AWARENESS OF MICRO INSURANCE PRODUCT IN PATAN DISTRICT

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ABSTRACT

True learning is born out of experience and observations. Practical experience is one of the best types of learning as this report is practical efforts which flashes throw on comprehensive report on Micro Insurance.

The aim of this report is to provide an overview of existing knowledge on the demand and supply of micro-insurance in India, as a basis for reducing the vulnerability of low income people while developing new market opportunities.

In the first section, the report explores how micro-insurance began in India, and gives reasons for its dynamism. The sections include an investigation into the supply and demand of micro-insurance in India, a look at the various channels for distribution, an examination of social security in India and its relationship to micro-insurance, and a short section on possible partnerships for donors wishing to work on micro-insurance in India.

***Keywords*:** Micro Finance, Health Insurance, Property Insurance

INTRODUCTION

India is enjoying rapid growth and benefits from a young population. Its middle class is growing rapidly but 70 percent of the population is still rural, often very poor, and handicapped by poor health and health services, and low literacy rates. Although the type of risks faced by the poor such as that of death, illness, injury and accident, are no different from those faced by others, they are more vulnerable to such risks because of their economic circumstance. According to World Bank study (Peters et al. 2002), reports that about one-fourth of hospitalized Indians fall below the poverty line as a result of their stay in hospitals.

The same study reports that more than 40 percent of hospitalized patients take loans or sell assets to pay for hospitalization.

When a poor's family's income generator dies, when a child of a poor family is hospitalized, or home of a poor family is destroys by flood, earthquake or fire. Every illness every accident or every natural disaster leads to deeper poverty to a poor family. That's where micro insurance comes in.

Micro-insurance is the protection of low income households against specific perils in exchange for premium payments proportionate to the likelihood and cost of the risk involved. It is specifically designed for the protection of low income people with affordable insurance products to help them cope with and recover from common risk. A key strategy for enhancing economic development and alleviating poverty is to make financial systems more inclusive, for example by improving access to savings and credit services for up and under-served markets. In part, Poverty stems from the fact that low-income households and markets do not have the same opportunities to finance investments accumulate capital or protect assets (including human assets).

The poorest segments do not always benefit from the subsidy, while people who can afford insurance often find ways to access these benefits. In general, governments have made little effort to shift the burden of risk-pooling to market-led schemes; and the private sector (commercial insurers) seems to have little incentive to seek out this market segment. In principle, micro-insurance works like any typical insurance business. But there are several things that differentiate it from normal insurance. First, it is group insurance that can cover thousands of customers under one contract. Second, micro-insurance requires an intermediary between the customer and the insurance company. Preferably, this intermediary is a non-governmental organization (NGO) or microfinance institution, for example a rural bank that can handle the whole distribution and most of the administration process. The few differences between traditional insurance and micro-insurance are as follows:

	Traditional Insurance	**Micro-insurance**
Clients	• Low risk environment. • Established insurance culture	• High risk exposure/ high vulnerability, • Weak insurance culture
Distribution model	Sold by licensed intermediaries or by insurance companies directly to wealthy clients or companies that understand insurance	Sold by nontraditional intermediaries to clients with little experience of insurance
Policies	Complex policy documents with many exclusions	• Simple language • Few ,if any exclusion • Group policies
Premium calculation	• Good statistical data • Pricing based on Individual risk	• Little historical data, • Group pricing • Very price sensitive market

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Premium collection	Monthly/quarterly/semi or annually collection	• Frequent or irregular payment adapted to volatile cash flow of clients • Often linked with other transaction (e.g. loan repayment
Control of insurance risk (adverse selection, moral hazards, frauds)	• Limited eligibility, • Significant documentation required • Screening such as medical test is required	• Broad eligibility • Limited but effective control • Insurance risk included in premium rather than exclusion • Linked to other service (like credit)
Claims handling	• Complicated process • Extensive verification documentation	• Simple and fast procedure of small firms. • Efficient fraud control

Historically in India, a few micro-insurance schemes were initiated, either by nongovernmental organizations (NGO) due to the felt need in the communities in which these organizations were involved or by the trust hospitals. These schemes have now gathered momentum partly due to the development of micro-finance activity, and partly due to the regulation that makes it mandatory for all formal insurance companies to extend their activities to rural and well-identified social sector in the country (IRDA 2000).

As a result, increasingly, micro-finance institutions (MFIs) and NGOs are negotiating with the for-profit insurers for the purchase of customized group or standardized individual insurance schemes for the low-income people. Although the reach of such schemes is still very limited, anywhere between 5 and 10 million individuals.

The UNDP report has analyzed six key issues pertinent to the growth of the micro-insurance industry in India, capturing the concerns of different stakeholders as indicated below:

1. There are specific reasons for low demand for insurance in spite of intense need. Suppliers have their own concerns which help to explain why there have been so little efforts at market development. Consequently, the rural market is characterized by limited and inappropriate services, inadequate information and capacity gaps.
2. There are challenges in product design, which has resulted in a mismatch between needs and standard products on offer. Efforts at product development / diversification have been limited.
3. Pricing, including willingness to pay and the availability of subsidies, influence the market. In the absence of a historical data base on claims, premium calculations are based on remote macro aggregates and overcautious margins. Building and sharing claims histories can help in aligning pricing decisions with actuarial calculations, thereby reducing prices.
4. Difficulty in distribution is one of the most cited reasons for absence of rural insurance. The high costs of penetrating rural markets, combined with

underutilization of available distribution channels, hinder the growth of rural insurance services. This adds to costs, both, managerial and financial. Like Inclusive credit, inclusive insurance is expected to be a "low ticket" business, requiring volumes for viability.

