Chapter –Seven

LIC and privatization

Concept of Globalisation:
The expression, ‘Globalisation’, which is a present day corporate drop word was reportedly popularized by the “Economist” of London. The word “globalization quota” appeared in the ‘Economist” in 1959 in the context of the Italian automobile imports. The fact that globalization emerged as a phenomenon of the post-war compulsions is evident by the usage becoming wider only from the mid 1960s and entered the Marian New International Dictionary in 1961 and engulfed the world in the 1990s. The phenomenon globalization is a result of many post war developments. During the 1970-1980s, awareness emerged that the unprecedented development in science and application of technologies led to many pockets of affluence. A consensus emerged that global economic development is not possible in isolation and various countries have to be interdependent for economic growth by allowing free flow of investments, technical know-how and manpower.¹

Globalisation & Liberalisation:

Globalisation, according to the Penguin Dictionary of Economics, “Stresses the geographical dispersion of
industrial and service activities i.e. research and development, sourcing of inputs, production, distribution and the cross border networking of companies, i.e., through joint ventures and the sharing of assets”. According to Herman E Daly, Globalisation serves the vision of a single, cosmopolitan, integrated global economy. This definition focuses on the cross border movement of goods, services and resources (financial and human) impacting on the domestic and global assets and employment. Globalisation, thus focuses on an integrated economic world in which the economy is a single market characterized by trade and investment flows, cross border economic activities in production, investment financing, movement of capital, technology, labour, internationalisation of consumption, capital and services.

Economic liberalisation is the gateway of globalisation and financial liberation plays the most crucial role in integration of one country’s economy on the global economic network. However, very often the term liberalisation and globalisation are used simultaneously. Important instruments of liberalisation are regulation of financial market to allow foreign capital, foreign investment, to and fro flow of capital, etc. reduction of tariff and non-tariff barriers of trade, simplifications of customs measures, etc. For successful global integration, a country must move to economic liberalization by dismantling
entry barriers and licensing system, reduction in physical restrictions on imports, reduction in control on capital and current account, reforming financial system and opening up financial market to private (domestic and foreign) players, removing controls on foreign capital (FD and portfolio) flow to the country etc. Globalisation however, is not a new phenomenon of the current world activities. Economic historians have traced two strong waves of globalization. The first wave of globalization spread over 1870 – 1914 while the second wave of globalization began roughly in 1960 and continuing. The current wave of globalization is much faster and deeper. Globalization today is fundamentally a new economic phenomenon, and a process to set up a new economic order globally increased integration and interdependence of production, consumption and services.

**Globalisation of Insurance Market:**

The present wave of insurance is an integral part of national economy and a strong pillar of financial market. Therefore, waves of globalisation have also deeply influenced the insurance market worldwide. Financial market Globalisation has also been strongly supported by Globalisation of Insurance. With the increase in trade, direct investment and portfolio investment, there has been an ever growing demand for insurance services particularly in the emerging markets.
Globalisation of insurance market, as a part of the overall process of liberalization in the emerging and other countries, enabled the foreign insurance companies to enter those countries and benefited both. The driving forces of insurance market globalization has been identified by Swiss Re (Sigma No.4/2000) as the ‘push factors’ and ‘Pull Factors’. The Push factors are the motives behind the movement of foreign insurance companies while the pull factors are the motives behind allowing the foreign companies to operate in the local market.

I) Push factors: Insurance Companies move out to emerging markets due to increasing global trade, growing direct investment, potential future growth in emerging markets, saturation in industrialized countries and strong growth in the emerging countries and expected efficiency gains through diversification, economics of scale, etc.

II) Pull Factors: The important pull factors in the emerging markets — the emerging markets have strong economic growth and trade, and there are substantial requirements of capital in the emerging markets to cover major risks. There are several benefits to the countries allowing foreign insurance companies to operate in their countries which can be broadly classified into economy related and Insurance marked related
Insurance market related benefits:

Capital structure of the entire insurance industry improves because the foreign companies bring fresh capital with them. Market efficiency improves due to information dissemination, global operating knowledge and increased competition. Management efficiency increases because foreign companies bring with them global experience and management innovation. Range of available products increases because foreign companies bring with them a wide range of products and product development expertise. Customers’ service improves. Increased competition, technology led service, and cost competition finally benefits the consumers. Globalisation also improves Regulatory and Governance systems. It also improves market conduct and Ethical Business Standard. Jennifer Rankin (2003) mentions the following factors driving the insurance companies’ cross border activity. Many countries are moving away from protectionism and state control and taking more market driven approach especially in the insurance and financial services and opening up their markets to foreign companies. The process of insurance globalisation significantly influenced by the GATTS/WTO. A major break through was achieved in 1997 with an agreement of liberalisation of financial services following which 102 countries committed to remove entry barriers and liberalise their markets. The GATTS agreement
offers legal security and protection to global insurance players. With the removal of entry barriers in the emerging and less developed countries, there has been an increased flow of funds from the developed countries to the emerging and less developed countries. According to Swiss Re (Sigma No.4/2000) “In recent years, there has been a strong increase in the demand for insurance in the emerging markets. The average annual growth rate in the emerging markets has since 1990 been twice as high as in the industrial countries in both life and non-life insurance. There is already an indication of slow growth and saturation of insurance market in industrially developed countries. During 2003, Global Life insurance business witnessed a decline of -0.8%. However, the emerging market life insurance business grew by 6.6% as against -1.7% decline in the industrialised countries. In non life insurance business, while the industrialised countries achieved 5.7% growth in real premium income, the emerging markets registered 8.5% growth rate in 2003. However, total premium income of the emerging market in 2003, was US $ 314,128 million which represent 10.68% global premium income, whereas share of the industrialised countries with US $ 2,626,542 million representing 89.32% of the global premium. This is an indication of huge potential in the emerging markets.

