CHAPTER–V
SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 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.

Social protection generally consists of policies and programs designed to reduce poverty and vulnerability by promoting efficient labor markets, diminishing people's exposure to risks, enhancing their capacity to protect themselves against hazards and interruption/loss of income. In this concern, this project prepared to study on role of micro insurance in providing social security with following objectives:

- ✓ To study the awareness level of micro insurance among the poor people.
- ✓ To study the growth of micro insurance.
- ✓ To study the model of micro insurance scheme offered by LIC of India and selected micro insurance providing agencies.
- ✓ To study the role of insurance intermediaries in extending micro insurance.
- ✓ To examine the policy measures and regulation of IRDA in providing micro insurance towards lower income group.
- ✓ To study the micro insurance as a tool for financial inclusion.

Awareness level of Micro Insurance: (objective no.1)

Awareness or perception means the process, by which an individual selects, organizes and interprets information to create a meaningful image of the matter. The awareness of the rural consumers in India is influenced by several factors, such as socio-economic conditions, educational level, occupation, geographical location, supportive efforts of mediators, exposure to the media, etc.

This study included demographic and socio-economic factors namely gender, educational level, occupation, annual income of family, location, etc to know the awareness level of micro insurance. In case of gender, male respondents' is higher percentage micro insurance policyholder than female respondent (table no. 4.31). Majority of the respondents educated up to graduate and above having micro insurance policy i.e. 49 out of 51 (i.e. 96.0%) and the educational level and micro insurance policy have the negative correlation i.e.-.408. The p-value is .000 at the 0.01 level (2-tailed) shows that the relationship significant (table no. 4.46). In case of occupational pattern, the table no. 4.35 shows that majority of respondents are other categories having micro insurance policy with 84.9% and second majority are non farming worker with 81.3% followed by farmer and agricultural labourer with 56.5% and 34.6% respectively. Occupational pattern and micro insurance policy has the negative correlation i.e.-321 but relationship is significant (table no. 4.47). Majority portion of respondents belongs to income group 100-200 per day with 84.9% having micro insurance policy and followed by 300-400, 200-300 and 0-100. The ranges of earning and micro insurance policy have the negative correlation i.e.-379 but relationship is significant (table no. 4.48). In case of location, there are 87 (58.8%) respondents having micro insurance in Demow development block out of 148 respondents and 21 (40.4%) respondents having micro insurance policy in Joypur Development Block out of 52 respondents (table no. 4.32). In gaon panchayat level, the majority respondents having micro insurance in Balimara Gaon Panchayat with 11 (82.2%) out of 13 respondents and followed by Athabari Gaon panchayat, Tipam Fakial Gaon panchayat and Khorahat Gaon panchayat with the percentage of 82.2%, 25.6% and 22.4% respectively. Result of analysis of variance (ANOVA) shows that sources of knowledge and range of saving have significant impact on micro insurance policy (table no. 4.52).

Growth of Micro Insurance (objective no. 2):

The concept of micro insurance has shown a stable growth in India in the recent years. Many insurance companies are launching micro insurance products as per the directions of Insurance Regulatory and Development Authority of India to fulfilling their social and rural obligations. Basically, micro insurance covers the people working in the informal economy and are financially excluded as compared to the rich people of the society.

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.

The table no. 1.3 shows the percentage change in the growth rate of individual micro insurance business of public and private insurance companies. The table 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. Similarly public insurance companies have increased growth rate for premium from the first six year satisfactory but in the last two years the growth rate of premium is very low. But the private insurance companies have maintained a satisfactory growth rate in case of the premium amount.

The table no. 1.4, 1.4(A) & 1.4(B) examine the percentage change in the growth rate of group micro insurance business during the last nine years i.e., from 2007-08 to 2015-16. In case of group micro insurance business, public insurance companies have been negative growth rate of percentage in schemes. Whereas the private insurance companies have decreased their schemes in their 2008-2009 from 15 to 14 schemes but again increased in next five years and again decreased in the year of 2014-15. Similarly, in case of lives covered by public & private insurance companies there has been an increased trend of micro insurance from 2007-08 to 2015-2016. While in case of premium collection by public insurance companies, they had been rising trend premium amount from 2007-2009 but decreased in 2010 that again increases in 2011-2012. Same Condition is there with private insurance companies for the premium amount.

The tables 1.3, 1.4(A) & 1.4(B) shows that in case of individual micro insurance business the overall policies issued by private insurance companies is more than public insurance company but the premium collection rate of public insurance companies is higher.