5. Cumbersome and inappropriate procedures inhibit the development of this sector.
6. Contrasting perspectives of the insured and the insurers, lead to low customization of products and low demand for what is available.

History & Vision

The Micro Insurance Agency has its roots within Opportunity International, a large microfinance network motivated by Jesus Christ's call to serve the poor. With a network of 47 microfinance institutions, Opportunity International has been serving the entrepreneurial poor since 1971. In partnership with Opportunity's microfinance institutions, we began working in 2002 on the development of a range of life, property, livestock, crop derivative, disability, unemployment and health insurance products to cover the risks faced by Opportunity's loan clients.

Micro Insurance Agency staff observed that the risks the poor face can often set them back months and years behind where their loans and savings products offered by Opportunity had taken them. For instance, a death of a family member from HIV/AIDS –"pre-condition" most insurance companies would not cover – would often mean expensive funeral costs and the loss of a breadwinner, resulting in increased economic hardship for the family. In response, Micro Insurance Agency staff developed an affordable funeral benefit product that did not exclude any pre-conditions, including HIV/AIDS. This transformed the mindset of retail insurance providers in the country, who later developed similar non-exclusive products in light of the competing environment.

In 2005, the Micro Insurance Agency was founded by Opportunity International as a fully-owned subsidiary capable of offering insurance products and services to a wide range of customers.

Our mission is to empower the materially poor to transform their lives by insuring them against financial risk and its consequences. Specifically, we seek to serve the economically active poor who live on $4 per day or less in developing countries and provide a safety net to reduce economic setbacks.

Scope and Functions

A micro-insurance agent shall be appointed by an insurer by a deed of agreement or memorandum of understanding which should clearly specify the terms and conditions, duties and responsibilities of both the micro-insurance agent and the insurer, and he shall abide by the following:-

- He shall work either for one life insurer or for one general insurer or for one life insurer and one general insurer;
- He shall be specifically authorized to perform one or more of the following functions:--

- Maintaining a register of all members and their dependants covered under the insurance scheme along with details of name, age, address, nominees and thumb impression/ signature;
- Collection of proposal forms;
- Collection of self declaration from the member that he is in good health;
- Collection of monies for issuance of contract or remittance of premium;
- distribution of policy documents;
- Assistance in the settlement of claims;
- Nomination; and
- Any policy administration service.
- The micro-insurance agent or the insurance company shall have the option to terminate the agreement/ MOU after giving a notice of three months.
- All such agreements/ MOU must have the prior approval of the Head office of the insurance company.

Types of Micro Insurance

1. 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. This insurance is appropriate when the policyholder's need for coverage is temporary. Compared with other life insurance policies this is not very complicated for the provider to offer. This is the most widely used life insurance policy in low-income communities in developing countries.

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. It thus has a longer time horizon that the term life insurance. This is also not offered widely in developing countries.

2. 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. While actual coverage varies, many health insurance providers cover for limited hospitalization benefits for certain illnesses, and for costs of physician visits and medicine. Some insurance providers also make available primary health care services such as immunization and contraceptives.

3. 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. It is difficult for most MFIs to guard against such moral hazard. A few, however, do provide such coverage. SEWA in India, for example, provides insurance against damage to home and productive assets. Grameen Bank in Bangladesh offers its clients insurance against the death of livestock and COLUMNA in Guatemala provides insurance against fire damage.

4. 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. This is not very widely offered by Micro insurance providers. FINCA, Uganda and CARD in Philippines are examples of MFIs providing clients with disability insurance.

5. Crop Insurance

Crop insurance typically provides policy holders protection in the event their crops are destroyed by natural calamities such as floods or droughts. The experience with crop insurance in developing countries and even in the developed economies has had mixed results.

To improve the ability of rural farmers to repay loans from agricultural development banks (ADBs), many governments developed crop insurance programs in the 1970s and 1980s. These programs typically provided loan repayment and occasionally income supplements to farmers suffering crop yields below an established minimum.

Similar programs were developed in countries as diverse as Brazil, India, the Philippines and the USA. In each country the results were disastrous, with expenses (administrative and claims) far outstripping revenues. Reasons for the failure of crop insurance have included: bad program design (such as failure to bring into account the incentives faced by the policy holders), covariant risks typical of rain-fed agriculture systems dependent on only one or two crops, and in some cases / unanticipated catastrophic natural calamities.

6. Disaster insurance

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

7. Unemployment Insurance

Unemployment insurance is typically offered by the public sector. Private insurance companies are usually not involved in it. This insurance provides cash relief to individuals who become unemployed involuntarily and who meet certain government requirements. It also helps unemployed workers find jobs. Unemployment insurance attempts to stabilize the economy by enabling people to maintain their purchasing power.

8. 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.

