CHAPTER- 3

TRENDS OF LIFE INSURANCE ACROSS THE GLOBE AND INDIA

3.1 Introduction

3.2 Leading insurance companies across the globe and market segments

3.3 Indian scenario
3.1: INTRODUCTION

In today’s business world of cut throat competition it is difficult or rather impossible for any business organization to survive without properly identifying the changing needs of customers and designing and catering products according to those needs. It becomes even more important when it a service like life insurance which is expected to provide benefits for future.

Today marketing is everywhere, formally or informally, people and organization engage in vast number of activity that we call as marketing. But still there is one constraint before all companies that they cannot connect to all customers in large, broad or diverse market, every company want to focus on customers within their capacity and with customers’ intimacy. For this market is to divide into groups of consumers or segments with distinct needs and wants. This strategy of dividing the market in homogenous group is known as segmentation (Goyat, 2011).

In the world of insurance, only life insurance is considered by its very nature to be long term. The insurance policy is, therefore, as valuable as securities (Pisac, 2005). Furthermore, life insurance is an important investment, promising significant profit to the insured or beneficiary (Langley, 2008). The life insurance market all over the world is very competitive as a consequence of its very nature, namely being widely available, acting as investment, providing protection and so on. Life insurance policies are financial products that offer two main services namely, income replacement for premature death and long term savings.

The roots of insurance might be traced to Babylonia, where traders were encouraged to assume the risks of the caravan trade through loans that were repaid (with interest) only after the goods had arrived safely—a practice resembling bottomry and given legal force in the Code of Hammurabi (c.2100
B.C.). The Phoenicians and the Greeks applied a similar system to their seaborne commerce. The Romans used burial clubs as a form of life insurance, providing funeral expenses for members and later payments to the survivors (http://www.cotterill.com)

With the growth of towns and trade in Europe, the medieval guilds undertook to protect their members from loss by fire and shipwreck, to ransom them from captivity by pirates, and to provide decent burial and support in sickness and poverty. By the middle of the 14th century, as evidenced by the earliest known insurance contract, marine insurance was practically universal among the maritime nations of Europe. In London, Lloyd’s Coffee House (1688) was a place where merchants, ship owners, and underwriters met to transact business. By the end of the 18th century Lloyd’s had progressed into one of the first modern insurance companies. In 1693 the astronomer Edmond Halley constructed the first mortality table, based on the statistical laws of mortality and compound interest. The table, corrected (1756) by Joseph Dodson, made it possible to scale the premium rate to age; previously the rate had been the same for all ages (www.insuranceinfo.com)

Insurance developed rapidly with the growth of British commerce in the 17th and 18th century. Prior to the formation of corporations devoted solely to the business of writing insurance, policies were signed by a number of individuals, each of whom wrote his name and the amount of risk he was assuming underneath the insurance proposal, hence the term underwriter. The first stock companies to engage in insurance were chartered in England in 1720, and in 1735, the first insurance company in the American colonies was founded at Charleston, S.C. Fire insurance corporations were formed in New York City (1787) and in Philadelphia (1794). The Presbyterian Synod of Philadelphia sponsored (1759) the first life insurance corporation in America, for the benefit of Presbyterian ministers and their dependents. After 1840, with the decline of religious prejudice against the practice, life insurance
entered a boom period. In the 1830s the practice of classifying risks had begun (economicadventure.org).

The New York fire of 1835 called attention to the need for adequate reserves to meet unexpectedly large losses. Massachusetts was the first state to require companies by law (1837) to maintain such reserves. The great Chicago fire (1871) emphasized the costly nature of fires in structurally dense modern cities. Reinsurance, whereby losses are distributed among many companies, was devised to meet such situations and is now common in other lines of insurance. The Workmen's Compensation Act of 1897 in Britain required employers to insure their employees against industrial accidents. Public liability insurance, fostered by legislation, made its appearance in the 1880s; it attained major importance with the advent of the automobile (Gupta, 2003).

In the 19th century many friendly or benefit societies were founded to insure the life and health of their members, and many fraternal orders were created to provide low-cost, members-only insurance. Fraternal orders continue to provide insurance coverage, as do most labor organizations. Many employers sponsor group insurance policies for their employees; such policies generally include not only life insurance, but sickness and accident benefits and old-age pensions, and the employees usually contribute a certain percentage of the premium.

