

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2496
ANSWERED ON:09.12.2005
MICRO INSURANCE POLICIES
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Will the Minister of FINANCE be pleased to state:

- (a) whether Insurance Regulatory and Development Authority (IRDA) proposes to allow insurance companies to issue composite micro insurance policies ;
- (b) if so, the details thereof ;
- (c) the areas likely to be covered by micro insurance policies ;
- (d) the steps taken or being taken by IRDA to insure that players do not use composite package as means to avoid payouts; and
- (e) the likely benefit by introducing these policies to rural people particularly in the field of health,crop and composite insurance ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM)

(a)&(b) : As informed by Insurance Regulatory and Development Authority (IRDA), the insurance companies are not allowed to issue Composite Micro-Insurance Policies. However, they are permitted to sell each other's policies for convenience of the policyholders. It would, therefore, be one point sale for both non-life and life insurance products without risk participation, which has to be borne by the respective insurance companies only.

(c) : Micro-insurance policies cover the following areas.Non-Life : Insurance policies cover hut/dwelling and contents, livestock, tools, implements, other named assets, crop insurance against insured perils, health insurance policies and any personal accident contract.

Life : Insurance policies cover term insurance contracts with or without return of premium, any endowment insurance contract with or without an accident benefit rider.

(d) : IRDA has taken adequate care to ensure that there would not be any violation of the existing Insurance Act/ Regulations. Hence the question does not arise.

(e) : Micro Insurance is targeted to offer insurance protection to the poor and vulnerable sections covering their assets and lives/ income-earning capacity due to natural and man-made disasters and is expected to be an effective empowerment tool. The minimum and maximum amount of cover under Micro Insurance policies is restricted to Rs. 5,000/- and Rs. 50,000/- only, so that the payout by way of premium is not very high and remains affordable for the targeted segment.