Reinsurance reduces an insurer's risk exposure and acts as an effective source of financing and a valuable source of actuarial expertise. Reinsurance can be used to stabilize profits, instead of having large fluctuations in financial outcomes year to year. It allows smaller insurers to share risk with other insurers in different regions or countries, effectively developing sufficient large risk pools by combining the risks of many insurers.

Despite its obvious benefits reinsurance is largely unavailable for micro-insurers. Access to reinsurance can spur both the development of new micro-insurers and the growth of existing ones. An example of an MFI using reinsurance is that of FINCA International, Uganda which has entered a partnership with American International Group (AIG) to provide its clients life and disability insurance.

Major Players in Micro Insurance

Micro Insurance Products in India

There are 23 life insurance companies are present in India but only 14 companies are providing micro insurance 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:

Name of Insurer	Name of the Product
AVIVA Life Ins. Co. India Pvt. Ltd.	Grameen Suraksha.
Bajaj Allianz Life Insurance Co. Ltd	Bajaj Allianz Jana Vikas Yojana. Bajaj Allianz Saral Suraksha Yojana. Bajaj Allianz Alp Nivesh Yojana.
Birla Sun Life Insurance Co. Ltd.	Birla Sun Life Insurance Bima Suraksha Super. Birla Sun Life Insurance Bima Dhan Sanchay.
DLF Pramerica Life Insurance Co. Ltd	DLF Pramerica Sarv-Suraksha.
ICICI Prudential Life Insurance Co. Ltd	ICICI Prud. Sarv Jana Suraksha
IDBI Fortis Life Insurance Co. Ltd.	IDBI Fortis Group Micro insurance Plan
ING Vysya Life Insurance Co. Ltd.	ING Vysya Saral Suraksha
Life Insurance Corporation of India	LIC's Jeevan Madhur. LIC's Jeevan Mangal.

Met Life India	Met Vishwas
Sahara India Life Insurance Co. Ltd.	Sahara Sahayog (Micro Endowment Insurance without profit plan).
SBI Life Insurance Co. Ltd.	SBI Life Grameen Shakti. SBI Life Grameen Super Suraksha.
Shriram Life Insurance Co. Ltd.	Shri Sahay. Sri Sahay (AP).
Star Union Dai-ichi Life Insurance Co	SUD Life Paraspar Suraksha Plan.
TATA AIG Life Insurance Co. Ltd.	Ayushman Yojana. Navkalyan Yojana. Sampoorn Bima Yojana. Tata AIG Sumangal Bima Yojana.

The Potential Market for Micro-Insurance in India

Insurance Segment	Market Size (Potential)(Rs. Millions)
Life Segment	15393-20141
Non-Life Segment	46911.70-64,126.55
TOTAL (Life and Non-Life)	62304.70-84,267.55

Source: UNDP (2007). Building Capacity for the Poor Potential and Prospect for Micro-Insurance in India. UNDP Regional Centre, Colombo.

LITERATURE REVIEW

It is estimated that India has 300 million BPL population or 60 million BPL families, without any kind of social protection. The spread of health insurance is only negligible in this segment and that too because of the NGOs operating in this arena. Although the reach of such schemes is still very limited---anywhere between 5 and 10 million individuals---their potential is viewed to be considerable. The overall market is estimated to reach Rs. 250 billion by 2008 (ILO 2004). But unless the people from this segment develop confidence over the infrastructure facilities and the assurity of the supply chain management of insurance services, this will not be practically possible.

Martina Wiedmaier-Pfister (2004) revealed that a number of clarifications are important for the insurers. The first point relates to the delineation of social protection schemes (government driven and "provided" to the poorest), and privately, market-led insurance services (provided by a private insurer or informally organized and "bought" by those who can afford them). The second point relates to the role of reinsurance, which is definitively a crucial area for micro-insurance. Third, the history and experiences of the regulation and supervision of "micro-insurance" in industrialized countries could also not be considered.

Ramesh Bhat and Nishant Jain (2006) examines the factor affecting insurance purchase decision his study at Anand district in Gujarat in his study he found that amount of income and healthcare expenditure are major determinant of health insurance plans and income of person have significant effect on amount of health insurance purchase but there is nonlinear relationship between them in addition number of children in family, age, and perception regarding future health care expenditure were also found to be significant.

Dr. S. Ganesan and Dr. S. Jayaprakash in Eleventh Annual APRIA Conference (2007) about Micro Banc assurance Models for India suggest that the growth of micro insurance in India does not lies only in the hands of the product design, distribution network but also in creating the proper infrastructure that can support the servicing of insurance policies. India is a very big country with villages as its backbones. Enormous involvement of various stakeholders is required to create proper infrastructure for the growth of insurance/micro insurance in the rural areas. He stresses the need for viewing the banks not as a mere distribution channel for insurance but to convert the same into a strategic business unit wherein the banks will be the epicenter of operations for the growth of the infrastructure in the rural. Jim Roth, Michael J. McCord and Dominic Libber (2007) presented a report which gives a description about the functioning of Micro insurance and detailed quantities overview of micro insurance in world's 100 poorest countries in which he explains about distribution channels, types of micro insurers and various micro insurance products, regulation and social security schemes in 100 countries including India.

