ABSTRACT

Life insurance is one of the fastest growing sectors in India since 2000 as Government allowed Private Players and FDI up to 26% and recently cabinet approved a proposal to increase it to 49%. Life Insurance in India was nationalized by incorporating Life Insurance Corporation (LIC) in 1956. All private life insurance companies at that time were taken over by LIC. In 1993, the Government of India appointed RN Malhotra Committee to lay down a road map for privatisation of the life insurance sector.

While the committee submitted its report in 1994, it took another six year before the enabling legislation was passed in the year 2000, legislation amending the Insurance Act of 1938 and legislating the Insurance Regulatory and Development Authority Act of 2000. The same year the newly appointed insurance regulator – Insurance Regulatory and Development Authority IRDA started issuing Licenses to private life insurer

It is an Indian state – owned insurance group and Investment Company headquartered in Mumbai. It is the largest insurance company in India with an estimated asset value of Rs. 1,560, 482 crore.

The Life Insurance Corporation of India was founded in 1956 when the Parliament of India passed the life Insurance of India Act that nationalized the private insurance industry in India. Over 245 insurance companies and provident societies were merged to create the state owned Life Insurance Corporation.

Keywords: Privatisation, Insurance, Regulatory.

Indian Life Insurance Industry Overview

All life insurance companies in India have to Comply with the strict regulations laid out by IRDA.

Life Insurance Corporations of India, the state owned behemoth remains by for the largest player in the market.

The private companies have come out with products called ULIPs (Unit Linked Investment Plans) which offers both life cover as well as scope for saving or investment options as the customer desires. These types of plans are subject to a minimum lock-in period of three years to prevent misuse of the significant tax benefits offered to such plans under the Income Tax Act. Comparison of such products with mutual funds would be erroneous.

Commission / Intermediation Fees

The maximum commission limits as per statutory provisions are:

Agency commission for retail life insurance business:

1. 7- 25% for 1st year premium if the premium paying term is more than 20 years.
2. 7-10% for 1st year premium if the premium paying term is less than 10 years.

3. 7% - yr 2 and 3rd year and 3.5% - thereafter for all premium paying terms.

In case of Mutual Fund related–Unit linked policies it varies between 1.5% to 6% on the premium paid.

Agency commission for retail pension-7.5% is for 1st year premium and 2.5% thereafter.

Maximum broker commission is 30%.

**Referral Fees to Banks**

Maximum is 55% for regular premium and 10% for single premium. However, in any case this fee cannot be more than the agency commission as filed under the product.

However, the above commission may be further subject to the product wise limits specified by IRDA while approving the products.

**Life Insurance Corporation of India**

It is the first and only national insurance giant Investment services which was established in the year 1956, after the Life Insurance of India Act had been passed by the Parliament of India and over the year came up as the only state- owned insurance group in India. Headquartered in Mumbai the organization is run by the Union Government of India and its asset value which is been estimated to be almost INR 13.26 trillion, makes it one of the largest insurance and investment company in India which has got 8 Zonal offices in total, 113 divisions offices spread across the country, around 2048 branches, alongside 992 satellite offices and has a network of around 13 lack agents, also connected to around 42 banks, 242 Corporate agents and 98 brokers, so to reach out to public in Insurance business.

The very early age in which the insurance company in India which came into existences was The Oriental Life Insurance Company, which was the only and the first insurance company providing schemes and plans for Life insurance coverage. Established in the year 1818, the company originated in Calcutta was owned by Anita Bhavsar, Bipin Behari Dasgupta and few others, who had a primary target to offer schemes and insurance plan for the Europeans who then based in India, but had heavy premium charges for Indians. Subsequently came in the Hindustan Insurance Society, founded by Surendranath Tagore which later came to be known as Life Insurance Corporation.

In 1870 came in The Bombay Mutual Life Assurance society which became the first indigenous insurance provider of the pre-independence times, including which were:

- Bharat Insurance Company in 1896
- United India in 1906
- National India in 1906
- National Insurance in 1906
- Co-operative Assurance in 1906
- Hindustan Co-operatives in 1907
- Indian Mercantile Swadeshi Life.
- General Assurance.

The initial year of 20th century was economically turbulent because of nation being affected by the conditions of world war I& II and then was India’s war of Independence and these situations triggered almost in every major and minor part of country to their economic conditions, due to which a lot of
insurance organization and companies came to close and that led to take away the faith in obtaining life covers.

But by the time things came to settle down, but even in that period of post-independence things didn’t go well and so Nationalization took place in 1995 because of an insurance fraud case, brought in by Amol Barate keeping in focus the owners of private insurance company having found involved in the insurance fraud and so the Parliament of India on June 19, 1956 passed the Life Insurance of India Act, ultimately establishing Life Insurance Corporation of India, it then combined the life insurance business over 245 private life insurer entities, which in individually included 154 life insurance companies, 16 foreign companies and 75 others provident companies. The industrial policy Resolution of 1956 was because of which the Nationalization of life Insurance business in India came into the pictures as it had expanded state control because of the creation of policy framework that to over 17 sectors of economy which in all also included the life insurance business.

