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NEED OF MICRO INSURANCE IN INDIAN SCENARIO WITH SPECIAL REFERENCE TO UDUPI DISTRICT

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ABSTRACT

Indian Insurance Industry has seen a significant growth over the past few years on account of growing national economy, increasing per capita income, growing consumer awareness about insurance products, and the entry of foreign players in the Indian market bringing in more innovative products. The importance of insurance and its awareness is being created and the insurance products are being promoted in urban areas. But whereas when exposed to financial shocks what happens when a poor family's breadwinner dies, when a child in a disadvantaged household is hospitalised, or the home of a vulnerable family is destroyed by fire or natural disaster? Every serious illness, every accident and every natural disaster threatens the very existence of poor people and usually leads to deeper poverty. This study is undertaken to analyse the need of micro insurance and its viability in the city of Udupi. Hence this study provides a detailed analysis on the need of micro insurance and its viability in the Indian Scenario.

KEYWORDS

insurance, micro insurance, social security.

1. INTRODUCTION

1.1 HISTORY OF INSURANCE IN INDIA

The insurance industry in India, private and public, has its roots in the 19th century. The British Government set up state-run social protection schemes for its colonial officials, many of which evolved into the schemes that operate to this day. The first private insurance company was the Oriental Life Insurance Company, which started in Calcutta in 1818. The 19th century saw the development of a number of Indian insurance companies including the Bombay Mutual (1871), Oriental (1874) and the Empire of India (1897). Under British rule there were large numbers of insurance companies operating in India. In 1938 the British passed the Insurance Act, a comprehensive piece of legislation governing the insurance industry. The Act remains the legislative cornerstone of the insurance industry to this day. Regulated Indian insurers are divided into two core categories : life and general insurance. Life insurance includes products like endowment policies and retirement annuities. General insurance covers all other types of insurance. In 1956 the Indian Government nationalized the life insurance industry. The reasons given at the time were high levels of fraud in the industry and a desire to spread insurance more widely. As Prime Minister Nehru noted at one time in Parliament, "We require life insurance to spread rapidly all over the country and to bring a measure of security to our people." The Government combined 154 insurance providers and formed the Life Insurance Corporation of India. General insurance remained in private hands until 1973 when it was nationalized.

The impact of nationalization was to create a small number of state-owned insurance companies. Just prior to nationalization, 68 Indian (including the Life Insurance Corporation, LIC) and 45 non-Indian entities sold insurance. All these organizations were absorbed into one giant corporation, the General Insurance Corporation (GIC) with its four subsidiaries: Oriental Insurance Company Limited, New India Assurance Company Limited, National Insurance Company Limited, and United India Insurance Company Limited. At the beginning of 2005 there were 14 life and non -life insurers operating in India.

1.2 MICRO INSURANCE

Micro insurance, commonly called as insurance for the poor, has recently drawn the attention of practitioners in developing countries. In common parlance, micro insurance is the provision of insurance services to low-income households, which serves as an important tool to reduce risks for the already vulnerable population. There is no unanimously accepted definition of micro insurance despite its profound use and understanding across stakeholders and others. A simple definition of micro insurance is offered by Churchill (2006) is that it is an insurance that

(i) operates by risk-pooling
(ii) financed through regular premiums and
(iii) tailored to the poor who would otherwise not be able to take out insurance.

Micro insurance is defined as insurance that is accessed by the low-income population, provided by a variety of different entities, but run in accordance with generally accepted insurance practices. Importantly this means that the risk insured under a micro insurance policy is managed based on insurance principles and funded by premiums (International Association of Insurance Supervisors, 2007). Micro insurance is different from usual form of insurance. A macro definition of micro insurance states that it is the provision of financial protection contingent on the occurrence of predefined risk in exchange for an ex-ante premium payment affordable to the clients. In terms of micro definition, micro insurance is more complicated as there are different approaches. ―Micro‖ as reference to low premium and low benefits may be affordable but it may not be effective enough to manage risks of different types of different categories of clients. Micro insurance is often believed to be an important component of a broader set of financial services under microfinance – making available financial services for poor households and enterprises to sustain their livelihoods. Basically there are two broad categories of micro insurance often commonly understood – one focused on extending social protection to the poor in the absence of appropriate government schemes and the other offering a vital financial service to low-income households by developing an appropriate business model that enables the poor to be a profitable (or sustainable) market segment for commercial or cooperative insurers. Micro insurance is also taken as group insurance that can cover thousands of customers under one contract. It requires an intermediary between the customer and the insurance company. This intermediary role has been played mainly by non-governmental organization (NGO) and micro finance institutions (MFI). The role of intermediaries in growth of micro insurance in India is well documented.

