

Role of intermediaries in extending micro insurance: A case studies

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Abstract

(Micro insurance is insurance that is accessed by low-income population by a variety of different entities, but run in accordance with generally accepted insurance practice. The term micro insurance, as the name suggests, is insurance to protect the low-income group. These groups have to pay specific amounts, as regular premiums, proportionate to the likelihood and the cost of the risk against which they are insuring their life, those of their family members and property. This concept is quite in line with regular insurance. The only exception in the targeted beneficiaries is the low-income people. Micro insurance products are delivered by the field staff of an NGO, credit officers of MFI, front officer at customer service point, etc. An intermediary's knowledge of the low-income market and attendant resources can play an important role by bridging the knowledge and capacity gap between micro insurance clients and insurers. Selling of microinsurance can require a significantly different approach for intermediaries.)

Keywords: Micro insurance, premium, low-income, NGO, MFI,

1. Introduction:

Insuring against the adverse situation is one of the options before the poor. Insurance can assist them to manage and diversify their risks at the adverse situation. But it is difficult to be insured in the formal market, because of high risk and affordable premium for poor. Generally, credit and insurance market are non-existent for the poor in the developing countries. They have no any protection against adverse event. They are not knocking on insurance company's door. Because, firstly, the absence of active sales agent in their midst. Secondly, the lack of affordable products offered by insurers. Thirdly, the biggest obstacles to demand are ignorance of what insurance can and cannot do.

2. Need of study:

The IRDAI 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.

The concept behind the micro insurance would drive targeted the poor people. It is important to observe that what the main factors are considered by the poor people to purchase a micro insurance policy, whether purchasing micro insurance are related to behaviour of intermediaries to be consider to design a successful distribution channel and regulatory framework on micro insurance.

But not much is known about behaviour of intermediaries to be consider to design a successful distribution channel and regulatory framework on micro insurance in Assam. The researcher intends to undertake a research programme on “role of insurance intermediaries in extending micro insurance”

3. Objectives of Study:

In order to identify the role of intermediaries in extending micro insurance in developing micro insurance market and acceptance of micro insurance by the low-income people, the researcher has identified two objectives based on research gap and need of the study.

1. To study the growth of micro insurance in India.
2. To study the role of intermediaries in extending micro insurance.

4. Research Methodology:

The study is based on both primary and secondary sources of data. Primary data are collected through well-structured questionnaire and secondary sources are collected through selected literature from Journals, Books, Reports, Articles, Research reports, etc. Dibrugarh and Sivasagar district of Assam have been selected for the study considering as case covering villages and blocks of the districts being industrial and agricultural important districts of Assam.

5. Sample Size:

The sample size is 200 BPL people from fourgaon panchayat namely, Balimara Gaon Panchayat, TipamFakial Gaon Panchayat, Athabari Gaon Panchayat and Khorahat Gaon Panchayat and 100 selected respondent from Mrinaljyoti Rehabilitation Centre (NGO).

6. Review of earlier studies

National insurance academy, (2010), has studied on “Impact of micro insurance initiatives for society for eliminating rural poverty.” The study finding depicts that awareness about the micro insurance initiatives is satisfactory. The financial assistance has helped them in reducing vulnerability and has increased their creditworthiness. The study suggested that the role played by Radio and television in transferring information is nil. Keeping in view the fact that audio & visual media make more impact on the audience, these two sources can be utilized in future. So, the improvements in awareness, service delivery and will contribute to sustainability.

Mathur, Shweta (2010) in the research article “Micro Insurance - A Powerful Tool to Empower Poor” describes the development of micro insurance in India and the challenges faced by the companies offering micro-insurance products. They opined that policy induced and institutional innovations are promoting insurance among the low-income people who form a sizeable 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 consideration can insure a significant percentage of the poor.

Ramalakshmi.C& Ramalingam, L.P (2014), in the research article on “ A study on awareness about Micro insurance with special reference to LIC of India,” study is to analyze the awareness of policyholders about micro insurance products in respect to source of information, period of awareness, influencer for micro-insurance policy, payment mode, grace period and its utilization. The sample size of the study

comprised of 370 micro insurance policy holders of Madurai district. The data was collected through personal interviews both from urban and rural areas of the district. The study found that there was a vast majority of the respondents are aware about micro-insurance products of LIC and particularly about Jeevan Madhur product.

