CHAPTER 2

HISTORY OF LIFE INSURANCE IN INDIA AND ORGANIZATIONAL SETUP OF COMPANIES UNDER STUDY

2.1 HISTORY OF LIFE INSURANCE IN INDIA

The history of insurance is probably as old as the story of mankind. In India, insurance has a deep-rooted history. It finds mention in the writings of Manu (Manusmriti), Yagnavalkya (Dharmasastra) 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. The same instinct that prompts modern business-persons to-day 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.

In the year 1818, the Oriental Life Insurance Company was established in Calcutta. However Oriental Life Insurance Company was failed in 1834. In the year 1829, Madras Equitable started operating in the field of life insurance sector 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 companies were up for hard competition from the foreign companies.1

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In 1912 the Life Insurance Act and Provident Act were passed. Life Insurance Act was the first regulatory authority in life insurance industry in India. In the year 1928, the Indian Insurance Companies Act was passed. This act has given right to the government of India, to get statistical information from the insurance companies, operating in life as well as non-life insurance fields. In the year 1938, subsequent insurance act was passed.

The main objective of this act was to keep control over the insurance industry and to stop failures of unsound ventures. In the year 1944, a bill was presented in legislative assembly of India to nationalize the whole Indian insurance industry.

On 1st September 1956 the Life Insurance Corporation of India came into force. Life Insurance Corporation of India was created by nationalizing 245 private life insurance players and other entities which were involved in life insurance business. As a result of Industrial Policy Resolution of 1956, the whole insurance industry was nationalized in India. The life insurance industry become stable and started growing rapidly after nationalization.

Life Insurance Corporation of India started working with 5 zonal offices, 33 divisional offices and 212 branch offices in India. Life Insurance Corporation was the only life insurance player in India before the entry of various private life insurance players. Life Insurance Corporation of India has enjoyed monopoly in the life insurance industry for a long time.

General Insurance has started operating in India with the establishment of Triton Insurance Company Ltd., by British in Calcutta in the year 1850. The Indian Mercantile Insurance Ltd was set up in the year 1907.

In the year 1957 the General Insurance Council was formed, which was a wing of Insurance Association of India. Insurance Act was amended in the year 1968 to regulate the investments and then the Tariff Advisory Committee was set up.
General Insurance Business (Nationalization) Act was passed in the year 1972. With effect from 1\textsuperscript{st} January, 1973, the general insurance business was nationalized. After nationalizing 107 insurers, four general insurance companies were formed namely National Insurance Company Ltd., New India Assurance Company Ltd., Oriental Insurance Company Ltd. and United India Insurance Company Ltd. In the year 1971, the General Insurance Corporation of India was incorporated and it started business from 1\textsuperscript{st} January 1973. In the year 1993, a committee was set up by the Government of India, under the chairmanship of R.N. Malhotra, former Governor of RBI. This committee was formed to regulate the insurance sector in India. Malhotra committee submitted its report in the year 1994. As per the report of Malhotra Committee, it was suggested that the private sector insurance companies should be allowed to enter in the insurance sector of India.

Malhotra Committee recommended to constitute an autonomous body to regulate the insurance sector in India, thus in the year 2000 Insurance Regulatory and Development Authority (IRDA) was incorporated. The main objective of the Insurance Regulatory and Development Authority was to regulate the insurance sector in India and to increase the competition in the field of insurance.

In the year 2000, the Indian insurance industry was opened for private insurance players. 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.\textsuperscript{2}

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

\textsuperscript{2}http://www.irdaindia.org/regulations/TheInsuranceAct1938er126042004.doc
economic development as it provides long-term funds for infrastructure development at the same time strengthening the risk taking ability of the country.

2.2 DEVELOPMENT OF LIFE INSURANCE COMPANIES IN INDIA

In the year 1818, the modern Life Insurance came to India from England. Oriental Life Insurance Company started by Anita Bhavsar in Kolkata (Calcutta) to cater to the needs of European community, was introduced as first life insurance company on the land of India. All of the insurance companies which were in force at that time were working for the needs of European Community, and were proving the insurance facilities to those companies. Indian companies were not insured by the insurance company. Foreign insurance companies started insuring the lives of Indian people. But the Indian lives were not given importance as compare to the Europeans. Heavy amount was charged as premium from the Indian people. In the year 1870, Bombay Mutual Life Assurance Society was established as first Indian life insurance company and covered the lives of the Indian people at normal rates.

Insurance companies started working as an Indian organization with heavy patriotic objectives. Insurance companies started working for the social welfare, security and to provide security to the lives of Indian people. The insurance companies were willing to cover the Indian lives from risk. The United India in Madras, National Indian and National Insurance in Calcutta were established in 1906. In the year 1907, Hindustan Co-operative Insurance Company was formed in Calcutta. Before 1912, No regulation was there in India to regulate the insurance business. The Life Insurance Companies Act was passed in the year 1902. It was become essential that the insurance premium tables and periodical valuation of insurance companies should be certified by an actuary, by the Life Insurance Companies Act 1912. The Indian insurance companies was put at a disadvantage by discriminated between Indian and foreign companies on many accounts in Life Insurance Companies Act 1912. A lot of growth was seen in the insurance business in twentieth century.
In 19th Jan. 1956 the life insurance was nationalized. At the time of nationalization the whole life insurance industry was organized by 245 units. In 245 units, 154 were Indian insurance companies, non-Indian companies were 16 and 75 were provident funds. The process of nationalization was completed in two stages. In the first stage, by mean of an ordinance, the management of the insurance companies operating in India was taken over. In the second stage, by means of a comprehensive bill, the ownership of the insurance companies operating in India was also taken over. On 19th June 1956, Life Insurance Act was passed by the parliament of India, with the objective to spread the awareness about insurance widely specially in the rural areas with a view to cover all insurable people in India, the Life Insurance Corporation of India was established on 1st September 1956. The aim of establishing Life Insurance Corporation of India was to provide insurance and security cover to the people of India on a reasonable premium. In the year 1956, apart from the corporate offices, Life Insurance Corporation of India had 5 zonal offices with 33 divisional offices and 212 branch offices in India.

It worked wonders with the performance of the corporation. It may be noted that from about 200 crore of new business in 1957 the corporation crossed 1000 crore only in the year 1969-70, and it took another 10 years for LIC to cross 2000 crore mark of new business. But with reorganization happening in the early eighties, by 1985-86 LIC had already crossed 7000 crore sum assured on new policies.³

2.2.1 Insurance Sector Reforms

In the early 1990’s, it was felt that the insurance industry needs to be reformed in order to provide better coverage to the customers and to increase inflow of long term financial resources to finance the enhancement of infrastructure. In 1993, Malhotra Committee headed by former Finance Secretary and RBI Governor Mr. R.N. Malhotra was formed to reform Indian Insurance Industry and recommended its future direction. The committee submitted its report in 1994 with suggestions like

opening the insurance sector to private players, improving service standards and extending insurance coverage to larger sections of the population. The committee’s suggestions were strongly opposed by various labor unions and political parties in the country. They opened that the entry of private players would lead to job cuts by nationalized players in order to compete with them. There were a host of other arguments against Malhotra Committees suggestions. The government tried to deal them by restricting foreign stake in insurance companies to only 26% which was well below the 51% that was needed for managing the company in the Insurance Bill. Some of the key recommendations of the Committee are as follows:

(i) **Structure:** Government should take over the holdings of GIC and its subsidiaries so that these subsidiaries can act independently. All the insurance companies should be given greater freedom to operate.

(ii) **Competition:** Private companies with a minimum paid up capital of Rs. 1 billion should be allowed to enter the sector. Foreign companies may be allowed to enter the industry in collaboration with domestic companies.

(iii) **Regulatory Body:** The Insurance Act should be changed. An Insurance Regulation Body should be set up. Controller Insurance – a part of Ministry should be made independent.

