International Journal of Business and Management Invention (IJBMI)
ISSN (Online): 2319 – 8028, ISSN (Print): 2319 – 801X
www.ijbmi.org || Volume 7 Issue 9 Ver. 2 || September 2018 || PP—01-08

A Study on Structure of Insurance Sector In India

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ABSTRACT: *Life insurance is a contract that pledge payment of an amount to the person assured (or his nominee) on the happening of the event insured against. The contract is valid for payment of the insured amount during, i) The date of maturity, or ii) Specified dates at periodic intervals, or iii) Unfortunates death, if it occurs earlier. Among other things, the contract also provides for the payment of premium periodically to the corporation by the policy holder. Life insurance is universally acknowledged to be an institution, which eliminates 'risk', substituting certainty for un certainty and comes to the timely aid of the family in the unfortunate event of death of the breadwinner. By and large. life insurance is civilization's partial solution to the problems caused by death. Life insurance, in short, is concerned with two hazards that stand across the life-path of every person, That of dying prematurely leaving a dependent family to fend for itself and That of living till old age without visible means of support.*

Insurance is a co-operative device to share the burden of risk, which may fail on happening of some unforeseen events. such as the death of head of family or on happening of marine perils or loss of by fire. Depends on the large number of persons. This will enable the insurer to spread the losses of risk among large number of persons, thus keeping the premium rate at the minimum. Insurance is a co-operative form of distributing a certain risk over a group of person who are to it. A large number of person share the losses arising from a particular risk.

KEYWORDS; *The date of maturity, eliminates 'risk', payment of premium, living till old age without visible.*

Date of Submission: 07-09-2018 Date of acceptance: 24-09-2018

I. INTRODUCTION

The first company to offer life insurance was the Amicable Society for a Perpetual Assurance Office, founded in London in 1706 by William Talbot and Sir Thomas Allen. The first plan of life insurance was that each member paid a fixed annual payment per share on from one to three shares with consideration to age of the members being twelve to fifty-five. At the end of the year a portion of the "amicable contribution" was divided among the wives and children of deceased members and it was in proportion to the amount of shares the heirs owned.

Amicable Society started with 2000 members. Amicable Society for a Perpetual Assurance Office, established in 1706, was the first life insurance company in the world. The first life table was written by Edmund Halley in 1693, but it was only in the 1750s that the necessary mathematical and statistical tools were in place for the development of modern life insurance. James Dodson, a mathematician and actuary, tried to establish a new company that issued premiums aimed at correctly offsetting the risks of long term life assurance policies, after being refused admission to the Amicable Life Assurance Society because of his advanced age. He was unsuccessful in his attempts at procuring a charter from the government before his death in 1757. The sale of life insurance in the U.S. began in the late 1760s. The Presbyterian Synods in Philadelphia and New York founded the Corporation for Relief of Poor and Distressed Widows and Children of Presbyterian Ministers in 1759; Episcopalian priests created a comparable relief fund in 1769. Between 1787 and 1837 more than two dozen life insurance companies were started, but fewer than half a dozen survived.

Business Insurance

At the same time, the first insurance schemes for the underwriting of business ventures became available. By the end of the seventeenth century, London's growing importance as a centre for trade was increasing demand for marine insurance. In the late 1680s, Edward Lloyd opened a coffee house on Tower Street in London. It soon became a popular haunt for ship owners, merchants, and ships' captains, and thereby a reliable source of the latest shipping news. It became the meeting place for parties in the shipping industry wishing to insure cargoes and ships, and those willing to underwrite such ventures. These informal beginnings led to the establishment of the insurance market Lloyd's of London and several related shipping and insurance businesses. In 1774, long after Lloyd's death in 1713, the participating members of the insurance arrangement formed a committee and moved to the Royal Exchange on Cornhill as the Society of Lloyd's.

Property insurance

Property insurance as we know it today can be traced to the Great Fire of London, which in 1666 devoured more than 13,000 houses. The devastating effects of the fire converted the development of insurance "from a matter of convenience into one of urgency, a change of opinion reflected in Sir Christopher Wren's inclusion of a site for 'the Insurance Office' in his new plan for London in 1667". A number of attempted fire insurance schemes came to nothing, but in 1681, economist Nicholas Barbon and of the Royal Exchange to insure brick and frame homes. Initially, 5,000 homes were insured by his Insurance eleven associates established the first fire insurance company, the "Insurance Office for Houses", at the back Office. By the late 19th century, governments began to initiate national insurance programs against sickness and old age. Germany built on a tradition of welfare programs in Prussia and Saxony that began as early as in the 1840s. In the 1880s Chancellor Otto von Bismarck introduced old age pensions, accident insurance and medical care that formed the basis for Germany's welfare state. His paternalistic programs won the support of German industry because its goals were to win the support of the working classes for the Empire and reduce the outflow of immigrants to America, where wages were higher but welfare did not exist. In the United States, until the passage of the Social Security Act in 1935, the federal government did not mandate any form of insurance upon the nation as a whole. With the passage of the Act

