A Decade since the First Microinsurance Regulations in India

Archana Singh*
Nikhil Bihari**

This study examines the evolution and growth of the commercial insurers' microinsurance coverage in India using the exploratory research method. It also summarizes the regulatory intent to promote the microinsurance sector. There has generally been an increase in the premium collected, the number of lives covered as well as in the number of agents employed. While the majority of the market share has remained with the public sector right from the beginning, private insurers also have been contributing to the overall growth in every sphere and aspect in recent years. The IRDAI has been aware of the constant developments in the insurance industry and have attempted to address the issues arising from the previous regulations. The impact of these changes on growth of microinsurance has inspired and led to the scope for the present research.

Key Words: Microinsurance; Microinsurance Regulation; Social Insurance; Rural & Social Sector Obligation; Growth of Microinsurance in India.

1. What is Microinsurance?

Insurance can be a boon to people looking to protect themselves from potential adversities and risks that may be imposed on them, such as expensive medical bills or the sudden loss of a productive asset. In such eventualities the insurance cover helps the insured/dependents to reduce the financial burden arising due to the unforeseen adversity. However, most of the traditional insurance products are very costly especially for the low-income group. Those belonging to the low income groups therefore need insurance cover mainly because they are the ones who are always financially hard-pressed and do not have the resources to deal with the liability arising out of an unexpected eventuality. The role of microinsurance becomes important all the more in such a scenario.

Microinsurance is a type of insurance aimed at low income groups which provides cover for a relatively lower amount and low premium proportionate to the risk covered.

**Lecturer at National Insurance Academy, Pune & Research Scholar, IIT Bombay E-mail: sarchana@niapune.org.in*
*** Associate Consultant Syntel Pvt. Ltd. & Alumnus, NIA*
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Microinsurance products are offered by both general and life insurance companies.

The definition of microinsurance has evolved over the years and fine-tuned through the works of researchers and insurance agencies. These developments are enumerated below:

- The protection of low-income people against specific perils in return for regular premium payments proportionate to the likelihood and cost of the risks involved *(Preliminary Donor Guidelines, Microinsurance Network, 2003)*.
- A risk-transfer device characterized by low premiums and low coverage limits, designed for low-income people not served by typical social insurance schemes *(Microinsurance Academy, India, 2007)*.
- 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 microinsurance policy is managed based on insurance principles and funded by premiums *(International Association of Insurance Supervisors, 2007)*.
- A mechanism to protect poor people against risk (accident, illness, death, natural disasters, etc.) in exchange for insurance premium payments tailored to their needs, income, and level of risk *(ILO's Microinsurance Innovation Facility, 2008)*.

In simple words, 'Microinsurance is a small ticket-size insurance for the low income segment' of population. It aims at insurance inclusion by way of making insurance accessible and affordable to the low income segment by way of offering simple and cheap products through alternate distribution channels. The low income segment that is eligible for microinsurance is the population living above the International Poverty Line earning US$ 1.90 per day (in US dollars, based on purchasing power parity in 2011) with total earnings up to US$ 5 per day (CGAP, ILO).

Microinsurance is different from Social Insurance as the former specifically targets the socially and economically backward segments of the society. The target segment eligible for the social insurance is the population living below international poverty line earning US$1.90 per day, and this segment of population is defined as the socially vulnerable section of the society, viz. women, the aged and the physically and the mentally challenged individuals who are considered eligible for the social welfare schemes. The differentiating factor between microinsurance and social insurance is the 'target market' and the 'subsidy element'. Social insurance schemes are subsidized partially/fully by a third party, generally under a specific welfare mandate of the government. Microinsurance follows the principles of a business, whereas the social insurance, as the name indicates, works on the principles of social welfare.

2. Global Growth of Microinsurance

According to the ILO's Microinsurance Innovation Facility, 33 of the world's 50 largest insurance companies were offering microinsurance in 2014 – up from seven in 2005. The second volume of Churchill (2012) states that the number of people covered by microinsurance across the world has increased from 78 million in 2007 to more than 500 million According to the "State of Microinsurance 2015" report published by Microinsurance Network, 263 million people are covered by microinsurance in three regions [Asia, Africa and Latin America and the Caribbean (LAC)] wherein the majority of the low income population live (Microinsurance Network, 2015, PEW Research Center, 2015). The total microinsurance Gross Written Premium (GWP) in these region is US$ 2.2 billion. The details of region-wise number of lives covered and GWP are presented in Table 1.

Table 1: Region-wise Global Distribution of Microinsurance

Region	Gross Written Premium		Lives Covered	
	US$ (Million)	Percentage Share	No (Million)	Percentage Share
Africa	548	25%	44.4	17%
Asia	829	38%	170.4	65%
LAC	828	38%	48.6	18%
Total GWP	2205	100%	263.4	100%

Source: The State of Microinsurance 2015, Microinsurance Network

About 80% of the total lives covered in Asia belong to two countries – China and India. It is estimated that 60 % of the people around the world, who are covered by microinsurance, live in India (ILO Microinsurance Innovation Facility, 2012).

