

CHAPTER-2

LIFE INSURANCE COMPANIES IN INDIA - AN OVERVIEW

	Page No.
2.1 Introduction	40
2.2 Movement of Life Insurance Companies in India and its Regulations	40
2.3 Duties, Powers and Functions of IRDA	42
2.4 Life Insurance Companies in India	43
2.5 Number of Offices of Indian Life Insurance Companies	45
2.6 Gross Premium Earned by Life Insurance Companies in India	48
2.7 Surplus/Deficit of Life Insurance Companies in India	50
2.8 Sum Assured per Thousand in Force Policy	51
2.9 Conclusion	53

CHAPTER-2

LIFE INSURANCE COMPANIES IN INDIA - AN OVERVIEW

2.1 Introduction

Life insurance is a contract of utmost good faith and a life insurance policy usually ranges on an average from 15 to 25 years. During this period, there is continuous interaction between policyholders and life insurance companies till the policy matures/or death occurs. A life insurance company deals with the policyholders, its employees and agents during this long period of time. Such a large volume of data can only be managed by big corporate form of organization which is to be supervised by a regulatory body looking after the interests of the policyholders and creditors.

2.2 Movement of Life Insurance Companies in India and its Regulations

A) Movement of Life Insurance Companies in India

Insurance in India relates to the Vedas as the word “Yogakshema” is derived from the Rig Veda which means that a form of 'community insurance' was prevalent around 1000 BC and had been practiced by the Aryans. The word “Yogakshema” is the name of corporate headquarter of Life Insurance Corporation of India in Mumbai. The business of life insurance in India had been started in 1818 in the name Oriental Life Insurance Company in Calcutta. Later, the Bombay Assurance Company in 1823 and the Madras Equitable Life Insurance Society in 1829 had also been set up. All these companies had operated in India but had insured the lives other than Indians mostly the lives of Europeans in India. After a gap of many years, first Indian insurance company under the name 'Bombay Life Insurance Society' had started its operation in 1870, and had started insuring Indian lives. 'Oriental Government Security Life Insurance Company', had been established in 1874(Shinde, 2011)¹.

After a long time gap, about 154 Indian Insurance companies, 16 non-Indian companies and 75 Provident Fund companies operating in India were nationalized by passing the Life Insurance Corporation Act on 19-06-1956 and Life Insurance Corporation of India(LICI) came into existence with a capital contribution of rupees 5 crores from the Government of India. After a long gap, Insurance Regulatory and Development Authority (IRDA) Act of 1999 was passed and the monopoly power of

Life Insurance Corporation of India was ended as the IRDA has allowed the entry of private sector in the insurance industry. The IRDA started issuing license to private life insurers in August 2000 including foreign companies those were allowed ownership up to 26%. It has been proved statistically that the countries that opened up for FDI (Foreign Direct Investment) in the financial sectors at higher ratios have got the taste of volatility in their financial market (**Bharathiraja et al, 2007**)². However, the Government of India has recently passed the Bill raising the foreign company's ownership up to 49% keeping more than 50% control in the hands of Indian companies.

B) Important Years in Insurance Regulations in India at a glance

The important years of insurance regulations in India are summarized below:

Year	Significant Regulatory Event
1866	In India, insurance business was subject to Indian Companies Act 1866 since there was no separate regulation for insurance
1912	The Indian Life Insurance Companies Act has been enacted as the first statute to regulate the life insurance business
1928	The Indian Insurance Companies Act has been enacted to enable the government to collect statistical information about both life and non-life insurance businesses.
1938	Earlier legislation has been consolidated and amended by the Insurance Act with the objective of protecting the interests of the insuring public.
1956	245 Indian and foreign insurers and provident societies have been taken over by the Central government and nationalized. LIC formed by an Act of Parliament, viz, LIC Act, 1956,
1956	LICI has been formed with a capital contribution of Rs. 5 crore from the Government of India.
1972	General insurance business in India has been nationalized.
1993	Malhotra Committee has been set up
1994	Malhotra Committee has submitted its Recommendations
1999	The government has decided that foreign equity in private insurance should be limited to 26%. The IRDA bill has been named as the Insurance Regulatory and Development Authority (IRDA) bill 1999.
2000	President has given consent to the IRDA Bill and monopoly power of public sector insurance companies has been abolished and private companies have been given the chance to compete with public companies.
2011-12	LICI added 95 crores of rupees to raise its capital to 100 crores of rupees.
2015	The Government of India has recently passed the Bill raising the foreign company's ownership up to 49% keeping more than 50% control in the hands of Indian companies.

