CHAPTER II

HISTORICAL PERSPECTIVE OF LIFE INSURANCE AND ORIGIN AND GROWTH OF SBI LIFE INSURANCE

2.1 INTRODUCTION

In this chapter, the researcher highlights the origin and growth of the concept of Insurance. The chapter deals with how the life insurance business was practised during the pre and post nationalization period and also how it is being practised after the implementation of the IRDA Bill in India and the opening up of the private sector in the life insurance business in the post liberalization period. Further, it highlights the origin and growth of the SBI life insurance. The secondary data available in various books, journals and articles published in newspapers have been utilized in the preparation of the chapter.

2.2. EVOLUTION OF INSURANCE

The origin of insurance is lost in antiquity. The earliest traces of insurance in the ancient world are found in the form of marine trade loans or carrier contracts which included an element of insurance. Evidence is on record that arrangements embodying the idea of insurance were made in Babylonia and India at quite an early period. In the Rig-veda, the most sacred book of India, references were made to the concept ‘Yogakshema’ more or less akin to the wellbeing and security of the people¹.

In some sense we can say that insurance appears simultaneously with the appearance of human society. We know of two types of economies.

in human societies: natural or nonmonetary economies (using barter and trade with no centralized nor standardized set of financial instruments) and more modern monetary economies (with markets, currency, financial instruments and so on). The former is more primitive and insurance in such economies entails agreements of mutual aid. If one family’s house is destroyed the neighbors are committed to help rebuild. It Granaries housed another primitive form of insurance to indemnify against famines. Often informal or formally intrinsic to local religious customs, this type of insurance has survived to the present day in some countries where modern money economy with its financial instruments is not widespread.

Turning to insurance in the modern sense, the early methods of transferring or distributing risk were practised by Chinese and Babylonian traders as long ago as the 3rd and 2nd Millennia B.C, respectively.² Chinese merchants travelling treacherous river rapids would redistribute their wares across many vessels to limit the loss due to any single vessel capsizing. The Babylonians developed a system which was recorded in the famous code of Hammurabi. C. 1750 BC, and Practised by the early Mediterranean sailing merchants. If a merchant received a loan to fund his shipment, he would pay the lender an additional sum in exchange for the lenders guarantee to cancel the loan should the shipment be stolen or lost at sea, the codes of Hummurabi and of Manu had recognized the advisability of provision for sharing the future losses. However, there is no evidence that insurance in its present form was practised prior to the twelfth century.

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2.3 HISTORY OF INSURANCE IN INDIA

In India, insurance has a deep rooted history. It finds mention in the writings of Manu (Manusmrithi), Yagnavalkya (Dharmasastra) and kautilya (Arthasastra). The writings talk in terms of pooling of resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine. This was probably a pre-cursor to modern day insurance. Ancient Indian history has preserved the earliest traces of insurance in the form of marine trade loans and carriers contracts. Insurance in India has evolved over time heavily drawing from other countries, England in particular.

1818 saw the advent of life insurance business in India with the establishment of the Oriental Life Insurance company in Calcutta. This company however failed in 1834. In 1829, the Madras equitable had begun transacting life insurance business in the Madras presidency. 1870 saw the enactment of the British Insurance Act and in the last three decades of the nineteenth century, the Bombay Mutual (1871), Oriental (1874) and Empire of India (1897) were started in the Bombay Residency. This era, however was dominated by foreign insurance offices which did good business in India, namely the Albert Life Assurance, the Royal Insurance Liverpool and the London Globe Insurance and the Indian Offices were up for hard competition from the foreign companies.

In 1914, the Government of India started publishing returns of insurance companies in India. The Indian Life Assurance Companies Act, 1912 was the first statutory measure to regulate life business. In 1928, the Indian Insurance Companies Act was enacted to enable the Government to collect statistical information about both life and non life business transacted in India by Indian and foreign insurers including provident
insurance societies. In 1938, with a vision to protecting the interest of the insurance public, the earlier legislation was consolidated and amended by the Insurance Act, 1938 with comprehensive provisions for effective control over the activities of insurers.

The Insurance Amendment Act of 1950 abolished principal agencies. However, there were a large number of insurance companies and the level of competition was high. There were also allegations of unfair trade practices. The Government of India, therefore, decided to nationalize the insurance business.

