

A Study on Micro Life Insurance Products of LIC of India in Vellore Division, Tamil Nadu

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Abstract:

Micro Insurance refers to the insurance of the low-income people. Micro-insurance is defined as the protection of low income households against specific perils in exchange for premium payments proportionate to the likelihood and cost of the risk involved. The micro-insurance coverage targets the low income groups with irregular and unstable income patterns. It also covers the assets purchased or acquired with the micro-credit, personal accident, health & life insurance. This paper explains the Micro Insurance products in LIC of India and to analyse the performance of procurement of Micro insurance policies and First Premium Income. The study is based on secondary data. Data have been collected from annual report of IRDA and LIC of India. During the study periods, i.e., 2006-07 to 2013-14, the micro insurance policies and first premium income was indicating a fluctuating trend. The main reason for the decreasing trend of the micro insurance products during the period of 2013-14 was non remittance of renewal premium by the NGO's to the LIC offices. Majority of the micro insurance products are procured by the LIC, through the NGO's. The NGO's is not taking interest to renewal premium of the micro insurance. The LIC of India should take necessary steps to improve the business of Micro Insurance as well as to collect the renewal premium from the policyholders.

Keywords: LIC, NGO's, Micro Insurance, IRDA, Products, Number of Policy, First Premium Income, Micro-credit. NGOs, MFIs, and SHGs, Cooperative Banks and RRBs.

I. INTRODUCTION

Micro Insurance refers to the insurance of the low-income people. Micro-insurance is defined as the protection of low income households against specific perils in exchange for premium payments proportionate to the likelihood and cost of the risk involved. It provides an opportunity to the insurance companies to meet their social responsibility as well as secure a strong footing in the rural market. The active distribution products for micro insurance in India are NGOs, MFIs, and SHGs (self-help groups), Micro agents, Cooperative Banks and RRBs (regional rural banks), and Post Offices. The MFIs/NGOs have been identified as main delivery products by most of the insurance companies. These have a large network, catering to huge number of clients.

II. STATEMENT OF THE PROBLEM

Today, the promise of providing social security to all is not being fulfilled in India. Only 20% of the world population enjoy adequate social protection. Ironically the poor, who are the most in need of social protection, are the excluded ones. Rural Population has to face many risks and hardships. The simple existence of risks inhibits their development initiatives.

The IRDA has framed and notified Micro-Insurance Regulations on November 10, 2005, under the powers vested on it vide Sections 114 A of the Insurance Act, 1938 and Section 26 of IRDA Act, 1999. The insurance companies are asked to make innovative insurance products to meet the needs of the people involved in micro-finance. The micro-insurance coverage targets the low income groups with irregular and unstable income patterns. It also covers the assets purchased or acquired with the micro-credit, personal accident, health & life insurance. The IRDA has planned a three-tier strategic approach to promote micro-insurance –“adopting insurance companies to the requirements of micro-economy is the first step; then linking them as wholesale institutions to self-help groups as retailers; and finally, upgrading self-help groups, to the level of financial cooperatives or village banks”. In this concern, this paper presents the progress of Micro Insurance products of LIC of India in Vellore Division, Tamil Nadu.

OBJECTIVES

1. To know the Micro Insurance products in LIC of India
2. To analyse the performance of Micro insurance, on the basis of Number of policies and First Premium Income.

III. METHODOLOGY

The study is based on secondary data. Data have been collected from annual reports of IRDA and LIC of India, Southern Splendour, Journals, books and websites. This study relates to previous eight years i.e., 2006-07 to 2013-14.

MICRO INSURANCE POLICIES IN LIC OF INDIA

Recently LIC of India introduced two Micro life Insurance products for the rural people such as New Jeevan Mangal Plan and Bhagya Lakshmi plan. Both policies are introduced to attract the rural mass. These policies features are compared in the following table.