(iv) **Investments:** Mandatory investments of LIC Life Funds in government securities to be reduced from 75% to 50%.

(v) **Customer Services:** LIC should pay interest on delays in payments beyond 30 days. Insurance companies must be encouraged to set up pension plans. Computerization of operations and updating of technology to be carried out in the insurance industry.

The Committee felt the need to provide greater autonomy to insurance companies in order to improve their performance and allow them to act as independent companies with economic motives. For this purpose, it had proposed
setting up of an independent regulatory body - The Insurance Regulatory and Development Authority (IRDA).

Reforms in the Insurance Sector were initiated with the passage of the IRDA Bill in Parliament in December 1999. The IRDA’s incorporation as a statutory body in April 2000, has fastidiously stuck toils schedule of framing regulation and registering private sector insurance companies.

Some writers have claimed that insurance was practiced in India even in Vedic times in one form or the other. It is said that the Sanskrit term “Yogakshema” in the ‘Rigveda’ meant some kind of insurance, which was practiced by the Aryan in India nearly 3000 years ago. Manu, the ancient Lawgiver, enjoined that a special charge be made on goods carried from one town to another, to ensure their safe carriage until handed over to the consignee at destination. In fact, a few centuries after Manu, Kautilya in his ‘Artha Shastra’ has also laid down several rules and regulations of similar nature.

Ancient India was a prominent maritime power. Traders took merchandise by overland caravans to the seaports of Board or Surat in the West, Kaveripumpatnam (Pukar) in the South or Banga in the East and to the great cities of central Asia. Indian built ships, laden with Indian manufactures, sold to Ceylon, Egypt, Greece, Babylon, China or the countries of South-East Asia and far East. The traders experienced the same difficulties as their counterparts in the West as referred to in the provisions in the code of Hammurebi. “Manav-Dharma-Shastra” contains rules where by loans were advanced at specified rates of interest depending upon the risks to be run and the length of time for which money was required. Technical men skilled in sea voyages of land journeys worked out the rates in proportion to these factors. The borrower returned the loan and the interest on successful conclusion of the voyage or journey, but if he was robbed or was unable to deliver the goods in sound condition at the time and place specified, he was absolved of the liability. To the modern conception of insurance, this practice represents a reverse order. The interest include the premium, a total loss in the form of a loan was paid before the journey or voyage commended and
the borrower returned the amount of the loan with interest when the risk did not materialize.

This system enabled India to establish a network of business relations through oceanic transport and overseas trade was in flourishing condition. The contract of insurance was part of the contract of carriage and it is observed from the codes of many that Indians had even anticipated the doctrines of Average and Contribution. If the Cargo was lost due to the negligence of the crew, the loss was to be borne by all its members, but when the loss was caused by an act of God, the members of the crew were not held responsible. Yajnavalkya further developed the law relating to the carrier. A carrier who failed to reach destination could not claim freight but was exempt from responsibility if loss of goods was occasioned by an act of God. In the case of loss by piracy etc., the carrier was not protected. Vishnu also discussed the legal position of the carrier in the same strain. It therefore, appears from the writings of these three that the carrier was also an insurer in a restricted sense. Seeds of insurance thus continued to grow.4

A faint resemblance to a Life Annuity can be seen in the practice of widows while starting on a holy pilgrimage, handing over their entire belongings to some rich neighbors on conditions of being paid monthly allowance for life. There was also a special feature peculiar to Indian culture, namely the institution of joint family which, for ages, continued to afford complete maintenance of old and infirm members of the family, and the widows of the unfortunate who died were the responsibilities of all the members of the family jointly. A system resembling self-insurance was thus developed. The joint family has been called a scheme or mutual helpfulness, a little cooperative society, a miniature labour organization and a diminutive insurance concern. The Hindu society rested on this principle for thousands of years. Under the all-pervading shadow of this banyan tree the members never suffered from want and

it was only with the advent of the modern ideas of individualism that some members started feeling that their own development was probably thwarted.

Apart from the institution of joint family, the caste system, village panchayat, temple and charitable institutions all combined to provide protection to a person and his dependents from the rigors of any misfortune. Such institutions, the joint family system and the habitual piety did in this community what self help, thrift and forethought did elsewhere. Various systems prevailed in different parts of the country under different names, but the underlying idea was the same. In Northern India, the payments by the society or Biradri at the time of the death were generally made on the “Bura Din” or “Evil Day”. The payments were not delayed as is generally done by many insurance companies, the widow received her dues even before the ashes of his husband’s dead body were removed and the children got their share on the Kriya day, not later than eleven or thirteen days after death of the father. Similar help was rendered on the occasion of marriage, which was called “Noota” ceremony. Both the bride and the bridegroom received marriage gifts, cloths, ornaments, and cash from the members of Biradri. Marriage expenses and dowries are regarded a bane in India, and their impact on an individual family was thus considerably reduced. Contributions were also made by the Biradri on the birth of a child, but these were not quite large as on the occasion of marriage or death.

It is on record that one of the earliest life insurance policies on Indian lives was issued in 1845 by the “Royal” in favor of one Cursetjee Furdocojee, but this was an exception. British Insurance companies in India catered essentially to European lives. But as this community had no immunity or resistance to epidemics of malaria, smallpox, plague, cholera and other tropical diseases than endemics in the east, the insurance experience of such lives was bad. This fact, coupled with ineffective and even bad management of funds, led to the failure of some early British Insurance Companies in India, notably the Albert and the European.

And so in 1870, Good men and True, decided to establish life insurance run by Indians. To guard against the evils that brought about the downfall of the Albert
and European, the pioneers of Indian life insurance, who were the founders of the Bombay Mutual Life Assurance Society etc., embodied their first Articles of Association of precautions to ensure security of funds and sound management. The first balance sheet of this society in July, 1871 disclosed 19 policies insuring a sum of Rs. 66500 and the Bombay mutual survived and flourished.

In 1874, the Oriental Government Security Assurance Company Ltd., India’s first purely national proprietary life office was launched, with a full-fledged and dedicated actuary-Duncan McLauchlan Slater, assisted by men of eminence and influence in the city of Bombay. Because the company had laid down definite rules of conduct guaranteeing security of its investments and careful management, it soon acquired an unparalleled reputation as a solid and secure institution.

There were more life insurance offices which came into being to the end of the company, viz. the “Indian Life” of Karachi, founded in 1882, by conscientious and enterprising Goan businessmen who settled there the “Bharatt” of Lahore, born of the dynamism and enterprise of Lal Markishenlal in 1897 with Pherozeshah Mehta as its first chairman.

The Swadeshi Movement of 1905 was the formation a large number of insurance companies. Between 1903 and 1912 as many as 38 life offices commenced operations all over the country.

Not all were, however, motivated by right ideas and ideals, of these, as many as 26 closed down in less than a year - bringing loses to the members and policyholders. To exercise a measure of control the Government passed the first insurance Act, 1912. Among the companies that survived mention may be made of following.

The ‘National’ founded in 1906 with Sir Surendra Nath Banarjee on its Board of Directors; the ‘United India’ of Madras also founded in1906 by Shri Vijendra Rao. The National Indian of Calcutta started in1906 by Sir Rajendra Nath Mookherjee, Sheriff of Calcutta and chairman of the industrial Commission.
The “Hindustan Cooperative”, another Calcutta based company which commenced operations in 1907 and whose founders had the backing of India’s Nobel Laureate, philosopher and scholar, Rabindranath Tagore. The “Asian” also of Bombay, founded in 1911; the “Indian Mercantile,” (1907), the “Western India” founded in Satara in 1913; the “Industrial & Prudential” started in Bombay in the same year.

The gospel of insurance was now, forcefully being carried to the masses by the national leaders themselves to encourage thrift and savings. Side by side, the leaders also provoked the Indian companies to offer insurance services of the highest order.

