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Research Article

PERFORMANCE OF MICRO INSURANCE IN SILCHAR DIVISION OF LIC

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ABSTRACT

Micro insurance is such an insurance which is meant and designed for the poorer and economically vulnerable section of the society who are usually not considered under the mainstream insurance providers. Micro insurance is a tool allowing low-income households better manage financial pressures of unexpected shocks and stresses. It is simple saving related life insurance plan where one may pay premiums regularly at weekly, fortnightly, monthly, quarterly, half-yearly intervals over the term policy. The products and policy premium amounts are so moulded that they suit the basic criteria to serve as insurance for the poor. Here, the insurance schemes are tailored as per the requirements and capabilities of the poor people so that it can provide protection to individuals who have little savings. Moreover, the insurance coverage value is comparatively very lower to the usual insurance plans. Thus, in a developing economy like India, micro insurance has a much wider role to play in order to economically uplift the not only the poor people in particular but also the overall economy of the country. The LIC creates micro insurance product to attract the rural segment of market, to tackle competition of private insurance companies. The very objective of the micro insurance policy is to cover the economically underprivileged segments of society. This paper attempts to analyze the performance of Micro Insurance in Silchar Division of LIC which comprises of the states Manipur, Tripura and some parts of Assam.

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INTRODUCTION

Micro insurance is an insurance which is meant and designed for the poorer and economically vulnerable section of the society who are usually not considered under the mainstream insurance providers. Here, the insurance schemes are tailored as per the requirements and capabilities of the poor people so that it can endow with financial back up to persons who are less privileged and have very little savings. Moreover, the insurance return value is comparatively very lower to the mainstream insurance plans. In a developing economy like India, micro insurance has a much wider role to play in order to economically uplift not only the poor people in particular but also the overall economy of the country. Like most of the other developing countries in the world, in India also the economically weaker sections of the society were outside the coverage of insurance services. However, for the protection and aiming towards social security of the vulnerable section of the society and to provide social protection as well as financial services to them IRDA published a list of norms in the year 2002 titled 'Obligations of Insurers to Rural Social Sectors'. This study attempts to analyze the overall growth and

challenges of Micro Insurance as an emerging financial services Industry in India.

Statement of the Problem

In order to ensure the overall socio-economic development of any country, it is very important to protect the poor and provide some financial back up against the perils and hazards of natural calamities, accidents, death of the sole earning member of the family etc. In India, the target of providing social and financial security against unexpected risks is yet to be fulfilled. Merely 20% of the total population worldwide have the benefit of appropriate social security. But, in most of the developing economies, sarcastically, the poor and financially vulnerable masses are actually deprived of any financial security as such they are the ones who suffer drastically. It is the rural inhabitants who are facing great dangers and sufferings. Since the risks they face are not safeguarded against any social protection as such this economically deprived section of the society cannot develop in the long run as well. Taking this aspect as a serious concern, on 10th November, 2005, the Insurance Regulatory Development Authority of India (IRDA) has framed and notified the Regulations for Micro Insurance, under the powers vested on it vide sections 114 A of the

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Insurance Act, 1938 and Section 26 of IRDA Act, 1989. Since then Micro Insurance has been formally provided by all the registered public and private insurance companies. In fact the IRDA has set a target percentage that is mandatory to be achieved in every financial year. For more betterment and development of Micro Insurance it is very essential to be able to meet the demand and supply of its products and services to the target population. Therefore, the insurance companies are solicited to make more appropriate and innovative products so as to efficiently meet the demands of the present and potential insurees of micro insurance. The target group for micro insurance are the low income groups who have irregular or unstable income patterns both in the rural and urban areas. Micro Insurance also assists in the insurance of assets purchased or acquired with micro-credit, personal accident, health, crop and life. This paper examines the performance of micro insurance services of LIC's Silchar Division which consists of Manipur, Mizoram Tripura and some parts of Assam.

Objectives of the Study

1. To identify the various Micro Insurance Products during the study period (2007-08 to 2011-12).
2. To analyze the performance of Micro Insurance of the Silchar Division of LIC, on the basis of Number of Policies issued and the First Premium Received.

METHODOLOGY

This study is based on secondary data. The data has been collected from annual reports of IRDA and LIC, Journals, books and websites. This study covers the time period of five years, i.e., 2007-08 to 2011-12.

