

## **Micro-Insurance Policies with Special Reference to - Life and Health Insurance in India**

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**ABSTRACT:** *India is considered to be an economically vulnerable country in the past, but with the introduction of micro-insurance, India has become more stable among the lower income groups of the country. Micro-insurance is one where the lower income groups of the society has to only pay a certain amount of premium which is in relevance to their risk level and their affordability rate. Through this study, we have focused on the various micro- insurance sectors namely life and health insurances and have picked out the best performing plans and schemes implemented by the private and public institutions as well as the newly initiated Government Schemes. The paper also contrasts the drawbacks of other micro-insurance plans and schemes and suggests ways to overcome the same.*

**KEYWORDS:** *Micro-insurance, Life insurance, Health insurance, lower income groups, Government schemes*

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### **I. INTRODUCTION**

Insurance is a protection against risk especially financial risk. Insurance is form of risk management, an insurance company which provides insurance is known as insurer and the person who takes insurance is known as policyholder or the insured. Insurance is further divided into life insurance and non-life insurance. Life insurance is basically insuring one's own life and the life of their related one. Non-life insurance is insuring against other risks and damages. In general, insurance reimburses for the losses and damages caused to the individual unintentionally. Insurance company has many insurance policies for different types of individual. Insurance industry covers a different sector which is called the micro-insurance sector. This sector basically deals with insuring the lower income group of the society which is ignored by the mainstream (i.e., insurance as whole).Micro- insurance also includes different types of insurances such as micro-life insurance, micro-health insurance, property insurance, crop insurance, cattle insurance, etc. All these types focuses on the lower income group of the Indian society.

### **II. REVIEW OF LITERATURE**

1. **(Ahuja, 2004)** In this the author talks about how health insurance has become an important finance toll in health sector to meet the need of the poor. It also talks about the universal health insurance schemes for the poor. It also includes how these schemes and polices impact the poor and whether it helps the lower income groups of the society. This paper also talks about many Non-Governmental Organizations trying to help the lower groups of the society by making them aware of the health insurance available in the country.
2. **(De, 2004)** This paper talks about how poor people pay of the treatment bill by taking loans and selling assets . It also discusses the variation in performance of universal health insurance in different parts of India. The study tells that the schemes which government proposes are only for people below the poverty line (BPL). It further tells that health care sector has two aspects namely health care finance and health care provision. The study finally concludes by telling that due to the lack of low quality of public sector hospitals, there is a high concern for the poor which gives it more importance to the micro insurance sector.
3. **(Fan, Karan, & Mahal, 2012)**In this the author talks about the state of Andhra Pradesh, that when the individuals fall sick and incurs "out of pocket" expenses, half the money earned is spent on health which can impact the household finance. This is solely because for people below poverty line they only earn a little sum of money and suddenly when something uncertain happens it affects their financial status. In India, the State Government is responsible for the provision and financing of health service. This paper also finally talks about the different Government schemes implemented for people below the poverty line under the micro insurance.
4. **(Paramasivan & Rajaram, 2015)**This paper mainly talks about the study of micro insurance being the most important segment in the whole insurance especially in India because the percentage of below the poverty line(BPL) families are more in India. So this study is mainly done to help this sector of insurance.

With the help of IRDA Regulation Act, Micro- Insurance industries have grown rapidly since 30th November,2005. Some of the micro insurance products includes "Aviva" micro insurance produced under the name Gramin Suraksha introduced on 2<sup>nd</sup> June 2007 and Bajaj Allianz micro insurance in the name of Bajaj Allianz Saral Suraksha Yojana and Bajaj Allianz Jan Vikas Yojana.

5. **(Srinivasan & Arunachalam, 2002)**This study talks about micro and small entrepreneurs (MSEs) having many financial needs, where some are with greatest degree of certainty and some are uncertain .When the uncertain risk occurs, it can bring the organization down. So for that, the insurance company can help the MSE's to a certain extent. The insurance companies may not give insurance due to lack of documents and collateral but through micro insurance the MSEs can get themselves insured. The author also talks about mainly insurance, its schemes, micro insurance schemes and micro financial institutional and regulation in insurance industry (IRDA) and the micro insurance products available.

### **III. RESEARCH DESIGN**

**Objective of study:** To study the various policies of Micro-insurance with reference to the three sectors namely life insurance and health insurance.

**Statement of Problem:** Micro-insurance is mainly focused on the lower income group and for this the Government of India has introduced many schemes and policies related to micro-insurance. The problem here is as to which all policies have proven to be efficient under the sub-sectors of micro-insurance. Through this study we are going to find out how those policies are efficient among the lower income group and whether these policies prove to be of use under the life and health insurance.

**Scope of Study:** In order to reach our objective we have considered three sub-sectors under micro-insurance namely

1. Life insurance
2. Health insurance

We are focusing on the different policies and schemes initiated by Government of India and the Insurance companies under these three sub-sectors of Micro-insurance. The target group is the lower income groups of the whole of India.

**Sources of Data:** The data for this research is to be collected by secondary data and by various trusted journals, online sources and books.