Similarly in group micro insurance business private insurance companies overall growth rate is higher in number of schemes issued and premium collection but negative in lives covered then public insurance companies.

In case of agent, in 2015-16 the private insurance agent increased from 3382 to 8467 there were an additions of 6392 and deletions of 1307 agents and the Life Insurance Company of India agents were decreased from 19379 to 18574 there were an addition of 997 and deletions of 1802 agents. From the table- 1.5 it reveals that private insurance companies are give more importance on micro insurance than public company.

Micro Insurance in Assam:

The growth of micro life insurance in Assam is still too small. The Life Insurance Corporation of India did a major percentage of micro-insurance business in 2010–11 to 2012–13. But after that it was decreasing. The number of micro-insurance agents has increasing financial years. But actively working agents were decreasing.

The Table-1.6 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 number of policies and first premium installment

In table-1.7 it is clearly revealed that the Life insurance Company of India, Guwahati Division insurance agent increased from 27 in the year 2010-11 to 126 in the year 2016-17 but only 23 insurance agents are working actively in the year 2016-

17. It focuses that the public insurance company cannot attract the mass people to micro insurance in Assam.

Model of micro insurance scheme offered by LIC of India (objective no. 3):

Micro insurance mainly depends on the efforts of delivery channels. Delivery channels have direct link to poor consumers and work with insurers to distribute micro insurance products to them. Some insurance companies marketed their micro insurance product with their own agents to reach the poor directly. In India the partner-agent model is more frequent approach among the insurance companies to sell products to their clients.

The following two approaches have emerged by Life Insurance Corporation of India to provide insurance to low income populations.

1. Partnership model (The partner-agent model): The partnership model involves a partnership between an insurer and an agent that provides some kind of financial service to large numbers of low-income people. This could be a microfinance organization, an Non Government Organisation or a business unit that link to large numbers of low income people, such as a customer service point. In partner agent model, a Non Government Organisation or Micro Finance Institution or a customer service point act as the intermediary between the policyholder and an insurance company. In this study Mrinaljyoti Rehabilitation Centre (an NGO) act as an agent of Life Insurance Corporation of India and done 1058 micro insurance policy. The respondent got information about micro insurance from NGO is 66.2% (i.e. 147out of 222 respondents, table no. 4.37). A large number of micro insurance policies are done by NGO (i.e. 139 out of 208 policies) in the study area.
2. Agency model: In this model the insurer uses its normal agent (micro insurance agent) and sells micro insurance products directly. The client comes to the agency office for accept and servicing of the product. An NGO or other organization operates the insurance scheme and fully absorbs risks, profit, and losses arising from the same. From the study it is found that the micro insurance agent not working actively. Only 29 respondent taking micro insurance from micro insurance agent in the study area

and no any person found taking micro insurance from insurance company's office in the study area.

Role of insurance intermediaries in extending micro insurance (objective no .4):

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 micro insurance 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.

Intermediaries can therefore play an important role in facilitating the delivery channel development process. From table no. 4.15 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. 4.38 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.94.6%). 34 respondents got information about micro insurance from insurance agent and out of them 29 respondents having micro insurance policy (i.e.85.3%). 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 Micro insurance 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 micro insurance is much more significant than insurer.

Policy measures and regulation of IRDA in providing micro insurance (Objective no. 5)

India is one of the few developing countries in the world which has a special micro insurance act that regulates the suppliers through its special agency for insurance regulation – the Insurance Regulatory and Development Authority (IRDA) and Micro insurance Regulations were officially gazette by the IRDA on 30 November 2005. In December 1999, the Indian Parliament passed the Insurance Regulatory and Development Bill (IRDA) which provided that any micro insurance product issued as per regulations will qualify for rural and social sector obligations of the insurer. As per the Bill passed, insurance companies are obliged to conduct a certain percentage of their business in rural areas or with marginalized groups. The obligation to enroll rural customers and form socially marginalized groups has created opportunities for partnership between NGOs and insurance providers. Recognizing NGOs, MFIs, and SHGs as agents of micro insurance by the IRDA regulations, the rural insurance penetration has increased. In addition, the IRDA regulations prescribe that these intermediary institutions as micro-insurance agents should have a clean track record and by-laws with relevant aims, objectives, and accountability.

