



A Study on the Behaviour of Micro (Life) Insurance Policy Holders' with Reference to Coimbatore, India

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Abstract

Insurance Regulatory and Development Authority (IRDA) has created a special category of insurance policies called micro-insurance(MI) policies to promote insurance coverage among economically vulnerable sections of society. Micro insurance contributes significantly to alleviate poverty and to raise the living standard of the people of the country. Hence it is imperative to conduct a research study on the performance of MI and find out the relevant problems. The research study was conducted in Coimbatore during 2013 with a sample of 100 MI(life) Policy holders. The objectives are i. To identify socio-economic determinants of MI(life) demand in Coimbatore. ii. To ensure the level of satisfaction of MI(life) holders. iii. To identify specific problems relating to MI(life). To achieve these objectives a research methodology was framed. The research design is both descriptive and analytical. Both primary (questionnaire) and secondary data were used. The data collected was analyzed with relevant statistical tools like percentage, mean score, Kruskal Wallis H-Test, factor analysis and Likert scale technique. From the analyzed data results were derived. Findings were summarized and presented in the research study. The study shows the growing popularity of MI(life) policy and the awareness among the public. Micro Insurance can play a crucial role as a comprehensive tool to reduce poverty, inequality and vulnerability, particularly where public social protection measures are inadequate and unevenly distributed.

Keywords: Poverty, risk, social security, micro-insurance policy, policy holder behavior.

Introduction

Micro insurance is a form of life, health or property insurance which offers protection to the policy holder at a low contribution (hence called premium). It is aimed at low income population and designed to help them cover themselves collectively against risk (hence insurance). It is a tool for increasing economic growth and development by providing small scale, low premium insurance policies to members of the poorest strata of society in the developing world¹. In India, it is often assumed that a Micro Insurance policy is simply a low-premium insurance policy.

The micro insurance regulation of 2005 was a pioneering approach by the Insurance Regulatory Development Authority (IRDA). India is among the few countries to draft and implement specific micro insurance regulations. In 2002 IRDA developed rural and social sector obligation norms that mandated every insurance company to achieve certain percentage of policies to be sold in rural areas and number of lives to be covered in the social sector. MI is generally for individuals who are ignored by traditional commercial and social insurance schemes. Those individuals have typically low-income, work in the informal economy and have irregular cash flows².

Social Security through Micro Insurance: Social protection measure is often related with Micro Insurance for the poor and low income groups. Micro Insurance can play an important role

as a comprehensive tool to reduce poverty, inequality and vulnerability, particularly where public social protection measures are inadequate and unevenly distributed. More than fifty percentages of the poor around the globe do not benefit by any kind of social security measure. Among the total workforce in most of the developing countries like India, informal labour is substantial. The casual nature of labour force shows considerably raising trend.

Indian informal sector labour force is very poor and they essentially require a common social protection measure. Social security measures prevailing at present in India covers disability, health, old age and economic risks. The implementation of the schemes and its working procedures are cumbersome.

In Indian federal finance system, social security measure is a concurrent subject and has its own political economy. Micro Insurance is an inevitable poverty alleviation measure due to lack of any other social protection measure.

Need and Importance of the study: Micro insurance is specifically designed for the protection of low income people, with affordable insurance products to help them cope with and recover from common risks. It is a market based mechanism that promises to support sustainable livelihoods by empowering people to adapt and withstand stress. An attempt to analyze the growth and performance of micro insurance to achieve long-term

economic goals was made. Micro Insurance is an excellent to alleviate poverty and to raise the living standard of the people. Hence it is imperative to conduct a research study on the performance of micro insurance and find out the relevant problems.

Review of Literature: A Study and Fostering Rural Growth Through Micro Insurance. The study was conducted in India, Tamilnadu state at Vellore district. This study made an attempt to understand the policyholder’s interest in the Micro insurance product and its contribution to rural women development. Insurance companies have to offer commercially viable Micro insurance products foster the needs of clients through proper delivery channels³.

Thankom Arun, Mirko Bendig, and Shoba Arun⁴, this three authors studied the thesis under the topic of “Bequest Motives And Determinants Of Micro life Insurance In Srilanka”. This paper emphasizes bequest motives by evaluating participation patterns in micro life insurance against insurance demand and supply side factors. Based on household survey data from Sri Lanka, it presents evidence on the determinants of micro life insurance participation of low-income households, using probit and tobit models. The results provide evidence that micro life insurance is positively correlated with measures of bequest motives such as the number of children or dependents. Better off households are also included like their poorer counterparts in micro (life) insurance markets. The study finds a convincing need for the micro insurance sector to be more responsive to the needs of the poor, with a key role in providing financial education to understand the need for micro insurance.

