



AN ANALYSIS OF PUBLIC SECTOR AND PRIVATE SECTOR INSURANCE COMPANIES ON MICRO INSURANCE SCHEMES

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Abstract

Micro-insurance products are often bundled with micro-savings and micro-credit, thereby allocating scarce resources to micro-investments with the highest marginal rates of return. Micro-insurance is the most under-developed part of micro-finance. Yet various schemes exist that are viable, benefiting both the institutions and their clients. The greatest challenge for micro-insurance lies in the combination of viability and sustainability with outreach. Although introduction of sound practices such as appropriate policy sizes and timely payment of installments of premium or positive incentives to renew on time in order to avoid policy lapses can be feasible, the ultimate effectiveness of interventions focusing on institutional transformation and sound insurance practices will vary considerably, depending on the appropriateness of the regulatory environment.

To enable micro-insurance to be integral part of a country's wider insurance system, catering the needs of various communities – mainly backward / down-trodden people, it is important for every insurer to adjust its costs of serving marginal clients in remote areas, collecting premiums and installments, and offering doorstep services.

The present study is done to conduct a detailed comparative analysis of various factors to find out relative share of public and private sector companies and rank the required information for understanding the performance of an scheme.

Key Words: Micro Insurance, Public Sector and Private Sector Insurance Companies.

The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little.”

- Franklin D. Roosevelt

Introduction

Insurance in its essence is a protective blanket for each one of us, whether Rich or poor, as catastrophe or perils make no discrimination based on income groups and can hit anyone, anywhere and at anytime. Despite so, the economically weaker sections of the society still stand more vulnerable given their economic circumstances. Micro-insurance addresses this section of the population.

Micro-insurance products are often bundled with micro-savings and micro-credit, thereby allocating scarce resources to micro-investments with the highest marginal rates of return. Micro-insurance is the most under-developed part of micro-finance. Yet various schemes exist that are viable, benefiting both the institutions and their clients. The greatest challenge for micro-insurance lies in the combination of viability and sustainability with outreach.

There is wide gap between the supply and demand for insurance for the poor and for rural areas. While targeting lower segment and rural areas require changes in product design, delivery models, poor infrastructure, information, awareness among people pose challenges for rapid growth of micro insurance in India. Targeting low income groups or poor requires necessary changes in product design and insurance models.

Research Design

Objectives of the study

1. To compare the performance of public and private sector companies dealing in micro insurance on certain factors
2. To rank the factors and understand the growth and performance of micro insurance for both public and private sector industries

Research Design

- A) TYPES OF RESEARCH : ANALYTICAL RESEARCH
- B) DATA COLLECTION : Analytical data is collected from reliable websites such as IRDA and companies websites
- C) Statistical tools : Ranking methods



- D) Analysis method: The required data for analysis shows the basis of performance. Based on the performance factors are given rank to public and private insurance companies based on the average performance. Points are allotted on the ranks and points are multiplied with weight age of the factors

S.No	FACTORS	Weightage
A 1	Size and Business of Insurance Business	50%
1.	Individual policies	10%
2	Group schemes	10%
3	Lives covered	10%
4	Micro insurance agents	10%
5	Premium paid	10%
B	Insurers benefits	50%
1	Total Claim paid individual	10%
2	Group	10%
3	Claim settlement Individual	10%
4	Group	10%
5	Benefits paid	10%

Limitation of the Study

1. The above analysis ranks the factors based on the points which are calculated
2. The analysis is purely based on secondary sources.
3. Time frame is limited

Micro insurance coverage across India

Micro insurance can be delivered with the help of various models. Success of the schemes in the formal sector shows that mutual and provider model driven type organization have made significant contribution than the partner-agent model in developing micro-insurance among poor especially for health schemes but this model is not at all appropriate for formal insurers. Looking to the large number of NGOs and MFIs involved in social as well as financial services intermediation it looks that Partner-Agent Model is a definite win-win arrangement. Here the insurer can reach a market (through MFIs) that it cannot reach on its own: the MFIs can provide members with better services at lower risk; and the poor household gets valuable protection that otherwise would not be accessible to them. The NGOs/ SHGs also join delivery mechanism as prime facilitator for providing technical knowledge through training and awareness programmes.