An ordinance was issued on 19th January, 1956 nationalizing the Life Insurance sector and the life insurance corporation came into existence in the same year. The LIC absorbed 154 Indian, 16 non Indian insurers as also 75 provident societies - 245 Indian and foreign insurers in all. The LIC had monopoly till the late 90s when the insurance sector was reopened to the private sector.

2.4 INSURANCE LEGISLATION

The Swadesh\textsuperscript{3} Movement of 1905, 1907, the Non-Co-operation Movement of 1919 and the Civil Disobedience Movement of 1929 were not only the milestones in the Indian history of independence but also the memorable events in the history of Indian insurance as these movements were primarily responsible for generating the spirit of Indianness. Indian leaders hoped that life insurance in its wider field of application would open up new opportunities to the younger generation for constructive national

service. During those years, the spirit of patriotism was the main cause for the mushroom growth of Indian Insurance Companies.

The insurance was at an infant stage till the end of the nineteenth century. There were legislations to regulate the life insurance business in India. In 1883, after enacting Legislative Act banking and insurance companies were governed by it. In course of time, it was ascertained that the Indian Companies Act 1882 was inadequate to govern insurance companies to the fullest extent. In order to regulate the activities of insurance companies and prevent them from becoming speculative, effective checks and controls on the operation of life insurance companies were inevitable⁴.

In continuation of it, two Acts were passed namely, the Provident Insurance Societies Act V of 1912 and the Indian Life Insurance Companies Act VI of 1912. The law required that Indian insurers were required to make deposits with the government but foreign companies were exempted from this provision. These Acts thus created discrimination between foreign and Indian companies by putting the latter at a disadvantage. Resentment of the discrimination gradually gained momentum. The demand of the Indian insurers to amend the insurance laws so as to disclose the details of the business carried on by non Indian companies too became strong and persistent. Public bodies, commercial associations and national leaders took up the issue of various platforms and demanded immediate action⁵.

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Pandit Motilal Nehru, Deshabandhu C.R. Das, Pandit K. Santhanam, Hakim Amal Khan, Lala Lajpat Rai, Vallabhai Patel and many others entered the legislative councils and assemblies and carried on a relentless fight against all the discriminations against Indians in matters of trade, industry and civil rights. Mahatma Gandhi the father of the nation in his message stated that it was the duty of every Indian to support only Indian Insurance to protect our swaraj (mother country). Pandit Jawaharlal Nehru in his message pointed out that Indians would realize the importance of patriotism only through Indian Insurance Institutions.

The Government introduced a comprehensive bill in the Assembly, embracing all branches of insurance but later deferred it for further consideration. The Government of India thought it fit to watch the course of new legislation on insurance in England. Great Britain appointed an investigation committee under the chairmanship of A.C. Clauson to make their British Life Insurance Act of 1909 up to date. The committee submitted its report in February 1927.

Owing to the persistent demands made by the insurance industry and the leaders of the national movement, the Government was forced to decide to pass a ‘stop gap’ legislation in 1928, by amending the Life Insurance Companies Act 1912. The main feature of the new act was that it provided a way for the disposal of surplus assets in the event of liquidation of an insurance company in the same proportions amongst policyholders and shareholders as profits were distributed.

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7 Mishra. M.N.m op.cit., p.531.
It was felt that there was no organized body of Indian Life Insurance Companies representing their views as a whole. Realizing the efficacy of a united front to solve the problems of the Indian Insurance Companies, Pandit K. Santhanam conceived the idea of promoting a national association of Indian Insurance Companies. On April 2, 1928 an all India organization called the All Indian Life Officers’ Association was formed with H.E. Jones as the founder president and Pandit K. Santhanam as secretary. This organization performed yeoman service to the cause of Indian Insurance and it did its best to protect the interest of the industry.

The Act of 1928 was not comprehensive and there was a heavy demand for amending the same. For that purpose, a special officer for investigation was appointed. He submitted a report for making amendments to the Act. The Advisory Committee appointed by the Government of India considered his report. On the recommendations of the committee the Government of India introduced a bill in the Legislative Assembly in 1937 and it emerged as the Insurance Act 1938.

Six amendments were made in this Act in between 1938 and 1945. In order to protect the interest of the insurance companies, to review the Act, a committee, under the chairmanship of Shri.Kavas Ji Jahangir\(^8\) was appointed. On the recommendations of the committee, a bill was introduced and passed as an Act on April 18, 1950 by the parliament, which gave the total right of control to the central government.