Objectives of the Study: i. To identify socio-economic determinants of Micro (life) Insurance demand in Coimbatore. ii. To ensure the level of satisfaction of Micro (life) Insurance policy holders. iii. To identify specific problems relating to Micro (life) Insurance.

Research Methodology

To achieve these objectives a research methodology was framed.

Research Design: In this study both descriptive and analytical research design has been used and the period of the study is, 2012-13

Sources of Data: Both primary (through questionnaire) and secondary data were used.

Size of Sample: The Sample Size is 100 Micro insurance policy holders of self help group members through NGO’s located in Coimbatore.

Secondary data : Theoretical back ground of the present study was collected from various sources which include books, Magazines, Journals website and other related research work.

Area of Study: The study covers the area within the Coimbatore corporation limits such as Singanallur, Ondipudur, Peelamedu and Ramanathapuram.

Tools Used: The following statistical tools were applied to analyze and interpret the data. Simple Percentage Analysis, Mean Score Analysis, H-Test, Factor analysis and Likert scale technique

Results and Discussion

Analysis: The data collected was analyzed and presented in four sections: i. Socio Economic profile I and II, ii. Determinants of Micro insurance demand in Coimbatore: a. Family type, size and earning capacity, b. Source and level of awareness – Institution, types of policies, c. Type of policy preference, sum assured, pattern, mode and assurance of payment, d. Factors influencing the potential demand for Micro(life) Insurance, preference for Micro(life) Insurance and knowledge of the policy holders on the policy features. iii. Level of satisfaction of policy holders. iv. Problems and suggestions

Table-1
Socio Economic Profile-I

S.No	Criteria	No. of Respondents	Percentage of respondents
I	GENDER		
	Male	20	20
	Female	80	80
II	AGE		
	18-30 years	11	11
	31-40 years	48	48
	40-50 years	16	16
	50-60 years	24	24
	Above 60 years	1	1
III	EDUCATION		
	Illiterate	9	9
	Primary	20	20
	Secondary	12	12
	Graduate	46	46
	Post graduate	8	8
	Professional	5	5
IV	Marital status		
	Married	71	71
	Unmarried	29	29
	Total	100	100

Source: field survey, 2013.

The majority of the policy holders are women. They (48%) hails from the age group 31-40, they are graduates (46%) and married (71%).

Table-2
Socio Economic Profile-II

S.No	Criteria	No. of Respondents	Percentage of respondents
I	OCCUPATION		
	Agriculture	11	11
	Business	13	13
	Professional	05	05
	Government service	18	18
	Private sector	53	53
II	ANNUAL FAMILY INCOME		
	Upto Rs.50,000	14	14
	Rs.50,000 - Rs.1,00,000	42	42
	Rs.1,00,000 - Rs.1,50,000	24	24
	Rs.1,50,000 - Rs.2,00,000	10	10
	Rs.2,00,000 - Rs.5,00,000	08	08
	Above Rs.5,00,000	02	02
	Total	100	100

Source: field survey, 2013.