Seiro Ito and Hisaki Kono (2007) investigate take-up decisions using household data collected in Karnataka, India, especially focusing on prospect theory, hyperbolic preference, and adverse selection. There they found some evidence that people behave in a risk-loving way when facing the risk of losses, which is consistent with prospect theory. Since insurance covers losses, we suspect that these people are less likely to take up insurance and they found some evidence supporting this view. They also find that hyperbolic discounters are more likely to purchase insurance, a fact which can be explained by the demand for commitment among sophisticated hyperbolic discounters have. Also find some evidence on the existence for adverse selection: households with a higher ratio of sick members are more likely to purchase insurance. Interestingly, they also find that households with a sick household head are less likely to purchase the insurance. This may capture the fact that households with a sick household head have less income flow and have difficulty in financing the insurance premium.

Koli N Rao (July 2008) said that in India, agricultural risks are exacerbated by a variety of factors, ranging from weather variability, frequent natural disasters, uncertainties in yields and prices, weak rural infrastructure, imperfect markets and inadequate and sub-optimal financial services including the limited span and design of risk mitigation instruments such as credit and insurance and farmers use a variety of formal and informal techniques to manage and mitigate risk, ranging from the use of drought resistant crop varieties to reduced consumption and sale of assets. The Government is also implementing a large number of schemes to provide succor to farmers facing adversity, the Comprehensive Agriculture risk management framework can be presented in three main categories:

The first covers direct initiatives on the part of the Government, such as agricultural credit, input subsidies and calamity relief. The second covers indirect initiatives on the part of the Government to mitigate production risks through insurance mechanisms covering crops, weather and livestock and including micro insurance. Thirdly, Government and market-based approaches to mitigate price or income risks, which include minimum support prices, farm income insurance, a price stabilization fund, commodity markets, contract farming, etc.

he also told about different stages of development of micro insurance in India: There are three distinct phases of micro-insurance (MI) development in India. The first phase coincided with the introduction of target- oriented poverty alleviation programs such as the Integrated Rural Development Program (IRDP). The second phase of MI growth can be seen in conjunction with the growth of credit disbursement to the poorer segments of society through the Self Help Groups (SHGs). This saw an increase in the role of Non-Governmental Organizations (NGOs) for the purposes of intermediation and the proliferation of Microfinance Institutions (MFIs). The third phase of MI development was borne out of the increasing realization of the need for an increased coverage of poorer households through some form of social security measure.

Mark malika and Anet T. Kuriakose (2008) discussed the role of micro insurance in mitigating external shocks on poor household. He also stressed on careful attention and expert technical input is required in designing micro insurance products and programs as they are significantly more complex than and credit programs offered by different organizations. Use of different risk layering using different form of reinsurance to cover the insurer is crucial from a financial sustainability standpoint, and the use of various outreach mechanism to reach poor household is necessary from an equity point of view.

Michael J McCord (March 2008) suggested many inputs required to reach micro insurance to billions of poor people's some of these inputs are - Coordination of knowledge of activities to allow all parties- mutual's, commercial insurers, intermediaries and delivery channels, governments, donors, and others—to maximize effectiveness, Improving products and processes that recognize the needs of low-income families and satisfy their needs with value, Innovation in processes that can be replaced or augmented by technology. This requires financial and regulatory facilitation, and an openness to offer such technology on a public platform, Careful development of regulation that effectively balances the need for consumer protection with the flexibility needed to develop and service a massive market.

Rachele Pierre(2008) gives an overview of Christian Aid interest in crop/ weather micro-insurance (MI) as well as partners‟ involvement in micro-insurance related products and services" in his research he found that majority of people interviewed (85%) believe crop/weather insurance would help poor farmers in managing weather risks and this percentage rises to 100 % for interviewees based in field. For most respondents conditions for successful MI would be the presence of empowered communities and the absence of conflict, while protection to different categories of poor (not only farmers but also landless and marginalized pastoralist communities) makes weather insurance more appealing than traditional crop insurance.

Wendy J. Werner (August 2009) analyses micro-insurance schemes in Bangladesh with contrasting examples from India and found that these schemes improves the health status of poor and also it reduces poverty, these micro insurance schemes had reduced the barriers of health services for poor and encouraged them to avail of clinics and trained medical care i.e. the micro-insurance schemes for health in Bangladeshi have increased access to basic healthcare , However, there is both demand and necessity for surgeries and more expensive medical procedures among the poor that remains unaddressed by basic micro insurance for health. Micro-insurance can serve the interests of poor populations with risk-pooling to manage unpredictable employment, flows of income, and catastrophic events. To ensure that micro-insurance safeguards the assets and interests of the poor, micro- insurance initiatives must exercise professional management, product development, management information systems, and re-insurance.

RESEARCH OBJECTIVES

1. To know awareness about Micro-Insurance.
2. To find the awareness of micro insurance among rural group of people in Patan District
3. To recognize the Potential Market for Micro-Insurance in Patan District.
4. To identify the Key Characteristics of Micro Insurance.
5. To find the preference of various products in Micro insurance of clients.
6. To explain the various difficulties of insurers to produce, market and distribute different micro insurance products.