Since the late 19th century there has been a growing tendency for the state to enter the field of insurance, especially with respect to safeguarding workers against sickness and disability, either temporary or permanent, destitute old age, and unemployment. The United States Government has also experimented with various types of crop insurance, a landmark in this field being the Federal Crop Insurance Act of 1938. In World War II the government provided life insurance for members of the armed forces; since
then it has provided other forms of insurance such as pensions for veterans and for government employees (www.encyclopedia2.thefreedictionary.com).

After 1944 the supervision and regulation of insurance companies, previously an exclusive responsibility of the states, became subject to regulation by Congress under the interstate commerce clause of the United States Constitution. Until the 1950s, most insurance companies in the United States were restricted to providing only one type of insurance, but then legislation was passed to permit fire and casualty companies to underwrite several classes of insurance. Many firms have since expanded, many mergers have occurred, and multiple-line companies now dominate the field. In 1999, Congress repealed banking laws that had prohibited commercial banks from being in the insurance business; this measure was expected to result in expansion by major banks into the insurance arena.

In recent years insurance premiums (particularly for liability policies) have increased rapidly, leaving unprecedented numbers of Americans uninsured. Many blame the insurance conglomerates, contending that United States citizens are paying for bad risks made by the companies. Insurance companies place the burden of guilt on law firms and their clients, who they say have brought unreasonably large civil suits to court, a trend that has become so common in the United States that legislation has been proposed to limit lawsuit awards. Catastrophic earthquakes, hurricanes, and wildfires in late 1980s and the 90s have also strained many insurance company's reserves (Vaughn, 1986).

Insurance and risk management make up an immense global industry. According to a survey conducted by a leading global insurance firm, Swiss Re, worldwide insurance premiums totaled $4.06 trillion in 2009. This was equal to 6.98% of global GDP. Global life insurance premiums were $2.33 trillion during 2009, while all other types of insurance totaled $1.73 trillion. In
America alone, the insurance business employed about 2.24 million people in 2009, and gross insurance premiums totaled $1.34 trillion. More than 4,000 companies underwrite insurance in America. Total insurance premium volume for 2009 was $1.61 trillion in Europe; $989.4 billion in Asia; $110.9 billion in Latin America and the Caribbean; $28.5 billion in the Middle East and Central Asia; and $54.7 billion in Africa (www.swissre.com).¹⁰

Massive amounts of insurance company earnings come from the sale of annuities and other retirement and investment products, along with profits (or losses) that insurance underwriters earn on the investment of their own assets and reserves. 2008’s stock market meltdown had a significant effect on profits and assets at life insurance companies in particular, and property and casualty companies to a lesser degree. Insurance companies also hold immense investments in real estate, hedge funds, private equity, venture capital funds and other types of investments. The global financial crisis hurt nearly all of these asset classes and thus hit the capital base of the insurance industry in a hard way. At the same time, business bankruptcies, unemployment and cost-cutting by both businesses and consumers hurt insurance sales.

In America, insurance is unique in the financial services field because, unlike banking and investments, which are regulated largely by federal agencies such as the Securities and Exchange Commission, insurance is regulated primarily at the state level. This means that insurance firms must deal with up to 50 different sets of state regulations and 50 different state regulatory agencies. At the same time, they must develop dozens of different premium rate structures that appropriately reflect the costs of meeting local risks and fulfilling state requirements. As a result, few insurance underwriters offer all of their insurance products in all 50 states; many do business only in a limited number of states. It is a regulatory and administrative problem that limits
consumer choices and drives up overall insurance costs (www.plunkettresearch.com)\textsuperscript{11}.

Recent regulatory changes have heightened competition within the insurance industry, an area in which competition has always been fierce. Massive mergers and acquisitions have resulted, creating financial services mega-firms, some of which offer a broad range of services and products to their customers, from checking accounts to investment products to life insurance. In some cases, this strategy was a failure, most notably in Citigroup’s attempt to meld together a financial empire by adding a major investment firm (Smith Barney) and a leading insurance company (Travelers) to its existing banking organization. Competition only became more intense. While there are tens of thousands of small insurance firms worldwide, the industry tends to be concentrated in a few hundred major companies, many of which enjoy brands that are household names. A handful of these leading firms operate on a truly global scale (www.plunkettresearch.com).