Objective Of The Study

- To study about Structure of Insurance Sector in India
- To determine Life Insurance Vs. Other Savings

II. METHODOLOGY AND DATA SOURCES

Data collection Data collection included both primary and secondary data are used. Primary data is collected by a survey of designing a structured questionnaire which is distributed to the selected policy holders and which respondents are asked to select the best possible answers out of the choices from a list. More than a simple one-word answer and existing employees of Public and Private sector customers , who have taken claims of their life insurance policies.

Secondary Data Collection:-The secondary data is collected from the organization website, journals, Textbooks etc., Most of the data is collected from books and some of the data is gathered from the websites. Sampling method : convenience sampling method

Sampling method: Convenience sampling method. The present study A Study on Structure of Insurance Sector in India. The present study was mainly of applied nature as the researcher tried to test the Structure of Insurance Sector in India public life insurance companies and private sector life insurance.

III. REVIEW OF LITERATURE

The insurance industry in India has witnessed different eras and is more than150 years old. From the days when there were several private companies, to nationalization, and to privatization, the industry has come a full circle. Prior to independence, more than two hundred private insurance companies were doing business particularly in life insurance arena. A cursory glance at the pre nationalization period, through the Indian Insurance Year Books and historical studies amply demonstrates that even with an increasing number of statutory laws and insurance acts passed from time to time-more than 40 times during 1938,1939,1940,1941,1955 and the Insurance Act 1958-to regulate and control the business, as many as 66 out of 215 life insurance companies perished between 1935 and 1955 (Agarwal,1961 and Bhave,1970). The growing business, mismanagement and malpractice, manipulation of life funds to indulge in speculative trading, large scale liquidation of insurance companies, inter-looking of funds, and control and influence of large business houses led to public disenchantment and resentment.

On 19th January 1956, the government promulgated life insurance (Emergency Provisions) ordinance through which it look temporary charge of the life insurance business of 154 Indian and non-Indian insurer and of 75 provident fund societies operating in the country (AGARWAL,1960). On 18th June 1956, the government brought the bill in the parliament for the formation of LIC. The bill, better known as Life Insurance Corporation of India Act,1956,came into force on 1st September 1956 through which the government which took over the life insurance business in the country. The LIC was a monopolistic and monolithic institution, the only exception being the postal life insurance and a few compulsory schemes of Life insurance for state employees managed by some state government.

In 1993, Malhotra Committee,[1] headed by former Finance Secretary and Reserve Bank of India (RBI) Governor R.N.Malhotra, was formed to evaluate the Indian insurance industry and recommended its future direction. The Malhotra committee was set up with the objective of complementing the reforms initiated in the financial sector. Reviewing "Malhotra Committee Report" it states that reforms were aimed at "creating more efficient and competitive financial system suitable for the requirements of the economy keeping in mind the structural changes currently underway and recognizing that insurance is an important part of the overall financial system".
In 1994, the committee submitted the report and some of the key recommendations included:

Structure
a) Government should take over the holdings of GIC and its subsidiaries so that these subsidiaries can act as independent corporations.
b) Government stake in the insurance companies to be brought down to 50%.
c) All the insurance companies should be given greater freedom to operate.

Competition
a) Private companies with a minimum paid up capital of Rs.1 billion should be allowed to enter the industry.
b) No company should deal in both life and general insurance through a single entity.
c) Foreign companies may be allowed to enter the industry in collaboration with the domestic companies.
d) Postal Life Insurance should be allowed to operate in the rural market.
e) Only one state level life insurance company should be allowed to operate in each state.

Regulatory Body
a) The Insurance Act should be changed.
b) An Insurance Regulatory body should be set up.
c) Controller of Insurance (currently a part from the Finance Ministry) should be made independent.

Investments
a) Mandatory investments of Life Insurance Corporation (LIC), Life Fund in government securities to be reduced from 75% to 50%.
b) GIC and its subsidiaries are not to hold more than 5% in any company. (These current holdings to be brought down to this level over a period of time).