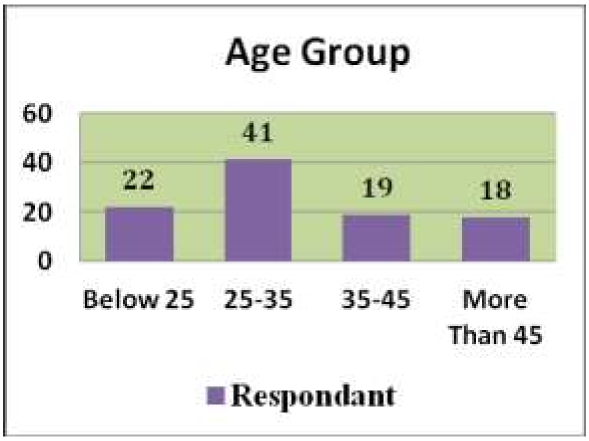
RESEARCH METHODOLOGY

A questionnaire that includes 15 different questions was applied to 100 people in Patan District, in March 2011. The questionnaire was filled by the respondents in the presence of interviewer.

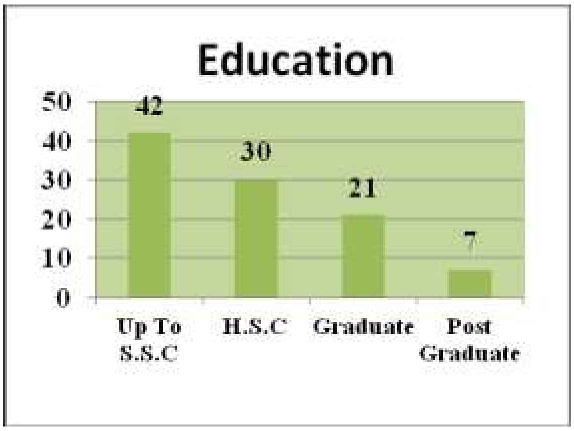
Research Instrument	:	Questionnaire
Population Consist of	:	Patan District
Types of Sampling	:	Random Sampling
Approach	:	Descriptive
Research Techniques	:	Survey and Interview
Sampling Unit	:	Individual

Data Analysis and Interpretation

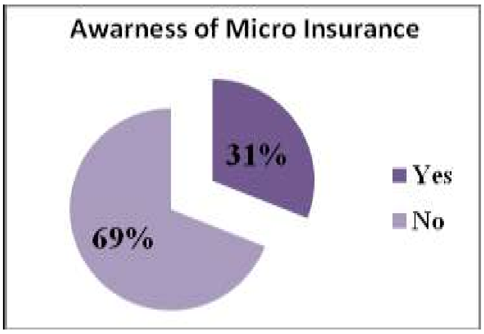
Majority of the respondent was belongs to age group of 25-35 years say 41. Only 18 respondents are more than age 45.



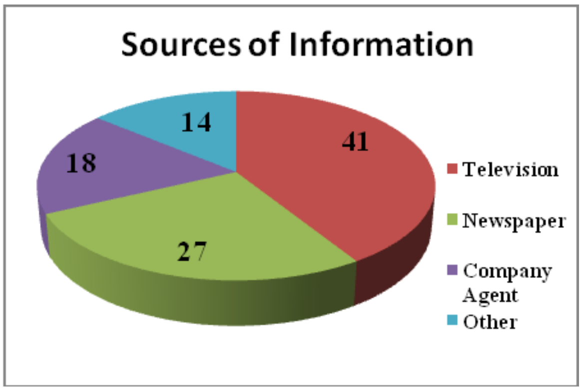
Majority of the respondents were educated till S.S.C. Higher secondary and the percentage of graduation and post graduation is about to 30%, 21%, 7%



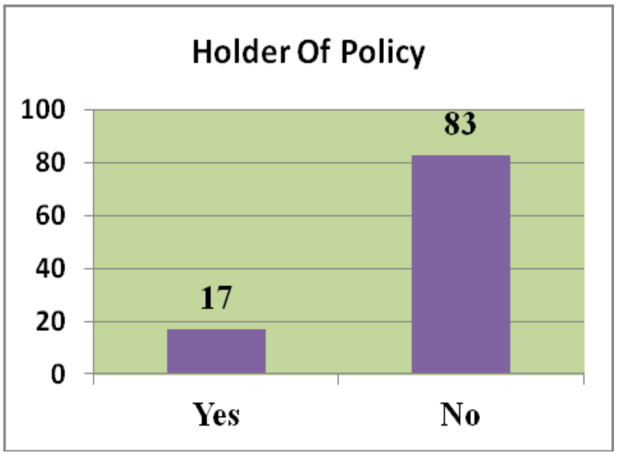
69% respondents are not aware about the micro insurance and 31% respondent



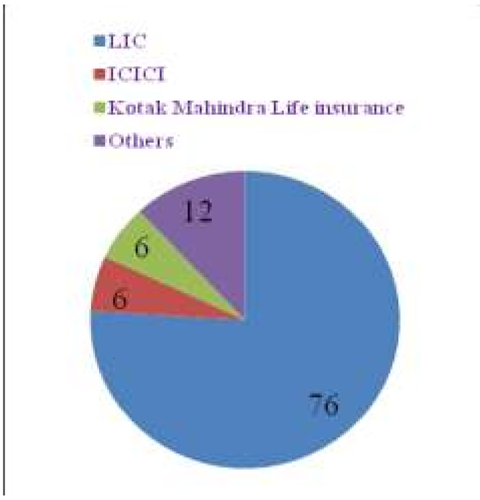
41% of the respondent got the information about insurance from Watching TV, 27% got from Newspaper, 18% respondents got it from the company agent least from Banners & Hoardings, friends, relatives and other from 14%.