The main sources of data would be from the following online source.

- <https://www.irdai.gov.in/>
- <https://healthmarketinnovations.org/>
- <https://www.india.gov.in/list-government-sponsored-socially-oriented-insurance-schemes/>

**Limitations of the study:**

1. Only two sectors have been focused under micro-insurance.
2. The lower income group is only been selected for the study
3. The study is only qualitative and from secondary sources
4. Only few plans and schemes have been selected.

### **IV. METHOD OF ANALYSIS**

#### **I. Life Micro-Insurance Sector**

##### **Private and Public Institutions**

Under the life insurance sector, the private and public institutions opted for the study are the best performing institutions which has a higher percentage of micro-insurance plans being opted by the lower income groups.

#### **1. Bajaj Allianz Life Insurance Company Limited**

##### **a) Bajaj Allianz Life Bima Dhan Suraksha Yojana Plan**

This is an non-linked, non-participatory, single and regular premium payment micro term assurance plan with return of premiums at maturity. This particular plan has an eligibility condition of 18-70 years of age and has a policy term of 5,7 and 10 years.

##### **Features**

- The main feature of this plan is the option to choose the frequency of the premium payment which can be either yearly or monthly.
- The premium payment frequency can also be altered as in at any policy anniversary
- This plan avails the surrendering of the policy as soon as it reaches the paid-up value where for a regular policy, it can be done if the first years premium is paid and for a single policy, it can be done any time after the premium payment.
- The last feature is that the policy allows to take loan which is up to 70% of the surrender value.

### **Benefits**

- It safeguards the family with affordable premium rates for this life insurance cover
- There is a 100% return of the premium at the time of maturity
- The payout on death or on the date of maturity is guaranteed
- Even have an option to take loan if needed

## **2. HDFC Life Insurance Company Limited**

### **a) HDFC Life Group Jeevan Suraksha**

This scheme is a non-linked, non-participating, group term micro-insurance product. This item has been uniquely intended for the Employees of Micro Finance Institutions, Co-agents and Members/Employees of different homogenous gatherings to give budgetary security in the case of unfortunate death of a Member/Employee.

### **Features**

- Gives Life Cover to every one of the Members/Employees at a nominal cost
- Choice to pick between Fixed or Varying Sum Assured for Members/Employees
- Lump sum payout to Nominee if there should arise an occurrence of Member's/Employee's Death
- Pay premium according to the benefit availed
- Bother free issuance with no Medicals

### **Benefits**

#### **Death Benefit**

- In case of the Members/Employees passing, the Sum Assured as determined in the Certificate of Insurance will be payable to the Nominee
- If there should arise an occurrence of moneylender borrower schemes under Other Entities as characterized underneath in wording and conditions, the Sum Assured will be payable to the Nominee, in case of the Members death
- When the Benefit has been paid to the Nominee or Beneficiary, the Member Coverage will end and no further advantages will be payable

#### **Grace Period**

- This particular product provides a grace period of 15-30 days for the payment of the premium from the due date which is either monthly or yearly. If the policyholder doesn't pay the premium even after the grace period, then the policy lapses.
- If the employees death happens during the period of the contract, then the company pays the full guaranteed amount to the nominee as decided in the earlier stage after deducting the unpaid premium.
- If the Master policyholder collects the premium amount from the members and delays paying the premium amount to the company even after the grace period.

### **Government Scheme**

#### **1. Pradhan Mantri Jeevan Jyoti Bima Yojana**

The Government of India has administered a new life insurance scheme called the Pradhan Mantri Jeevan Jyoti Bima Yojana, for the development of poor and lower income group of the society. This scheme is a pure term insurance plan which is accessible for individuals between the age gathering of 18-50 years.

### **Features**

- The policy is for a period of 1 year and can be renewed every year.
- The individual or the insured has the full authority to leave the plan and rejoin later in the future
- The maximum sum assured to the insured according to the scheme is Rs.2 Lakh
- When compared with the other term insurance plans, this scheme offers low premium rates every year which is Rs. 330. All people belonging to the age 18-50 years will have a fixed rate as premium.
- This particular scheme is user-friendly and can be opted by an lower sections of the society.

### **Benefits**

- **Death Benefit** - if there should be an occurrence of downfall of the policyholder/insured, the scheme gives a coverage of Rs2,00,000 to the nominee of the insured.
- **Maturity Benefit**-As this is pure term protection plan, PMJJBY does not offer any development or surrender advantage.

- **Risk Benefit-** This policy provides a cover for only 1 year and can be renewed yearly. They can also choose to continue the scheme for a longer period by linking it to their savings bank account.

