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Extending Social Protection through Microinsurance: A Study in the Indian Context

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ABSTRACT

Death, illness, unemployment, disability and similar other occurrences bring to the life of the victim as well as his/her family members severe economic perils in the form of unforeseen loss of income or financial expenditure. The exposure is perceived to be higher for the economically vulnerable working class pertaining to the informal sectors of the developing countries, more or less excluded by the state social security schemes. Social protection consists of policies and programmes designed to reduce poverty and vulnerability by promoting efficient labour markets, diminishing people's exposure to risks, and enhancing their capacity to manage economic and social risks, such as, unemployment, sickness, disability etc. Although, the formal social security schemes of the state have similar objectives, but, in the context of widespread informal economy, as in case of India where more than 90 percent of the workforce is engaged in the informal sector, the formal social security arrangements are almost absent for the vast majority of the working population. Therefore, other ways must be developed to realize the vision of social protection for all. In the recent past, the social protection strategies of the governments of many developing countries including India have stressed on Microinsurance as an instrument to extend social protection to the economically disadvantaged. Hence, this paper attempts to study why and how microinsurance is used to extend social protection to the poor and its role in the social protection strategy of the Government of India. The study is based on secondary data.

Keywords: economically vulnerable, informal sector, social protection, social security, microinsurance, strategy

INTRODUCTION

'Social security' and 'social protection' are the buzz words in the recent times. Social security is based upon a concept set forth in Article 22 of the Universal Declaration of Human Rights which states, *Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality.* In simple terms, the signatories agree that society in which a person lives should help them to develop and to

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make the most of all the advantages (culture, work, social welfare) which are offered to them in the country.

According to International Labour Organization (2000), social security is the protection which society provides for its members through a series of public measures:

- To compensate for the absence or substantial reduction of income from work resulting from various contingencies (notably sickness, maternity, employment injury, unemployment, invalidity, old age and death of the breadwinner),
- To provide people with healthcare
- To provide benefits for families with children

Social protection refers to a set of benefits available (or not available) from the state, market, civil society and households, or through a combination of these agencies, to the individuals/households to reduce multi-dimensional deprivation. This multi-dimensional deprivation could be affecting less active poor persons (such as the elderly or the disabled) and active poor persons (such as the unemployed). Social protection, as defined by the United Nations Research Institute for Social Development, is concerned with preventing, managing, and overcoming situations that adversely affect people's well-being. Social protection consists of policies and programs designed to reduce poverty and vulnerability by promoting efficient labour markets, diminishing people's exposure to risks, and enhancing their capacity to manage economic and social risks, such as, unemployment, exclusion, sickness, disability and old age.

This broad framework makes this concept more acceptable in developing countries than the concept of social security. Social security is more applicable in the conditions, where large numbers of citizens depend on the formal economy for their livelihood. Through a defined contribution, this social security may be managed. But, in the context of widespread informal economy[1], formal social security arrangements are almost absent for the vast majority of the working population. Besides, in developing countries, the state's capacity to reach the vast majority of the poor people may be limited because of its limited infrastructure and resources. The framework of social protection thus holds the state responsible for providing for the poorest populations by regulating non-state agencies. In some countries, governments are strongly involved in the provision of social protection, following a development model, in which social protection is seen as a tool to promote economic growth. There are also nations which are characterized by dualism, in which there is state-provided protection for those who work in the formal sector, but little to no protection for those who work in the informal sector. Finally, there are nations in which the economy is largely agrarian, and a great majority of the population works in the informal economy. In those countries that have only residual social protection coverage and weak state capacity, social protection is mainly provided by non-governmental means such as kin, NGOs, and individual philanthropic donations. Thus, social protection includes, apart from public security schemes, private and non- statutory schemes with similar objectives. Other organizations such as World Bank and Asian Development Bank use a broader term -Social Risk Management (SRM) which is inclusive of the concept of social protection.

This broader view includes promotional interventions to increase assets or economic opportunities (such as microfinance programmes, price supports or commodity subsidies) besides protecting mechanisms.