Currently around 135 million, or 5%, of low income people in developing countries are using micro insurance products. But the size of insurance market for low income groups is large and it constitutes about 1.5 to 3 billion potential clients (Micro insurance Centre, 2007). According to a research carried out by Swiss Re in 2007, most growth in the insurance industry over the past decade has come from the wealthy and middle income markets in emerging economies. Premiums grew by 3.3% globally and by 11.8% in the emerging markets in that year. Though partly this was due to a growing number of clients moving into the wealthy and middle income brackets in these countries, it is also attributable to insurance expanding into new markets. The number of people covered under micro insurance is estimated about 78 millions in 77 countries out of 100 less developed countries.

1.2.1 MICRO INSURANCE IN INDIA

In India development of micro insurance sector and related policy discussions has started few years back. Within very short period, the sector has drawn attention of policy makers due to its importance both at household level and the economy as a whole. Two major and recent studies by the ILO (2004a and 2004b) depict broad picture of micro insurance sector in India. As regard to the micro insurance products the study highlights that out of 80 listed insurance products 45 cover only a single risk and only two or three products cover multiple risks. Majority of the insurance products cover life (52%) or accident-related risks and addressed to individuals. Out of the 12 currently available health insurance products seven products have been designed and restricted to groups and five products have chosen to coverage to some critical illness at individual level but not the reimbursement of hospitalisation expenses. Most of the products require a single payment of premium (i.e., a one-time payment) upon subscription. Private insurers had three times more products than their public counterparts.

Some important observations about the demand for micro insurance in India are made in a recent study by ILO (2004b). The study provides details of micro-insurance schemes operational in India. Out of 51 schemes that are operational in India most schemes have started operations during the last few years. As regards to beneficiaries, about 43 schemes, for which the information is available, cover 5.2 million people. About 66% of the micro insurance schemes are linked with micro finance services provided by specialized institutions (17 schemes) or non-specialized organizations (17 schemes). Twenty two percent of the schemes are implemented by community based organizations, and 12% by health care providers. Life and health are the two most popular risks for which insurance is demanded. Twenty-five out of 37 schemes received some external funds to initiate their schemes. Twenty out of 32 schemes received external technical assistance in the form of advisory services, technical services, training or even referral services for their schemes. As regard, to the regional distribution of micro insurance outreach about 74 % of total schemes operate in 4 southern states constituting Andhra Pradesh (27%), Tamil Nadu (23%), Karnataka (17%) and Kerala (8%). Two western states Maharashtra (12%) and Gujarat (6%) account for 18% of the schemes. About 56% of schemes deal with one single risk. This shows low outreach and unequal distribution of micro insurance in the country. The study also reflect the linkage between micro-insurance and micro-finance.

Development of micro insurance is often related to micro credit, particularly in developing countries like India. Though micro credit has dominated in micro finance market the entry of micro insurance is only in recent past. In India micro insurance is a relatively new financial service and its outreach is rather limited and unevenly distributed across states. The overall performance of micro insurance in India is not very encouraging. According to a recent study by UNDP (2007), the outreach of micro insurance is around 5 million people covering only 2 percent of the poor in the country. It shows there is huge potential for micro insurance market in the country. A conservative estimation of size of micro insurance market (both life and non life) in India ranges between INR 62,304.70 to 84,267.55 million (US$ 1,384.55 to 1,872.61 million). In case of life insurance, the market potential is estimated to be between INR15,393 to 20,141 million (US$ 342.07 to 447.58 million) and in case of non-life insurance, it is between INR46,911.70 to 64,126.55 million (US$1,042.48 to 1,425.03 million). The non-life insurance estimation is limited to four types of coverage – milch animals, livestock, health and crop insurance. The population used for this estimation is 40-50 percent of those earning less than US$1 a day and 50-70 percent of those earning between US$1 – 2 a day. This is expected to increase as demand grows and a wider range of risks are recognized as insurable. However, high exclusion of poor and vulnerable groups from formal insurance cover in India is also evident as per the UNDP study.Social protection measure is often related with micro insurance for the poor and low income groups. Micro insurance can play a crucial role as a comprehensive tool to reduce poverty, inequality and vulnerability, particularly where public social protection measures are inadequate and unevenly distributed. Unfortunately, more than half of the world's total poor do not benefit from any form of social protection measures. Since micro insurance is designed for the protection of low-income people to cope with common risks, it can also strive to cover the excluded such as poor, women and workers in informal sector. In many developing countries like India, the proportion of informal workforce in total workforce is substantial and there is increasing tendency towards casual nature of labour. Under this situation, it becomes daunting task on the part of the government to provide social security to all. About 90 percent of the working population of India is employed in the informal sector and about thirty percent of the unorganized workers are very poor who needs public social security supports. Although current social protection measures consist of health, disability, death, old age and economic risks are prioritized, its funding and implementation remain challenging. In India social protection being a concurrent subject, it has its own political economy. So in the absence of a dependable social protection, the importance of micro insurance becomes interminable. With inherent limitations of the existing social protection measures in the country, there is also a high demand to combat the adverse impacts of natural disasters such as drought, floods, cyclone etc. Unfortunately, the ex-post coping mechanisms primarily supported by the Government are not sufficient and do not cover all groups in all sectors. Though India has exhibited with series of pro-poor anti-poverty measures oriented towards reduction of risks and vulnerability, micro insurance can contribute indirectly as it often exclude covariant risks from their portfolio.

