CHAPTER III
INSURANCE SECTOR IN INDIA –A PROFILE

3.1 INTRODUCTION

The Insurance sector in India governed by Insurance Act, 1938, the Life Insurance Corporation Act, 1956 and General Insurance Business (Nationalisation) Act, 1972, Insurance Regulatory and Development Authority (IRDA) Act, 1999 and other related Acts. With such a large population and the untapped market area of this population, Insurance happens to be a very big opportunity in India. Today it stands as a business growing at the rate of 15-20 per cent annually. Together with banking services, it adds about 7 per cent to the country’s GDP. In spite of all this growth the statistics of the penetration of the insurance in the country is very poor. Nearly 80% of Indian populations are without Life insurance cover and the Health insurance. This is an indicator that growth potential for the insurance sector is immense in India. It was due to this immense growth that the regulations were introduced in the insurance sector and in continuation “Malhotra Committee” was constituted by the government in 1993 to examine the various aspects of the industry.

Since the liberalization of the industry, the insurance industry has never looked back and today stand as one of the most competitive and exploring industry in India. The entry of the private players and the increased use of the new distribution are in the limelight today. The use of new distribution techniques and the IT tools has increased the scope of the industry in the longer run.
3.2 HISTORY OF INSURANCE SECTOR

The business of life insurance in India in its existing form started in India in the year 1818 with the establishment of the Oriental Life Insurance Company in Calcutta. Some of the important milestones in the life insurance business in India are given in the table 3.1.1.

**Table 3.1.1: TABLE SHOWING MMILESTONES IN THE LIFE INSURANCE BUSINESS IN INDIA**

<table>
<thead>
<tr>
<th>Year</th>
<th>Milestones in the life insurance business in India</th>
</tr>
</thead>
<tbody>
<tr>
<td>1912</td>
<td>The Indian Life Assurance Companies Act enacted as the first statute to regulate the life insurance business</td>
</tr>
<tr>
<td>1928</td>
<td>The Indian Insurance Companies Act enacted to enable the government to collect statistical information about both life and non-life insurance businesses</td>
</tr>
<tr>
<td>1938</td>
<td>Earlier legislation consolidated and amended to by the Insurance Act with the objective of protecting the interests of the insuring public.</td>
</tr>
<tr>
<td>1956</td>
<td>245 Indian and foreign insurers and provident societies taken over by the central government and nationalized. LIC formed by an Act of Parliament, viz. LIC Act, 1956, with a capital contribution of Rs. 5 crore from the Government of India.</td>
</tr>
</tbody>
</table>

Source : Secondary Data

The General insurance business in India, on the other hand, can trace its roots to the Triton Insurance Company Ltd., the first general insurance company established in the year 1850 in Calcutta by the British. Some of the important milestones in the general insurance business in India are given in the table 3.1.2.
### Table 3.1.2: TABLE SHOWING MILESTONES IN THE GENERAL INSURANCE BUSINESS IN INDIA

<table>
<thead>
<tr>
<th>Year</th>
<th>Milestones in the general insurance business in India</th>
</tr>
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<tbody>
<tr>
<td>1907</td>
<td>The Indian Mercantile Insurance Ltd. set up, the first company to transact all classes of general insurance business</td>
</tr>
<tr>
<td>1957</td>
<td>General Insurance Council, a wing of the Insurance Association of India, frames a code of conduct for ensuring fair conduct and sound business practices</td>
</tr>
<tr>
<td>1968</td>
<td>The Insurance Act amended to regulate investments and set minimum solvency margins and the Tariff Advisory Committee set up.</td>
</tr>
<tr>
<td>1972</td>
<td>The General Insurance Business (Nationalisation) Act, 1972 nationalized the general insurance business in India with effect from 1st January 1973. 107 insurers amalgamated and grouped into four companies viz. the National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd. and the United India Insurance Company Ltd. GIC incorporated as a company.</td>
</tr>
</tbody>
</table>