The salient features of the Micro Insurance Regulations, 2005 are:

1. The regulation defined micro insurance products covering life and general insurance. *"General micro insurance product"* means any health insurance contract, any contract covering the belongings, such as, hut, livestock or tools or instruments or any personal accident contract, either on individual or group basis, as per terms stated in Schedule-I appended to these regulations. *"Life micro insurance product"* means any term insurance contract with or without return of premium, and endowment insurance contract or health insurance contract, with our without an accident benefit rider, either on individual or group basis, as per terms stated in Schedule-II appended to these regulations.
2. The micro-insurance regulations promote extensive use of intermediaries by the insurers for selling and servicing various micro-insurance products. The regulation also creates a new intermediary called the micro-insurance agent.

The regulation provides the following functions for micro insurance agents:

(a) Collection of proposal forms

(b) Collection of self declaration from the proposer that he/she is in good health.

(c) Collection and remittance of premium

(d) Distribution of policy documents

(e) Maintenance of registers of all those insured and their dependants covered under the micro insurance scheme, together with details of name, sex, age, address, nominees and thumb impression/signature of the policyholder.

(f) Assistance in the settlement of claims

(g) Ensuring nomination to be made by the insured

(h) Any policy administration service

3. The regulations allow commission between 10% to 20% of premiums per year according to type and mode of premium payment, which is in excess of conventional agent's commission. The allowed rate of commission to micro insurance agents are:

Life insurance business	General insurance business
On single premium policies-15% of the single premium.	15% of the premium.
On non-single premium policies-20% of premium for all the years of the premium paid.	

4. The regulations allow for the bundling of life and non-life elements in one single product provided there is clear separation of premium and risk at the insurer's level. Where an insurer carrying on life insurance business offers any general micro-insurance product, he shall have a tie-up with the insurer carrying on general insurance business for this purpose.

The limitations of the Micro Insurance Regulations, 2005 are:

1. The Micro Insurance Regulations, 2005 define micro insurance agents to include NGOs SHGs and MFIs. The definition of MFI is, however, limited to societies, trusts and cooperatives societies and thus excludes a large proportion of MFIs operating through other legal forms (like for-profit and not for profit companies).
2. The Micro Insurance Regulations restrict a micro insurance agent to working with one life and/or one general insurer respectively. This is problematic and does not accommodate models currently used in the micro insurance market.
3. Micro insurance agents have expressed their concern at the difficulties faced by them in accessing KYC documents from proposers in rural areas, such as electoral identity card or ration card or electricity bill which are generally accepted as proves of residence.
4. Micro Insurance commissions are capped at 20% per annum for life across the term of the policy. Standard insurance products typically pay commission on a front-loaded basis with 30-35% in year one. The up-front structure provides little incentive for renewals, particularly as premiums have to be collected in cash/ cheque. At the same time 20% may not be enough to incentivise sales. Besides, the incidence of the service tax of 12.36% payable by the agents is a further point of dissatisfaction for the MI agents, especially considering the long distance travel they have to make in rural areas to procure and service business.
5. Micro Insurance Regulations, 2005 conflicting some provisions with Reserve Bank Of India regulations. In insurance regulation allows receipt of premiums in the form of money instruments, which must be remitted within 24 hours. But, Reserve Bank of India, in 2002, issued regulations stating that certain types of Non Banking Finance Company's may not route any premiums through their books.

Micro insurance as a tool for financial inclusion (objective no .6):

Financial inclusion is improved the range, quality and availability of services to those currently excluded by the financial system. However, financial inclusion is becoming awareness about banking services to rural people as well as urban population. Large segments of the urban population are also excluded from the formal financial system, and access means more than the ability to obtain loans. The evolution of financial inclusion comes from microcredit to low income person. Micro insurance has linkages to microfinance. The target market of microfinance is micro and small enterprises which includes all low-income people. The demand from low-income households for financial services includes a number of products, such as savings, loans, remittances and insurance.

In 2008, the Committee on Financial Inclusion in India observed that microcredit without micro insurance is bad financial behaviour. From a policy perspective, financial inclusion must include access to payments, credit, savings and insurance to achieve effective and sustainable results. Since insurers in India are required to sell a certain percentage of their policies in the rural areas as regulatory obligation, they (insurers) are increasingly interested in partnership with the microfinance institutions.

The table-4.42 shows that total 185 (88.9%) micro insurance policyholder having any kind of Account in financial Institution and only 23 (11%) micro insurance policy holder have not any kind of Account in financial institution. On the other hand, only 29 (31.5%) respondents having Accounts in financial institutions and 63 (68.5%) respondents have not any kind of Accounts in financial institution in non micro insurance policy category. But on the other hand only 71.3% of respondents having any kind of account in banking or other financial institution and a large number of respondents have no any kinds of account in banking or other financial institution with 28.7% (Table-4.12). From this data it is found that micro insurance help in financial inclusion in low income population of rural areas.

