeguarding the health and way of life of underserved low-income groups. It offers a way for the poor to protect their cattle, crops, and other property against the hazards associated with natural disasters like fires, floods, and droughts. The poor are more susceptible to these risks than the general population, and they can be severely affected by unexpected bad events that have not been planned for or covered by insurance. The IRDA had announced the micro insurance regulation in 2005 in order to make it easier for low-income segments of the population to access insurance. The present study is an attempt to analyse the growth and Death Claim Settlement of Micro Insurance Business in India. For this purpose, the secondary data has been collected from annual reports of IRDAI from the years 2011–12 to 2020–21. The data has been presented and analysed through tables, year-on-year (Y on Y) growth, percentage, compound annual growth (CAGR) and suitable figures using excel tools. The study found that the collection of insurance premium has increased from Rs. 115.68 crore in the year 2011-12 to Rs. 355.27 crore in the year 2020-21 under individual category. Further it revealed that premium collected under group portfolio has grown around 50% annually. The number of lives covered under group micro insurance portfolio have accelerated 10 times during the period of study. The CAGR of 29.06% shows remarkable increase in the lives covered under the group micro insurance portfolio. The number of policies settled under individual category remains above 98% in eight out of the ten years of study period.

Key Words: - Micro-insurance, Premium, Growth Rate, CAGR, Claim Settlement,

Introduction

In developing and emerging markets, micro insurance is a crucial tool for safeguarding the health and way of life of underserved low-income groups. It offers a way for the poor to protect their cattle, crops, and other property against the hazards associated with natural disasters like fires, floods, and droughts. The poor are more susceptible to these risks than the general population, and they can be severely affected by unexpected bad events that have not been planned for or covered by insurance. Micro insurance is “the protection of low-income people against specific perils in exchange for regular premium payments appropriate to the likelihood and cost of the

risk involved," according to the International Association of Insurance Supervisors (IAIS). The term, according to the IAIS, refers to providing services to a certain socioeconomic group in nations with developing insurance markets. Low-income individuals in developing nations frequently lack access to healthcare services and reside in hazardous areas with higher rates of illness, mishaps, and theft. They face numerous serious dangers to their wealth and lives, but often have inadequate informal tools to manage such risks. Many emerging markets are expanding the availability of insurance services to previously underrepresented demographic groups. The number of low-income households with access to insurance is something that micro insurers are still looking at. Microinsurance functions essentially the same as traditional insurance, with the exception that it is intended for low-income households, particularly the working poor, who have few or no financial reserves and incomes that fluctuate considerably. The amount of the premium and the covered amount is the main distinction between traditional insurance and microinsurance. Due to the insureds' irregular income streams, premiums and/or coverage limitations are often minimal and paid in periodic instalments. Additionally, microinsurance policies are frequently written in simple language so they can be easily understood, as this market frequently has low levels of financial literacy and education.

Microinsurance is not limited to a particular product, product line, or provider category. It covers a wide range of hazards, essentially any risk that can be insured and is suitable for low-income households in terms of pricing and accessibility. Microinsurers are increasingly using innovation to create products that are specifically suited to their target market of low-income consumers. Access to microinsurance products is still limited in the majority of developing nations. Microinsurance can be provided through a variety of institutional channels, including licenced insurers, healthcare providers, community-based organisations, microfinance institutions, and non-governmental organisations. Microinsurance is a growing industry, and many companies and organisations are actively involved. To supply services, they frequently collaborate in creative ways. Because they are typically significantly less expensive than traditional insurance products, microinsurance products provide protection to a much wider market. Products come in a variety of forms and structures, but they are typically identified by their large quantities, low price, and effective administration.