Source: Secondary Data

### 3.3 LIFE INSURANCE CORPORATION OF INDIA (LIC)

Life Insurance Corporation of India (LIC) was formed in September, 1956 by an Act of Parliament, viz., Life Insurance Corporation Act, 1956, with capital contribution from the Government of India. The then Finance Minister, Shri C.D. Deshmukh, while piloting the bill, outlined the objectives of LIC thus: to conduct the
business with the utmost economy, in a spirit of trusteeship; to charge premium not higher than warranted by strict actuarial considerations; to invest the funds for obtaining maximum yield for the policy holders consistent with safety of the capital; to render prompt and efficient service to policy holders, thereby making insurance widely popular.

Since nationalisation, LIC has built up a vast network of 2,048 Branches, 100 Divisions and 7 Zonal offices spread over the country. The Life Insurance Corporation of India also transacts business abroad and has offices in Fiji, Mauritius and United Kingdom. LIC is associated with joint ventures abroad in the field of insurance, namely, Ken-India Assurance Company Limited, Nairobi; United Oriental Assurance Company Limited, Kuala Lumpur and Life Insurance Corporation (International) E.C. Bahrain. The Corporation has registered a joint venture company in 26th December, 2000 in Kathmandu, Nepal by the name of Life Insurance Corporation (Nepal) Limited in collaboration with Vishal Group Limited, a local industrial Group. An off-shore company L.I.C. (Mauritius) Off-shore Limited has also been set up in 2001 to tap the African insurance market.

The Parliament of India enacted the Life Insurance Corporation Act on the 19th of June 1956, and the Life Insurance Corporation of India was established 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. The main objective of the organization of the life insurance business was to spread the message of life insurance in the country and mobilize people’s savings for nation building activities.
The Life Insurance Corporation with its Central Office in Mumbai and eight Zonal Offices at Mumbai, Kolkata, Delhi, Chennai, Hyderabad, Kanpur, Bhopal and Patna operates through 109 Divisional Offices including one Salary Savings Scheme (SSS) Division at Mumbai, 2048 Branch Offices and 1004 Satellite Offices as on 31.3.2010.

The Corporation also transacts business abroad and has branch offices in Fiji, Mauritius and United Kingdom. LIC also operates in overseas Insurance Market through Joint Venture Companies namely Life Insurance Corporation (International) B S C (C), registered in Manama (Bahrain), Ken India Assurance Company Ltd., registered in Nairobi, Life Insurance Corporation (Nepal) Ltd. registered in Kathmandu, Life Insurance Corporation (Lanka) Ltd. registered in Colombo and Saudi Indian Company for Co-operative Insurance registered in Riyadh. An offshore company, Life Insurance Corporation (Mauritius) Offshore Ltd. registered in Port Louis, Mauritius is a Joint Venture Company between LIC of India and GIC of India. It has been decided that this company defers its life business activities and contemplates to pursue non-life reinsurance business with active participation of GIC.

A Representative Office has been established recently in Singapore to study the Regulatory Issues and to assess the market potential in order to find an appropriate mode of entry into Singapore insurance market. Among the above, Ken India Assurance Co. Ltd., Nairobi, Kenya & Saudi Insurance Company for Co-
operative Insurance, Riyadh, Kingdom of Saudi Arabia are the composite companies transacting life and non-life business.

With largest number of life insurance policies in force in the world, Insurance happens to be a mega opportunity in India. It’s a business growing at the rate of 15-20 per cent annually and presently is of the order of Rs 450 billion. Together with banking services, it adds about 7 per cent to the country’s GDP. Gross premium collection is nearly 2 per cent of GDP and funds available with LIC for investments are 8 per cent of GDP. Yet, nearly 80 per cent of Indian population is without life insurance cover while health insurance and non-life insurance continues to be below international standards. And this part of the population is also subject to weak social security and pension systems with hardly any old age income security. This is an indicator that growth potential for the insurance sector is immense.