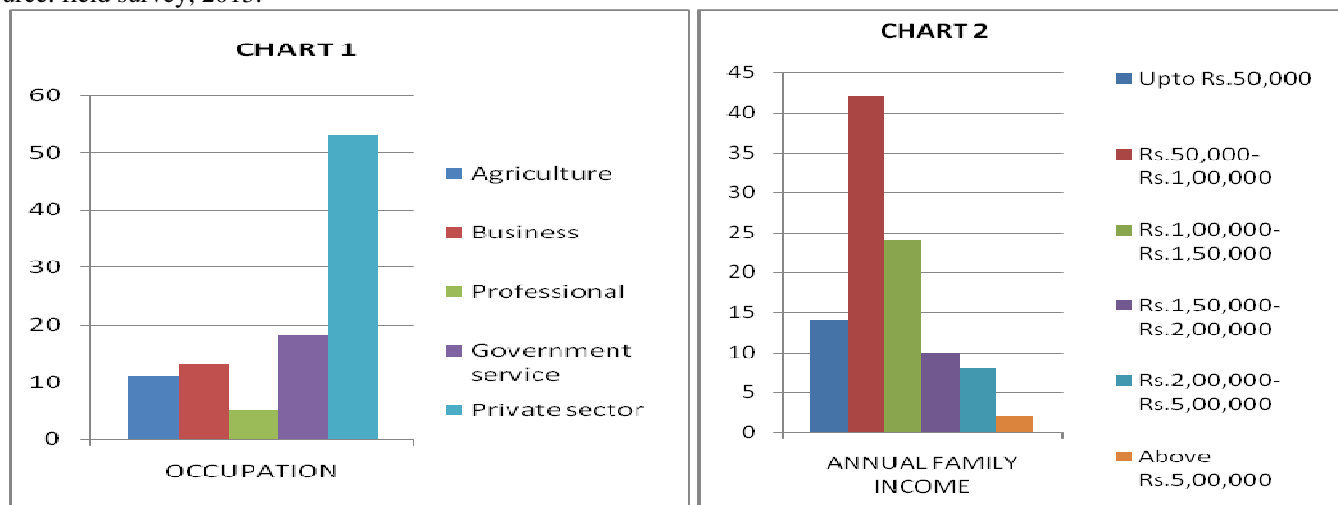


Figure-1

b. Determinants of micro (life) insurance demand in coimbatore: i. Family type, size and earning capacity

Table-3
Type of Family, Size and Earning Capacity

S. No	Criteria	No. of Respondents	Percentage of respondents
I	Type of family: Joint	39	39
	Nuclear	61	61
II	Family size: 2	13	13
	3	40	40
	4 and above	47	47
III	Earning members: 1	18	18
	2	28	28
	3	34	34
	4 and above	20	20
	Total	100	100

Source: field survey, 2013.

In table 2 shows that 42% of the sample live in a meagre income between Rs.50,000 – Rs.1,50,000 per annum. They are the important target group live in poverty to be covered by micro insurance and they get the benefit of micro insurance.

In table 3 shows that 61% of the sample are from nuclear family system, their family size of 4 and above with three earning members.

It shows in table 4, micro insurance authorities have to spread the message of micro insurance through Self Help Group agents and Micro insurance Institutions. More efforts must be taken to do effective advertisements and to motivate Non Governmental Organisation.

The levels of awareness of varieties of policies by the respondents are determined on the basis of mean score of all the statements of respondents, which came out to be 3.8. The results indicate (table 5) that, the respondents are fully aware of 'endowment policy', 'group insurance', 'joint life' and special

plans', as all these statements have mean score 3.8 and above 3.8.

This result shows (table 6), major players in life insurance sector are LIC, SBI, Bajaj Allianz life insurance, Birla sun life insurance, ICICI prudential life insurance Co Limited, Kotak Mahindra old mutual life insurance Limited, ING Vysya life insurance Co Limited and Met life insurance Co Private Limited. More than 50% of the insuring sample population has knowledge of these institutions.

Table-4
Source of Awareness and Joining Reason

S.No	Criteria	No. of Respondents	Percentage of respondents
I	Mode of Awareness		
	Self help group	32	32
	Micro insurance agent	08	08
	Non government organization	33	33
	Micro finance institutions	26	26
	Advertisement	01	01
II	Reason		
	Compulsory product	16	16
	Benefit me in future	49	49
	Benefit someone	35	35
	Total	100	100

Source: field survey, 2013.

Table-5
Level of Awareness of Policies by the Respondents-Mean Score

S.No	Policies	Fully not aware	Not aware	Neutral	Aware	Fully aware	Score
1	Term insurance	20	25	-	25	30	3.2
2	Endowment	8	17	-	37	38	3.8
3	Group insurance	3	10	-	36	50	4.2
4	Joint life	6	12	-	31	50	4.1
5	Special plans	8	15	-	45	33	3.8
Mean score							3.8

Source: field survey, 2013.

Table-6
Awareness of Micro Insurance Companies

S. No	Micro insurance companies	No. of respondents	Percentage of respondents
1	Bajaj Allianz life insurance	93	93
2	Birla sun life insurance	88	88
3	HDFC standard life insurance Co Limited	54	54
4	ICICI prudential life insurance Co Limited	87	87
5	ING Vysya life insurance Co Limited	68	68
6	Kotak Mahindra old mutual life insurance	73	73
7	Life insurance corporation of India	100	100
8	Met life insurance Co Private Limited	55	55
9	Royal sundaram alliance insurance	45	45
10	SBI life insurance	99	99
11	Tata AIG life insurance Co Limited	54	54

Source: field survey, 2013.