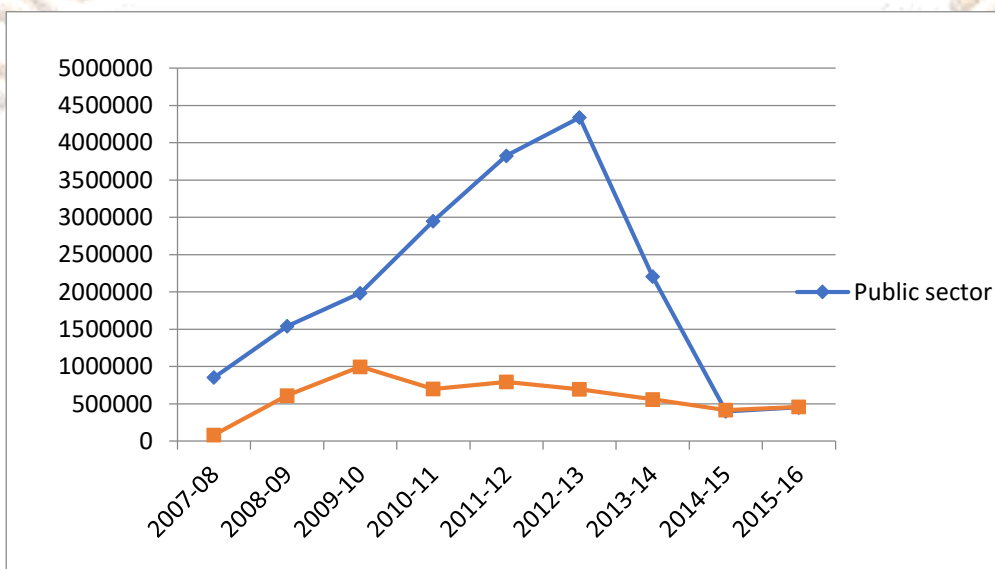
7. Data Analysis

Growth of Micro Insurance in India(objective no.1)

The micro insurance business in India has made a continuous progress in both public insurance and private insurance companies. More life and group operations and many fresh policies have been lunched during the study period. The new business of micro insurance has shown a sufficient growth though the mass is still very low.

Figure: 1

Growth of Individual Micro Insurance Business in Policies



Source: IRDA Annual Reports

Average growth rate of policies:

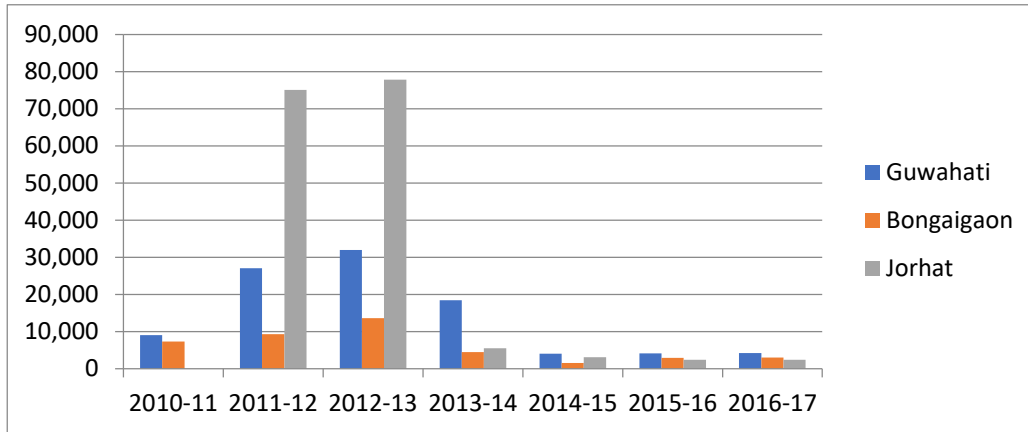
Public Insurance Company: 158.93 (Based year 2007-08)

Private Insurance Company: 686.95 (based year 2007-08)

The figure: 1 shows the percentage change in the growth rate of individual micro insurance business of public and private insurance companies. The figure clearly revealed that public insurance companies have increased the percentage of policies in first six years but in the last two years it is negative growing rate. On the other hand, private insurance companies have increased percentage policies not less than 400% whether it is some time increased or decreased.