\(^8\)Ibid., pp 529-533.
2.5 NATIONALIZATION OF INSURANCE IN INDIA

There were 154 Indian insurers, 16 non Indian insurers and 75 provident societies carrying on life insurance business in India till 1956. Life Insurance business was mainly concentrated in cities and in the better off the segments of the society. There was no uniformity among them in functioning. Hence, the Government thought to nationalize the industry. The root causes to nationalize the insurance business in India are listed below.

i. No security to the investment of the policyholders.
ii. Unsatisfactory performance of private business in this sector.
iii. Lack of surety of getting claims by policyholders.
iv. Liquidation of insurance companies due to bankruptcy.
v. Diversion of the resources raised through policyholders to other business activities by the management.
vi. Serious complaints of misuse of funds by many insurance companies.
vii. Requirement of substantial funds for launching five year plans.
viii. Extending the benefits of life insurance to rural areas and neglected sectors of the society.

The decision of the Central Government to nationalize the life insurance business in India was unique in the sense that India was the first in the whole world to do so.9

Accordingly, on January 19, 1956, the Government of India promulgated the Life Insurance (Emergency Provisions) Ordinance through

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which it took temporary charge of the life insurance business of 245 Indian and foreign insurers and provident societies operating in the country.\(^\text{10}\)

On June 18, 1956 the Government introduced a bill in the Parliament for the formation of the LIC. The bill, better known as the Life Insurance Corporation of India Act 1956, came into force on July 1, 1956. The Life Insurance Corporation of India started functioning from September 1, 1956. The objectives of the nationalized institution were clearly set out in the Act as:

i. Spread life insurance widely and in particular to the rural areas and to the socially and economically backward classes with a view to reaching all insurable persons in the country and providing them adequate financial cover against death at a reasonable cost.

ii. Maximize mobilization of people’s savings by making insurance linked savings adequately attractive.

iii. Bear in mind, in the investment of funds, the primary obligation to its policyholders, whose money it holds in trust, without losing sight of the interest of the community as a whole; the funds to be deployed to the best advantage of the investors as well as the community as a whole, keeping in view the national priorities and obligations of attractive return.

iv. Conduct business with utmost economy and with the full realization that the money belongs to the policyholders.

v. Act as trustees of the insured public in their individual and collective capacities.

vi. Meet the various life insurance needs of the community that would arise in the changing social and economic environment.

vii. Involve all people working in the corporation to the best of their capabilities in furthering the interests of the insured public by providing efficient services with courtesy.

viii. Promote amongst all agents and employees of the corporation a sense of participation, pride and job satisfaction through discharge of their duties with dedication the achievement of the corporation’s objectives.\textsuperscript{11}

The LIC was a monopolistic and monolithic institution. The government’s sudden decision to nationalize life insurance was based on ideological and doctrinaire considerations. It eliminated private ownership and management from insurance house, which dealt in life insurance business.\textsuperscript{12}

\section*{2.6 LIFE INSURANCE OF INDIA}

Life Insurance is the fastest growing sector in India since 2000 as the Government allowed Private players and FDI up to 26per cent. Life Insurance in India was nationalised by incorporating the Life Insurance Corporation (LIC) in 1956. All private life insurance companies at that time were taken over by the LIC.

\begin{flushright}
\textsuperscript{11} Mitra N.N., \textit{Life Assurance Organization}, Federation of Insurance Institutes, Bombay, 1972, p.17.
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In 1993 the Government of the Republic of India appointed the RN Malhotra Committee to lay down a road map for the privatisation of the life insurance sector.

While the committee submitted its report in 1994, it took another six years before the enabling legislation was passed in the year 2000 legislation amending the Insurance Act of 1938 and legislating the Insurance Regulatory and Development Authority Act of 2000. The same year that the newly appointed insurance regulator-Insurance Regulatory and Development Authority IRDA - started issuing licenses to private life insurers.

2.7 EMERGENCE OF IRDA

Following the recommendations of the Malhotra Committee Report, in 1999, the Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance industry. The IRDA was incorporated as a statutory body in April 2000. The key objectives of the IRDA include the promotion of competition so as to enhance customer satisfaction through increased customer choice and lower premises while ensuring the financial security of the insurance market.