The COVID-19 outbreak has significantly raised the risks faced by the poor and vulnerable in countries where health and social services are already overburdened and future welfare financing is far from certain. As climate and health disasters swiftly become the new normal, insurers have a great opportunity to go above and beyond "business as usual" and help governments, corporations, and people manage the risks they face. The sector's future significance will be determined by the decisions it makes now. Protecting low-income people and small businesses against this backdrop of increasing ambiguity is more important than ever. Presently, expanding inclusive insurance is more crucial than ever. Although inclusive insurance may not be the only answer to all development issues, but it should play a far larger role in promoting sustainable development. We can achieve outcomes that would not be feasible without the cooperation of the insurance ecosystem. In emerging Asia, Latin America, the Caribbean, and Africa, public-private microinsurance partnerships are already lowering vulnerability to health, life, property, business, and agriculture risks brought on by increasingly intense and variable weather conditions.

Review of literature

Vinayagamoorthy et al. (2012) concluded in their study titled “A Study on microinsurance in India” that microinsurance has remained the second choice in financial inclusion after credit products by microfinance institutions, which was the first choice in India. The significance of microinsurance as social security and business opportunity was hardly emphasized.

Varshini and Suresh (2013) in their paper entitled “A study on performance of life micro insurance in Mysore City” found that the majority of the policyholders were women who were more aware of life microinsurance than men. They explained that it was due to the establishment of Self-Help Groups which constitutes only women. Income is not a barrier in paying a premium because 50 percent of the premium is borne by the nodal agency. They also found that married people were more responsible than the unmarried and major reason for buying life microinsurance was to avail death benefit.

Farooqui F. (2013) in his paper titled “Role of micro finance institutions” analyzed the role of microfinance institution in the microinsurance in Allahabad district using a purposive sampling technique to collect the primary data through questionnaire and personal interviews of two leading MFI, Sonata and Utkarsh 140 beneficiary in which 78 respondents were male and 62 were females. The study found that awareness of microinsurance products was low especially in female respondents. The role of MFIs was not significant in creating awareness among respondents and respondents were not satisfied with the insurance services provided by MFIs.

Geetha and Vijayalakshmi (2014) conducted a study in Coimbatore in 2013 with a sample of 100 Microinsurance (life) insured to analyze socioeconomic determinants of MI (life) demand and the level of satisfaction of insured. The study used both primary and secondary data. The study found that the majority of the respondents were aware of all important features.

Paramasivam and Rajaram (2016) in their paper titled “Micro analysis a conceptual analysis” found that microinsurance is affordable to poor people. It mitigates the risk caused by nature or any other events. There is a need to create more awareness so that it is more accessible for unreached.

Priti Bakshi (2016) conducted a study on “Review of Progress and Potential of Micro Insurance in India” and found that micro insurance is important in supporting the sustainable development of the poor and reducing the inequality in developing countries like India. Micro insurance is like a magic treatment for the main disease (poverty) prevailing in the economy. The study also state that the development of micro insurance is both a moral and an economic imperative, not only for achieving the inclusive financial systems but also for the equitable mitigation of risks.

Bodla, Sumit at el. (2017) find that the life insurance industry has made a remarkable growth of premium after the entry of private players. The CAGR of net premium has been worked out at 8.89 % for the last 10 year. The highest CAGR in net premium was found in case of Max Life followed, very closely, by HDFC Standard, PNB MetLife and SBI Life. IDBI Federal Life has a CAGR of 20.42% during 2007-2011, 10.98% during 2012-16 and 14.47% during 2007-2016. CAGR of net premium gives a worrisome position for Aviva, Tata AIA, Bajaj Allianz, Birla Sunlife and Reliance Nippon as the growth rate was found negative during 2012-16 for these companies.

Jayakumar A. and Almeida S. M. (2018) conducted a study on “Erudition and role of Micro Insurance in India”. They found that risk mitigation becomes an important aspect to the poor people as their income is limited and their livelihood is equally dependent on their health as well as their future life being the recipients of majority of risk in life. If large insurance companies can adapt to the regional sensitivities and also provide awareness through the various schemes introduced by the government to the poor section and also educate them about the benefits and premium payment, microinsurance will thus, aid and offer a huge opportunity for the insurers to penetrate into the new markets and also build a more flexible and better economy.

Renu Bala (2019) in her study titled “Micro-insurance in India: Role of public and private insurers” found that public sector is leading in both policies issued, a number of lives covered in both individual and group business. However, their claims services need to be improved. The private insurers are relying on other micro insurance agents for business, and have a less significant share in the group insurance business.

