

# MARKETING OF MICRO-INSURANCE PRODUCTS IN INDIA: A COMPARATIVE STUDY BETWEEN PUBLIC AND PRIVATE INSURANCE COMPANIES

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## ABSTRACT

*In India, the micro insurance regulation act was framed in the year 2005. There were nine insurance companies offered 26 micro insurance products during the year 2007-08 and there were 1.32 crore insurance policies sold by both public and private insurance companies with a premium amount Rs.21,950.56 lakhs. The insurance companies which offered micro insurance products has increased to 17 and the products were accelerated to 28. Out of 28 micro insurance products 18 products were in individual category and 10 products were in group category. The policies have been augmented to 3.32 crores during 2016-17 which were sold by the both public and private sector insurance companies in both the categories i.e. individual category and group category. The total amount of premium was Rs. 49,864.48 lakhs. The only public sector insurance company LIC of India has sold 2.34 crore micro insurance policies, with the premium of Rs.35,594.75 lakhs, where as in the same year the private insurance companies sold 0.97 crore of micro insurance policies with premium of Rs. 14,269.73 lakhs. The micro insurance agents who are playing a vital role in promoting the policies were 35,200 the 31st March 2017. The number of agents are more in LIC of India having 19,301 agents and the private sector having 15,899 during the year 2016-17. The micro insurance companies both private sector and public sector are following their own methods in marketing of their micro insurance products. Though there is an increase in number of micro insurance policies in LIC of India, the percentage of these policies has been decreased over a period of time when compared with the private sector companies. Hence, a comparative study is taken place between the public and private insurance companies.*

**Keywords:** Micro insurance, Marketing, Premium, Individual Category and Group Category.

## INTRODUCTION

Micro insurance has increasingly been seen as an alternative and potentially more efficient way for the poor to manage their risks. In other words, Micro insurance is a mechanism to protect the poor people against multiple risks such as natural disasters, accident, illness, or death in the family in exchange for insurance premium payments tailored to their needs, income and the level of risk. Often communities or non-government organizations (NGOs) arrange these programs themselves, but commercial insurers are increasingly engaging in the provision of micro insurance. LIC of India is one among them. LIC of India is the largest insurance and investment company in India. In its 62 years of existence, LIC has grown from strength to be its customer base, agency network, branch office network, new business premium and has a significant role in spreading life insurance widely across the country. It is owned by the government of India. LIC of India at present offering two micro insurance schemes, they are LIC's Bhagya Lakshmi Plan and LIC New Jeevan Mangal Plan. The Micro Insurance business of LIC has crossed the historic 2.34 crore policies with the premium Rs.35, 594.75 Lakhs in the span of last 10 years period i.e. 2007-2017. The micro insurance companies both private and public sector are following their own methods in marketing of their micro insurance products. Though there is an increase in number of micro insurance policies in LIC of India, the percentage of these policies has been decreased over a period of time when compared with the private sector companies. Hence, a comparative study is taken place between public and private sector the insurance products, sales and distribution channels offered by them with the following objectives.

## OBJECTIVES OF THE STUDY

- 1) To study the micro insurance products in public and private insurance companies in India.
- 2) To compare micro insurance sales of public and private insurance companies in India.
- 3) To examine the distribution channels of micro insurance in India.

METHODOLOGY OF THE STUDY

For the study period 10 years is taken for effective results. To analyze this study, data have been collected through secondary sources, such as internet, LIC of India and IRDAI websites, books, journals, articles, newspapers, LIC of India and IRDAI Annual Reports.

MICRO INSURANCE PRODUCTS OFFERED IN INDIA

The table-1 displays that the number of micro insurance schemes offered by life insurers from 2007-08 to 2016-17. In India nine insurance companies both public and private insurers offered 26 micro insurance products in the year 2007-08, under that 13 products are individual category and 13 products are group category. In the 2016-17 there were 28 micro insurance products offered by 17 life insurers. Under that 28 micro insurance products 18 products are individual category and 10 products are group category. The number of life insurers are increased double itself from the period 2007-08 to 2016-17, but in the last 10 years period there is no huge growth in introducing micro insurance products.