Review of Existing Schemes

There are a large number of group life and health insurance schemes, which are run by various central ministries and State Governments. The level of actual coverage in terms of claims preferred and settled in such schemes is disturbingly low. An expert group set up by the IRDA should review these schemes. To make micro-insurance an ongoing feature and affordable to the poorest of poor, there are certain conceptual issues that need to be addressed. Insurers have realized that if micro-insurance is practiced as group insurance it satisfies the principles of „cost of capital“, „economic value addition“ and „shareholders“ expectation“. Transaction costs have to be under control and renewal rate has to be around 75%. Based on the need to diversify risk and the transaction costs involved we need to map the appropriateness of type of schemes to a large group size.

Types of Micro insurance

Life Insurance- Life insurance pays benefits to designated beneficiaries upon the death of the insured. There are three broad types of life insurance coverage: term, whole-life, and endowment. Term life insurance policies provide a set amount of insurance coverage over a specified period of time, such as one, five, ten, or twenty years. Whole life insurance is a cash-value policy that provides lifetime protection. This is hardly offered in low-income markets in the developing countries. Endowment life insurance pays the face value of insurance if the policyholder dies within a specified period.

Health Insurance- Health insurance provides coverage against illness and accidents resulting in physical injuries. MFIs have realized that expenditures related to health problems have been a significant cause of defaults and people's inability to continue improving their economic conditions. Several MFIs have therefore, either started their own health insurance programs or have linked their clients to existing programs.



Property Insurance- Property insurance provides coverage against loss or damage of assets. Providing such insurance is difficult because of the need to verify the extent of damage and determine whether loss has actually occurred. **Disability Insurance-** Disability insurance in most cases is tied to life insurance products. It provides protection to the policy holder and her family, should she or some of her family suffers from a disability.

Crop Insurance- Crop insurance typically provides policy holders protection in the event their crops are destroyed by natural calamities such as floods or droughts. To improve the ability of rural farmers to repay loans from agricultural development banks (ADB), many governments developed crop insurance programs in the 1970s and 1980s.

Disaster Insurance- Disaster insurance is through a reinsurance arrangement that broadens the risk pool across countries and regions, and protects insurers against catastrophic losses.

Unemployment Insurance- This insurance provides cash relief to individuals who become unemployed involuntarily and who meet certain government requirements. It also helps unemployed workers find jobs.

Reinsurance- Reinsurance is the shifting of part or all of the insurance originally written by one insurer to another. This is a central feature of the operations of all commercial insurers.

Micro insurance Players and Products in India

There are 23 life insurance companies are present in India but only 14 companies are providing microinsurance products this clearly give an idea of low attraction of majority of companies towards these products. Below is the list of micro insurance products along with the name of companies:

S.No.	Name of Insurer	Name of the product
1.	HDFC	Rainfall index Sarvagrameen scheme
2	Bajaj Allianz Life Insurance Co. Ltd	Bajaj Allianz Jana Vikas Yojana. Bajaj Allianz Saral Suraksha Yojana. Bajaj Allianz Alp Nivesh Yojana.
3	Birla Sun life ins. Co. LTD	Birla Sun Life Insurance Bima Suraksha Super. Birla Sun Life Insurance Bima Dhan Sanchay
4	ICICI Prudential Life Insurance Co. Ltd	ICICI Prud. Sarv Jana Suraksha
5	IDBI Fortis Life Insurance Co. Ltd.	IDBI Fortis Group Micro insurance Plan
6	TATA AIG Life Insurance Co. Ltd.	Ayushman Yojana. Navkalyan Yojana. Sampoon Bima Yojana. Tata AIG Sumangal Bima Yojana.
	Life Insurance Corporation of India	LIC's Jeevan Madhur. LIC's Jeevan Mangal.