Globalisation of financial as well as life insurance market is an inevitable phenomenon. In the years to come, the
The globalisation of insurance market is going to speed up further. The impact of globalisation will also be felt more in the emerging markets which have exhibited better potential for growth in insurance market. Data provided shows that countries which have extensively opened up the insurance market to the private and foreign companies have achieved relatively better growth in insurance density and penetration. It has also been noted in India that growth of insurance market was faster in the post liberalisation period than that in the pre-liberalisation period. However, one of the constraints of insurance globalisation is a small number of global players as noted by UNEP (2002). The private insurance industry is largely a national industry rather than a global one. The number of truly global insurance players is in the range of 20 to 30 only. Another 70 companies operate significantly in more than one continent through branches. Only 1.2% of global insurance premium comes from across border business.

**Impact of Liberalisation on Economic growth:**

Research of Borensztein and others (1998) shows that FDI contributes more domestic growth than domestic investment. And, also FDI is more productive than domestic investment. Liberalisation of capital markets attracts foreign investment which influences the price of equity thereby reducing the cost of capital. Research of Bekaert and Harvey
(2000) indicated that post liberalised regulatory reforms bring down the cost of capital and also help to increase inflow of capital. Financial liberalisation also imparts structural formats of capital markets, improves the disclosures, transparency and corporate governance which creates growth prospects in a liberalised country. It has been noted that the average per capita income is higher in the countries with more open economic policies and better global linkages than in the countries with less openness in financial sector. Globalisation has helped promote convergence of per capita incomes. Per capita incomes have grown faster in globalizing developing countries (those lowering trade barriers) than in rich countries – 5 per cent versus 2.2 per cent in 1990s. Non globalizing developing countries have lagged behind. (Finance and Development, March 2002., P8). O’Rourke (2002) has observed that “the trend of rising inequality over the past 200 years, primarily between countries, now appears to have been reversed; and, the experience of the 19th century suggests that increased globalisation will accelerate this decline. Prasad et al (2003) has noted that ‘International Financial Integration can help to promote domestic financial sector development, which, in turn, can help to moderate macro economic volatility. However, thus far, these benefits of financial integration appear to have accrued primarily to the industrialised countries.
Growth of Life Insurance in India:

Indian life insurance industry, since nationalization, has registered a significant growth and gradually increased its share in household financial savings. As noted in table 4, the share of insurance funds has increased from 8.7% in 1993-94 to 14.9% in 2003-04, while the share of life insurance funds increased from 8% to 14.5% during the same period and in terms of the GDP, it has increased from 1.1% to 2.2%. This is a significant achievement of the life insurance industry which till recently represented by LIC of India. Growth in life insurance fund is considered to be an important indicator of growth of the life insurance industry and as can be seen from Table 4, LIC has performed exceedingly well. LIC, after nationalization of 256 life insurance companies, started with a Life Fund of Rs. 410.40 crore, which, in course of time increased rapidly and stood at Rs. 3,21,754 crore in 2004. Similarly, the total assets of LIC has increased from Rs. 463 crore in 1958 to Rs. 3,67,360 crore in 2004. High growth of Life Fund and Assets of LIC was possible due to significant growth in new business, which got a boost during the post liberalisation period. First time, in 1999, LIC sold more than one crore (1.48 core) policies in a single year, however, growth became faster during the post liberalized period and in 2002 it crossed the 2 crore mark by selling 2.25 crore policies, which increased further to 2.42 crore in 2003. In
2004, new business (SA) had gone up Rs 2,02,898 crore under 2,69,63,504 policies. Total in force policies, serviced by LIC by the end of 2004, stood at 15.39 crore under Sum Assured of Rs.9,25,033 crore. Liberalisation of Indian insurance market has provided further push to the insurance industry. By the end of March, 2004, there were 13 life insurance companies including LIC in the market, which has not only generated competition but also provided a wide range of product choices to the customers. An overall view of the Indian life insurance market can be obtained through data released by IRDA, shown in Table 6 and Table 7. Accordingly, total no. of the policies underwritten in 2004 increased by, 12.78% from 2,53,82,690 in 2002-03 to 2,86,26,915 in 2003-04, while the premium under these policies increased by 51.80%, from Rs.12,32,483.37 lakh to 18,71,016.02 lakh during the same period. So far,LIC is concerned, there is a fall in the market share in new business. In the term of number of the policies, the market share declined from 96.70% to 94.21%, while in premium income, the market share of LIC declined from 92.03% to 87.04% during the same period. These indicate that Indian life insurance in general has expanded since liberalization on the one hand and the market has been increasingly becoming more competitive.
Changing of LIC:

It was a time when India was trapped between two worlds the one dead and the one struggling to take birth. The princely states were crumbling and new states and enterprises were taking shape. The past had certainly collapsed but not many agreed with the foresight of the visionaries. In such a scenario, a swift but sure decision to nationalise life insurance in India was taken in the year 1956 to save the insuring public from the morbidity and rampant malpractices of some life insurance companies of that time and to energise the new India that was emerging. The tiny flame that was kindled on 1st September 1956, has provided the Indians the warmth of security and care for five decades and is all set to enter the second half of the century.