2.3 Duties, Powers and Functions of IRDA

Subject to the provisions of this Act and any other law for the time being in force, the IRDA shall have the duty to regulate, promote and ensure orderly growth of the insurance business and re-insurance business.

The powers and functions of the IRDA include:

- a. Issue to the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration;
- b. Protection of the interests of the policy holders in matters concerning assigning of policy, nomination by policy holders, insurable interest, settlement of insurance claim, surrender value of policy and other terms and conditions of contracts of insurance;
- c. Specifying requisite qualifications, code of conduct and practical training for intermediary or insurance intermediaries and agents;
- d. Specifying the code of conduct for surveyors and loss assessors;
- e. Promoting efficiency in the conduct of insurance business;
- f. Promoting and regulating professional originations connected with the insurance and re-insurance business.
- g. Levying fees and other charges for carrying out the purposes of this Act.
- h. Calling for information from, undertaking inspection of, conducting enquires and investigations including audit of the insurers, intermediaries, insurance intermediaries and other organizations connected with the insurance business;
- i. Control and regulation of the rates, advantages, terms and conditions that may be offered by insurers in respect of general insurance business not so controlled and regulated by the Tariff Advisory Committee under section 64U of the Insurance Act, 1938;
- j. Specifying the form and manner in which books of account shall be maintained and statement of accounts shall be rendered by insurers and other insurance intermediaries;
- k. Regulating investment of funds by insurance companies;
- l. Regulating maintenance of margin of solvency
- m. Adjudication of disputes between insurers and intermediaries or insurance intermediaries;

- n. Supervising the functioning of the Tariff Advisory Committee;
- o. Specifying the percentage of premium income of the insurer of finance schemes for promoting and regulating professional organizations referred to in clause (f);
- p. Specifying the percentage of life insurance business and general insurance business to be undertaken by the insurer in the rural or social sector; and
- q. Exercising such other powers as may be prescribed **(Bali,2008)³**

2.4 Life Insurance Companies in India

1) Public Sector

Life Insurance Corporation of India

The government of India nationalized the life insurance business in our country in 1956 and Life Insurance Corporation of India (LICI) came into existence. The Public sector LICI has been successfully serving the country in nation building.

2) Private Sector

The private life insurance companies have started operating in India in the life insurance sector from 2000 onwards mostly in the form of joint venture with foreign participation of 26% in capital ownership with the objective of increasing the penetration of life insurance in India **(Haridas, 2011)⁴**. The table-2.1 has been depicted with respect to registration no., date of registration and short name used in this study of life insurance companies in India.

Table-2.1

Private Life Insurance Companies with their Registration No. and the Date of Registration

Sr. No.	Registration No.	Date of Registration	Name of Life Insurers	Short Name of Life Insurers used in this study
1	101	23/10/2000	HDFC Standard Life Insurance Co. Ltd.	HDFC STANDARD
2	104	15/11/2000	Max New York Life Insurance Co. Ltd.	MAX N Y
3	105	24/11/2000	ICICI Prudential Life Insurance Co. Ltd.	ICICI PRUDENTIAL