A well-developed and evolved insurance sector is needed for economic development as it provides long term funds for infrastructure development and at the same time strengthens the risk taking ability. It is estimated that over the next ten years India would require investments of the order of one trillion US dollar. The Insurance sector, to some extent, can enable investments in infrastructure development to sustain economic growth of the country.

Insurance is a federal subject in India. There are two legislations that govern the sector- The Insurance Act- 1938 and the IRDA Act- 1999. The insurance sector in India has evolved a full circle from being an open competitive market to nationalisation and back to a liberalised market again. Tracing the developments in the Indian insurance sector reveals the 360 degree turn over a period of almost two centuries.
3.4 INSURANCE COMPANIES

The insurance sector was opened up for private participation four years ago. For years, the private players are active in the liberalized environment. The insurance market has witnessed dynamic changes which includes presence of a fairly large number of insurers both life and non-life segment. Most of the private insurance companies have formed joint venture partnering well recognized foreign players across the globe.

There are now 29 insurance companies operating in the Indian market – 14 private life insurers, nine private non-life insurers and six public sector companies. With many more joint ventures in the offing, the insurance industry in India today stands at crossroads as competition intensifies and companies prepare survival strategies in a de-tariff scenario.

There is pressure from both within the country and outside on the Government to increase the foreign direct investment (FDI) limit from the current 26% to 49%, which would help Joint Venture partners to bring in funds for expansion. There are opportunities in the pensions sector where regulations are being framed. Less than 10% of Indians above the age of 60 receive pensions. The IRDA has issued the first license for a standalone health company in the country as many more players wait to enter. The health insurance sector has tremendous growth potential, and as it matures and new players enter, product innovation and enhancement will increase. The deepening of the health database over time will also allow players to develop and price products for larger segments of society.
Insurance is a nascent sector in India providing a wide potential for the players worldwide. The premiums of life insurance accounts to about 2.5 % of India's GDP while the premiums of the general insurance accounts to about 0.65% GDP. In India the Insurance sector went through a number of changes when the Indian Government allowed the private companies to solicit insurance by allowing FDI up to 26.5%. The Indian Insurance scenario received a boost up as the global insurance companies are craving for a lion's share. General Insurance Corporation has been sanctioned as the "Indian reinsurer" for underwriting only reinsurance business. The Insurance Companies like LIC, Bajaj Alliance, ICICI Prudential are booming in this era. The list below will give the names of the best Insurance Companies of India.

**List of Top Insurance Companies of India**

**Life Insurance Corporation of India:**

*Life Insurance Corporation of India* was established in the year 1956 by the alliance of 16 non-Indian companies, 154 Indian Insurance Companies and 75 provident. It has 100 divisional offices, 2048 computerized branches, 7 zonal offices and the company's corporate office. It has introduced new strategies for the facilitation of the customers like the IVRS,ECS,ATM Premium payment facility and the company's Info centres in Mumbai, Delhi, Chennai, Kolkata and many others cities.

**Bajaj Allianz:**

‘Bajaj Allianz’ Insurance company is a joint venture of Alliance AG, which is one among the largest Life Insurance companies and Bajaj Auto, one among the
biggest 2- & 3 wheeler producers in the world. The Company has various plans for the customers like the Pension, Retirement, Life Time Care, Health Care, Life Insurance Online, Life Insurance Saving Plans, and online services like the Address change, Renewal Premium Payment etc.

**Tata AIG Life:**

‘**TATA AIG Life**’ is a renowned life Insurance company in India which offers a wide array of products related to life insurance for associations, individuals and businesses. The company offers high quality solutions to its corporate Indian clients. It renders services like the AIG Health First, AIG Health Life Protector, Tata AIG Life Hospital Cash Back, Tata AIG Life Maha Gold, Tata AIG Life Assured 10 Years and many others. The company is a joint venture of America International Group and TATA group.