The IRDA opened up the market in August 2000 with the invitation for application for registrations. Foreign companies were allowed ownership of upto 26 per cent. The authority has the power to frame regulations under section 114A of the Insurance Act 1938 and has from 2000 onwards framed various regulations ranging from registration of companies for carrying on insurance business to protection of policyholder’s interest.
The insurance sector is a colossal one and is growing at a speedy rate of 15.20 per cent. Together with banking services, insurance services add about 7 per cent to the country GDP. A well developed and evolved insurance sector is a boon for economic development as it provides long term funds for infrastructure development at the same time strengthening the risk taking ability of the country.

The other recommendation of the committee were:

i. The Private sector be granted to enter insurance industry with a minimum paid up capital of `100 crores.

ii. Foreign insurers be allowed to enter the field by floating an Indian company preferably a joint venture with Indian partners.

iii. Steps be initiated to set up a strong and effective insurance regulatory in the form of a statutory autonomous board on the lines of the Securities Exchange Board of India (SEBI).

iv. A limited number of private companies to be allowed in the sector. But no firm to be allowed to operate in both lines of insurance.

v. The Tariff Advisory Committee (TAC) be delinked from the GIC to function as a separate statutory body under the necessary supervision by the insurance regulatory authority.

vi. All insurance companies be treated on equal footing and governed by the provision of the Insurance Act. No dispensation is given to Government Companies.

vii. Setting up of a storing and effective regulatory body with independent source of financing before allowing private companies into this sector.
The Changed economic scenario made the country to realize that opening up of the insurance sector is an integral part of liberalization. Process so the recommendation of the Malhotra committee found wide support. As a prelude to executing the recommendations of the Malhotra committee, the Government of India constituted an interim, the Insurance Regulatory Authority (IRA) on January 23, 1996. The IRA bill was introduced in parliament in 1996. The inability to secure political consensus was one of the principal causes for the long delay in opening up the insurance sector. Later the bill was retitled as the Insurance Regulatory and Development Authority (IRDA) and introduced again in 1999, along with three schedules containing amendments to the Insurance Act 1938, the LIC ACT 1956 and the GIC ACT 1972 and it was passed. The introduction of private players in insurance leads to greater benefits to consumers.

2.8 ENTRY OF PRIVATE SECTOR IN INSURANCE

This millennium has seen insurance come a full circle in a journey extending to nearly 200 years. The process of the reopening of the sector had begun in the early 1990s and the last decade and more has seen it been opened up substantially. In 1993, the Government set up a committee under the chairmanship of R.N. Malhotra, former Governor of the RBI, to propose recommendation for reforms in the insurance sector. The object was to complement the reforms initiated in the financial sector. The committee submitted its report in 1994 wherein, among other things, it recommended that the private sector be permitted to enter the insurance industry. They suggested that foreign companies be allowed to enter by floating Indian companies, preferably a joint venture with Indian partners.
2.9 LIFE INSURERS IN PRIVATE SECTOR

Following is the list of private life insurance companies granted permission by IRDA.

1. SBI Life Insurance
2. Metlife India Life Insurance
3. ICICI Prudential Life Insurance
4. Bajaj Allianz Life
5. Max New York Life Insurance
6. Sahara Life Insurance
7. Tata AIG Life
8. HDFC Standard Life
9. Birla Sunlife
10. Kotak Life Insurance
11. Aviva Life Insurance
12. Reliance Life Insurance Company Limited - Formerly known as AMP Sanmar LIC
13. ING Vysya Life Insurance
14. Shriram Life Insurance
15. Bharti AXA Life Insurance Co Ltd
16. Future General Life Insurance Co Ltd
17. IDBI Federal Life Insurance
18. AEGON Religare Life Insurance
19. DLF Pramerica Life Insurance
20. CANARA HSBC Oriental Bank of Commerce LIFE INSURANCE
21. IndiaFirst Life_Insurance_Company
22. Star Union Dia-ichi Life Insurance Co. Ltd
23. Edelweiss Tokio Life Insurance Company Ltd

2.10 ORIGIN OF SBI LIFE INSURANCE

The SBI Life Insurance is a joint venture between the State Bank of India and the Cardif SA of France. The SBI Life Insurance is registered with an authorised capital of ₹500 crore and a paid up capital of ₹350 crore. The SBI owns 74per cent of the total capital and Cardif the remaining 26per cent. State Bank of India enjoys the largest baking franchise in India. Along
with its seven associate banks, the SBI Group has the unrivalled strength of over 14,000 branches across the country, the largest in the world.