Kumar, R. (2021) conducted a study on “Performance of Microinsurance in India: - A Time Series Analysis”. The Handbook of Statistics on Insurance was utilised to gather secondary data from 2009 to 2020 for that purpose. According to the survey, the Life Insurance Corporation of India has contributed more in terms of policies sold and premiums collected for both individual and group plans. Most of the microinsurance business was acquired through the group portfolio. The study reports that new insurance business is anticipated to grow between 2021 and 2025 at a CAGR of 8.79% for private sector insurers and 3.64% for public sector insurers, respectively. In terms of claim resolution, the data demonstrates that LIC performs better than private sector insurers. In 2025, the claims of private and public sector insurers are projected to be ₹287.42 lakh and ₹1500.51 lakh, respectively.

In his study titled "The Progress of Micro Insurance Business during Covid-19 Pandemic in India," **Kumar, R. (2022)**, examined the development of the Life, General, and Health Insurance Micro Insurance Business. The IRDAI's annual report for the fiscal year 2019–2020 served as the source of the secondary data that was used for this purpose. According to the survey, there are 10.28 lakh new individual policies under the micro insurance category overall, of which LIC alone has 8.59 lakh with a premium of 222.09 crore, indicating that LIC has a substantial part of the individual new business. Other MI agents make up the largest percentage of micro insurance agents in the life insurance sector, with 91.80%, followed by NGOs with 7.30%, while business correspondents make up just 0.15% of these agents. The private sector has dominated group microinsurance, covering 96% of lives with 99% of the premium. According to the number of people covered and premiums collected for group microinsurance, the private sector appears to control the majority of the market. The report also shows that while specialized insurer has made the least contribution to the total premium, the private sector has contributed the largest percentage.

Objectives and Research Methodology

The present study aims to achieve the following objectives:

- i. To analyse the growth of Micro Insurance Business in India in terms of premium collection as well as number of lives covered;
- ii. To examine the growth of Micro Insurance Agents during recent decade; and
- iii. To Study the death claim settlement of micro insurance companies in India under individual and group portfolio.

Secondary data has been gathered from IRDAI's Annual Reports from the years 2011–12 to 2020–21 in order to accomplish the aforementioned objectives. Previous studies were accessed for the literature review from various online publications and books. The nature of the study is descriptive cum analytical where the data has been presented through tables and has been analysed in absolute figures, year-on-year (Y on Y) growth, percentage and graphical analysis. Additionally, the outcomes of the Compound Annual Growth Rate (CAGR) calculation have been discussed. Compound annual growth rate is the mean annual growth rate of an investment over a specified period of time longer than one year. It represents one of the most accurate ways to calculate and determine returns for individual assets, investment portfolios, and anything that can rise or fall in value overtime. CAGR helps smooth return when growth rates are expected to be volatile and inconsistent.

Analysis and Interpretation

Table: 1 New Business under Individual Micro Insurance Portfolio (Amount in Rs. Crore)

Year	New Business Premium	Year on Year growth (%)
2011-12	115.68	----
2012-13	109.68	-5.19
2013-14	95.65	-12.79
2014-15	28.89	-69.80
2015-16	31.72	9.80
2016-17	38.22	20.49
2017-18	47.04	23.08
2018-19	32.10	-31.76
2019-20	226.66	606.11
2020-21	355.27	56.54
CAGR	13.28%	----

Table 1 shows the premium collected, annual growth rate and compound annual growth rate of micro insurance under individual category during the period 2011-12 to 2020-21. The collection of insurance premium has increased from Rs. 115.68 crore in the year 2011-12 to Rs. 355.27 crore in the year 2020-21. The year-on-year growth of premium collected ranges between -31.76% to 56.54% during the study period except the year 2014-15 and 2019-21 where the same has been recorded -69.80% and 606.11% respectively. The compound annual growth has been worked out 13.28%, which indicates that on an average the growth of premium collection remained above 13%. The growth of premium collected under individual portfolio is also shown by the figure 1.