**Birla Sun Life Insurance:**

‘**Birla Sun Life Insurance**’ is one of the major insurance companies in India and a joint venture of Sun Life Financials and Aditya Birla group. The company provides Life Insurance Solutions to meet the needs of Protection, Retirement and Saving. It has recently launched the Money back Plus Plan and offers Insurance programs like the Children, NRI, Riders, Health etc.

**SBI Life:**

‘**SBI Life**’ renders premium Insurance solutions like SBI Life-Smart ULIP, SBI Life-Group Criti, SBI Life-Unit Plus Child Plan etc. It also offers services
like the NRI services, Premium Payment Procedure, ECS Facility, RPI/RFI and many others. SBI Life is a joint venture of BNP Paribas Assurance and SBI.

**Max New York Life:**

‘Max New York Life’ Life Insurance Company in India provides the best solutions related to life insurance like children's plan, retirement solution, Investment, Protection, Health, Savings etc. The company has 14 corporate agency tie ups, 33 bank assurance relationships and direct sales force at 14 locations. It is now covering 36 products related to life and health insurance.

**Kotak Life Insurance:**


**HDFC Standard Life:**

This is one of the major market leaders in the insurance sector in India. The company offers Insurance services like the Group Plans, Health Plans, Protection Plans, Retirement Plans, Savings and Investment Plans etc. The customer base of the company is about more than 7 million who depend on the company for pension, investment, banking needs.
Reliance Life:

The company Reliance Life based in India offers the best plans for Life Insurance in India. Reliance Capital Limited's associate company is Reliance Life which is one of the leading private sectors in India. The company provides the Protection Plans, Child Plans, Retirement Plans and Investment plans. It also serves as the ultimate solver of solutions for Groups and Individuals.

ICICI Prudential:

This major Insurance Company in India provides health Insurance, life insurance, ULIPs, ULIP, Retirement Plans and many others. Life Insurance Plans of the company covers Premium Guarantee Plans, Education Insurance Plans etc. Pension Plans encompass Life Stage Pension, Forever Life. Health Insurance Plans cover Hospital Care, MediAssure.
LIFE INSURERS

Public Sector
Life Insurance Corporation of India www.licindia.com

Private Sector
Allianz Bajaj Life Insurance Company Limited www.allianzbajaj.co.in
Birla Sun-Life Insurance Company Limited www.birlasunlife.com
HDFC Standard Life Insurance Co. Limited www.hdfcinsurance.com
ICICI Prudential Life Insurance Co. Limited www.iciciprulife.com
ING Vysya Life Insurance Company Limited www.ingvysayalife.com
Max New York Life Insurance Co. Limited www.maxnewyorklife.com
MetLife Insurance Company Limited www.metlife.com
Om Kotak Mahindra Life Insurance Co. Ltd. www.omkotakmahidra.com
SBI Life Insurance Company Limited www.sbilife.co.in
TATA AIG Life Insurance Company Limited www.tata-aig.com
AMP Sanmar Assurance Company Limited www.ampsanmar.com

GENERAL INSURERS

Public Sector
National Insurance Company Limited www.nationalinsuranceindia.com
New India Assurance Company Limited www.niocl.com
Oriental Insurance Company Limited www.orientalinsurance.nic.in
United India Insurance Company Limited www.uiic.co.in
**Private Sector**