"*Right to equality*" – three words that represent a right for the human kind, granted to it by the Article 7 of the Universal Declaration of Human Rights, the Constitution of almost all the countries worldwide. In the context of social security, the right to equality has two important interpretations-

i. States must take measures to guarantee this right to their respective populations;
ii. Equitable access to such social security measures without exception or discrimination.

However, the international picture describes a different scenario. Although Article 22 of the United Nations Declaration of Human Rights (1948) states that, "every member of the society has the right to social security," approximately 75 percent of the world population is inadequately protected, and approximately 40% lack even basic protection. Confronted with these figures, the recommendation of the ILO Social Protection Floor Initiative (SPF-I) calls for a pragmatic step-wise approach to social protection, defining some minimum social security benefits that should be extended to the underserved as soon as conditions allow.

In many developing countries, the social security measures cover only a small proportion of the entire population. In the sub-Saharan Africa and South Asia, only 5 to 10 per cent of the population is covered by a statutory social security scheme, primary old age pension schemes and access to healthcare. Till the end of the 20th century, social protection strategies were based on the assumption that the *formal economy* would progressively take over the traditional economy and therefore social security would progressively cover a larger proportion of the work force. But this has not happened. In many developing countries, most of the jobs created in the last decade have been in the *informal economy.*

In India itself the proportion of informal employment amounts to 93 percent. Although some states have been constantly trying to extend the coverage of social security measures to workers in the informal economy, they are still far lagging behind.

It is therefore the need of the hour to find other ways to realize the vision of social protection for all. This is where the concept of insurance, more precisely, micro-insurance comes in. Microinsurance schemes are often initiated by civil society organizations. Increasingly, these organizations cooperate with formal social security schemes, public institutions (e.g. departments of health, labour and social affairs) and service providers (insurance companies, health care providers etc.). Sometimes even municipalities or local authorities are involved in offering micro-insurance.

The microinsurance mechanism need not vie with or displace public social protection. Such an approach would overload the scope of protection microinsurance can offer with its limited benefits and would be politically problematic as it cannot comply with the three social protection principles of universality, equity, and solidarity. Their potential as tools to extend social protection is increased when the governments recognize their interest and include them as a key dimension in their national strategies of extension of social protection, linking them to other components of the social protection systems in order to create a progressively more coherent, efficient and equitable system of social protection for all. But looking at the huge protection gap and following the realistic recommendation of a step-wise approach to social protection, microinsurance can have significant advantages for uncovered or under-covered people.

Microinsurance can also provide enhanced protection for the near-poor, as well. These people are just above the eligibility criteria in most of the social assistance and poverty reduction programmes, thus remaining unprotected despite their vulnerability. Microinsurance would also be useful for those low-income people that earn above the threshold amount for accessing current targeted social protection benefits, yet earn too little to buy insurance products from commercial insurers. It has vast potential for seasonal and internal migrant workers and could even be useful for people working in enterprises which officially fall under formal economy laws but are not officially registered and, hence, do not provide statutory benefits to their employees.

REVIEW OF LITERATURE: Before initiating the present study, an extensive survey of the relevant studies and contributions by the past researchers, authors and organizations has been undertaken. The most important and influential among them are briefly discussed below:

Wiechers (2001) conducted case studies of a few countries to analyze the role of microinsurance within the respective countries' social protection systems. The study concluded that very few countries have formally discussed or even defined the role of microinsurance within a social protection system. The study established that governments, usually, aim for a social protection system that achieves universal coverage by a single, public scheme, e.g. government-run social health insurance. Case studies of Rwanda, Cambodia and Brazil were undertaken to identify the instances where micro-insurance has been used as an element of social protection framework.

In a study conducted by Ahuja and Guha-Khasnobis (2005), an analysis of the factors leading to the development of micro-insurance in India has been undertaken. Besides the study also highlights the issues in extending insurance to low-income people; focusing on two specific issues, namely the effect of flexibility of insurance premium and of combining micro-insurance with micro-finance. The study establishes the fact that the poor have an irregular and uncertain income stream, and therefore, flexibility in premium collection is needed to extend the micro-insurance net far and wide. Moreover, MFIs were found playing a significant role in improving the lives of poor household and linking micro-insurance with micro-finance makes better sense as it helps in bringing down the cost of lending. On the basis of the findings the study recommends that, the link between micro-insurance and micro-credit should be strengthened further.