2.2.2 The Period of Trial, Legislation: (1913-1939)

The First World War gave the much needed impetus to the Indian insurance business. But the influenza epidemic was a great headache to insurance. There was depression in security prices. The life insurance business in force was Rs. 22.8 crore in 1915. It fell down to Rs. 22.1 crore in 1916 on account of decline in public confidence in the Institutions of Life Insurance. During this period, insurers from the USA, China and Germany also started their operations in India. Proprietary concerns exceeded the mutual. This trend continued till nationalization of life insurance of sanitation and education improved and they in turn created conditions for the growth of life insurance.

After first world war, Indian economy received a set back, “Money markets in India went out of gear, normal credit channels dried up, Indian industries were pushed back to the 1913 level and in short, the aftermath of peace was worse then the upheaval of war. Later the non-cooperation movement encouraged public to purchase life insurance from Indians too, founded many concerns during this era.

The leading Indian industrialists established at least one insurance company each. In 1919, the ‘New India’ was established by the Tata’s first for General Insurance and then from 1929, it started Life business too. Lalaji Naronji and Menu
Subedar promoted the Jupiter General, the British India, the Zenith, the Genet, the Western India and the Industrial Prudential. The prudential of England started its operations in India in 1924. By an Act of 1928, a measure was enacted to collect data and to do away with certain glaring anomalies in the Act of 1912. After this stage, the life insurance business experienced a boom.

The Metropolitan life, the Dominion and the Bombay Cooperative were founded in 1930. In 1931 was promoted the Federal India, the Swadeshi Sima and the concord of India. In 1932, were floated the Servants of India and the Sunlight of India. In 1933, the Warden, the Alyasthan, the New Ascetic and the New Insurance were formed.

Many evils had crept in the Indian Insurance business. High rebates, excessive commission and increased operations expenses became the order of the day. Owing to their long experience and financial stability, foreign insurance attracted quality business. Many good Indian Insurance companies successfully competed with foreign insurance companies who were set up in Calcutta during this period. But this period is important from another angle too, in as much as the first comprehensive place of legislation covering all branches of insurance was passed to check the foregoing evils and to give Indian Insurance the needed strength.

The rise of a large number of companies led to cut throat competition between the operators. The cost of new business in majority of cases went beyond 100%. The overall cost fluctuated between 28% and 32%. The special agents, the chief agents, and the managing staff were a burden that many companies could not support. Too many amalgamations, too many windings of the companies and doubtful investments were all serious matters, making legislation to combat malpractices a matter of grave urgency.

Legislation for this purpose finally came into effect in 1938. Prior to 1912, India had no legislation for regulating insurance. In the year 1912, the India Assurance Companies Act, in certain particulars made provision for the collection of statistical information in respect of insurance business other than life business.
Mr. S.C. Sen, the well known solicitor of Calcutta, was appointed to report on the amendments essential to Modern Life Legislation and practice in India. His report was duly presented and was considered by the Advisory Committee selected by the Government which consisted of representatives of all branches of insurance in India and presided over by the law member, Mr. N.N. Sarkar. Immediately following the conclusion for the meetings of the Advisory Committee, the Government prepared a bill, and introduced it in the Legislative Assembly in 1937. The bill was keenly debated by the Assembly, by the insurance interests and the public at large and was passed in 1938, making it first really comprehensive law on the subject in India.

No sooner had the Indian Insurance Act come into force, the Second World War broke out and the strict provisions of the Act accompanied by the confidence shaken resulted in decline of business from Rs. 42.6 crore in 1939 to Rs. 3.25 crore in 1940. But the confidence was restored owing to the sound British position. The new life offices set up in 1941 were eight, in 1942 four, in 1943 seven, in1944 three and in 1945 three. The competition became quite keen. Inflation and increased business activity influenced insurance business too.

The Indian Insurance Act was amended on several occasions to suit the changing circumstances. The Indian insurers showed great viability by adopting themselves to altered conditions. They changed their business policy, conditions of policy, premium rates and investment portfolios.

The important portfolios of the period were the National Security in 1940, Devkaran Nanjee, the Central Marcantile, the National in 1941, Trinity Mutual in 1942, the Jaybharat of India Mutual in 1943, the Sterling General, the Citizens of India mutual, the Ajai Mutual in 1945 etc. Their business grew because loss of confidence in leading foreign concerns and their inability to serve the Indian clients well.

A few companies were formed during the post world war period also e.g. the Continental Mutual Assurance and the Central India Insurance in 1946, the Eastern
Life, the Karachi Mutual and the Prithvilater. An important landmark of the period was the foundation of the Actuarial Society of India.

2.2.3 Development in Independent India before Nationalization

India became independent in 1947, but it heavily paid for the partition of the country and the following loot, arson plunder and bloodshed. The economic conditions deteriorated, Vivisection of land had a blighting effect on insurance business too. The riot risk was left uncovered by practically all insurance. About 150 branches of insurance were in Pakistan and they could not function normally. Very heavy claims were paid. Records of displaced persons were made available with the laudable efforts of Pandit Santharam. The Pakistan Insurance Act placed further hurdles in the way of Indian insurance doing business in Pakistan. On 30th September 1946, the number of head offices of companies in India was 218 and in Pakistan only 21. Their respective figures were 236 and 9 in November 1947. Many insurance companies migrated to New Delhi. They formed the Evacuee Insurance Companies Association to look after their interest. On account of various disabilities placed on them, the Indian insurance had to discontinue business in Pakistan, as well as Ceylon. The Korean War added insult to injury and the Indian economy experienced a heavy price rise. Insurance therefore declined in 1950.

India started a big experiment in economic growth through democratic planning, on April 1951 we began our voyage. In the year 1951, the new life business of Indian insurers fell down to Rs. 131.4 crore. The news business premium income was Rs. 7.18 crore. The non-Indian insurance had the new life Insurance business in India at Rs. 16.5 crore with Rs. 0.96 crore premium income. The total business of the Indian insurance was Rs. 735 crore earning a premium income of Rs. 37.03 crore. The non-Indian insurance earned Rs. 6.50 crore premium income from their total business of Rs. 118 crore.

The New Life business of the Indian insurance was Rs. 130.3 crore and that of the non Indian insurance Rs. 16.40 crore in 1952. Their total business was Rs. 796 crore and Rs. 126 crore respectively. By this time insurance business increased in
1953 but the lapses also increased. The total life insurance business of the Indian insurance was Rs. 833 crore and that of the Non-Indian Rs. 133 crore. Their new business of Rs.138.2 crore and Rs. 17 crore respectively crossed the peak figure of 1946.

During the year 1954, staff and group life insurance scheme were introduced and hence the business also increased. The new business broke all past records and shot up to Rs. 220 crore and Rs. 116.2 crore for Indian and non-Indian insurance respectively. In 1955 new business of the Indian insurance was Rs. 220.9 crore on 749000 policies earning Rs.11.39 crore annual premium, while that of the non-Indian insurance Rs.17.4 crore on 22000 policies earning Rs. 1 crore income. Their total business was Rs. 974 crore and Rs. 139 crore respectively. The number of policies was 4216000 earning Rs. 43 crore annually in case of Indian insurance and 227000 earning Rs. 7.53 crore annual premium for non Indian insurance.

2.2.4 Nationalization of Life Insurance Business

By the Life Insurance (Emergency Provisions) Ordinance 1956, promulgated by the President of India on 19th January 1956, the management and control of life insurance business of Indian insurance and the Indian business of foreign insurance, vested with immediate effect in the Central Government and the business of life insurance passed from the private sector to the public sector.

This was the first step towards complete nationalization of life insurance business in India, a step never before attempted anywhere in the world on such a gigantic scale and one which opened a new chapter in the history of Indian Insurance. A comprehensive piece of legislation, completely nationalizing life insurance business, was introduced shortly thereafter on 17th February, 1956 in Lok Sabha, which resulted in the Life Insurance Corporation Act, 1956.