Asia is becoming an important growth engine for global insurers due to the changing socioeconomic dynamics. According to a latest research report from HSBC, in order to be long-term winners, life insurance companies in Asia need to diversify their income streams such that at least 25% of earnings are sourced overseas, while maintaining a dominant position in the domestic market (www.researchandmarkets.com)\textsuperscript{12}.

China is the major hand behind the dynamic growth in the Asian insurance sector, being the world’s largest untapped insurance market, it has the GDP growth of over 10% per annum, rapid economic development and a burgeoning consumer class. It has been the fastest-growing nation for the past quarter of a century, and its economy is the 4th largest in the world after the United States, Japan and Germany, with a nominal GDP of US$3.42 trillion (2007) when measured in exchange-rate terms. Several factors like China’s aging population; high savings rate and poor social security systems as well
as an increasing number of wealthy consumers segment, are responsible for this astounding level of growth. However, India has also significantly contributed towards the development of the insurance sector in Asia. Indian economy is the 12th largest in the world, with a GDP of $1.25 trillion and 3rd largest in terms of purchasing power parity. With factors like a stable 8-9 per cent annual growth, rising foreign exchange reserves, a booming capital market and a rapidly expanding FDI inflows, it is on the fulcrum of an ever increasing growth curve (www.researchandmarkets.com).\(^{13}\)

However, it remains a fact that nearly 70% of Indian population is without life insurance cover while health insurance and non-life insurance continues to be below international standards. This part of the population is also subjected to weak social security and pension systems with hardly any old age income security. Insurance in India is primarily used as a means to improve personal finances and for income tax planning. Indians have a tendency to invest in properties and gold followed by bank deposits. They selectively invest in shares also but, the percentage is very small (4%-5%). This in itself is an indicator that growth potential for the insurance sector is immense. It’s a business growing at the rate of 15-20% per annum and presently is of the order of $47.9 billion (www.cci.gov.in).\(^{14}\)

India is a vast market for life insurance that is directly proportional to the growth in premiums and an increase in life density. With the entry of private sector players backed by foreign expertise, Indian insurance market has become more vibrant. Competition in this market is increasing with company’s continuous effort to lure the customers with new product offerings. However, the market shares of private insurance companies remains very low (15-20%). Even to this day, Life Insurance Corporation (LIC) of India dominates Indian insurance sector. The heavy hand of government still dominates the market, with price controls, limits on ownership, and other restrictions.
In 2000, Indian insurance market size was $21.71 billion. Between 2000 and 2007, it had an increase of 120% and reached $47.89 billion. Between 2000 and 2007, total premiums maintained an average growth rate of 11.96% and the CAGR growth during this time frame has been 11.96%. It was one of the most consistent growth patterns noticed in any other emerging economies in Asian as well as Global markets. Major driving Factors are growing demand from semi-urban population, entry of private players following the deregulation, rising demand for retirement provision in the ageing population, the opening of the pension sector and the establishment of the new pension regulator, rising per capita incomes among the strong middle class, and spreading affluence, growing consumer class and increase in spending and saving capacity, public private partnerships infrastructure development, dearth of innovative and buyer-friendly insurance products, success of auto insurance sector, emerging new areas like Healthcare Insurance and Pension Plans, mutual fund linked insurance products and multiple Distribution Networks like Bank assurance etc. (www.sheffieldhaworth.com).15

3.2: LEADING INSURANCE COMPANIES ACROSS THE GLOBE AND MARKET SEGMENTS

The study of international life insurance companies and their market segmentation strategies will not be complete without the study of American International Group, AXA group, Manulife financial, Prudential financial, and AGEON.

American International Group, Inc. (AIG) is an international insurance company, serving customers in more than 130 countries. AIG companies serve commercial, institutional and individual customers through property-casualty networks of any insurer. In addition, AIG companies are providers of life insurance and retirement services in the United States. AIG’s segments include Chartis, Sun America Financial Group (Sun America), Aircraft Leasing and Other Operations. On February 1, 2011 and August 18, 2011, the
Company divested its Japan-based life insurance subsidiaries, AIG Star Life Insurance Company Ltd. (AIG Star) and AIG Edison Life Insurance Company (AIG Edison), and Nan Shan Life Insurance Company, Ltd. (Nan Shan). On October 7, 2011, ILFC completed the acquisition of Aero-Turbine from Aer-Cap, Inc. Aero-Turbine is a provider of aircraft engines, aircraft and engine parts and supply chain solutions (www.aig.com).16