The review of a book edited by Churchill (2006) brought in to light the basic concepts and key issues relating to the social protection perspective on microinsurance through a chapter contributed by Jacquier, Ramm, Marcadent and Schmitt-Diabate. The chapter mainly focuses on the positive contributions and limitations inherent in the extension of social protection through microinsurance. Besides, through examples of initiatives taken by the governments of a few countries such as Cambodia, Senegal, India etc. an effort has been made to discuss how microinsurance can be used to extend social protection.

KPMG (2013) prepared a report on the prospects of the Indian insurance industry emphasizing specifically on the country's micro-insurance potential. The study encompasses a critical analysis of the Indian microinsurance industry and the regulatory framework within which the industry operates. Moreover, the study recognized the various issues and challenges impeding the growth of microinsurance in the country and recommended a few ground level measures for scaling-up microinsurance business and further microinsurance penetration.

Ramm and Ankolekar (2014) conducted a study on the social protection strategies of the governments of six countries. The paper synthesizes the key messages of the country studies (Bangladesh, Brazil, Cambodia, India, Rwanda, and Vietnam), formulates lessons learned, and provides recommendations for better integration of microinsurance with social protection

GAP IN EXISTING LITERATURE: In course of the review many studies, articles and reports were found addressing the social protection dimension of microinsurance. Particularly, the case studies of the social protection strategies of the various countries including India elicited a lot of relevant literature which have enriched the researchers' knowledge in the concerned area of study. However, the researchers are of the view that a more detailed study relating to the application of microinsurance in India's social protection policies would be a valuable addition to the existing body of knowledge. Hence, the present study attempts to carry out, in a more detailed manner, an analysis of the initiatives taken by the Indian government in extending social protection across the economically vulnerable masses applying the micro-insurance instrument.

OBJECTIVES OF THE STUDY: Keeping the gap that exists in the literature available, the present study has been designed with the following objectives.

1. To elucidate the social protection standpoint of micro insurance; and
To study the scope and application of micro-insurance in the social protection strategy of the Government of India.

RESEARCH METHODOLOGY: The present study is exploratory and descriptive in nature. It is based on the data collected from secondary sources. The facts presented in the paper have been collected from reliable sources, which include Annual Reports and publications of IRDA and various reports and journals.

DISCUSSION

Micro insurance as a social protection instrument: Micro insurance as defined by Churchill, "is the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved"

Within the context of social protection, microinsurance is one possible instrument to mitigate risks and reduce vulnerability of poor and low income households, particularly in the informal economy. Microinsurance is not conceptualized as a mechanism that competes with or replaces public social protection. It is most effective when embedded into a comprehensive social protection framework that goes beyond public social protection measures and includes informal, private, and other public risk management strategies of preventive measures, mitigation, and suitable coping strategies. The respective governments of six countries, namely, Bangladesh, Brazil, Cambodia, India, Rwanda, and Vietnam have recognized the need for social protection, especially for vulnerable people in the informal sector, and these six countries established:

- Some universal programmes for all citizens, such as basic education, skills training, and basic health care;
- Statutory social protection for the formal economy, civil servants, and the military;
- Social assistance and other targeted poverty alleviation programmes for the poor and vulnerable around the poverty line, special groups (such as people with disabilities), and ethnic groups, and other relief programmes for affected people.

Some countries have employed the following strategies to integrate microinsurance into their social protection policies:

- Using microinsurance as a transitory instrument towards universal health insurance;
- Creating separate social protection legislation (including microinsurance) for

the informal economy;

- Defining the role of microinsurance in the context of social protection.

The strategies employed by the six countries are, as expected, diverse. Also important to note is that whilst explicit government policies on microinsurance are absent in certain countries,[7] other methods of extending social protection coverage to the informal economy exist. Perhaps, as it appears from the study on the social protection strategy of the above mentioned counties, one of the most important methods in micro insurance.