There are a wide range of developmental programmes being supported by the Government like Swarna Jayanti Gram Swarojgar Yojana (SGSY), National Rural Employment Guarantee Scheme (NREGS), Rastriya Swasthya Bima Yojana (RSBY), Rastriya Health Mission (RHM), Aam Aadmi Bima Yojana (AABY), Indira Awas Yojana (IAY), Public Distribution (PDS), old age allowances, drought relief etc. which have facilitated the improvement of income levels of poor households. The public-package of - Doubling Flow of Agricultural Credit has also enabled greater institutional credit flow for agriculture and allied activities. However, all these policy interventions, though ambitious in stated intent, only incidentally address household risks. The most vulnerable rural population, particularly women, older people and rural people are mostly excluded from the insurance market. It implies the need of this segment of population for protection of their lives / income-generating assets against various perils. At present, Personal Accident Insurance Scheme (PAIS) which is being provided as a bundled offering along with the Kisan Credit Card (KCC) Scheme and the Rashtriya Krishi Bima Yojana (RKBY) for insuring crops, are, probably, the only borrowed-linked risk mitigation mechanisms available to rural households. Similarly, the progress in enrolment of the poor in the Rashtriya Swasthya Bima Yojana (RSBY) in its sixth year of operation does not seem to meet the target to cover all poor by 2015. Under this situation, prospect of micro insurance is expected to be much wider and challenging, especially with huge network of financial infrastructure in the country. For instance, many commercial banks have partnered foreign insurance companies for providing life insurance policies. Thus, banking outlets (which number close to 70,000) and more than 1 lakh cooperative societies could provide the needed outreach to purvey micro-insurance facilities without much addition to transaction costs. Unfortunately, the desired outreach and efficacy of micro insurance sector in India has not been achieved.

2.1 VIABILITY OF MICRO INSURANCE IN INDIAN SCENARIO

What happens when a poor family's breadwinner dies, when a child in a disadvantaged household is hospitalised, or the home of a vulnerable family is destroyed by fire or natural disaster? Every serious illness, every accident and every natural disaster threatens the very existence of poor people and usually leads to deeper poverty. It is important that maximum Indians are provided a social security blanket to safeguard their future. The need for micro-insurance thus becomes critical. But micro-insurance does not get its prominence for the following reasons

1. Ten myths about demand for micro insurance
2. People don't buy micro insurance because they don't understand it
3. People can't afford to buy micro insurance
4. After a shock, people are more likely to buy micro insurance
5. People don't buy micro insurance because they don't trust the insurance industry.
6. People buy micro insurance when premiums are low
7. People buy micro insurance when they are convinced
8. People buy micro insurance when the product is actuarially fair
9. People don't value free things, not even free micro insurance
10. Micro insurance always sells better when bundled with other financial services
11. Men, the middle-aged and the risk-averse, buy more micro insurance

2.2 AIMS AND OBJECTIVES OF THE STUDY

1. Emphasize the importance of micro insurance to the people of the low income group and below poverty line
2. Create awareness about micro insurance among people of udupi
3. analysing the needs and wants of a low income group of people with respect to the micro insurance,
4. designing micro insurance products which suit their needs and requirements.

2.3 SCOPE OF THE STUDY

The project covers samples across various respondents in the villages in and around the Udupi city and also the people from the insurance industry. The study focuses on analysing the needs and wants of a low income group of people with respect to the micro insurance, creating awareness among them, designing micro insurance products which suit their needs and requirements. Apart from that, various attributes like the most influential external factors which form the distribution channel in selling the insurance products, the technology to be used in the promotion of new products and the various ways to reach out the targeted group is discussed. This enables to assess the various factors that affect the overall satisfaction levels of consumers towards fashion apparels in the city. It also encompasses certain improvement factors from the viewpoint of targeted group that will help the insurance industry to serve their customers better.