It is clear from the foregoing account that Life Insurance in India was nationalized to achieve some objectives which were considered very important from the point of view of the society and also for the development of national economy.
2.2.5 Acts

The insurance sector went through a full circle of phases from being unregulated to completely regulated and then currently being partly deregulated. It is governed by a number of acts. The **Insurance Act of 1938** was the first legislation governing all forms of insurance to provide strict state control over insurance business.

Life insurance in India was completely nationalized on January 19, 1956, through the **Life Insurance Corporation Act**. All 245 insurance companies operating in the country were merged into one entity, the Life Insurance Corporation of India.

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

Until 1999, there were no private insurance companies in India. The Government of India realized the need of establishing Insurance Regulatory and Development Authority (IRDA), for protecting the interest of insurance policy holders and to regulate the life insurance industry of India. The government then introduced the **Insurance Regulatory and Development Authority Act in 1999**, thereby de-regulating the insurance sector and allowing private companies. Furthermore, foreign investment was also allowed and capped at 26% holding in the Indian insurance companies.⁵

Some of the important milestones in the Indian life insurance sector are:

- **1912** - The Indian Life Assurance Companies Act came into force as the first statutory body to regulate the life insurance sector.

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• 1928 - The Indian Insurance Companies Act came into force to enable the government of India to collect statistical information about insurance businesses both life and non-life.
• 1938 - With the objective of protecting the interests of insured people the earlier legislation amended and consolidated through the Insurance Act.
• 1956 - With the capital contribution of Rs. 5 crore from the Government of India the Life Insurance Corporation of India came into force in 1956 by an Act of Parliament, viz. LIC Act, 1956. Government of India taken over and nationalized the 245 Indian and foreign provident societies and insurers.
• 1993 - Malhotra Committee was formed.
• 1994 - Malhotra Committee recommendations were published.
• 1997 - The Government of India gives greater autonomy to Life Insurance Corporation of India, General Insurance and subsidiaries with regard to the restructuring of boards and flexibility in norms of investment.
• 1998 - 40% foreign equity in private insurance companies (26% to foreign companies and 14% to Non-resident Indian and Foreign Institutional Investors).
• 1999 - Insurance Regulatory and Development Bill was cleared.
• 2000 - President of India gives assent to Insurance Regulatory and Development Bill. Insurance industry was opened up for private insurance players.

2.3 GROWTH OF LIFE INSURANCE INDUSTRY AFTER LIBERALIZATION

There is no doubt that the market for insurance companies is significant in India and offers a great scope of growth. LIC stands guard over the hopes and future of millions of families and has been a great source of general economic strength. The Corporation has been acquired stature and stability as the largest nationalized life insurance institution in the democratic world. From a business of little over Rs. 300 crores in 1957, its new business shot up to over Rs. 1000 crores in the year 1999. The
immense magnitude of its operation can be gauged by the fact that the total business in force is now over Rs. 149790 crore and continues to grow year by year. Insurance happens to be mega opportunity in India. It’s a business growing at the rate of 1500 percent annually. Together with banking services, it adds about 7 percent to the country’s GDP. Gross Premium collection is nearly 2 percent of GDP and funds available with LIC for investments are 8 percent of GDP.

Life insurance is a big opportunity in India due to the large population and unexploited market. India has shown the growth opportunities due to its huge middle class households. The insurance market in India observed dynamic changes including presence of a number of insurers in insurance sector after the year 2000.

Most of the private insurance companies are joint ventures with recognized foreign players across the globe. Consumers are now more aware about the life insurance. New innovative life insurance products are coming into the market due to the competition. Life insurance companies are providing better insurance services to the consumers. It is a positive sign for the Indian economy in terms of national income and employment opportunities. After liberalization, life insurance sector is growing rapidly. Before the entry of private players LIC was the only player in the life insurance industry. In the year 2000, the life insurance sector was opened for the private life insurance companies.

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### Graph 2.1
**Growth in Number of Life Insurance Companies**

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</table>

Source: Annual Reports of IRDA.
The above table 2.1 graph 2.1 and 2.2 shows the growth of life insurance industry in terms of new life insurance companies and branch offices of the life insurance companies. In the year 2000-01 only five life insurance companies were operating in life insurance sector and later from the year 2001-02 other private life insurance players joined the life insurance industry. Presently 24 life insurance companies including Life insurance Corporation of India are working in life insurance sector. In the year 2000-01 there were only 2199 branch offices in India. New life insurance players started opening new branch offices in India. Table 2.1 and graph 2.2 is showing positive growth in number of branch offices in India from 2000-01 to 2009-10 but showing negative growth in 2010-11 and 2011-12. In the year 2010-11 there were 11546 branch offices in India and in the year 2011-12 there were 11167 branch offices in India.

Table 2.2
Growth of Life Insurance Sector in terms of Premium

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>First Year Premium (Including Single Premium)</th>
<th>Renewal Premium</th>
<th>Total Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>9707</td>
<td>25191</td>
<td>34898</td>
</tr>
<tr>
<td>-------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>Value</td>
<td>19857</td>
<td>16942</td>
<td>19788</td>
</tr>
<tr>
<td>Premium</td>
<td>30237</td>
<td>38806</td>
<td>46866</td>
</tr>
<tr>
<td>Total</td>
<td>50094</td>
<td>55748</td>
<td>66654</td>
</tr>
</tbody>
</table>

Source: Annual Reports of IRDA.

Graph 2.3
Growth of Life Insurance Sector in terms of Premium

Above table 2.2 and graph 2.3 shows the growth of life insurance industry in terms of first year premium (including single premium), renewal premium and total...
premium. Table and graph is showing positive growth in terms of first year premium in the year 2001-02 with Rs.19857 crore which was Rs. 9707 crore in the year 2000-01. In the year 2002-03 the life insurance industry have negative growth with Rs. 16942 crore in terms of first year premium. Form the year 2003-04 to 2007-08 the life insurance industry measured positive growth. In the year 2008-09 the first year premium of the life insurance industry decreased up to Rs. 87331 crore. In the year 2009-10 and 2010-11 the life insurance industry noticed positive growth and grown negatively in the year 2011-12 with Rs.113942 crore. In terms of renewal premium life insurance industry is showing positive growth in each year. In terms of total premium, the life insurance industry has recorded positive growth from the year 2000-01 to 2010-11 and grown negatively in the year 2011-12.

### Table 2.3

Growth of Life Insurance Sector in terms of Equity Capital

<table>
<thead>
<tr>
<th>Year (As on 31st March)</th>
<th>Equity Capital (In Crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>–</td>
</tr>
<tr>
<td>2001-02</td>
<td>1669</td>
</tr>
<tr>
<td>2002-03</td>
<td>2234</td>
</tr>
<tr>
<td>2003-04</td>
<td>3244</td>
</tr>
<tr>
<td>2004-05</td>
<td>4353</td>
</tr>
<tr>
<td>2005-06</td>
<td>5892</td>
</tr>
<tr>
<td>2006-07</td>
<td>8124</td>
</tr>
<tr>
<td>2007-08</td>
<td>12296</td>
</tr>
<tr>
<td>2008-09</td>
<td>18255</td>
</tr>
<tr>
<td>2009-10</td>
<td>21020</td>
</tr>
<tr>
<td>2010-11</td>
<td>23662</td>
</tr>
<tr>
<td>2011-12</td>
<td>24932</td>
</tr>
</tbody>
</table>

Source: Annual Reports of IRDA.
Above table 2.3 and graph 2.4 shows the growth of equity capital of life insurance industry after liberalization. The equity capital of the life insurance industry is increasing positively after the entry of private life insurance players in India. Earlier Life Insurance Corporation of India was the only player in life insurance industry but after the entry of private life insurance players, the equity capital of the whole industry started increasing positively.

