PREFACE

With the nationalization of insurance industry in 1956, the state-run Life Insurance Corporation of India (LIC) assumed monopoly in the country's Life Insurance Sector. General Insurance Corporation of India (GIC), with its four subsidiaries, was its counterpart in the casualty sector. Over time, taking advantage of its monopoly and virtual prerogatives in establishing premiums, LIC and GIC have evolved into a monolithic undertaking together forming the insurance sector of the country. With more agents spread in every nook and corner of the country, it has created an enviable brand name, particularly among the rural population of the country. It has around $40 billion as its life fund and is a strong player in the financial sector.

Today nothing in this world can be said to be safe and secure. An element of risk is inherent in every thing, everywhere and all times. This underlines the importance of insurance, which is, at present, one of the fastest growing financial service sectors in India and abroad. The global world provides huge opportunities and also throws serious challenges in terms of cutthroat competition, diverged socio-cultural environment and ever-changing eco-political environment. It requires a lot of wit and consistency of efforts to cap these challenges. Those capable of gauging the dynamism of the modern business world are blessed with immense
wealth paving way for economic growth and development for their respective nations. However, despite best of efforts, including the most judicious business decisions and with all competitive edge, the lady luck may still not smile on organizations. There are certain uncontrollable risks like famine, earthquake, drought, fire accidents etc. The dynamism of the business world leads to forces that contribute ebbs and tides in the business organization constituting the element of risk. Of the various kinds of risks, financial risks are of different degrees and range from unavoidable to those assumed by choice. The earliest traces of insurance are in the form of marine trade losses or carriers’ contracts. In ‘Rigveda,’ the references are made to the concept of ‘Yogakshema,’ which is more or less akin to the wellbeing and security of peoples. This makes it clear that albeit in the ancient world, the traces for sharing future losses are available, there is, however, no evidence of a particular form or shape, especially prior to the twelfth century. The oldest form of insurance, as mentioned above, is the marine insurance. The travellers by sea or by land were very much exposed to the risk of losing their vessels and merchandise. The piracy on the open seas and highway robbery or fear of sinking the vessels in the deep waters necessitated a device which could spread the financial losses over a number of heads. And thus came into being the marine insurance which was found suitable for that very purpose.
After marine insurance, followed the development of fire insurance. It started from Germany in the beginning of the sixteenth century got further impetus after the great fire in London in 1666 that rendered eighty-five percent of houses in the city to ashes. The convulsions inflicted by such a gigantic loss injected life, strength and continuity to the insurance programme. With colonial development in foreign lands, the fire insurance spread all over the world. In India, the British companies started life insurance business, by issuing policies exclusively on the lives of European soldiers and civilians. They sometime issued policies on the lives of Indians by charging extra premium. The first Indian company named as Bombay Mutual Life Insurance Society Ltd. was formed in December 1870. During the period from 1870 to 1900, a large number of Indian companies were formed. Between 1900 and 1912, the insurance companies attached increasing attention among middle class people and the Government of India passed the Insurance Act on the model of British Assurance Act. During 1920’s and 1930’s, the insurance business witnessed a setback. This was due to a number of economic events of unprecedented nature that took place at the global level. The Government of India passed Insurance Act, 1938. The Act still applies to all kinds of insurance business though it has been amended several times.
In the post-liberalized era, this industry has become very competitive with private players bringing in new and variant products and marketing techniques. The increasing significance of insurance, fast changing track and growing competition within the insurance sector and pursuit of knowledge induced me to undertake a study of ‘Economic Liberalization and Its Impact on Insurance Sector in India Since 1991.’ The study of the subject is an enriching experience in itself and the project has been very interesting and challenging to me due to my limited awareness of it. Initially, it appeared that sources of facts and figures were difficult to tap. But the able guidance and the wealth of knowledge and wide experience on the part of my supervisor made things easier.

It is the first post-globalization analytical study dwelling upon the background performance of insurance industry in India, present market scenario and the pros and cons of liberalization of insurance industry after 1991. The study aims at gauging the improvements and weaknesses and devising on solutions present in the form of suggestions. With the onset of liberalization, plenty of private sector national and multinational insurance companies have come up in India. The study, therefore, also aims at assessing the impact of economic liberalization on the insurance sector in India so as to prove whether the reforms, in general, have resulted in improving the efficiency of the Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC) or not.