2.4 SIGNIFICANCE OF THE STUDY

The study carried out has been significant in knowing about the statistical ratio of people and the property insured. The ratio of people insured to not insured is very meagre. Lack of awareness of such micro insurance products existing is itself something surprising to the targeted group of people. Even those people who can afford and willing to afford are not covered as they are not aware of such schemes. Promotion of micro insurance products to the rural society is much more difficult than to the urban society. Self Help Groups, Non profit organisations must be involved in the promotion activities which will have a quick reach out to the people of the rural areas. New micro insurance products introduced must be designed after consulting with them so that it suits their needs and requirements. The premium amount being less, instalment options and affordable, the Sum Insured being adequate, group policies are some of the considerations.

2.5 LIMITATIONS OF THE STUDY

1. The samples selected may not be a true representation of the market.
2. The data supplied by the respondents may not be true to the fullest extent.
3. The study was restricted only to the people in the villages in and around Udupi.

3. LITERATURE REVIEW

In this section we have summarized findings and major issues of some important studies and reports on micro insurance in general and in India in particular with focus on household risks and risk managing strategy, outreach of micro insurance products, major policy regulation and constraints. It helps us to develop a framework for analysis of the present study which is presented in subsequent chapters. Available literature evaluating the impact of insurance in low - income countries is limited. There is also unbalance between different types of insurance products. Overall, the emphasis is concentrated on different health insurance schemes, and their impact on health care utilization, out-of-pockets expenditure or social inclusion. Very few studies evaluate the impact of insurance on household income, nutrition, or other dimensions of welfare than those directly related to the insurance. Study on other insurance products are also limited and hindered by the lack of systematic baseline data on individual beneficiaries and groups.

Cohen and Sebstad (2006) highlighted the need to carefully study of clients‘ insurance needs before introducing a new product, where market research can include studying (i) clients‘ needs, (ii) specific products, or (iii) the size of the potential market. Analyzing insurance demand from Uganda, Malawi, Philippines, Vietnam, Indonesia, Lao P.D.R., Georgia, Ukraine and Bolivia they found that the most prevalent risks relate to health and loss of wage earners. In a recent study by Ito and Kono (2010) on health micro insurance in Karnataka, India found that take - up rates of micro insurance have been low despite its perceived need and the enthusiasm of micro finance practitioners. They found some evidence that people behave in a risk - loving way when facing the risk of losses. However, despite these patterns, households‘ priorities regarding demand for insuring risks are nevertheless context specific. More research is essential to understand and identify the means for increasing insurance take - up rates and decreasing dropout rates.

A general understanding about attributes of micro insurance products from a client perspective is awareness, easy to understand, simple, affordable, valuable and trust. These factors are determinants of uptake and therefore, determine the impact of micro insurance at household level. As regard, to supply of micro insurance products some common findings are emerged

from across studies. While different perspective of different stakeholders constitutes as a major supply constraint, availability of suitable distributive channel, pricing and regulation determine the overall supply of micro insurance products. Interestingly, most of the low segment insurance markets are supply driven. From the insurers' perspective, micro insurance opens a huge market, especially for the ones facing market saturation. Insurers aim to develop new business models that create mechanisms which cater to this low-income market who will be future high-income clients. Unfortunately, standardized insurance product may not respond to client needs. A Study of this viability of micro insurance product is presented below.

4. RESEARCH METHODOLOGY

The project is done by conducting face-to-face interviews with the people from the villages in and around the city of Udupi, the Agents of the General Insurance Industry and the employees of the Insurance Industry through structured questionnaires. The respondents from the villages and the agents are selected at random in the city of Udupi.

4.1 RESEARCH DESIGN

A descriptive study design is one in which the primary goal is to assess a sample at one specific point in time without trying to make inferences or causal statements. In general, there are three primary reasons to conduct descriptive studies:

- To identify areas for further research.
- To help in planning resource allocation (needs assessment).
- To provide informal information about a condition.

Since the project aims at identifying the needs and requirements of the low income group people with respect to Micro insurance products, a thorough descriptive study is done.

4.2 DATA COLLECTION

The data required for the study have been collected from primary sources.

Primary Data: The primary data necessary for the study include the information collected from people from the villages in and around the city of Udupi , the Agents of the Insurance Industry and the employees of the Insurance Industry. A structured questionnaire has been used as an aid to collect the data from the respondents. The samples have been collected from the respondents with the help of a questionnaire by conducting face-to-face interviews.

POPULATION

The survey is taken from the customers among the people from the villages in and around the city of Udupi, the Agents of the Insurance Industry and the employees of the Insurance Industry in the city of Udupi.

SAMPLE

A sample comprises of some members selected from the population. It is, basically, a subset of the entire population. The sample size for the study is 100.