4	107	10/01/2001	Kotak Mahindra Old Mutual Life Insurance Co. Ltd.	KOTAK MAHINDRA
5	109	31/01/2001	Birla Sun Life Insurance Co. Ltd.	BIRLA SUN LIFE
6	110	12/02/2001	TATA AIA Life Insurance Co. Ltd.	TATA AIA
7	111	30/03/2001	SBI Life Insurance Co. Ltd.	SBI LIFE
8	114	02/08/2001	ING Vyasya Life Insurance Co. Ltd.	ING VYSYA
9	116	03/08/2001	Bajaj Allianz Life Insurance Co. Ltd.	BAJAJ ALLIANZ
10	117	06/08/2001	PNB Met Life India Insurance Co. Ltd.	PNB MET LIFE
11	121	03/01/2002	Reliance Life Insurance Co. Ltd.	RELIANCE
12	122	14/05/2002	Aviva Life Insurance Co. Ltd.	AVIVA
13	127	06/02/2004	Sahara India Life Insurance Co. Ltd.	SAHARA
14	128	17/11/2005	Shriram Life Insurance Co. Ltd.	SHRIRAM LIFE
15	130	14/07/2006	Bharati AXA Life Insurance Co. Ltd.	BHARATI AXA
16	133	04/09/2007	Future Generali Life Insurance Co. Ltd.	FUTURE GENERALI
17	135	19/12/2007	IDBI Federal Life Insurance Co. Ltd.	IDBI FEDERAL
18	136	08/05/2008	Canara HSBC Oriental Bank of Commerce Life Insurance Co. Ltd.	CANARA HSBC
19	138	27/06/2008	Aegon Religare Life Insurance Co. Ltd.	AEGON RELIGARE
20	140	27/06/2008	DLF Pramerica Life Insurance Co. Ltd.	DLF PRAMERICA
21	142	26/12/2008	Star Union Dai-Ichi Life Insurance Co. Ltd.	STAR UNION DAI-ICHI
22	143	05/11/2009	India First Life Insurance Co. Ltd.	INDIA FIRST
23	147	2011/2012	Edelwesis Tokio Life Insurance Co Ltd	EDELWESIS

Source: Websites of respective life insurance companies⁵

Table-2.1 indicates that after 2009, only one life insurance Company i.e. Edelweiss Tokio Life Insurance Co. Ltd has applied for the registration and no other companies have shown interest for registration which may be due to the fact that foreign life insurance companies are waiting for the capital ownership of 49%. However, the name of three life insurance companies has been changed during the study period- IDBI FORTIS as IDBI FEDERAL since FORTIS globally changes its name to AGEAS, TATA AIG to TATA AIA since AIG (American International Group) has been changed to AIA (American International Assurance) and MET LIFE to PNB MET LIFE, Punjab National Bank being the major shareholders.

2.5 Number of Offices of Indian Life Insurance Companies

During 2012-13, there was a decreasing trend in the number of life insurance offices in India in the private sector while in the public sector there is an increasing trend in opening of new offices which is evident from the table-2.2 as follows.

Table-2.2

Company-wise Life Insurance Offices after setting up of I.R.D.A.

Name of Life Insurer	2000 -01	2001 -02	2002 -03	2003 -04	2004 -05	2005 -06	2006 -07	2007 -08	2008 -09	2009 -10	2010 -11	2011 -12	2012 -13
HDFC Standard Life Insurance Co. Ltd	2	4	18	26	90	150	448	569	609	568	498	481	450
MAX New York Life Insurance Co Ltd.	3	15	23	33	64	84	118	194	705	705	504	464	288
ICICI Prudential Life Insurance Co. Ltd.	6	14	29	69	109	175	583	1958	2102	1921	1402	990	557
Kotak Mahindra Life Insurance Co. Ltd.		9	28	39	43	46	75	151	198	215	203	205	200
Birla Sun Life Insurance Co. Ltd.	2	19	29	41	53	97	148	538	660	652	617	711	640
TATA AIA Life Insurance Co. Ltd.		6	13	26	40	72	89	283	454	439	363	298	180
SBI Life Insurance Co. Ltd.		5	10	19	31	46	138	200	489	494	629	714	758
ING Vysya Life Insurance Co. Ltd.		4	16	26	38	68	183	265	265	254	247	216	207
BAJAJ ALLIANZ Life Insurance Co. Ltd.		17	33	49	153	567	877	1007	1164	1151	1092	1044	992
PNB MET Life India Insurance Co. Ltd.		3	8	16	35	43	53	94	190	255	270	226	177
Reliance Life Insurance Co. Ltd.		17	35	48	80	157	159	745	1145	1247	1248	1230	1230
AVIVA Life Insurance Co. Ltd.		3	12	22	50	110	140	213	224	186	142	135	132
SAHARA India Life Insurance Co. Ltd.				2	18	18	33	33	49	49	135	143	142