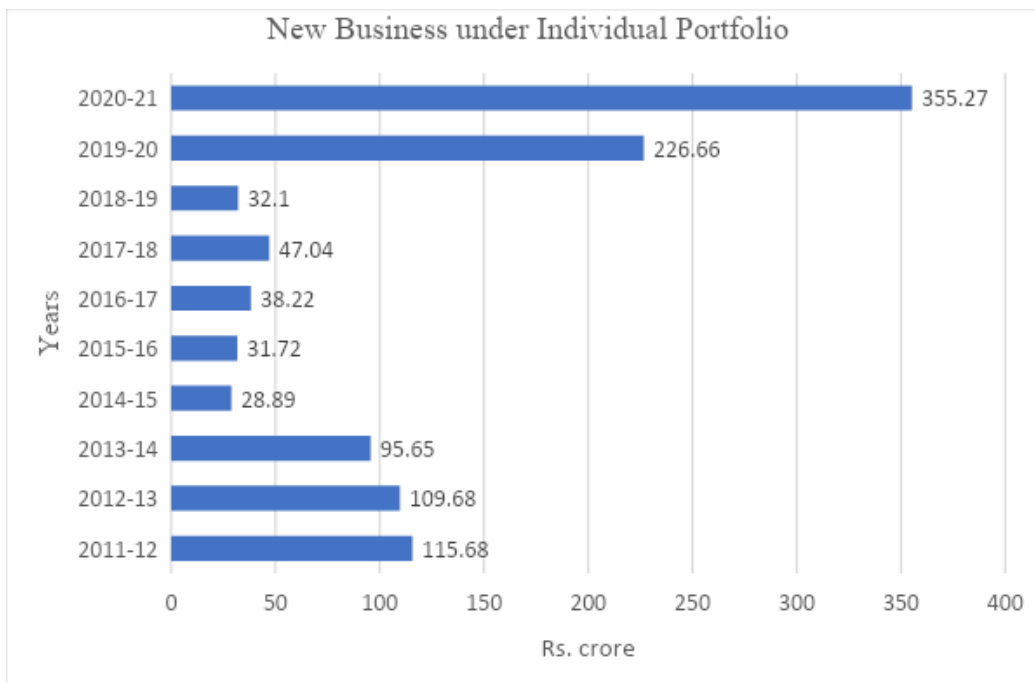


Figure 1

Table: 2 New Business under Individual Micro Insurance Portfolio (In Lakhs)

Years	No. of Policies	Y on Y Growth (%)
2011-12	46.20	----
2012-13	50.36	9.00
2013-14	27.67	-45.06
2014-15	8.16	-70.51
2015-16	9.12	11.76
2016-17	9.56	4.82
2017-18	8.39	-12.24
2018-19	8.65	3.10
2019-20	10.28	18.84
2020-21	10.69	3.99
CAGR	-15.01%	----

Table 2 reveals that the number of policies sold has declined from 46.20 lakh in the year 2011-12 to 10.69 lakh in the year 2020-21. Although the growth has been negative for only three out of the ten years, but the overall growth rate has come to -15%. The policies sold has shown an increasing trend from 2018-19 onward. The number of policies sold in various years is further shown by figure 2.