Micro Insurance Products of LIC during 2007-08 to 2011-12

Life Insurance Corporation of India (LIC) is one of the largest public sector insurance firms in India. After the IRDA's 2005 Regulations, the LIC has also commenced its Micro Insurance services sector in the year 2006. LIC launched its first Micro Insurance policy which was meant and targeted to benefit the economically vulnerable section of the society.

The first Micro Insurance Policy which was launched by the LIC was "Jeevan Madhur". It is a simple savings related life insurance plan where the premium amounts are lower and the premium paying intervals are also designed to meet the convenience of the target group, as their income are generally not regular and fluctuating. The premium amounts ranges from Rs. 25/- to Rs 250/- which can be paid weekly, fortnightly, monthly, quarterly, half yearly, yearly intervals depending upon the customer's preferences.

Followed by Jeevan Madhur, the LIC launched its second Micro Insurance Policy named "Jeevan Mangal" on 3rd September, 2009. It is a micro life insurance, term assurance plan with return of premiums on maturity, where the premiums may be paid either in lump sum or regularly at yearly, half yearly, quarterly, monthly, fortnightly or weekly intervals over the term of the policy. Thereafter, on 1st September, 2012, the LIC launched its third Micro Life Insurance Policy named "Jeevan Deep". It is a simple savings related Life Insurance plan with Guaranteed Addition where the premiums may be paid either in lump sum or regularly at monthly, quarterly, half yearly or yearly intervals over the term of the policy. However, the aforesaid plans were active until December 2013.

After this all the above three plans were terminated by the LIC and two new plans were introduced namely New Jeevan Mangal and Bhagya Lakhshmi Plan. Since during the study period of the paper only the above three plans, namely, Jeevan Madhur, Jeevan Mangal and Jeevan Deep were active, therefore, this study highlights the features of those three plans only which are compared in the following table:

Performance of Micro Insurance Business of Silchar Division of LIC

In order to analyze the performance of micro insurance schemes offered by the LIC in Silchar Division, it is compared with the average performance of Micro Insurance schemes offered by the LIC in India. For the comparison of performance of LIC's Silchar Division with the "average performance" of Micro Insurance Schemes offered by the LIC in India, the total figures of the data for that of Micro Insurance services offered by the LIC in India has been divided by the total number of Divisional Offices of LIC in India which is 114.

Features/Products	Jeevan Madhur	Jeevan Mangal	Jeevan Deep
Plan Features	is a Micro Life Insurance policy, launched in September, 2006.	is a Micro Life Insurance Policy introduced with effect from 3 rd September, 2009.	It is a simple saving related Micro Life Insurance plan with guaranteed additions.
Minimum age at entry	18 years (completed)	18 years (completed)	18 years (completed)
Maximum age at entry	60 years (nearest birthday)	60 years (nearest birthday)	60 years (nearest birthday)
Maximum age at Maturity	65 years (nearest birthday)	70 years (nearest birthday)	65 years (nearest birthday)
Policy Term	5 to 15 years	10 to 15 years	5 to 10 years
Minimum sum assured	Rs. 5000/-	Rs. 10,000/-	Rs. 5,000/-
Maximum Sum Assured	Rs. 30,000/-	Rs. 50,000/-	Rs. 30,000/-
Maturity Benefit	On the survival of the beneficiary to the date of maturity, payment of maturity sum assured per Rs 1200/- annual premium.	In case of maturity, an amount equal to the total amount of premiums paid during the term of the contract excluding the accident benefit premium and all extra premium, if any.	On savings to the date of maturity, payment of the Basic Sum Assured along with accrued additions and loyalty additions, if any, shall be payable.
Death Benefit	On death during the term of the policy the Sum Assured under the basic plan is payable, provided the policy is kept in force.	On death during the term of the policy the Sum assured under the basic plan is payable, provided the policy is kept in force.	On death during the policy term excluding the last policy year, basic sum assured along with accrued Guaranteed Additions shall be payable.
Payment of Premiums	Daily, weekly, Fortnightly, Monthly, Quarterly, half Yearly and Annually.	Yearly, Half Yearly, Quarterly, Monthly including SSS, Fortnightly, Weekly and single premium (Single Premium is allowed for 10 year term only).	Premiums can be paid either in lump sum or regularly, monthly, quarterly, half-yearly or yearly intervals over the term of the policy.

