CHAPTER- 01

INTRODUCTION
INTRODUCTION:
Life insurance started in India as an activity of the private sector operators later on it was nationalized by the government of India now it is again privatized by the government permitting foreign conglomerate to the insurance business. In this way insurance industry has completed the full circle of its operation- Privatized to Nationalized and again privatized.

Figure: 01

Privatized  

Nationalized 1956

Again privatize in 1999.

1.1 SIGNIFICANCE OF INSURANCE:
Insurance a an economic activity is significant because-

a) Insurance is important as long as the maintenance of a family depends on the earning power of the bread-winner.

b) As long as the earning can be destroyed by death, old age or disability;

c) Just so long life as insurance continues to be the keystone of the individual and those who are dependent on him.

The above lines maintained the importance of life insurance as immortality of life insurance business. It will survive and play a useful role as the family set up survives. It will benefit in any unforeseen circumstances as well on the survival also in terms of handsome money and other benefits. This helps the family to fulfill its need of protection, saving and other benefits.
1.2 WHAT IS INSURANCE?

Human life as economic value was defined by the Solomon S Huebner, the father of the economic theory of life insurance propounded called “human life value” in the year 1920s, and defined it as “human has an economic value if it has both earning power and some other person or organization can expect to derive financial advantage through its existence”. This concept laid to the formation of insurance as business.

Insurance is aimed to guard the economic value of assets. Assets have value and they are created by the hard work and efforts of the person who owns them. Assets are valuable because they generate some income to the owner. Insurance is a contract and as such it is governed by 'Indian Contract Act 1872'. The contract of insurance is an agreement enforceable at law between two or more parties which are known as Insured and Insurer. The insurer agrees to indemnify the insured against loss arises from the happening from an event. The insurance companies called INSURER used to bring persons together who are exposed to similar risks. The company collects premiums called consideration from such persons on some equitable basis and settle claim (pay the losses) to the unfortunate few who suffers. There should be free consent and the object of insurance must be lawful and should be enforceable at law.

1.2.1 Life Insurance in general terms can be understood by the following line; Loss of a family member is a catastrophe which glooms a family’s life. But even more tragic is the death of a sole bread earner for the family, who then has to go through the pain of losing their loved one, as well as the financial loss putting their survival in jeopardy.

This financial hardship due to a sudden death of a family member or a disability resulting to a loss of job or inability to work can be avoided to a great extent by a life insurance policy.

A Life insurance or disability insurance covers such losses and pays a family, compensation to restore the earnings lost by them due to a sudden death or
disability.
The monthly premiums for a life insurance are generally based upon the age, health, and occupation information of the applicant, in addition to the total benefits to be paid to him for his policy.

To define further-

A promise of compensation for specific potential future losses in exchange for a periodic payment. Insurance is designed to protect the financial well-being of an individual, company or other entity in the case of unexpected loss. Some forms of insurance are required by law, while others are optional. Agreeing to the terms of an insurance policy creates a contract between the insured and the insurer. In exchange for payments from the insured (called premiums), the insurer agrees to pay the policy holder a sum of money upon the occurrence of a specific event. In most cases, the policy holder pays part of the loss (called the deductible), and the insurer pays the rest. Examples include car insurance, health insurance, disability insurance, life insurance, and business insurance. (investorworld.com)

Insurance is a contract between two parties - the insurer (the insurance company) and the insured (the person or entity seeking the cover) - wherein the insurer agrees to pay the insured for financial losses arising out of any unforeseen events in return for a regular payment of "premium".

These unforeseen events are defined as "risk" and that is why insurance is called a risk cover.

Hence, insurance is essentially the means to financially compensate for losses that life throws at people - corporate and otherwise.

Life insurance or life assurance is a contract between the policy owner and the insurer, where the insurer agrees to pay a sum of money upon the occurrence of the policy owner's death. In return, the policy owner (or policy payer) agrees to pay a stipulated amount called a premium at regular intervals. Assets, Bills, and death
expenses plus catering for after funeral expenses should be included in Policy Premium. Anyone whose assets equal more than the value of their primary residence should not be compensated beyond that value in case they cannot sell their house. In the case of those who have lost their spouse should be compensated also for one full year the wages of their spouse which would or should be included to avoid lawsuits.

As with most insurance polices, life insurance is a contract between the insurer and the policy owner (policyholder) whereby a benefit is paid to the designated Beneficiary (or Beneficiaries) if an insured event occurs which is covered by the policy. To be a life policy the insured event must be based upon life (or lives) of the people named in the policy.

Insured events that may be covered include:

- Death
- Accidental death
- Sickness

Life policies are legal contracts and the terms of the contract describe the limitations of the insured events. Specific exclusions are often written into the contract to limit the liability of the insurer; for example claims relating to suicide (after 2 years suicide has to be paid in full and in India after one year suicide is covered), fraud, war, riot and civil commotion.

Life based contracts tend to fall into two major categories:

- Protection policies - designed to provide a benefit at the time of specified event, typically a lump sum payment.
- Investment policies - where the main objective is to facilitate the growth of capital by regular or single premiums.
1.2.2 Insurance – A risk mitigating device
Different authors have defined risk in different ways. However, in most of the
terminology the term risk includes exposure to adverse situation. In dictionary risk is
described as the possibility that something unpleasant or dangerous might happen.
Risk generally can be classified as Financial and non financial risk, Individual and
Group risk, Pure and Speculative risk, Static and dynamic risk, Quantifiable and Non
quantifiable risk. Insurance as an instrument provides economic protection against
losses that may occur due to chance events which may or may not occur during
effective time of the contract called a policy.

1.2.3 Insurance v/s Assurance.
Earlier in insurance contracts both the terms were interchangeably used.
"Assurance" is older in history and it was used to describe all types of insurances.
From the year 1826, however, the term assurance came to be used for only the risks
covered by life insurance and the term "insurance" was exclusively used to denote
the risks covered by marine, fire and other non life insurance risks. This was
because in life insurance, there is an assurance from the insurance company to
make payment under the policy either on the maturity or at earlier death. The word
assurance indicated certainty. On the other hand, the word insurance was used to
denote indemnity type of insurances where the insurance company was liable to pay
only in case of the loss/damage to the property due to the insured event. The
insured event was bound to happen sooner or later under assurance but the event
insured against many or may not happen under insurance.

1.3 KINDS OF INSURANCE:
The business of insurance can be classified into two broad categories-
   a. Life insurance
   b. Non-Life insurance.

a) Life insurance:
A human being is an income generating asset. One's manual labor, professional
skills and business acumen are the assets.
Life insurance is concerned with making provision for a specific events which an individual suffers, such as death, disease, incapability by which he or his family losses some financial benefits. It is also to plan for additional income generation during the working life or after retirement of the person.

Life insurance can further be classified as-

- Endowment Policy
- Whole life insurance
- Term Life Policy
- Money Back Policies
- Joint Life Policies
- Children’s Insurance Policies
- Pension Plan or Annuities
- Women’s Policies
- Group Insurance:

These policies can be elaborated as;

- **Endowment Policy:**
  This policy covers risk for a specified period, at the end of which the sum assured is paid back to the policyholder, along with the bonus accumulated during the term of the policy. It is this feature - the payment of endowment to the policyholder when the policy's term is complete - that rightly accounts for the popularity of endowment policies.

- **Whole Life Policy:**
  This policy runs as long as the policyholder is alive. In other words, risk is covered for the entire life of the policyholder. The whole life policy amount and bonus are payable only to the nominee of the policy on the death of the policyholder. The policyholder is not entitled to any money during his or her own lifetime – there is no survival benefit.

- **Term Life Policy:**
  This policy covers risk only during the selected term period. If policyholder survives the term, the risk cover comes to an end. A term policy is designed to meet the needs of people who are initially unable to pay the larger premium required for a
whole life or an endowment assurance policy. No surrender, loan or paid-up values are granted under these policies because reserves are not accumulated. On the usual term assurance plans, accident and/or disability benefits are not granted.

- **Money Back Policies:**
  Unlike endowment insurance policies, where the survival benefits are payable at the end of the endowment period, money-back policies provide for periodic payments of partial survival benefits during the term of the policy, as long as the policyholder is alive. An important feature of this type of policies is that in the event of death at any time within the policy term, the death claim comprises the full sum assured, without deduction of any of the survival benefit amounts, which may have already been paid as money-back components. Similarly, the bonus is also calculated on the full sum assured.

- **Joint Life Policies:**
  This policy is similar to endowment policies offering maturity benefits to the policyholders, apart from covering risks like all life insurance policies. Joint life policies are categorized separately as they cover two lives simultaneously, in this way it offers a unique advantage in some cases, notably, for a married couple or for partners in a business firm.

- **Children's Insurance Policies:**
  This policy includes those through which parents or legal guardians can provide for life insurance for their child from birth. The risk cover commences from the child attaining the age of 12 year/17 year/18 year or 21 year (known as the Date of Risk), and will vest itself on the child upon his or her attaining adulthood at the completion of 21 years, if the case demands so. Until the child attains adulthood, the parents are owners of the policy and have to pay the premium periodically.

- **Pension Plan or Annuities:**
  An annuity is an investment that the policy holder makes, either as a single lump sum amount or through installments paid over the years, in return for which he/she receives a specific sum every year, every half-year or every month, either for life or for a fixed number of years. After the death of the individual or after the fixed annuity period expires for annuity payments, the invested annuity fund is refunded, perhaps
along with a small addition, calculated at that time. Annuities differ from all the other forms of life insurance discussed so far in one fundamental way – an annuity does not provide any life insurance cover but, instead, offers a guaranteed income either for life or a certain period.

- **Women's Policy:**
  Women's Policy provides funds for women in times of needs like education, marriage or sickness, with guaranteed and loyalty additions during the policy term and after maturity. At present, sole women's policy available in the market is Jeevan Sneha from LIC.

- **Group Insurance:**
  Group Insurance offers life insurance protection under group policies to various groups such as employers – employees, professionals, co-operatives, and weaker sections of society. It also provides insurance coverage for people in certain approved occupations at the lowest possible premium cost. Besides providing insurance coverage, it also offers group schemes to employers that allow the funding of the gratuity and pension liabilities of the employers. (myris.com)

Life insurance is not covered under the provisions of double insurance as life insurance is not a contract of indemnity.

**b) Non life insurance:**
Non life insurance is to protect assets a person holds. These policies are of short term and subject to renewal after maturity.
Non-life insurance can further be classified as-

- Fire insurance
- Motor insurance
- Marine insurance
- Miscellaneous insurance.

Non life is not described in detail as it does not suit the nature of topic consideration.
1.4 PRINCIPLES OF LIFE INSURANCE:

a) Life insurance contracts: A life insurance policy is a contract, in terms of the Indian Contract Act, 1872. A contract is an agreement between two or more parties to do, or not to do, so as to create a legally binding relationship. A simple contract must have:
   - Offer and acceptance
   - Consideration
   - Capacity to contract
   - Consensus 'ad idem' (genuine meeting of minds)
   - Legality of object or purpose
   - Capability of performance
   - Intention to create legal relationship.

b) Insurance is a specialized contract, apart of usual essentials of a valid contract, insurance contracts are subject to two additional principles viz. Principle of Utmost Good Faith and Principle of Insurable Interest. These are applicable to both life and non-life. We will describe these in some detail.

- Principle of utmost good faith: General contract works according to the concept of 'Caveat Emptor' (Let the buyer beware), but in insurance contracts this principle is not applicable. Most of the facts related to the proposer (a person who is seeking insurance) for e.g. Habits, family health history, personal health history etc. insurer can not know them until the proposer discloses them. Non-discloser of such facts would put the insurer as well as the community of policy holders, at a disadvantage. This is called adverse selection; the contract is unfair, because one of the parties to the contract is in a more advantageous position.

The law imposes a superior duty on the parties to an insurance contract than in the case of other commercial contracts, to release relevant information. It is the duty of the proposer to make a full discloser to the underwriter. In the event of failure to disclose material facts, the contract can be held to be void ab initio.
The proposer can not defend in a way that he/she have thought that the facts to be disclose were not material.

In light of the interests of the proposers the Insurance Act 1938, also declares that no policy can be called for question after 2 years, on the grounds of inaccurate or false statements, unless it is proved to be material and fraudulent.

