Chapter-1

Introduction
INTRODUCTION

The story of insurance is probably as old as the story of mankind. The same instinct that prompts modern businessmen today to secure themselves against loss and disaster existed in primitive men also. They too sought to avert the evil consequences of fire and flood and loss of life and were willing to make some sort of sacrifice in order to achieve security.

Life Insurance in its modern form came to India from England in the year 1818. Oriental Life Insurance Company started by Europeans in Calcutta was the first life insurance company on Indian Soil. All the insurance companies established during that period were brought up with the purpose of looking after the needs of European community and these companies were not insuring Indian natives. However, later with the efforts of eminent people like Babu Muttyyal Seal, the foreign life insurance companies started insuring Indian lives. But Indian lives were being treated as sub-standard lives and
heavy extra premiums were being charged on them. Bombay Mutual life Assurance Society heralded the birth of first Indian life insurance company in the year 1870, and covered Indian lives at normal rates. Starting as Indian enterprise with highly patriotic motives, insurance companies came into existence to carry the message of insurance and social security through insurance to various sectors of society. Bharat Insurance Company (1896) was also one of such companies inspired by nationalism. The Swadeshi movement of 1905-1907 gave rise to more insurance companies. The united India in Madras, National Indian and National Insurance in Calcutta and the Co-operative Assurance at Lahore were established in 1906. In 1907, Hindustan Co-operative Insurance Company took its birth in one of the rooms of the jorasanko, house of the great poet Rabindranath Tagore, in Calcutta. The Indian Mercantile, General Assurance and Swadeshi life (later Bombay life) were some of the companies established during the same period. Prior to 1912 India had no legislation to regulate insurance business. In the year 1912, the Life Insurance Companies Act, and the Provident Fund Act were passed. The Life Insurance Companies Act, 1912 made it necessary that the premium rate tables and periodical
valuations of companies should be certified by an actuary. But the Act discriminated between foreign and Indian companies on many accounts, putting the Indian companies at a disadvantage.

The first two decades of the twentieth century saw lot of growth in insurance business. From 44 companies with total business-in force as Rs.22.44 crore, it rose to 176 companies with total business-in-force as Rs.298 crore in 1938. During the mushrooming of insurance companies many financially unsound concerns were also floated which felled miserably. The Insurance Act 1938 was the first legislation governing not only life insurance but also non-life insurance to provide strict state control over insurance business. The demand for nationalization of life insurance industry was made repeatedly in the past but it gathered momentum in 1944 when a bill to amend the Life Insurance Act 1938 was introduced in the Legislative Assembly. However, it was much later on the 19th of January 1956, which life insurance in India was nationalized. About 154 Indian insurance companies, 16 non-Indian companies and 75 provident were operating in India at the time of nationalization. Nationalization was accomplished in two stages; initially the management of the
companies was taken over by means of an Ordinance, and later, the ownership too by means of a comprehensive bill. The Parliament of India passed the Life Insurance Corporation Act on the 19th of June 1956, and the Life Insurance Corporation of India was created on 1st September, 1956, with the objective of spreading life insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost.

LIC had 5 zonal offices, 33 divisional offices and 212 branch offices, apart from its corporate office in the year 1956. Since life insurance contracts are long-term contracts and during the currency of the policy it requires a variety of services need was felt in the later years to expand the operations and place a branch office at each district headquarter. Re-organization of LIC took place and large numbers of new branch offices were opened. As a result of re-organization servicing functions were transferred to the branches, and branches were made accounting units. It worked wonders with the performance of the corporation, It may be seen that from about 200.00
crores of New Business in 1957 the corporation crossed 1000.00 crores only in the year 1969-70, and it took another 10 years for LIC to cross 2000.00 crore mark of new business. But with re-organization happening in the early eighties, by 1985-86 LIC had already crossed 7000.00 crore Sum Assured on new policies.

Today LIC functions with 2048 fully computerized branch offices, 100 divisional offices, 7 zonal offices and the corporate office. LIC's Wide Area Network covers 100 divisional offices and connects all the branches through a Metro Area Network. LIC has tied up with some Banks and Service Providers to offer on-line premium collection facility in selected cities. LIC’s ECS and ATM premium payment facility is an addition to customer convenience. Apart from on-line Kiosks and IVRS, Info Centers have been commissioned at Mumbai, Ahmedabad, Bangalore, Chennai, Hyderabad, Kolkata, New Delhi, Pune and many other cities. With a vision of providing easy access to its policyholders, LIC has launched its SATELLITE SAMPARK offices. The satellite offices are smaller, leaner and closer to the
customer. The digitalized records of the satellite offices will facilitate anywhere servicing and many other conveniences in the future.

LIC continues to be the dominant life insurer even in the liberalized scenario of Indian insurance and is moving fast on a new growth trajectory surpassing its own past records. LIC has issued over one crore policies during the current year. It has crossed the milestone of issuing 1,01,32,955 new policies by 15th oct, 2005, posting a healthy growth rate of 16.67% over the corresponding period of the previous year.

From then to now, LIC has crossed many milestones and has set unprecedented performance records in various aspects of life insurance business. The same motives which inspired our forefathers to bring insurance into existence in this country inspire us at LIC to take this message of protection to light the lamps of security in as many homes as possible and to help the people in providing security to their families.

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1 Life Insurance Company of India. www.licindia.com/history.htm
Insurance has always been a politically sensitive subject in India. After 40 years of government protectionism of this massive sector, the new united front government is touching dangerous yet interesting ground with their intentions of opening this sector to private Indian business houses, as well as international players. Any attempt to even suggest letting private players into this vital sector has met with resistance and agitation from the powerful insurance employees unions. The Narshimha Rao government (1991-96), which unleashed liberal changes in India’s rigid economic structure, could not handle this political hot potato. Ironically it is the coalition government in power today, which has declared its intention of opening up insurance to the private sector. Ironical because this government is at the mercy of support from the left groups, which have been the most vociferous opponents of any, such move.

Insurance Industry in the year 2000-2001 had 13 new entrants namely HDFC standard Life Insurance Company Ltd, Max New York

\[2\] IEO (News Disk) www.ieo.org/sid 002.html

Private life insurance have managed to come 17.3 percent of the market pie till July this year as compared to 9.9 percent in the corresponding period of last year. Market share of the life insurance crop (LIC), the public sector life insurance behemoth, has fallen to 82.7 percent at the end of July 2004 as compared to 90.1 per cent last year.

The private players have recorded a 193.5 percent growth in the first four months of the current fiscal. This has helped them to grab 7.4 percent more market share. During the same period, private players
underwrote premium worth Rs.954.97 crore as compared to Rs.325.03 crore in the corresponding period last year, according to the latest journal of insurance Regulatory & Development Authority (IRDA).

This indicates that the private players are becoming the flavor of the 'emerging market', an industry watcher said, adding that “the aggressive marketing of their unit linked policies, where the traditional LIC is lagging behind, has helped the private insurers gain in terms of market share”

ICICI Prudential is leading the pack of 12 private life insurers with 5.6 percent market share followed by Birla Sunlife (2.46 percent), Bajaj Allianz life (1.93 percent), SBI Life (1.53 percent), HDFC Standard Life (1.39 percent), Tata AIG (1.37 percent), the rest have a marker share less than 1 percent. Among the 12 new players, all, barring Kotak Mahindra Old Mural, managed to raise their market share.
The life insurance market has grown 67.9 percent in terms of total premium underwritten during the same period with LIC growing by 54.1 percent. LIC managed to capture 71.8 percent of the industry growth. In absolute terms, LIC's premium underwritten at the end of July 2004 was at Rs. 4,570 crore.

Objective of the study:

The main objective is to study the following points:

1. To study of different private insurance companies
2. To study of impact on L.I.C. to private insurance sectors
3. To favorable arrangement of the modern differences to fulfill the need of life insurance for the changing society
4. A study of marketing & finance of life insurance

Research Methodology:

In order to fulfill the objectives of the study the data will be collected from secondary, as well as primary sources. The required data is be Collected from annual report of LIC & private companies.

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3 Bajaj Allianz Life Insurance in News July 04-Dec. 04.
Data is also collected from personal writer news with the officials. Information has been also collected and rectified through supportive evidence in different journals and margarines in the area of life insurance. The collation is suitably tabulated analyzed and interpreted with the help of suitable statistical techniques.