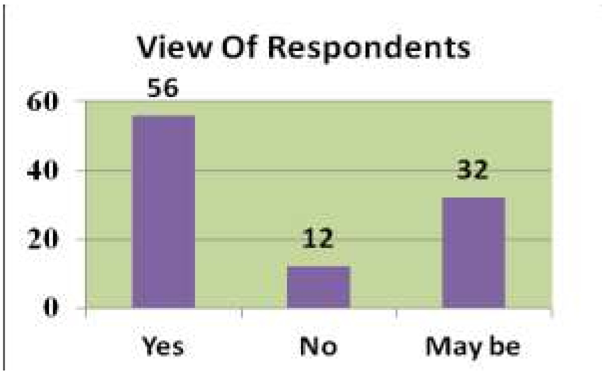
Only 17% respondents have the micro insurance policy and Others does not hold policy.



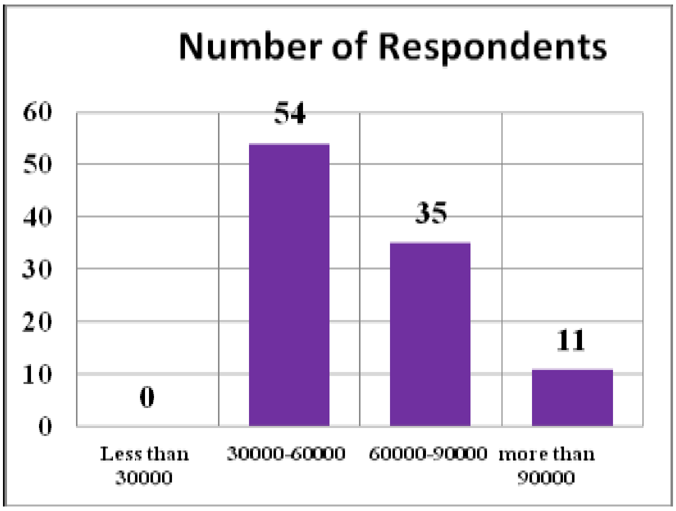
it show that major respondent are having micro-insurance policy of public sector company(LIC) ,which is 76%, 6% respondent have Product of ICICI and 6% has Kotak Mahindra life insurance. 12% Respondent have others Company Product like SBI, Birla Sun Life, Met life etc.



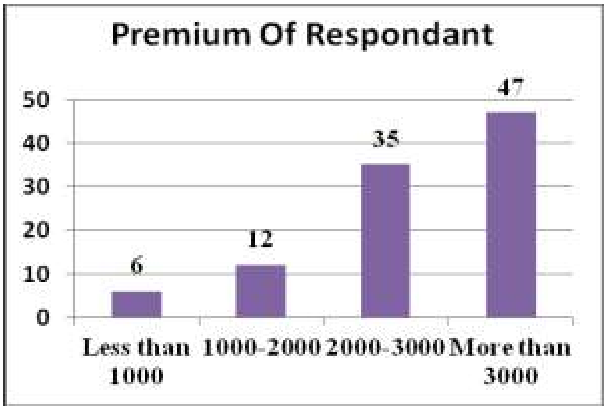
56% respondent thinks that micro-insurance will helpful in future, 12% doesn't think so. 32% think that perhaps it will helpful in future.



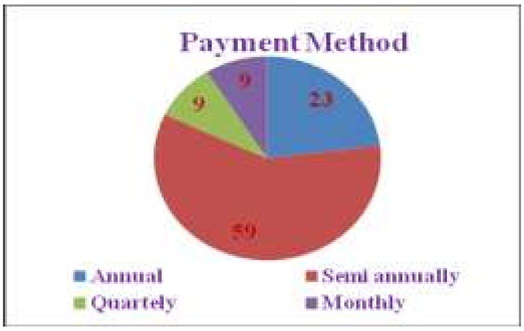
Major portion of respondents belongs to income group 30000-60000; no respondent having less than 30000 annual salary only 11 respondent's family income is more than ninety thousands.



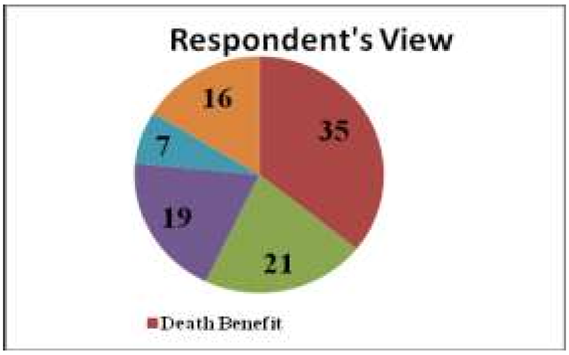
Most of the respondent has to pay Premium amount 59% is semi annually. 23% respondent have pay by Annualy.



