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## **EVOLUTION OF THE INDIAN INSURANCE INDUSTRY**

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The history of insurance is older than the human existence. The natural desire of the mankind to secure themselves against loss or natural calamities has been there right from the time immemorial. They have also stringently tried to ward off evil consequences of natural disasters like fire and flood and loss of life and were ready to make all-out efforts to ensure security for their lives.

It goes without saying that though the very concept of Insurance is a recent development, especially after the industrial revolution, yet it dates back to nearly 6000 years. Life insurance can be described as a hedge against life's uncertainties which protects the dependents of a breadwinner of a family against the costs incurred by his/her death.

Life insurance in India made its debut well over 100 years ago. Initially, it has come to India from England in 1870 in its modern form. Subsequently, Oriental Life Insurance Company was the first life insurance company set up by Europeans in Calcutta set its foot on the Indian soil and started its operations. All the Insurance Companies which started their operations in India during that period were only meant to cater to the needs of the European community and not to meet the needs of the native Indians.

Owing to the pivotal role played by the renowned people like Sri Babu Muttylal Seal's, the Foreign Life Insurance Companies had started catering to the insurance needs of the Indians. But they literally had treated the lives of the Indians as sub-standard and sub-human and started charging heavy and extra premiums unethically.

The Bombay Mutual life Assurance Society, endowed with patriotic motives and to ensure social security for Indians through Insurance, had given birth for the first Indian Life Insurance Company in 1870 and started insuring the lives of the Indians of different categories at normal and affordable rates.

Bharat Insurance Company was one among the other Insurance Companies that started serving the Indians. The Swadeshi Movement of 1905-1907 played a critical role for several Insurance Companies for coming into being. Other Insurance Companies like the United India, Madras, National Indian and National Insurance, Calcutta and the Co-operative Assurance at Lahore were set up in 1906. Hindustan Co-operative Insurance Company was started in 1907 in Calcutta. Likewise, several Insurance Companies were also started functioning in India.



Before 1912 there was no proper legislation to regulate insurance business in India. Only in 1912 the Life Insurance Companies Act was passed which made it mandatory that the premium rate tables and periodical valuations of Insurance Companies must be certified by a Statutory Body. But the Act proved to be disadvantageous to the Indian Companies in several ways, blatantly showing discrimination between the Indian and Foreign Insurance Companies. The first two decades of the twentieth century witnessed noteworthy advancement in Insurance Business. Due to the mushrooming of several insurance companies, many of them had to be closed down in a pathetic state due to bleak financial status. The Insurance Act 1938 was the first legislation that had given strict State control over the Insurance Sector, governing both life and non-life insurance. The demand for nationalization of the Insurance Industry gained prominence during 1944 as the Bill to amend the Life Insurance Act 1938 was tabled in the Legislative Assembly.

With the result, the Life Insurance Corporation of India (LIC) was founded on 1st September, 1956 through an Ordinance by nationalizing all the Life Insurance Companies, both Indian and Foreign, functioning in India and it has a virtual monopoly on the entire Insurance Business in India. The LIC completes 60 years of its illustrious and tenacious existence on 1.9.2016.

Since its inception in 1956, LIC has gone from strength to strength and has been contributing immensely to the nation building activities by investing thousands of crores of rupees on power generation, road transport, water supply, housing and other social activities thereby fulfilling its main ideology of serving people. Under social security schemes various programs are being administered by LIC. A Social Security Fund (SSF) administered by the LIC was set up in 1988-89, to meet the insurance requirements of weaker and vulnerable sections of the society. More importantly, LIC's yeoman contribution to the Five Year Plans in India has been commendable.

Nationalization of Insurance Companies was possible in two stages i.e. in the first stage the management of the companies was taken over through an Ordinance while in the second stage their ownership too was taken over by a way of a comprehensive bill. Later, the Life Insurance Corporation Act was passed by the Parliament of India on 19.6.1956 paving the way for the birth of the Life Insurance Corporation of India with the sole objective of serving the rural areas to cater to the needs of the insurable persons with provision of adequate financial cover to them at affordable cost. Eventually, LIC has grown into several zonal, divisional offices and branches apart from its Corporate Office and spread to all the nooks and corners of India right from 1956 to meet the growing Insurance needs of the people in all walks of life.

The business of Life Insurance Corporation has grown by leaps and bounds spreading its wings to the entire country and transacting several thousands of crores of rupees. Today the Corporation functions with more than 2000 fully computerized



branch offices, several divisional offices, Zonal Offices and Satellite Offices along with the Corporate Office and connects all the branches via a Metro Area Network. LIC is also offering on-line premium collection facility in selected cities having a tie-up with some banks and Service Providers. In addition to on-line Kiosks and IVRS, Information Centres have also been started functioning at Mumbai, Ahmedabad, Bangalore, Chennai, Hyderabad, Kolkata, New Delhi, Pune and many other cities. LIC, in a bid to provide easy access to its policy holders, also launched Satellite Sampark offices whose services are found to be always very useful and convenient to its customers through the digitalized records.

These days, LIC is an Organization of national importance and is functioning with high efficiency catering to the insurance needs of all sections of people. It has proved to be the most dominant and preferable Life Insurer in India even in the post liberalization period and has been moving ahead registering continuous growth rate in all its facets, surpassing even its remarkable past records. LIC has issued crores of policies hitherto worth thousands of crores of rupees and has set an impressive performance in all branches of its business, crossing its own past milestones. It meets the various life insurance needs of the people in the ever-changing social and economic environment through its dedicated services of its loyal staff who always strive to achieve the Corporate Objective.