Name of Life Insurers	2000 -01	2001 -02	2002 -03	2003 -04	2004 -05	2005 -06	2006 -07	2007 -08	2008 -09	2009 -10	2010 -11	2011 -12	2012 -13
SHRIRAM Life Insurance Co. Ltd.						11	12	53	98	162	162	208	195
Bharati Axa Life Insurance Co. Ltd.						10	16	77	220	203	181	128	127
Future Generali Life Insurance Co. Ltd.								9	93	90	185	184	99
IDBI FEDERAL Life Insurance Co. Ltd.								2	33	37	60	62	62
Canara HSBC Oriental Bank of Commerce Life Insurance Co. Ltd.									32	33	33	32	32
Aegon Religare Life Insurance Co. Ltd.									58	66	128	125	93
DLF Pramerica Life Insurance Co. Ltd.									15	32	41	40	56
Star Union Dai-ichi Life Insurance Co. Ltd.									2	7	22	30	58
India First Life Insurance Co. Ltd.										2	13	15	36
Edelweiss Tokio												31	48
Life Insurance Corporation of India	2186	2190	2191	2196	2197	2220	2301	2522	3030	3250	3371	3455	3526

Source: IRDA Annual Report, Various Issues.

Table-2.2 indicates that most of the private life insurance companies have closed down their number of offices after 2009-10 while LIC and SBI LIFE have increased their number of offices throughout the study period. This shows that the expenses of running those closed offices seem to be higher than income earned.

2.6 Gross Premium Earned by Life Insurance Companies in India

Life insurance industry recorded a premium income of rupees 2,87,202 crores during 2012-13 compared to rupees 2,87,072 crores in 2011-12 registering a growth of 0.05% (1.5% decline in the previous year). The share of life insurance companies in respect of premium income in the year 2012-13 has been depicted in the table-2.3 and diagram-2.1.

Table-2.3

Gross Premium Earned by Life Insurance Companies in India (2012-13)

Date of Registration	Name of the Company	Rupees in Lakhs
19-06-1956	LICI	20880358
24/11/2000	ICICI PRUDENTIAL	1353824
23/10/2000	HDFC STANDARD	1132268
30/03/2001	SBI LIFE	1045003
03/08/2001	BAJAJ ALLIANZ	689270
15/11/2000	MAX N Y	663870
31/01/2001	BIRLA SUN LIFE	521630
03/01/2002	RELIANCE	404539
10/01/2001	KOTAK MAHINDRA	277778
12/02/2001	TATA AIA	276043
06/08/2001	PNB MET LIFE	242952
14/05/2002	AVIVA	214067
08/05/2008	CANARA HSBC	191215
02/08/2001	ING VYSYA	174236
05/11/2009	INDIA FIRST	169008
26/12/2008	STAR UNION DAI-ICHI	106880
19/12/2007	IDBI FEDERAL	80468
14/07/2006	BHARATI AXA	74452
04/09/2007	FUTURE GENERALI	67829
17/11/2005	SHRIRAM LIFE	61807
27/06/2008	AEGON RELIGARE	43050
27/06/2008	DLF PRAMERICA	23679
06/02/2004	SAHARA	20538
2011-12	EDELWEISS TOKIO	5483

Source: IRDA Annual Report (2012-13)⁶

Diagram-2.1

Gross Premium of Life Insurance Companies in India (2012-13)

(Figures in lakhs of Rupees)