The twenty first century has emerged a contracting change in the Indian insurance landscape and the insurance industry in India has completed one full circle. The sector has once again been opened up for private participation. Yet, the objectives with which the LIC was born, hold true even today and remain as the guiding force. A competitive environment has its won value. It spurs ambitious men to achieve something better. If the future has to shape up better than the past we must take initiatives today. Designing a better future calls for concrete change in attitude, products, processes and structure. Changes
never come alone, they often bring along discomfort. But, progress is never possible without change.²

**Privatization of LIC:**

The Committee felt that as a state-owned entity, LIC suffered many operational constraints, and its flexibility and ability to respond to changing situations was limited. Many of the constraints are due to the reason that, in the eyes of law, LIC falls within the definition of state. To overcome this situation, LIC should be taken out of the definition of state. To achieve this, the share of the Government in the equity of LIC, should be reduced to 50% or 49% as the Government had decided in the case of certain PSUs. To enable LIC to run as a board managed company with a dominant shareholding by the Government, the shareholding pattern has to change, and LIC has to be registered as a company under the Indian Companies Act. As the UPA Government, that came to power at the centre in May 2004, does not appear to be enthusiastic about privatizing the profit-making PSUs, the chances of LIC transforming itself as a company under the Indian Companies Act, seem remote. As the Government had indicated that the public sector banks could approach the capital market for raising capital, it may be possible that LIC may also choose the IPO route for raising funds.
As for as the four subsidiary companies are concerned, it was suggested that they should function as independent companies run by a board. It was further proposal that the equity capital of each of these companies should be raised to Rs.100 crores with a 50% holding by the Government and the rest by the public and the employees of the respective companies. The move to privatise LIC and GIC was opposed tooth and nail by the employees of both these organizations. The All India Insurance Employees Association particularly took the lead in enlisting the support of various bodies in opposing the move. Various unions and associations of employees organized rallies and meets with opinion makers and the public, including policyholders to mobilize public opinion. Besides these, signature campaigns were organized and a memorandum containing thousands of signatures was handed over to the then Prime Minister. To examine the views of the opposition, the Government formed a committee of the parliamentarians. The Committee decided to recommend to the Government to drop the proposal of the Malhotra Committee to privatize LIC, GIC and its subsidiaries. The Government accepted the suggestion and, at the same time, did not accede to the demand for insulating the insurance industry from competition.

The passage of the Insurance Regulation and Development Authority Bill 1998, by both Houses of the
Parliament in December 1999, the history of Indian insurance has come a full circle. Its history from the dawn of the eighteenth century to the beginning of the new millennium is a long and chequered one. On 23rd October 2000, the first private sector life insurance company [HDFC Standard Life] issued licence after the sector is once again opened for private participation. In May 2003, the IRDA had registered the following 13 companies as life insurance.

Insurance is that covers the insured for a specified period such as one, five, or 10 years, often with an option to renew. Premiums are paid throughout this time, but generally become higher during the course of the term, as the policyholder grows older. A life insurance policy purchased for a term of years. If the person dies during this term, the beneficiary receives the face amount of the policy. The policy expires at the end of the stated number of years. Insurance provides coverage for a specific period of time, usually from one to thirty years. Term policies provide a death benefit only if the insured dies during the term. Term insurance is life insurance coverage for a specified period of time. This can be at a guaranteed rate or in some cases a guaranteed rate for a period of time and then a projected rate. Term periods can be for 1 year, 5, 10, 15, 20 and even 30 years. For example; 30-year level term would guarantee a level premium for 30 years based on a specified death benefit. Term life insurance is usually the least expensive
form of life coverage. Insurance industry, earlier comprised of only two state insurers: Life Insurers, i.e., Life Insurance Corporation of India (LIC) and General Insurers, i.e., General Insurance Corporation of India (GIC). The GIC had four subsidiary companies. With effect from Dec. 2000, these subsidiaries have been de-linked from the parent company and made as four independent insurance companies. Oriental Insurance Company Limited, New India Assurance Company Limited, National Insurance Company Limited and United India Insurance Company Limited. The licenses for insurance companies were issued by the Insurance Regulatory and Development Authority (IRDA) in 2001. At present following are the players in the Indian Insurance Market:
# Life Insurance Companies during the period 1996-2007