4.3 SAMPLING TECHNIQUE

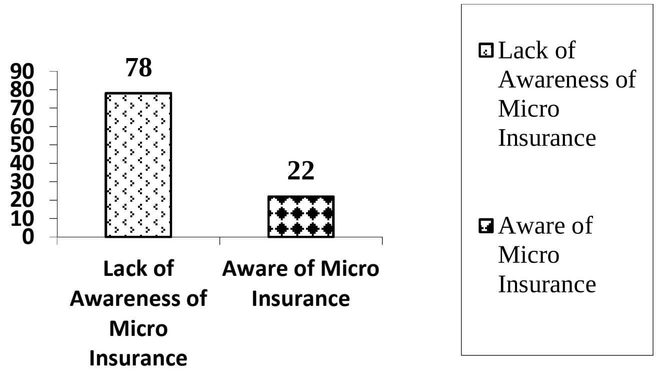
The sampling technique employed for this study is non probabilistic convenient sampling. However, broadly speaking the sampling employed also falls under Area sampling technique, as the identifiable geographic area in the study is Udupi city limits.

5. DATA ANALYSIS AND INTERPRETATION

LACK AWARENESS OF MICRO INSURANCE PRODUCTS

Lack Of Awareness of Micro Insurance (%)	Aware of Micro Insurance (%)
78	22

FIG. 5.1: PERCENTAGE OF PEOPLE WHO LACK AWARENESS OF MICRO INSURANCE PRODUCTS



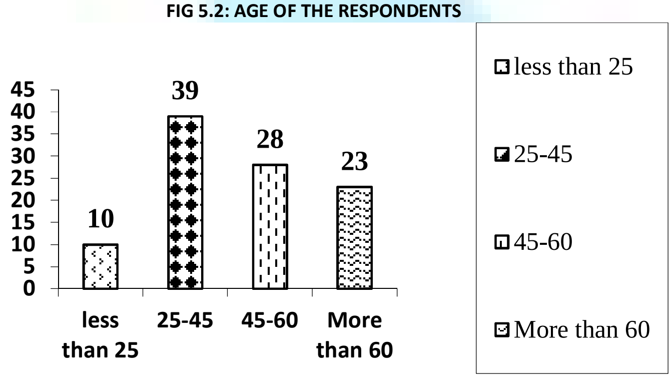
Inference

The Figure 5.1., shows that about 22% of the people of the targeted group are aware of the micro insurance products whereas 78% of the people lack awareness.

AGE OF THE RESPONDENTS

Age limit	No. of respondents
Less than 25	10
25-45	39
45-60	28
More than 60	23

FIG 5.2: AGE OF THE RESPONDENTS



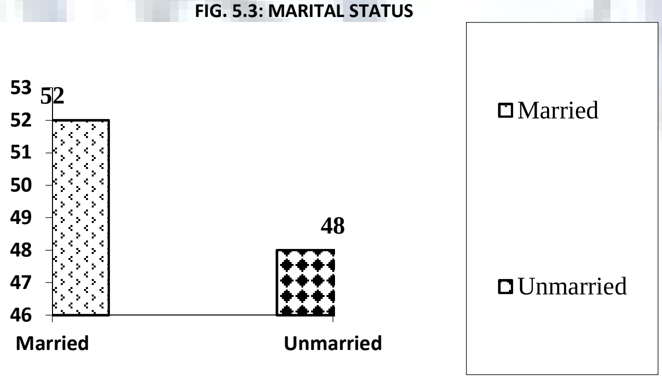
Inference

From the above table and figure, we can see that 39% of the customers are of the age group 25 to 45 and 28% are of the age group 45 to 60 years. Only 10% are less than 25 years and 23% are in the age group of more than 60 years.

MARITAL STATUS

Marital status	No. of respondents
Married	52
Unmarried	48

FIG. 5.3: MARITAL STATUS



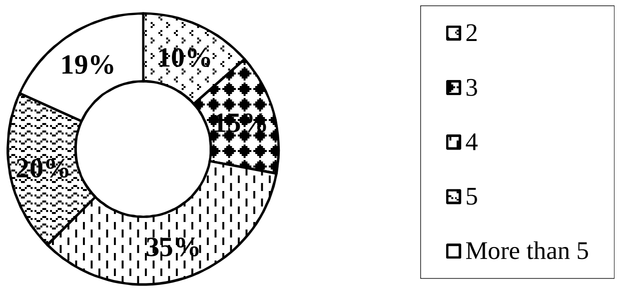
Inference

The table shows that about 52% of the customers are unmarried with the rest 48% being married.

