



EXPANSION OF INSURANCE IN INDIA

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Abstract

The security of being nurtured within a family or group is the greatest satisfaction for a human being since beginning of mankind, as it ensured smooth sailing during time of need or distress. However, increasing human needs led to breakdown of this secure system as people began to venture towards more industrialized and urbanized areas. This change brought about a major societal change also, where human beings moved from living in joint groups towards nuclear ones. These changing societal conditions did not change the fact that many situations are beyond human control. Human beings realized that the need for security from the aftermath of occurrences of risk was extremely essential. In this paper study the Classification of Insurance Business, Role of IRDA and expansion branches of insurance company.

Keywords- Insurance, IRDA, Expansion, Premium

Introduction

Insurance business is procedure of contract between the company intending to insure the life or property of individual, group, company or organization, where the company assures to cover risk of loss, damage, injury on payment of premium. In this manner the insurance company authorized to take business of insurance of life or assets signs agreement with the individual, group, company or organization for providing risk cover under agreed conditions. In this case, the policy of insurance is treated as continued till the date the premium is paid by insured person or institution. In the policy, the details of risk coverage are enlisted clearly and insured amount is listed clearly for which the life or asset is

insured. Premium is mode for payment of agreed amount to insurance company at the indicated time, which is treated as validity of insurance policy.

A well-developed insurance sector is a blessing for economic development as it provides long-term funds for infrastructure development while at the same time strengthening the country's risk-taking ability. Insurance sector constitute an important segment of financial market in India and plays a predominant role in the formation of capital in the country. Insurance is a contract between the insurer and the insure requiring all the essentials of a valid contract. Insurance may be described as a social device to minimize or diminish the risks of loss to life and property. It is a provision by which a wise man makes against inevitable contingencies, loss or misfortune. Today people can get security against various types of risks and uncertainties. The instrument containing the contract of insurance is called a policy.

Objectives of the Study

1. To study the Classification of Insurance Business.
2. To study the Role of IRDA.
3. To study the expansion branches of insurance company.

Methodology

The paper is mainly based on the secondary data. The secondary data were collected from various published sources like books, journal, reports, etc.

Classification of Insurance Business

Insurance business is divided into two classes, namely life and general.

1. Life Insurance

It is a contract by which the insurer, in consideration of a certain premium, agrees to pay to the insured or to the person for whose benefit the policy is taken, the assured sum of money, on the happening of a specified event contingent upon human life. Life insurance is not an indemnity contract; the undertaking on the part of the insurer is an absolute one to pay a definite sum on maturity of policy at the death or an amount in installment for a fixed period or during the life.

2. General Insurance

General insurance provides protection against all risk excluding human life and it is also called to as non-life insurance. It has been divided into three categories,

namely fire insurance, marine insurance and miscellaneous insurance. Thus, insuring anything other than human life is called general insurance. Examples are insuring property like house and belongings against fire and theft or vehicles against accidental damage or theft. Injury due to accident or hospitalization for illness and surgery can also be insured. Your liabilities to others arising out of the law can also be insured and is compulsory in some cases like motor third party insurance.

Insurance Laws in India

1. Insurance Act, 1938
2. Life Insurance Corporation Act, 1956
3. General Insurance Business (Nationalization) Act, 1972
4. Insurance Regularity and Development Authority Act, 1999 (IRDA)

Role of IRDA

1. To protect the interest of and secure fair treatment to policyholder;
2. To bring about speedy and orderly growth of insurance industry and to provide long term fund for development of the economy;
3. To set, promote, monitor, and enforce high standards of integrity, financial soundness, fair dealing and competence of those it regulates;
4. To ensure that insurance customer receive clear and correct information about product and services;
5. To ensure speedy settlement of genuine claims, to prevent insurance fraud and other malpractices and put in place effective grievance redressal machinery;
6. To promote fairness, transparency, and orderly conduct in financial markets dealing with insurance and make a reliable management information system to enforce high standards of financial soundness among market players;
7. To take action where such standards are inadequate or ineffectively enforced;
8. To bring about optimum amount of self regulation in day to day working of the industry consistent with the requirements of prudential regulation.
9. To control and monitor investment of funds by insurance companies, managing maintenance of margin of solvency, adjudication of conflicts between insurers and intermediaries or insurance intermediaries

The rules and regulations formulated by IRDA will help the insurance industry progress further with good infrastructure facilities. The key role of the IRDA includes promotion of competition so as to add to customer satisfaction through increased consumer choice and lower premiums, while ensuring the financial safety in the insurance market.

Registered Insurers in India

(As on 31 March 2016)

Sr. No.	Type of business	Public Sector	Private Sector	Total
1	Life Insurance	1	23	24
2	Non-life Insurance	6	18	24
3	Health Insurance	0	5	5
4	Reinsurance	1	0	1
	Total	8	46	54

Source: IRDAI Handbook on Indian Insurance Statistics 2015-2016

At the end of March, 2016, there are 54 insurance companies operating in India; out of which 24 belongs to Life Insurance business and 24 belongs to non life insurance business, 5 belongs to health insurance business and GIC is the only reinsurer in India. Out of 54 insurance companies eight are in public and forty six are in private sector.

Total premium underwritten and number of new policies issued by life insurance companies in India

Sr. No.	Years	Total Premium Underwritten (in crore)	New policies issued (in lakhs)
1	2010-2011	291638.64	481.52
2	2011-2012	287072.11	441.93
3	2012-2013	287202.49	442
4	2013-2014	314301.66	408.7
5	2014-2015	328102.01	259.08
6	2015-2016	366943.23	267.38

Source: IRDAI various issues of Handbook on Indian Insurance Statistics

Table exhibits premium underwritten by life insurers (in crore) by insurance companies during 2010- 2016. The premium underwritten by life insurance companies in financial year 2010-2011 was 291638.64 crore which has grown to 366943.23 crore in 2015-2016. New policies issued by Life Insurance

companies in India from 2010-2011 to 2015-16. From the table it is evident that the number of new policies issued by insurance companies maximum from 481.52 (in lakh) to 408.7 in 2010-2011 to 2013-2014 and since then it has been decreasing. A marginal growth is observed in year 2015-2016 as 267.38 (in lakh) new policies were issued as compared to 259.08(in lakh) policies in previous year.

Number of Life Insurance Offices

(As on 31st March 2016)

Sr. No.	Year	Private	LIC	Total
1	2011	8175	3371	11546
2	2012	7712	3455	11167
3	2013	6759	3526	10285
4	2014	6193	4839	11032
5	2015	6156	4877	11033
6	2016	6179	4892	11071

Source: IRDAI various issues of Handbook on Indian Insurance Statistics

The decreasing trend of number of private life insurance offices (2011 to 2016) and Increase the LIC offices 3371 to 4892. The decreasing trend of number of total offices of life insurance 11546 in the year 2011 and 11071 in the year 2016.

Conclusion

Life insurance in India has a history of more than 100 years. It has grown significantly after independence under control of central government. Various acts were passed to ensure safety of the insured as well as insurer. LIC and Private insurance company provided with various plans to suit the needs of each and every individual. Insurance may play a vital role in helping growth of individual and economy. Life insurance would provide a moral as well as financial support for the family.

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