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Year of Operation</th>
<th>Insurance Company</th>
<th>Date of Registration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2000-01</td>
<td>HDFC Standard Life Insurance Co. Ltd.</td>
<td>23.10.2000</td>
</tr>
<tr>
<td>2</td>
<td>2000-01</td>
<td>Max New York Life Insurance Co. Ltd.</td>
<td>15.11.2000</td>
</tr>
<tr>
<td>4</td>
<td>2000-01</td>
<td>Birla Sun Life Insurance Co. Ltd.</td>
<td>31.01.2001</td>
</tr>
<tr>
<td>5</td>
<td>2000-01</td>
<td>Tata-AIG Life Insurance Co.Ltd.</td>
<td>12.02.2001</td>
</tr>
<tr>
<td>6</td>
<td>2001-02</td>
<td>Om Kotak Life InsuranceCo. Ltd.</td>
<td>10.01.2001</td>
</tr>
<tr>
<td>7</td>
<td>2001-02</td>
<td>SBI Life Insurance Co. Ltd.</td>
<td>29.03.2001</td>
</tr>
<tr>
<td>8</td>
<td>2001-02</td>
<td>ING Vysya Life Insurance Co. Ltd.</td>
<td>02.08.2001</td>
</tr>
<tr>
<td>9</td>
<td>2001-02</td>
<td>Allianz Bajaj Life Insurance Co. Ltd</td>
<td>03.08.2001</td>
</tr>
<tr>
<td>10</td>
<td>2001-02</td>
<td>Metlife India Insurance Co</td>
<td>06.08.2001</td>
</tr>
<tr>
<td>11</td>
<td>2001-02</td>
<td>Reliance Life Insurance Co. Ltd. (Earlier AMP Sanmar Life Insurance Company)</td>
<td>03.01.2002</td>
</tr>
<tr>
<td>12</td>
<td>2002-03</td>
<td>AVIVA</td>
<td>14.05.2002</td>
</tr>
<tr>
<td>13</td>
<td>2004-05</td>
<td>Sahara Life Insurance Co.</td>
<td>06.02.2004</td>
</tr>
<tr>
<td>14</td>
<td>2005-06</td>
<td>Shriram Life Insurance Co. Ltd.</td>
<td>17.11.2005</td>
</tr>
</tbody>
</table>
1. HDFC Standard Life Insurance Co. Ltd.

HDFC Standard Life Insurance Co. Ltd was incorporated on 14th August 2000. It is a joint venture between the Housing Development Finance Corporation Limited (HDFC Ltd.) India and the UK based Standard Life Company. Both the joint venture partners being one of the leaders in their respective areas came together to form the HDFC Standard Life Insurance Company Limited. The MD and CEO of HDFC Standard Life Mr. Deepak Satwalekar, has given the company new directions and has helped the company achieve the status it currently enjoys. The HDFC Standard Life brings a whole range of insurance solutions be it group or individual or NAV services for corporations, they can be easily customized as per specific needs. The HDFC Standard Life Insurance, India boasts of covering around 8.7 lakh lives by March 2007. The gross incomes standing at a whopping Rs. 2,856 crore, the HDFC Standard Life Insurance Corporation is sure to become one of the leaders and the first preference for any life insurance customer. The Banc assurance partners of the HDFC Standard Life Insurance Co Ltd are HDFC Bank India Limited, Union Bank of India, Indian Bank, Bank of Baroda, Saraswat Bank and Bajaj Capital. The various products by the HDFC Standard Life include:

Insurance agents. Max New York Life brings specially customized products and services that are flexible and can be customized to suit the customers’ needs. It now has 30 life insurance products and 8 riders that can be customized to over 800 combinations enabling customers to choose the policy or plan that best fits their need.

3. ICICI prudential Life Insurance Co. Ltd.

ICICI Prudential Life Insurance Company is a joint venture between ICICI Bank, a premier financial powerhouse and prudential, a leading international financial services group headquartered in the United Kingdom. ICICI Prudential was amongst the first private sector insurance companies to begin operations in December 2000 after receiving approval from the Insurance Regulatory Development Authority (IRDA). The company has a network of about 56,000 advisors as well as 7 banc assurance and 150 corporate agent tie-ups.

4. Om Kotak Mahindra Life Insurance Co.Ltd.

Founded in 2001, Kotak Mahindra Old Mutual Life Insurance Ltd. is a joint venture between Kotak Mahindra Bank Ltd. (KMBL), and Old Mutual plc. Kotak Mahindra is one of India's leading financial institutions which offer a range of
financial services, such as commercial banking, stock broking, mutual funds, life insurance, and investment banking. And, Old Mutual is an international insurance and investment management company based in London, offering a diverse range of financial services in South Africa, the United States and the United Kingdom since more than 150 years. Kotak Mahindra Old Mutual Life Insurance Ltd. is a company which offers Life Insurance products. It is one of India's most rapidly growing insurance companies, employing over 1,000 people, across various offices in India. Kotak Mahindra Old Mutual Life Insurance Ltd offers different types of Life Insurance Policies.

5. Birla Sun Life Insurance Co. Ltd.

Birla Sun Life, under the management of Mr. Nani B. Javeri as the CEO, is a Rs. 180 crore equity capital company. Birla Sun Life Insurance Co. Ltd is a 26:74 joint venture between Sun Life Financial Services Canada and Aditya Birla Group. Just four years down the industry pipeline, Birla Sun Life Insurance or BSLI has secured a lead in the private life insurance market. The distribution channels of the BSLI include direct sales force, alternate channels, IT systems and groups to ensure convenience of the potential customers. Highly professional dealing, corporate governance and complete transparency have earned Birla Sun Life Insurance Co Ltd. the trust of its customers. The many pioneering activities by the
Birla Sun Life include Unit Linked Life Insurance Solutions, Investment Linked Insurance Products and Web-Based Insurance Policies sale. The Birla Sun Life Insurance Company Limited also offers MF (Mutual Fund), international equity funds and dream plans in insurance products that give complete transparency and value-for-money. The Birla Sun Life products include.