3. Microinsurance in India

India is experiencing fast-paced economic growth at 7.6% p.a. (World Bank, 2015). The majority of its population is young – 47.9% of the population is below 21 years of age (Census 2011, Government of India) – which indicates India's bright growth prospects demographically. However, 67% of India's population live in rural areas (World Bank, 2015), out of which 56% belongs to the low-income group (Kochhar, 2015). According to the 9th Agricultural Census (2011-12), 85% of landholdings are in the small and marginal category. These people do not have access to proper healthcare and education. Microinsurance can provide a safety net against the risks that are pervasive in their lifestyle. Therefore, the presence and growth of microinsurance is a necessity for India's rural population to ensure proportionate growth of all sections of the society. People with smaller incomes have very little risk-retention and risk-absorption capacity. This means, even a very small loss can have a major impact on them and they might have to spend all their resources to repair the damage caused by the risk. Microinsurance can help them cope up with these losses, bring financial stability as their financial position and assets will be protected from unforeseen losses. From the economic risk profile of the Indian population, microinsurance emerges as a relevant risk management tool for majority of the population.

Initiation of microinsurance in India can be linked to the success of Micro-Finance and the need to secure micro-loans. It was initiated to cover the risks faced by Micro-Finance Institutions in providing unsecured loans extended to the low-income groups. Perhaps the first such products to be brought into the market was the Credit Plus Policy introduced by Aviva Life Insurance in 2002 (Willis Towers Watson, 2014[1]). Such products were designed to address the needs of the Micro-Finance Institutions. The insurance companies had tie-ups with banks and the delivery mechanism was such that there was minimal contact between the insurance company and the customers. This resulted in low quality service and the customers started developing a negative perception about the insurance companies.

This came to the notice of the Insurance Regulatory and Development Authority of India (IRDAI), and, the need for regulating the microinsurance market was recognized. The path for the first microinsurance regulation emerged with the Microinsurance Regulations, 2005. This regulation was revised and replaced in 2015, i. e. the new Microinsurance Regulations.

The Microinsurance Regulation enumerates specifications for registering microinsurance products. According to these guidelines, the products registered as microinsurance products should have a distinct mention of the microinsurance tag in the name or policy paper of the product. As per IRDAI's latest data, there are 26 microinsurance products[2] in India which are offered by 16 life insurance companies. Out of these products, 21 cover only death and the rest 5 cover death and accidental death, and, their terms range from 1 to 15 years. Rural and social products, not registered as microinsurance products but are targeted at low income groups, are approximately 64 in number. These products are offered by both general and life insurance companies.

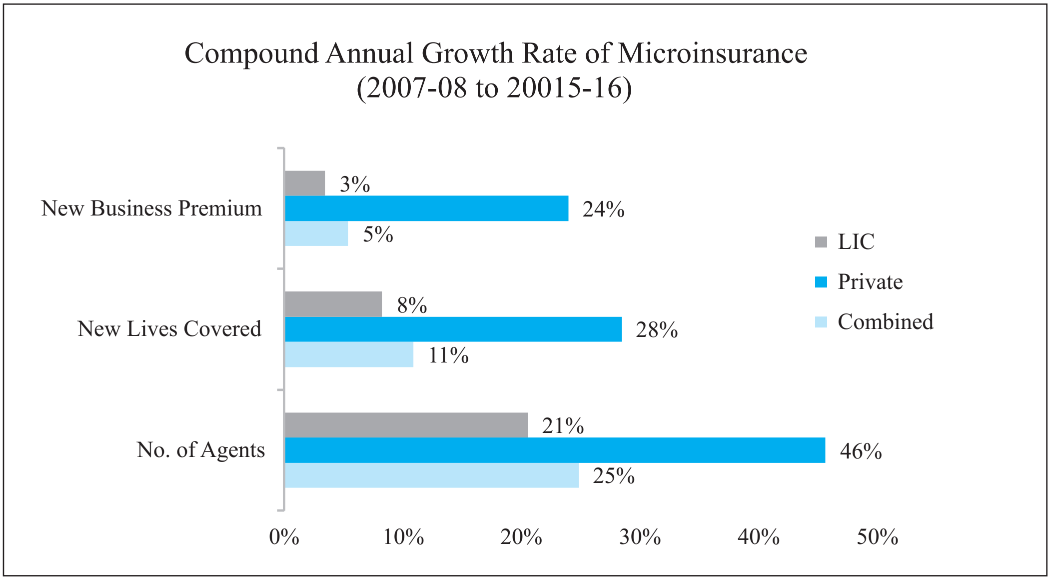
[1] *http://blog.willis.com/2014/06/a-short-history-of-microinsurance-in-india/*
[2] *IRDAI, accessed from www.irdai.gov.in on 22 June 2017*

These products are classified into four categories, viz. (i) Individual life insurance products, (ii) Savings-linked individual insurance products, (iii) Individual and group general insurance products, and (iv) Group term (life) assurance products (Mukherjee, 2012).

3.1 Growth of Microinsurance in India

Microinsurance has shown a steady growth in India since the introduction of the 2005 regulations. It is evident that the quantum of new business acquired has doubled over last one decade. The Compound Annual Growth Rate (CAGR) of the premium charged during this period was 5% and that of the number of lives covered was 11%. The CAGR of microinsurance agents was 25% in this period. The compound annual growth rates of the sector are presented in Figure 1.