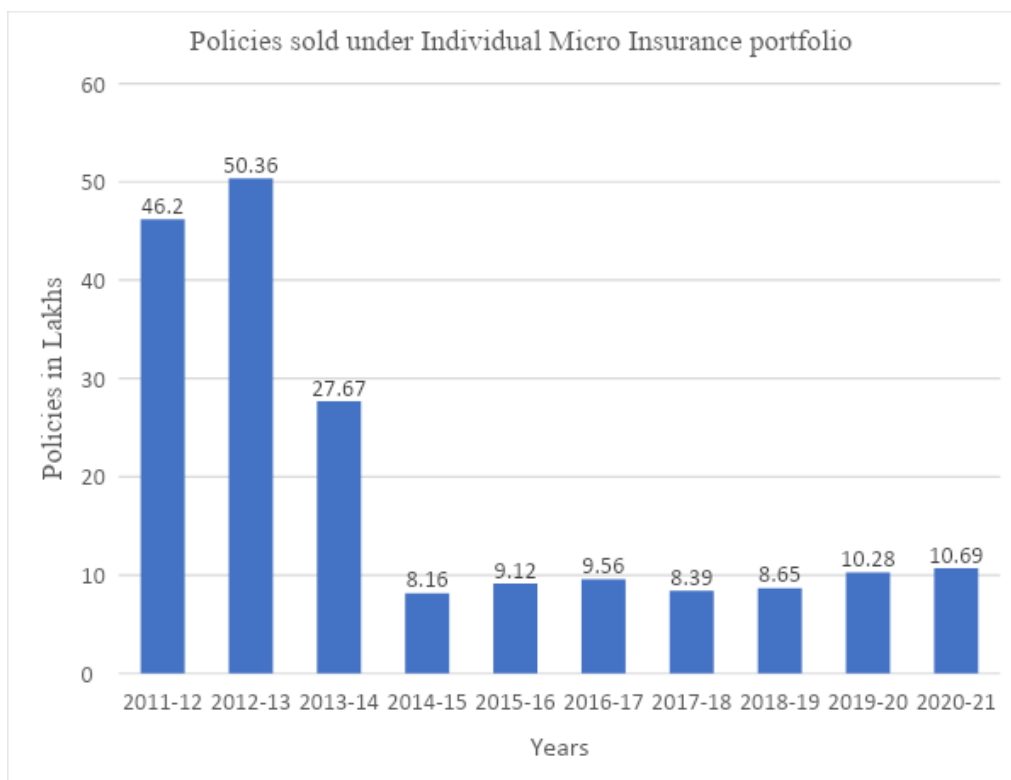


Figure 2

Table: 3 New Business under Group Micro Insurance Portfolio (Amount in Rs. Crore)

Years	New Business Premium	Y on Y (%)
2011-12	109.82	----
2012-13	218.03	98.53
2013-14	141.77	-34.98
2014-15	315.60	122.61
2015-16	302.43	-4.17
2016-17	460.43	52.24
2017-18	1386.37	201.10
2018-19	3205.74	131.23
2019-20	4226.45	31.84
2020-21	4213.06	-0.32
CAGR	49.97%	----

The position of premium collected, growth rate and compound annual growth rate under group micro insurance portfolio is depicted by table 3. The new business premium has rose from Rs. 109.82 crore to Rs. 4213.06 over a period of 10 years from 2011-12 to 2020-21. The growth of premium collected varies between -4.17% to 131.23% except two extreme values in the year 2014-15 and 2017-18 when the same were recorded -34.98% and 201.10% respectively. The mean annual growth rate of the premium collected is 49.97% which shows that premium has grown around 50% annually. The new business premium of group micro insurance is further explained by figure 3.