It is the responsibility of both the parties to the contact to disclose the facts properly. It is clear to see where the proposer might be in breach of the duty rather then insurer. In actual the breach could be from insurer or the agent or other distribution agents appointed by the insurer; the example could be making untrue statements during the sale, withholding informations etc.

- **Principle of insurable interest:**

  It is not possible to cover all kinds of risks by the contract of insurance; otherwise the contract of insurance would not be different from a wagering contract; which is illegal and invalid under section 30 of Indian Contract Act. The Indian Insurance Act, 1938 is silent in this regard. It does not define the insurable interest; therefore in some cases court has to interfere.

1.5 WHO CAN BUY A LIFE INSURANCE POLICY?

Any person who has attained majority and is eligible to enter into a valid contract can take out a life insurance policy for himself / herself and for those in whom he /she has insurable interest. Policies can also be taken out, subject to certain conditions, on the life of one's spouse or children. While underwriting proposals, factors such as the state of health of the life to be assured, the proponent's income and other relevant factors are considered by the Corporation.

1.6 FUNCTIONS OF INSURANCE:

The functions of life insurance can be divided into three major parts;

- A. Primary Functions
- B. Secondary Functions
- C. Other Functions
1.6.1 The primary functions of insurance include the following:

Provide protection - The primary function of insurance is to provide protection against future risk, accidents and uncertainty. Insurance cannot check the happening of the risk, but can certainly provide for the losses of risk. Insurance is actually a protection against economic loss, by sharing the risk with others.

Collective bearing of risk - Insurance is a device to share the financial loss of few among many others. Insurance is a mean by which few losses are shared among larger number of people. All the insured contribute the premiums towards a fund and out of which the persons exposed to a particular risk is paid.

Assessment of risk - Insurance determines the probable volume of risk by evaluating various factors that give rise to risk. Risk is also the basis for determining the premium rates in life insurance.

Provide certainty - Insurance is a device, which helps to change from uncertainty to certainty. Insurance is device whereby the uncertain risks may be made more certain.

1.6.2 The secondary functions of insurance include the following:

Prevention of losses - Insurance cautions individuals and businessmen to adopt suitable devices to prevent unfortunate consequences of risk by observing safety instructions; installation of automatic sparkler or alarm systems, etc. Prevention of losses causes lesser payment to the assured by the insurer and this will encourage for more savings by way of premium. Reduced rate of premiums stimulate for more business and better protection to the insured.

Small capital to cover larger risks - Insurance relieves the businessmen from security investments, by paying small amount of premium against larger risks and uncertainty.

Contributes towards the development of larger industries - Insurance provides development opportunity to those larger industries having more risks in their setting up. Even the financial institutions may be prepared to give credit to sick industrial units which have insured their assets including plant and machinery.
1.6.3 The other functions of insurance include the following:

**Means of savings and investment** - Insurance serves as savings and investment, insurance is a compulsory way of savings and it restricts the unnecessary expenses by the insured's for the purpose of availing income-tax exemptions also, people invest in insurance.

**Source of earning foreign exchange** - Insurance is an international business. The country can earn foreign exchange by way of issue of marine insurance policies and various other ways.

**Risk free trade** - Insurance promotes exports insurance, which makes the foreign trade risk free with the help of different types of policies under marine insurance cover.

1.7 HOW INSURANCE WORKS:

The mechanism of insurance is very simple. People who are exposed to the same risks come together and agree that, if any one of them suffers a loss, the other will share the loss and make good to the person who lost.

There are certain philosophies which make it happen;

1. It is difficult for an individual to bear the consequences of the risks that he or she is exposed.
2. It becomes bearable when the community (Group of persons) shares it.
3. The peril should occur in accidental manner. Insured people should not make it happen to take advantage.
4. The manner in which loss to be shared must be determined well in advance by the insurer.
5. The collections from the persons to be made in advance; not after occurrence of unforeseen event. This collection is called premium, which is based on the expectations of the losses.
6. Finally, compensations are made who suffers the losses.
1.8 WHY INSURANCE IS SUPERIOR TO OTHER FORMS OF SAVINGS?

Insurance is superior from other form of saving because;

1.8.1 Protection:
The life insurance provide saving which guarantee financial protection against risk of death of the Policy holder. In insurance contract, on death, the full sum assured is payable (with bonuses wherever applicable) whereas in other form of savings schemes, only the amount saved (with interest) is payable and therefore no protection against any ill events.

1.8.2 Aid to thrift:
Life insurance encourages 'thrift'. Long term saving can be made in a relatively 'painless' manner because of the 'easy installment' facility (premiums can be paid through monthly, quarterly, half-yearly or yearly installments). The Salary Saving Scheme, popularly Known as SSS, provides a convenient method of paying premium each month through deduction from one's salary. The employer remits the deducted premium to the life insurance companies. The Salary Saving Scheme can be introduced in an institution or establishment subject to specified terms and conditions.

1.8.3 Liquidity:
Loans can be raised on endowment type & whole Life Policies as per policy condition on the sole security of a policy which has acquired a paid-up value. Besides, a life insurance policy is also generally accepted as security for even a commercial loan/ housing loan.

1.8.4 Tax Relief:
Tax relief in Income Tax is available for amounts paid by way of premium for life insurance subject to the Income Tax rules in force. Assesses can avail themselves of provisions in the law for tax relief. In such cases the assured in effect pays a lower premium for his insurance than he would have to pay otherwise.
1.8.5 Money when you need it:
A suitable insurance plan or a combination of different plans can be taken to meet specific needs that are likely to arise in future, such as children's education, start-in-life or marriage provision or even periodical needs for cash over a predetermined stretch of time. Alternatively, policy moneys can be so arranged to be made available at the time of one's retirement from service to be used for any specific purpose, such as for the purchase of house or for other investments. LIC pension plans also offer regular income in the form of annuity when you retire from active work or in later part of Life at your choice leaving lump sum purchase price for your heirs. Subject to certain conditions, loans are granted to policyholders for house building for purchase of flats.

1.9 ADVANTAGES OF INSURANCE OVER OTHER FORMS OF BUSINESS:
Life insurance as a business provides a lot of benefits to the insurer which are not their in other forms of business, some of them are-

1. No competition from any other business.
2. It is the best possible way to protect against future.
3. It is unavoidable, as the only way to safeguard.
4. The terms of life are hard. The terms of insurance are easy.
5. The value of human life is greater then the value of property. Only life insurance can protect or compensate it.
6. Life insurance can not be suppressed by other forms of savings or investment instruments, in terms of security, marketability, stability of value or liquidity.
7. Life insurance enhances the existing standards of living.
8. It helps people live financially solvent life.
9. Life insurance perpetuates life, liberty and the pursuit of happiness.
10. Life insurance is a way of life.
1.10 THE JOURNEY OF INSURANCE:-
According to Maslov's hierarchy, security needs are second only to basic needs. Man's desire to feel safe and protected from future disaster or undesirable events led to the concept of insurance.

The story of insurance is probably as old as the story of mankind. The instinct which encourages modern men to secure themselves against unwell was also present in primitive men too. 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. Though the concept of insurance is largely a development of the recent past, particularly after the industrial era -- past few centuries -- yet its beginnings date back almost 4500 years; in the ancient land of Babylonia. In Babylonia traders used to bear risk of the caravan trade by giving loans that had to be later repaid with interest when the goods arrived safely. In 2100 BC, the Code of Hammurabi granted legal status to the practice. That, perhaps, was how insurance made its beginning.

Life insurance had its origins in ancient Rome, where citizens formed burial clubs that would meet the funeral expenses of its members as well as help survivors by making some payments.

As European civilization progressed, its social institutions and welfare practices also got more and more refined. With the discovery of new lands, sea routes and the consequent growth in trade, Medieval guilds took it upon themselves to protect their member traders from loss on account of fire, shipwrecks and the like.

Since most of the trade took place by sea, there was also the fear of pirates. So these guilds even offered ransom for members held captive by pirates. Burial expenses and support in times of sickness and poverty were other services offered. Essentially, all these revolved around the concept of insurance or risk coverage. That's how old these concepts are, really.

In 1347, in Genoa, European maritime nations entered into the earliest known insurance contract and decided to accept marine insurance as a practice.
1.10.1 The first step in modern insurance:

Insurance as we know it today owes its existence to 17th century England. In fact, it began taking shape in 1688 at a rather interesting place called Lloyd's Coffee House in London, where merchants, ship-owners and underwriters met to discuss and transact business. By the end of the 18th century, Lloyd's had brewed enough business to become one of the first modern insurance companies.

1.10.2 Entry of companies in insurance:

The first stock companies to get into the business of insurance were chartered in England in 1720. The year 1735 saw the birth of the first insurance company in the American colonies in Charleston, SC.

In 1759, the Presbyterian Synod of Philadelphia sponsored the first life insurance corporation in America for the benefit of ministers and their dependents.

Life insurance also had to face the opposition of religious groups. In 1840; this opposition reduced and the insurance really took off.

1.10.3 The growing years of insurance in Europe:

The 19th century saw huge developments in the field of insurance, with newer products being devised to meet the growing needs of urbanization and industrialization.

In 1835, the infamous New York fire drew people's attention to the need to provide for sudden and large losses. Two years later, Massachusetts became the first state to require companies by law to maintain such reserves. The great Chicago fire of 1871 further emphasized how fires can cause huge losses in densely populated modern cities. The practice of reinsurance, wherein the risks are spread among several companies, was devised purposely for such situations.
There were more branches of the process of industrialization. In 1897, the British government passed the Workmen's Compensation Act, which made it mandatory for a company to insure its employees against industrial accidents.

With the advent of the automobile, public liability insurance, this first made its appearance in the 1880s, gained importance and acceptance.

In the 19th century, many societies were founded to insure the life and health of their members, while fraternal orders provided low-cost, members-only insurance.

1.10.4 Insurance in India:

Insurance in India can be traced back to the Vedas. For instance, Yogakshema, the name of Life Insurance Corporation of India's corporate headquarters, is derived from the Rig Veda. The term suggests that a form of "community insurance" was prevalent around 1000 BC and practiced by the Aryans.

Burial societies of the kind found in ancient Rome were formed in the Buddhist period to help families build houses, protect widows and children.

Life insurance in the modern form was first set up in India through a British Company called the Oriental Life Insurance Company in 1818 followed by the Bombay Assurance Company in 1823 and the Madras Equitable Life Insurance Society in 1829. All of these companies operated in India but did not insure the lives of Indians. They were there insuring the lives of Europeans living in India. However, later with the efforts of eminent people like Babu Muttyal Seal, the foreign life insurance companies started insuring Indian lives. But Indian lives were being treated as sub-standard lives and heavy extra premiums; 20% or more were being charged on them.

The first company that had policies that could be bought by Indians with "fair value" was the Bombay Mutual Life Assurance Society starting in 1871.
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. 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 failed 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, that 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.

As these companies grew, the government began to exercise control on them. The Insurance Act was passed in 1912, followed by a detailed and amended Insurance Act of 1938 that looked into investments, expenditure and management of these companies' funds. For years thereafter, insurance remained a monopoly of the public sector.

It was only after seven years of deliberation and debate - after the R.N. Malhotra Committee report of 1994 became the first serious document calling for the re-opening up of the insurance sector to private players -- that the sector was finally opened up to private players in 2001.

The Insurance Regulatory & Development Authority, an autonomous insurance regulator set up in 2000, has extensive powers to oversee the insurance business and regulate in a manner that will safeguard the interests of the insured.
1.10.5 Milestones of Insurance in 20th Century:

1818: Oriental Life Insurance Company, the first life insurance company on Indian soil started functioning.

1870: Bombay Mutual Life Assurance Society, the first Indian life insurance company started its business.

1912: The Indian Life Insurance Company Act.

1928: The Indian Insurance Companies Act enacted to enable the government to collect statistical information about both life and non-life insurance businesses.

1938: The Insurance Act; to regulate insurance business in India

1956: Nationalization of life insurance business in India

1972: Nationalization of general insurance business in India

1993: Setting up of Malhotra Committee

1994: Recommendations of Malhotra Committee

1995: Setting up of Mukherjee Committee

1996: Setting up of (interim) Insurance Regulatory Authority (IRDA) recommendations of the IRDA.