Here, the analysis of the performance of LIC's Micro Insurance Policies are made on the basis of two parameters namely Number of Policies Issued and Amount of Premium Collected are taken into consideration in the present study. The study period comprises from 2007-08 to 2011-12.

Table 1 Table showing the Number of Policies Issued

Year	Silchar Division of LIC (Rs.)	Growth Rate (%)	Average per Division of LIC (Rs.)	Growth Rate (%)
2007-08	708968		1422807	
2008-09	1604007	126.25	2736842	92.36
2009-10	10720993	568.39	31719298	1058.97
2010-11	4931625	-54	38508772	21.4
2011-12	2651795	-46.23	40719298	5.74
AAGR	148.6%		294.62%	
CAGR	39.07%		131.29%	
Mean	4123477.6		23021403.51	
Co. of Variation	97.27%		84.30%	
t-test (p-value)		0.074		

Source: Annual Reports of LIC and IRDAI from 2007-08 to 2011-12 and secondary data collected from Silchar Divisional Office of LIC.

AAGR= Average Annual Growth Rate, CAGR= Compound Annual Growth Rate.

Table No. 1 shows the Number of Policies which were issued by the LIC in Silchar Division and India from 2007-08 to 2011-12. Also the average number of policies which were issued by the LIC per division is also shown. The micro Insurance services were initiated on 2006-07 by the LIC. Here the base year is taken as 2007-08 for calculating the percentage change in the growth rate. It is seen that the number of policies issued by the LIC at Silchar Division slowly increased from 5,600 in 2007-08 to 27,548 during 2009-10 showing a corresponding growth rate of 159.28% which was the highest among the other years in the study period. The growth rate of Silchar Division showed a negative rate of -44.73% in the year 2010-11. However in the subsequent year it again rose to 19240 policies showing a positive rate of 26.35% in 2011-12. The mean for Number of policies was found to be 15648. The Average Annual Growth Rate was 57.66% which was comparatively more than that of all India level. However, mere AAGR always does not portray the true picture for better understanding and reliability we may refer to the Compound Annual Growth Rate which was 36.15% which shows a lower growth when compared to national level micro insurance services rendered by the LIC.

The performance of micro insurance at India level has shown a satisfactory performance during the study period. The number of policies has increased with each following year. In the year 2008-09 there was the highest growth rate of 80.34% which had fallen down to 28.8% in the next year and thereafter rising to 48.67% in 2010-11 which was again little lowered in 29.67% in the following year. The mean Number of policies was found to be 2231799.20. The Average Annual Growth Rate was 46.87% which was lower than that of Silchar Division. However, the Compound Annual Growth Rate was 45.47% which was higher than that of Silchar Division. Therefore, the performance of Micro Insurance products and services of LIC in India is better than that of its Silchar Division, with respect to the Number of Policies procured by LIC for its Micro Life

Insurance Services. Now in an attempt to see if this difference in the performance level is statistically significant, we conducted the t-test for mean deviation. The estimated t-statistic reflects that there is no significant difference between the average performance of micro insurance schemes provided by the LIC in India and performance of micro insurance schemes provided by the LIC in Silchar Division.

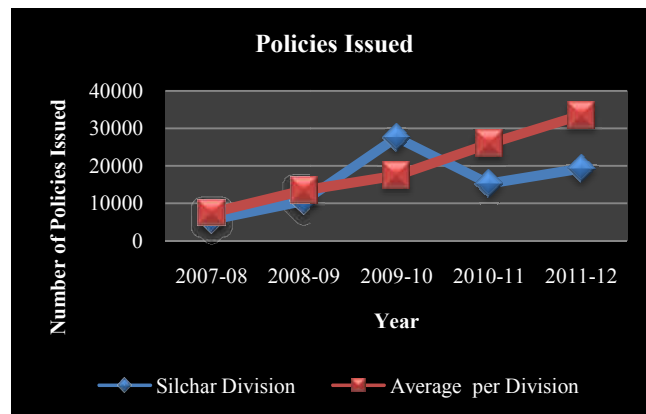


Figure 1

Table 2 Table showing the Amount of First Premium Collected

Year	Silchar Division of LIC (Rs.)	Growth Rate (%)	Average per Division of LIC (Rs.)	Growth Rate (%)
2007-08	708968		1422807	
2008-09	1604007	126.25	2736842	92.36
2009-10	10720993	568.39	31719298	1058.97
2010-11	4931625	-54	38508772	21.4
2011-12	2651795	-46.23	40719298	5.74
AAGR	148.6%		294.62%	
CAGR	39.07%		131.29%	
Mean	4123477.6		23021403.51	
Co. of Variation	97.27%		84.30%	
t-test (p-value)		0.074		

Source: Annual Reports of LIC and IRDAI from 2007-08 to 2011-12 and secondary data collected from Silchar Divisional Office of LIC.

