

**Role of NGO's in Promoting Micro Health insurance: A study with reference to Samporna Suraksha - Health Insurance scheme by SKDRP, Mangalore**

By

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**Abstract**

*The insurance sector has reached to all the high income individuals, families but unable to reach to those poor people who don't have capacity to purchase these insurance products. So, there was a huge gap in insurance between the rich and the poor. Micro health insurance is new phenomenon in the Indian Insurance sector which was specifically designed for the poor. The insurance programme is very essential for the individual to protect from various uncertainties and risk. The insurance was normally a product middle and higher income group of people. The lower segment of the people were alienated from taking the insurance policies as the price of the policies were too high and which unaffordable for them. The MFI's and NGO who work with urban & rural poor felt the need for the security for these people. So many such institutions came forward to offer the insurance facilities to the poor. They kept price of the policy low and the premium was priced according their level of income. The SKDRDP is one such institution which focused on the medical and the hospitalization cost of the poor people. Accordingly they designed a favorable micro health insurance name as Samporna Suraksha health insurance scheme. The scheme was introduced in the year 2004 and witnessed tremendous progress over the years.*

*In this paper we have analyzed the concept of micro insurance, its development in India, its delivery models etc. we have analysed the samporna suraksha of SKDRDP and made a trend analysis to know the progress of the insurance scheme in terms of enrollment, claim settlement, premium collection etc. The main objective of the paper is to analyze the role of NGO's towards micro health Insurance. In order to make a appropriate study we have use exploratory and descriptive methodology by taking the SKDRDP as a case study.*

**Key words:** Micro health Insurance, Samporna Suraksha, SKDRDP, NGO, Insurance.

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**1. Introduction**

Micro insurance has become a needy protection for the poor. The insurance sector has reached to all the high income individuals, families but unable to reach to those poor people who don't have capacity to purchase these insurance products. So, there was a huge gap in insurance between the rich and the poor. The poor suffered a lot since they could not cover their risk through insurance because it was unaffordable for them. It necessitated for the Insurance Regulator of India to emphasize on promoting the insurance schemes which cover lower amount of premium and also lower sum assured. So the concept of micro-insurance emerged. But initially the insurance companies were reluctant to offer products in this segment as it was profitable for them. So the initiative was actually taken by the Micro Finance Institutions who also deliver the micro credit to the poor. The Insurance Regulatory Authority of India made it mandatory for every insurance company to

contribute certain percentage of their insurance products to the rural and micro insurance segment. As a result many private companies came forward to offer the micro insurance services. Today we have many private players offering the micro insurance in life, health and other general insurances. Apart from these private players there were many MFI's and NGO's who came forward out of their own interest to offer the micro insurance services to their clients. The main purpose was to protect the poor from the heavily losses and hinder them from becoming indebted.

## **2. Micro-insurance in India**

Micro-insurance is the insurance specifically designed to the low-income people with low amount of premium and modest benefit package to the insured. The micro insurance in India was actually started by the Micro finance Institutions and the NGO's who delivered the micro finance services to the poor. The micro insurance is a part of the micro finance product. The MFI's & the NGO's felt that the poor need to be protected against the risk of death, property, health, crop etc. The heavy losses due to the happening of these events made the poor more indebted and made them vulnerable in repayment of the debt. The regulations passed by the IRDA also opened the door for the micro insurance segment. The private players in the insurance sector had to compulsorily accumulate the net premium from the rural sector. So In order to penetrate into the rural segment the micro insurance was the right model. According to IRDA rural sector shall consist of a area where population is less than five thousand, where density of population is less than four hundred per square kilometer, and where more than twenty five per cent of the male working population is engaged in agricultural activities. The categories of workers falling under agricultural activities are: cultivators, agricultural laborers, and workers in livestock, forestry, fishing, hunting and plantations, orchards and allied activities.

The MFI's and NGO's designed the micro insurance schemes by identifying and analyzing their needs, income level social security and other socio-economic factors. The insurance products are handy for the low income group of people and make them easy & comfortable in payment of premium. Although the reach of such schemes is still very limited to anywhere between 5 and 10 million individuals but their potential is viewed to be considerable. The overall market is estimated to reach Rs. 250 billion.