Table-7
Type of Policies Taken by the Respondents

S. No	Policies	Micro insurance products	
		No. of respondents	Percentage of respondents
1	Term insurance	34	34
2	Endowment	07	07
3	Group insurance	55	55
4	Others	04	04
	Total	100	100

Source: field survey, 2013.

Most of the sample respondents (55%) taken group insurance policy, 34% percent had term insurance, 7 percent had endowment policies. Only 4 percent have taken other micro(life) policy. This shows group, Term policies are popular among the micro (life) insurance respondents.

Table-8
Sum Assured Amount in Micro (LIFE) of the Respondents

S.No	Sum assured Amount	No. of respondents	Percentage of respondents
1	< Rs.10,000	38	38
2	Rs. 10,000 to Rs. 20,000	30	30
3	Rs. 20,001 to Rs. 30,000	23	23
4	>Rs. 30,001	09	09
	Total	100	100

Source: field survey, 2013.

For majority of the policy holders (38%) sum assured comes under less than Rs.10,000 category.

Policy holders' occupation and sum assured: H_0 : There was no significant difference in the sum assured by the respondents in different occupations. H_a : There were significant differences. The calculated H values are given in the following table.

Table-9
Kruskal Wallis H-Test – Sum Assured Amount of Respondents

Variable	H values	Degrees of freedom	$\chi^2_{0.05}$	Inference
Sum assured amount	10.428	1	3.84	Reject H_0

Source: Estimation based on field survey, 2013.

The calculated χ^2 value being greater than the theoretical value of $\chi^2_{0.05}$ implies that there was significant difference in the sum assured amount of the respondents in different occupations. Different occupation has influence over the sum assured by the policy holders.

Table-10
Pattern and mode of Payment of Premium

S.No	Criteria	No. of Respondents	Percentage of respondents
I	PAYMENT		
	Lump sum	42	42
	Quarterly	13	13
	Half yearly	45	45
II	MODE		
	NGOs	45	45
	SHGs	42	42
	Others	13	13
	Total	100	100

Source: field survey, 2013.

Popular pattern of payment is lump sum or half yearly. The popular mode of payment preferred is NGO's and SHG's.

Factors influencing the potential demand, preference and knowledge of the policy holders about the policy features:

The major influential factor for selection of micro insurance were maturity tenure (47) percent and its premium amount (27) percent.

Table-11
Factors influencing the selection of micro insurance

S.No	Payment	No. of respondents	Percentage of respondents
1	Premium amount	24	24
2	Mode of payment	12	12
3	Returns offered at the time of maturity	17	17
4	Maturity tenure	47	47
	Total	100	100

Source: field survey, 2013,

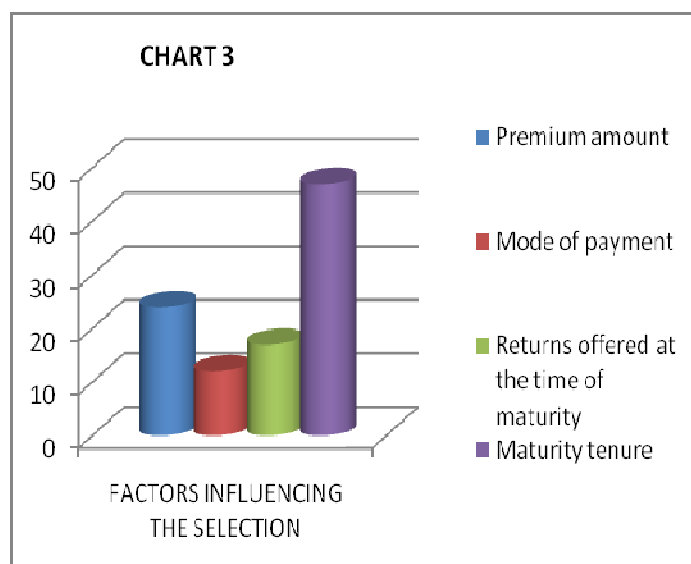


Figure-3

Table-12
Preference for Micro (Life) Insurance in Future

S.No	Micro insurance companies	No. of respondents	Percentage of respondents
1	Bajaj Allianz life insurance	2	2
2	Birla sun life insurance	--	--
3	HDFC standard life insurance Co	3	3
4	ICICI prudential life insurance Co	11	11
5	ING Vysya life insurance Co	5	5
6	Kotak Mahindra old mutual life insurance	-	-
7	Life insurance corporation of India	74	74
8	Met life insurance Co Private	-	-
9	Royal sundaram alliance insurance	-	-
10	SBI life insurance	4	4
11	Tata AIG life insurance Co	1	1
	Total	100	100

Source: field survey, 2013.