FAMILY SIZE

Family size	No. of respondents
2	10
3	15
4	36
5	20
More than 5	19

FIG. 5.4: FAMILY SIZE



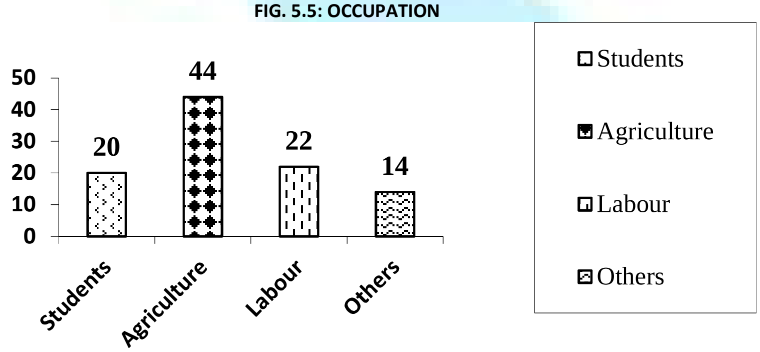
Inference

The data above shows that 36% of the customers are with a family size of 4 and 20% have their family size as 5.

OCCUPATION

Occupation	No. of respondents
Students	20
Agriculture	44
Labour	22
Others	14

FIG. 5.5: OCCUPATION



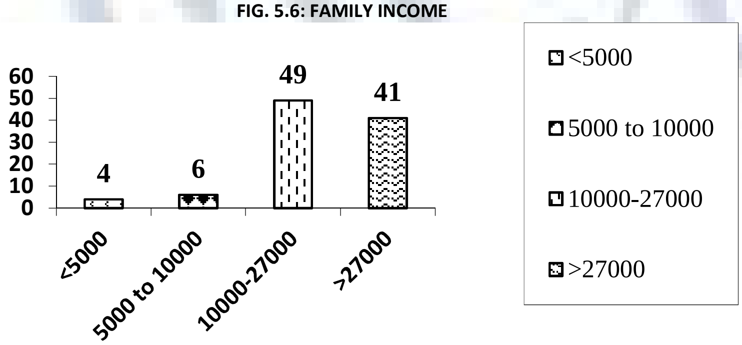
Inference

We can see that 41% of the respondents are from agricultural background and 23% of them are students. 22% were people engaged in labour work and the rest 14% belonged to other occupations like graduates, housewives, poultry work etc.

FAMILY INCOME

Family income	No. of respondents
Less than 5000	4
5000-10000	6
10000-27000	49
More than 27000	41

FIG. 5.6: FAMILY INCOME



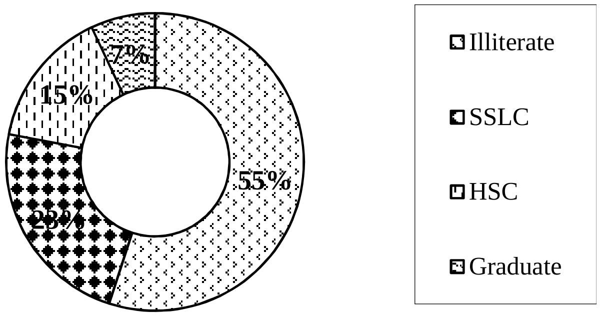
Inference

49% of the respondents belonged to the income group of 10000 to 27000 and 41% of them have an annual income of more than 27000.

EDUCATIONAL QUALIFICATION

Educational Qualification	No. of respondents
Illiterate	55
SSLC	23
HSC	15
Graduate	7

5.7: EDUCATIONAL QUALIFICATION



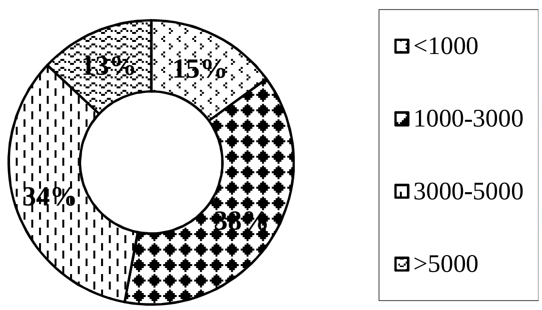
Inference

The above table and figure show that 55% of the respondents are illiterates. 23% of them have the educational qualification of SSLC.

HOSPITAL EXPENDITURE

Expenditure (in Rs)	No. of respondents
Less than 500	15
500-1000	38
1000-5000	34
More than 5000	13

5.8: HOSPITAL EXPENDITURE



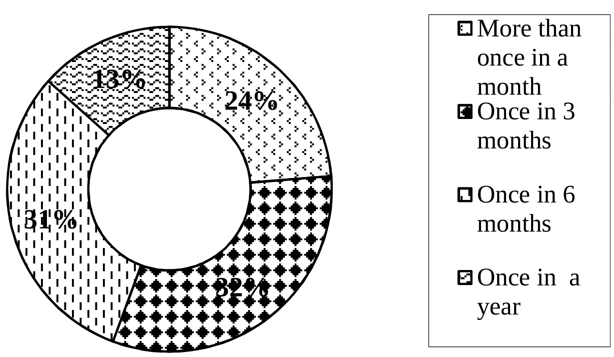
Inference

38% of the respondents spend about Rs.500 to Rs. 1000 in one visit to the hospital. 34% of them buy in the range of Rs. 1000 to 5000/-