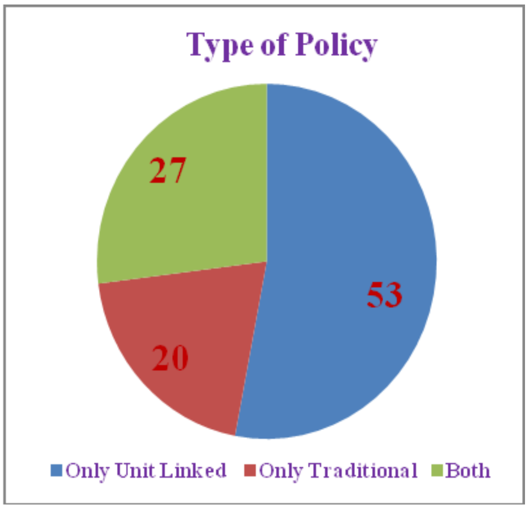
47% of respondents are ready to invest monthly more than 5000 Rs. for investment in insurance, 37 % of respondents wants to pay 3000 to 5000 Rs for premium, premium amount between 1000-3000 is chosen by only 9 respondents.



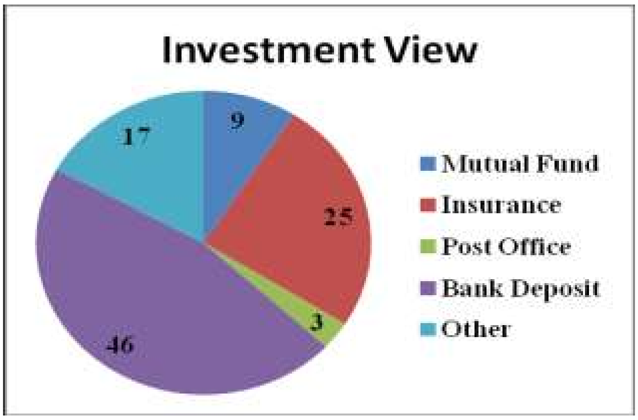
Major respondent have choose micro-insurance policy for death benefit say 35%, 19% have for retirement benefit and 21% for their children's future.



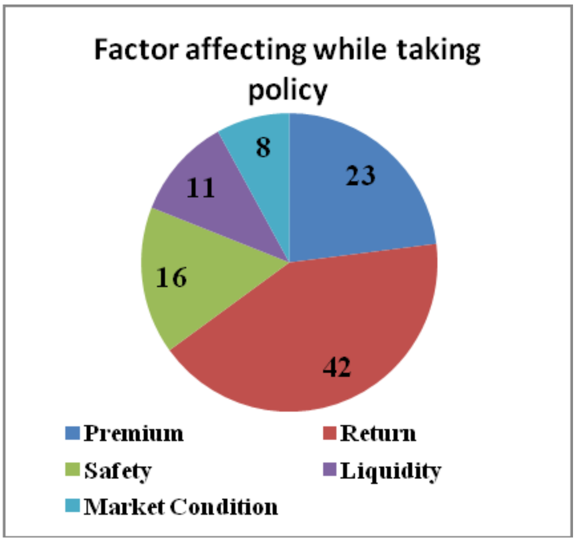
Maximum respondents have the ULIP policy and 27% have included both type of policy. They also hold separate Unit Linked and Traditional also



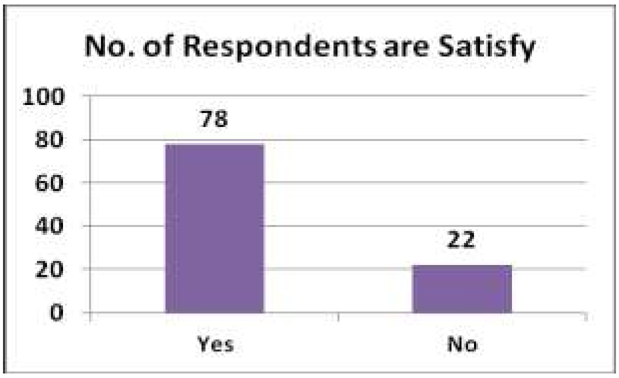
Major respondent have investing their amount in order like Bank deposit (46%), Insurance (25%) and in the mutual Fund Investment (9%)



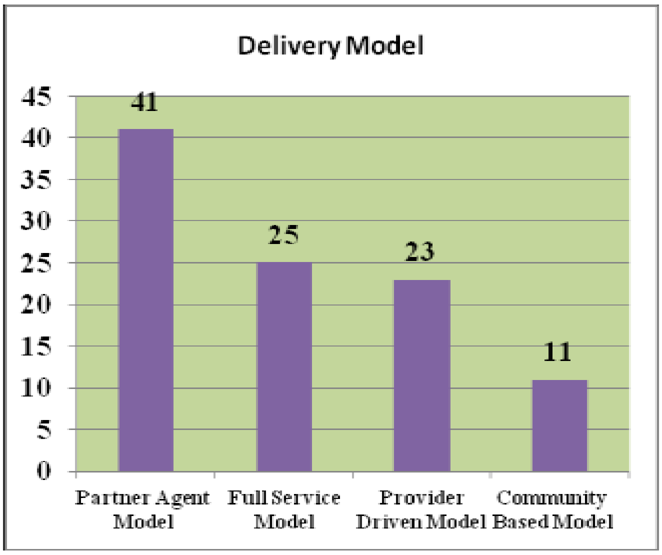
While purchasing the policy majority respondent have expected for the higher return, it is 42%, second factor affected is its premium amount



78% respondent having satisfied with its current micro-insurance policy and rest are not much satisfied.