1997: Mukherjee Committee Report submitted but not made public

1997: The Government gives greater autonomy to LIC, GIC and its subsidiaries with regard to the restructuring of boards and flexibility in investment norms aimed at channeling funds to the infrastructure sector

1998: The cabinet decides to allow 40% foreign equity in private insurance companies-26% to foreign companies and 14% to NRI’s, OCB’s and FII’s

1999: The Standing Committee headed by Murali Deora decides that foreign equity in private insurance should be limited to 26%. The IRA bill is renamed the insurance Regulatory and Development Authority (IRDA) Bill.

1999: Cabinet clears IRDA Bill

2000: President gives Assent to the IRDA Bill. (Source: various)
1.11 IMPORTANT ACTS AND COMMITTEES RELATED TO INSURANCE IN INDIA:

The insurance sector went through a full circle of phases from being unregulated to completely regulate and then currently being partly deregulated. It is governed by a number of acts, with the first one being the Insurance Act, 1938.

1.11.1 The Insurance Act, 1938:

The Insurance Act, 1938 was the first legislation governing all forms of insurance to provide strict state control over insurance business.

1.11.2 Sir Cowasji Jehangir Committee:

The committee was formed by the Govt. in the year 1945 to inquire the unstable developments and management of insurance business in India. This is headed by Sir Cowasji Jehangir with an objective to stop/ check manipulation of funds, interlocking between banks and insurance companies by the financiers, who have acquired the control of companies, and proliferating short term policies.

Some of the features brought notice by the committee-

- Acquisition of interest in insurance companies by payment of exorbitant price of share.
- Manipulation of life funds of insurance companies and interlocking of funds by banks and insurance companies.
- Payment of large emoluments to the financiers or to officers of the company appointed by them.
- Payment of excessive compensation to the existing management for relinquishing their rights;
- Cut throat competition.

The committee recommended various provisions and later on the Insurance Law of 1950 was passed and become law.
1.11.3 Life Insurance Corporation Act, 1956:

Even though the first legislation was enacted in 1938, it was only in 19th of January, 1956 that life insurance in India was completely nationalized, through the Life Insurance Corporation Act, 1956. There were 245 insurance companies of both Indian and foreign origin in 1956. Nationalization was accomplished by the govt. acquisition of the management of the companies. The Life Insurance Corporation of India was created on 1st September, 1956, as a result and has grown to be the largest insurance company in India as of 2006.

1.11.4 General Insurance Business (Nationalization) Act, 1972:

The General Insurance Business (Nationalization) Act, 1972 was enacted to nationalize the 100 odd general insurance companies and subsequently merging them into four companies. All the companies were amalgamated into National Insurance, New India Assurance, Oriental Insurance, and United India Insurance which were headquartered in each of the four metropolitan cities.

1.11.5 Malhotra Committee:

Liberalization of the Indian insurance market was recommended in a report released in 1994 by the Malhotra Committee, indicating that the market should be opened to private-sector competition, and ultimately, foreign private-sector competition. It also investigated the level of satisfaction of the customers of the LIC. Curiously, the level of customer satisfaction seemed to be high. The union of the LIC made political capital out of this finding.

The following are the purposes of the committee.

a. To suggest the structure of the insurance industry, to assess the strengths and weaknesses of insurance companies in terms of the objectives of creating an efficient and viable insurance industry, to have a wide coverage of insurance services, to have a variety of insurance products with a high quality service, and to develop an effective instrument for mobilization of financial resources for development.
b. To make recommendations for changing the structure of the insurance industry, for changing the general policy framework etc.

c. To take specific suggestions regarding LIC and GIC with a view to improve the functioning of LIC and GIC.

d. To make recommendations on regulation and supervision of the insurance sector in India.

e. To make recommendations on the role and functioning of surveyors, intermediaries like agents etc. in the insurance sector.

f. To make recommendations on any other matter which are relevant for development of the insurance industry in India.

➢ The committee made a number of important and far reaching recommendations.

a) The LIC should be selective in the recruitment of LIC agents. The organization should train these people after the identification of training needs.

b) The committee suggested that the Federation of Insurance Institute, Mumbai should start new courses and diploma courses for intermediaries of the insurance sector.

c) The LIC should use an MBA specialized in Marketing (a similar suggestion for the GIC subsidiaries). It suggested that settlement of claims were to be done within a specific time frame without any delay.

d) The committee has several recommendations on product pricing, vigilance, systems and procedures, improving customer service and use of technology.

e) It also made a number of recommendations to alter the existing structure of the LIC and the GIC.

f) The committee insisted that the insurance companies should pay special attention to the rural insurance business.

g) In the case of liberalization of the insurance sector the committee made several recommendations, including entry to new players and the minimum capital level requirements for such new players should be Rs. 100 crores (about USD 24 million). However, a lower capital requirement could be considered for a co-
operative sectors' entry in the insurance business. The committee suggested some norms relating to promoters' equity and equity capital by foreign companies etc.

h) No company should be deal in both life and general insurance through a single entity.

i) Foreign companies may be allowed to enter the insurance industry in collaboration with Indian companies.

j) Postal life insurance should be allowed to operate in rural market.

k) Only one state level life insurance company should be allowed to operate in each state.

l) The insurance act should be changed.

m) An insurance regulatory body to be set up.

n) Controller of insurance (Currently part of finance ministry) should be made independent.

o) LIC should pay interest on delays in payments beyond 30 days.

p) Insurance companies must be encouraged to set up unit linked pension plans.

q) Computerization and technological updating to be done in the industry as a whole.

r) Competition should be improved in insurance industry with a word of caution.

(www.maosm.org/misc/india/rupee/aspects26_27/insurance.htm)

1.11.6 Mukherjee Committee
Immediately after the publication of the Malhotra Committee Report, a new committee (called the Mukherjee Committee) was set up to make concrete plans for the requirements of the newly formed insurance companies. Recommendations of the Mukherjee Committee were never made public. But, from the information that filtered out it became clear that the committee recommended the inclusion of certain ratios in insurance company balance sheets to ensure transparency in accounting. But the Finance Minister objected. He argued (probably on the advice of some of the potential entrants) that it could affect the prospects of a developing insurance company.
1.11.7 Insurance Regulatory and Development Authority (IRDA) Act, 1999

After the report of the Malhotra Committee came out, changes in the insurance industry appeared imminent. Unfortunately, instability in Central Government, changes in insurance regulation could not pass through the parliament. The dramatic climax came in 1999. On March 16, 1999, the Indian Cabinet approved an Insurance Regulatory Authority (IRA) Bill that was designed to liberalize the insurance sector. The bill was awaiting ratification by the Indian Parliament. However, due to the political changes the deregulation was put on hold once again. After the 1999 election the newly constituted BJP-led government passed the Insurance Regulatory and Development Authority (IRDA) Act on December, 7, 1999. This Act repealed the monopoly conferred to the Life Insurance Corporation in 1956 and to the General Insurance Corporation in 1972. The authority created by the Act is now called IRDA. It has ten members. New licenses are being given to private companies. IRDA has separated out life, non-life and reinsurance insurance businesses.

Therefore, a company has to have separate licenses for each line of business. Each license has its own capital requirements (around USD24 million for life or non-life and USD48 million for reinsurance). Some Details of the IRDA Bill On July 14, 2000, the Chairman of the IRDA, Mr. N. Rangachari set forth a set of regulations in an extraordinary issue of the Indian Gazette that details of the regulation. De-regulating the insurance sector and allowing private companies into insurance business was capped at 26% holding in the Indian insurance companies.

❖ Duties, Powers and Functions of IRDA;

Section 11 of IRDA act, 1999 lay down the duties, power and functions of IRDA. Subject to the provision of the 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 insurance business and re-insurance business. Without prejudice to the generality of the provisions contained in sub-section (1), the powers and functions of the authority shall include-
(a) Issue to the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration.

(b) Protection of the interests of the policy holders in matters concerning assigning of policy, nomination by policy holders, insurable interest, settlement of claim, surrender value of the policy and other terms and conditions of contracts of insurance.

(c) Specifying requisite qualifications, code of conduct and practical training for intermediary or insurance intermediaries and agents.

(d) Specifying the code of conduct for surveyors and loss assessors.

(e) Promoting efficiency in the conduct of insurance business.

(f) Promoting and regulating professional organizations connected with the insurance and re-insurance business.

(g) Levying fees and other charges for carrying out purpose of this act.

(h) Calling for information form, undertaking inspection of, conducting enquires and investigations including audit of the insurers, intermediaries, insurance intermediaries and other organizations connected with the insurance business.

(i) Control and regulation of 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 64(U) of the Insurance Act, 1938 (4 of 1938).

(j) Specifying the form and manner in which books of account shall be maintained and statement of account shall be rendered the insurers and other insurance intermediaries.

(k) Regulating maintenance of funds by insurance companies

(l) Regulating maintenance of margin of solvency

(m) Adjudication of disputers between insure and intermediaries or insurance intermediaries.

(n) Supervising the functioning of the Tariff advisory committee.

(o) Specifying the percentage of premium income of the insurer to finance schemes for promoting and regulating professional organizations referred to in clause (f).
Specifying the percentage of life insurance business and general insurance business to be undertaken by the insurer in the rural or social sector; and

Exercising such other power as may be prescribed. (irdaindia.org/dutities.htm)

1.11.8 Some important provisions of IRDA act 1999;
1. Foreign equity stake in insurance companies has been restricted to 26%.
2. A paid up capital of Rs. 100 Crore is required.
3. A life insurer has to ensure that a minimum of 5, 7, 10, 12 and 15% of total gross premium comes from rural sector in 1st, 2nd, 3rd, 4th & 5th year respectively.
4. In case of social sector, life insurer has the obligation to insure 5,000, 7,000, 10,000, 15,000 and 20,000 lives each in the first five years of operations. Others are already discussed in the duties part of IRDA.

Seeing the growth of life insurance in India, IRDA may allow the foreign equity partnership to 49% to promote more foreign investment in life insurance segment.

1.12 ROLE OF INSURANCE IN ECONOMIC DEVELOPMENT OF THE NATION:

"India is a nation of billion people. A nation’s progress depends upon how its people think. It is thoughts which are transformed into actions. India has to think as a nation of a billion people. Let the young mind blossom- full of thoughts, the thoughts of prosperity". (A.P.J. Abdul Kalam)

Insurance Sector has not only been playing a leading role within the financial system in India but also has a significant socio-economic function, making inroads into the interiors of the economy and is being considered as one of the fast developing areas in the Indian financial sector too. It has also been facilitating economic development with an objective to build an efficient, effective and a stable insurance business in India as well as a strong base to both the needs of the real economy and socio-economic objectives of the country. It has been mobilizing long-term savings through Life-Insurance to support economic growth and also facilitating economic
development, insurance cover to a large segment of people, while the non-life insurance and reinsurance firms in India are main providers of risk financing for man made disasters and natural catastrophes. Thus, both life insurance and non-life insurance are found playing a significant role in avoiding or facing the risks of life and business enterprises and also aiding to certain extents for their smooth sailing.

Life insurance provides opportunities in various sectors the role can be understood by the following points;

1. The opening up of insurance sector has contributed favorable to the growth of insurance. Now it constitutes 19.3 % of GDP (Year 2004-05) as against 12 % of GDP in 2000-01.
2. The fund available with LIFE INSURANCE CORPORATION OF INDIA is approximately 8% of GDP; which is used in economic development (as a means of investment tool).
3. The fund collected through insurance is invested in socially oriented sectors like; Public sector -84.5%, Private sector- 13.7%, Cooperative- 1.8%.
4. The fund is used in the way of loans for developmental schemes of the nations.
5. Investment in stock exchange securities which provides liquidity and strength to the market in terms of turnover and it also reduces dependability over foreign institutional investors. (IRDA Annual Report 2005-06).

1.12.1 Insurance as generator of income:
The utility of life insurance as generation of income can be understood by the following points;
1. Insurance is rising business sector which is growing at the rate of more then 20 % per year.
2. Gross amount now Rs. 450 billion.
3. Gross premium collection is 2% of GDP.
4. Insurance & banking together contributes more then 7% to the GDP of country.
1.12.2 Insurance a social security tool:
Insurance provide security against any ill events to the society. The basic purpose of insurance is to cover risk and safeguard the interest of policyholder. Under the umbrella of insurance people feel safe and secure; hence helping in enhancing social security of the country. This purpose is also thought by the IRDA therefore it has made it compulsory to provide a prescribed coverage in the form of minimum number of persons, number of policies and percentage of premium to social sectors. The constitution of India has also laid down certain provisions, i.e.