Why Microinsurance for Social Protection?

- *Protection from major risks with little money:* In the developing countries, like India, an important feature of the poor is constant economic insecurity and lack of financial reserves or savings making them more vulnerable to the various forms of personal and environmental risks which drive them deeper into poverty, such as illness, accident, death of breadwinner, loss of economic assets etc. The common and traditional forms of protection include loans from moneylenders, village community and the public social security arrangements. However, such loans from moneylenders of village community are provided against some form of security, with a very high probability of loss of the security by the victim due to inability to repay the loan, further making them poorer. The formal security schemes of the Government can and do prevent the impoverishment of people with no or little income, but there are severe questions relating to the outreach of such schemes and their implementation, with specific regard to deserving and actual beneficiaries.
- *Micro insurance is one way of hedging the impact of general risks such as illness, old age, and death:* It provides people with low income an opportunity to buy appropriate insurance for small premium. By providing better protection against risks, microinsurance supports poor people's initiative to escape from poverty through their own efforts. People with low income have a chance to invest more in their productive assets and in education and health, provided they have affordable protection against unpredictable risks.
- *Life and Accident microinsurance- a ray of hope in the darkness of misery:* Death of a family member before age, that is due to some form of illness or accident of always a painful experience. And if today's dead was the family's breadwinner till the day before, it calls for severe economic perils and impoverishment for the entire family. Life or accident micro insurance that is tailored to the needs of low-income people cannot take away families' grief, but it can help them overcome financial crises in hard times.
- *Reducing the risks of impoverishment due to illness*: 93 per cent of India's workforce pertains to the informal sector (ILO, 2011). This means that they have no health insurance through their jobs or from the government. Although the public hospitals in the country provide free medication and cure, for more severe forms of illness the poor too have to resort to better but costly medical services. If there is no insurance, entire families often go into debt when someone falls ill. On the other hand, inadequate medical treatment (or no treatment at all) may result in a person's los-

ing their ability to work and thus, in permanent income loss. So the reimbursement of payments for basic services such as treatment, drugs and hospitalization is of crucial importance. Therefore, micro insurance or micro-health insurance, to be precise, has a definite role to play in extending protection to the poor population against the health related hazards.

- *Protection against weather related risks*: The natural calamities such as floods, earthquake, droughts, storms etc. besides exposing the poor to the aforementioned vulnerabilities to life also causes severe damages to their economic assets which in most cases are the only source of their livelihood such as crops, livestock etc. Under such circumstances, a low premium micro-insurance policy stands indispensible in indemnifying their losses and thereby providing them an opportunity to survive such acts of God.

Applicability of specific Micro-insurance Schemes:

There are a variety of microinsurance schemes that have developed over time to cater to the various activity and group specific needs of the poor. Each of such schemes has some distinctive advantages and provides protection against some specific types of risks. But when it comes to the extension of social protection, some microinsurance schemes may be considered more relevant. Some micro-insurance products, such as, asset, livestock, housing, and credit linked insurance that only covers the outstanding loan balances, do not provide social protection coverage in the strict sense. On the other hand, products such as life, health (hospitalization, primary health care, maternity, etc.), old age pensions, and disability insurance may be considered more relevant, as they directly address the nine contingencies specified in the ILOs Social Security Convention (No. 102).

Social protection strategy of government of India:

The Constitution of India through the following Articles, as a part of the Directive Principles of State Policy, provides for the basis for the social protection programmes and initiatives of the Government of India:

- Article 38 - securing a social order for the promotion of welfare of the people;
- Article 39 - certain principles/directions of State policy;
- Article 41 - right to work, education and public assistance in certain cases;
- Article 42 - just and human conditions of work and maternity relief;
- Article 43 – adequate or living wage in all sectors of economic activity, healthy working conditions, promotion of cottage industries in rural areas etc.