6. Tata AIG Life Insurance Co.Ltd.

Tata AIG Life Insurance Company Limited, which is a joint venture between the Tata Group and the American International Group, Inc. (AIG), offers a number of standard and custom-made life insurance policies. Tata is one of the oldest and leading business groups of India. Tata Group has had a long association with India's insurance sector being the largest insurance company in India prior to the nationalisation. The American International Group, Inc (AIG) is the leading U.S. based international insurance and financial services organization.

7. SBI Life Insurance Co. Ltd.
The SBI Life has a unique multi-distribution model encompassing Banc assurance, Agency and Group Corporate. The SBI Life extensively leverages the State Bank Group as a platform for cross-selling insurance products. At present, the
SBI Life has over 400 branch offices in India. It takes pride in its track record of growth, financial solidity, ethical practices, domain expertise and meritocratic culture.

The SBI Life Insurance Company Limited is a joint venture between the State Bank of India and the BNP Paribas Assurance. The SBI Life Insurance is registered with an authorized capital of Rs 2,000 crore and a Paid-up capital of Rs 1,000 crore. The SBI owns 74% of the total capital and the BNP Paribas Assurance the remaining 26%. The State Bank of India enjoys the largest banking franchise in India. Along with its 7 Associate Banks, the SBI Group has the unrivalled strength of over 14,500 branches across the country, arguably the largest in the world.

The BNP Paribas Assurance is the life and property & casualty insurance unit of the BNP Paribas - Euro Zone’s leading Bank. The BNP Paribas, part of the world's top 6 groups of banks by market value and a European leader in global banking and financial services, is one of the oldest foreign banks with a presence in India dating back to 1860. The BNP Paribas Assurance is the fourth largest life insurance company in France, and a worldwide leader in Credit insurance products offering protection to over 50 million clients. The BNP Paribas Assurance operates in 41 countries mainly through the banc assurance and partnership model. The SBI Life has a unique multi-distribution model encompassing Banc
assurance, Agency and Group Corporate. The 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. The 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. Its Agency Channel, comprising of the most productive force of more than 63,000 Insurance Advisors, offers door to door insurance solutions to customers.

8. ING Vysya Life Insurance Co. Ltd.

ING Vysya Bank Ltd., is an entity formed with the coming together of the erstwhile, Vysya Bank Ltd, a premier bank in the Indian Private Sector and a global financial powerhouse, ING of Dutch origin, during October 2002. The origin of the erstwhile Vysya Bank was pretty humble. It was in the year 1930 that a team of visionaries came together to form a bank that would extend a helping hand to those who weren't privileged enough to enjoy banking services.

It's been a long journey since then and the Bank has grown in size and stature to encompass every area of the present-day banking activity and has carved out a distinct identity of being India's Premier Private Sector Bank. In 1980,
the Bank completed fifty years of service to the nation; and post 1985, the Bank made rapid strides to reach the coveted position of being the number one private sector bank. In 1990, the bank completed its Diamond Jubilee year. At the Diamond Jubilee Celebrations, the then Finance Minister, Prof. Madhu Dandavate, had termed the performance of the bank ‘stupendous’. The 75th anniversary, the Platinum Jubilee of the bank, was celebrated during 2005.


The Bajaj Allianz Life Insurance Co. Ltd. is a joint venture between two leading conglomerates - Allianz AG, one of the world's largest insurance companies, and Bajaj Auto, one of the biggest 2 and 3-wheeler manufacturers in the world. Characterized by global presence with a local focus and driven by customer orientation to establish high earning potentials and financial strength, the Bajaj Allianz Life Insurance Co. Ltd. was incorporated on 12\textsuperscript{th} March 2001. The company received the Insurance Regulatory and Development Authority (IRDA) certificate of Registration (R3) No 116 on 3rd August 2001 to conduct Life Insurance business in India. Bajaj Auto Ltd, the flagship company of the Rs. 8,000 crore Bajaj group is the largest manufacturer of two-wheelers and three-wheelers in India and one of the largest in the world. A household name in India, Bajaj Auto has a strong brand image & brand loyalty
synonymous with quality & customer focus. With over 15,000 employees, the company, a Rs. 4,000 crore auto giant, is the largest 2/3-wheeler manufacturer in India and the 4th largest in the world. AAA rated by Crisil, Bajaj Auto has been in operation for over 55 years. It has joined hands with Allianz to provide the Indian consumers with a distinct option in terms of life insurance products.

10. Metlife India Insurance Company Pvt. Ltd.:

The MetLife India Insurance Company Private Limited was incorporated in April 2001 as a joint venture between the MetLife International Holdings, Inc., the Jammu and Kashmir Bank, M. Pallonji and Co. Private Limited and other private investors. The Metlife India insurance company is a subsidiary of the US based metropolitan life insurance company. The Metlife brings over 135 years of experience in insurance products --- life insurance, automobile and home insurance, annuities, retail banking and other financial services to individuals, as well as group insurance. They also provide reinsurance to corporations and other institutions and also retirement and savings products and services. The Metlife reaches out to their customers in India through a network of 9 branches with head office at Bangalore and around 1,000 customer reach points through its distribution channels including online premium insurance sales on the Metlife
insurance.com. Quotes on various insurance products are also conveyed through the insurance agents and brokers. The palette of insurance products from the Metlife Insurance includes:

11. AMP Sanmar Life Insurance Company Limited:

The AMP Sanmar Life Insurance Company Limited was a 26:74 joint venture between the AMP Australia and the Sanmar Group. The initial paid up capital of the joint venture was Rs. 125 crore and an initial target of selling around 30,000 policies in the first year of its commencement. In 2005, the Reliance Life Insurance Company Limited, a subsidiary of the Reliance Capital Limited under Anil Ambani, acquired the AMP Life Assurance Co. Ltd. this made the Reliance Life Insurance the very first private sector life insurance company to start business in India without any foreign collaborator. The AMP Sanmar handed over 90 branches, 900 staff and 9000 agents to the Reliance Life. This gave the Reliance Life Insurance the jumpstart it needed to get IRDA (Insurance Regulatory and Development Authority) approval. The other industry suitors for the bid of the AMP Assurance Co. Ltd were Aviva, ICICI Prudential Life Insurance Company, etc. But, the Reliance outbid them with the bidding amount ranging between Rs. 225 - 400 crore. The AMP Sanmar has two names brought together. One being the AMP Limited, that is one of the world's leading financial services provider with a customer base of over 9
million, and the other is the Sanmar Group, that is among the largest industrial groups in South India. The turnover of the Sanmar Group is around Rs. 10 billion with businesses in PVC/Chloro chemicals, specialty chemicals, shipping and engineering.

12. Aviv Life Insurance Co. Ltd.

The Aviva Insurance dates back to 1834 in India. It was the largest foreign insurer in India at the time of nationalization and was the first foreign insurance company to set up a representative office back in 1995. The Aviva Life Insurance Company is UK's largest insurance group and at fifth position globally. Aviva can proudly boast of a customer base of over 40 million satisfied policyholders worldwide. In India, the Aviva Life Insurance Co Pvt. Ltd is a 26:74 joint venture between Aviva and Dabur India. Dabur being one of the largest and oldest groups of companies in India brings with it the assurance of the experienced. The sales force or the insurance agents and brokers at the Aviva Life Insurance is a whopping 28,000 Financial Planning Advisors (FPA's). Aviva is also accredited to the introduction of Banc assurance in India. Aviva has Banc assurance tie ups with the leading Banks in India including 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.


The CGU’s Retail strategic business unit sells products to SME businesses and consumers through international, metropolitan, regional and rural brokers and authorised representatives. The unit includes CGU’s Regional and Rural branch network with more than 70 offices located throughout Australia. There are about 650 people working in the Retail strategic business unit across Australia.

These thirteen insurance companies are limited companies registered under the Companies Act, unlike the LIC, which is a corporation set up under the LIC Act of 1956 by the Central Government with a share capital of Rs.5 crore, and the PLI, which is a department of the Government of India. Each of these organizations have different organizational structures. Not only the number of offices and their locations, but also the designations and responsibilities vested at various positions are be different.³
**Growth in Policies in LIC & Private Company**

**Table No.7.1**

**Growth in policies of the LICI Vs the Private Companies**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Year</th>
<th>Policies Issued by LIC</th>
<th>Percentage</th>
<th>Policies Issued by Private Companies</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2002-03</td>
<td>24,545,580</td>
<td>96.75</td>
<td>825,094</td>
<td>03.25</td>
</tr>
<tr>
<td>2</td>
<td>2003-04</td>
<td>26,968,069</td>
<td>09.87</td>
<td>1,658,847</td>
<td>101.05</td>
</tr>
<tr>
<td>3</td>
<td>2004-05</td>
<td>23,978,123</td>
<td>-11.09</td>
<td>2,233,075</td>
<td>34.62</td>
</tr>
<tr>
<td>4</td>
<td>2005-06</td>
<td>31,590,707</td>
<td>31.75</td>
<td>3,871,410</td>
<td>73.37</td>
</tr>
<tr>
<td>5</td>
<td>2006-07</td>
<td>38,229,292</td>
<td>21.01</td>
<td>7,922,274</td>
<td>104.64</td>
</tr>
</tbody>
</table>

**Total**

<table>
<thead>
<tr>
<th></th>
<th>145,311,771</th>
<th>148.29</th>
<th>16,510,700</th>
<th>316.93</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mean</strong></td>
<td>29,062,354</td>
<td>29.66</td>
<td>3,302,140</td>
<td>63.39</td>
</tr>
<tr>
<td><strong>Max</strong></td>
<td>38,229,292</td>
<td>96.75</td>
<td>7,922,274</td>
<td>104.64</td>
</tr>
<tr>
<td><strong>Min</strong></td>
<td>23,978,123</td>
<td>-11.09</td>
<td>825,094</td>
<td>03.25</td>
</tr>
</tbody>
</table>

Figure in percentage indicates the growth over the previous year.

**Source:** - IRDA Handbook on Indian Insurance Statistics 2007-2008
Table No.7.1 Shows the growth rate of policies of Life Insurance Corporation of India and the total Private Companies. The total policies issued by the Life Insurance Corporation of India were 145,311,771 and by the Private Companies 3,302,140. The annual growth of the LIC as well as Private Companies was the highest in 2006-2007, 38,229,292 and 7,922,274 respectively. And, it was the lowest for the LIC in 2004-04 at 23,978,123 and for the Private Companies at 825,094 in 2002-2003.