Few Public Schemes

S.no	Name of Product	Type of Product
1	Life Insurance Corporation of India	LIC's Jeevan Madhur. LIC's Jeevan Mangal.
2	Janashree Bima Yojna	Natural and Accidental Death for SHG Members
3	Aam Admi Bima Yojna	Natural and Accidental Death for Landless Labours
4	Livestock Insurance Scheme	Livestock (for mortality)
5	National Agriculture Insurance Scheme (NAIS) Program	Weather Based crop Insurance Scheme
6	Weather based insurance crop scheme	Agriculture (weather index)

Initiatives Taken By our Respected Prime Minister, Mr. Narendra Modi

Prime minister Sri Narendra Modi declared on the 15TH August 2014 the scheme of “Jan dhan yojna” for opening bank account for all the individuals especially in rural areas all over the country to facilitate government subsidies and other transactional facility to all citizen individually. The scheme offers 1 lakh insurance cover to account holder. Scheme is a



super hit with 1.5 crores account opened on the first day of launch & will help spreading in rural insurance schemes organized by banks & N.G.O.s.

Three Recent Micro-insurance Schemes Launched by Respected Prime Minister of India and they are described below:

- (1) **Pradhan Mantri Suraksha Bima Yojana (PMSBY)** with General Insurance Companies:
General Insurers will cover the Pradhan Mantri Suraksha Bima Yojana (PMSBY) by issuing a Master Policy under “Group Insurance Scheme”
- (2) **Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)** with Life Insurance Companies.
- (3) **Atal Pension Yojana (APY)** with Pension Fund Regulatory and Development Authority (PFRDA).

Analysis and Interpretation

The analysis of the required data is done by interpretation of the results of the ranking tool done on two different broad categories such as A) Size and Business of the Insurance companies and B) Benefits of the Insurer.

A) Size and Business of the Insurance companies

Under this category the insurance companies business is been analysed with the help of some selective six factors and these factors are individually compared based on the past five years data, ranked them and then points are given. These point are then multiplied with the weightage given to each of these factors.

1.1 Table Showing No of Individual Micro insurance Policies

	TYPE	FY 2015-14	FY 2014-13	FY 2013-12	FY 2012-11	FY 2011-10
1	PRIVATE	416027	561339	695904	793660	699733
2	PUBLIC	400341	205820	340235	826783	951235
	TOTAL	816368	767159	1036139	1620443	1650968

Source : IRDA Reports

1.2 Table Showing No of Group Micro Insurance Schemes

	TYPE	FY 2015-14	FY 2014-13	FY 2013-12	FY 2012-11	FY 2011-10
1	PRIVATE	262	164	151	112	23
2	PUBLIC	5417	5292	5325	5461	5446
	TOTAL	5679	5456	5476	5573	5469

Source : IRDA

1.3 Table Showing No of Lives Covered Under Group Micro Insurance Schemes

	TYPE	FY 2015-14	FY 2014-13	FY 2013-12	FY 2012-11	FY 2011-10
1	PRIVATE	62	164	151	112	23
2	PUBLIC	5417	5292	5325	5461	5446
	TOTAL	5479	5456	5476	5573	5469

1.4 Table Showing Details of Micro Insurance Agents in India

	TYPE	FY 2015-14	FY 2014-13	FY 2013-12	FY 2012-11	FY 2011-10
1	PRIVATE	1476	1656	1824	1251	1983537
2	PUBLIC	19379	18401	15228	11546	13275464
	TOTAL	20855	20057	17052	12797	15259001

1.5 Table Showing No of Individual Premium

	TYPE	FY 2015-14	FY 2014-13	FY 2013-12	FY 2012-11	FY 2011-10
1	PRIVATE	1249	929	1019	964	735
2	PUBLIC	366	1640	8635	9949	10603
		1615	2569	9654	10913	11338