The growth strategy of the country is featured by a number of social assistance, welfare and social sector development programmes and schemes. They are cross sectorial and have been developed for a wide range of different occupations and specific groups, involving various ministries, welfare boards and departments.

Overview of the Social Protection System of India:

The social protection system prevalent in India can be classified into three broad categories on the basis of the specific groups targeted, as illustrated by the following table:

Table 1. Social Protection System of India

Target Groups	Social Protection	Benefits
All citizens	Basic social/ human development funded by the public exchequer	Universal literacy, schooling (including fundamental right to education for children between 6 and 14 years), health care, drinking water, and sanitation, technical training, etc.
Formal economy People	Employees' State Insurance	Health cover, maternity, unemployment, invalidity, and survivor benefits
	Employees' Provident Fund	Old age, gratuity
Informal economy People	Unorganised Sector Workers' Social Security Act (intended for every unorganized worker, but currently only for those below the poverty line and some marginally above)	Health and maternity, death and disability, old age, but can be extended at a later stage (not yet fully provided)
	Subsidised and contributory Microinsurance	Health (including RSBY), death, disability, weather-related risks/ agriculture insurance
	Several welfare funds	Housing, medical care, water supply, education of children, and others
	Indian National Pension System (including NPS lite)	Old age security
	Targeted social and human development schemes (social assistance)	Examples: the Public Distribution System, National Social Assistance Programme, Integrated Child Development Scheme, Employment Guarantee Scheme (MGNREGA)

Source: Ramm & Ankolekar. Situating Microinsurance in Social Protection- Lessons From Six Countries.

It appears from Table No.1 that microinsurance has been incorporated in the country's social protection strategy as an instrument to mitigate risks and reduce vulnerability of poor and low income people, particularly in the informal sector. The Government of India through the insurance regulator of the country, namely, Insurance Regulatory and Development Authority (IRDA) has been playing a proactive role in providing insurance to the low income and below poverty line target groups through the following measures:

***Insurance Regulatory and Development Authority (Obligations of Insurers to Rural and Social Sectors) Regulations, 2002:** With the introduction of these regulations IRDA enforced new obligations pertaining to the rural areas and the social sectors of the country, for both new and existing players in the Indian insurance market. In terms of these regulations, insurers are required to cover year-wise prescribed targets (i) in terms of number of lives under social obligations; and (ii) in terms of percentage of policies to be underwritten and percentage of total gross premium income written direct by the life and non-life insurers respectively under rural obligations. During the year 2012-13, all the insurance companies both life and non-life, fulfilled their rural obligations, except Sahara Life Insurance, all other insurance companies complied with the minimum obligations.

***Consultative Group on Micro-Insurance Constituted by Government of India (GoI):** In 2003, GoI constituted a Consultative Group on Micro-Insurance to examine existing insurance schemes for rural and urban poor with specific reference to outreach, pricing, products, servicing and promotion and to examine existing regulations with a view to promoting micro-insurance organizations with specific reference to capital requirements, licensing, monitoring and review, etc. The report of the consultative group brought out the following key issues:

#Micro-insurance is not viable as a standalone insurance product.

#Micro-insurance has not penetrated rural markets. Traditional insurers have not made much headway in bringing micro-insurance products to the rural poor. (In addition, the Committee feels that micro insurance has not penetrated even among the urban poor).

#Partnership between an insurer and a social organisation like NGO would be desirable to promote micro-insurance by drawing on their mutual strengths.

#Design of micro-insurance products must have the features of simplicity, availability, affordability, accessibility and flexibility.