TABLE: 1  
NUMBER OF MICRO INSURANCE PRODUCTS OFFERED BY LIFE INSURERS

YEAR	No. of INSURERS	NO. of MICRO INSURANCE PRODUCTS		TOTAL PRODUCTS
		INDIVIDUAL	GROUP	
2007-08	9	13	13	26
2008-09	15	16	14	30
2009-10	14	15	13	28
2010-11	14	16	12	28
2011-12	15	18	12	30
2012-13	17	23	13	36
2013-14	13	13	8	21
2014-15	16	16	8	24
2015-16	17	19	7	26
2016-17	17	18	10	28
Mean	14.7	16.7	11	27.7
CV	16.7	17.9	23.1	14.4
LGR	3.9	2.4	-6.2	-1.0
t-value	2.860*	1.279@	-3.901**	0.597@

Source: Annual Reports of IRDAI from 2007-08 to 2016-17.  
Note: @-Not significant; \*\*significant at 0.01 level; \*significant at 0.05 level.

It is found from the table that the life insurers offering micro insurance products have increased from nine in 2007-08 to 17 during 2016-17. The individual micro insurance products have been increased from 13 to 18 from 2007-08 to 2016-17 respectively. The individual insurance schemes accelerated from 13 in 2007-08 to 23 in 2012-13 afterwards it has come down to 13 during 2013-14 and afterwards suddenly increased to 18 in 2016-17. The reason behind that is the insurance companies were withdrawn their schemes of micro insurance. There after some of the companies started promoting micro insurance products. The group micro insurance schemes have shown decreasing trend during the 10 years period. It decreased from 13 in 2007-08 to 7 in 2015-16 after words during the year 2016-17 it reached to 10 schemes, it is due to removal of old schemes and introduction of new schemes based on the need and requirements of the people.

The table-2 displays players of life insurers and its micro insurance products as on 31<sup>st</sup> March 2017. In India both private and public insurance companies are offered micro insurance products. Under that both individual category and group micro insurance products are there. There are 17 insurance companies which are offering micro insurance products, of which 16 are private sector and only one i.e. LIC of India is a public sector company.

TABLE-2  
MICRO INSURANCE PRODUCTS AND PLAYERS OF LIFE INSURERS AS ON 31<sup>st</sup> March 2017

S. NO	NAME OF THE INSURER	NAME OF THE PRODUCT	
		INDIVIDUAL CATEGORY	GROUP CATEGORY
PUBLIC SECTOR			
1	LIC OF INDIA	➤ New JeevanMangal ➤ Bhagya Lakshmi	-
PRIVATE SECTOR			
2	AVIVA LIFE	Aviva NayiGrameenSuraksha	-

3	BAJAJ ALLIANZ LIFE	<ul style="list-style-type: none"> <li>Bajaj Allianz Life BimaDhanSurakshaYojana</li> <li>Bajaj Allianz Life BimaSanchayYojana</li> </ul>	Bajaj Allianz Life Jan SurakshaYojana
4	BHARTI AXA LIFE	-	Bharti AXA Life Jan Suraksha
5	BIRLA SUNLIFE	<ul style="list-style-type: none"> <li>BSLI BimaSuraksha Super</li> <li>BSLI GrameenJeevanRaksha</li> </ul>	-
6	CANARA HSBC OBC LIFE	-	Canara HSBC Oriental Bank Of Commerce Life Insurance SampoornaKavach Plan
7	DHFL PRAMERICA LIFE	-	DHFL PramericaSarvSuraksha
8	EDLEWEISS TOKIO LIFE	<ul style="list-style-type: none"> <li>Edelweiss Tokio Life RakshaKavach</li> <li>Edelweiss Tokio Life DhanNiveshBimaYojana</li> </ul>	-
9	HDFC STANDARD LIFE	HDFC SL SarvGrameenBachatYojana	<ul style="list-style-type: none"> <li>HDFC Life Group Credit Suraksha</li> <li>HDFC Life Group JeevanSuraksha</li> </ul>
10	ICICI PRUDENTIAL LIFE	<ul style="list-style-type: none"> <li>ICICI PruSarva Jana Suraksha</li> <li>ICICI PruAnmolBachat</li> </ul>	-
11	IDBI FEDERAL LIFE	TermsuranceSampoornSuraksha Micro-insurance Plan	IDBI Federal Group Microinsurance Plan
12	KOTAK MAHINDRA LIFE	KotakSampoornBima Micro-insurance Plan	-
13	PNB MET LIFE	Met Life GrameenAshray	-
14	SAHARA LIFE	Sahara SurakshitPariwarJeevanBima	-
15	SBI LIFE	SBI Life GrameenBima	<ul style="list-style-type: none"> <li>SBI Life Grameen Super Suraksha</li> <li>SBI Life Grameen Shakti</li> </ul>
16	SHRIRAM LIFE	-	Shriram Jana Sahay
17	TATA AIA LIFE	Tata AIA Life Insurance SaatSaath	-