Features	LIC's New JEEVAN MANGAL PLAN	LIC'S BHAGYA LAKSHMI PLAN
Plan features	LIC's New Jeevan Mangal is a protection plan with return of premiums on maturity, where you may pay the premiums either in lump sum or regularly over the term of the policy. This plan has an in-built Accident Benefit which provides for double risk cover in case of accidental death.	It is a non-par limited payment protection oriented plan with return of 110% of total amount of premiums payable on maturity where the premium paying term is 2 years lesser than the policy term.
Minimum Age at entry	18 years (completed)	18 years (completed)
Maximum age at entry	55 years (nearest birthday)	55 years (nearest birthday)
Maximum age at maturity	65 years (nearest birthday)	65 years
Policy Term	10 to 15 years for regular premium. 5 to 10 years for single premium.	Premium Paying Term + 2 years, Minimum Premium Paying Term: 5 years, maximum Premium Paying Term : 13 years
Minimum Sum Assured	Rs. 10,000/-	Rs. 20,000/-
Maximum Sum Assured	Rs. 50,000/-	Rs. 50,000/-
Maturity Benefit	Provided the policy is inforce, on surviving to the date of maturity, "Sum Assured on Maturity" shall be payable which is equal to the total amount of premiums paid during the term of the contract (excluding the taxes and extra premium, if any)	Provided the policy is inforce, on surviving to the date of maturity, "Sum Assured on Maturity" shall be payable which is equal to 110% of total amount of premiums payable during the term of the contract (excluding taxes and extra premium, if any)
Death Benefit	Provided the policy is in force, the death benefit shall be payable. Death due to accident : An additional sum equal to Sum Assured shall also be payable.	On Life Assured's death before the stipulated Date of Maturity, provided the policy is in full force by paying up-to-date premiums, "Sum Assured on Death" equal to Sum Assured under the policy shall be payable
Payment of Premiums	Yearly, Half Yearly, Quarterly or Monthly. Single Premium mode is available for terms from 5 to 10 years.	yearly, half-yearly, quarterly, monthly or through salary deductions.

PERFORMANCE OF MICRO INSURANCE BUSINESS IN LIC OF INDIA

The performance of Micro Insurance business was measured by the LIC of India through the procurement of policies from the rural areas. As mentioned earlier, the NGO's are procure the Micro Insurance policies from their clients.

TABLE 1 PERFORMANCE OF MICRO INSURANCE BUSINESS IN LIC OF INDIA

Year	All India Level (No.)	Growth Rate (%)	Tamil Nadu(No.)	Growth Rate (%)	Vellore Division (No.)	Growth Rate (%)
2006-2007	80637	100.00	21318	100.00	5126	100.00
2007-2008	854615	1059.83	91028	427.00	6288	122.67
2008-2009	1541218	1911.30	140018	656.81	11257	219.61
2009-2010	1985000	2461.65	132587	621.95	12368	241.28
2010-2011	2951000	3659.61	149336	700.52	11268	219.82
2011-2012	3826783	4745.69	233047	1093.19	14137	275.79
2012-2013	4340235	5382.44	210979	989.68	10987	214.34
2013-2014	2206000	2735.72	81596	382.76	8002	156.11
MEAN	2223186		132488.63		9929.125	
SD	1442653.51		68952.58		3125.26	
CV	64.89		52.04		31.48	
CAGR	50.63		19.90		8.04	

Source: Annual Report of LIC of India and IRDAI (From 2006-07 to 2013-14)

Note : * Indicates that the trend co-efficient are statistically significant at 5 per cent level.

CAGR = Compound Annual Growth Rate. \bar{R}^2 = Adjusted R Square.

Table 1 shows the micro insurance products in LIC of India from 2006-07 to 2013-14. The micro insurance was introduced on 2006-07 onwards. In the 2006-07, the number of policies issued by the LIC of India at All India was 80,637. It was slowly increased to number 43,40,235 policies in 2012-13. In the subsequent year, it has suddenly decreased to number 22,06,000. The growth rate is 2736 per cent during the whole study periods. The mean and standard deviation of micro insurance products on the basis of number of policies at All India level was 22,23,186 and 14,42,653.51 respectively. The co-efficient of variation is 64.89 per cent and its compound growth rate is 50.63 per cent.

The performance of micro insurance products at Tamil Nadu level was showing a fluctuating trend during the whole study period. In the year 2006-07, the number of policies issued by the LIC in Tamil Nadu level was 21,318. It was increased to number 2,33,047 in 2011-12. In the subsequent year, it has suddenly decreased to number 2,10,979 in 2012-13 and number 81,596 in 2013-14. The growth rate is 383 per cent during the study periods. The mean and standard deviation of micro insurance products on the basis of number of policies at Tamil Nadu is 132488.63 and 68952.58 respectively. The co-efficient of variation is 52.04 per cent and its compound growth rate is 19.90 per cent.