Bajaj Allianz General Insurance Co. Limited  
www.bajajallianz.co.in

ICICI Lombard General Insurance Co. Ltd.  
www.icicilombard.com

IFFCO-Tokio General Insurance Co. Ltd.  
www.itgi.co.in

Reliance General Insurance Co. Limited  
www.ril.com

Royal Sundaram Alliance Insurance Co. Ltd.  
www.royalsun.com

TATA AIG General Insurance Co. Limited  
www.tata-aig.com

Cholamandalam General Insurance Co. Ltd.  
www.cholainsurance.com

Export Credit Guarantee Corporation  
www.ecgcindia.com

HDFC Chubb General Insurance Co. Ltd.  
www.chubb.com

**REINSURER**

General Insurance Corporation of India  
www.gicindia.com

**3.5 REFORMS IN INSURANCE INDUSTRY**

In 1993, Malhotra Committee- headed by former Finance Secretary and RBI Governor R.N. Malhotra- was formed to evaluate the Indian insurance industry and recommend its future direction. The Malhotra committee was set up with the objective of complementing the reforms initiated in the financial sector. The reforms were aimed at creating a more efficient and competitive financial system suitable for the requirements of the economy keeping in mind the structural changes currently underway and recognising that insurance is an important part of the overall financial system where it was necessary to address the need for similar reforms.
The committee emphasised that in order to improve the customer services and increase the coverage of insurance policies, industry need to be opened up to competition. But at the same time, the committee felt the need to exercise caution because any failure on the part of new players could ruin the public confidence in the industry. Hence, it was decided to allow competition in a limited way by stipulating the minimum capital requirement of Rs.100 crores. The committee felt the need to provide greater autonomy to insurance companies in order to improve their performance and enable them to act as independent companies with economic motives. For this purpose, it had proposed setting up an independent regulatory body-The Insurance Regulatory and Development Authority.

Reforms in the Insurance sector were initiated with the passage of the IRDA Bill in Parliament in December 1999. The IRDA since its incorporation as a statutory body in April 2000 has fastidiously stuck to its schedule of framing regulations and registering the private sector insurance companies. Being set up as an independent statutory body the IRDA has put in a framework of globally compatible regulations. The other decision taken simultaneously to provide the supporting systems to the insurance sector was the launch of the IRDA online service for issue and renewal of licenses to agents. The approval of institutions for imparting training to agents has also ensured that the insurance companies would have a trained workforce of insurance agents in place to sell their products.

Insurance is a subject listed in the concurrent list in the Seventh Schedule to the Constitution of India where both centre and states can legislate. The insurance sector has gone through a number of phases by allowing private companies to solicit insurance and also allowing foreign direct investment of up to 26%, the insurance
sector has been a booming market. However, the largest life-insurance company in India is still owned by the government.

The LIC had monopoly till the late 90s when the Insurance sector was reopened to the private sector. Before that, the industry consisted of only two state insurers: Life Insurers (Life Insurance Corporation of India, LIC) and General Insurers (General Insurance Corporation of India, GIC). GIC had four subsidiary companies. With effect from December 2000, these subsidiaries have been de-linked from the parent company and were set up as independent insurance companies: Oriental Insurance Company Limited, New India Assurance Company Limited, National Insurance Company Limited and United India Insurance Company Limited.

**Tax reduction measures**

The Finance ministry recently unveiled a 12-point revival package for the life insurance sector that includes easing of investment norms to allow more funds into the infrastructure sector, permitting fund flow into ‘AA’ rated paper, faster clearance of products and allowing banks to sell policies of multiple companies.

Additionally, the ministry also announced a slew of tax measures including reduction in service tax, treating annuity products on par with the National Pension System and a separate tax deduction limit above 80 C.

To bring much needed long term capital for core sector projects that typically have long gestation periods, insurance companies will be allowed to invest in special purpose vehicles (SPVs) of private firms, many of which do not have ‘AAA’ rating.
Till now investments were permitted only in infrastructure SPVs floated by a public sector company.

The insurance regulator will also ease norms to permit investments into debt instruments that do not have AAA rating. At present, 75 per cent of their corpus is invested in AAA rated paper. India has about 24 life insurance firms and it is expected that reforms in the sector will help channel their investments into cash starved infrastructure sector that requires $1 trillion over the next five years.

Industry players say it will also help improve returns for investors. “Relaxation in investment norms for insurance firms investing in debt instruments will help the companies’ earnings and ensure better returns for their investors. The returns can be expected to be passed down to customers in the form of better benefits and lower premiums,” said Nageswara Rao, MD & CEO, IDBI Federal Life Insurance.