Chartis offers insurance products and services to businesses and individuals worldwide. Commercial insurance products are primarily distributed to businesses through insurance brokers. Principal lines of business include casualty, property, financial lines and specialty (including aerospace, environmental, marine, trade credit and political risk coverage, and various product offerings to small and medium enterprises (SMEs')). Consumer insurance products are primarily distributed to individual consumers or groups of consumers through individual agents, brokers, and on a direct-to-consumer basis. Consumer lines of business include accident and health (A&H), personal lines, and life insurance. Chartis conducts its business primarily through, National Union Fire Insurance Company of Pittsburgh, Pa; New Hampshire Insurance Company; American Home Assurance Company; Lexington Insurance Company; AIU Insurance Company; Chartis Overseas, Ltd.; Fuji Fire & Marine Insurance Company Limited (Fuji); Chartis Europe Holdings Limited, and Chartis Europe, S.A (www.aig.com).

Chartis is a property-casualty and general insurance organization serving more than 70 million clients worldwide. During the year ended December 31, 2011, Commercial Insurance and Consumer Insurance represented approximately 62% and 38%, respectively, of Chartis total net premiums written. Chartis' product portfolio includes both insurance coverage, such as general liability and commercial property, as well as specialized insurance for network security, aerospace, environmental liabilities, crisis management and financial lines. Chartis also offers specialized underwriting for particular
market segments and risks, such as the energy, construction, real estate and healthcare sectors. Commercial product lines include Casualty, which includes general liability, commercial automobile liability, workers' compensation, excess casualty and crisis management coverages; Property, which includes industrial and commercial property insurance products and energy, which cover exposures to man-made and natural disasters; Specialty, which includes environmental, political risk, trade credit, surety, marine, and aerospace insurance, and various product offerings for SMEs, and Financial Lines, which includes various forms of professional liability insurance, including directors and officers, fidelity, employment practices, fiduciary liability, network security, kidnap and ransom, and errors and omissions liability insurance that protect individual insured's and corporate entities (www.chartis.com).

Consumer Insurance provides personal insurance solutions for individuals and families, including accident and health, specialty coverage for high net-worth individuals, and homeowner and automobile insurance. Consumer product lines include Accident and Health, which includes voluntary and sponsor-paid personal accidental and supplemental health products, including accidental death and disability, accidental medical reimbursement, hospital indemnity and medical excess for individuals, employees, associations and other organizations, and also includes a range of travel insurance products and services for leisure and business travelers, including trip cancellation, trip interruption, lost baggage, travel assistance and concierge services; Personal Lines, which includes automobile, homeowners and extended warranty insurance, and also includes coverages for high net worth individuals (offered through Chartis Private Client Group), including umbrella, yacht and fine art coverage, and consumer specialty products, such as identity theft and credit card protection, and Life Insurance, which includes life products offered primarily through Fuji Life Insurance Company Ltd. Chartis Other consists primarily of certain run-off lines of business, including
excess workers' compensation and asbestos. Chartis distributes its products and services through a range of distribution channels. Commercial Insurance is generally distributed through global, regional and local brokers, agents and wholesalers. Consumer Insurance is generally distributed through insurance brokers, agents, direct to the consumer, and affinity groups (world insurance report, 2011).17

Sun America offers a suite of products and services to individuals and groups including term life, universal life, accident and health, fixed and variable deferred annuities, fixed payout annuities, mutual funds and financial planning. Sun America offers its products and services through a multi-channel distribution network that includes banks, national, regional and independent broker-dealers, affiliated financial advisors, independent marketing organizations, independent and career insurance agents, structured settlement brokers, benefit consultants and direct-to-consumer platforms. Sun America presents its business in two operating segments: Domestic Life, which focuses on mortality-and morbidity-based protection products, and Domestic Retirement Services, which focuses on investment, retirement savings and income solution products. SunAmerica's Domestic Life operations are conducted through American General. American General is a provider of individual term and universal life insurance solutions to middle-income and high-net-worth customers. Primary products include term, universal and whole life insurance, accident and health, fixed and indexed deferred annuities, fixed payout annuities, private placement variable annuities, structured settlements, terminal funding, corporate-owned life insurance, bank-owned life insurance and group benefits. American General distributes its products through AGLA, Matrix Direct and various independent marketing organizations, independent and career insurance agents, structured settlement brokers, benefit consultants and direct-to-consumer platforms (reuters.com).
Sun America's Domestic Retirement Services operations consist of five business units or segments. VALIC is a provider of defined contribution retirement savings plans sponsored by education, not-for-profit and Government organizations. Primary products of it include fixed and variable group annuities, and group mutual funds. VALIC also offers group administrative and compliance services, and individual annuity and mutual fund products. Western National is a provider of fixed deferred annuities to bank customers. Primary products of it include single and flexible premium deferred fixed annuities. SARM is a provider of deferred variable annuities, which provide retirement income solutions. Variable annuities provide market participation through a menu of equity and fixed income portfolios, guaranteed death benefits and a suite of guaranteed retirement income solutions. SARM distributes products through banks and national, regional and independent broker-dealer firms. Brokerage Services and Retail Mutual Funds includes the operations of Sun America Asset Management, which provides retail mutual funds and administration services for variable annuity funds sponsored by VALIC and SARM, and Advisor Group. Domestic Retirement Services also includes the operations of Sun America Affordable Housing Partners, runoff GICs and certain individual annuity portfolios (in.reuters.com).