## **II. Health insurance**

### **1. Star Health and Allied Insurance Company**

#### **a) Star Micro Health Insurance Plan**

Health care for a reasonable price is the unique and best part of star micro health insurance plan. It includes hospitalization expense and auxiliary expense which gives a relief during hospitalization

#### **Features**

- Reasonable premium price
- It has a network of more than 7800 hospitals across India
- All hospitalization expenses are covered
- All claims are settled quickly

#### **Benefits**

- It gives life-long renewability
- Full time toll free helpline
- Free expert medical consultation
- Tax benefits as per section 80D of income tax act 1961

### **2. National Insurance Company Limited**

#### **a) Gramin Suswasthya Micro Insurance Policy**

This policy is made specially for lower income group of the society. Under this there are two sections (a) hospitalization expenses and (b) personal accident which covers the insured and his/her spouse

##### **i. Hospitalization expenses**

In this it says that if the insured person and his/her spouse suffers any disease or illness or else any bodily injury which has happened through accident that requires any hospitalization, the company i.e., the national insurance company will pay to the hospital through Third Party Administrators.

##### **ii. Personal accident**

Table of benefit	Compensation
Death	100% of S.I
Total and irrecoverable loss of both eyes and hands or foot or loss of sight of single eye and loss of single hand or foot	100% of S.I
Total or irrecoverable loss of sight of one eye or loss of use of one hand or foot	50% of S.I
Permanent total disablement due to accidents	100% of S.I

This policy can be extended to maternity expenses by charging additional premium.

## **Government Scheme**

### **1. Rashtriya Swasthaya Bima Yojana**

This scheme was launched by the ministry of the ministry of labor below poverty line. But now it has been transferred to ministry of health and family. The objective of this scheme is to provide protection against financial liabilities which arises health shocks that leads to hospitalization. This scheme covers central government, state government, private hospital, public hospital and also insurance company all come together.

#### **Objectives**

- To provide financial support against sudden damage or suffering against health by reducing the cost
- To provide quality health care for people below poverty line and also to reduce hospitalization expenses

#### **Features**

- Every below poverty line(BPL) families who are holding a valid ration card can enroll in this scheme for availing the insurance benefits
- Rs 30 will be charged as one time registration fees
- Up to 5 members of the family can avail the benefits i.e., the of the family the spouse and 3 dependents they may be children's of parents
- Each family of the below poverty line(BPL) is entitled for a medical care of Rs 30,000. Hospitalization is done in any hospitals which are listed under this scheme

## V. ANALYSIS AND INTERPRETATION

### Drawbacks of Other Schemes

Many large private life insurance companies has less number of micro-insurance plans. Not all companies launch micro-insurance plans which prove to be of benefit to the lower income groups. Companies like DHFL Pramerica Life Insurance, India First Life Insurance Company Ltd - India First, Shriram Life Insurance, etc. have micro-insurance plans but are not very well-preferred due to the fact that the features marketed by them are not very pleasing or user-friendly when compared to these well known insurance companies. The death benefit also offered by them declares a maximum sum assured which the less marketed companies does not avail. It also must have proven to show a lack of trust on the insurance companies due to the delay in claim settlement or no claim settlement at all. Under the health insurance companies, one of their major drawback is that they struggle to pay premiums monthly. As we know that micro insurance is for the lower income groups, they do not earn wages daily and also cannot afford to pay insurance premiums on time. Most of the policies do not offer insurance for many dangerous diseases as the company is afraid of incurring losses (example, if a person is suffering from cancer and goes to take an insurance policy, the company will not accept it as the person is already suffering from the disease whereas if a person takes the policy first and then comes to know that he is suffering from disease ,the insurance company has to pay the amount).The schemes selected here proves to be user-friendly and does not take a lot of time to get insured.

### How to overcome these issues?

#### 1. Change some micro-insurance policies

The companies have to change some policies, which will make the insurance companies more viable and opt able by the lower income group of the society.

#### 2. Campaign should be conducted

More number of marketing campaigns should be conducted so that people will be more aware of these schemes and polices being introduced by the insurance companies which will help them reach to a level of the healthy competitors.

#### 3. Reduce the procedures

Often it is being noticed that the less-known insurance companies tends to have large procedures to get the person insured which often makes the formalities much lengthier. It should be made more user-friendly to the public.

#### 4. Claim settlement

Claim settlement procedures should be made faster which will inculcate a form of trust within the lower sections of the community.

#### 5. Premiums should be made much reasonable

The premiums should be made more affordable to the lower income groups which will be an added feature to motivate the people below the poverty line.

## VI. CONCLUSION

In this study it has been mainly focused the schemes and policies that are made by the private insurance company and government insurance company the schemes and policies mainly focuses on lower income groups to protect the lives, health, property, crop etc. There are still scope of improvement in the field of micro insurance, there are few scheme that are doing well and rest not up to the level. These polices and schemes are made to reduce the risk of the public In this paper we have mainly focused on two sectors of micro-insurance which are life and health insurance. The study is done by taking the best performing insurance plans and schemes that are being implemented by both the private and public insurance companies as well as the Government for lower income groups of the society. From this particular analysis we have understood that there is still a major scope of improvement in the field of micro insurance with regard to the plans initiated by the less known insurance companies and how they can overcome to become like the healthy plans and schemes. Since these policies are made for the lower sections of the society they have to be made with more attractive features which will inculcate a feeling of neediness to get insured to those particular schemes and have to be done at affordable premium rates which make it more attractive.

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