***Insurance Regulatory and Development Authority (Micro insurance) Regulations, 2005:** While there was always a consensus that low cost and low value insurance should be made available to the rural people as a mass consumption good, a large proportion of the rural poor always stayed outside the cover of insurance as the task of distributing low value insurance products costly and troublesome for the insurers. Another challenge was that the rural people living in areas far off from the district headquarters trust an organization that has been doing good work for them, that is, the civil society organizations such as NGOs, SHGs, etc. rather than the insurance companies and their branches. In view of such circumstances, IRDA came out with the notification called Insurance Regulatory and Development Authority (Micro-Insurance) Regulation, 2005 in which it has not only defined microinsurance but has also stated unambiguously as who qualify as microinsurance agents and what role insurers have to play in the area of microinsurance. The regulation clearly says that a micro-insurance agent means either a Non-Governmental Organization (NGO) or a Self-Help Group (SHG) or a Micro Finance Institution (MFI) who is appointed by an insurer to act as a micro insurance agent. The Authority has recently permitted several additional entities like District Co-operative Banks, Regional Rural Banks, Individual owners of Kirana shops, etc., who are Banking Correspondents to be appointed as Micro Insurance Agents facilitating better penetration of Micro insurance business. Moreover, through the Regulations the IRDA also issued specific product guidelines that a life/ general insurer may offer. According to the Regulations, a **General micro- insurance product** means a health insurance contract/ any contract covering the belongings, such as hut, livestock, tools, instruments/ any personal accident contract, of a personal group (i.e., at least 20 persons) as per the terms specified in the following table:

Table 2. Non-life products: Sum assured, plan and term

	Type of Cover	Min. Amt. Cover (Rs)	Max Amt. Cover (Rs)	Min. Term of Cover	Max. Term of Cover	Min. Age of Entry	Max. Age of Entry
1	Dwelling or contents, or livestock or tools or other named assets/or crop ins.	5,000	30,000	1 year	1 year	NA	NA
2	Health insurance (Individual)	5,000	30,000	1 year	1 year	Insurer's Discretion	
3	Health insurance (family) – (option to avail limit for individual/float on family)	10,000	30,000	1 year	1 year	Insurer's Discretion	
4	Personal accident (per life/ earning member of family)	10,000	30,000	1 year	1 year	5	70

Note: The minimum number of members comprising a group is at least twenty for group insurance.
Source: IRDA (Microinsurance) Regulations, 2005

Life micro- insurance product any term insurance contract, with /without return of premium/any endowment insurance contract/ health insurance contract with/ without an accident benefit rider, either on individual or group basis, as per the terms stated below:

Table 3. Life products: Sum assured, plan and term

	Type of Cover	Min. Amt. Cover (Rs)	Max Amt. Cover (Rs)	Min. Term of Cover	Max. Term of Cover	Min. Age of Entry	Max. Age of Entry
1	Terms insurance with or without return of premium	5,000	50,000	5 years	15 years	18	60
2	Endowment insurance	5,000	30,000	5 years	15 years	18	60
3	Health insurance (Individual)	5,000	30,000	1 year	7 years	Insurer's Discretion	
4	Health insurance (family)	10,000	30,000	1 year	7 years	Insurer's Discretion	
5	Accident benefit as Rider	10,000	50,000	5 years	15 years	18	60

Note 1: Group Insurance products may be renewable on a yearly basis
Note 2: The minimum number of members comprising a group shall be at least twenty for group in surance

Source: IRDA (Microinsurance) Regulations, 2005

***Unorganised Sector Workers' Social Security Act, 2008:**

Through the Unorganised Sector Workers' Social Security Act, the Central Government officially incorporated microinsurance into its social protection strategy. Microinsurance schemes, namely, AABY, JBY and RSBY have been designated as social security schemes for the unorganized workers.

Performance of Indian insurance industry:

In view of the IRDA (Obligations of Insurers to Rural and Social Sectors) Regulations, 2002, and IRDA (Microinsurance) Regulations, 2005 various insurance companies, both in the public and the private sector have launched a host of microinsurance products, in addition to products falling within the parameters prescribed under the regulations, launched prior to the said regulations. Some of such products launched by the Life insurers are tabulated below:

Table 4. List of Microinsurance products of Life Insurers*

Insurer	Name of Product	Date of Launch	Name of Product	Date of Launch
	Individual Category		Group Category	
Aviva	Gramin Suraksha	12th June, 2007	Credit Plus	6thAugust, 2002
Bajaj Allianz	Bajaj Allianz Jana Vikas Yojana	4th April, 2007		
	Bajaj Allianz Saral Suraksha Yojana	4th April, 2007		
	Bajaj Allianz Alp Nivesh Yojana	4th April, 2007		
Birla Sunlife	Bima Dhan Sanchay	31st August, 2007		
	Bima Suraksha Super	31st August, 2007		
Canara HSBC OBC			Sampoorna Kavach Plan	15th January, 2009
DLF Pramerica	DLF Pramerica Sarv Suraksha	30th March, 2009	Sarv Suraksha	30th March, 2009
Edelweiss Tokio	Raksha Kavach	29th October, 2012		
	Dhan Nivesh Bima Yojana	20th December, 2012		
HDFC Standard	Gramin Bima Kalyan Yojana	24th January, 2011		
	Sarvagrameen Bachat Yojana	24th January, 2011		
IDBI Federal			Group Microinsurance Plan	16th December, 2008
ICICI Prudential	Sarva Jana Suraksha	15th July, 2008		
ING Vysya			Generic Group Term Insurance for Social Sector	27th March, 2002
			ING Saral Suraksha	30th November, 2007

PNB Met Life	Met Vishwas	15th July, 2008		
	Met Grameen Ashray	29th July, 2010		
Sahara	Sahara Sahayog	26th June, 2006		
SBI Life	Grameen Bima	15th February, 2013	Grameen Shakti	6th December, 2007
			Grameen Super Suraksha	6th December, 2007
Shriram			Shri Sahay- SP	19th March, 2007
			Shri Sahay- AP	15th May, 2007
Star Union			SUD Life Paraspar Suraksha Plan	
Tata AIA	Tata AIG Life Ayushman Yojana	8th August, 2006		
	Tata AIG Life Navkalyan Yojana	8th August, 2006		
	Tata AIG Life Sampoorn Bima Yojana	8th August, 2006		
	Tata AIG Sumangal Bima Yojana	2nd September, 2008		
LIC	Jeevan Madhur	28th September, 2006	Janashree Bima Yojana (JBY)**	10th August, 2000
	Jeevan Mangal	3rd September, 2009	Aam Aadmi Bima Yojana (AABY)**	2nd October, 2007
	Jeevan Deep	27th August, 2012		

*All Micro Insurance products and products falling within the parameters prescribed under the IRDA (Micro Insurance) Regulations, 2005, but launched prior to the said regulations
**W.e.f. 01.01.2013 erstwhile JBY & AABY Schemes stand merged and the new scheme is renamed as AABY.
Source: IRDA Annual Report, 2012-13

Microinsurance products in Non- Life Insurance Sector:

There are a number of products offered by all registered general insurance companies targeting low income segment of the population. These include Janata Personal Accident Policy, Gramin Personal Accident Policy, Cattle/ Livestock insurance etc. Further there are a number of tailor-made group micro insurance policies offered by private and public insurers for the benefit of these segments.

Trend of New Business under Micro Insurance Portfolio:

The growth of business under Micro-insurance portfolio in the insurance industry has been tremendous. The year –wise new business generation in the individual category has been consistently increasing over the years. However, in the group category the growth has not been consistent. The table below depicts the trend of new business under micro insurance portfolio both in the individual and group categories:

Table 5. New Business Under Micro-Insurance Portfolio

Year	Individual		Group		
	Policies	Premium (in Rs. Lakhs)	Schemes	Lives Covered	Premium (in Rs. Lakhs)
2007-08	9,37,768	1,823.10	7,598	1,22,42,027	20,127.46
2008-09	21,52,069	3,656.55	6,897	1,25,51,809	20,595.34
2009-10	29,83,954	15,822.29	5,207	1,68,42,070	24,341.81
2010-11	36,50,968	13,040.85	5,469	1,52,59,001	15,522.81
2011-12	46,20,443	11,567.71	5,573	1,01,94,904	10,982.30
2012-13	50,36,139	10,967.59	5,476	1,39,81,322	21,802.65