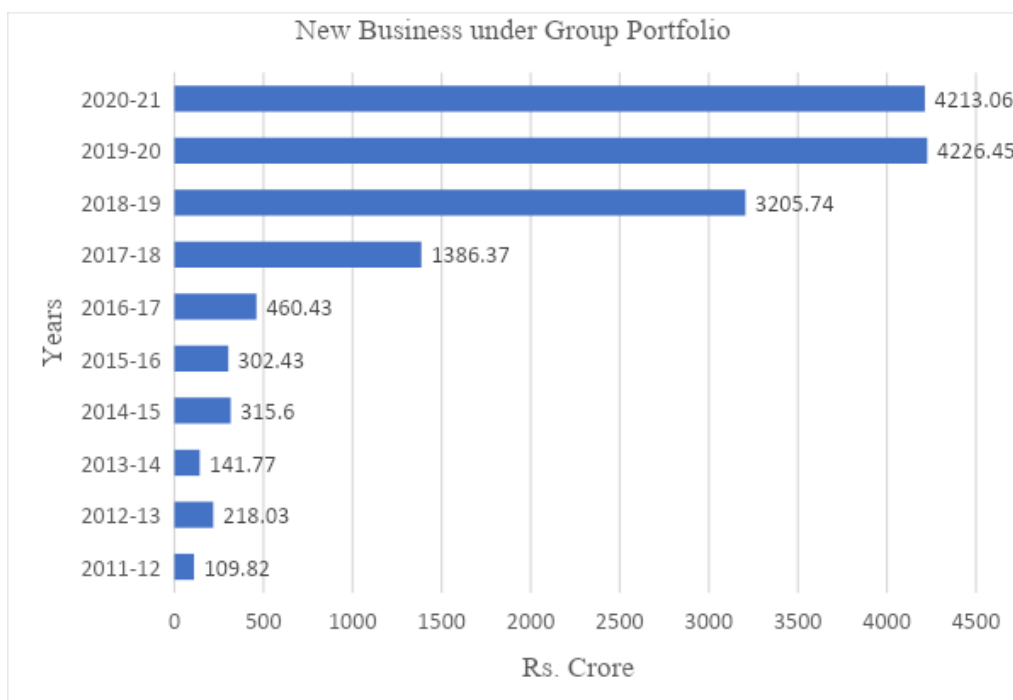


Figure 3

Table: 4 New Business under Group Micro Insurance Portfolio (In Lakhs)

Years	Lives Covered	Y on Y (%)
2011-12	101.95	----
2012-13	139.81	37.14
2013-14	131.79	-5.74
2014-15	231.28	75.49
2015-16	292.55	26.49
2016-17	322.46	10.22
2017-18	589.03	82.67
2018-19	1213.08	105.95
2019-20	1407.29	16.01
2020-21	1012.99	-28.02
CAGR	29.06%	----

Table 4 displays the number of lives covered, its growth rate and CAGR of policies over a period of time. The table reveals that the number of lives covered under group micro insurance portfolio have accelerated 10 times during the period from 2011-12 to 2020-21. From 2014-15 there is a continuous increase in the lives covered till the end of 2019-20, however, it again decreased in the year 2020-21. The growth rate has been observed positive in eight out of the ten years of the reference period. The CAGR of 29.06% shows remarkable increase in the lives covered under the group micro insurance portfolio. This is further supported by the figure 4 given below.