Customer Service
a) LIC should pay interest on delays in payments beyond 30 days.
b) Insurance companies must be encouraged to set up unit linked pension plans.
c) 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 enable them to act as independent companies with economic motives.
Ramesh Jain (1980)[2] conducts a case study at Sagar branch, Calcutta, of Life Insurance Company view the spread of life insurance in a particular area and to channelize the mobilized saving for nation building activities. Analyzing the processing of procurement of insurance business and administration of Life Insurance Company in branch level, the study also brings out the growth of total new business and about 30% of Life Insurance Companies individual assurance business originated from the rural sector - it adds to the privilege of Life Insurance Company to contribute their investments to many of the vital projects and schemes under 20 point programmes. The findings of the study were to establish servicing center to have continuous interaction with the policyholders and the sagar branch has still greater potentialities of expansion in rural area.
The Planning Wing of the LIC Divisional Office, Thanjavur (1987)[3] has conducted a sample survey on "Customer Satisfaction". The objectives of the study found the level of consumer satisfaction regarding the services, particularly on the aspects such as timely dispatch of discharge forms, reminders, the cooperation

[1] Malhotra Committee Report, Government of India, Ministry of Finance, New Delhi, 1994.www.Indiagov.org. dated 06-06-2005.

[2] Ramesh Jain, A Project on "The Organization and Working of Life Insurance Corporation of India: A Case Study of Sagar Branch, Jabalpur", Jan-June 1980, P. 45-48.
[3] Planning Wing of LIC Divisional Office, Thanjavur Division, "Customer Satisfaction with Particular Reference to Maturity Claims" Special Study No. 1, 1987.

given by agents or development officers, courtesy and sympathy of Company officials, receipt of the policy amount within the due date etc. The results of the study revealed the following points. They are:

• Discharge forms are received before the due date by seventy nine per cent of the policyholders.

• Eleven percent of the policyholders approached the agent or development officer for help in the submission of the requirement and they are happy with the services rendered by them.

• Twenty one percent of the policyholders submitted the requirements after receiving a reminder from the branch office.

• Six percent of the policyholders approached the branch office for discharge forms.

• Ninety percent of the policyholders were satisfied with the prompt service rendered by the branch office.

• Some policyholders stated that the corporation should insist the agents and development officers render all possible help to their clients at the time of claim and survival benefits settlement. The overall conclusion from the above study were:

• There is an imperative need for keeping up the tempo of maturity claims settlement operations at the present level.

• It is desirable to verify the policy ledgers every fortnight for omissions in the computer list so that the delays can be reduced and all the claims can be settled before the due date.

• A few policyholders, who expressed their grievances at the delay, could have been satisfied, if some courteous and prompt attention had been paid to them when they came to office.

Syed Ibrahim (2012),[4] in his research "Consumers' Grievance Redressal System in the Indian Life Insurance Industry - An Analysis" attempts to review on consumer protection and the awareness with reference to the grievances settlement operations of the Life Insurance Industry in India. The study was based on relevant secondary data which was been collected mainly through the data bases of Insurance Regulatory Development Authority of India (IRDA), Reserve Bank of India (RBI), various reports and other studies for a period of 5 years. The research based on various statistical analyses revealed that LIC has succeeded in resolving consumer's grievances when compared to the private insurers but even private players were active in resolving the grievances only in performance year ends .The paper also highlight that IRDA has recently established the Consumer Affairs Department to give a special focus to and oversee the compliance by insurers of the IRDA Regulations for Protection of Policyholders' Interests and also to empower consumers by educating them regarding details of the procedures and mechanisms that are available for grievance redressal.

Savita Jindal (2014),[5] in her study on, "Ethical Issue in Insurance Companies: A Challenge for Indian Insurance Sector" has attempted to find out various ethical issue of insurance companies in India by examining a sample of 50 people from insuring public were interviewed with insurance policies of life insurance to find out the ethical ways in settlement of claims. The study revealed that insurance companies in India are Failing in identifying the customer's needs and recommend products and services that meet their need followed by Misrepresenting in terms and conditions while selling products to customers, Unethical remarks about competitors, their products, or their employees or agents and lastly lack of expertise or skills to competently perform one's duties. Finally the paper concludes that insurance companies have recognized the moral dilemma in claims settlement; they understand that if claims are not settled in ethical manner it will result in bad consequence for company image which will fall back on the insured or the beneficiary. Finally the research stated that insurance business sector has many areas for improvement and development.

