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STATEMENT OF THE PROBLEM
OBJECTIVES
HYPOTHESIS (ES)
RESEARCH METHODOLOGY
RESULTS & DISCUSSION
FINDINGS
RECOMMENDATIONS/SUGGESTIONS
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CONTRIBUTION OF LIFE INSURANCE CORPORATION IN MICRO INSURANCE SECTOR

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ABSTRACT

Micro insurance is generally, but inaccurately referred to as a new concept. It first appeared as a new financial service within micro finance and developed in to a sector of its own. The term micro insurance was first published around 1999 and in the development environment, defining it has been subject of much debate and discussion. Micro insurance has been defined as a mechanism to protect poor people against risk (accident, illness. death in the family, natural disasters) in exchange for insurance premium payments tailored to their needs, income and level of risk. The major players in micro insurance include Life Insurance Corporation, Industrial Credit and Investment Corporation of India (ICICI) prudential life insurance company Limited, Birla sun life insurance company Limited, State Bank of India (SBI) life insurance company Limited, Allianz Bajaj Life Insurance Company Limited, Metlife India insurance company private Limited, Aviva life insurance company India Limited, Sahara India Life Insurance,Shriram life insurance company. The study gave importance to various micro insurance products offered by Life Insurance Corporation in Kerala to protect the lives of low income people. Secondary sources are used to collect required data for the study.The study revealed that Life Insurance Corporation has a major role in micro insurance sector to protect the lives of poor people.

KEYWORDS
jeevan deep, jeevan madhur, jeevan mangal, Life Insurance Corporation.

INTRODUCTION

The concept of insurance dates back to around 3000 BC in China where merchants and their investors shared the risks of goods lost when shipping overseas. A similar concept evolved in Babylon; the Greeks and Romans introduced the origins of health and life insurance around 600 BC when they created benevolent societies which cared for the families of deceased members. England's first fire insurance company was launched following the Great fire of London in 1666. At the same time, Mr .Edward Lloyd opened a coffee house that was a popular haunt for those in the maritime industry and became a meeting place for those wishing to insure ships and cargoes .Thus Lloyd's of London was established .At the end of the 17 th century, the first mortality table was created,which marked the first step in the development of modern life insurance.

MICRO INSURANCE

The term micro insurance first appeared as a new financial service within micro finance. Micro insurance typically refers to insurance services offered to low income people in order to protect them against specific risk. It is a means of protection against specific risks in exchange for a regular payment of premium. The amount of premium payable is proportional to the likelihood and cost of the relevant risks. The term micro insurance was first published around 1999.It can be defined as a risk transfer device characterised by low premiums and low coverage limits ,and designed for low income people not served by typical social insurance schemes. (Micro Insurance Academy, India, 2007)

OBJECTIVES OF THE STUDY

1. To study about the contribution of Life Insurance Corporation(LIC) in micro insurance sector
2. To understand the major players in micro insurance sector
3. To identify various micro insurance products
4. To understand micro insurance delivery models
5. To make an analysis about micro insurance products offered by LIC as a micro insurance player

MAJOR PLAYERS IN MICRO INSURANCE

1) Life Insurance Corporation (LIC)
2) Industrial Credit and Investment Corporation of India (ICICI) prudential life insurance company Limited
3) Birla sun life insurance company Limited
4) Tata AIG Life insurance company limited
5) SBI life insurance company Limited
6) ING vysya life insurance company private limited
7) Metlife India insurance company private Limited
8) Allianz Bajaj life insurance Company limited
9) Aviva life insurance company India Limited
10) Sahara India life insurance
11) Shriram life insurance company
12) Industrial Development Bank of India (IDBI) fortis LIC Ltd
13) DLF pramerica LIC ltd
14) Star union Dai-ichi LIC Limited.

MICRO INSURANCE PRODUCTS

Micro insurance products help low income people to cover their various risks such as death, illness, accident, property damage, unemployment, crop failure or loss of livestock. A wide variety of micro insurance products exists to address these risks such as;

- Health insurance
- Term life insurance
- Death insurance
- Crop insurance
- Livestock/Cattle insurance
- Insurance for theft /fire
- Disability insurance
- Insurance for natural disasters

LIFE MICRO INSURANCE PRODUCTS

Life micro insurance products include

- Social development plan
- Super Suraksha
- Janata personal accident policy
- Janata personal accident insurance
- Sankat Haran group insurance policy
- Janashree Bima Yojana
- Group personal accident policy
- Jeevan Madhur
- Jeevan Mangal
- Shakthi security shield
- Amartya siksha yojana policy
- Krishi Shramik Samajik Suraksha Yojana
- Accident insurance policy

MICRO INSURANCE DELIVERY MODELS

Delivery of micro insurance products to clients is one of the great challenge for micro insurance. For offering micro insurance, four main methods include
1) Partner agent model
2) Provider driven model
3) Full service model
4) Community based model

PARTNER AGENT MODEL

Asper this model, a partnership is formed between micro insurance scheme and an agent .Delivery and marketing of products to the client is the responsibility of micro insurance scheme. Agent has the responsibility for design and development. Asper this model, micro insurance scheme have limited risk and also limited control.