5.2 Problems and Challenges in micro life insurance:

While distributing micro insurance policy, there are several problems faced by the micro insurance related parties. The researcher has been found the following problems and challenges from the respondents, insurers and intermediary’s side:

1. A large number of respondents are illiterate. The terms and conditions of insurance contract is very difficult to understand by the illiterate person and it

is big challenge in educating the market and overcoming the problems of micro insurance.

2. The demand for micro insurance in the study area is very high, but the delivery channels are very poor in the study area.
3. Lack of unfamiliarity and trust on service providers also another problem for marketing of micro insurance. Technology adopted by the service providers are very difficult to understand by the poor people.
4. Lack of awareness value of micro insurance is another problem of penetration of micro insurance.
5. The insurance companies are not interested to develop the penetration of micro insurance. They are try to filled up their quota prescribe by the IRDAI only.
6. The target of micro insurance is low income and rural people. But technical and actuarial staff is not easily available in rural areas.
7. The cash flow of poor household is irregular. The poor people are unable to pay the premium regularly and high dropout of policy expected.
8. The people are prefer other savings means like Bank, Post Office, etc. who gives immediate cash in time of emergency whereas in case of insurance, there are few formalities in settlement of claims and lead to delay of cash.
9. Opportunities for fraud are high among ill-informed customers as they have to submit less documents for purchasing micro insurance.
10. The main problem of micro insurance is high cost of transaction. The premium of micro insurance is low but the transaction cost is higher compare to premium.

5.3 Recommendation:

The researcher has been recommended the following recommendation to increase the penetration of micro insurance and provide social security to the poor on the base of findings of this study listed above:

1. Branch wise socio-economic profile should be prepared incorporating details and accurate data for assessing the branch wise micro insurance potential market.

2. The Development Officer’s service condition should include (1) minimum rural business and (2) minimum micro insurance.

3. Agents procuring micro insurance business every month throughout the year may be given special incentives.

4. IRDA should look into the matter that all the insurers develop their own micro insurance products design and fulfill the rural obligations. This will encourage all the existing and upcoming insurers to develop and design more customized micro insurance products for the low-income people which will eventually improve rural poor’s conditions and increases the overall insurance penetration in India.

5. There is an urgent need to improve the awareness among the low income people about the micro insurance and the functioning of IRDA which will improve the confidence level of the common investors. To do so, it is highly recommended that the IRDA along with the existing insurers should take the responsibility to educate the people through print advertisement, TV advertisement, hoardings, campaigning and through the oral communication of the life insurance agents.

6. It is highly recommended to induct more and more trained rural life insurance agents, especially micro insurance agents, for the micro insurance products only. For this reason IRDA should monitor the quality of trainings imparted to the micro insurance agents/advisors. More quality training institutes are required for this purpose.

7. The development of the distribution channel into the rural areas is very important for the overall development of insurance in India. Therefore, a proper distribution channel is required to develop micro insurance in rural India.

8. Government should initiate actions on enhancing the education standards of rural people in general as well making effective provisions for their financial inclusion so as to improve their over-all personality standard.

9. Government organizations, NGOs should attempt to spread information about micro insurance policies, plans and strategies on the development of social security of low-income people.

10. There should be continuous attempt to inspire, encourage, motivate, co-operate and support the employees who are engaged in micro insurance marketing.

5.4 Scope for further study:

In current study, the researcher has been focused on Micro Life Insurance of the rural poor people of two Development Blocks under Dibrugarh and Sivasager district. From the study it has been found that there are so many scope of research study related to the micro insurance in this area. Therefore, the researcher has been recommended for future study on following:

1. Similar study can be undertaken in other district of Assam
2. Similar study can also be undertaken in General Micro Insurance

5.5 Conclusion:

After going through all the chapters 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. Its ultimate goal is to reduce poverty and vulnerability to low-income household by providing support in their risk management efforts. Micro insurance can play an important role in enhancing social protection to informal sector employees and low-income population groups. The four divisions of Life Insurance Corporation of Assam have the potential of providing micro insurance much better result in future. The mainly underserved rural sector holds great potential for both life insurers. To unleash this potential, LICI will need to display long-term obligation to the sector, design products that are appropriate for the rural population and employ appropriate distribution channels. The LICI will have to pay special attention to the characteristics of the rural labour force, like the prevalence of irregular income streams and liking for simple products, before they can successfully penetrate this sector. 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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