AAGR= Average Annual Growth Rate, CAGR= Compound Annual Growth Rate.

The above **Table 2** exhibits the first premium income of Micro Insurance Business by the LIC in India and in Silchar Division. Also the average amount of first premium income (FPI) collected per division is shown. Here the base year is taken as 2007-08 for calculating the percentage change in the growth rate. The first premium income of micro insurance in Silchar Division was increased to 126.25% during 2008-09 amounting to Rs. 1604007 from Rs. 708968 in the starting year of the study period. Followed by which, it showed an immense rate of growth of 568.39% amounting to Rs. 10720993. However, there was a downward fall to -54% and -46.23% in 2010-11 and 2011-12 respectively. The Average Annual Growth Rate (AAGR) was found to be 148.6% and the Compound Annual Growth rate (CAGR) was 39.07%. The calculated mean for the first premium income at Silchar Division is 4123477.6.

The first premium income of Micro Insurance at All India Level was slowly increased from Rs. 1622 lakhs in 2007-08 to Rs. 3120 lakhs in 2008-09 corresponding to a growth rate of

92.36% which was followed by the highest growth rate of 1058.97% amounting to a sum of Rs. 36, 160 lakhs in the year 2010-11. In the year 2011-12, there was 21.4% of growth rate amounting to Rs. 43, 900 lakhs followed by a rate of 5.74% in the year 2011-12 which amounted to Rs. 46,420 lakhs. The Average Annual Growth Rate (AAGR) was found to be 294.62% and the Compound Annual Growth rate (CAGR) was 131.29%. The mean of micro insurance products on the basis of first premium income at average per division is 23021403.51.

The performance of Micro Insurance products and services, on the basis of amount of First Premium Collected, we see that the AAGR and CAGR values of Silchar Division are comparatively lower than that of the average performance of the Micro Insurance schemes offered by the LIC in India. Therefore, the performance of Micro Insurance products and services of LIC in India is better than that of its Silchar Division, with respect to the First Premium collected by LIC for its Micro Life Insurance Services. Now in an attempt to see if this difference in the performance level is statistically significant, we conducted the t-test for mean deviation. The estimated t-statistic reflects that there is no significant difference between the average performance of micro insurance schemes provided by the LIC in India and performance of micro insurance schemes provided by the LIC in Silchar Division.

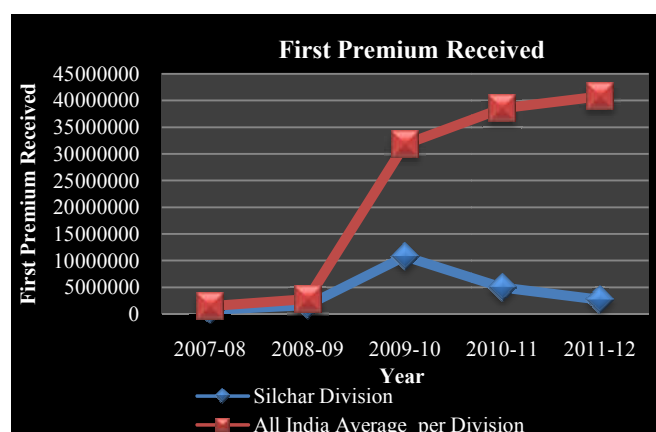


Figure 2

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CONCLUSION

Micro Insurance is a safety net against the specific hazards and socio-economic shocks which are mostly faced by the poor. It is a win-win situation for both the economically unprivileged masses and also for the overall development of an economy. It is designed in a specific manner so as to provide financial security to the vulnerable and gross-root population. It is still in its infant stage as micro insurance is just a decade old so far. Micro insurance business has a long way to go and it can efficiently act as a tool towards eradication of poverty throughout the country. In a developing economy like India it is very significant to strengthen the roots of micro insurance so as to assure the smooth development and growth of the entire nation. Life Insurance Corporation of India is one of the biggest providers of Micro Insurance services in India. The LIC should take more initiatives to increase the business of Micro Insurance in both the rural and urban areas.

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