FULL SERVICE MODEL

In full service model, micro insurance schemes have full control and also high risks so that micro insurance scheme is in charge of everything. Micro insurance scheme has the responsibility to design and delivery of products to the clients .Micro insurance scheme works with external health care providers to provide the services.

COMMUNITY BASED OR MUTUAL MODEL

Policy holders works with external health care providers to offer services. They have the responsibility to managing and owning the operations.

PROVIDER DRIVEN MODEL

Asper provider driven model, the health care provider is the micro insurance scheme.

LIFE INSURANCE CORPORATION OF INDIA

Life Insurance Corporation of India (LIC) is an Indian state owned insurance group. It is an investment company headquartered in Mumbai. It is the largest insurance company in India .The Company was founded in 1956 when the Parliament of India passed the Life Insurance of India Act. The Act nationalised the private insurance industry in India. Inorder to create the state owned Life Insurance Corporation, 245 insurance companies and provident societies were merged. LIC offers a variety of insurance products to its customers such as insurance plans, pension plans, unit-linked plans, special plans and group schemes. The micro-insurance portfolio has made steady progress. Many life insurers have commenced their micro-insurance operations by introducing new products every year. The distribution infrastructure has also been considerably strengthened. Micro-insurance business was procured largely under the group portfolio. Life Insurance Corporation of India (LIC) contributed the most both in terms of policies sold and number of micro-insurance agents. With the notification of the Insurance Regulatory and Development Authority (Micro-insurance) Regulations 2005, there has been a steady improvement in the design of products catering to the needs of the poor people. The flexibilities provided in the regulations allow the insurers to provide package products. With the approval of the Authority, now Insurance companies are offering approved general insurance products as micro-insurance products if the sum assured for the product is within the range prescribed for micro-insurance.LIC leveraged its expertise through individual endowment micro insurance products. Being experienced in selling low premium individual products, LIC did not have to take the easy credit-life way to sell micro insurance. While it provided credit-life covers through group insurance products, for individual segment, LIC launched an endowment life micro insurance product named Jeevan Madhur.

VARIOUS MICRO INSURANCE PLANS / PRODUCTS OFFERED BY LIC

- Janashree Bima Yojana,
- Jeevan Madhur,
- Jeevan Mangal,
- Jeevan Deep,
- LIC Bhagyalakshmi.

JEEVAN MADHUR

Jeevan Madhur is the first micro insurance product. Of LIC .It provides security within the reach of the poor people. The product is sold through LIC's Micro insurance Agents (MIAs). To market the product, LIC adopts a community approach. The company adopts villages with Jeevan Madhur customers as Madhur Bimagram and provides a monetary incentive to the village for social development .

It is a low premium policy of endowment benefit .Minimum and maximum age level for eligibility to get the benefit of this product is 18 years and 60 years respectively..It provides accidental coverage. Premium payable method allowed is monthly ,quarterly, half yearly and yearly. Asper this policy, if a person pays two year premium fully, the insurance cover of Jeevan Madhur will exists for a period of two years consider from the date of first unpaid premium.

OTHER FEATURES

Minimum and maximum sum assured for the product is 5000 and 30000 respectively.
The minimum term of policy is 5 years and maximum is 15 years
Minimum amount of premium required is 100 per monthly and maximum is 500 per monthly.
It provide benefit such as in case of death 100 % of the sum assured and in case of maturity , considering 150% of the total premium paid.
In case of accidental death it provide additional benefit such as 200% of the sum assured to the legal heirs of the policy holder.
Surrender value is 30% of the total premium paid.

- One calendar month not less than 30 days is allowed as days of grace for yearly, half yearly and quarterly modes of payment.
- For other modes of payment, days of grace is allowed for a period of 15 days.
- Maturity benefit is varied for different terms that is it increases with the term of the policy.

Jeevan Madhur has broken the myth that standalone life micro insurance products cannot be delivered profitably. The product has also proven that savings linked life insurance has an established demand in the micro insurance segment as well. The product has grown at an impressive rate and currently constitutes a major part of LIC's micro insurance business. With the help of this product, micro insurance constitutes 7.97% of overall New Business Premium income of LIC 20. It is worthy to note here that following LIC, some other companies also experimented with savings.

JEEVAN MANGAL

It is the second micro insurance product of Life Insurance Corporation (LIC), the first being Jeevan Madhur. LIC's Jeevan mangal is a protection plan or a term assurance plan with return of premium on maturity. It facilitates the payment of premium either regularly over the term of the policy or in lumpsum. It provides double risk cover in case of accidental death. Minimum age at entry for the product is 18 years and maximum age at entry is 55 years. Maximum age at maturity is 65 years. It requires that the sum assured shall be multiples of 1000 and minimum and maximum sum assured is 10000 and 50000 respectively. Asper monthly mode, the minimum instalment premium is 60 .It does not specify any minimum instalment premium for other modes .Policy term is 5-10 years for single premium and 10-15 years for regular premium.