Aircraft Leasing operations include the results of ILFC, an aircraft lessor, which acquires commercial jet aircraft from various manufacturers and other parties and leases those aircraft to airlines worldwide. As of December 31, 2011, ILFC managed a lease portfolio of over 1,000 aircraft, including an owned fleet of 930 aircraft.

AIG's Other operations include results from Mortgage Guaranty operations, Global Capital Markets operations, Direct Investment book, Retained Interests, Corporate and Other operations. UGC's main business is the issuance of residential mortgage guaranty insurance, both domestically and
internationally, that covers mortgage lenders for the first loss for credit
defaults on high loan-to-value conventional first-lien mortgages for the
purchase or refinance of one- to four-family residences. Global Capital
Markets consist of the operations of AIG Markets and the remaining
derivatives portfolio of AIGFP. AIG Markets acts as the derivatives
intermediary between AIG companies and third parties, and executes its
derivative trades under International Swaps and Derivatives Association, Inc.
(ISDA) agreements (in.reuters.com).

The Table below represents various segments of AIG

Table: 3.1
AIG’s market segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sub-Segments</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance for individuals</td>
<td>Term life</td>
<td>It’s referred to as “term” because it’s only in effect for a specific period of time and unlike permanent life insurance, it doesn’t accumulate cash value. So it’s typically the most affordable insurance. It’s designed solely to protect your family, home or savings should anything happen to you.</td>
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<tr>
<td></td>
<td>Index universal life</td>
<td>Non guaranteed with risk and rewards.</td>
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<tr>
<td></td>
<td>Universal life</td>
<td>Universal life insurance offers policy owners the flexibility to choose both the amount of insurance and the premium to be paid with a range of potential premiums.</td>
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<td></td>
<td>Whole life</td>
<td>Whole life insurance is the most common type of permanent insurance. The policy provides a guaranteed death benefit along with guaranteed cash values.</td>
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<td></td>
<td>Variable universal life</td>
<td>There are 35 products in this category.</td>
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<td></td>
<td>Private placement variable universal life</td>
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</tr>
<tr>
<td>Insurance for groups</td>
<td>Affinity benefit solutions</td>
<td>Focused on providing insurance products for associations and affinity groups.</td>
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<td></td>
<td>Employee benefit solutions</td>
<td>Dedicated to insurance products for large and small businesses.</td>
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<tr>
<td></td>
<td>Institutional solutions</td>
<td>Institutionally-priced annuities for group members as well as small and large businesses.</td>
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</tbody>
</table>

