



ACCESSIBILITY AND AFFORDABILITY OF INSURANCE PROGRAMME BY POOR

Sivaprakash

Research Scholar, Loyola College, Chennai.

Abstract

Now-a-days, the insurance become must for the people who are facing a lot of risks and vulnerabilities in nature. Though there are a vast number of insurance program by different insurance companies, both by Government and Private, only 17.27% of the total population in India are getting protected through insurance coverage. Hence majority are left out. The reason is that 68% of the total population from rural community in India, where the insurance products are neither affordable nor reachable. This is an experimental research study which deals about the accessibility and affordability of different insurance program in rural and slum population based on convenient sampling method in the stratification of rural and slums area. This study also compares the different insurance companies and their micro insurance program on the accessibility and affordability of pro-poor and poor population, which is a basic social security measure to protect the people from different risks and vulnerabilities.

Key Words: Risks, Vulnerabilities, Social Security, Micro Insurance and Pro-Poor Community.

1. Introduction

The term insurance refers to an arrangement by which a company or the state undertakes to provide a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a specified premium. In general, the insurance have been seen as a basic social security measures in a country. All the insurance businesses are managed under Insurance Regulatory and Development Authority of India (IRDA). The IRDA is an autonomous apex statutory body which regulates and develops the insurance industry in India. It has created a special category of insurance policies called micro-insurance policies to promote insurance coverage among economically vulnerable sections of society. There are about 52 insurance companies in India (25 life insurance companies, 24 non-life insurance companies, 2 reinsurance companies and 1 for Export credit insurance) in which 8 are public sector undertakings. Out of many number of insurance programs and schemes, the Government of India are able to reach only 17.27% of the total population. It shows that it fails to provide social security which is one among the basic amenity to the pro-poor and poor communities. Majority are left out. Hence, this study is taken in to consideration to analyze the affordability of insurance program of different companies.

2. Literature Review

Insurance is the backbone of a country's risk management system. Risk is an inherent part of our lives. The insurance providers offer a variety of products to businesses and individuals in order to provide protection from risk and to ensure financial security. Insurance can play a positive role in meeting the financial needs of the poor, and one would need to examine the many challenges involved in offering insurance to them. In India, more than two-third of the population lives below poverty line and therefore importance of micro insurance is undeniable. Most of the people in this segment are not only illiterate; their level of awareness about insurance is also very low. In order to facilitate penetration of micro-insurance to the lower income segments, IRDA has formulated the Micro-Insurance Regulations, 2005 for providing a platform to distribute insurance products which are affordable to the rural poor and to enable micro insurance to be an integral part of the country's wider insurance system.

In general, the term Micro insurance is the protection of low-income people (*those living on between approximately \$1 and \$4 per day*) against specific perils in exchange for regular premium payment proportionate to the likelihood and cost of the risks involved.

However, on specification, the IRDA Micro-insurance Regulations, 2005 defines and enables micro-insurance as a micro-insurance policy which is, "a general or life insurance policy with a sum assured of Rs 50,000 or less".

Insurance industry earlier comprised of only two state insurers, viz., Life Insurers i.e., Life Insurance Corporation of India (LIC) and General Insurers i.e., GICorporation of India (GIC) which had four subsidiary companies. With effect from Dec'2000, these subsidiaries have been de-linked from parent company and made as an independent insurance company's viz., Oriental Insurance Company Ltd, New India Assurance Company Ltd, National Insurance Company Ltd and United India Insurance Company Ltd.

The first batch of licenses was issued by the Insurance Regulatory and Development Authority (IRDA) in 2001. Today there are 24 GICompanies including the ECGC and Agriculture Insurance Corporation of India and 23 life insurance companies operating in the country.



A General Micro-Insurance Product is any

- Health insurance contract
- Any contract covering belongings such as
- Hut
- Livestock
- Tools or instruments or
- Any personal accident contract
- They can be on an individual or group basis

A Life Micro-Insurance Product is

- A term insurance contract with or without return of premium
- Any endowment insurance contract or
- A health insurance contract
- They can be with or without an accident benefit rider and
- Either on an individual or group basis

There is flexibility in the regulations for insurers to offer composite covers or package products that include life and general insurance together.

Intermediaries

Micro- insurance business is done through the following intermediaries:

- Non-Government Organizations
- Self-Help Groups
- Micro-Finance Institutions

Study says that, Kamesh Goyel (2009) has analyzed the various strategies for the further insurance. He felt that the insurance industry would continue to use technology to lower their transaction cost and increase penetration of insurance; besides making it affordable to the vast sections of the society who are still out of the insurance ambit.