Source: Individual years' Annual Reports, IRDA

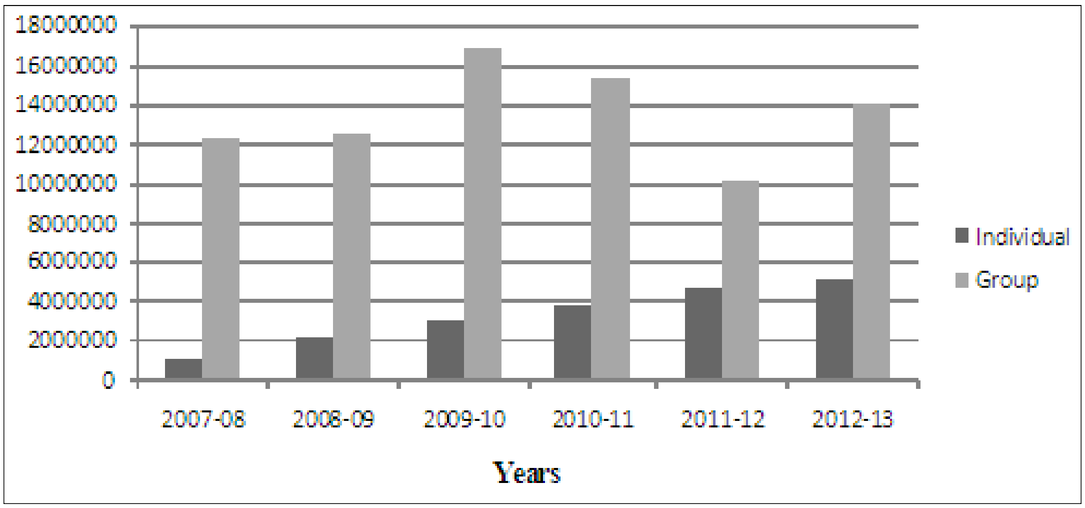

Fig. 1: Lives Covered under Micro Insurance Schemes

Source: Table No. 5: New Business under Micro-Insurance Portfolio

Factors inhibiting the growth of Micro-insurance in India:

Although some major steps have been initiated by the Government in the last decade to promote microinsurance as a means of extending social protection among the economically vulnerable masses of the country, there are certain grave complications inherent in the very nature of the various participants in the mechanism of delivering micro insurance products to the target beneficiaries, as exhibited by the table below:

Table 6. Challenges from the Perspective of Key Stakeholders

Un-insured target customer	Distribution intermediary	Insurance company
Low product awareness Aversion to purchase of an intangible asset Perception of insufficient benefits Product not suitable for specific strata or business needs Time for claim settlement too long as compared to the urgency when required Lack of trust in the insurer to honour claim	Hinterland population spread over a large area Lack of sufficient incentives to cover operations cost Lack of training and understanding of product fitment to customer needs Risk of losing respect in the local community if the insurer does not honour a claim	High transaction cost against low ticket size Poor documentation (such as Identity card, age, address proof) Largely un-banked target customers Risk of adverse selection Lack of actuarial data for risk analysis and pricing High distribution and transaction expenses Limited health infrastructure in rural areas, makes health insurance difficult to sell Low renewal rate Rural and micro-insurance coverage limited to fulfillment of rural or social obligations

Source: KPMG, "*Insurance Industry-Road Ahead", 2013*

Therefore, for microinsurance to succeed in India, demand has to be generated through building awareness, creating specific and simple products, and above all, by simplifying the processes of underwriting and claims management.

CONCLUSION

Given the large number of government programmes and microinsurance products, there is a need to overcome fragmentation and enhance the consistency of benefit packages. The current diversity results in a confusing number of national and state supported schemes of which people are unaware. Even if they do know their entitlements, the benefits are spread too thin to significantly improve the situations of poor and low-income people. Despite the positive action taken by the Indian government and the regulator, further efforts are required to enhance the outreach of microinsurance and its awareness to the relatively more remote parts of the country and resultant inclusion of a larger proportion of the economically vulnerable of the country.

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[1] The informal sector may be broadly characterized as consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned. These units typically operate at a low level of organization, with little or no division between labour and capital as factors of production and on a small scale. Labour relations – where they exist – are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements

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