### Table 2.4
**Growth in Funds of Life Insurance Sector**

<table>
<thead>
<tr>
<th>Year (As on 31&lt;sup&gt;st&lt;/sup&gt; March)</th>
<th>Life Fund</th>
<th>Pension, General Annuity &amp; group Fund</th>
<th>Unit ULIP Fund</th>
<th>Total Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>194010</td>
<td>0</td>
<td>0</td>
<td>194010</td>
</tr>
<tr>
<td>2001-02</td>
<td>230369</td>
<td>0</td>
<td>0</td>
<td>230369</td>
</tr>
<tr>
<td>2002-03</td>
<td>229649</td>
<td>30638</td>
<td>266</td>
<td>260553</td>
</tr>
<tr>
<td>2003-04</td>
<td>307309</td>
<td>43627</td>
<td>1688</td>
<td>352624</td>
</tr>
</tbody>
</table>
Above table 2.4 and graph 2.5 reveals the growth of funds of life insurance industry. Total fund of the life insurance industry recorded positive growth after the entry of private players in the life insurance sector. Life fund is showing negative
growth in the year 2002-03. Unit ULIP fund is showing negative growth in the year 2011-12. Pension, General Annuity and Group fund is showing positive growth from the year 2002-03.

According to Insurance Regulatory and Development Authority (IRDA), tough times are ahead for life insurers. The growth in life insurance business in the near future may not be as ‘robust’ as it was because of the impact of the financial crisis across the globe and meltdown of stock markets.

In the outlook for the insurance industry, detailed in its annual report for 2011-12, the regulator said the insurance companies may have to inject additional capital to maintain the regulatory requirements as they are “being closely monitored by their solvency margins”.

“Under the present position in the financial markets, it is difficult to raise funds from the capital markets and promoters may find it difficult even to divest their own investments in a bearish stock market,” IRDA said.6

2.4 PRESENT SCENARIO

Insurance is a federal subject in India. The insurance sector has gone through a number of phases and changes. Since 1999, when the government opened up the insurance sector by allowing private companies to solicit insurance and also allowing FDI up to 26%, the insurance sector has become a booming market. However, the largest life-insurance company in India is still owned by the government.

The government of India liberalized the insurance in March 2000 with the passage of the Insurance Regulatory and Development Authority (IRDA) Bill, lifting all entry restrictions with some limits on direct foreign ownership. Presently there is 26% capital investment is allowed to the foreign partners in an insurance company. It is proposal that this foreign investment limit should increased to 71%. Tariff advisory

committee, appointed by government of India look after the rates of premium of most of the general insurance policies.

The entry of private life insurance players has increased the growth rate of the life insurance industry in India. The public sector life insurance companies were restructured. Since 2001 the private insurance companies started selling their insurance polices in life as well as non-life segments. The life insurance industry in India is not developed.

Life Insurance Corporation of India was the only player in the life insurance sector, till the entry of private life insurance players. Out of the total insurable population of India, only 19% were insured. Earlier the insurance policies sold by the life insurance corporation of India was only for the tax saving purpose rather to protect the life. Transparent and flexible products were not available. The policy holders were under insured. The life insurance practice in India has been changed with the entry of private life insurance players.

Innovative products, smart marketing and aggressive distribution is the triple whammy combination that has enabled fledgling private insurance companies to sign up Indian customers faster than anyone ever expected Indians, who have always seen life insurance as a tax saving device, are now suddenly turning to the private sector and snapping up the new innovative products on offer. The growing popularity of the private insurance shows in other ways. They are coining money in new niches that they have introduced. The state owned companies still dominate segments like endowments and money back policies. But in the annuity or pension products business, the private insurers have already wrested over 33 percent of the market. And in the popular unit-lined insurance schemes they have a virtual monopoly, with over 90% of the customers.

The private insurers also seem to be scoring big in other ways- they are persuading people to take out bigger policies. For instance, the average size of a life insurance policy before privatization was around Rs. 50,000. That has risen to about Rs. 80,000. But the private insurers are ahead in this game and the average size of
their polices is around Rs.1.1 Lakh to Rs. 1.2 Lakh, way bigger than the industry average.

**Indian Insurance Companies**

Indian insurance companies play a key role in India’s financial sector. With India’s population becoming more affluent and globalized, insurance is growing rapidly. Attracted by the potential of the insurance market in India, many private players entered in it after the passage of Insurance Bill. A majority of these were collaborations between Indian companies and leading multinational insurance/financial services companies.

The increasing market is creating considerable competition among Indian insurance companies in an industry that 20 years ago was relatively small. Counting the existing public sector insurance companies, there are currently 24 Indian insurance companies in the life insurance sector.

**Table 2.5**

**Indian Life Insurance Companies**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Insurers</th>
<th>Regn. No.</th>
<th>Date of Registration</th>
<th>Year of Operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Life Insurance Corporation Of India</td>
<td>512</td>
<td>01-09-1956</td>
<td>1956-57</td>
</tr>
<tr>
<td>3.</td>
<td>Aviva Life Insurance Company Ltd.</td>
<td>122</td>
<td>14-05-2002</td>
<td>2002-03</td>
</tr>
<tr>
<td>4.</td>
<td>Bajaj Allianz Life Insurance Company Ltd.</td>
<td>116</td>
<td>03-08-2001</td>
<td>2001-02</td>
</tr>
<tr>
<td>5.</td>
<td>Bharti AXA Life Insurance Company Ltd.</td>
<td>130</td>
<td>14-07-2006</td>
<td>2006-07</td>
</tr>
<tr>
<td>7.</td>
<td>Canara HSBC OBC Life Insurance Company Ltd.</td>
<td>136</td>
<td>08-05-2008</td>
<td>2008-09</td>
</tr>
<tr>
<td>8.</td>
<td>DLF Pramerica Life Insurance Company Ltd.</td>
<td>140</td>
<td>27-06-2008</td>
<td>2008-09</td>
</tr>
<tr>
<td>9.</td>
<td>Edelweiss Tokio Life Insurance Company Ltd.</td>
<td>147</td>
<td>05-10-2011</td>
<td>2011-12</td>
</tr>
<tr>
<td>10.</td>
<td>Future Generali Life Insurance Company Ltd.</td>
<td>133</td>
<td>04-09-2007</td>
<td>2007-08</td>
</tr>
<tr>
<td>13.</td>
<td>IDBI Federal Life Insurance Company Ltd.</td>
<td>135</td>
<td>19-12-2007</td>
<td>2007-08</td>
</tr>
<tr>
<td>14.</td>
<td>India First Life Insurance Company Ltd.</td>
<td>143</td>
<td>05-11-2009</td>
<td>2009-10</td>
</tr>
<tr>
<td>15.</td>
<td>ING Vysya Life Insurance Company Ltd.</td>
<td>114</td>
<td>02-08-2001</td>
<td>2001-02</td>
</tr>
<tr>
<td>18.</td>
<td>Met Life Insurance Company Ltd.</td>
<td>117</td>
<td>06-08-2001</td>
<td>2001-02</td>
</tr>
<tr>
<td>19.</td>
<td>Reliance Life Insurance Company Ltd.</td>
<td>121</td>
<td>03-01-2002</td>
<td>2001-02</td>
</tr>
<tr>
<td>20.</td>
<td>Sahara India Life Insurance Company Ltd.</td>
<td>127</td>
<td>06-02-2004</td>
<td>2004-05</td>
</tr>
<tr>
<td>21.</td>
<td>SBI Life Insurance Company Ltd.</td>
<td>111</td>
<td>29-03-2001</td>
<td>2001-02</td>
</tr>
<tr>
<td>22.</td>
<td>Shriram Life Insurance Company Ltd.</td>
<td>128</td>
<td>17-11-2005</td>
<td>2005-06</td>
</tr>
</tbody>
</table>
2.5 PROFILE OF THE COMPANIES UNDER STUDY

For the present study, we are concerned only with life insurance companies and not with general insurers or reinsurer. Among 24 life insurance companies working at present, we have selected following two companies for detailed study of their profitability analysis:

1. Life Insurance Corporation of India

2. ICICI Prudential Life Insurance Company Ltd.

2.5.1 Life Insurance Corporation of India

LIC is the largest life insurance company in India and also the country’s largest investor. It is fully owned by the Government of India. It also funds close to 24.6% of the Indian Government’s expenses. It was founded in 1956.