In Vellore Division the progress of micro insurance policies was very poor during the whole study period except the year of 2009-10. The mean and standard deviation of micro insurance products on the basis of number of policies at Vellore Division is 9929.125 and 3125.26 respectively. The co-efficient of variation is 31.48 per cent and its compound growth rate is 8.04 per cent.

The main resource for the declining trend of the micro insurance products in 2013-14 was due to non repayment of renewal premium by the NGO's to the LIC offices. The LIC of India should to take action against the NGO's for the non-payment of collected premium from the policyholders.

PROGRESS OF FIRST PREMIUM INCOME

The first premium income from Micro Insurance is another method to assess the progress of Micro insurance in LIC of India.

TABLE 2 FIRST PREMIUM INCOME OF MICRO INSURANCE IN LIC OF INDIA

Year	All India Level (Rs.)	Growth Rate (%)	Tamil Nadu (Rs.)	Growth Rate (%)	Vellore Division (Rs.)	Growth Rate (%)
2006-2007	13800000	100.00	5236000	100.00	895177	100.00
2007-2008	162200000	1175.36	28568695	545.62	1603000	179.07
2008-2009	312000000	2260.87	27005788	515.77	1792300	200.22
2009-2010	361500000	2619.57	26152345	499.47	1762252	196.86
2010-2011	439000000	3181.16	29050677	554.83	1350209	150.83
2011-2012	444200000	3218.84	30166004	576.13	1645618	183.83
2012-2013	660250000	4784.42	27188788	519.27	1148825	128.33
2013-2014	684600000	4960.87	13681255	261.29	758777	84.76
MEAN	384693750		23381194		1369519.75	
SD	228427275.80		8974077.46		398355.8817	
CV	59.38		38.38		29.09	
CAGR	52.78		8.58		-3.90	

Source: Annual Report of LIC of India and IRDAI(From 2006-07 to 2013-14)

Note : * Indicates that the trend co-efficient are statistically significant at 5 per cent level.

CAGR = Compound Annual Growth Rate. \bar{R}^2 = Adjusted R Square.

Table 2 the exhibit the first premium income of micro insurance in LIC of India. The first premium income of micro insurance at All India level was slowly increased from Rs. 138 lakhs in 2006-07 to Rs. 6846 lakhs in 2013-14. The growth rate was 4961 per cent. The mean and standard deviation of micro insurance products on the basis of first premium income at All India level is 384693750 and 228427275.80 respectively. The co-efficient of variation is 59.38 per cent and its compound growth rate is 58.78.

The first premium income of micro insurance at Tamil Nadu level was showing fluctuating trend during the whole study periods. It has increased from Rs.52.36 lakhs in 2006-07 to Rs 136.81 lakhs in 2013-14. The highest premium income in micro insurance was Rs 3,01,66,004 in 2011-12. The least premium income was Rs 52,36,000 in 2006-07. The growth rate was 261 per cent during the study periods. The mean and standard deviation of micro insurance products on the basis of first premium income at Tamil Nadu is 23381194 and 8974077.46 respectively. The co-efficient of variation is 38.38 per cent and its compound growth rate is 8.58 per cent.

In the Vellore division, the first premium income was slowly increased from Rs. 8,95,177 in 2006-07 to Rs. 17,92,300 in 2008-09. Subsequently, it has decreased to Rs. 7,58,777 in 2013-2014. The mean and standard deviation of micro insurance products on the basis of first premium income at Vellore division is 1369519.75 and 398355.8817 respectively. The co-efficient of variation is 29.09 per cent and its compound growth rate is -3.90 per cent.

The number of policies and first premium income of micro insurance is not coincided. Because, the policy amount may be differ from person to person. The payment of premium also based on selection of the policy amount. Over all progress of the first premium income was satisfactory during the study periods.

IV. CONCLUSION

Micro insurance is the need of the hour and a proper implementation will benefit to everyone in the society. It is evident that this sector has influenced by the rural and urban areas of weaker sections obligations. The LIC of India should take steps to increase the business of Micro Insurance as well as to collect the renewal premium from the policyholders.

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