OTHER FEATURES

- Flexible modes of premium payment have been provided that is the modes of payment may be weekly, fortnightly, monthly, quarterly, half yearly and annually
- It also provides a facility of single premium payment.
- For all modes of payment a grace period will be allowed for a period not less than 60 days.
- By paying arrears of premium with interest ,a lapsed policy can be recovered. But the payment of premium is made within a period of 2 years from the date of first unpaid premium but it is due before maturity.
- For regular premium policies, the guaranteed surrender value will be equal to

Guaranteed surrender value x total premium paid (excluding taxes and extras if any)

The policy term and policy year in which the policy is surrendered are the key determinant of guaranteed surrender value factor.

LIC has an option to cancel the policy in case of the policy holder is dissatisfied with various terms and conditions of the policy. Policy holder returns the policy to the corporation stating the reason of objections within 15 days from the date of receipt of the policy. In this case ,corporation has an option to cancel the policy and also return the amount of premium deposited.

JEEVAN DEEP

LIC's third micro insurance product Jeevan Deep is an endowment assurance product with an added feature of guaranteed additions along with provision of loyalty addition.Like other micro insurance products of LIC ,it also offer customized services to low income sections of the population inorder to meet their distinct needs

FEATURES

- Asper this plan , minimum sum assured is 5000 and maximum sum assured is 30000 with an optional accident benefit rider,together providing for total benefit equal to double the sum assured ,on death due to accident.
- Flexible modes of premium payment have been provided that means the payment may be monthly,quarterly,half yearly and also annually.
- Single premium payment option has also been provided.

JANASHREE BIMA YOJANA

It is a group based pure term policy of insurance. Minimum and maximum age for eligibility of janashree bima yojana is 18 and 59 years respectively. I t has no maturity benefit or surrender value .With this policy ,policy holders get certain additional benefit such as educational scholarship ,accident coverage without any additional charge..It provide benefit such as 100 % of the sum assured in case of death and 250% of the sum assured if death occur due to accident. It provides additional benefit as 75000 for total disability and for 37500 for partial disability.

OTHER FEATURES OF JANASHREE BIMA YOJANA

- Minimum sum assured- 30000
- Maximum sum assured -30000
- Minimum term of policy-1 year
- Maximum term of policy -1 year
- Minimum and maximum amount of premium is 200 each
- Premium payable method is single premium

LIC BHAGYA LAKSHMI

LIC Bhagyalakshmi micro insurance product is a non participating limited payment and protection oriented plan .Return of the plan is 110% of total amount of premium payable on maturity. The premium paying term is 2 years less than the policy term. Minimum age at entry for the product is 18 years and maximum age at entry is 55 years. Maximum age at maturity is 65 years. Minimum and maximum sum assured is 20000 and 50000 respectively. Flexible modes of premium payment are allowed . For all modes of payment, a grace period will be allowed for a period not less than 60 days. Minimum premium paying term is 5 years and maximum premium paying term is 13 years. The term of the policy is premium paying term plus 2 years (that is minimum 7 years and maximum 15 years)

OTHER FEATURES OF LIC BHAGYA LAKSHMI

- For yearly mode of premium, rebate allowed is 2% of the Tab premium. For half yearly mode, rebate allowed is 1% of the Tab prem.
- Commission rate is calculated as percentage of the premium net of service tax.
- Commission rate allowed to micro insurance agent –in first year 10% and in subsequent years 7.5 %
- Commission rate allowed to insurance and corporate agents- in first year 10% and in second and third year 7.5% each and in subsequent years 5% each.
- Commission rate allowed to broker is – in first year 10% ,second and third year 5% and also in subsequent years 5% each.
- Sum assured on maturity is equal to 110% of total amount of premium s payable during the term (excluding taxes and extra premium)
- Sum assured on death equal to sum assured under the policy.
- Paid up value or surrender value will accrue after two full year premiums are paid under policies with premium paying term less than 10 year.
- Paid up value or surrender value will accrue after 3 full year premiums paid under policies with premium paying term greater than 10 years

$$\text{Maturity paid up sum assured} = \text{sum assured on death} \times \frac{\text{number of premium paid}}{\text{Number of premium payable}}$$

CONCLUSION

Agriculture is a volatile business. For large portions of the world population, agriculture is the main source of income. In this complex environment, farmers face a number of constraints and to reduce uncertainty and risk they depend on micro insurance products. Insurance is not an end in itself. Insurance is only a means to an end .Micro insurance is only one component of a well balanced disaster risk management strategy. Various factors which demand the need for micro insurance not only limited to agriculture but also health ,death, theft or fire ,disability and so on. Inorder to overcome the risk of all these sectors which are faced by low income people , various micro insurance players come in to the mainstream.LIC has a major role in reducing uncertainty and risks by offering various micro insurance products. It provides a practical option for low income households to protect against adverse events and it also act as a tool for governments to promote economic development and also industrial development.

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