Besides, the finance ministry works on a number of tax related issues including a lower service tax on first year regular premium as well as exemption from the tax for social security insurance schemes. Annuity policies will be treated at par with the NPS for tax purposes and a separate exemption limit will be created for specific insurance pension products.

The financial ministry has announced that banking correspondents will be permitted to sell micro insurance products while non-employer-employee groups like self help groups, professionals groups like teacher’s associations would be allowed to offer group savings products to its members. Moving away from the ‘Bancassurance’ system of ‘one bank, one insurance company, IRDA will also allow banks to act as insurance brokers and sell products from multiple companies.
FDI cap on Insurance Sector

The Government of India on October 4, 2012 approved moving the FDI cap in insurance to 49 percent while also approving the introduction of certain official amendments to the Pension Fund Regulatory and Development Authority Bill (2011). The decision has been taken by the Cabinet headed by the Prime Minister of India.

Now, with the Cabinet approving the scheme, the Insurance Laws (Amendment) Bill is likely to be taken up by Parliament in the forthcoming Winter Session. The Cabinet has fixed a limit of 49 percent of FDI in the insurance sector, increasing it from 26 percent. The insurance industry in India has welcomed the decision and the Insurance Regulatory Development Authority (IRDA) also favoured the FDI cap increase to 49 percent by the government. In India, the insurance sector opened for the private sector in the year 2000 after the enactment of the Insurance Regulatory and Development Authority Act (1999).

The Indian Government also opened up the pension sector to overseas investment, allowing FDI of up to 49 percent. The new actions are likely to bring more international companies of the insurance domain into the sector. Though, the quantity will likely not be as large as in the case of insurance sector. The move comes at a time when a greater part of life insurers are suffering from expense overrun and are in terrible need of fresh capital infusions. The Bill provides the Pension Fund Regulatory and Development Authority (PFRDA) to supervise multiple pension funds in the country.
3.6 INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY - (IRDA)

IRDA was set up by the parliament in 1999. The section 4 of IRDA Act’ 1999, Insurance Regulatory and Development Authority specify the composition of Authority. The Authority is a ten-member team consisting of a. Chairman; b. five whole-time members; c. four part-time members. All these positions are appointed by the Government of India. IRDA is the highest authority for regulating and promoting the activities of Insurance in India. All the Insurance companies get its certificate of registration from this highest apex body.

MISSION OF IRDA

The main motto is to remove inconsistencies and inefficiencies from Indian insurance market and to have ethical code of conduct for all the participants. Its objectives

1. To protect the interest of and secure fair treatment to policyholders
2. To bring about speedy and orderly growth of the insurance industry
3. To set, promote, monitor and enforce high standards of integrity, financial soundness, fair dealing of those it regulates
4. To ensure speedy settlement of genuine claims, to prevent insurance frauds and other malpractices
5. To promote fairness, transparency and orderly conduct in financial markets dealing with insurance and build a reliable management information system to enforce high standards of financial soundness
6. To take action where such standards are inadequate or ineffectively enforced
7. To bring about optimum amount of self-regulation in day-to-day working of the industry
IRDA – DUTIES, POWERS AND FUNCTIONS

Section 14 of IRDA Act, 1999 lays down the duties, powers and functions of IRDA...(1) Subject to the provisions of this Act and any other law for the time being in force, the Authority shall have the duty to regulate, promote and ensure orderly growth of the insurance business and re-insurance business.

1. To issue an applicant, certificate of registration, renewal, modification, withdrawal, suspension or cancellation of such registration
2. To protect the interests of the insurers in matters related to insurable interest, assignment of policy, nomination by policy holders, settlement of claim, surrender value of policy and other terms and conditions of contracts of insurance
3. To specify the percentage of Type of insurance business carried by the insurer in the rural or social sector; Life and General
4. To promote and regulate professional organizations connected with the insurance industry
5. To specify the percentage of premium income of the insurer to finance schemes
6. To specify requisite code of conduct, qualifications and practical training necessary for intermediary and agents
7. To specify the code of conduct for loss assessors and surveyors
8. To promote the efficiency in the conduct of insurance business
9. To control and regulate the rates, advantages, terms and conditions that may be offered by insurers in respect of general insurance business not so
controlled and regulated by the Tariff Advisory Committee under section 64U of the Insurance Act, 1938 (4 of 1938);