I. The permeable of the constitution of India provides a mandate to secure to all citizens; Justice, Social and Economic and Political equality of status and opportunity.

II. Social security is mentioned in the List-3 concurrent list and in the 7th schedule and also in the directive principles of the state.

III. Item- 23 of the list speaks about social security and insurance, employment and unemployment.

IV. Item- 24 of the list states the welfare of labor which includes conditions of work, provident funds, employer’s liability, workmen’s compensation, invalidity and old age pension and maternity benefits.

V. Article 41 describes the duties of the state in securing the right to work, to education and to public assistance in the case of unemployment, old age, sickness and disablement; of course with in the economic capacity of it.

VI. Article 42 states about the provisions for securing just and humane conditions of work and for maternity relief.

Apart from the above provisions the IRDA has also put effort to increase the social security by the form of Obligation for Insurer for Rural Sector 200 bill. Here are few schemes and other efforts by IRDA, State and Insurance companies to provide social security;

- The Unorganized Sector Social Security Bill, 2007
- Aam Admi Bima Yojna (Common Person Insurance Scheme) by LIC.
- Rashtriya Swasthya Bima Yojna (National Health Insurance Scheme) by the Central Government for families in unorganized sector below poverty line.
• Janshree Bima Yojna for rural and urban poor below the poverty line and marginally above the poverty line. The Scheme provides for an insurance cover of Rs 20,000 on natural death. On death/total permanent disability due to accident, the benefit is Rs 50,000 increased to Rs 75,000 w.e.f. 15 August 2006. On partial permanent disability due to accident, the benefit is Rs 25,000 increased to Rs 37,500 w.e.f 15 August 2006. The premium for the scheme is Rs 200/- per member. 50 % premium under the scheme will be met out of Social Security Fund. The balance premium is to be borne by the member and/or Nodal Agency.

• Mahatma Gandhi Bunkar Bima Yojna by LIC of India.

• Health Insurance Scheme for Handloom Weavers.

• Group Accidental Insurance Scheme for Active Fishermen by the Fisheries Cooperative Federation (FISHCOPFED).

• Universal Health Insurance Scheme; especially for the weaker section of the society.

• Raj Rajeshwari Mahila Kalyan Bima Yojna; targeted to provide economic security for all women, Implemented through all four public sector general insurance companies.

• Social Security Group Insurance Scheme by LIC. Social security through Group Insurance Scheme to the weaker and vulnerable sections of the society. The SSF is administered by LIC for meeting insurance requirements of the segment.

• Krishi Shramik Samajik Suraksha Yojana, it is a multi-benefit scheme for the agricultural workers, provides life insurance protection, periodical lump sum survival benefit and pension to those who were between the ages of 18-50 years. Minimum membership of the group at commencement should be 20. Gram Panchayat was to act as nodal agency and with the help of NGO/SHG or any other agency, would identify the agricultural workers.

Apart from the above various other schemes are flooded by Central, State Govt., LIC, GIC and other private player. But the need of the hour is the implementation part of these schemes so that the benefits could reach to the actual.
1.12.3 Insurance as an employment Generator:

The thriving sector of insurance has always been a income generator. In India it is –

1. According to Insurance Regulatory and Development Authority (IRDA), the total number of agents working in life insurance sector is more than 20 lakhs; hence providing handsome earning to the people.

2. The roaring insurance industry is providing ample employment opportunities. The industry is witnessing close to 50% growth year-on-year. The insurance market is expected to reach at 60.5 bn US $ by 2010.

3. Requirement of trained professionals for operating insurance services such as claims administrations, actuarial investigation, risk assessment, managerial and management trainee positions etc. Today the number of companies is 21 including LIC and Private Players this means more and more such positions. Also the package part of life insurance employment is very attractive.

4. According to the data of 'Business Bhasker' a business daily the insurance sector is about to generate approximately 20 lakh employment opportunity in India; showing the growth of it.

Finally it has helped in-

1. Rise in standard of living of people of our country.

2. Encourages savings-constitutes 15% of gross domestic savings.

3. Increase in awareness- penetration has increased from 1.2%-2.2%.

4. Mobilizes savings of the people in insurance form.
1.13 CUSTOMER RELATIONSHIP MANAGEMENT (CRM) IN INSURANCE:
In today's dynamic environment, the insurance industry has witnessed many changes in terms of advancement in technology, strengthening of existing customer base and acquiring new customers. Due to this a larger part of population has started recognizing the importance of insurance.

Insurance is one of the leading industries in India. The main challenge before the industry is to retain the existing customer.

It is rightly suggested by the great management Guru; Prof. Phillip Kotler-
"Acquiring new customer is five time more costly then maintaining the existing one."

That's why companies are focusing more and more upon the customers because customers of today are much smart then 5 year earlier. Today they are demanding world class facilities at compatible rates. This made it mandatory for the companies to rethink over the marketing strategies. CRM (Customer Relationship Management) is the outcome of this.

1.13.1 What is CRM?
CRM basically is "A process or methodology used to learn more about customer's needs and behavior, in order to develop stronger relationship with them."

"CRM principally involves marketing" Philip Kotler.

CRM is defined as a strategy which is designed to offer better customer service, improve sales force and marketing. The core concept of CRM is to maximize customer satisfaction.

Some key points of CRM are;
1) Making the company more customers centric.
2) Offering the customers with the services and products over their life time which helps in maintaining the profitability and retaining the customer.
3) CRM does not necessarily create a new revenue stream today or even tomorrow but it will add customer loyalty at business's bottom line.
Service business like insurance should allow customers to get current information at any time from any source. This information needs to flow through the organization without getting lost or altered. When CRM is implemented correctly, it will show up on the bottom line as positive customer feedback as well as increased revenue. CRM strategy is devised totally as customer centric. The vast data base of any insurance organization can be analyzed in a meaningful way through the application of CRM. This will help in knowing about the products and services which help the companies to attract and retain the customer. It involves:

a) Clarification of objectives behind CRM implementation; the more clear the goals, more are the chances of success.

b) CRM is collection of people, process and technology.

c) CRM is to make the customer feel that his need are utmost important also the price he is paying for the product so as the companies can deliver value for money services.

d) Training of staff for CRM implementation is also a very important part.

e) Generation of required motivation among the personals to implement the recommendations of CRM.

1.13.2 Benefits of CRM in life insurance business?

The major benefits can be listed as;

1. Proper understanding of customer needs; which is essential because sales can only be closed in life insurance if the agent or the financial advisor properly understand the requirements of the potential and act accordingly.

2. The nature of life insurance is the long term; hence CRM could help the companies to be in touch of their customers.
1.14 ROLE OF INFORMATION TECHNOLOGY IN INSURANCE:
The ability to access and share actionable information transcending time and
distance has changed the way people and companies manufacture, sell, distribute
and market. The insurance industry is not acceptance; in India it has undergone a
significant change and transformation after the post liberalized regime. The trends
are because of changing customer demographics, technology, regulatory changes
and emerging new distribution channels. Technology is playing the crucial role in the
success of the business. Today only those companies are successful which are
making effective use of technologies in finding the need of the customers and
serving them efficiently. Especially in the life insurance business where selling the
right policy to the right one is important; information technology through the
techniques of data warehousing and data mining can help the companies to access
the wide database of the customer and reaching to the right one.
The most important aspects about the information technology is that it has increased
the access to the insurance products. Now a customer can buy a life insurance
policy through websites. Apart from selling websites also have other facilities like;
customer care, grievance desk, premium calculator etc.
Other benefits to the customer are like; ECS (Electronic Clearance System) where
no need to deposit premium physically, Core branching facilities; the tractions of one
branch can be done from the other and anywhere in India. All these are possible by
the computerization of the office network of life insurance companies and effective
use of IT in this.
To conclude it can be said that IT has changed the way of doing business around
the world and insurance industry is also taking advantage of this boon by using the
technology for benefiting the company and the customers.
In Indian life insurance market all the companies are making use of IT and providing
the relevant service to the customers.
The benefits of IT are observed by both Public and Private sector companies. Some
examples of this are;
1) Use of Intense's intelligent Enterprise Customer Communication Management (iECCM) by Bajaj Allianze, Bharti AXA and ICICI Prudential. The Intense solution is useful in offering cost-effective, multi-modal delivery of branded customer documents like Welcome Kits, first premium notice, policy statements etc. This will help companies to cut cost into these expanses like; proper customer care and reduced rate of policy lapse.

2) Kotak Mahindra Old Mutual Life Insurance Ltd (Kotak Life Insurance) implemented Oracle Financial Management (OFM) for effective financial control over its nationwide operations. The OFM will help to match the expansion plans of the company by integrating data into a single instance.

3) The public sector giant LIC is not lacking behind; it is also offering facilities such as transactions through electronic clearing systems in tie-ups with leading banks, payments through SMS, customer portals and by credit cards at ATMs of Corporation Bank and Axis Bank.

1.15 THE GROWTH OF LIFE INSURANCE AFTER NATIONALIZATION IN 1956 (PRE LIBERALIZED ERA):

After the independence the Govt. made under the leadership of Mr. Jawaharlal Nehru; followed the socialistc tended structure taken the inspirations from Soviet Union. As life insurance is a "cooperative enterprise," under a socialist form of government; therefore, it is more suited for government to be in insurance business on behalf of the "people". Following this philosophy the government started initiation to nationalize the business.

As insurance is the necessity of every one and life insurers of post independence are costly so as the need is felt to make the insurance services in the reach of public. In the second five year plan the need was felt to mobilize the public saving to be utilized in the development activities.

Nationalization of the life insurance business in India was a result of the Industrial Policy Resolution of 1956, which had created a policy framework for extending state control over at least seventeen sectors of the economy, including the life insurance.
By the year 1956, there were 154 Indian life insurance companies. There were 16 non-Indian insurance companies and 75 provident societies were issuing life insurance policies. Most of these policies were centered in the cities, especially around big cities like Bombay, Calcutta, Delhi and Madras. The Life Insurance Corporation of India was formed in 1956 by nationalizing more than 240 companies. The company began operations with 5 zonal offices, 33 divisional offices and 212 branch offices.

Previous to year 2000, the sole Life Insurance player LIC operated as a virtual monopoly and there was little need for it to pay attention to customer needs. The most popular policy or more appropriately the only policy variants available were Pure Protection ‘Jeevan Suraksha’ policy (with or without the money back guarantee). Endowment policies and Whole Life plans were also in place but the term policies were the largest selling product of LIC.

The life insurance business has grown form 1956 – 2000 at a slow pace because of non-competitive status of the market. LIC being the only organization in this sector enjoyed the status of monopoly; but it has created a reputation in the minds of customers.

Some shortcomings of LIC during the pre-liberalized ear was; less innovative products, non-competitive work environment due to monopoly structure, less emphasis on increasing the life insurance business and many other. Due to this the market grew at a slow rate; the life insurance penetration in India accounted to only 2% (approximately) of the total insurable population of the country.

However, the objective of Government regarding devising a mechanism to generate a security tool is somehow achieved as the Life Insurance Corporation of India has become successful in promoting and generating life insurance business in the country. The works of LIC was remarkable although life insurance penetration has not increases much but, LIC has made the pathway to the private life insurance companies which started their operation in after the sector was opened to them. The progress of LIC of India during the last two decades can be seen from the table populated on the next page.
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<thead>
<tr>
<th>Year</th>
<th>No. of Offices In India</th>
<th>No. of Policies (Rs. lakhs)</th>
<th>Sum Assured (Rs. Crore)</th>
<th>No. of Policies (Rs. lakhs)</th>
<th>Sum Assured (Rs. Crore)</th>
<th>No. of Policies (Rs. lakhs)</th>
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Source: Insurance Industry- The current scenario, ICFAI Publications, Hyderabad.
The insurance in pre-liberalized era penetration can also be seen as-

**Table: 1.2**

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<th>Year</th>
<th>Life</th>
<th>Non-Life</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>1.29</td>
<td>0.55</td>
<td>1.84</td>
</tr>
<tr>
<td>1997</td>
<td>1.39</td>
<td>0.56</td>
<td>1.95</td>
</tr>
<tr>
<td>1999</td>
<td>1.39</td>
<td>0.53</td>
<td>1.93</td>
</tr>
<tr>
<td>2000</td>
<td>1.77</td>
<td>0.55</td>
<td>2.32</td>
</tr>
</tbody>
</table>

Source: Swiss Re: Sigma Report.