Figure 1: Growth of Microinsurance in India: 2007-08 to 2015-16



In 2007-08, the total premium earned from the new business was Rs 219.50 crore and the number of lives insured was 1.3 crore. The number of microinsurance agents was 4,584. A decade after, in 2015-16, the total new business premium earned was Rs 334.15 crore; the number of lives covered was 3.01 crore, and the number of microinsurance agents at the end of the year was 27,041. Year-wise details of microinsurance business during last one decade is presented in Table 2.

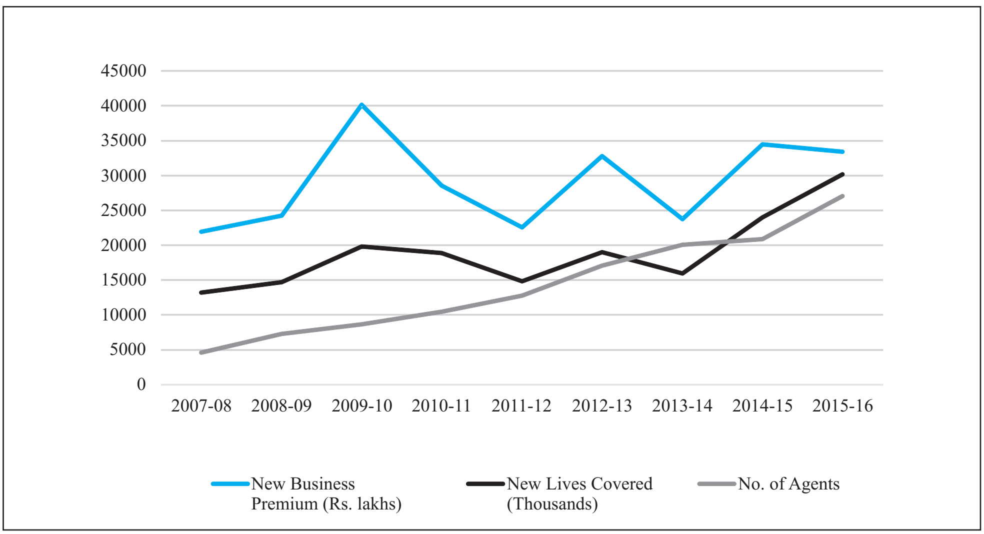
Table 2: Growth of Microinsurance Sector: 2007-08 to 2015-16

Year	New Business Premium (Rs Lakhs)	YOY Growth	New Lives Covered	YOY Growth	No. of Agents	YOY Growth
2007-08	21,951		1,31,79,795		4,584	
2008-09	24,252	10%	1,47,03,878	12%	7,250	58%
2009-10	40,164	66%	1,98,26,024	35%	8,676	20%
2010-11	28,564	-29%	1,89,09,969	-5%	10,482	21%
2011-12	22,550	-21%	1,48,15,347	-22%	12,797	22%
2012-13	32,770	45%	1,90,17,461	28%	17,052	33%
2013-14	23,742	-28%	1,59,46,203	-16%	20,057	18%
2014-15	34,452	45%	2,39,68,243	50%	20,855	4%
2015-16	33,415	-3%	3,01,65,670	26%	27,041	30%
CAGR		**5%**		**11%**		**25%**

Source: IRDAI Annual Reports. Calculations by the authors.

Comparison of the data (FY 2015-16 with FY 2007-08) shows growth in terms of : (a) new business premium – 1.50 times; (b) the number of lives covered – 2.31 times; and (c) increase in the number of agents – 5.9 times.

Figure 2: Growth of Microinsurance Sector: 2007-08 to 2015-16



3.1.1 Growth of Microinsurance – Private Sector Companies: 2007-08 to 2015-16

In terms of new business, the premium collected by private players in the financial year 2007-08 was Rs 10.8 crore and 9.58 lakh lives were insured, which grew to Rs 60.34 crore and 71.09 lives in 2015-16. Table 3 presents the year on year (YOY) growth.

Table 3: Growth of Private Sector Microinsurance Companies: 2007-08 to 2015-16

Year	New Business Premium (Rs Lakhs)	YOY Growth	New Lives Covered	YOY Growth	No. of Agents	YOY Growth
2007-08	21,951		1,31,79,795		4,584	
2008-09	24,252	10%	1,47,03,878	12%	7,250	58%
2009-10	40,164	66%	1,98,26,024	35%	8,676	20%
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2015-16	33,415	-3%	3,01,65,670	26%	27,041	30%
CAGR		**5%**		**11%**		**25%**

Source: IRDAI Annual Reports. Calculations by the authors.

It can be seen that the premium grew by 24% (CAGR) and the number of lives covered by private players increased by 28% (CAGR) in this period.

Figure 3 indicates an upwardly trend in premium in new business from FY 2012-13 onwards, showing significant jump particularly in FY 2015-16.

3.1.2 Growth of Microinsurance - Public Sector Company – LIC: 2007-08 to 2015-16

In the new business of Microinsurance, the LIC collected a total premium of Rs 208.7 crore in 2007-08 and covered 1.2 crore lives. By the year 2015-16, the premium increased by 3% and the number of lives insured increased by 8% (CAGR) indicating a YOY growth of 21%, as shown in Table 4.