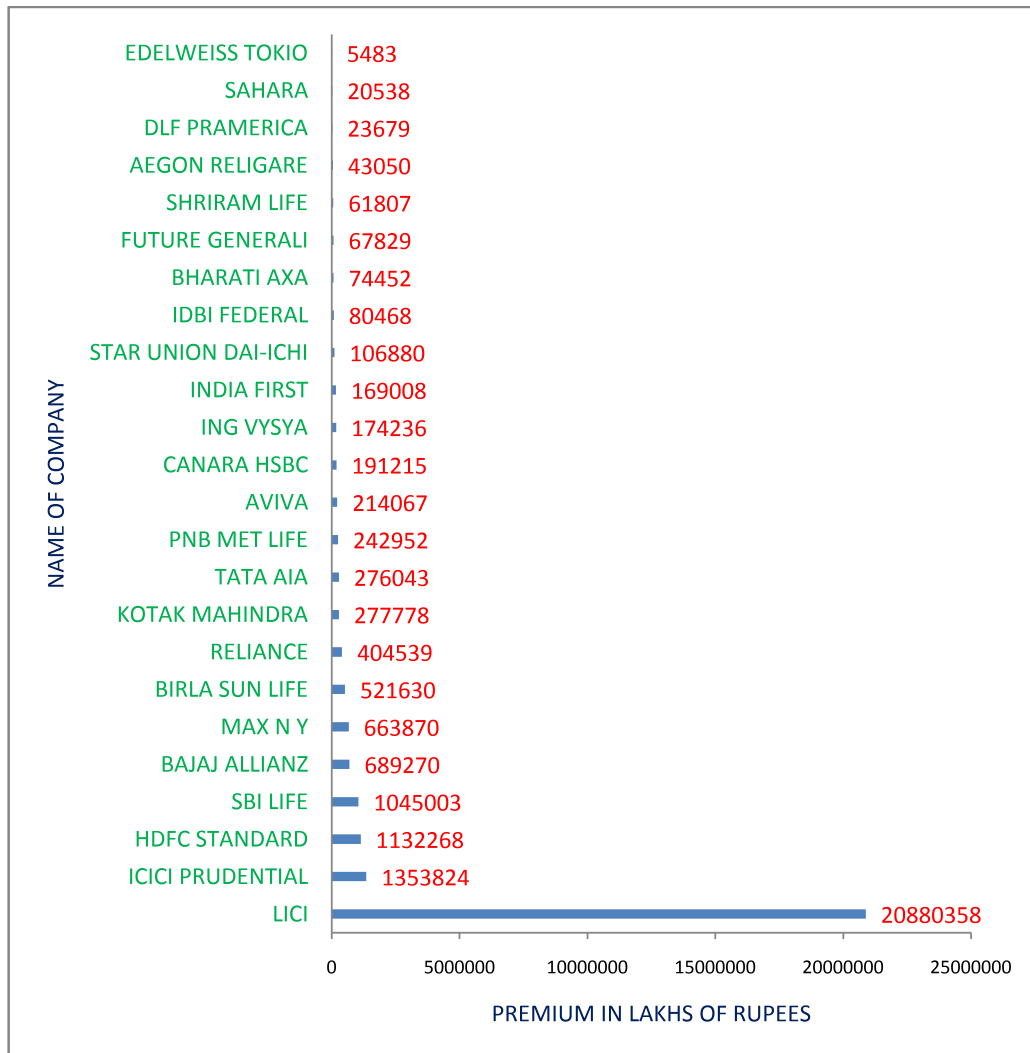


Table-2.3 and Diagram-2.1 show gross premium earned by Indian life insurance companies in the year 2012-13 after respective periods of their operations. In this respect, the performance of LIC is very good and the performance of ICICI PRUDENTIAL, HDFC STANDARD, SBI LIFE, BAJAJ ALLIANZ, MAX N Y, BIRLA SUN LIFE and RELIANCE is much better compared to other private life insurance companies in India.

2.7 Surplus/Deficit of Life Insurance Companies in India

Life insurance Policyholders' Account (previously known as Revenue Account) indicates surplus/deficit earned by life insurance companies in India which is to be appropriated between shareholders and policyholders. The table-2.4 and diagram-2.2 show the surplus/deficit earned by life insurance companies in India during 2012-13.