Some of the important milestones in the life Insurance Business in India are:

1818: Oriental Life Insurance Company, the first life insurance company was started in India

1870: Bombay Mutual Life Assurance Society started functioning in India.

1912: Introduction of “The Indian Life Assurance Companies Act”.

1928: Enacting the Indian Insurance Companies Act.

1956: LIC formed by an Act of Parliament, viz. LIC Act, 1956, with a capital contribution of Rs. 5 crore from the Government of India.

Some of the important milestones in the general insurance business in India are:

1907: The Indian Mercantile Insurance Ltd. set up, the first company to transact all classes of general insurance business.

1957: General Insurance Council introduced a code of conduct for ensuring fair conduct and sound business practices.

1968: The Insurance Act amended to regulate investments.



1972: The General Insurance Business (Nationalisation) Act, 1972 nationalised the general insurance business in India with effect from 1st January 1973.

With a view to reach out to all the insurable persons, the LIC has spread widely in India, particularly to the socially and economically backward classes in the rural areas to provide them adequate financial cover against death at a reasonable cost by making insurance-linked savings. It is praiseworthy to note that the LIC acts as trustee of the insured public in their individual and collective capacities.

#### LIFE INSURANCE IS MORE AFFORDABLE AND REASONABLE THAN WE THINK

These days, there are innumerable life insurance policies we can choose from which are made affordable for any family, irrespective of their financial status.

#### IMPORTANCE OF LIFE INSURANCE:

- One cannot deny the fact that our lives are full of unforeseen vicissitudes and the only Good Samaritan we can seek help from is Life Insurance which ensures that your beloved dependents will continue the same quality of life in the event of your unexpected demise.
- In the present scenario of ever increasing diseases and ever-increasing medical expenses, especially in cases of serious diseases and hospitalization costs, health insurance offers necessary and timely financial assistance.
- Safe and profitable long-term investment - Life Insurance is a highly trustworthy and regulated sector for all its policy holders.
- Life Insurance also offers loan-facility to the policy holders for taking loan against their policies to meet any eventuality in their lives without affecting the actual benefits of their policies.
- Life Insurance also offers hefty tax-benefits to the policy holders till the maturity of their policies.
- Mortgage Redemption- Insurance acts as an effective tool to cover mortgages and loans taken by the policyholders so that, in case of any unforeseen event, the burden of repayment does not fall on the bereaved family.

People have to decide for themselves what is going to be best for them and for their future. Understanding which life insurance policy will be right for you entails setting one primary objective for yourself and your family by answering two basic questions. First, do I simply need death protection in the event of my death? Second, do I want both death protection and a savings element for my family and me to cover retirement costs if I do not pass away before retirement? There are three fundamental approaches to make this decision for most individuals: 1. The “Human Life Value” approach.



- Risk Cover - Life today is full of uncertainties; in this scenario Life Insurance ensures that your loved ones continue to enjoy a good quality of life against any unforeseen event.
- Planning for life stage needs - Life Insurance not only provides for financial support in the event of untimely death but also acts as a long term investment. You can meet your goals, be it your children's education, their marriage, building your dream home or planning a relaxed retired life, according to your life stage and risk appetite. Traditional life insurance policies i.e. traditional endowment plans, offer in-built guarantees and defined maturity benefits through variety of product options such as Money Back, Guaranteed Cash Values, Guaranteed Maturity Values.
- Protection against rising health expenses - Life Insurers through riders or standalone health insurance plans offer the benefits of protection against critical diseases and hospitalization expenses. This benefit has assumed critical importance given the increasing incidence of lifestyle diseases and escalating medical costs.
- Builds the habit of thrift - Life Insurance is a long-term contract where as policyholder, you have to pay a fixed amount at a defined periodicity. This builds the habit of long-term savings. Regular savings over a long period ensures that a decent corpus is built to meet financial needs at various life stages.
- Safe and profitable long-term investment - Life Insurance is a highly regulated sector. IRDA of India, the regulatory body, through various rules and regulations ensures that the safety of the policyholder's money is the primary responsibility of all stakeholders. Life Insurance being a long-term savings instrument, also ensures that the life insurers focus on returns over a long-term and do not take risky investment decisions for short term gains.
- Assured income through annuities - Life Insurance is one of the best instruments for retirement planning. The money saved during the earning life span is utilized to provide a steady source of income during the retired phase of life.
- Protection plus savings over a long term - Since traditional policies are viewed both by the distributors as well as the customers as a long term commitment; these policies help the policyholders meet the dual need of protection and long term wealth creation efficiently.
- Growth through dividends - Traditional policies offer an opportunity to participate in the economic growth without taking the investment risk. The investment income is distributed among the policyholders through annual announcement of dividends/bonus.
- Facility of loans without affecting the policy benefits - Policyholders have the option of taking loan against the policy. This helps you meet your unplanned life stage needs without adversely affecting the benefits of the policy they have bought.
- Tax Benefits-Insurance plans provide attractive tax-benefits for both at the time of entry and exit under most of the plans.



Mortgage Redemption- Insurance acts as an effective tool to cover mortgages and loans taken by the policyholders so that, in case of any unforeseen event, the burden of repayment does not fall on the bereaved family.

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