Ratna Kishore (2013) in his article “Micro Insurance in India – Protecting the Poor” has pointed out that the market for micro-insurance in India is enormous and remains untapped. The potential market size for micro insurance in India is estimated to be between Rs.62,000 and Rs.84,000 million. He has given a micro insurance business model for the existing insurers. He explains micro insurance as social security cover for the poor and brought out the problems and challenges in micro insurance.

3. Problem Statement

Poor and Pro-Poor communities are either not accessible or inexpensive to the insurance program. It honestly express that, the insurance program are not beneficial to whom it's meant for. However, NGOs and Government Sponsorships plays major role in taking insurance program to rural and slum areas.

- Most of the insurance programs are NOT affordable to poor and NOT reachable too.

Null Hypothesis: The insurance programs are NOT affordable by the Poor towards the Premium amount as well as the accessibility in building awareness.

4. Objective of the Study

- To build awareness to the insurance industry on the perception of the poor community on insurance program.
- To identify the gaps between the requirements of poor community and the present insurance programs.
- To amplify the role of Government Organization and NGOs with respect to provide the social security programs including insurance to the rural and urban poor.
- To advocate the insurance industry to frame tailor made insurance products to poor.

5. Methodology

- It is an **Experimental Research** based on the experiences had with micro finance and micro insurance program of different NGOs.
- **Convenient Sampling** is used under the stratification of rural and slum category to assess the feasibility of accessing and affording the different insurance programs based on **interview cum questionnaire methods**.
- Conducted focus group discussion with the women of SHGs in Chengalpattu.



Focused Groups

- Self-Help Groups of Chengalpattu Rural Development Society (CRDS) and Pudhu Vaazhvu Projects (TNPVP).
- Non-members of SHGs in the same proximity.

Focused Areas

- Chengalpattu and Kanchipuram

6. Analysis and Interpretation of Results

Analysis I: Gender Participation and Literacy Level

Gender	Members of SHGs / NGOs		Non-members		Total	
	No. of families surveyed	%	No. of families surveyed	%	No. of families surveyed	%
Female	45	79	20	67	65	68
Male	20	31	10	33	30	32
Total	65	-	30	-	95	-

Source: Survey

Out of the total participant interviewed, about 80% are women, which focuses on their family level acceptance and they also plays a major role in NGOs. Totally 4 Self-Help Groups (SHGs) members are interviewed which constitute 65 families and Non-members are 30 from the same proximity.

Literacy Level	Members of SHGs / NGOs		Non-members		Total	
	No. of respondents	%	No. of respondents	%	Total respondents	%
Graduate	-	-	30	100	30	32
Non-Graduate	Literate	43	66	-	43	45
	Illiterate	22	34	-	22	23
Total	65	100	30	100	95	100

Source: Survey

In total, 43 are literate and 22 are illiterate females. In the Non-group members, all the respondents are literate. Education plays an important role in accessing the insurance program. However, here the reality differs, where the members of SHGs are well aware about the insurance programs but not the literates who are not a member of SHGs. The major influence only based on the intervention of Government Projects and NGOs Programs through SHGs.

Analysis II: Insurance Company Wise

Name of the Insurance Company	Members of SHGs / NGOs		Non-members		Total	
	No. of respondents insured	% of the total respondents 65	No. of respondents insured	% of the total respondents 30	No. of respondents insured	% of the total respondents 95
LIC	40	61	13	43	53	56
Star Health Insurance	0	0	8	27	8	8
National Insurance Company	8	12	24	80	32	34
Agriculture Insurance Company	3	5	0	0	3	3
HDFC / SBI / Through Banks	3	5	8	13	11	12
Total	54	-	53	-	107	-

Source: Survey



Overall, LIC of India has a greater contribution towards the social security program to the poor and pro-poor community than any other insurance companies. It stands first with 61% of respondents affordable to the scheme provided by LIC. All the respondents shared that they have enrolled in Jana-shree Bhima Yojana (JBY) insurance program, which is a subsidized program by Government of India. National Insurance Company is in second, where 12% of the respondents insured their family under health insurance program called Universal Health Insurance Scheme (UHS) and Agriculture Insurance Company stands third through crop insurance program through the Panchayath and Block Development Office (BDO).

Analysis III: Coverage of Insurance Schemes - Benefit Wise

61% of the respondents from the group members have covered under life insurance; 12% are covered under health insurance; 4% have covered under livestock and 3% only have covered under crop insurance. However, the 4% and 3% of the people who covered under livestock and crop respectively have the assets to cover.