Headquartered in Mumbai, which is considered the financial capital of India, the Life Insurance Corporation of India currently has 8 zonal offices and 101 divisional offices located in different parts of India, at least 2048 branches located in different cities and towns of India along with satellite offices attached to about some 50 Branches, and has a network of around 1.2 million agents for soliciting life insurance business from the public.
History

The Oriental Life Insurance Company, the first corporate entity in India offering life insurance coverage, was established in Calcutta in 1818 by Bipin Behari Dasgupta and others. Europeans in India were its primary target market, and it charged Indians heftier premiums. The Bombay Mutual Life Assurance Society, formed in 1870, was the first native insurance provider. Other insurance companies established in the pre-independence era included

- Bharat Insurance Company (1896)
- United India (1906)
- National Indian (1906)
- National Insurance (1906)
- Co-operative Assurance (1906)
- Hindustan Co-operatives (1907)
- Indian Mercantile
- General Assurance
- Swadeshi Life (later Bombay Life)

The starting 150 years were noticed by disordered economic situations. The World War I and II have affected the Indian economy badly. As a result of these wars, Indian economy was facing turbulent economic conditions. Economic crises have affected the lives of Indians. The first war of Independence has increased the economic crises. The economic conditions were getting adverse due to the freedom fight. The results of these adverse economic conditions were bankruptcies and liquidation of life insurance companies and other financial institutions in India.

As a result the Indian people were loosing faith in the utility of buying life insurance cover. In 1912 the Life Insurance Act and provident Act were passed. Life Insurance Act was the first regulatory authority in life insurance industry in India. In the year 1928, the Indian Insurance Companies Act was passed. This act has given right to the government of India, to get statistical information from the insurance
companies, operating in life as well as non-life insurance fields. In the year 1938, subsequent insurance act was passed.

The main objective of this act was to keep control over the insurance industry and to stop failures of unsound ventures. In the year 1944, a bill was presented in legislative assembly of India to nationalize the whole Indian insurance industry. Matter of fraud in insurance by the private insurance companies was raised by Mr. Faros Gandhi. Mr. Ram Krishna Dalmia, the owner of newspaper Times of India, was sent to prison for two years.

All the fraud matters were investigated. On 19th June 1956, the Life Insurance of India Act was passed by the parliament of India. On 1st September 1956 the Life Insurance Corporation of India came into force. Life Insurance Corporation of India was created by nationalizing 245 private life insurance players and other entities which were involved in life insurance business. As a result of Industrial policy Resolution of 1956, the whole insurance industry was nationalized in India. The life insurance industry become stable and started growing rapidly after nationalization.

Life Insurance Corporation of India started working with 5 zonal offices, 33 divisional offices and 212 branch offices in India. Life Insurance Corporation was the only life insurance player in India before the entry of various private life insurance players. Life Insurance Corporation of India has enjoyed monopoly in the life insurance industry for a long time.

Current Status

Over its existence of around 50 years, Life Insurance Corporation of India, which commanded a monopoly of soliciting and selling life insurance in India, created huge surpluses, and contributed around 7% of India’s GDP in 2006.

Life Insurance Corporation of India has started operating in India in the year 1956, with 212 branch offices and 33 divisional offices, apart from its corporate office. As a life insurance contract is a long term contract, verity of services are needed during the term of life insurance policy, the need to expend the life insurance
branches was felt. Large numbers of new branches were opened and Life Insurance Corporation of India was re-organized. Due to this re-organization, many important functions were transferred to the branch offices and the branch offices were made accounting units for LIC. This re-organization has given positive results to LIC.

It was noticed that from about 200.00 crores of new business in 1957 the Life Insurance Corporation of India has crossed about 1000.00 crores in 1969-70. Life Insurance Corporation of India took 10 years to cross 2000.00 crore of new business. Due to this re-organization, in 1985-86 LIC has crossed 7000.00 crore sum assured on new business.

Presently Life Insurance Corporation is operating with 2048 computerized branch offices, 100 divisional offices, and 7 zonal offices in India. The corporate office of Life Insurance Corporation of India is situated in Mumbai. LIC is also operating in 12 other countries to fulfill the life insurance needs of Non-Resident Indians. Life Insurance Corporation of India gives the facility of on-line premium collection as LIC has tied-up with some banks and service providers.

LIC’s ECS and ATM premium payment facility is an addition to customer convenience. Apart from on-line Kiosks and IVRS, Info Centers have been commissioned at Mumbai, Ahmedabad, Bangalore, Chennai, Hyderabad, Kolkata, New Delhi, Pune and many other cities. With a vision of providing easy access to its policyholders, LIC has launched its Satellite Sampark offices. The satellite offices are smaller, leaner and closer to the customer.

Life Insurance Corporation of India has the dominating position in India even after the liberalization in life insurance sector. LIC is growing rapidly and having maximum market share in Indian insurance sector. It has crossed the milestone of issuing 1,01,32,955 new policies by 15th Oct, 2005, posting a healthy growth rate of 16.67% over the corresponding period of the previous year.

The Corporation, which started its business with around 300 offices, 5.6 million policies and a corpus of INR 459 million (US$ 10 million), has grown to
25000 servicing around 180 million policies and a corpus of over INR 3.4 trillion (US$ 80000 million).

The recent Economic Times Brand Equity Survey rated LIC as the No. 1 Service Brand of the Country. In the financial year 2006-07, Life Insurance Corporation of India’s number of policy holders is said to have crossed a whopping 200 million (fourth in terms of population of the countries of the world).

**Subsidiaries**

LIC owns the following subsidiaries:

- Life Insurance Corporation of India International: This is a joint venture offshore company promoted by LIC which commenced operations in July, 1989.
- LIC Nepal: This a joint venture company created in 2001 with the Vishal Group of Industries, Nepal.
- LIC Lanka: A joint venture company created in 2003 with the Bartleet Group of Companies, Sri Lanka.
- LIC Housing Finance: Incorporated in 19 June 1989, providing long term loans for construction or purchase of new house is the fundamental objective. It has office in Dubai.
- LICHFL Care Homes: A wholly owned subsidiary of LIC Housing Finance, it builds and operates “Assisted Community Living Centers” for senior citizens.

**Technology Usage**

The insurance giant opted for internet services for all its subscribers and developed massive networking for own usage and internal governance. While the pros and cons of internal networking remains concealed within the officials and hidden for the common customers, the customer portal somehow fails to satisfy the 21st century customers. Apparently, low bandwidth, unwise web page hyper linking,
and illogical page set ups, all just contribute to the irritation of common net age customers.

**People**

LIC is one of the largest employers in India. The top level management of LIC is headed by 4 officers, namely the Chairman and three Managing Directors. Top management of the LIC is appointed by the government of India through an intensive selection process. Though the company was accused to go by mere seniority in number of years for the selection of the senior management, this has changed as seen in the case of Mr. Thomas Mathew and Mr. A. Dasgupta (Managing Directors).

The Chairman assumes authority of the CEO and chairs the board while the Managing Directors are allotted the three main categories of the organization’s functioning.

The current Chairman, Mr. T.S. Vijayan, is particularly responsible for the major IT infrastructure turnaround that the organization has witnessed and for its advanced EDMS structure.