Micro Insurance in Assam:

Figure 2
Growth of LIC's Micro Insurance Business in Assam



Source: Collected Data.

Average growth rate of policies:

Guwahati= 65.52%, Bongaigaon = - 20.43%, Jorhat = - 75.66%

The figure: 2 clearly revealed that public insurance companies have increased the percentage of policies in years 2010-11, 2011-12 and 2012-13 but in the last three years i.e. 2013-14, 2014-15 and 2015-16 it is decreasing the no. of policies and first premium instalment.

Role of insurance intermediaries in extending micro insurance (objective no.2):

Micro insurance products are delivered by the field staff of an NGO, credit officers of MFI, front officer at customer service point, etc. It is expected that this delivery channel will act as an intermediary, representing its clients, identifying appropriate products, sourcing the insurer and servicing the client. An intermediary's knowledge of the low-income market and attendant resources can play an important role by bridging the knowledge and capacity gap between micro insurance clients and insurers. Selling of microinsurance can require a significantly different approach for intermediaries. In traditional markets, products are well defined, clients understand insurance concepts, policies volumes are limited and operational processes are also well defined.

Sources of Information about micro insurance:

Table No.1
Table showing sources information about micro insurance

Sources	Frequency	Valid Percent	Cumulative Percent
NGO	147	66.2	66.2
Agent	34	15.3	81.5
Office	13	5.9	87.4
Advertisement	13	5.9	93.2
Relatives	15	6.8	100.0
Total	222	100.0	

Source: Survey data

Interpretation:Table: 1 shows the sources of information about micro insurance. 66.2% of the respondent got the information about micro insurance from NGO, 15.3% respondent got information from agents, 6.8% respondents got information from relatives/friend, 5.9% respondents got it from the Company office and again 5.9% respondents got information from advertisement. From the analysis it could be finally concluded that majority of respondents got information about micro insurance from NGOs.

Insurance Agent offering micro insurance to respondents:

Table No.2
Table showing Insurance Agent offering micro insurance to respondents

Response	Frequency	Valid Percent	Cumulative Percent
Yes	171	57.0	57.0
No	129	43.0	100.0
Total	300	100.0	

Source: Survey data

Interpretation:The insurance agents are offering micro insurance policy only to 57% of respondent and a major portion of respondent are excluded from the offering of micro insurance policy i.e. 43%.

Intermediaries can therefore play an important role in facilitating the delivery channel development process. From table no. 1 it is found that 66.2% of the respondent got the information about micro insurance from NGO, 15.3% respondent got information from agents, 6.8% respondents got information from relatives/friend, 5.9% respondents got it from the Company office and again 5.9% respondents got information from advertisement. Again table no.3 shows that a large number of respondents got the information about micro insurance from NGO and 139 out of them having micro insurance policy (i.e.95%). 34 respondents got information about micro insurance from insurance agent and out of them 29 respondents having micro insurance policy (i.e. 85%). 13 each respondent got information it from the company office and advertisement and 15 respondents got information from relatives.

From the above it is found that Microinsurance intermediaries play important role in market making, identifying unmet needs, developing products and overseeing their delivery through hands-on training of delivery channel staff, and adapting or building systems to manage policy and claims administration. The role of intermediary in microinsurance is much more significant than insurer.

8. Conclusion:

After going through all the analysis of the study, it is found that in spite of various drawbacks; Micro insurance can be considered as one element of a broader social protection framework. The mainly underserved rural sector holds great potential for both life insurers. To unleash this potential, insurers will need to display long-term obligation to the sector, design products that are appropriate for the rural population and employ appropriate distribution channels. Mindset of the workers and managers must have to be restructured in such a way so that they can adjust themselves with the micro insurance mission in a new environment and proceed towards a new horizon with their head held high.

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