Hence, we can reflect that 100% of the group members have covered their assets under required insurance program; whereas, in the respondents of non-members group, it is only 43% and 27% in life and health insurances respectively through Banks and their Employments.

In addition, 24 of the respondents from non-members group got insured only under National Insurance Company for their vehicles, which is a mandatory one.

Benefits	Members of SHGs / NGOs		Non-members		Total	
	No. of policies	%	No. of policies	%	Total policies	%
Life insurance	40	74	21	40	61	57
Health insurance	8	15	8	15	16	15
Assets covered:						
Livestock insurance	3	6	0	-	3	3
Crop insurance	3	5	0	-	3	3
Vehicle insurance	-	-	24	45	24	22
Total	54	100	53	100	107	100

The above table consolidated based on the number of policies covered by the member and non-members of the survey. In the members of SHGs/NGOs, totally 74% of the total policies were covered under life insurance, where as it is only 40% in non-member category. It shows major deviation among the members and non-members in giving importance to their life than others. The deviation here aroused out of the compulsions in SHGs / NGOs to insure.

Analyses IV: Reasons for Buying Insurance Product

Reasons	Members		Non-Members	
	No. of respondents	%	No. of respondents	%
Subsidies and further loan facilities	42	64%	1	3%
Built awareness about insurance	23	36%	0	0
Through employment / employer	0	0%	4	13%
Government interventions in sharing the premium	0	0%	25	84%

Based on the FGD had with the group of people, four reasons were taken up, viz., taking insurance due to sponsors / subsidy, loan facility, employment and self-awareness. Majority of the people, i.e., 64% in SHGs said that only due to subsidies and the requirement of further loan, made them to buy insurance product. The remaining 36% said that they have built their awareness through the benefits received from the insurance programme and due to that; they are involved in buying insurance product. Whereas, in non-group members, it is 3% due to the loan facility and 13% are got insurance program through their office where they have employed. Remaining the majority of i.e., 84% people got insurance product in Banks through Government interventions and friends who work in Private insurance program. It shows that the government and NGOs intervention made the insurance programs to the unreached to reach.



7. Result

By analyzing the outcomes of survey, on weighted average basis, the least number of the respondents i.e., 24% agreed that the involvement in insurance has aroused because of other reasons than the awareness level, hence they are not easily accessible. The payment of insurance premium was possible if the member receives any subsidies from Government or accompanied by any other benefits. Otherwise, it is less than 30% are possible to afford the premium only by the longer years of awareness built by different NGOs and Governments. The result is proving that the null hypothesis is accepted. Hence, the insurance program is not affordable by the poor and not accessible in building their awareness level easily.

8. Recommendations

- Insurance companies, particularly, the private insurers need to make a special allocation of funds towards capacity building activities to take the schemes in the backward areas. This will surely enhance the insurance businesses in rural and slum packets of our nation.
- Education plays an important role in getting awareness about any social security scheme including insurance programs. However, the involvement of people in the awareness building activities plays a vital role. Hence, the NGOs or Government programs have to make a special tie up with insurance programs as a developmental activity.

9. Limitations of the Study and Way-Forward

- This study is purely based in rural and slum part of Northern Tamil Nadu i.e., Chengalpattu and Kanchipuram. However, further studies can be taken based on different context like coastal and tribes.
- Gender balances create more impact on the decision process of family expenses. Hence, the female portions were focused in this study, which may not be correct in other areas.

References

1. N. Ratna Kishor, "Micro Insurance in India-Protecting the Poor", Journal of Business Management and Social Sciences Research, Vol.2, No.3, March 2013, pp.39-44.
2. Kamesh Goyal, "Defining Strategies for the Future - Innovation and Development in Insurance", IRDA Journal, Vol.VII, No.9, September 2009, pp.15- 17.
3. S.P. Gupta and M.P. Gupta, Business Statistics, Sultan Chand & Sons, New Delhi, 2010, 16th edition, p.45 - 76.
4. E-Journal: D.Sriranjanani, "Micro Insurance in India: A Safety Net for the Poor"; ISSN 2230-9519 (Online) <http://www.ijmbs.com/31/drsijanani.pdf>.
5. E-Journal: C.Ramalakshmi and Dr. Ramalingam L.P., "A Study on Awareness about Micro-Insurance with special reference to LIC of India"; ISSN 2321-7782 (Online).
6. E-Journal: Dr.G.C.Savagaon, "Micro-Insurance: An Innovative Business Strategy ISSN 2249-555X (Online) – Volume 5; Issue 6; June 2015.