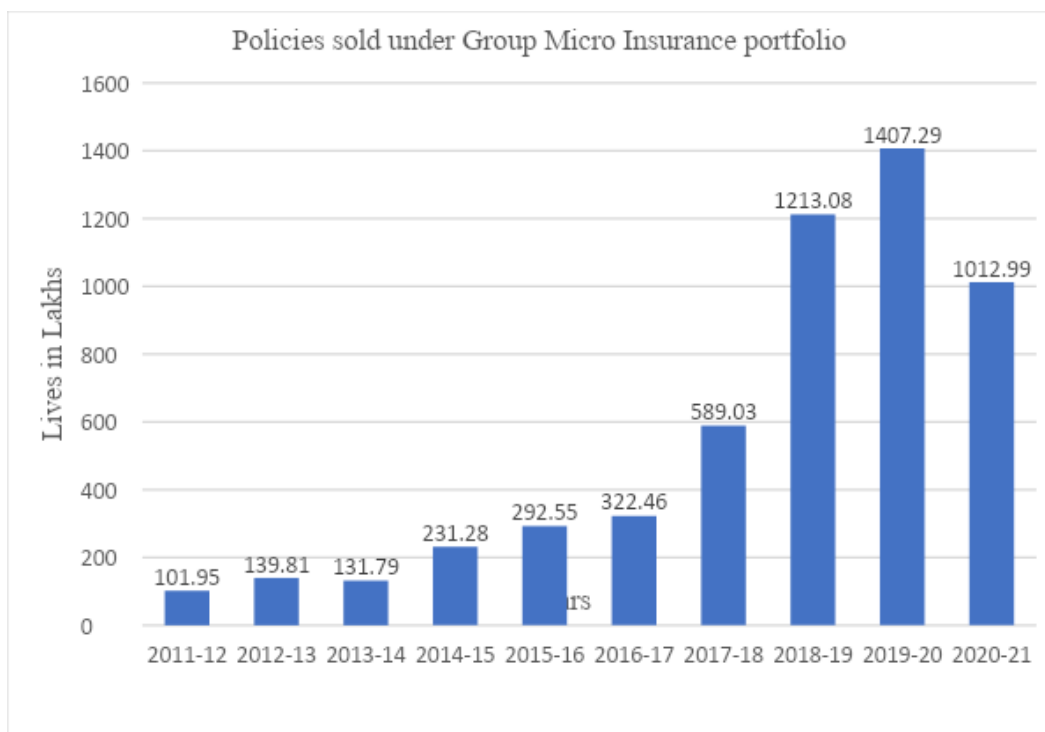


Figure 4

Table: 5 Growth of Micro Insurance Agents

Year	No of Micro Insurance Agents	Y on Y Growth (%)
2011-12	12797	----
2012-13	17052	33.25
2013-14	20057	17.62
2014-15	20855	3.98
2015-16	27041	29.66
2016-17	35200	30.17
2017-18	52907	50.30
2018-19	72857	37.71
2019-20	90574	24.32
2020-21	93748	3.50
CAGR	24.77%	----

Table 5 embodies that the number of micro insurance agents has grown every year since 2011-12. The number of agents has increased more than seven times in the last 10 years. Though the growth rate doesn't show any specific pattern but still remains between 3.50% to 50.30%. The average number of micro insurance agents increased approximately 25% over the period. This position is also shown by figure 5.