The marketing unit of LIC is headed by D.K. Mehrotra, which also happens to be one of the largest spenders of advertising in India. Thomas Mathew manages close to $187 billion investment portfolio of the company, which is the largest investor in the country. Engineering and other functions of LIC are managed by A. Dasgupta, many of which are very advanced in the Indian corporate scenario.

**Objectives of LIC of India**

- Widely spread Life Insurance especially in the rural and economically backward areas of India with an objective to reach all insurable people of India and provide them financial security by life insurance cover.
- Maximum mobilization of the savings of the people by providing them attractive insurance plans.
Provide maximum life coverage to the people of India. Indian life insurance market is still under developed as the people of India are not aware about the benefits of life insurance. The most important objective of the LIC is to provide the financial security to the loved ones of the insured. Manage the funds and savings of the house hold and give the best possible returns on investments.

Provide maximum returns to the investors to increase the amount of investment and aware people the people of India about the life insurance.

Work as a trustee of the people who are insured. Manage the savings of the people of India.

Design the life insurance products according to the social and economic life cycle needs of a human being.

Utilize all the assets and men power of the corporation to give the best and efficient insurance services to the insured people of India.

Work for the agents and employees of the corporation to increase their involvement to serve the insured people with the view of Corporate Social Objectives.

**Popular Plans of LIC of India:**

Following are the latest popular plans of Life Insurance Corporation of India:

- LIC’s Children Care Plans
  - Jeevan Anurag
  - Komal Jeevan
  - CDA Endowment Vesting At 21
  - Marriage Endowment Or Educational Annuity Plan
  - CDA Endowment Vesting At 18
  - Jeevan Kishore
  - Jeevan Chhaya
  - Child Career Plan
- Child Future Plan
- Plans for Handicapped Dependents
  - Jeevan Aadhar
  - Jeevan Vishwas
- Term Life Insurance
  - Two Year Temporary Assurance Policy
  - The Convertible Term Assurance Policy
  - Anmol Jeevan-I
  - Amulya Jeevan-I
- Endowment Plans
  - The Endowment Assurance Policy
  - The Endowment Assurance Policy-Limited Payment
  - Jeevan Mitra (Double Cover Endowment Plan)
  - Jeevan Mitra (Triple Cover Endowment Plan)
  - Jeevan Anand
  - New Janaraksha Plan
  - Jeevan Amrit
- Joint Life Insurance
  - Jeevan Saathi
- Plan for high worth individuals
  - Jeevan Shree-I
  - Jeevan Pramukh
- Money Back Insurance
  - The Money Back Policy-20 Years
  - The Money Back Policy-25 Years
  - Jeevan Surabhi
  - Bima Bachat
- Women Insurance
  - Jeevan Bharati
- Whole Life Insurance Plans
• The Whole Life Policy
• The Whole Life Policy- Limited Payment
• The Whole Life Policy- Single Premium
• Jeevan Anand
• Jeevan Tarang

LIC introduced computers in 1964. Today the company is on the Internet and is utilizing Information Technology in servicing its clients. It has bagged various awards including:

• Loyalty Awards 2008 in Insurance Sector
• NDTV Profit Business Leadership Award, 2007
• CNBC Awaaz Consumer Awards, 2007
• Outlook Money NDTV Profit Awards, 2007

Board of Directors

Members on the Board of the Life Insurance Corporation:

Shri. T.S. Vijayan (Chairman)

Shri. D.K. Mehrotra (Managing Director - LIC)

Shri. Thomas Mathew T. (Managing Director - LIC)

Shri. A.K. Dasgupta (Managing Director - LIC)

Shri. Ashok Chawla (Finance Secretary, Ministry of Finance, Govt. of India)

Shri. G.C. Chaturvedi (Additional Secretary, Department of Financial Services, Ministry of Finance, Govt. of India)

Shri. Yogesh Lohiya(Chairman cum Managing Director, GIC of India)

Dr. Sooranad Rajashekhran
2.5.2 ICICI Prudential Life Insurance Company Ltd.

ICICI Prudential Life Insurance Company is a joint venture between ICICI Bank - one of India’s foremost financial services companies and Prudential plc - a leading international financial services group headquartered in the United Kingdom. Total capital infusion stands at Rs. 47.80 billion, with ICICI Bank holding a stake of 74% and Prudential plc holding 26%.

ICICI Prudential Life began its operations in December 2000 after receiving approval from Insurance Regulatory Development Authority (IRDA). Today, its nation-wide team comprises of 2099 branches (inclusive of 1,116 micro-offices), over 276,000 advisors and 18 bank assurance partners.

ICICI Prudential is the first life insurer in India to receive a National Insurer Financial Strength rating of AAA (Ind) from Fitch ratings. For three years in a row, ICICI Prudential has been voted as India’s Most Trusted Private Life Insurer, by The Economic Times – AC Nielsen ORG Marg survey of ‘Most Trusted Brands’. As it grows the distribution, product range and customer base, ICICI Prudential Life continues to uphold the commitment to deliver world-class financial solutions to customers all over India.

Promoters

ICICI Bank: ICICI Bank Limited (NYSE:IBN) is India’s largest private sector bank and the second largest bank in the country with consolidated total assets of about US$ 95 billion as of March 31, 2009. ICICI Bank’s subsidiaries include India’s leading private sector insurance companies and among its largest securities brokerage firms, mutual funds and private equity firms. ICICI Bank’s presence currently spans 19 countries, including India.

Prudential Plc: Established in London in 1848, Prudential plc is a leading internal retail financial services group with significant operations in Asia, the US and
the UK. Prudential has been writing protection and savings insurance for over 160 years, and today has more than 21 million customers worldwide and over $249 billion in assets under management (as of December 31, 2008). In Asia, Prudential is the leading Europe-based life insurer with operations in China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand, and Vietnam. Prudential is one of the largest asset management companies in terms of overall assets sourced in Asia ex-Japan, with 236.8 billion funds under management (as of December 31, 2008) and operations in ten markets including China, Hong Kong, India, Japan, Korea, Malaysia, Singapore, Taiwan, Vietnam and United Arab Emirates.

About the Company

ICICI Prudential Life Insurance Company is a joint venture between ICICI Bank, a premier financial powerhouse, and Prudential plc, 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 Insurance Regulatory Development Authority (IRDA).

ICICI Prudential Life’s capital stands at Rs. 4,780 crores (as of March, 2009) with ICICI Bank and Prudential plc holding 74% and 26% stake respectively. For the period April 1, 2008 to March 31, 2009, the company has posted a growth of 13%, garnering total received premium (new business + renewal) of Rs 15,356 crores as against Rs 13,563 crores in FY2008 and has underwritten over 9 million policies since inception.

ICICI prudential was having assets more then Rs. 32000 crore in March, 2009. ICICI prudential life insurance company is the leading private life insurance company in India. Fitch ratings have given National Insurer Financial Strength rating of AAA (Ind.) to ICICI prudential life insurance company. The AAA (Ind.) is the highest rating in the field of insurance. ICICI got this rating for the services provided to the customers and timely settlement of claims on maturity or on death. For the past
decade, ICICI has gained the leading position in private life insurance companies in India. At present ICICI prudential is having second highest market share in India with a wide range of innovative and flexible life insurance products to meet the needs of various stages of life cycle of the customers in India.

**Distribution**

ICICI prudential has one of the largest distribution network among the private life insurance companies in India. ICICI prudential has 2099 branches (including 1,116 micro offices) and an advisor base of more than 2,76,000 (On March 2009) in all over India. ICICI prudential has 18 bank assurance partners, who have tie-ups with ICICI bank, South Indian Bank, Idukki District Co-op Bank, Aryawart Gramin Bank, Narmada Malwa Gramin Bank, Ratnagiri District Central Co-op Bank, Sangli Urban Co-Operative Bank, Ballia Kshetriya Co-Operative Bank, Amanath Co-Operative Bank, Bhandara Urban Co Operative Bank, Jalgaon Peoples Co-op Bank, Wainganga Krishna Gramin Bank, Jharkhand Gramin Bank, Baitarani Gramya Bank, Seva Vikas Co-op Bank, Baramati Co-operative Bank, Renuka Nagrik Sahakari Bank, Arvind Sahakari Bank.