Figure 3: Growth of Microinsurance in Private Sector Companies

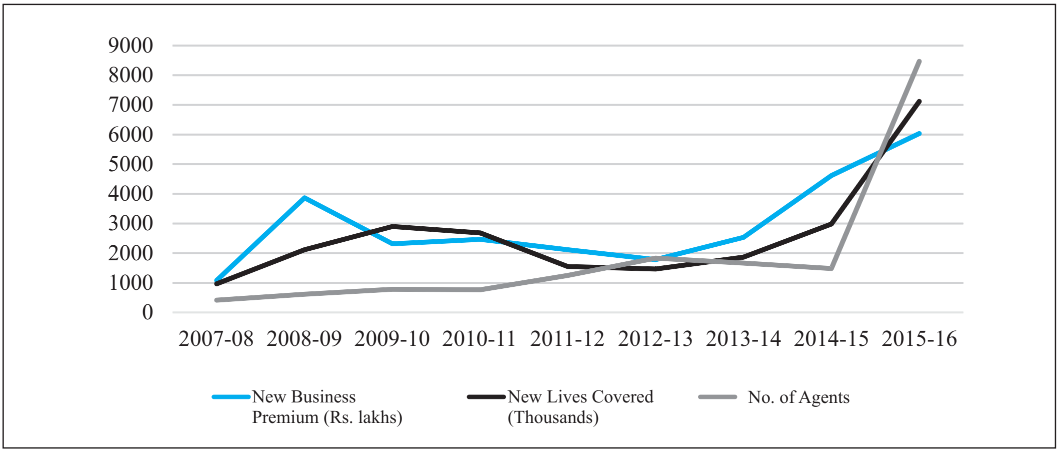


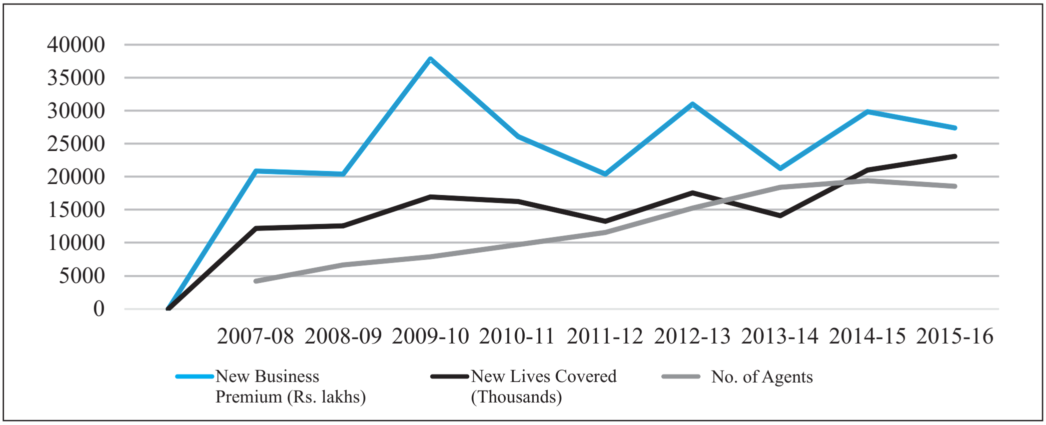
Table 4: Growth of Public Sector Microinsurance Company – LIC: 2007-08 to 2015-16

Year	New Business Premium (Rs Lakhs)	YOY Growth	New Lives Covered	YOY Growth	No. of Agents	YOY Growth
2007-08	20,870		1,22,21,741		4,166	
2008-09	20,387	-2%	1,25,94,033	3%	6,647	60%
2009-10	37,852	86%	1,69,32,072	34%	7,906	19%
2010-11	26,109	-31%	1,62,26,699	-4%	9,724	23%
2011-12	20,435	-22%	1,32,71,132	-18%	11,546	19%
2012-13	30,995	52%	1,75,64,107	32%	15,228	32%
2013-14	21,217	-32%	1,40,93,123	-20%	18,401	21%
2014-15	29,834	41%	2,09,97,066	49%	19,379	5%
2015-16	27,380	-8%	2,30,56,210	10%	18,574	-4%
CAGR		3%		8%		21%

Source: IRDAI Annual Reports. Calculations by the authors.

The total of the premium in the year 2015-16 was Rs 273.8 crore and the number of lives covered was 2.3 crore. The premium of LIC in this business grew by 31% and the number of lives almost doubled between the years 2007 and 2016). Figure 4 shows the combined growth of individual and group business of LIC in microinsurance.

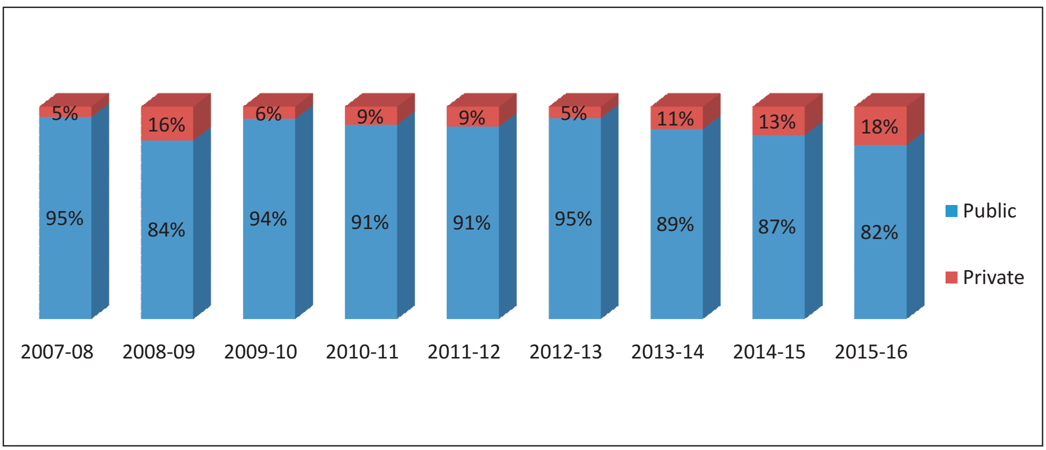
Figure 4: Growth of Micro Insurance in Public Sector (LIC): 2007-08 to 2015-16