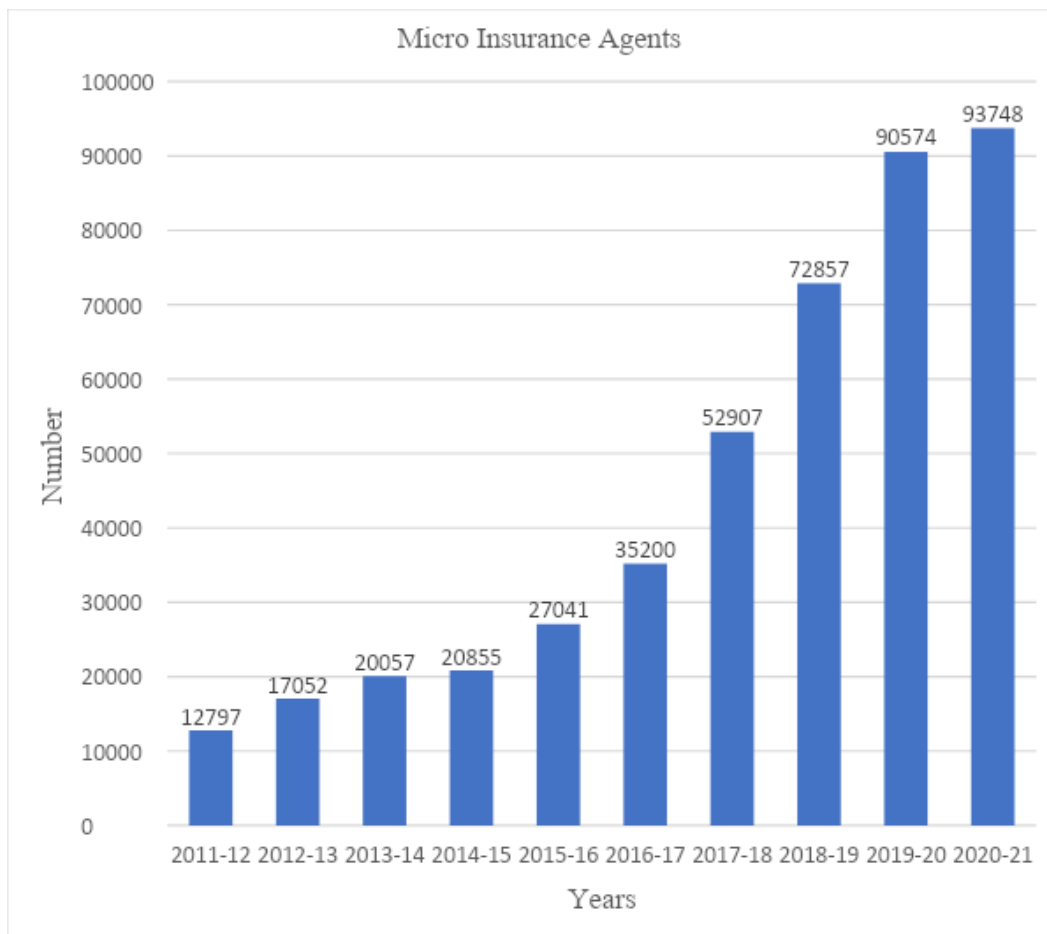


Figure 5

Table: 6 Micro Insurance Agents of Life Insurers on 31st March 2021

Agents	LIC	Private Sector	Total
NGOs	6548	90	6638
SHGs	341	16	357
MFI	295	46	341
Business Correspondents	103	36	139
Other Agents	14260	72013	86273
Total	21547	72201	93748

The table 6 exhibits the micro insurance agents of life insurers as on 31st March 2021. The table shows that as on that date the total number of micro insurance agents stood 93748 out of which 21547 are of LIC and 72201 are of private insurers. There is a remarkable proportion of other agents in the private sector insurers.

Table: 7 Individual Death Claim Settlement under Micro Insurance Portfolio (In %)

Year	No. of Policies	Benefit Amount
2011-12	99.05	98.61
2012-13	99.06	98.68
2013-14	99.31	99.10
2014-15	98.07	95.85
2015-16	98.74	93.38
2016-17	96.39	94.25
2017-18	98.63	98.01
2018-19	99.42	98.59
2019-20	96.76	92.91
2020-21	98.39	93.60

Table 7 discloses the individual death claim settlement ratio under micro insurance in terms of number of policies as well as benefit amount. It is clear from the table that number of policies settled under individual category remains above 98% in eight years of period under consideration except the year 2016-17 and 2019-20 when it stood 96.39% and 96.76% respectively. The benefit amount settled remained between 93% to 98% during eight out of ten years. The benefit amount settled remained approximately 99% in the year 2013-14 and 2018-19.

Table: 8 Group Death Claim Settlement under Micro Insurance Portfolio (In %)

Year	No. of Lives	Benefit Amount
2011-12	99.58	99.64
2012-13	99.07	99.12
2013-14	99.50	99.50
2014-15	99.83	99.84
2015-16	99.94	99.94
2016-17	99.58	99.68
2017-18	99.88	99.93
2018-19	99.16	99.00
2019-20	97.27	95.54
2020-21	96.62	95.84

Table 8 indicates that percentage claim settlement of number of lives remained above 99% during the first eight years of study period, whereas it stayed around 97% in the recent two years. The same trend has been observed in the settlement of benefit amount.

Conclusion

The analysis reveals that the collection of insurance premium has increased from Rs. 115.68 crore in the year 2011-12 to Rs. 355.27 crore in the year 2020-21 under individual portfolio. The compound annual growth of premium collected under individual portfolio indicates that on an average the growth of premium collection remained above 13% during the study period. The overall growth rate of number of policies remained -15%. The mean annual growth rate of the

premium collected under group portfolio worked out 49.97% which shows that premium has grown around 50% annually. The number of lives covered under group micro insurance portfolio have accelerated 10 times during the period from 2011-12 to 2020-21. The CAGR of 29.06% shows remarkable increase in the lives covered under the group micro insurance portfolio. The number of agents has increased more than seven times in the last 10 years. The average number of micro insurance agents increased approximately 25% over the period. The number of policies settled under individual category remains above 98% in eight years of period under consideration except the year 2016-17 and 2019-20 when it stood 96.39% and 96.76% respectively. The percentage claim settlement of number of lives under group insurance portfolio remained above 99% during the first eight years of study period, whereas it stayed around 97% in the recent two years. The same trend has been observed in the settlement of benefit amount.

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