Examine the Role Played By Micro -Insurance Sector in Economic Development of Nation

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Abstract

Indian social security programmes and subsidised insurance programmes help the poorest citizens to get insurance coverage. Those in India who live on less than 60 rupees a day should make up the bulk of the microinsurance market. A recent decade has seen a significant increase in Micro Insurance's popularity. It has been gaining traction in our country over the last few years. Indian Micro Insurance is an economic tool that helps the poor and reduces inequality in a developing country like India. Microinsurance is a form of personal insurance aimed towards those with little financial resources. In India, 70% of the population lives in rural regions, however they do not have adequate health insurance. For low-income people, especially those in the informal economy, micro insurance provides a huge chance to acquire social protection from major commercial and social insurance programmes, which tend to be neglected.

Keywords: *Insurance, Growth, Population, Economic, Sector.*

I. INTRODUCTION

Two-thirds of the world's impoverished reside in India. Most Indians make less than $2 a day, or around 84% of the country's population. New Delhi-based NCAER and Max New York Life performed an India Financial Protection Survey and concluded that 96% of households would go bankrupt within a year if the primary breadwinner died or became incapacitated, based on their present savings. This necessitates action to increase the financial stability of families.

Indians lack life, health, and non-life insurance coverage at an alarming rate. Compared to the global average of Rs 18000 and Rs 13,000, Indians spend just Rs 2000 on life insurance and Rs 300 on non-life insurance each person. Availability, price, acceptability, and knowledge may be the key reasons for insurance's low distribution. By putting insurance on the doorsteps of families in rural regions, the government has made an effort to address concerns of financial fragility in such communities. So that the poorest people in society might accumulate more savings and so protect themselves from poverty, the government has developed a Micro Insurance effort to meet their needs for risk management.

In India, the insurance industry plays a crucial part in the country's economic growth. Individuals benefit from the ability to combine their savings and safeguard their financial security. The firm can handle the claims made by the insured thanks to the money the individual has saved for the insurance industry. As a watchdog for consumer rights, India's insurance business is overseen by the government. Life and non-life insurance are the two main divisions of the insurance industry. Non-life insurance is referred to as "general insurance" in this context. India's Insurance Regulatory and Development Authority has jurisdiction over both life and non-life insurance (IRDA). Many different insurance firms have been competing with each other over the years by providing a wide range of insurance products for clients to choose from.

When it comes to microinsurance, low premiums and low coverage limitations are seen as normal risk-pooling. It's intended and built for persons with modest incomes. To protect low-income individuals from specific risks, micro insurance refers to periodical premium payments according to the likelihood and expense of the risk involved. This idea was first floated by then-Indian President Dr. A.P.J. Abdul Kalam on September 28, 2006. It's a methodical approach to risk management. Insured and Micro Financial Institutions benefit from its risk-reduction capabilities. People who have been left out of the mainstream commercial and social insurance systems, as well as those who have not previously had access to adequate insurance products and those who earn between $1 and $4 per day are often the target audience. The word "micro" is used to describe transactions that are less than a dollar. It is defined in Schedule-I, which is annexed to these regulations as "general micro-insurance product" if it includes health insurance contracts, contracts covering personal belongings, such as a house or livestock, contracts covering tools or instruments, and contracts covering accidents, whether on an individual or group basis. It is defined in Schedule-II of these regulations as "life micro insurance product" to include any term insurance contract with or without a return of premium; any endowment insurance contract; or any health insurance contract, either on an individual or group basis, with or without an accident benefit rider, either on an individual or group basis.

Micro-Insurance Mechanisms

In order to safeguard low-income people and help them maintain their possessions, micro insurance is a useful instrument. In order for the economy to grow, it needs microinsurance. Individuals, institutions, and governments can use it to protect themselves from potential losses. Micro insurance aims to improve the quality of life for low-income individuals. Paying a premium commensurate to the likelihood of the danger will help safeguard the most vulnerable members of society. The micro insurance plans are relatively simple to comprehend and pay premiums, as well as flexible in terms of the policyholder's target policyholder and claim documents. The rural poor might greatly benefit from micro-insurance programmes. Development of agents, banking institutions, non-profit organisations (NGOs), Cooperative credit unions and Micro financial institutions can also benefit from it.

II. INDIA'S MICRO INSURANCE

As required by the IRDA Act, precise rules on microinsurance were established in November 2005 to meet India's need. Agents, self-help groups, microfinance institutions, and nongovernmental organisations are all included in these rules, which are used by insurance firms to distribute microinsurance products. In the history of Indian insurance, this is a significant moment. An estimated 14 million persons had life microinsurance, while 120 million households make do with a daily income of less than two dollars each. It demonstrates the possibility of M-CRIL microinsurance (2008). Microinsurance has the potential to help a growing number of low-income Indians, according to the United Nations Development Programme (UNDP), (2006). The highest percentage of micro insurance schemes were found in the following states. These include 27% in Andhra Pradesh, 23% in Tamil Nadu, 17% in Karnataka, 8% in Kerala, and 12% and 6% in Maharashtra and Gujarat, respectively.

India's microinsurance laws:

- The Insurance Regulatory and Development Authority of India (IRDA) and the government have implemented a number of rules, including:
- The private insurance industry's responsibilities to rural communities and the social sector
- It is imperative that insurance firms provide security for the rural and social sector by ensuring the safety of rural lives through IRDA-approved policies.
- Allowing self-help groups (SHGs), non-governmental organisations (NGOs), and microfinance institutions (MFIs) to be new microinsurance distribution channels.