AXA is a French “Société Anonyme” (a form of limited liability company) existing under the laws of France. AXA originated from several French regional mutual insurance companies, known collectively as “les Mutuelles Unies”. AXA operates primarily in Europe, North America, the Asia-Pacific Region and, to a lesser extent, in other regions including the Middle East, Africa, and Latin America. AXA has five operating business segments: Life and Savings, Property and Casualty, International Insurance, Asset Management, and Banking. In addition, various holding companies within the AXA Group conduct certain non-operating activities. The diversification of the AXA Group - both by geography and by business - is designed to mutualize the different types of risks to which the Group is exposed. For example, mortality risks are partly offset by longevity risks, and Life and Savings risks by Property and Casualty risks. In addition, geographic diversification helps reducing the concentration of risk and volatility of claims experience (Tower, Watson, 2010). AXA’s Life and Savings product segments include a broad range of investment and savings products as well as protection and Health products marketed to individual and commercial clients. Investment and savings products include, deferred annuities, which may be purchased with either a single premium or regular premiums. A deferred annuity has two distinct periods: an accumulation period and an annuity payment period. Typically, more flexibility is permitted in premium payments for longer deferred periods. The premium generally can be invested either in the general account of the insurer, or in a choice of unit-linked funds, pure savings products,
which generally provide investment return through a crediting rate to policyholders, while AXA bears the investment risk, universal savings products, which is the same as universal life but has no significant death benefit component. Life products include term assurance, which provides a death benefit for a defined period of time; whole life products, which provide a death benefit over a person's entire lifetime or up to a certain age, such as age 95 or 100, as long as the required premiums are paid; universal life products, which are bundled products that include a significant death benefit component. Funds can be invested in unit-linked and/or general accounts; endowment products, which pay a level death benefit for a limited period of time or to age 65. An endowment benefit is paid at the end of that period if the insured is still alive; disability products, which pay a benefit in case of disability. The benefit can be a lump sum, or a percentage of the income paid over a specified period of time; immediate annuity products, which are usually, single premium products with no previous accumulation period, which promise regular payments for a fixed period of time or over a beneficiaries’ lifetime (AXA, 2011).

The Table below represents various segments of AXA

Table: 3.2

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sub- Segments</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings and retirement</td>
<td>Sub- Segments</td>
<td>Savings and retirement products meet the need to set aside capital to finance the future, a special project or retirement.</td>
</tr>
<tr>
<td>Health and personal protection</td>
<td>Sub- Segments</td>
<td>Personal protection covers risks related to an individual's physical integrity, health or life.</td>
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</tbody>
</table>

AXA, 2011/ report
Manulife Financial is a leading Canada-based financial services group with principal operations in Asia, Canada and the United States. It was one of the first foreign life insurance companies to establish operations in Japan, entering the market in 1901. Manulife re-entered Japan in 1999, laying the foundation for the establishment of Manulife Life Insurance Company (Manulife Japan). Manulife Japan provides a range of financial protection and wealth management products designed to meet the changing needs of its customers throughout their lives. Manulife Japan capitalizes on Manulife’s global strength in product innovation to bring new product concepts and features to the Japanese market.

The segments of Manulife include individual life insurance, group life and health insurance, long-term care services, pension products, annuities, mutual funds and banking products. It also provides asset management services to institutional customers worldwide and offer reinsurance solutions, specializing in property and casualty retrocession (www.manulife.com).

The Table below represents various segments of Manulife

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sub-Segments</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment</td>
<td>Starters</td>
<td>Those who are just about to start investments</td>
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<td></td>
<td>Accumulators</td>
<td>Those who want to accumulate wealth</td>
</tr>
<tr>
<td></td>
<td>Approaching retirement</td>
<td>Those who are nearing their retirement</td>
</tr>
<tr>
<td></td>
<td>Retired</td>
<td>Those who are already retired</td>
</tr>
<tr>
<td>Pure Insurance</td>
<td>Synergy</td>
<td>Synergy offers one-of-a-kind insurance coverage, combining three policies in one affordable and easy-to-manage package. Synergy’s unique design provides protection against life’s everyday risks: disability,</td>
</tr>
<tr>
<td>Group benefit</td>
<td>Health and dental</td>
<td>Pooled Registered Pension Plans (PRPPs)</td>
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<tr>
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</tr>
<tr>
<td>Life</td>
<td>Includes term, universal life and Whole life</td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>Includes critical illness, disability and long term care</td>
<td></td>
</tr>
<tr>
<td>Disability, injury and absence</td>
<td>Managing absence, disability and injury</td>
<td></td>
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<tr>
<td>Out of country</td>
<td>Covers when out of country</td>
<td></td>
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<tr>
<td>Wellness solutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group retirement</td>
<td>Voluntary retirement scheme</td>
<td></td>
</tr>
<tr>
<td>Pooled Registered Pension Plans (PRPPs)</td>
<td>Pooled Registered Pension Plans (PRPPs) improves the range of retirement savings options available to those who do not already have access to a pension plan, such as the self-employed or employees of companies that do not currently offer a workplace retirement savings plan.</td>
<td></td>
</tr>
<tr>
<td>Defined Benefit (DB)</td>
<td>This plan promises a certain level of income during retirement, usually based on an individual's salary and years of service when he or she retires. Manulife Financial offers a DB Investment Only product giving DB plan sponsors the convenience of a single contract for custody, investments, and pensioner payments. The DB Investment Only product provides an integrated solution, investment breadth and simple, efficient administration.</td>
<td></td>
</tr>
<tr>
<td>Deferred Profit Sharing Plan (DPSP)</td>
<td>This Plan is an employer-sponsored profit sharing plan</td>
<td></td>
</tr>
<tr>
<td>Wealth management</td>
<td>Group Registered Retirement Savings Plan (RRSP) combines best-of-class investments, education, and online services into a cost-effective structure that’s easy to set-up and manage.</td>
<td>plan registered as a trust with the Canada Revenue Agency (CRA).</td>
</tr>
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<td>-------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>Future step</td>
<td>This is designed to help individuals save for short-term and/or long-term goals (such as getting an education, taking a vacation, or purchasing a home) or to save for supplementary retirement income.</td>
<td>Non registered savings plan</td>
</tr>
<tr>
<td>Defined Contribution Registered Pension Plan (DC RPP, also referred to as a DCPP)</td>
<td>This is a tax-deferred savings vehicle that allows contributions to accumulate tax-free for use as retirement income.</td>
<td>Group Registered Retirement Savings Plan (RRSP) combines best-of-class investments, education, and online services into a cost-effective structure that’s easy to set-up and manage.</td>
</tr>
<tr>
<td>Include market linked policies</td>
<td>plan registered as a trust with the Canada Revenue Agency (CRA).</td>
<td>plan registered as a trust with the Canada Revenue Agency (CRA).</td>
</tr>
</tbody>
</table>