1.6 Table Showing Ranking of Factors

	NO OF POLICIES				NO OF GROUP SCHEMES			
	Avg	Rank	Points	Weightage (10)	Avg	Rank	Points	Weightage (10)
Public	633332	1	1	10	142	2	1	5
Private	544882	2	0.5	5	5388	1	10	10



	NO OF MI AGENTS				PREMIUM COLLECTED			
	Avg	Rank	Points	Weightage (10)	Avg	Rank	Points	Weightage (10)
Public	1393	2	0.5	5	979	1	1	10
Private	14855	1	10	10	917	2	1	5

It can be analysed that the micro insurance companies both public and private are progressing steadily but government held insurance companies are making good business and are having goods group schemes and have more lives covered as against private insurance companies.

B) Insurer benefits

Under this category the the insurer who is the beneficiary of the policy is been analysed with the help of some selective five factors and these factors are individually compared based on the past five years data, ranked them and then points are given. These point are then multiplied with the weightage given to each of these factors. The weightage given in the final is considered as measuring tool

2.1 Table Showing Total Claim of Individual

	TYPE	FY 2015-14	FY 2014-13	FY 2013-12	FY 2012-11	FY 2011-10
1	PRIVATE	1814	3583	3289	5033	4071
2	PUBLIC	11582	12136	10746	9615	7320
	TOTAL	13396	15719	14042	14648	11391

2.2 Table Showing Total Claims From Group Scheme

	TYPE	FY 2015-14	FY 2014-13	FY 2013-12	FY 2012-11	FY 2011-10
1	PRIVATE	5655	4118	3650	5920	4499
2	PUBLIC	12783	138720	140512	124890	46306
	TOTAL	133491	142838	144162	130810	50805

2.3 Table Showing Individual Claims Paid

	TYPE	FY 2015-14	FY 2014-13	FY 2013-12	FY 2012-11	FY 2011-10
1	PRIVATE	1773	3562	3253	5010	4039
2	PUBLIC	11365	12048	11647	9499	7244
	TOTAL	13138	15610	14900	14509	11283

2.4 Table Showing Group Claims Paid

	TYPE	FY 2015-14	FY 2014-13	FY 2013-12	FY 2012-11	FY 2011-10
1	PRIVATE	5517	4069	3573	5840	4285
2	PUBLIC	127751	138040	139242	124421	45965
	TOTAL	133268	142117	142815	130361	50250

2.5 Table Showing Benefits Earned From Individual Claim

	TYPE	FY 2015-14	FY 2014-13	FY 2013-12	FY 2012-11	FY 2011-10
1	PRIVATE	406	361	326	580	544
2	PUBLIC	1845	2022	1974	1558	1190
	TOTAL	2250	2384	2300	2138	1704

2.6 Table Showing Ranking of Factors

	INDIVIDUAL CLAIM				GROUP CLAIM			
	Avg	Rank	Points	Weight age (10)	Avg	Rank	Points	Weight age (10)
PRIVATE	3558	2	.5	5	4768	2	1	5
PUBLIC	10279	1	1	10	92642	1	10	10



	GROUP CLAIM PAID				INDIVIDUAL BENEFITS			
	Avg	Rank	Points	Weightage (10)	Avg	Rank	Points	Weightage (10)
Public	4657	2	0.5	5	443	2	0.5	5
Private	115084	1	10	10	1718	1	10	10

From the ranking table above it is clear that all the factors considered for comparison of insurer for the micro insurance of public and private companies rank the public sector for the total claim and benefits received from each of these public companies.

Interpretation

From the above analysis done it is clear that both the categories and factors under each when compared shows that public companies are growing and are considered safe enough for the insurer to insure for micro insurance

Conclusion

Hence we see that public limited company is leading when it comes to size. It is giant in insurance sector having huge network and customer base. Public limited share have overall we can see that private insurance companies are giving a tough competition to the LIC and will certainly create a good business for themselves in the coming days. Overall we have seen that still LIC is very famous but private insurance companies are growing at exceptionally fast pace.

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