3.2 Market Share in Microinsurance – Public Sector vs Private Sector:2007-08 to 2015-16

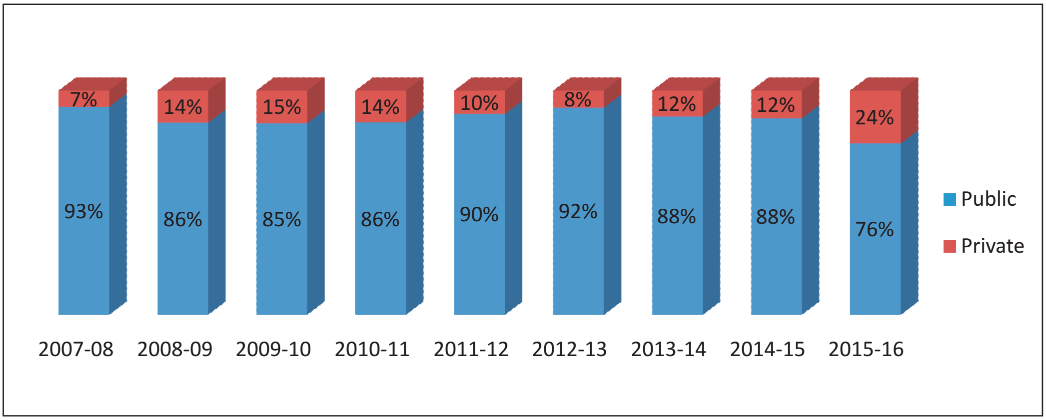
The LIC – a public sector company – holds the maximum market share in microinsurance ranging from 91% in the FY 2007-08 to 69% in FY 2015-16. Comparison of market share of LIC with private sector insurance companies indicates that the share of LIC has been diminishing during the last three years. Figure 5 (a) shows the comparative picture of market share in terms of premium, number of lives covered and the number of agents employed. The market share of LIC in terms of premium reduced from 95 % in FY 2012-13 to 18% in FY 2015-16.

Figure 5 (a): Market Share – Public Sector vs. Private Sector: New Business Premium



The share of LIC in terms of number of lives covered was 92% in 2012-13, which has continuously declined to 76% in FY 20-15-16 after continuous growth during the period 2009-10 to 2012-13 (Fig 5 (b)).

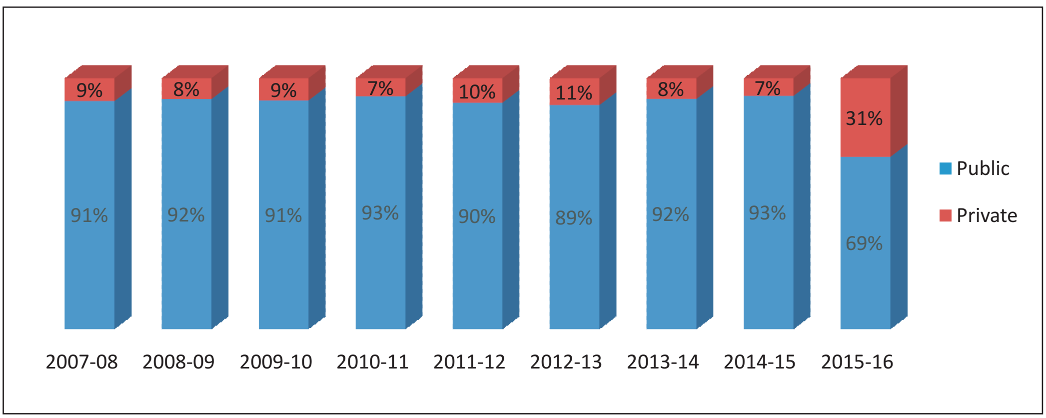
Figure 5 (b): Market Share – Public Sector vs. Private Sector: Lives Covered



The percentage of the LIC's microinsurance agents was in the range of 89 to 93% during the period 2007-08 to 2014-15. Their number drastically decreased to 69% in FY 2015-16 because the LIC has cut down its microinsurance agents' force in 2015-16 by 800 (Fig 5 (c)).

This may be because of the strategic decision of the company to change its processes to make its access easier to the customers and to consolidate its microinsurance business in order to ensure steady growth financially.

Figure 5 (c): Market Share – Public Sector vs. Private Sector: Number of Agents



4. *IRDAI Regulations for Micro, Rural and Social Sector*

The IRDAI has taken several steps from time to time to promote microinsurance in the Indian market through dedicated regulations appropriate for the sector. The first microinsurance regulation was issued by the IRDAI in the year 2005, followed by an exposure draft in 2013. The second microinsurance regulation replaced the regulation of 2005 in the year 2015. Another regulation important for the low-income segment was the Obligations of Insurers to Rural and Social Sectors issued in the year 2002. This regulation was also revised and replaced in the year 2015.

The following section discusses the journey of the two important regulations namely, microinsurance regulation and obligations of insurers to the rural and social sector.

4.1 *Microinsurance Regulations: 2005 and 2015*

The Insurance Regulatory and Development Authority (Microinsurance) Regulations, 2005, defined microinsurance products and divided them into two categories: (i) General Insurance and (ii) Life Insurance. The coverage limit and term for the various products were also clearly defined. Thus the regulation allowed a MoU between life and non-life companies to bring out *combo products* – an uncharted path – whereby combination of life and non-life products were not allowed in conventional insurance. It intended to simplify the insurance offering by developing tie-ups between general and life insurers to produce hybrid products that would cover different kinds of risks in a single policy. The definition of and eligibility criteria for "microinsurance agents" and the procedure for the appointment of such agents were also modified. This regulation was restrictive in nature as it allowed only three channels of distribution: NGOs, MFIs and SHG's, each of which has only limited reach and scope. The tie-ups between life and non-life insurers did not take off because of operational and product's financial viability issues.

In 2015, IRDAI reviewed the 2005 regulations. The new regulation redefined the definition of general microinsurance products by qualifying (specifying) the policies issued to the Micro, Small and Medium Enterprises (MSMEs) up to an annual Premium of Rs. 10,000 for each MSME. The maximum amount of cover offered for various kinds of policies was revised and the minimum amount of cover was removed. The maximum amount of cover that was offered for dwellings and contents or tools/listed assets or crop insurance has been increased from Rs. 30,000 to Rs. 1, 00,000 per asset/cover. Similarly, individual health policies and group health policies have been allowed a maximum cover limit of Rs.1,00,000 and Rs. 2,50,000 respectively. In the 2005 regulations the limit for both of these policies was merely Rs. 30,000. The maximum Personal Accident cover has also been increased from Rs. 50,000 to Rs. 1,00,000. Additionally, the life microinsurance policy cover has been fixed at Rs. 2,00,000 and the maximum annual premium at Rs. 6,000. There was no limit specified for premium in Life Microinsurance Policies and General Microinsurance cover in the 2005 regulations. The prescribed maximum and minimum age of entry for both Life and General Insurance and terms of cover for Life Insurance has been removed in the new regulation of 2015. Tables 5 and 6 give comparative views of the changes in the Microinsurance Regulations, 2005 and 2015.

Table 5: IRDA Terms for General Microinsurance Products

Schedule I

Type of Cover	Microinsurance Regulations 2005		Microinsurance Regulations 2015
	Amount of Cover		Maximum Amount of Cover
	Minimum	Maximum	
Dwellings and Contents/ Livestock/ Tools or Implements/ Crop Insurance against all perils, Other listed Assets	Rs. 5,000 per asset/cover	Rs. 30,000 per asset/cover	Rs. 1,00,000 per asset/cover
Health Insurance Cover (Individual)	Rs.5,000	Rs.30,000	Rs.1,00,000
Health Insurance Cover (Family)	Rs.10,000	Rs.30,000	Rs.2,50,000
Personal Accident (Per life/earning member of family)	Rs.10,000	Rs.50,000	Rs 1,00,000

Table 6: IRDA Terms for Life Microinsurance Products

Schedule II

Type of Cover	Microinsurance Regulations 2005		Microinsurance Regulations 2015
	Amount of Cover		Maximum Amount of Cover
	Minimum	Maximum	
Term / Endowment Insurance	Rs. 5,000	Rs. 50,000	Rs 2,00,000
Health Insurance Contract (Individual)	Rs. 5,000	Rs. 30,000	Rs 2,00,000
Health Insurance Contract (Family)	Rs. 10,000	Rs. 30,000	
Accident Benefit as a Rider	Rs. 10,000	Rs. 50,000	------
Pension	------	------	Rs. 2,00,000

The new regulation expanded the definition of microinsurance agents to include Business Correspondents of Scheduled Commercial Banks, District Cooperative banks, Regional Rural Banks, Urban Cooperative Banks, Primary Agricultural Cooperative societies, other cooperative societies under any of the Cooperative Societies Act and the RBI regulated NBFC-MFI's. This was done with a view to increase microinsurance penetration. The terms regarding the employment and capacity building of microinsurance agents were also slightly modified to cover situations which were not mentioned in the earlier set of regulations. The details regarding the life microinsurance policies, such as paid up value, surrender value, discontinuation charges and lock-in period, have also been expanded and explained with greater clarity and as to when and on what conditions they are to be paid.

List of Regulatory Notifications:

- IRDA (Obligations of Insurers to Rural and Social Sectors) Regulations, F. no. IRDA/Reg./10/2002 (2002)
- IRDA (Obligations of Insurers to Rural and Social Sectors) Regulations, F. no. IRDA/Reg./3/2004 (2004)
- IRDA (Obligations of Insurers to Rural and Social Sectors) Regulations, F. no. IRDA/Reg./4/2005/37 (2005)
- IRDA (Obligations of Insurers to Rural and Social Sectors) Regulations, F. no. IRDA/Reg./2/43/2008 (2008)
- IRDAI (Obligations of Insurers to Rural and Social Sectors) Regulations, F. no. IRDAI/Reg./13/103/ 2015 (2015)
- Insurance Regulatory and Development Authority (Microinsurance) Regulations, F. no. IRDA/ MI/ 3/ 2005 (2005)
- Insurance Regulatory and Development Authority of India (Microinsurance) Regulations, F. no. IRDA/Reg/2/92/ 2015, (2015)

There were also some changes regarding the distribution of microinsurance products through agents. It is explicitly notified in the 2015 regulations that a microinsurance agent shall not distribute any product other than a microinsurance product. It also stipulated that for General Microinsurance products a company may appoint a microinsurance agent either for any one of the sectors of MSMEs, or a combination of any two or for all the three. Similarly, it may appoint agents independently for each line of business, a combination of a various lines or for all lines of businesses. It may do the same either for the manufacturing sector or the Service sector or both. The commission rates for microinsurance agencies have also been revised. The regulation of 2005 had only specified the upper limits of commission, whereas, the new regulation has detailed the specifications about the first-premium commission and also the subsequent amounts as well.

There were constant complaints from insurers that microinsurance sum insured limits were very low, which made it unattractive for customers who are willing to pay the premium. The other limitation was regarding the distribution channel. Since then both issues were addressed and the scope of microinsurance was also enlarged by including unorganized sectors and the MSMEs. The impact of the new regulation on growth of microinsurance will be examined in future.

4.2 Rural and Social Sector Obligation: 2002 and 2015

Another relevant regulation for microinsurance is the IRDAI (Obligations of Insurers to Rural and Social Sectors) Regulations, 2002. This regulation echoed the practice of priority sector norms laid out by the Reserve Bank of India for all the Indian banks. This regulation placed an obligation on both life and non-life insurers to write (include) a certain percentage of business from the rural sector. In addition, all insurers were mandated to cover a certain number of lives in the social category. The obligation was incremental with respect to the number of years of operations of the company. That is, existing insurers had to garner higher proportion of business compared with new insurance players entering the insurance arena. The regulation was amended in 2004, 2005 and 2008 and 2015.

The IRDAI (Obligations of Insurers to Rural and Social Sectors) Regulations, amended in 2015, redefined rural and social sector. It adopted a pragmatic definition of the 'rural sector' based on the Population Census and included new segments of population in the social sector, defining what constitutes the unorganized sector, informal sector and economically backward classes. The new regulation changed the clause relating to the existing insurers and included in the schedule for rural and social sector obligations along with the new insurers. The obligations for stand-alone health insurers were also added as they were not included earlier. The obligations/rates for the social sector have undergone significant definitional changes. Earlier these were expressed in the number of lives to be covered, whereas now these are expressed in terms of percentages of total lives covered. The other changes include: (a) reinsurance premium and (b) premium contributed by the government toward government-subsidized schemes (effective from the financial year 2017-18). These shall not be included in the premium collected for rural and social obligations.

The Rural Sector Obligation of a General Insurer and Social Sector Obligation for all Insurers as per the 2015 Regulation are shown in Table 7. The obligation for rural sector for a Life Insurer is expressed in terms of percentages of the total number of policies written, and that of General Insurer in terms of percentage of direct gross premium written in the respective years. The Social Sector Obligation for all insurers, namely Life, Non-Life, and Stand-alone Health insurers is considered in terms of "Percentage of Social Sector Lives" computed on the total business procured during the preceding financial years.

Table 7: Rural and Social Sector Obligations for Insurers

Sr. No.	Financial Year since Inception	Rural Sector			Social Sector
		Life Insurer	General Insurer	Standalone Health Insurers	All Insurers
		% (Number of Policies)	% (Direct Gross Premium)	% (Direct Gross Premium)	% (No. of Lives)
1	First	7%	2%	1.0%	0.5%
2	Second	9%	3%	1.5%	1.0%
3	Third	12%	5%	2.5%	1.5%
4	Fourth	14%	5%	2.5%	2.0%
5	Fifth	16%	5%	2.5%	2.5%
6	Sixth	18%	5%	2.5%	3.0%
7	Seventh	18%	5%	2.5%	3.5%
8	Eighth	19%	6%	3.0%	4.0%
9	Ninth	19%	6%	3.0%	4.5%
10	Tenth and thereafter	20%	7%	3.5%	5.0%

A comparative view of Rural and Social Sector Obligation for Insurers, 2005 and 2015, is presented in table 8

Table 8: Comparision of Rural and Social Sector Obligation for Insurers, 2005 and 2015

Sector	Type of Insurer	Regulation 2002			Regulation 2015	
		Measurement	New Insurers	Existing insurers	Measurement	All Insurers
Rural Obligation	Life Insurer	% of total number of policies written in a year	7% in 1st year to 20% in 10th year onwards	24-25%	% of total number of policies written in respective years	7% in 1st year to 20% in 10th year onwards
	Non-life Insurer	% of total gross premium income written direct in that year	2% in 1st year to 8% in 9th year onwards	6-7%	% of total gross premium income written direct in respective year	2% in 1st year to 8% in 9th year onwards for standalone health insurers: 50% of the obligations prescribed
Social Obligation	Life Insurer	Number of lives covered	5 thousand in 1st year to 55 thousand in 10th year	20 lakh lives	% of lives covered computed on total business procured* in preceding year	0.05% in 1st year to 5% from10th year onwards
	Non-life Insurer	Number of lives covered	5000 in 1st year to 55000 in 10th year	Higher of average lives covered (2002-2005) or 5.5 lakhs, with 10% increase p.a. up to 2009-10		

* Total number of individual policies issues and number of lives covered in Group insurance

By updating both the sets of regulations in 2015, the IRDAI has attempted to address the lacunae that were present in the previous regulations and then revised the earlier limits. However, what is to be examined is the impact of regulations on the growth of microinsurance sector. , In the light of the previous studies it may be stated that the insurance companies have merely restricted themselves to meeting only the stipulated regulatory obligations (Saha, 2012; Ankolekar, 2016).

4.3 Connecting Microinsurance Regulation with Rural and Social Sector Regulations

Microinsurance regulation augments this regulation by incentivizing the sale of microinsurance in the rural areas. Accordingly, all microinsurance products sold in rural markets are regarded as business in both rural as well as social sectors. It was expected to increase the growth of microinsurance as insurers will be more inclined towards microinsurance products to fulfill their rural and social sector obligations. From 2014-15 to 2016-17, all the 23 private sector life insurance companies have fulfilled their rural and social sector obligations.

5. Opportunities and Challenges and Role of Technology

There is no doubt that microinsurance has a huge potential for growth in India. Studies on impact of microinsurance demonstrate the value it has created in building awareness about insurance (Singh, 2011), protecting asset base and smoothening the consumption in households (Janzen and Carter, 2016). However, there are still some challenges which hinder the successful selling of microinsurance and making it available to the poor.

Microinsurance as a business proposition for insurers is also questioned often. Building and positioning a portfolio of microinsurance products is still not a priority. Both the insurers and their channel partners are struggling to analyze whether microinsurance can be an independent revenue generator that provides value to the insurer. Microinsurance is considered by insurers as an "obligatory necessity", rather than a profitable product category (Saha, 2012; Ankolekar, 2016).

The insurers' focus is towards achieving the IRDAI mandated target numbers, even at the cost of subsidizing the products – often viewed by insurers as 'cost of doing business.' Insurance companies (and other players involved in microinsurance product design) lack the mortality and risk-related actuarial data for the target-client segments. Moreover, to reduce documentation and simplify calculations, they have adopted enrolment forms and formats that are unable to address all risk-related queries. Thus, both actuaries and underwriters allocate stiffer risk weights to microinsurance products, making them unaffordable and making the benefits unattractive to the clients. Insurance companies also face distribution challenges as it is very difficult to reach customers located in remote areas. The variable revenue and projected income/client numbers cannot justify the fixed costs of administration and distribution of microinsurance in the short term. Therefore, stand-alone microinsurance players are practically non-existent. (Mukherjee, 2012)

Against this scenario, technology can play a vital role in overcoming some of these challenges that stand in the way of growth of microinsurance in India. Data analytics has gained momentum over the last decade and it can be an effective tool to boost the growth of microinsurance. With the technological progress, witnessed over the last few years, more and more people have started using mobile phones and other such electronic devices. India has 1178.2 million mobile (wireless) subscribers and the tele density[3] is 91% (TRAI, 2017), out of which 57.5% are urban subscribers and 42.5% are rural subscribers. These devices generate a large amount of data which can be used to make products which are more suited to the needs of the customers. Mobile phones can also be used to market products and schemes which can help in reducing the administrative cost and lead to lower the premiums. It can also be helpful in addressing the distribution challenges by administration of policies through electronic devices which can enable faster and cheaper insurance signup for customers.

6. Conclusion

This study examines the evolution and growth of the commercial insurers' microinsurance coverage in India. It also presents a summary of the regulators' intent to promote the microinsurance sector through policy regulation. In that sense, the study is an exploratory research on the landscape of microinsurance.

Needless to say microinsurance has witnessed considerable growth over the past decade. There has generally been a positive trend in the increase in the premium collected, lives covered as well as the number of agents involved, with private companies also contributing considerable growth in all segments from the year 2012-13 onwards. There has also been an increase in the number of lives covered and insurance players offering microinsurance products globally. The fact that 60% of the population covered by microinsurance lives in India is an evidence of the progress it has made.

Microinsurance has encountered its fair share of challenges as well. There have been problems such as lack of relevant data, restrictive regulations, insurers viewing it as an obligation and lack of access facilities for policy dissemination and administration. Technology can roped in to play effectively a greater facilitating role in making enrollment and monitoring of policies easier.

The IRDAI has attempted to promote and popularize the growth of microinsurance by introducing socially proactive regulatory mandates such as the Insurance Regulatory and

3Telephone density or tele density is the number of telephone connections for every 100 individuals living within a specified area.

Development Authority (Microinsurance) Regulations and IRDAI (Obligations of Insurers to Rural and Social Sectors) Regulations. By updating the sets of regulations of both 2005 and 2015, the IRDAI has attempted to address the issues and limitations that were present in the former regulations by revising the limits imposed on the sum assured and enlisting new channels of distribution.

However, the impact of regulations on growth of microinsurance sector should be further examined, particularly in light of previous studies that indicate that insurance companies have restricted themselves to meeting the aspect of regulatory obligation. Analyzing the impact of the 2015 Regulation can be taken up as a future area of research. The study also raises the question of the reasons behind the uneven growth of microinsurance in India. This aspect can be further examined in another study using analytical research methods and tools.

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