All this clearly indicates the characteristics of pre liberalized era; which can be summarized as-

1. Monopoly status of the market.
2. Less choice for the customers; few traditional products.
3. Lack of product innovation.
4. Lack of awareness about life insurance.
5. Improper positioning strategies.
6. Less emphasis on customer needs.
8. Dependence on agent as means of distribution; lack of innovative channels of distribution.
9. Less emphasis on promotion mix.
10. Negligence of people, process and physical evidences as the marketing mix elements.
1.16 LIFE INSURANCE AFTER OPENING UP FOR PRIVATE COMPANIES:
After the opening up of the insurance sector, the rules of the game have changed. Few years back insurance was treated as a puzzling word; but today insurance is neither an unexciting business nor an uninviting career. While the public sector insurance companies made enormous contribution in the spread of awareness about insurance, and expanded the market, it was recognized that their reach was still limited, the range of products offered restricted and the services to the consumer inadequate. It was also felt that the rapid economic growth witnessed in the 90's can not be sustained without a thriving insurance sector. It was also recognized that India has vast potential that is waiting to be tapped and this could be achieved when sufficient competition is generated and it is exposed to the developments in rest of the world. The insurance sector is therefore opened up for private sector participation with a clause to restrict the foreign partnership, to tap the potential of more than 200 million middle class households and other income groups. To grab the larger pie of the premium, each insurance company is adopting new distribution and marketing strategies.
Indian insurance business which remained under developed with low levels of insurance penetration and insurance density has shown significant signs of improvement. The winds of liberalization have initiated vast changes in the functioning of the industry. Increasing number of multinational partnerships with private insurers paved the way for a radical shift in the sector. The present growth is the result of privatization which cumulate to the growth rate of approx. 20-25%; as compared to earlier 10-15%; almost double. The credit goes to private companies using new delivery channels, advertisements, bancassurance, corporate agents, brokers etc. besides bringing more awareness on the need for insurance and also stressing on the important role the technology can play. All this has increased the penetration of insurance in India which is now 4.8% as compared to early average of 1.77%. India has also improved in world ranking, now it 78th in terms of density and 54th in terms of penetration (Gross premium per capita is US $ 7.5). These achievements are presented in the table on the next page;
Table 1.3

Global Life Insurance Penetration (% OF GDP)
POST LIBERALIZATION PERIOD

<table>
<thead>
<tr>
<th>S. N.</th>
<th>Market</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>World Total</td>
<td>4.55</td>
<td>4.34</td>
<td>4.50</td>
</tr>
<tr>
<td>2</td>
<td>India</td>
<td>2.53</td>
<td>2.53</td>
<td>4.10</td>
</tr>
<tr>
<td>3</td>
<td>North America</td>
<td>4.12</td>
<td>4.05</td>
<td>3.90</td>
</tr>
<tr>
<td>4</td>
<td>Europe</td>
<td>4.68</td>
<td>4.69</td>
<td>5.30</td>
</tr>
<tr>
<td>5</td>
<td>Asia</td>
<td>5.58</td>
<td>5.16</td>
<td>5.00</td>
</tr>
<tr>
<td>6</td>
<td>Africa</td>
<td>3.41</td>
<td>3.33</td>
<td>3.40</td>
</tr>
<tr>
<td>7</td>
<td>Latin America</td>
<td>1.01</td>
<td>0.93</td>
<td>1.00</td>
</tr>
<tr>
<td>8</td>
<td>Oceania</td>
<td>3.75</td>
<td>3.16</td>
<td>3.40</td>
</tr>
<tr>
<td>9</td>
<td>Britain</td>
<td>10.73</td>
<td>10.19</td>
<td>8.62</td>
</tr>
</tbody>
</table>

Source: IRDA, Annual Report, 2006-07

The opening of insurance market lured the foreign and private Indian players to convert untapped market potential into opportunities by providing tailor made product; i.e., products as per the needs of customers. The reforms in the insurance sector in India is guided by the following considerations –

- **Increased competition:**
  By opening of insurance sector to the private companies the market scenario has changed. Now market forces are enjoying the free play in insurance sector. It has enabled the consumers and companies to harvest the benefits in terms of services, products and prices and distributions.

- **Entry of foreign firms:**
  Most of the private players have joint ventures with leading insurance companies of the world (Limit is set to 26% holding by the foreign company).

- **Alternative positioning strategies:**
  Insurance is positioned not only as a tool to cover risk but as the investment opportunities by the introduction of Unit Linked plans by Private players and LIC.
• **Increasing advertisement and brand building:**
  This helped the private companies to make customer know about the products and services, also resulted into increased credibility of the customers over the private insurance players.

• **Emergence of new segments:**
  The liberalized regime of life insurance has witnessed new segments like; pension, ULIP etc. which are the key drivers for growth.

• **Rising customer's awareness:**
  The customer of modern Indian is more aware through various media this led the companies to adopt the CRM and other tools to manage, retain and attract new customers.

• **Changing distribution channels:**
  The role of distribution channels is changing in life insurance. Apart from agency channel other channels like; bancaassurance, corporate agents, internet, company own offences, shoppassurence etc. are gaining importance.

• **Product innovation:**
  Enriched product mix; included the products as per the demands of customers, to say introduction of ULIP plans; Pension Plans, Market linked schemes etc. have changed the meaning of insurance. Especially ULIP plans have transformed the facade of life insurance industry in India.

• **Role of media in building brand awareness of the products:**
  Increased reach of media to the Indian population has contributed a lot to build life insurance awareness and interest among the Indian population.

• **Changing services requirements of the customers:**
  Improved service quality through healthy competition in the insurance sector has lead to Customer Expectation Management (CEM) and Customer Relationship Management (CRM) which acted as supportive tools to generate greater customer satisfactions.

• **Market penetration by the private life insurance companies:**
  A strong competition is given by the private insurance companies to the market leader LIC to fetch its market share.
• **Generation of employment and resources:**
Increase in employment opportunities by the expansion of insurance market. Expansion of the insurance market will help in generating additional resources also for other sectors of the society.

1.17 **EMERGENCE OF NEW SEGMENTS IN LIFE INSURANCE:**
The liberalized regime of life insurance opened the new segments to the business; some of these are-

1.17.1 **Pension:**
The reorganization of retirement stage as depicted by our ancient VEDAS like 'Brahmacharya', 'Grihasta Ashram', 'Vana Prastha' and 'SanyasAshram' are indicating the importance of planning during various stages of human life. It is observed that around one-eighth of the world's elderly population live in India. Most of them are not covered by a mandated pension system, and have to rely on family based arrangements or their own earnings. The social structure of India is also changing as the joint family schemes are declining and coming to the nuclear families at least in urban areas. This is making the situation difficult for caring the aged one for the government and the society as well. The traditional and informal methods of saving are becoming incompetent due to increasing medical and other expenses during old age. This has given rise to the PENSION as the new segment in life insurance business.

**Table 1.4**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>60 - 69</td>
<td>4.2</td>
<td>4.3</td>
<td>4.5</td>
<td>5.0</td>
<td>5.5</td>
</tr>
<tr>
<td>70 - 79</td>
<td>1.8</td>
<td>2.1</td>
<td>2.3</td>
<td>2.4</td>
<td>2.6</td>
</tr>
<tr>
<td>80+</td>
<td>0.8</td>
<td>0.6</td>
<td>0.7</td>
<td>0.8</td>
<td>0.9</td>
</tr>
<tr>
<td>Total of 60+</td>
<td>6.8</td>
<td>7.0</td>
<td>7.5</td>
<td>8.2</td>
<td>9.0</td>
</tr>
</tbody>
</table>

*Source: Population Projections for India and States 1996-2016, Registrar General, Ministry of Home Affairs, Govt. of India, India Stat.com*
1.17.2 Unit Linked Products:
LIC was the monopoly in the life insurance business before 2000. Till now most of the products sold by the LIC are traditional (Endowment and Money Back). After coming of private player in this business the scene changed. Private players came up with new need based products. A new segment started in this is UNIT LINKED PRODUCT. The regulatory authority to the insurance has given the permission for the ULIP Plans on 13/03/2001 and never thought that this segment will grow like leaps and bounds. Today ULIP Products represents more than 90% of new premium income and 80% for LIC's new premium income.

1.17.3 Health Insurance:
This is also a lucrative segment and both Life and General insurance companies are trying to tap this untapped one.
Few facts are very interesting about health are-

- The total expenditure on health in our country is about 6% of the GDP of country. The spending of the government is hardly 25% compared to the average spending of 35-40% in other developed countries. By the next decade the population of India will in a stage where there will be more requirements of health issues. And the facilities for health are also becoming costlier day by day. The average growth rate in the treatment cost is around 7.5% per year. This has given popularity of health insurance concept in Indian market which was earlier untouched.

- The opportunities can be seen as the total health care industry around the world is about Rs. 3.5 Trillion. And after the starting to health insurance in India it has recorded a good rate of growth (about 40% plus) in 2006-07 and amounted to Rs. 3,200 crore.

The table presented on the next page will highlight few top names in health insurance business in India along with their turnover for the year 2006-07.
Table: 1.5

<table>
<thead>
<tr>
<th>S. N.</th>
<th>Name of the company</th>
<th>Turnover in 2006-07 (In Rs. Cr.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>New India Assurance Co. Ltd</td>
<td>765</td>
</tr>
<tr>
<td>2</td>
<td>ICICI Lombard</td>
<td>735</td>
</tr>
<tr>
<td>3</td>
<td>Oriental Insurance Co. Ltd.</td>
<td>440</td>
</tr>
<tr>
<td>4</td>
<td>United India Insurance Co. Ltd.</td>
<td>430</td>
</tr>
<tr>
<td>5</td>
<td>National Insurance Co. Ltd.</td>
<td>330</td>
</tr>
<tr>
<td>6</td>
<td>Bajaj Allianze Apollo</td>
<td>60</td>
</tr>
</tbody>
</table>

Source: IRDA

According to a study conducted by Max New York Life Insurance and National Council of Applied Economic Research (NCAER) the health insurance penetration in India is around 1.2% of the total population which shows the high growth position of the market. The opportunities in health insurance segment lured the companies like LIC also to start operations in this segment. A list of life insurance companies along with name of product and year of starting; operating in health insurance segment in populated as under-

Table: 1.6

<table>
<thead>
<tr>
<th>S. N.</th>
<th>Life Insurance Companies in Health Segment</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>LIC health</td>
<td>LIC health plus</td>
</tr>
<tr>
<td>2</td>
<td>Bajaj Allianze Apollo</td>
<td>Health Guard</td>
</tr>
<tr>
<td>3</td>
<td>ICICI Lombard</td>
<td>Critical Care</td>
</tr>
<tr>
<td>4</td>
<td>TATA AIG</td>
<td>Health Care Plus</td>
</tr>
</tbody>
</table>

Source: websites of the companies.
1.18 FDI IN LIFE INSURANCE:

After opening the doors Indian insurance market is suddenly enthusiastic with activity. India has become the hottest market for life insurance. Several global giants like; Allianze, AIG, Sunlife, Met Life, NewYork Life etc. have entered the market in the form of alliance with Indian partners; which are also the leading business player like Tata, Bajaj, Birla, SBI etc. This has led to the emergence of vibrant market with public and private sector enjoying the rally of growth.