10. To specify the form and the manner in which books of account shall be maintained and statement of accounts shall be provided by insurers and other insurance intermediaries

11. To regulate investment by insurance companies

12. To regulate and maintain the margin of solvency

13. Settling disputes between insurers and intermediaries

14. To supervise the functioning of the Tariff Advisory Committee

15. To call for information from, undertaking inspection of, conducting inquiries and investigations including audit of the insurers, intermediaries, agents and other organizations connected with the insurance business

16. To levy fees and other charges for carrying out the purposes of this Act; and to exercise such other powers as may be prescribed within this Act.

3.7 PRESENT SCENARIO OF INSURANCE INDUSTRY

India with about 200 million middle class household shows a huge untapped potential for players in the insurance industry. Saturation of markets in many developed economies has made the Indian market even more attractive for global insurance majors. The insurance sector in India has come to a position of very high potential and competitiveness in the market. Indians, have always seen life insurance as a tax saving device, which are now suddenly turning to the private sector that are providing them new products and variety for their choice.
Consumers remain the most important centre of the insurance sector. After the entry of the foreign players the industry is seeing a lot of competition and thus improvement of the customer service in the industry. Computerization of operations and updating of technology has become imperative in the current scenario. Foreign players are bringing in international best practices in service through use of latest technologies.

The insurance consultants still remain the main source through which insurance products are sold. The concept is very well established in the country like India but still, the increasing use of other sources is imperative. At present the distribution channels that are available in the market are listed below.

- Direct selling
- Corporate agents
- Group selling
- Brokers and cooperative societies
- Banc assurance

The rural consumer is now exhibiting an increasing propensity for insurance products. A research conducted recently, exhibited that the rural consumers are willing to dole out anything between Rs 3,500 and Rs 2,900 as premium each year. In a study conducted by MART the results showed that nearly one third said that they had purchased some kind of insurance with the maximum penetration skewed in favor of life insurance. The study also pointed out the private companies have huge task to play in creating awareness and credibility among the rural populace.
The Government of India has re-affirmed its efforts to push economic growth by increasing the FDI limit from 26 per cent to 49 per cent in insurance.

Further, IRDA’s final nod to ‘insurance repositories’ will now facilitate demat policies in the insurance industry. The regulator has also introduced major relaxations in investment guidelines for life insurance companies wherein they would be allowed to buy credit protection through derivatives, lend up to 10 per cent of their shares and conduct short-term repo transactions in bonds.

The six companies that have received IRDA approval for setting up insurance repositories are NSDL, CDSL, Karvy, CAMS and STCI. Industry experts believe that capital infusion through FDI will not only attract additional foreign funds to the sector, but will also increase the access of insurance and improve penetration. On account of increase in FDI limit, the Indian insurance broking industry is also anticipated to witness a rise in mergers and acquisition (M&A) activities.

However, improving product awareness and increasing demand for long-term financial investment solutions from rising household income, long-term growth opportunities in the insurance industry overshadows threats implied by present prevailing macroeconomic situation.
3.8 CONCLUSION

Despite the liberalisation of India’s insurance market, much needs to be done towards the ultimate goal of improving the nation’s insurance penetration and coverage. World Economic Forum’s latest report ‘Financial Development Report 2012’ has named India as the world's top-ranked country in terms of life insurance density. Life insurance density is the ratio of direct domestic premiums for life insurance to per capita gross domestic product (GDP) of a country. India has been ranked 40th in terms of overall financial development of a country, but is much ahead of larger economies like the US, the UK, Japan and China for life insurance density. Keeping pace with international happenings, Indian insurance industry has remained in good health and maintained absolute transparency and highest standards of corporate governance.