Source: Annual Reports of IRDAI &www.irdai.com

### MARKETING CHANNELS OF MICRO INSURANCE IN INDIA

In India according to IRDAI micro insurance regulations Act 2015 micro insurance policies are marketing through a distribution channels comprising of Non-Governmental Organization’s (NGO’s), Self Help Group’s (SHG’s), Micro Financial Institution’s (MFI’s), District Cooperative Bank’s (DCB’s), Regional Rural Bank’s (RRB’s), Urban Cooperative Bank’s (UCB’s), Primary Agricultural Cooperative Societies (PACS), Other Cooperative Societies, Business Correspondents (BCs), Corporate Agents and Selected Conventional Agents. IRDAI has introduced Former producing company’s (FPC’s) as on 26<sup>th</sup> April 2017 for doing micro insurance business. In India micro insurance premiums are collecting from the policyholders through Premium collection centers (PCC’s), Agents, NGO’s and other distribution channels. From 1<sup>st</sup> February 2018 IRDAI permitted Common service centres (CSC’s) to collect the renewal premiums from micro insurance policyholders.The table-3displays that the micro insurance agents of life insurers in India during 2016-17.

TABLE: 3

MICRO INSURANCE AGENTS OF LIFE INSURERS

S. NO.	MICRO INSURANCE AGENTS	LIC OF INDIA	In %	PRIVATE	In %	TOTAL
1	NGO's	7,504	98.14	142	1.86	7,646
2	SHG's	369	94.86	20	5.14	389
3	MFI's	337	93.87	22	6.13	359
4	Business Correspondents (BC's)	74	92.50	6	7.50	80
5	Others	11,017	41.22	15,709	58.78	26,726
Total Micro Insurance Agents		19,301	54.83	15,899	45.17	35,200

Source: Annual Reports of IRDAI 2016-17.

Note: Figure in percent column show percentage of respective total number of micro insurance agents 2016-17.

It is observed from the table that both public and private insurance companies have 35,200 micro insurance agents by 31<sup>st</sup> March 2017.The total number of micro insurance agents in LIC of India was 19,301

(54.83 percent) where as it was 15,899 (45.17 percent) in private micro insurance. Others are playing a dominant role in doing micro insurance business when compared with NGO's, SHG's, and MFI's in both public and private sector.

#### SALES OF INDIVIDUAL MICRO INSURANCE POLICIES

The table-4 displays that the individual micro insurance business of LIC of India and private insurers. It observed from the table that the number of micro insurance policies in LIC of India has increased from 8,54,615 (91.13 percent) in 2007-08 to 43,40,235 (86.18 percent) during 2012-13.

**TABLE: 4**  
**SALES OF INDIVIDUAL MICRO INSURANCE POLICIES**

YEAR	LIC OF INDIA			PRIVATE INSURERS			TOTAL	
	No. of POLICIES	In%	PREMIUM (Rs.lakhs)	No. of POLICIES	In %	PREMIUM (Rs.lakhs)	No. of POLICIES	PREMIUM (Rs. lakhs)
2007-08	8,54,615	91.13	1,613.36	83,153	8.87	209.74	9,37,768	1,823.10
2008-09	15,41,218	71.62	3,118.74	6,10,851	28.38	537.81	21,52,069	3,656.55
2009-10	19,85,145	66.53	14,982.51	9,98,809	33.47	839.78	29,83,954	15,822.29
2010-11	29,51,235	80.83	12,305.76	6,99,733	19.17	735.09	36,50,968	13,040.85
2011-12	38,26,783	82.82	10,603.49	7,93,660	17.18	964.22	46,20,443	11,567.71
2012-13	43,40,235	86.18	9,949.05	6,95,904	13.82	1,018.54	50,36,139	10,967.59
2013-14	22,05,820	79.71	8,635.77	5,61,339	20.29	929.29	27,67,159	9,565.06
2014-15	4,00,341	49.04	1,640.23	4,16,027	50.96	1,249.22	8,16,368	2,889.45
2015-16	4,52,291	49.65	1,953.78	4,58,655	50.35	1,217.95	9,10,946	3,171.73
2016-17	4,80,892	50.29	1,587.13	4,75,269	49.71	2,234.37	9,56,161	3,821.50
Mean	1903857.50	70.78	6638.98	579340.00	29.22	993.60	2483197.50	7632.58
CV	75.2	22.8	78.2	42.7	55.1	53.8	64.2	66.7
LGR	-6.6	-5.2	-7.9	-1.0	-12.6	15.7	-5.3	-4.9
t-value	-0.775@	-2.723*	-0.911@	-0.203@	2.723*	5.260**	-0.726@	-0.639@

**Source:** Annual Reports of IRDAI from 2007-08 to 2016-17.

**Note:** The Percentages indicate the share of the respective totals policies of the year, @ -Not significant; \*\*significant at 0.01 level, \*significant at 0.05 level.