Table-2.4

Surplus/Deficit of Life Insurance Companies in India (2012-13)

Date of Registration	Name of the Company	Rupees in Lakhs
24/11/2000	ICICI PRUDENTIAL	144967
19-06-1956	LICI	143640
26/12/2008	STAR UNION DAI-ICHI	3034
03/08/2001	BAJAJ ALLIANZ	86247
30/03/2001	SBI LIFE	73148
15/11/2000	MAX N Y	68643
23/10/2000	HDFC STANDARD	64210
17/11/2005	SHRIRAM LIFE	7232
03/01/2002	RELIANCE	44429
31/01/2001	BIRLA SUNLIFE	44030
12/02/2001	TATA AIA	26706
14/05/2002	AVIVA	26695
06/02/2004	SAHARA	2663
10/01/2001	KOTAK MAHINDRA	10745
19/12/2007	IDBI FEDERAL	8161
02/08/2001	ING VVSYA	6603
06/08/2001	PNB MET LIFE	6206
08/05/2008	CANARA HSBC	5267
05/11/2009	INDIA FIRST	3046
14/07/2006	BHARATI AXA	1121
27/06/2008	DLF PRAMERICA	55
2011-12	EDELWEISS TOKIO	0
04/09/2007	FUTURE GENERALI	0
27/06/2008	AEGON RELIGARE	-10954

Source: IRDA Annual Report (2012-13)⁶

Diagram-2.2

Surplus/Deficit of Life Insurance Companies in India (2012-13)

(Figures in lakhs of Rupees)