According to a survey of papers, institutions, organisations, and service providers all utilise a few basic methods for distributing microinsurance products. Several of these channels are:

Figure 1: Micro Insurance Framework In India

- **Partner Agent model**

When it comes to the name, the microinsurance plan and an agent work together. A TPA may be employed in specific circumstances. Insurers, microfinance institutions, and charitable foundations serve as the majority of the region's agents. While the insurers offer the microinsurance product, their agents distribute it through distribution channels. The product's design and development are also handled by the agency. As a result of its reduced risk, this model has less influence over its clients.

- **The full-service model:**

The model is in charge of both product design and development for the company's customers. Health care providers are also involved in the model's implementation. As a result of the high risk, this approach allows for complete control over the provision of microinsurance products.

- **Provider-Driven model**

If you're a service provider, this model is for you. The full-service model is similar in that it offers healthcare. It provides, plans, and implements health care services for its clients. Despite the advantage of total client control, it can only offer its services for a restricted number of items.

III. MICROINSURANCE IN INDIA IS ON THE RISE.

Both governmental and private insurance businesses in India have seen steady growth in the micro insurance market. During the course of the year, there have been a lot of new policies and a lot of new life and group operations. In addition, the policy distribution infrastructure has been greatly reinforced, and the new micro insurance industry has demonstrated adequate development despite the fact that the mass is still quite low. Micro insurance.

Table 1: Growth of Individual micro insurance Business (in Rs lakh)

Year/ Companies	Public Insurance Companies				Private Insurance Companies			
	Policies	% Change in growth rate of Policies	Premium	% Change in growth rate of Premium	Policies	% Change in growth of Policies	Premium	% Change in growth rate of Premium
2015-16	854615		1613.36		83153		209.74	
2016-17	1541218	80.34	3118.74	93.31	610851	634.61	537.81	156.42
2017-18	1985145	132.29	14982.5	828.65	998809	1101.1	839.78	300.39

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2018-19	2951235	245.33	12305.8	662.74	699733	741.50	735.09	250.48
2019-20	3826783	347.78	10603.5	557.23	793660	854.46	964.22	359.72

Individual micro insurance business of public and commercial insurance firms is shown in table No. 1. The year 2015-16-08 has been used as the base year for determining the change in the growth rate. Since 2016-17-09 to 2017-2018, there has been a significant growth for the public insurance firms, whereas private insurance companies have only raised their share of policies for a short period of time, from 2018-19 to 2019-20. Similarly, the growth rate of premiums for public insurance firms climbed from 2015 to 2017, but then decreased from 2018 to 2019 and then increased again from 2019 to 2020. Private insurance businesses, on the other hand, are subject to the same limitation on the amount of premiums they can charge.

Table 2: Growth of Group micro insurance Business (in Rs lakh)

	Public Insurance Companies						**Private Insurance Companies**					
Year/Companies	**Schemes**	**% Change in growth rate of Schemes**	**Lives Covered**	**% Change in growth rate of Lives Covered**	**Premium**	**% Change in growth rate of Premium**	**Schemes**	**% Change in growth rate of Schemes**	**Lives Covered**	**% Change in growth rate of Lives Covered**	**Premium**	**% Change in growth rate of Premium**
2015-16	7583		11367126		19256.23		15		874901		871.23	
2016-17	6883	-9.23	11052815	-2.77	17268.54	-10.32	14	-6.67	1498994	71.33	3326.8	281.85
2017-18	5190	-31.56	14946927	31.49	22869.72	18.77	17	13.33	1895143	116.61	1472.09	68.97
2018-19	5446	-28.18	13275464	16.79	13803.67	-28.32	23	53.33	1983537	126.72	1719.14	97.32
2019-20	5461	-27.98	9831.63	-99.91	9444349	48945.68	112	646.67	1150.67	-99.87	750555	86048.89

For the previous five years, from 2015 to 2020, the percentage change in the growth rate of group micro insurance company has been examined in table 2.

Government-run insurance firms have seen their share of the group micro insurance market rise from 2015 to 2017, then fall in 2017-18 before rising again from 2018 to 2020. In contrast, private insurance firms have reduced their plans from 15 to 14 in 2016-2017, but will raise them again in the next three years. From 2015-16 to 2018-2019, the number of people insured by both state and private insurers grew, but declined again in 2019-2020. While public insurance premiums rose steadily from 2015 to 2017, they dropped in 2018 and then rose again in 2019 and 2020. For the same payment, you may get the same coverage from private insurance firms.

Last but not least, the unprivileged members of society prefer and have more trust in public microinsurance businesses, which are better performing because of this.

IV. CONCLUSION

As a country that is still in the early stages of development, India has its own Microinsurance Act. Per the Microinsurance Regulation Act, insurance companies must allocate a portion of their business to rural areas and other marginalised populations. A vast market and a large population living in rural regions need the development of several unique microinsurance products from India. Poor individuals, who have a limited income and rely on their health and long-term well-being for their livelihood, have a greater need for risk mitigation than their wealthier counterparts. As a result, a moderately priced savings option is offered to those with modest incomes. Microinsurance in India has several concerns and obstacles, but the insurance industry is constantly innovating to better serve the country's rural residents, many of whom are still living below the poverty line. A more flexible and healthier economy may be built by major insurance firms if they can adjust to the regional sensitivities as well as bring knowledge through various government programmes to the poor and educate them about the advantages and premium payment of microinsurance.

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