The Chart No.7.1 based on the same data in table 7.1 the shows that the average growth rate in the policies of the Life Insurance Corporation of India was 29.66% and of the Private Companies 63.39%. The annual growth rate of the policies issued by the LIC was the highest 96.75% in 2002-03 and that of the Private Companies 104.64% in 2006097.
Growth in the Total Life Insurance Premium

Table No.7.2
LIC Vs Private Insurance Premium Growth

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Year</th>
<th>Total Life Insurance Premium of LIC</th>
<th>Total Life Insurance Premium of Private Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2001-02</td>
<td>49821.90</td>
<td>272.60</td>
</tr>
<tr>
<td>2</td>
<td>2002-03</td>
<td>54628.50</td>
<td>1119.10</td>
</tr>
<tr>
<td>3</td>
<td>2003-04</td>
<td>63533.40</td>
<td>3120.30</td>
</tr>
<tr>
<td>4</td>
<td>2004-05</td>
<td>75127.30</td>
<td>7727.50</td>
</tr>
<tr>
<td>5</td>
<td>2005-06</td>
<td>90792.20</td>
<td>15083.50</td>
</tr>
<tr>
<td>6</td>
<td>2006-07</td>
<td>127822.80</td>
<td>28253.00</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>461726.10</td>
<td>55576</td>
</tr>
<tr>
<td></td>
<td>Mean</td>
<td>76954.35</td>
<td>9262.67</td>
</tr>
<tr>
<td></td>
<td>Maximum</td>
<td>127822.8</td>
<td>28253.00</td>
</tr>
<tr>
<td></td>
<td>Minimum</td>
<td>49821.09</td>
<td>00272.60</td>
</tr>
</tbody>
</table>

Table No.7.2 shows the growth of insurance premium of the Life Insurance Corporation of India and all Private Companies. The amount of the insurance premium had been continuously increasing for both the LIC and the private insurance companies during the period under the study. The average increase in the premium of the Life Insurance Corporation of India was Rs. 76,954.35 crore and that of the private life insurance companies was Rs. 9,262.67 crore. The annual increase for both the Life Insurance Corporation of India and the private insurance companies was the highest in 2006-07; Rs. 127,822.8 crore 28253.00 crore, respectively. For better appreciation of the change in the premium amount of both the LIC and the private life insurance companies has been illustrated in chart 7.2.
Globalisation and its Impact on LIC:

The process of globalization involves the gradual removal of exchange barriers and the free flow of capital and services, and wider access to information and technology the philosophy of globalization involves a two-tier action plan. As far as the national level activities are concerned, the following are the general objectives.

Substained economic growth by adhering to a free market economy.

Integrating the national economy with the global economy.

Privatisation of industries to overcome public enterprise inertia.

Development of infrastructure and enactment of necessary statutes to implement the process of liberalization. At the global level, it aims to achieve.

Free movement of goods and services.

Right to invest without restrictions.

Free flow and circulation of capital.

Having considered the importance of globalization for business and Economic development, a ‘Globalisation Quotient’, model was presented at the 1999 World Economic Forum [WEF] meet at Davos by the international consulting firm Dloitte Touche Tohmutsy to test the Globalisation Quotient [GQ] of multinational companies. The model was designed to test traits like developing a global strategic fit, enhancing the global shareholders value, global corporate governance, innovative
ability including global integration, regional human resources development, etc.

At the same time, strong under-currents against globalization also started emerging in the developing countries. For example, in one of the sessions at Davos, a Swiss resort, Vicente Fox, the president of Mexico, declared that the WEF should address itself to the problems of the billions who live below 1 USD per day, the present form of globalization would not meet the aspirations of the divided and unequal societies spread all over the world. Many representatives from the developing countries echoed his sentiments. It is significant that at the same time in 2001, the first session of the World Social Forum started gaining importance. And, for the first time, it held its annual meet outside Brazil at Goregaon, a suburb of Mumbai, in January 2004. The voices of dissent to the global trade regime were more vociferous at the 2005 Hong Kong WTO Ministerial meet, also.

Another group that was not satisfied with the Asian economic perceptions of WEF started a counter move called the ‘Boao Forum for Asia’, popularly known as the ‘Asian Davos’ to address Asia-specific economic issues. The sunny side of the globalization is the process that is destined to spin out economic growth, free circulation of capital and market expansion. While the penumbra look as the continuation of poverty, illiteracy and
non-percolation of benefits to a major section of the global society.\textsuperscript{4}

**Impact of Product diversifications on LIC Business:**

Product diversification of life insurance business yield considerable results. People are attracted to the products of the new policies of insurance which meet their demand, of children’s education, marriage of daughters, their risk coverage, pension benefit to spouse and self periodical monetary requirements and risk coverage. Different policies as discussed above have added more business as is clear from the foregoing tables. Had these policies not been issued, the insurance business would not have expanded so high. Being encouraged with the result of new schemes of life insurance the LIC has introduced a very important schemes known a Jeevan Suraksha in 1998 and many other schemes are in pipe-lines. Jeevan Suraksha is available in three types to suit individual needs of pension with life cover, pension without life cover and pension with endowment type.\textsuperscript{5}

**Globalisation and Life Insurance:**

Globalisation has significantly improved specialisation in resource allocation, productivity enhancement and specialisation and greater innovation, adaptability and utilisation of technology which has necessitated the need for
cross border economic activity for all countries. Resource mobility has not only reduced the cost of production and distribution, but, also boosted competition across the border. Therefore important drivers of globalisation are expansion of International Trade, Internationalisation of Financial Market and Migration. Baldwin and Martin (1999) observed key aspects of globalization namely trade, investment, migration and factor prices, capital flows and markets, and industrialization and income convergence and divergence. Both waves of globalization were driven by radical reduction in technical and policy barriers to international transactions…. But, the uniqueness in recent globalization is heavily shaped by the dramatic reduction in communications cost, what is sometimes referred to as ‘the death of distance.’