The pressure to dismantle the monopoly was under the belief that competition will push the growth and opportunities in the sector. In this context foreign investment was initiated in the year 1999 with the limit of 26% which is continued for a long time but some recent developments are indicating towards increasing the foreign equity partnership limit to 49 %. This will change the life insurance business in a way that more foreign companies will come to the Indian market. Although this bill is in debate from last few years but now it seems that sooner or later this will be resolute in the parliament. By coming of companies more and more companies in life insurance business the competition will increase and the customers will have more and better choices. The word of caution is also associated with this; the regulatory authority IRDA has to be more strong and efficient to control the malpractices as afraid to arise after coming of companies. There are certain provisions of IRDA lid dilution of stake by the promoters in the insurance business is permitted only after 10 year of commencement of business, security capital to the IRDA etc. that will definitely secure the defrayal of customers. The IPO will help the insurance companies to collect more funds from public and utilize the funds in better opportunities to pay more returns to the policy holders. The present picture of life insurance market is presented in the table on the next page where we can find that most of the companies are in collaboration with foreign players.
<table>
<thead>
<tr>
<th>S.N.</th>
<th>Company</th>
<th>Foreign Shareholder</th>
<th>Major Indian Shareholder</th>
<th>Business of Local Shareholder</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bajaj Allianze Life</td>
<td>Allianze</td>
<td>Bajaj Auto</td>
<td>Automobiles</td>
</tr>
<tr>
<td>2</td>
<td>Birla Sun Life</td>
<td>Sun Life, Canada</td>
<td>Birla Global Finance</td>
<td>Diversified Conglomerate</td>
</tr>
<tr>
<td>3</td>
<td>HDFC Std. Life</td>
<td>Standard Life</td>
<td>HDFC</td>
<td>Investment and finance</td>
</tr>
<tr>
<td>4</td>
<td>ICICI Prudential Life</td>
<td>Prudential (UK)</td>
<td>ICICI</td>
<td>Investment and finance</td>
</tr>
<tr>
<td>5</td>
<td>ING Vysya Life</td>
<td>ING Group</td>
<td>Vysya Bank</td>
<td>Banking and finance</td>
</tr>
<tr>
<td>6</td>
<td>Max New York Life</td>
<td>New York, USA</td>
<td>Max India</td>
<td>Multi business</td>
</tr>
<tr>
<td>7</td>
<td>MetLife India</td>
<td>MetLife Int. Holdings Inc.</td>
<td>The Jammu and Kashmir Bank</td>
<td>Banking</td>
</tr>
<tr>
<td>8</td>
<td>Kotak Mahindra Old Mutual Life Insurance Ltd.</td>
<td>Old Mutual plc</td>
<td>Kotak Mahindra Bank Ltd. (KMBL)</td>
<td>Banking and financial services.</td>
</tr>
<tr>
<td>9</td>
<td>SBI Life insurance</td>
<td>Cardif SA, France</td>
<td>State Bank of India</td>
<td>Banking and financial services.</td>
</tr>
<tr>
<td>10</td>
<td>Tata AIG Life</td>
<td>American International Group, Inc. (AIG)</td>
<td>Tata Group</td>
<td>Diversified Conglomerate</td>
</tr>
<tr>
<td>11</td>
<td>Reliance Life Insurance</td>
<td>None</td>
<td>Reliance Capital Ltd.</td>
<td>Non banking financial company, ADA Group</td>
</tr>
<tr>
<td>12</td>
<td>Aviva Life</td>
<td>Aviva</td>
<td>Dabur</td>
<td>Consumer and medical products</td>
</tr>
<tr>
<td>13</td>
<td>Sahara India Life Insurance</td>
<td>None</td>
<td>Sahara Group</td>
<td>Media, Financial Services etc.</td>
</tr>
<tr>
<td>14</td>
<td>Shriram Life Ltd.</td>
<td>SANLAM (South Africa)</td>
<td>Shriram Group</td>
<td>Chit fund and financial services.</td>
</tr>
<tr>
<td>15</td>
<td>Bharti Axa</td>
<td>Axa</td>
<td>Bharti</td>
<td>Telecommunication</td>
</tr>
<tr>
<td>16</td>
<td>Future Generali India Life Ltd.</td>
<td>Generali Group, Italy</td>
<td>Future Group</td>
<td>Diversified conglomerate</td>
</tr>
<tr>
<td>17</td>
<td>IDBI Fortis Life Ltd.</td>
<td>Federal Bank and Fortis.</td>
<td>IDBI</td>
<td>Banking</td>
</tr>
<tr>
<td>18</td>
<td>DLF Pramerica Life Ltd.</td>
<td>Pramerica Life</td>
<td>DLF</td>
<td>Real Estate</td>
</tr>
<tr>
<td>19</td>
<td>Canara HSBC Life Ins. Co. Ltd.</td>
<td>HSBC</td>
<td>Canara &amp; Oriental Bank of Commerce</td>
<td>Banking</td>
</tr>
<tr>
<td>20</td>
<td>Aegon Religare Life</td>
<td>Aegon</td>
<td>Religare</td>
<td>Finance</td>
</tr>
</tbody>
</table>

Source: websites of companies
1.19 MICRO INSURANCE/ INSURANCE IN RURAL AREAS:

At the outset, let us look at some of the ways micro insurance has been described in order that a certain level of clarity is accomplished. "...the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved"


"...not a specific product or product line. It is also not limited to a specific provider type. Micro insurance is the provision of cover to a specific market segment, i.e. low-income persons."


"If we stop thinking of the poor as victims or as a burden and start recognizing them as resilient and creative entrepreneurs and value customer, a whole new world of opportunity will open up." – C. K. Prahalad

81% of rural people have no risk cover. (Result of a survey by Max New York Life Insurance, National Council for Applied Economics Research (NCAER); "How India earns, spends and save."

The basic concept of insurance is not minimization of risk, but to arrange for compensation of risk. The purpose of insurance is not to make profit but hedging against expected losses. If we see the needs of people there is a difference between rural and urban population; and the Indian insurance market is such that there is less penetration in rural areas except LIC and a few private firms by their policies for these people. It has now become essential for the companies to seriously undertake this untapped segment of the industry to generate more profits for them.

According to industry observations the biggest potential lies in the rural areas where the penetration of all life insurance players is very low. A survey by an independent agency revealed that only 12% of rural population has insurance cover. If we look at
the population figures of India; approximately 70% population lives in villages; see how attractive this segment is by the table on next page as;

**Table: 1.8**

<table>
<thead>
<tr>
<th>Rural Population and Life Insurance Penetration</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population (As per 2001 censes)</td>
<td>1,028,737,436</td>
</tr>
<tr>
<td>Rural Population</td>
<td>742,490,639</td>
</tr>
<tr>
<td>Urban Population</td>
<td>286,119,689</td>
</tr>
<tr>
<td>Penetration Level in Rural Market</td>
<td>2% (5.2 million)</td>
</tr>
</tbody>
</table>

Source: Annual report of IRDA, 2006 & http://www.censusindia.gov.in

To classify the insurance we can divide it as- urban and rural market being diverse in nature and have distinguished characteristics. Various factors like economic growth, per capita income, literacy rate etc. are different in these segments. If we consider the most important part of insurance marketing; that is distribution; its reach is also very poor- about 0.25 agents per 1000 of population.

Most new insurance companies started operating from metros and urban areas; due to this phenomenon rural population get unnoticed hence less penetration.

Urban population has certain characteristics like; it is more aware about the products and services of insurance, the urban market is bit saturated than the rural one, urban masses are higher educated; which led to better awareness about financial and insurance products, urban people are more informed about market conditions, and demand products which are innovative and which suits to their requirements.

On the other hand rural population is having different characteristics. A majority of them are uncovered by the insurance needs, even they are not aware about it. This presents an attractive market and business opportunities for the companies.
The IRDA has taken certain steps in this regard and has increased the exposure limits of the insurance companies to the rural areas and social sectors. It is clearly defined in the record of the controller authority that what should be the definition of rural population from the point of view of life insurance companies.

This can be understood as;

1. The place should have a population of less than 5000.
2. Secondly, the density of the population should be less than 400 persons per square kilometer.
3. 75% of the male population should be engaged in agricultural pursuit. It has set the limit for life insurance companies regarding their premium from rural areas.

This can be seen by the table given below-

<table>
<thead>
<tr>
<th>Life Insurance Premium from Rural Area</th>
<th>Limits by IRDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt; five year of operation</td>
<td>7-16 %</td>
</tr>
<tr>
<td>6&lt;sup&gt;th&lt;/sup&gt; to 10&lt;sup&gt;th&lt;/sup&gt; year of operation</td>
<td>18-20%</td>
</tr>
</tbody>
</table>

Source: IRDA.

1.19.1 Opportunities and threats in rural insurance market:

The life insurance market in semi urban and rural areas is expected to touch the $20 billion mark by the 2011. The greater part of Indian rural sector is still untouched because of common problems like- long distance, poor distribution and high return cost. To touch the rural India; the rural population needs to be seen as market but with different form conventional one. Only Rural India presents tremendous opportunities for penetration of insurance.

Some of them are-
- Huge population: Approximately 72% of India's population; which accounts for around 70 Crore people.
- Growing income.
- Increasing awareness by the reach of media and electrification.
- Higher saving habits than urban population.
- Improved infrastructure facilities.

Some threats of rural India are-

- Uneven distribution of population.
- Low level of literacy and insurance awareness.
- Low earning.
- Dependability on agriculture.
- Health conditions
- Psychology of people and preference of government companies.
- Credibility of private insurance players.
- Existing incentive structure not lucrative enough.

1.19.2 Present situation:

The govt. of India has always been keen that the rural as well as unorganized social sector must be concentrated upon for the development of insurance coverage. The Insurance Act 1938, Section 32 (B) and 32 (C) provides the compulsory need for each insurer to transact a minimum amount of business to be prescribed by the insurer. Section 105 (B) and 105 (C) has specified penalties in the form of fine and imprisonment for each failure to meet the specified obligations. As the part of these compulsions an insurers was supposed to reach 5% of its business out of the gross business from the rural areas; just after the 3rd year of the operation. Under the social sector the no. of life covered has been restricted only to 20,000 after the 5th year of operation and it could be either rural or urban sector. Due to all these efforts by the rural insurance business for the year 2006-07 reached to 43.38 policies with a premium of 4340.81 Crore rupees.
Various insurance schemes are also promoted by the government are as under:

1. Group insurance schemes for landless agricultural laborers.
2. Group insurance schemes for beneficiaries of integrated rural development program.
3. Group insurance schemes for certain section of society where 50 % of the premiums are financed by the social security fund.
5. Schemes along with Life Insurance Corporation of India; like; Jana shree bima yojna, Krishi shraik samajik suraksha yojana (2001), Shiksha sahayog yojna, Jan arogya bima yojna, Raj rajeshwari mahila kalian yojna etc.

Private players are not behind to tap the potential but they have a long way to go. With the cream business being urban folk, private insurers are known to have only been doing the stipulated bit to cater to the rural folk. On one hand LIC is enjoys the method of 'street plays' to increase the awareness, private players are taking the help of E-choupal, Hariyali and other brand of group ITC & DCM Shriram respectively.

The model, since it touches rural India in a fairly major way is expected to be explored by big companies targeting the hinterland to spread their distribution network; and the life insurance companies cannot be left behind. ICICI Prudential Life and have already selling their risk covers through E-choupal and several others are still exploring the possibilities to do so.

Met life India tied-up with Hyderabad based retail chain Viswas, to offer life insurance and other financial products through its chain of more than 300 retail outlets to the rural areas.

Bajaj Allianz Life Insurance has tied-up with seven Regional Rural Banks (RRBs) like Maharashtra State Co-operative Bank etc. to cater to the insurance and savings needs of the masses in semi-urban and rural areas. This tie up will help the
company to make flexible life insurance schemes available at more than 1,100 rural and semi-rural branches of the banks.

Improved network and facilities of banking in rural sector has provided more opportunities of credit to the rural population which helped in improving their by using the credit in improving agricultural facilities.

With this enhanced incomes, and further supplemented by bank credit, the rural population is consuming more FMCG & durables, constructing houses, purchasing vehicles etc.