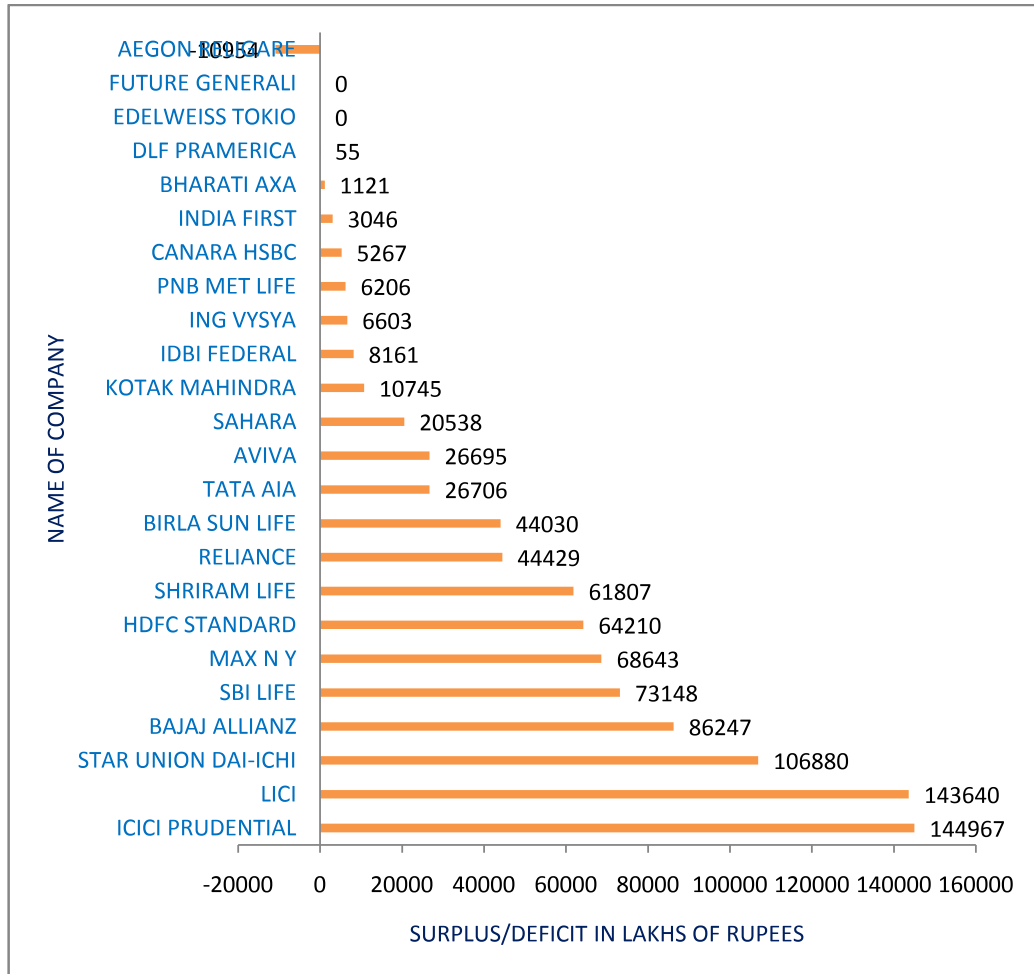


Table-2.4 and Diagram-2.2 show surplus/deficit secured by life insurance companies in India during the period of their operations and it also shows that ICICI PRUDENTIAL has generated surplus in 13 years of operation more than LIC has generated in 57 years of operation.

2.8 Sum Assured per Thousand in Force Policy

Sum assured per thousand in force policy indicates sum assured coverage per thousand policyholders. This figure reveals whether the life insurance companies are

interested to cover insurance policies in rural or urban areas. The table-2.5 shows the performance of Indian life insurance companies in this respect.

Table-2.5

**Sum Assured per Thousand in Force Policy in India in Crores of Rupees
(2012-13)**

Name of the Company	Individual In Force Policy Accumulation per year in thousands in India(No. of Policies in Force/Period of Operation)	Individual Business in Force Accumulation per Year within India (Sum Assured)(in crores of Rupees)(Sum Assured in Force/Period of Operation)	Individual Sum Assured per thousand in force policy(Rupees in crores)
LICI	5167.62	57545.91	11.14
ICICI PRUDENTIAL	429.01	13833.92	32.25
SBI LIFE	383.80	11927.40	31.08
HDFC STANDARD	310.74	13903.58	44.74
BAJAJ ALLIANZ	601.82	14569.20	24.21
BIRLA SUN LIFE	208.81	12271.54	58.77
MAX N Y	273.11	8607.06	31.51
RELIANCE	442.26	5951.82	13.46
TATA AIA	140.52	4549.96	32.38
PNB MET LIFE	79.11	4158.91	52.57
KOTAK MAHINDRA	93.57	5228.04	55.87
AVIVA	69.20	7433.29	107.41
ING VYSYA	101.57	2308.72	22.73
CANARA HSBC	57.26	4089.03	71.41
INDIA FIRST	85.36	2365.60	27.71
STAR UNION DAI-ICHI	76.24	2086.53	27.37
BHARATI AXA	58.93	2352.13	39.91
IDBI FEDERAL	63.88	3550.09	55.57
FUTURE GENERALI	84.48	2619.22	31.00
AEGON RELIGARE	39.60	8963.31	226.32
SHRIRAM LIFE	50.47	1122.68	22.25
SAHARA	38.60	527.98	13.68
DLF PRAMERICA	34.01	770.62	22.66
EDELWEISS TOKIO	23.42	3611.51	154.21

Source: IRDA Annual Report (2012-13)⁶.

The table-2.5 reveals that except LIC and SAHARA, private life insurance companies are interested in targeting high sum assured policyholders who usually live in urban areas and thus increasing their premium income ignoring the rural mass.

2.9 Conclusion

Life insurance industry has registered a decline in premium growth in the year 2012-13. It is interesting to note that ICICI PRUDENTIAL has exceeded giant LIC in the generation surplus in 13 years of its operation. Although licenses have been granted to many private life insurance companies to operate life insurance business in India, following the formation of IRDA, yet the purpose of the government in bringing more and more people under the cover of life insurance has not been fulfilled after a decade since the private life insurance companies are taking interest in procuring high sum assured policies in urban areas.

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