From the primary data, it observes that if company choose the partner agent model, It will be very beneficial for the company to deliver its product to the rural area.



RECOMMENDATION & SUGGESTION

The micro insurance frame work in India needs a deeper reach so that it can help the most needed people, following suggestion can make the regulation more effective.

Leveraging Existing Network for Micro-Insurance

It would be difficult for the insurers to establish a vast network for distribution of micro-insurance products. They need to utilize existing Government organizations, banks, MFIs, NGOs and SHGs to increase the outreach of micro insurance to the poor. The advantages of these entities are that they find greater acceptability among the financially excluded, and with a better understanding of their needs are well equipped to advise them on the choice of products. In India with a vast rural population characterized by challenges and complexities, it makes sense to latch on to an existing mechanism operating in these segments to lower costs and to help the insurer to leverage on the faith already generated by the entity. Hence it would be prudent to choose a partner-agent model for delivery where the insurer underwrites

The risk and the distribution is handled by an existing intermediary. This model keeps the cost of insurance attractive enough for the poor to enter and remain in its fold even while addressing the concern of the insurers about the low returns of micro-insurance.

Linking Micro-credit with Micro-insurance

It is becoming increasingly clear that micro-insurance needs a further push and guidance from the Regulator as well as the Government. The Committee concurs with the view that offering microcredit without micro-insurance is bad financial behaviour, as it is the poor who suffer on account of such bad product design. There is, therefore, a need to emphasise linking of microcredit with micro-insurance. Linking micro-insurance with micro-finance makes good business sense. Further, as it helps in bringing down the inherent risk cost of lending, the Committee feels that NABARD should be regularly involved in issues relating to rural and micro insurance to leverage on its experience of being a catalyst in the field of micro-credit.

IRDA's Regulations on Micro-Insurance

Building on the recommendations of the consultative group, IRDA notified Micro-Insurance Regulations on 10th November 2005 with the following key features to promote and regulate micro-insurance products. The regulations focus on the direction, design and delivery of the products:

1. A tie-up between life and non life insurance players for integration of product to address risks to the individual, his family, his assets and habitat,
2. Monitoring product design through "file and use",
3. Breakthrough in distribution channels with inclusion of NGOs, SHGs, MFIs and PACS to provide micro-insurance, with appropriate compensation for their services,
4. Enlarged servicing activities entrusted to micro-insurance agents,
5. Issue of policy documents in simple vernacular language.

Currently the IRDA regulations do not favor composite insurance (i.e., life and non-life insurances by the same company) and also limit the agency tie-up to one life and one non-life insurer. However, in recognition of the uniqueness of micro102 insurance, these regulations enable life and non-life companies to tie-up for offering a combined policy in rural areas. Further, the IRDA has allowed insurers to issue policies with a maximum cover of Rs. 50,000 for general and life insurance under these regulations. The regulations have also eased the norms for entry of agents relating to training and pre-recruitment examination. As an attraction, remuneration to agents has also been leveled across the term of the policy.

Some of the recommendations could be

1. Simplification of products and bundling where requires making them easy to understand, easy to use, sill and service.
2. Simplifying and making premium payment plans flexible to suit the needs.
3. Focus on volumes by targeting large groups.
4. Innovations are required at all stages for products, in pricing policy and in delivery channels
5. Success of marketing micro insurance depends on understanding the social and cultural needs of the target population
6. Integrating micro finance activities with micro insurance for a most beneficial outcome.
7. Claim settlement to be timely, simple and transparent.
8. Maximizing the benefit of connectivity revolution in rural India to reach the un-served markets.
9. Using additional innovative distribution channels to achieve cost-efficiency in agricultural markets.

CONCLUSION

We all know insurance is a very old concept. But the demand for insurance was increased from a decade. Middle class people take insurance policy according to their ability & capacity to pay premium to secure their life.

When we talk about low income people a question comes in mind

Do poor people have any security**?**

What if they face any risk**?**

Who is going to look after them**?**

Their family members**?**

Do they have any insurance policy**?**

Are they capable to pay the premium**?**

The answer for this is Micro Insurance. Micro Insurance is designed keeping in mind to poor people. Like everybody else, the poor people face a variety of risks such as risk of death, illness, disability, accident, income & property & so on. Like all other, they also need to be protected from these risks.

Policy-induced and institutional innovations are promoting insurance among the low-income people who form a sizable sector of the population and who are mostly without any social security cover. Although the current reach of 'micro-insurance' is limited, the early trend in this respect suggests that the insurance companies, both public and private, operating with commercial considerations, can insure a significant percentage of the poor. Serving low-income people who can pay the premium certainly makes a sound commercial sense to insurance providers. To that extent imposing social and rural obligations by insurance regulator (IRDA) is helping all insurance companies appreciate the vast untapped potential in serving the lower end of the market.

At present microfinance business in the country is unregulated. Regulation of MFIs is needed not only to promote micro-finance activity in the country but also to promote the linking of micro-insurance with micro-finance. It is becoming increasingly clear that micro-insurance needs a further push and guidance from the regulator as well as the government.

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