Cardif is a wholly owned subsidiary of the BNP Paribas, which is the Euro Zone’s leading bank. The BNP is one of the oldest foreign banks with a presence in India dating back to 1860. It has 9 branches in the metros and other major towns in the country.

The Cardif is a vibrant insurance company specialising in personal lines such as long-term savings, protection products and creditor insurance. It has also been a pioneer in the art of selling insurance products through commercial banks in France and 29 more countries.

The SBI Life Insurance’s mission is to emerge as the leading company offering a comprehensive range of Life Insurance and pension products at competitive prices, ensuring high standards of customer service and world class operating efficiency. The company plans to make the insurance buying process quick, simple and based on well-informed judgment. In 2004 the SBI Life Insurance became the first company among private Insurance players to cover 30 lakh lives.

The company expects to carve a niche in the Indian Insurance market through extensive product innovation and aims to provide the highest standards of customer service through a technological interface. To facilitate this, call centres have been already installed and help lines will be installed and customers will have access to their accounts through the internet or through the SBI branches.

The company proposes to make available ready liquidity to its life insurance policies by way of loans at the SBI counters. This will make life insurance a liquid asset in the financial portfolio of households.
The SBI Life Insurance is uniquely placed as a pioneer to usher bancassurance into India. The company hopes to extensively utilise the SBI Group as a platform for cross selling insurance products along with its numerous banking products packages such as housing loans. Personal loans and credit card the SBI’s access to over 100 million accounts provides a vibrant base to build insurance selling across every region and economic state in the country.

The values of the company are its function in a manner that exemplifies trust worthiness and excellence. Driven by ambition, the SBI Life Insurance will offer innovative and dynamic solutions that cater to every consumer needs.

2.11 ACHIEVEMENTS OF SBI LIFE

In 10 years, the SBI Life has taken small but significant steps to achieve its goal of being one of the Indian’s most preferred life insurers. In this journey, the SBI Life has achieved several milestones.

On the 29th March 2011, SBI Life completed ten years. This is a landmark year for the company. It is also a memorable year, as it is during this year that the company has moved to a new corporate office owned by the company.

During the financial year 2010-11, the insurance industry witnessed significant regulatory changes. These regulatory prescriptions have all been directed towards improving customer satisfaction through the rationalization of commission structure for distribution networks, the reduction in the cost of policy administration, the control over expenditure, etc. The company has ensured a smooth transition to the new dispensation by successfully
adopting to the changes. The performance has been holistic, ensuring satisfactory top line growth with effective cost control and improved profits.

In terms of the actual figures, the company surpassed ₹12,900 Crore in Gross written premium collection during the financial year 2010-11. The company has maintained its growth momentum and has shown an increase in both new business and renewal premium income booked.

It is a great achievement that for the second consecutive year, the company was the first Indian Life Insurance Company to have globally topped the prestigious Million Dollar Round Table (MDRT) for having the maximum number of MDRT members.
2.12 ORGANIZATIONAL SET UP OF SBI LIFE

The organizational set-up of the SBI Life is operating with a five-tier structure. It consists of the Central Head Office, Regional Office, the Area Office, the Divisional Office and the Branch Offices.

The Central Head Office is located at Mumbai. It performs the activities that are related to planning and development, research and surveys, investment of funds and also framing and administering the rules and laws of the company. Next to the central office, there are two categories of Zonal Offices Zone-1 and Zone-2 under the control of which Regional Officers are functioning. At present, there are 9 regional offices under Zone-1 and 9 regional offices under Zone-2. There are 629 offices across the country equipped with dedicated staff strength of 7300 (approx) team members. The company was unique as much as it opened 135 branches while the entire industry was consolidating contracting. All the branch offices work towards the goal of the corporation.

The Divisional officers look after the activities of the branches in the areas allotted to them and control the working of the branches. They give directions to the branches from time to time for achieving the desired results. Almost every district has at least one branch office of the company. The branch office is the basic production unit of the company.