Benefits

Death benefit

a. On death during the policy term before the date of commencement of risk: Return of single premium excluding service tax and extra premium, if any, without interest.

b. On death during the policy term after the date of commencement of risk: Sum Assured along with vested Simple Reversionary Bonuses and Final Additional Bonus if any.

Maturity Benefits

Sum assured, along with vested Simple Reversionary Bonuses and Final Additional Bonus, if any, shall be payable.

Participation in Profits

The policy shall participate in profits of the Corporation shall be entitled to receive Simple Reversionary Bonus declared as per the experience of the corporation.

Final (Additional) Bonus may also be declared under the policy in the year when the policy results into a claim either by death or maturity on such terms and conditions as may be declared by the corporation from time to time.

Advantages of Life Insurance

Life Insurance provides the dual benefits of saving and security. The following benefits explain why this investment tool should be an integral part of financial plans.

1. Risk Cover- Today life is full of uncertainties, in this scenario Life Insurance ensures that our loved ones continue to enjoy a good quality of life against any unforeseen event.

2. Planning for life stage needs- Life Insurance not only provides for financial support in the event of untimely death but also acts as a long term investment. Meet goals, be it children’s education, their marriage, home dream or planning a relaxed retired life, according to life stage and risk appetite.

3. Protection against rising health expenses- Life Insurers through riders or stand alone health insures plans offers the benefits of protection against critical diseases and hospitalization expenses. This benefit has assumed critical importance given the increasing incidence of lifestyle diseases and escalating medical costs.

4. Build the habit of thrift- Life Insurance is a long term contract where as policy holder; you have to pay a fixed amount at a defined periodicity. This builds the habit of long-term savings. Regular saving over a long period ensures that a decent corpus is built to meet financial needs at various life stages.
5. **Safe and profitable long-term investment** – Life insurance is a highly regulated sector IRDA of India, the regulatory body, through various rules and regulations ensures that the safety of the policy holder’s money is the primary responsibility of all stakeholders. Life Insurance being a long-term saving investment, also ensures that life insurer focus on returns over a long-term and do not take risky investment decisions for short term gains.

6. **Growth through dividends**- Traditional policies offers an opportunity to participate in economic growth without taking the investment risk. The investment income is distributed among the policyholders through annual announcement of dividends/bonus.

7. **Tax Benefits** – Insurances plans provide attractive tax-benefits for both at the time of entry and exit under most of the plans.

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

**Investing in Insurance Companies**

Every life insurance is required to maintain a Required Solvency Margin as per section 64VA of the Insurance Act 1938. As prescribed by IRDA of India, Required Solvency Margin is the amount by which an insurance company’s capital exceeds its projected liabilities; effectively a measures of its financial health.

The IRDA of India (Assets, Liabilities and Solvency Margin of Insurers) Regulations 2000 describes in details the method of computation of the Required Solvency Margin.

In case if Life Insurance, the Required Solvency Margin is the higher of an amount of Rs 50 crore (Rs 100 crore in case of Re-insurers) or a sum which is based on a formula given in the Act/Regulations. IRDA of India has set a working Solvency Margin Ratio (Ratio of Actual Solvency Margin to the Required Solvency Margin) of 1.5 for all insures.

One of the important factors that influence insurance penetration is the capital requirement under solvency margin. The pure term products provide Simple life cover and it is believed that companies could design products, which could reach various segments of the population in meeting their insurance penetration. In line with this objective, the Authority has decided to allow the life insurers to reduce the capital requirement in the case of pure term products without changing the factors loadings in the case of remaining products. It is expected that the lower level of solvency for pure term products would provide significant relief to the life insurers both under individual product and under group products. This will also help the insurers in launching more pure term products for sufficiently longer periods and at affordable rates.

As linked products are assuming significant share in the total premium collected by the insurance companies, and as the investors in these products are bearing the investment risk, it is necessary that more information is disseminated to the prospects/policyholders so that he/she can take informed decisions. In this regard, the Authority has asked the life insurers to be more transparent in the policy wordings of the ULIP products and mandated the insurers to submit to the Authority details on guaranteed benefits and non-guaranteed benefits for each policy year. A format has also been introduced for this purpose and the Authority instructed that when the prospects/policyholders propose to take a ULIP policy/he/she should sign on both the formats in the proposal form itself.

This will benefit the policy holders in knowing about the term/benefits of the policy and also reduce wrong selling by the agents in quoting abnormal investment returns.
CONCLUSION

LIC of India is the only public sector Life Insurance Company in India. It is the largest life insurance company in India with a huge presence in both rural and urban markets. It is the top most leading and famous public sectors life insurance company in India and their official website is www.licindia.in. Main objective of is to spread this insurance products all over India particularly in rural areas and economically background classes and to provide financial insurance covers against death at low premium.

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