The reason behind that is the number of policyholders have increased rapidly. Later the number of policies have fallen down drastically to 4,00,341 (49.04 percent) during 2014-15. The micro insurance schemes have withdrawn by the insurers as the customers are not attracted towards those schemes. There are individual micro insurance business of private insurers increases has been decreased from 6,10,851 in 2008-09 to 4,75,269 during 2016-17. The percentage of number of policies have increased from 28.38 to 49.71 during the above period for the total number of policies of both private and public sector companies.

#### SALES OF GROUP MICRO INSURANCE POLICIES

The group micro insurance business of private sector and public sector companies have shown in the table-5. It is observed from the table that the LIC of India is having an upper hand over the private insurers in group micro insurance business. The LIC of India has started its group micro insurance business with 1,13,67,126 (92.85 percent) during 2007-08 and reached to 2,29,65,393 (71.22 percent) policies during 2016-17. Even though the number of policies had increased, the percentage of policies decreased from 92.85 percent to 71.22 percent when compare with the total number of policies.

**TABLE: 5**  
**SALES OF GROUP MICRO INSURANCE POLICIES**

YEAR	LIC OF INDIA			PRIVATE INSURERS			TOTAL	
	No. of POLICIES (in lakhs)	No. of POLICIES IN %	PREMIUM (Rs. lakhs)	No. of POLICIES (in lakhs)	No. of POLICIES IN %	PREMIUM (Rs. lakhs)	No. of POLICIES (in lakhs)	PREMIUM (Rs. lakhs)
2007-08	113.67	92.85	19,256.23	8.75	7.15	871.23	122.42	20,127.46
2008-09	110.53	88.06	17,268.54	14.99	11.94	3,326.80	125.52	20,595.34
2009-10	149.47	88.75	22,869.72	18.95	11.25	1,472.09	168.42	24,341.81
2010-11	132.75	87.00	13,803.67	19.84	13.00	1,719.14	152.59	15,522.81
2011-12	94.44	92.64	9,831.63	7.51	7.36	1,150.67	101.95	10,982.30
2012-13	132.24	94.58	21,045.76	7.57	5.42	756.89	139.81	21,802.65
2013-14	118.87	90.20	12,581.45	12.92	9.80	1,595.23	131.79	14,176.68
2014-15	205.97	89.05	28,193.80	25.31	10.95	3,366.22	231.28	31,560.02
2015-16	226.04	77.27	25,426.39	66.51	22.73	4,816.67	292.55	30,243.06
2016-17	229.65	71.22	34,007.62	92.81	28.78	12,035.36	322.47	46,042.98
Mean	151.36	87.16	20,428.48	27.52	12.84	3,111.03	178.88	23,539.51
CV	33.2	8.4	36.7	104.5	57.2	109.3	42.8	43.6
LGR	8.5	-1.8	6.6	24.9	12.1	23.3	11.0	8.8
t-value	3.493**	-2.371*	1.857@	2.935*	2.371*	2.392*	3.537**	2.200@

**Source:** Annual Reports of IRDAI from 2007-08 to 2016-17.

**Note:** The Percentages indicate the share of the respective total policies of the year, @-Not significant; \*\*significant at 0.01 level; \*significant at 0.05 level.

The premium amount is almost all double during the 10 years period from Rs.19,256.23 lakhs to Rs.34,007.62 lakhs. The private insurance policies were enhanced from 8,74,901 during 2007-08 to 92,81,170 policies during 2016-17 respectively. The percentage of policies increased from 7.15 percent to 28.78 percent during the study period in relation with total number of policies. The premium amount of private micro insurance policyholders have increased to the folds from Rs.871.23 lakhs to 12,035.36 lakhs during the period. The growth rate is more in private sector micro insurance policies when compared with the LIC of India. The private agents are actively participating in rendering services such as collecting renewal premiums, claims and settlement, revival of lapsed policies et. Where it is lack in the public sector company LIC of India.

## CONCLUSION

The revised micro insurance regulations (2015) tries to overcome some of the barriers in the growth of micro insurance business in India. In this last 10 years period there was a huge growth in micro insurance business in India. The overall performance of public insurance company LIC of India is better than the private insurance companies. The government of India is also encouraging the insurance companies to utilize other modes of marketing distribution channels for expanding the micro insurance business in India. The marketing trends of LIC of India is better than the private insurance companies in promoting micro insurance business. The micro insurance distribution channels NGO's and Conventional Agents are major contributories in the sales of micro insurance products.

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