www.manulife.com

The Prudential Friendly Society was founded by insurance agent John Fairfield Dryden in a basement office in downtown Newark, N.J., in 1875. It was the first company in the United States to make life insurance available to the working class. The company sold Industrial Insurance, which provided funeral and burial expenses for low-income families, with some weekly premiums as low as three cents.

Four years later, Prudential’s sales extended beyond New Jersey, into New York City and Philadelphia, and the company’s customer base expanded to the newly emerging middle class. With growing sales, assets reached $1 million, and in 1885, the one-millionth policy was sold to John Dryden.
Renamed "The Prudential Insurance Company of America," Prudential later adopted The Rock of Gibraltar as its company symbol, reflecting the strength and security it offered to customers.

The company is built around proud heritage of life insurance and asset management expertise. Now, the company offer individuals and institutions in the United States, Asia, Europe, and Latin America a wide array of financial products and services, including life insurance, annuities, mutual funds, investment management, and retirement related services (www.prudential.com)22.

The table below provides the segments and sub-segments of Prudential.

Table: 3.4
Prudential’s market segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sub- Segments</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>For individual and families</td>
<td>Term life insurance</td>
<td>Term life insurance can help meet a wide variety of business and personal needs for a specific period of time.</td>
</tr>
<tr>
<td></td>
<td>Variable life insurance</td>
<td>Variable life insurance offers a choice of death benefit options and the potential to accumulate non-guaranteed tax-deferred cash value that fluctuates based on the performance of the underlying investment options that customer choose.</td>
</tr>
<tr>
<td></td>
<td>Universal life insurance</td>
<td>Universal life insurance can help meet the needs of people who desire long-term death benefit protection with a flexible premium structure. Universal life insurance policies offer a competitive interest rate with a guaranteed minimum interest-crediting rate of 3%.</td>
</tr>
</tbody>
</table>
For business and organization

Retirement services
Income after retirement through a broad collection of products and services.

For business and organization
Group life insurance
Low premium group insurance

Group disability insurance and services
Low premium group insurance

www.prudential.com

AEGON is an international provider of life insurance, pensions and asset management, formed in 1983 through the merger of two Dutch insurers, AGO and Ennia, AEGON today employs approximately 25,000 people, serving nearly 47 million customers in more than 20 countries around the world. The company headquarters are in The Hague, the Netherlands.

AEGON has three main markets: the United States, the Netherlands and the United Kingdom. It has established new and growing businesses in emerging markets in Asia, Latin America and Central and Eastern Europe, and is also a significant provider of life insurance in Spain (www.ageon.com)²³.