All this in one way or the other widened the mindset of rural population in terms of increased awareness about of life insurance to protect these assets and one most important asset which is the life of human being. The need of the hour is a market research to know what kind of covers the lower income group people need and how best they can be used in micro insurance. Insurers are examining the feasibility of micro-insurance and the challenges of managing distribution channels and cost efficiency in this segment. NGO's and Self Help Groups are also used as distribution channels to save cost. Companies and their product in micro insurance are depicted on the table populated on the next page.
### Table: 1.10

<table>
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<tr>
<th>S.N.</th>
<th>Name of the companies</th>
<th>Name of the products</th>
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<tr>
<td>1</td>
<td>LIC India Ltd.</td>
<td>1. Jeevan Madhur</td>
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<td>2</td>
<td>Bajaj Allianz Life Insurance Co. Ltd.</td>
<td>1. Bajaj Allianz Jana Vikas Yojana</td>
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<td>2. Bajaj Allianz Saral Suraksha Yojana</td>
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<td>3. Bajaj Allianz Alp Nivesh Yojana</td>
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<td>AVIVA Life Ins. Co. India Pvt. Ltd.</td>
<td>1. Grameen Suraksha</td>
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<td>4</td>
<td>Birla Sun Life Insurance Co. Ltd.</td>
<td>1. Bima Suraksha Super</td>
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<td>2. Bima Dhan Sanchay</td>
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<td>5</td>
<td>ING Vysya Life Insurance Co. Ltd.</td>
<td>1. ING Vysya Saral Suraksha</td>
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<td>6</td>
<td>SBI Life Insurance Co. Ltd.</td>
<td>1. SBI Life Grameen Shakti</td>
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<td>2. SBI Life Grameen Super Suraksha</td>
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<td>7</td>
<td>TATA AIG Life Insurance Co. Ltd.</td>
<td>1. Ayushman Yojana</td>
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<td>2. Navkalyan Yojana</td>
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<td>3. Sampoorn Bima Yojana</td>
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<td>8</td>
<td>Sahara India LIC Ltd.</td>
<td>1. Sahayog</td>
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<td>9</td>
<td>Shriram Life Insurance Co. Ltd.</td>
<td>1. Shri Sahay</td>
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<td>10</td>
<td>ICICI Prudential</td>
<td>1. ICICI Pru Sarva Jana Suraksha</td>
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<tr>
<td>11</td>
<td>HDFC Life</td>
<td>1. HDFC Gramin Bima Mitra Yojna</td>
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<tr>
<td>12</td>
<td>Max New York Life Insurance.</td>
<td>1. Max Vijay</td>
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<tr>
<td>13</td>
<td>MetLife</td>
<td>1. Met Vishwas</td>
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Source: IRDA

Thus, the rural areas offer enormous opportunities for committed companies both in public as well as private sector companies.
1.20 A BRIEF NOTE ON THE COMPANIES OPERATING IN LIFE INSURANCE IN INDIA:

Undoubtedly the discussion will start with elaborating about the Life insurance major that is LIFE INSURANCE CORPORATION OF INDIA LTD.; a company aided by the govt. of India.

1. Life insurance corporation of India:

The formation of LIC starts by the nationalization of life insurance business on 19th of January 1956. About 154 Indian insurance companies, 16 non-Indian companies and 75 provident fund companies 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. A large numbers of new branch offices were opened after the reorganization of LIC. As a result of this servicing functions were transferred to the branches, and branches were made accounting units. This transformation helped the company to excel in new business and establish new records. It may be seen that from about 200 crore of new Business in 1957 the corporation crossed 1000 crore only in the year 1969-70, and it took another 10 years for LIC to cross 2000 crore mark of new business. The re-organization happening in the early
eighties, by 1985-86 LIC had already crossed 7000 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 crossed many milestones and has set unprecedented performance records in various aspects of life insurance business. The same motives which inspired its forefathers to bring insurance into existence in this country inspire 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. All this made it the number choice for life insurance in India and highest credibility among the minds of the customers.

2. Bajaj Allianz Life Insurance Company:

Bajaj Allianz Life Insurance Company Limited is a Union between Allianz SE, one of the world’s largest Life Insurance companies and Bajaj Auto, one of the biggest 2- & 3 wheeler manufacturers in the world.
Allianz SE is a leading insurance conglomerate globally and one of the largest asset managers in the world, managing assets worth over a Trillion Euros (Over Rs. 55, 00,000 crores). Allianz SE has over 115 years of financial experience in over 70 countries.

Bajaj Auto is one of the most trusted name is Indian auto for over 55 years. The Bajaj Group is amongst the top 10 business houses in India. Its footprint stretches over a wide range of industries, spanning automobiles (two-wheelers and three-wheelers), home appliances, lighting, iron and steel, insurance, travel and finance.

3. Birla Sun Life:

It is a collaboration of US $6 billion of Aditya Birla Group and US $ 16.7 billion Sun Life Financials of Canada, brings together global and Indian expertise in the area of financial services.

A premium conglomerate, the Aditya Birla Group is a dominant player in all of the sectors in which it operates. Such as viscose staple fiber, non-ferrous metals, cement, viscose filament yarn, branded apparel, carbon black, chemicals, fertilizers, sponge iron, insulators and financial services. The Group has also made successful forays into the IT and BPO sectors.

Sun Life Financial Inc is a leading financial services organization headquartered in Toronto, Canada, operating in key markets around the world. Tracing its roots back to 1865, Sun Life Financial Inc. and its partners today have operations in key markets worldwide, including Canada, the United States, the United Kingdom, Hong Kong, the Philippines, Indonesia, India and China. The Sun Life Financial group of companies and their joint ventures offer individuals and corporate customers a diverse range of financial products and services.
4. HDFC Life Insurance:

HDFC Standard Life Insurance Company Ltd. is one of India's leading private insurance companies, which offers a range of individual and group insurance solutions. It is a joint venture between Housing Development Finance Corporation Limited (HDFC Ltd.), India's leading housing finance institution and a Group Company of the Standard Life, UK. HDFC as on March 31, 2007 holds 81.9 % of equity in the joint venture. As a joint venture of leading financial services groups, HDFC Standard Life has the financial expertise required to manage your long-term investments safely and efficiently.

The company provides a wide range of individual and group solutions, which can be easily customized to specific needs.

5. ICICI Prudential:

ICICI Prudential Life Insurance Company is a joint venture between ICICI Bank - one of India's foremost financial services companies-and prudential plc - a leading international financial services group headquartered in the United Kingdom. Total capital infusion stands at Rs. 33.62 billion, with ICICI Bank holding a stake of 74% and Prudential plc holding 26%.

ICICI started operations in December 2000 after receiving approval from Insurance Regulatory Development Authority (IRDA). Today, it has nation-wide team comprises of over 1,000 offices, over 246,000 advisors; and 22 bancassurance partners.

6. ING Vysya Life Insurance:

ING Vysya Life Insurance Company Limited a part of the ING Group; the world's largest financial services provider which has started the insurance business in India in September 2001.
ING Vysya Life is currently present in 246 cities and has a network of over 300 branches, with headquarter at Bangalore. It has staffed by 7,000 employees and over 51,000 advisors, serving over 5.5 lakh customers across the nation. Originally; ING is a global financial institution of Dutch origin offering banking, insurance and asset management to over 60 million private, corporate and institutional clients in over 50 countries. With a diverse workforce of approximately 120,000 people, ING comprises a broad spectrum of prominent companies that increasingly serve their clients under the ING brand.

ING Group has ranked as the world’s thirteenth largest company in the list of the fortune 500 companies in July, 2007. ING VYSYA has also ranked ING among the 81 among the top 100 insurance brand across the globe, (The Annual Inter brand Report 2007).

ING operates through three businesses in India, ING Vysya Life Insurance, ING Vysya Bank and ING Investment Management. ING Vysya Bank is a premier private sector bank with over 76-year heritage and 1.5 million satisfied customers. ING Investment Management comprises of two operations: ING Fund - a mid sized asset management company with a retail investor focus and Optimix - a fund of funds business.

7. **Max New York Life Insurance:**

Max New York Life Insurance Company Ltd. is a joint venture between New York Life, a Fortune 100 company and Max India Limited, one of India’s leading multi-business corporations. New York Life Insurance Company is a Fortune 100 company founded in 1845, is the largest mutual life insurance company in the United States and one of the largest life insurers in the world.

Headquartered in New York City, New York Life’s family of companies offer life insurance, annuities and long-term care insurance. New York Life Investment Management LLC provides institutional asset management and retirement plan
services. Other New York Life affiliates provide an array of securities products and services, as well as institutional and retail mutual funds.

Max India Limited was founded in 1985, is a Public Limited company listed in the NSE and BSE of India with over 26,000 shareholders.

Today, Max India Limited is a multi-business corporate, driven by the spirit of Enterprise, focused on Knowledge, People and Service oriented businesses of: Healthcare (Max Healthcare), Life Insurance (Max New York Life Insurance), Clinical Research (Neeman Medical International). Max also maintains interests in: Specialty Plastic Products for the packaging industry (Max Specialty Products) and Healthcare Staffing (Max Health Staff).

Max New York Life offers a suite of flexible products. It has 43 life insurance products and 8 riders that can be customized to over 800 combinations enabling customers to choose the policy that best fits their need.

8. MET Life:

MetLife India Insurance Company Limited (MetLife) is an affiliate of MetLife, Inc. and was incorporated as a joint venture between MetLife International Holdings, Inc., The Jammu and Kashmir Bank, M. Pallonji and Co. Private Limited and other private investors. MetLife is one of the fastest growing life insurance companies in the country. It serves its customers by offering a range of innovative products to individuals and group customers at more than 600 locations through its bank partners and company-owned offices. MetLife has more than 32,000 Financial Advisors, who help customers meet their financial and protection goals across the length and breadth of the country.

MetLife, Inc., through its associates, serves approximately 70 million customers in the Americas, Asia Pacific and Europe. Affiliated companies, outside of India, include the number one life insurer in the United States, with over 139 years of experience and relationships with over 90 of the top one hundred FORTUNE 500
companies. The MetLife companies offer life insurance, annuities, automobile and home insurance, retail banking and other financial services to individuals, as well as group insurance, reinsurance and retirement and savings products and services to corporations and other institutions.

9. Kotak Mahindra Old Mutual Life Insurance Ltd.:

The Kotak Mahindra Group was born in 1985 as Kotak Capital Management Finance Limited. This company was promoted by Uday Kotak, Sidney A. A. Pinto and Kotak & Company. Industrialists Harish Mahindra and Anand Mahindra took a stake in 1986, and that's when the company changed its name to Kotak Mahindra Finance Limited. Since then the company has ventured into various businesses.

Kotak Mahindra Old Mutual Life Insurance Ltd. is a joint venture between Kotak Mahindra Bank Ltd. (KMBL), and Old Mutual plc. The Kotak Life Insurance, company aims to help customers to take important financial decisions at every stage of their life by offering them a wide range of innovative life insurance products, to make them financially independent. It has started the insurance business in the year 2001 with Old Mutual Plc which is a public company limited by shares, incorporated in England.

10. SBI Life:

SBI Life Insurance is a joint venture between the State Bank of India and Cardif SA of France. SBI Life Insurance is registered with an authorized capital of Rs 1000 crore and a paid up capital of Rs 500 crores. SBI owns 74% of the total capital and Cardif the remaining 26%.

State Bank of India enjoys the largest banking franchise in India. Along with its 7 Associate Banks, SBI Group has the unrivalled strength of over 14,500 branches across the country, arguably the largest in the world.

Cardif is a wholly owned subsidiary of BNP Paribas, which is the Euro Zone's leading Bank. BNP Paribas is one of the oldest foreign banks with a presence in
India dating back to 1860. Cardif is ranked 2nd worldwide in creditor's insurance offering protection to over 35 million policyholders and net income in excess of Euro 1 billion. Cardif has also been a pioneer in the art of selling insurance products through commercial banks in France and in 35 more countries.

SBI Life extensively leverages the SBI Group as a platform for cross-selling insurance products along with its numerous banking product packages such as housing loans and personal loans. SBI's access to over 100 million accounts across the country provides a vibrant base for insurance penetration across every region and economic strata in the country ensuring true financial inclusion.

SBI Life also uses the strength of agency channel, comprising of the most productive force of more than 25,000 Insurance Advisors, offering customized services.

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 centers have been already installed and help lines will be installed and customers will have access to their accounts through the Internet or through SBI branches.

The company proposes to make available ready liquidity to its Life Insurance policies by way of loans at SBI counters. This will make Life Insurance a liquid asset in the financial portfolio of households.