FREQUENCY OF HOSPITAL VISIT

Frequency of Hospital Visit	No. of respondents
More than once in a month	26
Once in 3 months	31
Once in 6 months	30
Once in a year	13

FIG. 5.9: FREQUENCY OF HOSPITAL VISIT



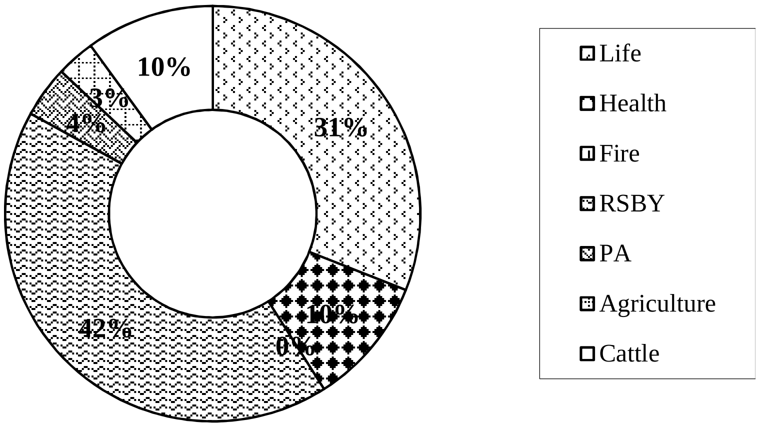
Inference

The frequency of hospital visit is 31% of them visit once in 3 months. 30% of them visit once in 6 months and 26% of them more than once in a month. The rest 13% once in a year.

AWARENESS OF INSURANCE PRODUCTS

Awareness of Insurance Products	No. of respondents
Life Insurance	31
Health Insurance	10
Fire Insurance	0
RSBY	42
Personal Accident	4
Agriculture	3
Cattle	10

FIG. 5.10: AWARENESS OF INSURANCE PRODUCTS



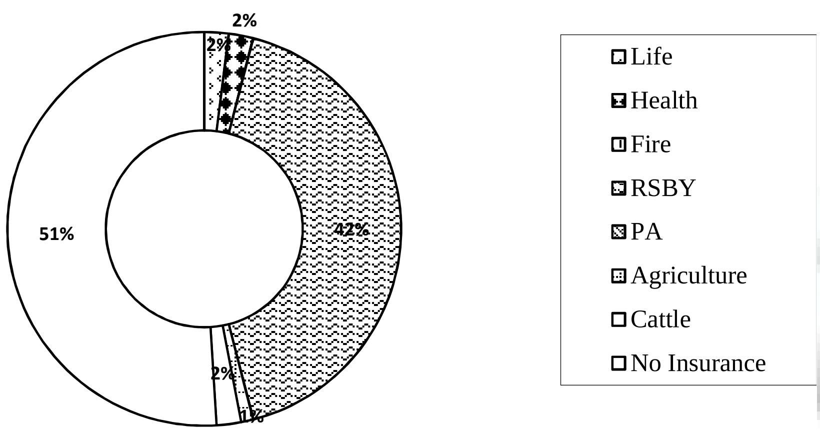
Inference

42% of the respondents are aware of RSBY scheme, 31% are aware of Life Insurance, 10% of them are aware of Cattle and Health, 4% of them are aware of Personal Accident, 3% of them are aware of Agriculture and no one is aware of Fire Insurance.

INSURANCE COVERAGE

Insurance Coverage	No. of respondents
Life Insurance	2
Health Insurance	2
Fire Insurance	0
RSBY	42
Personal Accident	0
Agriculture	1
Cattle	2
No Insurance	51

FIG. 5.11: INSURANCE COVERAGE



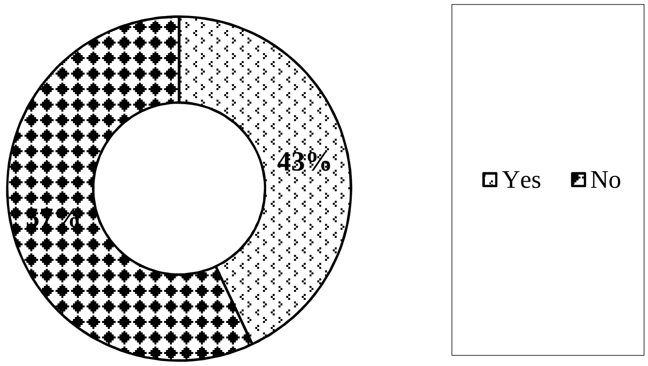
Inference

51% of the respondents do not have any Insurance Policy and 42% of the respondents are covered under RSBY scheme introduced by the government.