Majority of the respondents (74) percent prefer Life Insurance Corporation of India for investment in future.

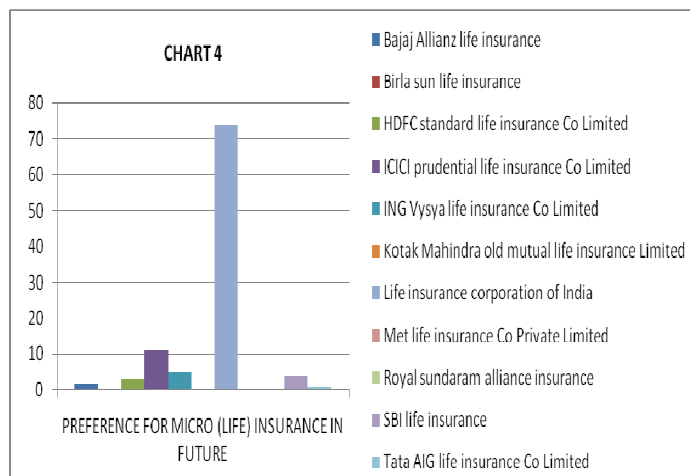


Figure-4

Table-13
Knowledge of the policy holders about the policy features

S. no	Features	No. of respondents	Percentage
1	Premium Rate	82	82
2	Bonus Percentage	74	74
3	Loan Facility	80	80
4	Maturity Value	65	65
5	Accident Benefits	68	68
6	Mode of Payment	73	73

Source: field survey, 2013.

The results show that majority (65%) of the respondents are aware of all important policy features.

Table-14
Level of satisfaction of policy holders towards services provided by micro insurance providers- mean score

S.No	Particulars	HS	S	N	DS	HDS	Score
1	Availability of written material receipts, manuals etc	1	30	4	40	25	2.41
2	Benefits offered under policy	13	23	6	33	25	2.67
3	Risk coverage	24	27	7	17	25	3.06
4	Customer service: calls and queries	21	24	8	37	10	3.09
5	Processing speed the issue of policy	18	24	7	26	25	2.84
6	Premium amount	26	25	9	15	25	3.12
7	Willing to pay extra premium for extra benefit and coverage	10	16	6	43	25	2.43
8	Variety of policies/ products and its benefits	16	18	5	25	36	2.51
9	After sales service	16	19	5	30	30	2.62
10	Intermediaries response	6	8	5	50	31	2.09
11	Revival of policy	15	13	5	37	30	2.45
12	Prompt communication	18	10	5	37	30	2.48
	Mean score						2.65

Source: estimates based on field survey, HS- Highly satisfied, S – Satisfied, N – Neutral, DS – Dissatisfied, HDS – Highly dissatisfied.

The level of satisfaction towards various service provider of micro insurance products are determined on the basis of mean score of all the statements of respondents, which came out to be 2.65 for the sample respondents. The respondents were highly satisfied with premium amount, customer service calls and queries, risk coverage, processing speed in the issue of policy and benefits offered under policy as all their variables had mean score exceeding 2.65

However their perception regarding variables such as after sales service, variety of policies / products and its benefits, prompt communication, revival of policy, willing to pay extra premium for extra benefit and coverage and availability of written material receipts, manual etc had the mean score less than 2.65, which concludes that the satisfaction level of the respondents was less as compared to the previous factors.

To find out whether there exist any significant difference in the level of satisfaction towards various services provided by micro insurance providers among the respondents in different occupations; Kruskal Wallis H test was applied. The null hypothesis tested was

H₀: There was no significant difference in the level of satisfaction towards various services provided by micro insurance providers among respondents in different occupations. H_a: Level of satisfaction differed.

The calculated H value is given in the table 9

Factor analysis: Factor analysis was used in the present study to identify the level of satisfaction towards various services provided by micro insurance providers. To determine the appropriateness of applying factor analysis the KMO and Bartlett's test measures were computed and the results are presented in table 11.

The KMO statistics varies between 0 and 1. A value close to one indicates the patterns of correlations as relatively compact and hence factor analysis should yield distinct and reliable factors.