Every branch office is concerned with the scrutiny of policy proposals in connection with standard lives and sub-standard lives for decision making. The branch office maintains the policies of the policyholders. The branch office settles the maturity claims including survival benefits and death claims.
The composition of the board of directors of the company is governed by the Companies Act 1956 and clause 5.1 of the IRDA Corporate Governance Guidelines. The Board of Directors of the company represents an optimum combination of executive and Non-executive directors of its independent functioning. The board has a strength of eight directors. The Chairman of the board is a non-executive Director. The company has two independent directors and six non-independent directors.

2.13 INSURANCE PRODUCTS OF SBI LIFE

The insurance products offered by SBI Life meet the various needs of an individual/family. The following chart explains the different insurance products of SBI Life.
Figure 1
Life Insurance Products

TYPES OF PLAN

<table>
<thead>
<tr>
<th>Wealth creation</th>
<th>Savings Plans</th>
<th>Child Insurance Plans</th>
<th>Pension Plans</th>
<th>Protection Plans</th>
<th>Health Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Smart welfare assure</td>
<td>2. Smart money back insurance</td>
<td>2. Scholar II</td>
<td>2. Life long pension plus</td>
<td>2. Smart Shield</td>
<td></td>
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<tr>
<td>4. Unit plus super</td>
<td>4. Flexi</td>
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<tr>
<td>5. Smart Horizon</td>
<td>5. Sanjeevan Supreme</td>
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<tr>
<td>6. Saral Maha Anand</td>
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</tbody>
</table>

2.13.1 Wealth Creation Plans

2.13.1.1 Smart Performer

The SBI Life - Smart Performer is a unit-linked, non-participating life insurance plan that offers the twin benefits of ‘Higher than the Highest’ of the daily NAV Guarantee and the prospect of market upside.
2.13.1.2 Smart Wealth Assure

The SBI Life - Smart wealth assure is a unit linked, non-participating life insurance plan which takes care of most of the market variables by providing a minimum NAV guarantee plus upside if any.

2.13.1.3 Smart Elite

The SBI Life - Smart Elite is a unit linked life insurance plan for elite customers who want to have control over investment and protection needs.

2.13.1.4 Unit plus Super

The SBI Life - Unit plus super is a flexible, non-participating unit-linked life insurance plan specially designed to meet changing requirements at various stages of life.

2.13.1.5 Smart Horizon:

The SBI Life - Smart Horizon is a plan which gives a hassle free way to get market linked returns through the unique feature of automatic asset allocation and or alternatively also provides the option to manage funds actively. It is a dynamic non-participating unit linked life insurance plan.

2.13.1.6 Saral Maha Anand:

The SBI Life - Saral Maha Anand is a simple, convenient unit-linked savings cum life insurance plan, which provides cover without any medicals.

2.13.2 Savings Plan:

2.13.2.1 Shubh Nivesh

The SBI Life - Shubh Nivesh is an endowment product with an option of whole life coverage. The basic purpose is to provide savings, income and protection to the policy holder and his/her family. Not only the policyholders can save regularly for their future but also they have the
flexibility to receive the maturity amount as a lump sum or as a regular income for a chosen period, depending upon the needs of the policy holders.

**Smart Money Back Insurance**

The SBI Life - Smart Money Back Insurance is a savings plan with added advantage of life cover and cash inflow at regular intervals. It is a participating traditional money back plan, meeting various financial obligations of the policy holders at crucial junctures by its wide range of policy terms.

**Saral Life**

SBI Life - Saral life is a traditional participating and endowment plan which helps to meet any requirement in life and is designed with a difference to take away insurance especially weaved with the threads of simplicity, availability and value for money. It is an endowment plan with an ease of availability, without medical underwriting and instant processing.

**Flexi Smart Insurance**

The SBI Life - Flexi Smart Insurance is an individual, non-participating traditional life insurance cum savings plan, which helps in fulfilling all your dreams. It gives flexibility to adapt to ever-changing needs, while assuring guaranteed benefits to take care of savings.

**SBI Life - Sanjeevan Supreme**

SBI Life - Sanjeevan Supreme: It is a traditional saving plan with added advantage of life cover and guaranteed cash inflow at regular intervals tailored to suit all needs and requirements of the policy holders.
This plan is designed for individuals who want to plan for various financial obligations at specified times in life. It provides financial support for fulfilling all long term and short term goals. Further, it offers a life cover for the term of choice and that too without burdening you premium payment for the entire term.