## **3. TYPES OF MICROINSURANCE**

The micro insurance can be delivered to the public in different categories. They can be given in life insurance, health insurance, property insurance, crop insurance etc. There are many such segments in through which micro insurance can be delivered to the public. Some of which are as follows

### **1. Micro Life Insurance:**

The micro life insurance takes care of the client upon his death of. The micro life insurance can be divided to three types. They are term, whole-life, and endowment. In term insurance policy the insurer pays small amount of premium but he gets the full sum assured upon his death. It can be taken for long years. In whole life insurance the coverage is given up to the death of the person. In other words the coverage is given throughout the whole life of the insured. Endowment life insurance pays the face value of insurance if the policyholder dies within a specified period.

## 2. Micro health Insurance:

Micro health insurance provides coverage against illness and accidents resulting in physical injuries. There are many NGO's, MFI's and even government who have developed their own health insurance products to the poor. The poor people are unable to meet the sudden health expenditure and as a result they are prompted to take multiple loans which make them indebted. The examples for this can be Sanjivini, Sampurna Suraksha etc.

**Property Insurance:** The main purpose of property insurance is to provide for the losses against damage of assets. It helps in recovering huge loss from the property damage which otherwise has to be borne by the owner. The micro property insurance is a feasible type of protection for those who have valuable property of huge worth.

### **Disability Insurance**

Disability can be by birth or through accidents. The person who catches the disability cannot earn the income. So the policies are designed specifically to the disabled so he/she may not be the burden for the family. There are policies which also provide the monthly pension on certain amount of premium and also the sum assured on the event of death.

### **Crop Insurance-**

The crop insurance is very familiar in Haryana. It provides the protection for the farmers who lose their crops in the event of natural calamities like floods, droughts and in the event fire etc. The crop insurance is a effective mechanism for the farmers to get relief from the huge losses which may make them indebted.

### **Unemployment Insurance**

Under this type of insurance, the cash relief is given to the individuals who become unemployed without their consent.

## **Some of the Micro Insurance providers in India**

- Aviva life ins. Co. India Pvt.Ltd: It offers Grameen Suraksha for the ower income groups.
- Bajaj Allianz Life Insurance Co. Ltd: It offers products like
- Bajaj Allianz Jana Vikas Yojana.
- Bajaj Allianz Saral Suraksha Yojana.
- Bajaj Allianz Alp Nivesh Yojana.
- Birla Sun life ins. Co. LTD: The Birla insurance has introduced some life insurance products like
- Birla Sun Life Insurance Bima Suraksha Super.
- Birla Sun Life Insurance Bima Dhan Sanchay.
- DLF Pramerica Life InsuranceCo. Ltd. It offers a single micro insurance policy called DLF Pramerica Sarv-Suraksha.
- ICICI Prudential Life Insurance Co. Ltd; The company provides insurance known as ICICI Prud. Sarv Jana Suraksha
- IDBI Fortis Life Insurance Co.Ltd: The name of the product is IDBI Fortis Group Micro insurance Plan
- ING Vysya Life Insurance Co.Ltd: It also provides a single policy called ING Vysya Saral Suraksha
- Life Insurance Corporation of India: It is biggest company in the Insurance sector. The LIC offers certain products like LIC's Jeevan Madhur.
- LIC's Jeevan Mangal.

- Met Life India; The single policy of the Met Life is Met Vishwas
- Sahara India Life Insurance Co. Ltd; The Sahara Sahayog (Micro Endowment Insurance without profit plan) is one innovative policy of the company.
- SBI Life Insurance Co. Ltd.: The SBI Life Grameen Shakti and SBI Life Grameen Super Suraksha are the two products offered by SBI.
- Shriram Life Insurance Co. Ltd: the two policies are Shriram life insurance are Shri Sahay and Sri Sahay (AP).
- Star Union Dai-ichi Life Insurance Co. Ltd.: The product offered by the company is SUD Life Paraspar Suraksha Plan.
- TATA AIG Life Insurance Co.Ltd: There are four policies offered by TATA. They are;
  - Ayushman Yojana.
  - Navkalyan Yojana.
  - Sampoon Bima Yojana.
  - Tata AIG Sumangal Bima Yojana

So at present there are 24 insurance companies who provide micro insurance products to the low income group people. All these companies are registered under the IRDA Act 1999.

#### 4. IRDA on Micro Insurance

**Widening the Network:** In order to widen the network the IRDA has allowed the cooperative banks, regional rural banks, primary agricultural co - operative societies and individuals such as shopkeepers, medical store owners, petrol pump owners and public telephone operators to act as micro-insurance agents. These agents have greater access to the poor and can distribute the insurance policies with much ease

**Inclusion of Savings linked Policies:** The micro insurance products are mostly life insurance products and they are offer in term Insurance category. So IRDA has advised the insurance companies to consider other products where there is opportunity for the insured to save the money through investing in Insurance. The insurance policies should contain saving-linked and health cover features.

**Promotion of non life Insurance:** The non life insurance is very essential and its importance has to be conveyed to the public. So the micro insurance agents will be appointed to promote the non life insurance for small industries. The non- life insurers will also be allowed to appoint micro insurance agents in the manufacturing sector or the service sector to promote the no life insurance. The maximum premium under non-life micro-insurance policies increased to Rs 25,000.

**Remuneration based on performance:** The IRDA proposed to link the agent's persistency rate to remuneration allowed just to promote the performance. The renewal commission of 20% is given to those agents who maintain persistency rate of 50% at the end of preceding last two financial years and other will get only 10% renewal commission

#### Delivery models of Micro-insurance

The greatest challenge of micro-insurance is the outreach. The delivering the micro finance product to the clients is not easy task. The Company has to come up with the effective model which can deliver the products to the most. But selecting the best model for the delivery is a big question. There are four models for the delivery of the micro insurance to the public. They are as follows;

**Partner agent model:** Here the partnership is formed between the micro-insurance scheme as such and an agent. The agent may be an insurance company, microfinance institution, donor, etc. There can be also a third-party healthcare provider in certain cases. The 'micro-insurance scheme' is responsible

for the delivery and marketing its products to the clients and the agent will do the work of design and development. So the entire micro-insurance scheme will face limited risk

**Full service model:** under this model the micro-insurance scheme as a whole takes care everything that is both design of the product and the delivery of the products to the clients. The Scheme can also work with external healthcare providers to provide the services. So the entire control of the product is under the control of the Micro Insurance Scheme. But it has to assume all possible risk.

**Provider-driven model:** This particular model works for the healthcare provider. The micro insurance scheme of the health care provider is operated on the basis of full service model. The scheme is responsible for all operations like delivery, design, and service.

**Community-based/mutual model:** According to this model the policyholders or clients take the responsibility of managing and owning the operations. They also have to work with external healthcare providers to offer services. Under this model the insurance products can be easily marketed as it is community driven.

## 5. Objectives of the Study

The following are the main objectives of this study;

- To study the brief history and types of micro insurance offered in India
- To know the delivery models of micro insurance in India
- To analyze in details the health insurance programme 'Sampoorna Suraksha' offered by SKDRDP

## 6. Research Methodology

The researcher had adopted the descriptive and exploratory research method for carrying out the research. The descriptive method was adopted to analyze the health insurance programme of the SKDRDP. The exploratory method was used to explore the brief history of the micro insurance and also to know the delivery model of micro insurance

## 7. Nature of the data

The data collected for the study is purely the secondary data. Research articles were referred to know the conceptual background of micro insurance. The micro health insurance scheme of SKDRDP was analyzed by collecting the annual reports from 2004 to 2012. The others sources used are the brochures and the progress reports. In order to have better understanding of the scheme the unstructured interviews were held with the staff handling health insurance scheme.

## 8. Statistical Tool Used

The trend analysis was used to know the development in the claim settlement, enrollment to the insurance programme, disbursement of the amount etc. The analysis has given the clear picture of growth of the insurance scheme.

## Shree Kshetra Dharmastala Rural Development Project(SKDRDP) – A Profile

SKDRDP (r.) is registered under the charitable trust act of 1920 in the office of sub-registrar, government of Karnataka, Belthangady taluk, Dakshina kannada district in the year 1991. Dr. D. Veerendra Heggade set up a charitable institution in the year 1982. To reach the benefits of the programme one worker each in a village would work with 500 families and motivate them to develop their assets wherever required with grant assistance from Dharmasthala. In 1992, the organisation realized that charity coupled with self help would accelerate the process of empowerment. As a result the Self Help Group concept was evolved. The men's group was called as 'pragathi bandhu' and the

women's group was named as 'jnanavikasa mahila' group. In the year 1996, SKDRDP initiated microfinance programme which has been a great success for the organisation. It concentrates on the empowerment of rural women by organizing self-help groups (SHGS) on the lines of joint liability groups (JLBS) of Bangladesh and provides infrastructure and finance through micro credit to the rural people. It currently operates in 16 districts operating in 20,000 villages covering more than 19,92,000 families. It is operates with Karnataka government in community development programs.

### **Sampoorna Suraksha – A health Insurance Programme by SKDRDP**

Insurance gives the protection to the individuals against unknown events which may cause great loss. With this purpose in mind, SKDRDP has introduced insurance products to protect the stakeholders against hospitalization, death, permanent disability, maternity expenses, calamities etc., So the organization had lakhs of SHG's and there was no protection for them in events of diseases, hospitalization etc. It developed a comprehensive micro insurance product termed as Sampoorna Suraksha. Under this programme the insurance service providers are contracted to provide hospitalization cover. The local hospitals are engaged as network hospitals to provide cash free treatment to the policy holders upon preauthorization. Many major ailments are packaged to give support to the insurance companies and hospitals. SKDRDP also provides compensation for other requirements as mentioned above against a small additional premium. This particular programme has achieved greater success and there was tremendous increase in the takers for this policy. At times the SKDRDP has occurred the losses, but as a societal it has continued the scheme with additional monitoring. The scheme has benefited a lot of SHG members who had availed cash free treatment from the hospitals.

## **9. Analysis & Interpretation**

### **Enrollment of Families**

The main objective of the Sampoorna Suraksha programme was to include the entire family of the Individual. The scheme has obtained greater response from the families. The below mentioned table shows the enrollment of the families in different years;

**Table No.1: No families enrolled**

<b>Year</b>	<b>No. of Families</b>	<b>% Increase</b>
2004-5	54,000	-
05-06	77078	42%
06-07	146722	90
07-08	223389	52
08-09	252542	13
09-10	294374	16.6
10-11	419979	42.7
11-12	420302	0.08
<b>Total</b>	<b>18,88,386</b>	

The above table shows the no. of families enrolled to the Sampoorna Suraksha Programme and the percentage of increase. At the end of the 2013 there were 18,88,386 families enrolled for the Sampoorna suraksha programme. The trend analysis shows that in the year 2006-07 the enrollment of families increased tremendously that is to 90%. But the growth was not consistent enough since there

downward of enrollment in 2008-09 and in 2011-12. But the overall picture of trend analysis shows that the Sampoorna Suraksha Programme has shown tremendous progress in enrollment of families.

### Enrollment of Individual members

The growth of the individual members is explicated through below mentioned table;

**Table No. 2: The enrollment of Individual Members**

Year	No. Individuals	% of Increase
2004-5	186000	-
05-06	195600	4.9
06-07	403828	106.4
07-08	721203	78.6
08-09	932682	29.32
09-10	1176948	26.2
10-11	1662089	41.2
11-12	1660370	-0.10
<b>Total</b>	<b>82,10,739</b>	

The above table shows the number of individuals from the families being enrolled for the Sampoorna Suraksha Programme. As per the table in the initial year that is in 2005-06 the growth was nominal but in the immediate next year the enrollment of individuals increased to 106% which is considered to be phenomenal growth. The consistency of growth can be seen in each year. Only in the year of 2011-12 there is negative growth because the organization didn't promote the enrollment due to the loss in the scheme.

### Premium Collection

The collection of premium is hectic task for SKDRDP since most of its clients are poor and they don't maintain their consistency in payment of premium. The table below shows the growth of premium collection over the years.

**Table No. 3: Collection of Premium Collection**

Year	Premium Collected (lakhs)	% of Growth
2004-5	168	-
05-06	287	70.8
06-07	574	100
07-08	1069	86.2
08-09	1542	44.2
09-10	1681	9.01
10-11	2783	65.6
11-12	3641	30.8
<b>Total</b>	<b>11,745</b>	

The above table shows the amount of premium collected over the years. The trend analysis reveals the percentage of growth in the premium collection. Highest growth was achieved in the year 2006-07 and 2007-08. There was no negative in any years. The overall picture shows that the premium collection by the organization was good and consistent growth was maintained in all years except in the year 2009-10

### Claim towards Hospitalization

The growth in disbursement of claim can be explained through the table mentioned below. The trend analysis shows the percentage of growth over the years.

**Table no. 4: No. of claims towards hospitalization**

Year	No. of Claims	% of Growth	Amount Paid (in lakhs)	% of growth
2004-5	7737	-	964	-
05-06	8688	12.3	251	-73.9
06-07	15170	74.6	499	98.8
07-08	25368	67.2	877	75.6
08-09	39156	54.4	1545	76.2
09-10	72320	84.7	2766	79.02
10-11	101507	40.4	3950	42.8
11-12	65964	-31.07	2982	-24.5
<b>Total</b>	<b>3,22,310</b>		<b>13,134</b>	

The above table shows the growth in the number of claims towards hospitalization and also the amount of claim paid by the organization. The numbers of claims went on increasing year by year since there was a growth in the number of families being enrolled. But only in the year 2011-12 there was negative growth in the number of claims which is a good sign for the organization. The growth in the amount paid towards the claims shows inconsistent picture. But the growth is phenomenal in all the years except for the initial and last year. So the organization has given much benefit for their people.

### Special Claims

The SKDRP has given special claims in special circumstances. The details can be explained in the below table;

**Table No. 5: No. of special claims**

Year	No. of Claims	% of Increase	Amount Paid (in lakhs)	% of Increase
2004-5	4073	-	87	-
05-06	4611	13.2	81	-6.8
06-07	8589	86.3	177	118.5
07-08	16804	95.6	330	86.4
08-09	28690	70.7	592	79.4
09-10	26023	-9.3	553	-6.6
10-11	35473	36.3	749	35.4
11-12	57159	61.1	1709	128.2
<b>Total</b>	<b>1,81,422</b>		<b>7,592</b>	

The above table shows the growth picture of the specials apart from the hospitalization. The number of claims kept increasing towards all the years except in the year 2009 & 10. There were highest claims in the year 2007-08. The amount paid towards claim has been increased over 100% in the year 2006-07 and 2011-12. Even though there were negative growth in settlement of claims the

overall picture shows that the SKDRDP has done their utmost justice in disbursing amount towards claim.

## 10. Conclusion

Micro health insurance is new phenomenon in the Indian Insurance sector. The insurance programme is very essential for the individual to protect from various uncertainties and risk. The insurance was normally a product middle and higher income group of people. The lower segment of the people were alienated from taking the insurance policies as the price of the policies were too high and which unaffordable for them. The MFI's and NGO who work with urban & rural poor felt the need for the security for these people. So many such institutions came forward to offer the insurance facilities to the poor. They kept price of the policy low and the premium was priced according their level of income. The SKDRDP is one such institution which focused on the medical and the hospitalization cost of the poor people. Accordingly they designed a favorable micro health insurance name as Sampoorna Suraksha health insurance scheme. The scheme was introduced in the year 2004 and from its inception till now, it has seen tremendous progress in terms number of enrollment, no. claims, payment towards claim etc. The scheme has become sustenance for many of the families and individuals.

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