The company has identified five important factors for segmenting market and designing products. The factors are aging population, changing customer behavior, rising stakeholders' expectations, economic uncertainty and regulatory changes.

The Table below represents various segments of AGEON

Table: 3.5

AGEON's market segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sub- Segments</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life insurance</td>
<td>No sub segments</td>
<td>There are numerous products in this category</td>
</tr>
<tr>
<td>Pension</td>
<td>No sub segments</td>
<td>There are numerous</td>
</tr>
</tbody>
</table>
3.3: INDIAN SCENARIO

The story of insurance is probably as old as the story of mankind. The same instinct that prompts modern businessmen today to secure themselves against loss and disaster existed in primitive men also. 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 6000 years (www.liciindia.in)^24.

Life Insurance in its modern form came to India from England in the year 1818. Oriental Life Insurance Company started by Europeans in Calcutta was the first life insurance company on Indian Soil. All the insurance companies established during that period were brought up with the purpose of looking after the needs of European community and Indian natives were not being insured by these companies. However, later with the efforts of eminent people like Babu Muttylal Seal, the foreign life insurance companies started insuring Indian lives. But Indian lives were being treated as sub-standard lives and heavy extra premiums were being charged on them. 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 but, the act discriminated between foreign and Indian companies on
many accounts, putting the Indian companies at a disadvantage
(www.licindia.in).

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.

LICI 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 headquarters. Re-organization of LICI took place and large numbers of new branch offices were opened. As a result of re-organization servicing functions were transferred to the branches, and branches were made accounting units. It worked wonders with the performance of the corporation. It may be seen that from about 200.00 crores of New Business in 1957 the corporation crossed 1000.00 crores only in the year 1969-70, and it took another 10 years for LICI to cross 2000.00 crore mark of new business. But with re-organisation happening in the early eighties, by 1985-86 LIC had already crossed 7000.00 crore Sum Assured on new policies (www.licindia.in).

Today LICI functions with 2048 fully computerized branch offices, 109 divisional offices, 8 zonal offices, 992 satellite offices and the corporate office. LICI’s Wide Area Network covers 109 divisional offices and connects all the branches through a Metro Area Network. LICI has tied up with some Banks and Service providers to offer on-line premium collection facility in selected cities. LICI’s ECS and ATM premium payment facility is an addition to customer convenience. Apart from on-line Kiosks and IVRS, info centres 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.

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

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

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

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

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

The history of general insurance dates back to the Industrial Revolution in the west and the consequent growth of sea-faring trade and commerce in the 17th century. It came to India as a legacy of British occupation. General Insurance in India has its roots in the establishment of Triton Insurance Company Ltd., in the year 1850 in Calcutta by the British. In 1907, the Indian Mercantile Insurance Ltd, was set up. This was the first company to transact all classes of general insurance business.

1957 saw the formation of the General Insurance Council, a wing of the Insurance Association of India. The General Insurance Council framed a code of conduct for ensuring fair conduct and sound business practices.

In 1968, the Insurance Act was amended to regulate investments and set minimum solvency margins. The Tariff Advisory Committee was also set up then.
In 1972 with the passing of the General Insurance Business (Nationalisation) Act, general insurance business was nationalized with effect from 1st January, 1973. 107 insurers were amalgamated and grouped into four companies, namely National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd. and the United India Insurance Company Ltd. The General Insurance Corporation of India was incorporated as a holding company in 1971 and it commence business on January 1, 1973.

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

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

The IRDA opened up the market in August 2000 with the invitation for application for registrations. Foreign companies were allowed ownership of up to 26%. The Authority has the power to frame regulations under Section 114A of the Insurance Act, 1938 and has from 2000 onwards framed various
regulations ranging from registration of companies for carrying on insurance business to protection of policyholders’ interests.

In December, 2000, the subsidiaries of the General Insurance Corporation of India were restructured as independent companies and at the same time GIC was converted into a national re-insurer. Parliament passed a bill de-linking the four subsidiaries from GIC in July, 2002.

Currently there are 24 general insurance companies including the ECGC and Agriculture Insurance Corporation of India and 23 life insurance companies operating in the country.


The insurance sector is a colossal one and is growing at a speedy rate of 15-20%. Together with banking services, insurance services add about 7% to the country’s GDP. A well-developed and evolved insurance sector is a boon for economic development as it provides long-term funds for infrastructure development at the same time strengthening the risk taking ability of the country (IRDA, 2007).
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