2.13.3 Child Insurance Plans

2.13.3.1 SBI Life - Smart Scholar

A unique and flexible all encompassing plan for parents to realise their child’s dream.

SBI Life - Scholar II

SBI Life - Scholar II: A traditional participating plan which has guaranteed benefits which are payable at regular intervals during the term of the policy. In an unfortunate event, the Nominee would receive the full sum assured along with the vested bonus, plus regular guaranteed survival benefit.

2.13.4 Pension Plans

2.13.4.1 SBI Life - Smart Pension

SBI Life - Smart Pension: A deferred pension plan, which offers you the flexibility to provide for all the customer retirement goals at one go or as per customer convenience, spread over a period of time. What’s more, it provides the customer a minimum guaranteed return on the gross premiums paid.

SBI Life - Life Long Pension Plus

SBI Life - Life Long Pension Plus: It is a unique individual non participating traditional pension plan, which gives total safety and security
while offering complete transparency and flexibility. This plan is a perfect way to accumulate savings and purchase an annuity with it, at a time of your choice, to give regular income. The customer would agree that all this will surely give him a secure future, and a joyous retirement.

2.13.5 Protection Plans

2.13.5.1 SBI Life - Saral Shield

SBI Life - Saral Shield: A pure term plan which provides cover for your family and ensures that a proper safety net is created. Thus, it guarantees that there will be absolutely no compromise on your dreams and ambitions for the customer loved ones, at all times.

2.13.5.2 SBI Life - Smart Shield

SBI Life - Smart Shield: It is a traditional non-participating pure term plan, which is a one stop solution that meets all the customer insurance needs with options and benefits specially tailored for those who want best financial protection at an affordable cost, this is the perfect plan from the customer preferred insurance provider. Now the customer’s family stays protected, even when the customer is not around.

2.13.5.3 SBI Life – Swadhan

It’s a Term assurance policy with refund of part / total basic premium paid at the end of the term to the policy holder. Full sum assured is payable to the nominee in case of death during the term.
2.13.6 Health Plans

2.13.6.1 SBI Life - Hospital Cash

The SBI Life - Hospital Cash: A unique health insurance plan that helps protect savings by paying a fixed daily allowance, irrespective of hospital bills.

2.14 HIGHLIGHTS OF THE COMPANY

Balancing profitability and growth, despite tough external conditions, the SBI Life Insurance has posted a record profit of ₹366 Crores increasing by 33 per cent and collected a total premium of ₹12,912 Crores, growing by 28 per cent over the financial year 2009-10. The new business premium collection stands at ₹7512 Crores, showing a remarkable increase of 7 per cent over the financial year 2009-10. This growth was complimented by a growth in renewal premium collection rising by 78 per cent to ₹5340 Crores in financial year 2010-11 from ₹3002 Crores in financial year 2009-10. Reflecting superior efficiency in business operations, the SBI Life maintained an expense to Gross written premium (GWP) of 6.84 per cent. The company grew at a steady pace, increasing the branches by 135 and the number of employees by 1313.23 per cent of the total lives covered by the SBI Life came from the rural segment, testifying the company’s approach towards life insurance inclusion. Additionally, 70.683 lives covered by the company came from the underprivileged social sector, leading to the company exceeding the minimum social and rural regulatory norms.

All key distribution channels namely, bancassurance, agency and corporate solutions demonstrated profitable business growth during the period. The agency channel provided a significant thrust to the overall business, contributing 42 per cent of the total premium as a result of
superior productivity levels of insurance advisors. Bancassurance witnessed a remarkable growth at 44 per cent and contributed to over 37 per cent of the total premium and group corporate contributed to 18 per cent of total premium.

At the SBI Life, the company maintains sufficient liquidity, owing to sufficiently large inflow of funds compared to the outflow. The company diversifies the risk by incorporating a number of re-insurance companies and distributing the company’s portfolio among them. As per the IRDA regulation the company takes into consideration the rating of the re-insurers to minimize default risk. The demographic assumptions are based on the company’s experience on a best estimate basis, and likely changes are incorporated in these assumptions. Market assumptions are based on a combination of the current market conditions and likely future trends. Thus the SBI Life has been able to maintain sufficient solvency margins. Further, the company adopts stricter margin levels than the regulatory margin of 150 per cent to effectively mitigate the risk of regulatory breach as well as utilize the funds in an effective way.

2.15 WORKFORCE COMPOSITION OF SBI LIFE

The success of any organisation is directly linked to its prowess in managing its human resource effectively. Competition is so fierce that any competitive edge gained by introducing a new product or processes can be brief if competitors create a similar product. In such times, the pressure on the manpower to innovate constantly is immense.
2.15.1 Workforce Composition on the basis of Age

The following table explains the workforce composition of the SBI Life on the basis of age.

**TABLE 2.1**

**WORKFORCE COMPOSITION ON THE BASIS OF AGE**

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<tr>
<th>Sl.No.</th>
<th>Age (Years)</th>
<th>Number of Employees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>20-25</td>
<td>728</td>
<td>9.99</td>
</tr>
<tr>
<td>2.</td>
<td>26-30</td>
<td>2826</td>
<td>38.75</td>
</tr>
<tr>
<td>3.</td>
<td>31-35</td>
<td>1978</td>
<td>27.13</td>
</tr>
<tr>
<td>4.</td>
<td>36-40</td>
<td>984</td>
<td>13.49</td>
</tr>
<tr>
<td>5.</td>
<td>41-45 years and above</td>
<td>776</td>
<td>10.64</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>7292</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>


2.15.2 Workforce composition on the basis of qualification

The following table explains the workforce composition of the SBI Life on the basis of qualification.

**TABLE 2.2**

**WORKFORCE COMPOSITION ON THE BASIS OF QUALIFICATION**

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Qualification</th>
<th>Number of Employees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Graduate</td>
<td>4156</td>
<td>57</td>
</tr>
<tr>
<td>2.</td>
<td>Post Graduate</td>
<td>2769</td>
<td>37.97</td>
</tr>
<tr>
<td>3.</td>
<td>Engineering</td>
<td>126</td>
<td>1.73</td>
</tr>
<tr>
<td>4.</td>
<td>Legal Qualification</td>
<td>78</td>
<td>1.07</td>
</tr>
<tr>
<td>5.</td>
<td>Charted Accountant</td>
<td>32</td>
<td>0.44</td>
</tr>
<tr>
<td>6.</td>
<td>Others</td>
<td>131</td>
<td>1.79</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>7292</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

SBI Life workforce strength stands at an impressive figure of 7292 employees as on 31st March 2011 showing a robust growth of 22 per cent over the previous financial years. SBI Life has drawn more than half of its human capital needs from the insurance sector itself, thereby hiring experienced insurance professionals. With the average age of employees at 32 years, the employees strength is a suitable blend of fresh blood and invaluable expertise.

2.16 AWARDS AND RECOGNITIONS

It is a great achievement that for the second consecutive year, the SBI Life is the first Indian Life Insurance company to have globally topped the prestigious Million Dollar Round Table (MDRT) for having the maximum number of MDRT members. The company’s performance was duly recognized through the following awards:-

i. Blooming UTV Financial Leadership Award 2011- Life Insurer of the year.

ii. NDTV project “Business Leadership Award 2010”, for organisational excellence.

iii. Gold shield by institute of Charted Accountants of India (ICAI) for excellence in financial reporting for the year 2009-10.

iv. The ICS Quality Champion Award 2010 for continual quality improvement.

v. “Best Life Insurer 2010” Runner up by outlook money.

2.16.1 Certification

The company also continued to upscale its efficiency and processes by acquiring the following certifications
i. CRISIL reaffirmed ‘AAA/Stable’ rating
ii. ICRA’s reaffirmed iAAA rating
iii. Retaining of ISO 9001:2000
iv. CMMI rating at maturity level 3.

All the above awards and certifications are testimonies to the superior standards adopted by the SBI Life.

2.17 SUMMARY

This chapter briefly describes the evolution and history of life insurance and the insurance legislation in India. The emergence of IRDA and its rules and regulations to insurance industry were also discussed. This chapter also signifies the origin, achievements and organizational set up of SBI life. The SBI life offers variety of life insurance products to satisfy the needs of different type of customers. By gradually extending its services to customers, the SBI life has become a multi-dimensional organization today among the private life insurance companies.