APPROACH OF REPRESENTATIVES FROM INSURANCE INDUSTRY

Approach of Representatives from Insurance Industry	No. of respondents
Yes	43
No	57

FIG. 5.12: APPROACH OF REPRESENTATIVES FROM INSURANCE INDUSTRY



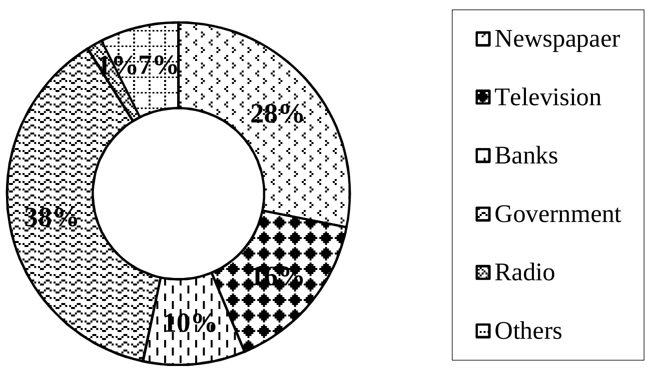
Inference

From the above data we can see that 43% of the representatives from the Insurance Industry have approached for marketing and the rest 57% of the respondents say they have not been approached.

SOURCE OF INFORMATION

Source of Information	No. of respondents
Newspaper	3
Television	21
Banks	13
Government	51
Radio	2
Others	10

FIG. 5.13: SOURCE OF INFORMATION



Inference

We can see that 51% of the respondents have their source of information from the Government, 21% of them through television, 13% through banks.

6. MAIN FINDINGS/OUTCOME OF THE STUDY WITH RESPECT TO OBJECTIVES

This study carried out emphasizes the point that the people from the low income group and BPL families are not aware of the benefits of micro insurance products which exists with the insurance companies today. They feel ignored by the society for left uncared. Even though they are covered under certain government schemes they are not able to make full utilization of them as they are not provided education on them like whom to approach in case of contingencies, where to report the unexpected event etc. The distribution channels for promotion of micro insurance products are not much effective.

7. CONCLUSION

Low demand for micro insurance is a complex problem, with many factors determining whether or not an individual buys insurance. Although the evidence is not conclusive, several lessons can be drawn from this review. Trust, liquidity constraints, the quality of the client value proposition and behavioral constraints are the most important determinants of demand. Mitigating those challenges has the strongest impact on take-up. The data on renewals suggests that increasing understanding of insurance, as well as improving client value proposition and overcoming behavioral constraints, can significantly boost renewals, thereby lowering customer acquisition costs. Personal characteristics such as risk aversion, age and gender do not appear to affect demand strongly.

There are cost-effective ways of significantly boosting demand. Practitioners need to understand the demand puzzle in its context, identify the most important determinants and design specific marketing strategies. Experience shows that acting on value proposition, trust and behavioral constraints are the most cost-effective ways of boosting demand. Incorporating these factors into a marketing strategy does not need to be expensive. Some strategies, such as including value-added services, using trusted messengers or SMS reminders, address those determinants and can be deployed quickly without excessive investment. However, simply implementing the strategies is not enough. It is critical to continue evaluating their cost-effectiveness so as to improve market understanding and to keep adjusting marketing strategies in order to maintain high demand.

Gaps remain in understanding the demand for micro insurance. More work is required to identify ways of overcoming behavioral constraints and building trust. Both these drivers are important, and more research is needed on the effectiveness of related marketing strategies. More research is also required in order to exploit complementarities between formal and informal practices, for instance by offering insurance via the vehicle of a pre-existing, informal group. Finally, more attention should be given to the problem of low renewal rates, an issue largely neglected to date.

8. RECOMMENDATIONS

- The insurance companies should try to focus on meeting the varying needs and requirements of the people in the rural areas.
- Additional commission or incentive schemes to be introduced for the Agents in the distribution channel.
- Simple language must be used while explaining to people and not in insurance parlance.
- The process of taking insurance must be simplified that is not complicated and time consuming. Representatives from the insurance company must be easily approachable in extending their help at the time of claim.
- Promotion through media must be made through advertisements.
- MFIs (Micro Finance Institutions), NGOs (Non Governmental Organizations), Regional Rural Banks, Self-help groups (SHGs) and their federations and cooperatives can be made used.
- New innovations and technologies must be used to reach and every individual in the rural areas like Mobile banking.

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