KMO statistics for organised sector and unorganised sector were 0.563 and 0.592 signifying higher than acceptable adequacy of sampling. The Bartlett's tests of sphericity was also found to be significant at 1 percent level providing evidence of the presence of relationship between variables to apply factor analysis.

Table-15
Kruskal Wallis H test- Variability in the Level of Satisfaction

S. No	Variable	H values	Degrees of freedom	$\chi^2_{0.05}$	Inference
1	level of satisfaction towards various services provided by micro insurance providers	15.783	1	3.84	Reject H ₀

Source: Estimation based on field survey, 2013.

The table shows that there was significant difference in the level of satisfaction towards various services provided by micro insurance providers among respondents in different occupations. Hence null hypothesis is rejected.

Table-16
KMO and Bartlett's Test Measures

Occupation	Organised sector	Unorganised sector
Measure		
KMO Measure	0.563	0.592
Bartlett's test of Sphericity		
i Approx. Chi-square	522.679	793.613
ii Degrees of Freedom	66	66
iii Significance	.000	.000

Table-17
Type of problems faced by policy holders

S.No	Reason for not taking Policy Next Year	No. of respondents	Percentage of respondents
I	Administrative problems		
1	Delayed response due to change of address	22	51
2	Delay in the revival of the lapsed policy	21	49
3	Delay in the lengthy process to avail insurance policy	19	44
4	Ambiguity in the terms and conditions of the policy	20	46
5	Benefits of insurance policy is not clear	22	52
6	Inadequate publicity and advertisement	22	51
II	Problems in claim process		
1	Delay in Preliminary claim process	22	50
2	Delay in settlement of claim account	23	53
3	Slow Final claim formalities	24	57
4	Lack of poor claim facilitators	21	50

Source: field survey, 2013,

Out of a sample of 100 respondents, 43 faced some administrative problems and problems in their claim process. Other 57% did not put up any complaint. Even though there are some administrative and claim process problems that can be solved properly with intelligent efforts.

Findings: The majority of the policy holders 48% hail from the age group 31-40, 46% are graduates and 71% are married. It shows that 42% of the sample live in a meagre income between Rs.50,000 – Rs.1,50,000 per annum. They are the important target group live in poverty to be covered by micro insurance and they get the benefit of micro insurance. It shows that 61% of the sample are from nuclear family system, their family size of 4 and above with three earning members.

It shows micro insurance authorities have to spread the message of micro insurance through Self Help Group agents and Micro insurance Institutions. More efforts must be taken to do effective advertisements and to motivate Non Governmental Organisation. The results indicate that, the respondents are fully aware of ‘endowment policy’, ‘group insurance’, ‘joint life’ and special plans’, as all these statement have mean score 3.8 and above 3.8. the result shows major players in Micro (life) insurance sector are LIC, SBI, Bajaj Allianz life insurance. More than 50% of the insuring sample population has knowledge of these institutions. Other players are also known to 45% to 54% of the respondents. This shows group, Term policies are popular among the micro (life) insurance respondents.

The majority of respondents 38% sum assured comes under less than Rs.10,000 category. Kruskal wallis H-Test – sum assured amount of respondents: There was significant difference in the sum assured amount of the respondents in different occupations. Popular pattern of payment is lump sum or half yearly. The popular mode of payment preferred is NGO’s and SHG’s.

Influential factors for selection of micro insurance were maturity tenure 47 percent and its premium amount 27 percent. Majority of the respondents 74 percent prefer Life Insurance

Corporation of India for investment in future. The results show that majority 65% of the respondents are aware of all important policy features.

Even though there are some administrative and claim process problems that can be solved properly with intelligent efforts. This shows that insurance companies are receptive in receiving the complaints of policy holders and are interested in solving problems of policy holders.

Conclusion

This study concludes with some important issues relating to micro (life) insurance policy holder’s perspectives. Major findings of the study reveal that the usage of micro (life) insurance is due to micro credits sanctioned by Micro Finance Institutions. They are playing a significant role in improving the lives of poor households. Linking micro(life) insurance with micro finance makes better sense as it helps in bringing down the cost of lending. From the analysis it is find out that there is a desirable increasing trend in demand for micro (life) insurance. Micro Insurance can play a crucial role as a comprehensive tool to reduce poverty, inequality and vulnerability, particularly where public social protection measures are inadequate and unevenly distributed.

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