**Products**

ICICI prudential life insurance company provides a wide range of innovative life insurance products to the people of India. ICICI prudential offers life insurance products according to the needs of people of India. The needs of a person changes at every stage of life cycle, according to these changes in needs and wants, ICICI prudential designs its products.

**Savings & Wealth Creation Solutions:**

- Save ‘n’ Protect is an ideal plan for those who want to accumulate funds on a regular basis while enjoying insurance protection.
- Cash Back is a single policy that combines the triple benefit of protection, savings & periodic liquidity.
• Life time Gold is a unit-linked plan which offers potentially higher returns over long term with flexible investment options.

• Life stage RP is a unit link insurance plan which gives an option to the policyholder to design his portfolio according to his life cycle needs. This plan re-distributes money on various investment options according to the need of the policy holder.

• Life Link Super is a one time premium unit linked insurance plan. This plan gives high returns to the policy holder over long term.

• Invest Shield Life New is a unit linked insurance plan which gives guarantee of premium. This plan gives higher returns to the policy holder and gives guarantee to get back the premium amount paid by him. This plan provides financial protection to the family members of the policy holder.

• Invest Shield Cash back is a unit link insurance plan. This plan gives the guarantee of premium while keep up a balance between safety return and liquidity.

• Wealth Advantage is a single premium whole life unit linked insurance plan. This plan provides long time insurance coverage and gives an option to systematically withdraw money.

• Life Stage Assure is a unit linked insurance plan which provides guaranteed addition of 100% to 450% of the first year premium on maturity, with the further benefit of portfolio strategy based on life cycle is that this re-distributes the money of investors upon various classes of assets based on the age and risk eagerness.

Protection Solutions:

• Pure Protect is a flexible and affordable term product to ensure life and provide total security for family in case of an unfortunate event.
- Lifeguard is a protection plan, which offers life cover at low cost. It is available in 2 options – level term assurance with return of premium and single premium.

- Home Assure is a mortgage reducing term assurance plan designed specifically to help customers cover their home loans in a simple and cost-effective manner.

**Child Plans:**

- Smart Kid New ULRP The policy is designed to provide money at key educational milestones in the life of child. Smart Kid insurance schemes are also available in conventional form.

**Retirement Solutions:**

- Forever Life is a retirement plan which gives assured returns to the policy holder, in starting 4 years.

- ICICI prudential life insurance company offers Life Time Super Pension scheme to its customers. This pension plan is a unit linked regular premium plan. It provides five annuity options such as: life annuity with return of purchase prize, life annuity, life annuity guaranteed for 5, 10, and 15 years and life thereafter, joint life last survivor annuity with return of purchase price and joint life. These super pension plans are long time unit link plans.

- Life Stage Pension is a unit linked pension plan with regular premium which provides a strategy to re-distribute money across various asset classes.

- Life Link Super Pension is unit linked pension plan with single premium.

- Immediate Annuity is annuity plan with single premium which guarantees income for life at the time of retirement.
Health Solutions:

- ICICI prudential life insurance company provides hospital care plan, which is a fixed benefit plan covers all the procedure of treatment of various disease including ICU, hospitalization, operations etc. This plan covers more then 900 surgeries with a long term guaranteed cover.

- Crises cover is an insurance plan offered by ICICI prudential. This plan provides full insurance coverage for the 35 major diseases. It’s a long term insurance scheme.

- Diabetes Care Active is long term life insurance plan designed for individuals with pre-diabetes and Type II diabetes. This insurance plan includes regular health checkups and also provides coverage against seven critical illnesses.

- ICICI prudential offers a regular premium health insurance plan, named care. This plan is for the cancer disease. This health insurance policy provides cash benefit on the diagnosis to the treatment of different stages.

- Medi Assure is a health insurance policy that provides assured insurability till age 75 years, assured coverage for accepted pre-existing illnesses after 2 years and an assured price for 3 years.

- Health Saver provides comprehensive hospitalization cover and reimburses all other medical expenses by building a health fund.

Group Insurance Solutions: ICICI prudential life insurance company provides group insurance schemes to the organizations who want to buy group insurance for their employees.

- **Group Gratuity Scheme:** ICICI prudential life insurance company offers group gratuity plan to the owners of the organizations working in India. By this gratuity plan the organizations can get the tax benefit on the approved gratuity funds.
➢ **Group Superannuation Scheme:** Group superannuation plan is offered by ICICI prudential life insurance company. Group superannuation plan is a flexible market linked plan which gives significant benefits to the employers as well as employees. The group superannuation schemes offered by ICICI prudential provide maximum benefit to the contributors of superannuation fund. It provides maximum returns with reasonable cost. Various annuity options can be chosen by the members.

➢ **Group Immediate Annuities:** ICICI prudential life insurance company offers various kinds of annuities option to the members of superannuation. ICICI has increased the importance of retirement planning by its annuity products. Immediate annuities scheme is one of them. This is an additional annuity offered to the superannuation members. This scheme not only gives income in life but also provides options to meet the needs of the insured group members.

➢ **Group Term Scheme:** Group term scheme is a group insurance plan for a specified time period. The amount of premium and risk cover is charged according to the salary. The claim is made to the nominee of the insured (Who is a member of the insured group). Nothing is paid to the insured group members if they survive. After expiry of the term of the group insurance, the group has to buy another life insurance cover, risk cover is provided by the life insurance company for a specified time period. Usually the term offered by the life insurance companies is one year. ICICI prudential life insurance company provides group term insurance schemes to its customers with flexible premium option.

**Flexible Rider Options**

ICICI prudential life insurance company provides various flexible riders, which can be added to the basic life insurance policy with an additional premium according to the needs of the customers.
➢ **Accident and disability benefit:** In the case of accidental death the nominee of the insured gets additional amount according to the rider taken by the insured. With an additional premium the insured can increase the amount of death claim which will be given to the nominee of the insured. Disability benefit is also offered by the ICICI prudential life insurance company. This rider can be taken by the insured with the basic life insurance policy.

➢ **Critical Illness Benefit:** Critical Illness Benefit Rider provides protection against 9 critical illnesses to the policyholder when attached to the basic plan.

➢ **Waiver of Premium:** On total and permanent disablement due to accident all future premiums under the base plan is waived till the end of the term of the rider or death of assured life, if earlier.

➢ **Income Benefit Rider:** In case of death of the Life Assured during the term of the policy, 10% of the Sum Assured is paid annually to the nominee on each policy anniversary till the maturity of the rider.

**Board of Directors**

The ICICI Prudential Life Insurance Company Limited Board comprises reputed people from the finance industry both from India and abroad.

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
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<tbody>
<tr>
<td>Ms. Chanda D. Kochhar</td>
<td>Chairperson</td>
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<tr>
<td>Mr. N. S. Kannan</td>
<td>Director</td>
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<tr>
<td>Mr. K. Ramkumar</td>
<td>Director</td>
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<tr>
<td>Mr. Barry Stowe</td>
<td>Director</td>
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<tr>
<td>Mr. Adrian O’Connor</td>
<td>Director</td>
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<tr>
<td>Mr. Keki Dadiseth</td>
<td>Independent Director</td>
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<tr>
<td>Prof. Marti G. Subrahmanyam</td>
<td>Independent Director</td>
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Ms. Rama Bijapurkar  Independent Director

Mr. Vinod Kumar Dhall  Independent Director

Mr. V. Vaidyanathan  Managing Director and CEO