11. TATA AIG Life Insurance:
Tata AIG Life Insurance Company Limited (Tata AIG Life) is a joint venture company, formed by the Tata Group and American International Group, Inc. (AIG). Tata AIG Life combines the Tata Group's pre-eminent leadership position in India and AIG's global presence as the world's leading international insurance and financial services organization. The Tata Group holds 74% stake in the insurance venture with AIG holding the balance 26%. Tata AIG Life provides insurance solutions to individuals and corporate. Tata AIG Life Insurance Company was
licensed to operate in India on February 12, 2001 and started operations on 1st April, 2001.

The Tata Group is one of India's largest and most respected business conglomerates, with revenues in 2006-07 of $28.8 billion (Rs.129,994 crore), the equivalent of about 3.2 per cent of the country's GDP, and a market capitalization of $72.2 billion as on December 6, 2007. Tata companies together employ some 289,500 people. The Tata Group has operations in more than 85 countries across six continents, and its companies export products and services to 80 countries.

American International Group, Inc. (AIG), a world leader in insurance and financial services, is the leading international insurance organization with operations in more than 130 countries and jurisdictions. AIG companies serve commercial, institutional and individual customers through the most extensive worldwide property-casualty and life insurance networks of any insurer. In addition, AIG companies are leading providers of retirement services, financial services and asset management around the world.

12. Reliance Life Insurance Company Limited:

Reliance Life Insurance Company Limited is a part of Reliance Capital Ltd. of the Reliance - Anil Dhirubhai Ambani Group. Reliance Capital is one of India's leading private sector financial services companies, and ranks among the top 3 private sector financial services and banking companies, in terms of net worth. Reliance Capital has interests in asset management and mutual funds, stock broking, life and general insurance, proprietary investments, private equity and other activities in financial services. Reliance Capital Limited (RCL) is a Non-Banking Financial Company (NBFC) registered with the Reserve Bank of India under section 45-IA of the Reserve Bank of India Act, 1934. Reliance Capital sees immense potential in the rapidly growing financial services sector in India and aims to become a dominant player in this industry and offer fully integrated financial services.
Reliance Life Insurance is another step forward for Reliance Capital Limited to offer need based Life Insurance solutions to individuals and Corporate.

13. Aviva Life Insurance:

Aviva is UK’s largest and the world’s fifth largest insurance Group. It is one of the leading providers of life and pensions products to Europe and has substantial businesses elsewhere around the world. With a history dating back to 1696, Aviva has a 40 million-customer base worldwide. It has more than £364 billion of assets under management.

In India, Aviva has a long history dating back to 1834. At the time of nationalization it was the largest foreign insurer in India in terms of the compensation paid by the Government of India. Aviva was also the first foreign insurance company in India to set up its representative office in 1995.

AVIVA has a joint venture with Dabur, one of India’s oldest, and largest group of companies. Dabur is the country’s leading producer of traditional healthcare products. In accordance with the government regulations Aviva holds a 26 % stake in the joint venture and the Dabur group holds the balance 74% share. Aviva pioneered the concept of Bancassurance in India, and has leveraged its global expertise in Bancassurance successfully in India. Currently, Aviva has Bancassurance tie-ups with ABN Amro Bank, American Express Bank, IndusInd Bank, Centurion Bank of Punjab, The Lakshmi Vilas Bank Ltd. and Punjab & Sind Bank, Co-operative Banks in Gujarat, Rajasthan, Jammu & Kashmir, Bihar, West Bengal, Andhra Pradesh and Maharashtra and regional Banks. Aviva has 193 Branches in India (including rural branches) supporting its distribution network. Through its Bancassurance partner locations, Aviva products are available in more than 2,795 locations across India.

Aviva is also keen to reach out to the underprivileged that have not had access to insurance so far. Through its association with Basix (a micro financial institution) and
other NGOs, it has been able to reach the weaker sections of the society and provide life insurance to them.

14. Sahara India Life Insurance:

The Sahara Pariwar's latest foray is in the field of Life Insurance. The Pariwar's life insurance company – Sahara India Life Insurance Company Ltd.- has been granted license by the insurance regulator – the IRDA on 6th February 2004.

Sahara India Life Insurance Company Ltd. is the first wholly and purely Indian company, without any foreign collaboration to enter the Indian Life insurance market. The Chairman of the company is Shri Subrata Roy Sahara who is also the Chairman of Sahara Pariwar. Sahara is well known for understanding the real India and the attempt of the company in life insurance revel the dedication and commitment of the organization towards the common men.

15. Shriram Life:

Shriram Life Insurance Co. Ltd., is a joint venture of the Shriram Group with SANLAM of South Africa.

The Shriram Group has over three decades of experience in Chit Funds, Truck Financing and other financial services businesses in India. SANLAM is one of the largest Life Insurance and Asset Management firms in South Africa with assets of over $ 55.6 billion (Rs. 2,50,000 crore) under management and 87 years of experience in these businesses.

The Shriram Group is one of the largest and well-respected financial services conglomerates in India. The Group's main line of activities in financial services include chit fund, truck financing, consumer durable financing, stock broking, insurance broking and life insurance. The Group has a customer base of 30 lakhs chit subscribers and investors and operates through a network of 630 offices all over
the country. The Group has the largest agency force in the private sector consisting of more than 75,000 loyal and dedicated agents.

Sanlam Life Insurance Limited, a part of the Sanlam Group, is one of the largest providers of life insurance in South Africa with 3.2 million individual policies under administration. It has a significant presence across South Africa, United Kingdom and Namibia and is a major provider of life insurance, retirement annuities, saving and investment products, personal loans, home loans and trust services to individuals.

The Sanlam Group also operates in the areas of group schemes, retirement funds, short-term insurance, asset management and other financial services.

16. Bharti AXA Life Insurance:

Bharti AXA Life Insurance is a joint venture between Bharti, one of India’s leading business groups with interests in telecom, agro business and retail, and AXA, world leader in financial protection and wealth management. The joint venture company has a 74% stake from Bharti and 26% stake of AXA.

The company launched national operations in December 2006. Today, it has over 5200 employees across over 12 states in the country.

17. IDBI Fortis Life Insurance Company:

It is a joint venture among Federal Bank, Industrial Development Bank of India and Fortis, an international banking and insurance company, to form a life insurance company in India. IDBI Fortis Life Insurance, the joint venture formed with an equity infusion of Rs. 750-800 crore in 5-7 years. IDBI will have a 48% stake in the venture, while Fortis and Federal Bank having 26% each.
While IDBI and Federal Bank are bank partners, Fortis has the expertise of bancassurance across markets where it sells insurance.

18. Future Generali Life Insurance Co. Of India Ltd;

Future Generali is an insurance joint venture headquartered in Mumbai, India between the Italy-based Generali Group and the India-based Future Group. Future Generali operates Life and Non-Life insurance businesses through 'Future Generali India Life Insurance Co. Ltd.' and 'Future Generali India Insurance Co. Ltd.'

About Generali Group
The partner Generali Group is 30th largest company in the world by fortune 2007. Generali is Assicurazioni Generali, market leader in Italy, founded in 1831 in Trieste. Generali is the largest corporation in Italy. The company has a strong international outlook and presently having footsteps in 40 countries through 315 subsidiaries, 113 insurance companies and 126 financial and real estate companies.

About Future Group
The Future Group is a diversified conglomerate with presence in multiple consumer-centric businesses like retail, consumer finance, capital, insurance, media, brands and logistics. The parent company, Pantaloon Retail (India) Limited is India’s leading company in organized retails. It owns and manages multiple retail formats including Pantaloons, Big Bazaar, Central, Food Bazaar, Home Town, among others. With its width and depth of merchandise, it captures almost the entire consumption basket of the Indian consumer. Headquartered in Mumbai, the company operates over 5 million square feet of retail space, has more than 450 stores in different formats across 40 cities in India and employs over 18,000 employees. Future Group companies include Indus League Clothing, Galaxy Entertainment, Future Media India Limited, Futurebrands India Limited and its online initiative is led through futurebazaar.com
The group's joint venture partners include Italian insurance major, Generali, French company ETAM group, US-based stationery products retailer, Staples Inc, Middle East based Axiom Communications and UK-based Lee Cooper and Alpha Airports. Its Indian joint venture partners include Talwalkers, Liberty Shoes and Blue Foods.

19. DLF Pramerica Life Insurance Company Limited:

DLF Pramerica Life Insurance Company Ltd. (DPLI) is a joint venture between DLF Limited and Prudential International Insurance Holdings (PIIH) Ltd. & PIIH is a fully owned subsidiary of Prudential Financial, Inc. of USA.

DLF Limited is one of the largest groups in the real estate sector in India with and experience of more than 60 years and a track record of sustained growth, customer satisfaction, and innovation. The core business of the group is the business of residential, commercial and retail property development. It has also made forays into the infrastructure, SEZ and hotel businesses by entering into several strategic alliances with global industry leaders like Laing O’rourke Plc. and Hilton Hotels Corporation.

PFI is a U.S. based financial services leader with its headquarters in Newark, New Jersey, with approximately US$ 638 billion of assets under management as of June 30, 2008 and operations in the United States, Asia, Europe and Latin America and experience of more than 130 years in financial services.

PFI's businesses offer a variety of products and services, including life insurance, annuities, retirement-related services, mutual funds, investment management, and real estate services.

Both the companies have joined their hands in India to make a strong venture in tough insurance sector.
20. CANERA HSBE OBC Life Insurance Company Ltd.:

Canara HSBC Life is a joint venture of Canara Bank holding 51% equity, HSBC Insurance (Asia Pacific) Holdings Ltd 26% and Oriental Bank of Commerce 23%. The Venture has an initial paid up capital of INR 325 Crores which will further increase in line with our expansion plans.

The Company commenced business 16th of June, 2008 after receiving requisite approvals from the Insurance Regulatory Development Authority (IRDA). Canara HSBC Life has access to a distribution network of over 4100 branches all over India.

About Canara Bank

Canara Bank was established in 1906, and has completed over a century of operations in the Indian banking industry. It is recognized today as the largest nationalized bank in India in terms of aggregate business volume. The Bank has an asset size valued at about US $30 billion as at 31st March, 2006. The Government of India owns about 73.17% of the Bank. Canara Bank has a rating of AAA/Stable CRISIL (Credit Rating Information Services of India) respectively. It currently has 2641 branches spread across all geographical segments and a clientele base exceeding 31 million. The Bank provides an array of alternative delivery channels for its customers, including 1900 ATMs at 680 centers, Internet and Mobile banking and "Anywhere Banking services".

About HSBC Insurance (Asia Pacific) Holdings Limited

The HSBC Group, headquartered in London, is one of the world's largest banking and financial services organizations with 9500 offices in 81 countries and territories and assets of US $1,738 billion as on 30th June, 2006. One of its founding and principal members is HSBC Bank. HSBC Bank is one of India's leading financial services groups, with over 25,000 employees in its banking, investment banking and capital markets, asset management, insurance broking, software development and global resource operations in the country.
About Oriental Bank of Commerce

Oriental Bank of Commerce was established in 1943 and is currently the eleventh largest bank in India in terms of assets. The Government of India owns 51.1% of Oriental Bank of Commerce. It has a distribution network of 1273 branches and 94 extension counters and 10 million customers. It offers convenient banking services through its 666 ATMs and currently, 96% of the Bank's business is covered within the CBS branch network. The bank has a base of over 10.4 million customers.

21. AEGON RELIGARE LIFE INSURANCE COMPANY LTD.:

AEGON, one of the world's largest life insurance and pension groups and Religare, one of India's leading integrated financial services groups, have come together to launch AEGON Religare Life Insurance Company Limited.

The joint venture works on the approach to build a firm future, for both the customers and employees and will continue to balance a think global act local approach.

AEGON's businesses serve over 40 million customers in over 20 markets with major operations in the United States, the Netherlands and the United Kingdom. The company has its headquarters in The Hague, the Netherlands. It employs more than 30,000 people world wide.

Religare Enterprises Limited (REL) is one of the leading integrated financial services groups of India. REL's businesses are broadly clubbed across three key verticals, the Retail, Institutional and Wealth spectrums, catering to a diverse and wide base of clients. REL offers a multitude of investment options and a diverse bouquet of financial services with its pan India reach in more than 1550 locations across over 460 cities and towns & operates from 10 countries globally.

Thus the first chapter clearly indicates the changing picture of life insurance industry starting from it's inspection to current practice to present players and their trivia.

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