**Financial Globalisation:** Advancement in information technology, innovation in financial products, and increase in trade and services provided boost to the cross border flow of capital. Capital Mobility is considered as an indicator of financial integration. Other indicator being gross stocks of foreign assets and liabilities. The process of Globalisation is strongly supported by Financial Globalisation. There is an inextricable relation between increased international trade in goods and services and the increased flow of international capital. It is because increased trade is followed by increase in
payments, banking service, hedging, etc. Stock markets, mentioned in the beginning, has replaced the role of Banking to a great extent as a financier to corporate and development funds. Stock markets, in a globally integrated financial market facilitate risk sharing; improve efficiency of resource allocation, impact savings decisions and provide liquidity; thus supporting faster economic growth. Globally integrated stock market facilitates economic growth in several ways namely:

• Improve much needed liquidity in the market.
• Provide prudent resource allocation prospects.
• Create an environment for flow of savings thus reducing uncertainty of capital in the market.
• Reduce risks through global diversification liberalised and internationally integrated stock markets, thus, boost economic growth.

Benefits of Financial Globalisation: Liberalisation and globalisation produces immense benefits to the countries. Integrated liberalisation creates conducive climate for faster economic growth, allows up-gradation of technology, provides scale of economy, expansion of markets domestically and internationally. Economic integration through liberalisation can also expand job opportunities in domestic market and through migration of labour, in general. Financial Globalisation produces
higher economic growth through direct and indirect impact on economy.

Liberalization of financial markets provides growth generating opportunities including the following:

By encouraging FDI, developing economies can import much needed technology, which would further generate spillovers for the local firms. Saggi (2002) mentioned three types of potential channels of spillovers, namely Demonstration Effect (local firms adopting multinational introduced technologies), labour turnover switchover of trained labours to local firms (enabling technology diffusion) and vertical linkages (multinationals supplying technology to suppliers of intermediate goods).

Global Financial integration augment much required domestic saving and boost up capital investment in investment starved countries. It also provides avenues for better allocation of capital and minimizes risks. Further, capital flow is accompanied by transfer of technology and finally assists in promoting healthy capital market. Indirect influences of globalisation include promotion of globalization and integration of domestic economies which is followed by improving the macro economic policy framework and setting up economic institutions and better governance system. Financial liberalisation has forced many countries to open up financial markets and relaxed the rules of intermediation allowing financial services institutions like investment banks, asset management companies, Mutual
Funds, Pension Funds etc., to operate in newly liberalised markets. The forces of change unleashed by the financial globalization, reflected in disintermediation of the banking system, increase in cross border financial activity, increased competition in savings, market convergence in financial services industry, etc.

**Economy related benefits to the local country:**
Foreign insurance companies along with the local companies add further momentum to mobilization of savings. Institutional network in the savings market increases which also influences the saving behaviour of households and corporates. Resources and capital allocation in the Domestic Market increases with the increased sophistication brought by the foreign insurance companies. It also improves the financial stability in the host country, as well as facilitates improvement in production and trade.

**F. Managing in the face of Globalisation**
India has been successfully able to come out of Hindu Growth Rate, thanks to the Vision & Mission of the present leadership who has embarked upon Liberalisation and new growth strategy, providing regenerated momentum to world economy clearing the pat of flow of savings and capital to the Indian market. The primary challenge before the Indian life and non-life insurance
industry is to improve penetration level within a five-year time frame, at least up to world level, if not to the level of the countries with equal growth rate. Now, it is the responsibility of the Indian insurance companies to mobilise funds from the savings market through their marketing initiatives and performance. Challenges are many; and, therefore, concerted efforts are required to increase the coverage and penetration level through a wide range of actions in the areas of strategic business planning, product innovation, management accountability, efficiency in investment management, technology management, HR management, service quality management, improvement in disclosures and corporate governance. Continuous innovation in financial services has been creating ever growing demand for new skills to suit the organisational requirements. New knowledge in technology led market place has made obsolete the yesterday’s expertise. There is no room for precedent oriented decision making or purely perception based management. Today’s hard reality demands quantitative decisions based on hard facts and research findings – and that can be delivered by a few, the talented. Thus, the organisation needs to recruit and manage to retain them. Talent management is, therefore, going to be a critical task and challenge for the insurance companies. Talent management will require focussing on the structured requirement and long term policy of recruitment and retention. Organisational culture
should enable the prospective employees as employment brand where self actualisation is a naturally generated phenomenon. Continuous cultural change promotes creativity, connectivity and continuity. However, the most crucial aspect seems to be the quality of Management which is not only actively alive to the explicit and implicit changes in the market, and customers’ expectation but, also capable to implement new thoughts, new ideas and new strategies through a band of committed creative managers. In this format of dynamic management practices, the critical factors are management contribution and accountability. Life insurance industry has moved from staff monopoly to competitive market place, where management must be market driving instead of marketing driven.
Reference: