REVIEW OF RESEARCH
ISSN: 2249-894X
IMPACT FACTOR : 5.7631(UIF)
VOLUME - 13 | ISSUE - 5 | FEBRUARY - 2024

MICRO INSURANCE REGULATIONS: A REVIEW

Dr. Ashok S. Banne
Associate Professor, D. R. K. College of Commerce, Kolhapur (Mah.)
Affiliated to Shivaji University, Kolhapur .

ABSTRACT

In India, majority of the poor and the weaker sections of society are deprived of the life as well as general insurance services. The main reason for this deprivation is that most of the traditional insurance products are not suitable to fulfill insurance needs of the poor and weaker sections of the society. Further, the traditional plans are not affordable to them. The premium payment terms are also not suitable for the population working in informal and unorganized sector. This has led to low insurance penetration and low insurance density in the country. Thus, the traditional life insurance plans have failed to attract most of the population in the country, especially, rural population, slum dwellers, workers in informal sector and unorganized sector, population below poverty line, etc. Therefore, it was necessary to have customized life insurance products specifically designed for this large population. In this scenario, the Insurance Regulatory and Development Authority (IRDA), the controller of the insurance industry in the country, notified the Micro Insurance Regulation, on10th November 2005 and 13th March, 2015. This paper is an attempt to study IRDA-Micro Insurance Regulations 2015.

KEYWORDS: *Life Insurance, General Insurance, Insurance Products, Weaker Sections, Insurance Penetrations, Insurance Density, IRDA, Micro Insurance.*

INTRODUCTION:

Insurance has become one of the basic needs of people in the modern era. It is a cooperative tool that spreads risk of a person over a large number of people against different types of contingencies such as death due to accident or sickness etc. Insurance, in India has completed a full circle from private sector in the pre-independence period & initial years of independence to nationalization and again to privatization in globalized market economy. However, Insurance Penetration and Density, the two major indicators of growth of insurance in a country are still low in India in both life and general insurance sector. The main reason is the attitude of insurance companies to focus only the creamy layer in the society. The poor and weaker sections of the society are still deprived of the insurance facilities. It has not properly reached to the informal sector in the country. The traditional life insurance products in the market are not suitable and affordable to the poor. Therefore, it is necessary to have customized/tailor made life insurance products suitable for poor at cheaper prices and flexible payment options. Therefore, Insurance Regulatory and Development Authority (IRDA) notified the Micro Insurance Regulation on10th November 2005 and then amended the same in the year 2015. IRDA assumed that insurance can play a positive role in meeting the financial needs of the poor by offering insurance to them through micro-insurance agents with simpler types of insurance cover for property, personal accident, health and life insurance.

OBJECTIVE OF STUDY:

The present study has been undertaken to study the provisions of the Insurance Regulatory and Development Authority (Micro Insurance) Regulations 2015.

Micro Insurance (MI):

Micro Insurance is specifically designed for the financial protection of low -income people, with affordable insurance products to help them cope with and recover from common risks. It is the protection of low income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved. Micro Insurance products are available at low premiums, liberal terms, reasonable coverage, and easier delivery to manage the risks. These products are meant for poor population groups, people working in the informal sector and other disadvantaged individuals. Thus, it is a low-price, high-volume business. Access to Micro Insurance by the poor and disadvantaged population can contribute significantly to achieve the goals to eradicate poverty to some extent and to provide them social security.

Insurance Regulatory and Development Authority of India (Micro Insurance) Regulations 2015:

In order to facilitate penetration of insurance to the lower income segments of population, IRDA had formulated the micro insurance regulations 2005. These Regulations, provide a platform to distribute insurance products, which are affordable to the rural and urban poor and to enable micro insurance to be an integral part of the country's wider insurance system.

The main thrust of micro insurance regulations is protection of low income people with affordable insurance products to help cope with and recover from common risks with standardized popular insurance products adhering to certain levels of cover, premium and benefit standards.

The Authority undertook the review of the Micro Insurance Regulations, 2005 comprehensively. In this connection, the Authority has notified the Amended Regulations on 13th March 2015.

Coverage of MI:

MI covers the three strata of the society-

(i) Unorganized sector, (ii) Informal sector, (iii) Economically Vulnerable or Backward Classes and (iv) Other Categories of Persons, both in rural and urban areas.

(i) **Unorganized sector** includes self-employed workers such as agricultural labourers, beedi workers (beedi is an unfiltered cigarette made by rolling tobacco in a dry leaf of a particular plant; it is an inexpensive substitute for cigarette used mostly by the poor smokers), brick workers, carpenters, cobblers, construction workers, handicraft artisans, handloom workers, lady tailors, leather and tannery workers, street vendors, primary milk producers, rickshaw pullers, salt growers, sericulture workers, sugarcane cutters, washerwomen, working women in hills, or such other categories;

(ii) **Informal Sector** includes small scale, self-employed workers typically at a low level of organization and technology, with primary objective of generating employment and income, with heterogeneous activities, with the work mostly labour intensive, having often unwritten and informal employer-employee relationship;

(iii) **Economically Vulnerable** or Backward Classes who live below poverty line; (iv) **Other Categories** of Persons include persons with disabilities and who may not be gainfully employed, as well as persons who tend to the disabled.

BENEFICIARIES OF MICRO INSURANCE:

The poor and the population working in informal sector are more prone to different types of risks than the others because of the quality of intake, working conditions, non availability of medical facilities etc. These products are meant for Low-income clients who:

- Live in remote rural areas, requiring a different distribution channel;
- Are often illiterate and unfamiliar with the concept of insurance, requiring new approaches to both marketing and contracting;
- Tend to face more risks than wealthier people do, for example, on an average they are
- more prone to illness because they do not eat as well, work under hazardous conditions and do not have regular medical check -ups; and
- Have little experience of dealing with formal financial institutions.

Risks Covered in MI:

A) Common Risks:

The following are some of the common social risks-

1. Health and incapacity to work such as illness, disability, accidents –either occupational or non-occupational.
2. Life cycle risks -death, old age.
3. Economic risks - unemployment, loss of property, crop failure.
4. Natural disasters-floods, droughts, earthquake.

B) Risks Related to Women:

1. Risks related to sexually transmitted infections, pregnancy and childbirth;
2. Risks related to economic crisis such as the death of the breadwinner, loss of assets;
3. Protection at old age.
4. Risks related to hazardous working conditions. Although these also affect men, the number of unskilled labourers is higher among women workers. Women, more often work under hazardous conditions such as the carpet industry, refuse dumps, garbage tips and recycling industries such as polythene bags/vinyl recycling.

Micro Insurance Products:

General and Life MI Product: General MI Product means any health insurance contract, any contract covering the belongings such as hut, livestock or tools or instruments or any personal accident contract, either on individual or group basis and the general insurance policies issued to MSMEs as classified under Micro, Small and Medium Enterprises Development Act, 2006 will also be qualified as general MI business up to Rs. 10000 premium p.a. per MSM Enterprise. While Life MI Product means a life insurance product designed as per terms stated in these regulations. Every insurer shall file the MI products with the IRDA.

The Sum Assured:

Table 1
The Sum Assured under MI

The sum assured under MI for different policies are shown in the following table-

Sr. No.	Type of Cover	Maximum Amount of Cover	Term
1	Dwelling and contents, or livestock or tools or implements or other names assets or crop insurance-against all perils	Rs. 100000	1 year
2	Health insurance contract (Individual)	Rs. 100000	1 year
3	Health insurance contract (Group/Family)	Rs. 250000	1 year
4	Personal Accident (Individual/Family/Group)	Rs. 100000	1 year

Source: The Gazette of India (Extraordinary), 17th March 2015.

MI Agents:

The MI Regulations 2015 provides for opportunities to more individuals/entities to work as MI Agents. They include-

- a Non-Government Organisation (NGO),
- A Self Help Group (SHG),
- a Micro Finance Institution (MFI),
- RBI regulated NBFCs- MFIs,
- District Cooperative Banks licensed by RBI subject to being eligible as per extant norms of RBI
- Regional Rural Banks established under section 3 of RRBs Act subject to being eligible as per extant norms of RBI Act.
- Urban Cooperative banks licensed by RBI subject to being eligible as per extant norms of RBI Act.
- Primary Agricultural Cooperative Societies (PACS)
- Other Cooperative Societies registered under any of the Cooperative Societies Acts.
- Business Correspondents (BFs) appointed in accordance to the extant RBI guidelines with any of Scheduled Commercial banks
- However, these who are already engaged in soliciting the insurance business as Corporate Agents or as Insurance Brokers or appointed as Referral Company are not eligible as MI agents**.**

APPOINTMENT OF MI AGENT:

A MI agent shall be appointed by an insurer by entering into a deed of agreement, which shall clearly specify the terms and conditions of such appointment, including the duties and responsibilities of both the MI agent and the insurer. A MI agent may work with one life insurance company and one general insurance company. In addition to this a MI agent may also work with Agriculture Insurance Company of India Ltd. and with any one of the health insurance companies registered with the IRDA. As per the deed the MI agent will be authorized to collet proposal forms, collect self-declaration from the proposer that he/she is in good health, Collection and remittance of premium and issue acknowledgements, distribution of policy documents, maintaining register of all those insured and their dependents, assistance in claim settlement, ensuring nominations to be made by the insured etc.

Training to agents:

The new regulation specifies a mandatory training period of 25-hours for individuals employed as micro insurance agents (”agents and their specified persons”). Individuals selling non-life products to micro and small enterprises now need to undergo an additional 25 hours training. In addition, every micro insurance agent or sales person needs to undergo refresher training for half of the specified mandatory training time at the end of three years.

Commission to MI Agents:

MI agent is eligible to get remuneration for all the functions rendered as mentioned in the regulations including commission from the insurer within the following limits-

The rate of commission for life MI policies shall be 10 percent of single premium and 20 percent of the non- single premium for all the years of the premium paying term. On the other hand it is 15 percent of the premium for general insurance business.

Tie -Up between Life Insurer and General Insurer

An insurer carrying on life insurance business may offer life MI insurance products as also general insurance products in tie up with the general insurers subject to certain conditions. Similarly, an insurer carrying on general insurance business my offer General MI products as life MI products in tie up with life insurers subject to certain conditions.

CONCLUSION:

The welfare of the weaker sections and providing reasonable cover to them at affordable rates has remained a challenge. The low income people live in risky environments and are lot more exposed to risks. They need customized insurance products at affordable premiums and simple terms and conditions. Therefore, The IRDA Micro Insurance Regulations aim at facilitating the insurers' efforts to bring down the costs of transactions, thereby achieving the objective of offering reduced premium rates to the targeted policyholders. MI aims at meeting the insurance needs of the rural and targeted section of the population to cover the risks of loss of life, their main income earning assets their habitats and to cover them for their health needs.

REFERENCES:

1. Gupta P.K. and Meena Anilkumar (2010), Principles of Insurance, 1st ed., Published by Himalaya Publishing House, Girgaon, Mumbai- 400 004.
2. Bodla B. S., Garg M. C. and Sing K. P., (2004), 'Insurance: Fundamentals, Environment and Procedures', Deep and Deep Publications Pvt. Ltd. New Delhi.
3. Kothari N. S. and Bahl Pravin, (1990), 'Principles and Practice of Insurance', 1st ed., Sahitya Bhavan, Agra-282003.
4. The Gazette of India- Extraordinary, regarding IRDA Micro Insurance Regulations 2015.
5. Annual Reports of IRDA
6. www.Irda.org.in
7. https://en.wikipedia.org/wiki/Microinsurance
8. www.policyholder.gov.in/economically_vulnerable.aspx
9. https://www.irdai.gov.in/ADMINCMS/cms/NormalData_Layout.aspx?page...mid.