Mouna Zerriaa and Hedi Noubbigh (2015),[6] in their research paper, "Determinants of Life Insurance Demand in the MENA Region" have tried to investigate the determinants of life insurance consumption in the Middle East and North Africa (MENA) region using a sample of17 countries over the period 2000-2012.They have used two measures of life insurance demand: insurance density and insurance penetration. This research states that consumption increases with income, interest rates and inflation and also it highlights that country's level of financial development, life expectancy and educational attainment stimulates life insurance demand in a nation.

[4] Dr.M.Syed Ibrahim, S.-U.-R. (2012). "Consumers' Grievance Redressal System In The Indian Life Insurance Industry - An Analysis." S o u t h A s i a n J o u r n a l o f M a r k e t i n g & M a n a g e m e n t R e s e a r c h.

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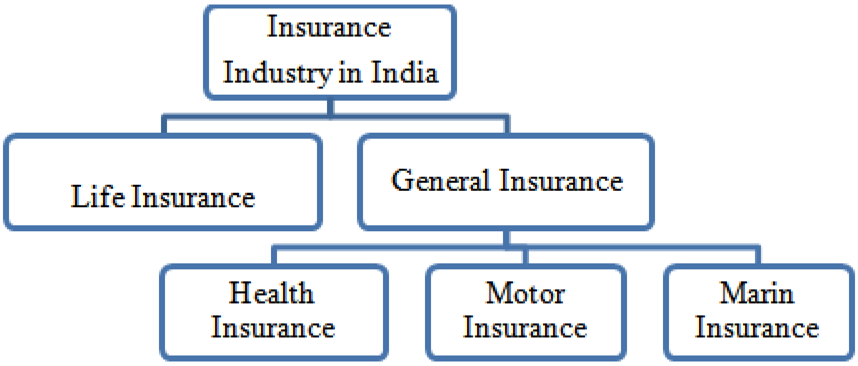
IV. STRUCTURE OF INSURANCE SECTOR IN INDIA

The development of the life insurance market as positive effect on economic growth. The LIC was founded in 1956 when the parliamentary of India passed the life insurance of India act that nationalized the private insurance industry in India. LIC slogan is in Sanskrit "yoga kshemem waham yaham" which translated in English as "your welfare is our responsibility". This is derived from the ancient Hindu text, the Bhaagawat geetha's 9th chapter, 22nd verse. The life insurance industry started with a modest beginning in the year 1957 with 82 corers of funds. The business performance of life industry for the period ending 31-12 -1956 was 13 cores first year premium on 9.5 lakh policies. The no. of direct agents was 12,387 in the year 1958. It is the 2nd biggest real estate after Indian railways. In term of policies paid 96.97% in the year of 2014-15 and 99.55.% in the year of 2015-16.

3.(i).Types of Insurance Sector in India



The Corporation had an Executive Committee consisting of the Chairman, two Managing Directors and two other Members of the Corporation. There was also an Investment Committee consisting of the Chairman, a Functional Director, and five other persons, to advise the corporation in matters referred to it relating to the investment of its funds.

3.(i).a.What is Life Insurance

Life insurance is a contract that pledge payment of an amount to the person assured (or his nominee) on the happening of the event insured against. The contract is valid for payment of the insured amount during,

- The date of maturity, or
- Specified dates at periodic intervals, or
- Unfortunates death, if it occurs earlier.

Among other things, the contract also provides for the payment of premium periodically to the corporation by the policy holder. Life insurance is universally acknowledged to be an institution, which eliminates 'risk', substituting certainty for un certainty and comes to the timely aid of the family in the unfortunate event of death of the breadwinner. By and large. life insurance is civilization's partial solution to the problems caused by death. Life insurance, in short, is concerned with two hazards that stand across the life-path of every person, That of dying prematurely leaving a dependent family to fend for itself and That of living till old age without visible means of support.

3.(i).b.What is General Insurance

General insurance covers insurance of property against fire, burglary, theft; personal insurance covering health, travel and accidents; and liability insurance covering legal liabilities. This category of insurance virtually covers all forms of insurance except life. Other covers may include insurance against errors and omissions for professionals, credit insurance etc. Common forms of general insurance are motor, fire, home, marine, health, travel, accident and other miscellaneous forms of non-life insurance.

Motor Insurance

Motor insurance covers all damages and liability to a vehicle against various on-road and off-road emergencies. A comprehensive policy even secures against damage caused by natural and man-made calamities, including acts of terrorism. Motor insurance is mandatory in India as per the Motor Vehicles Act, 1988 and needs to be renewed every year. Driving a motor vehicle without insurance in a public place is a punishable offence.

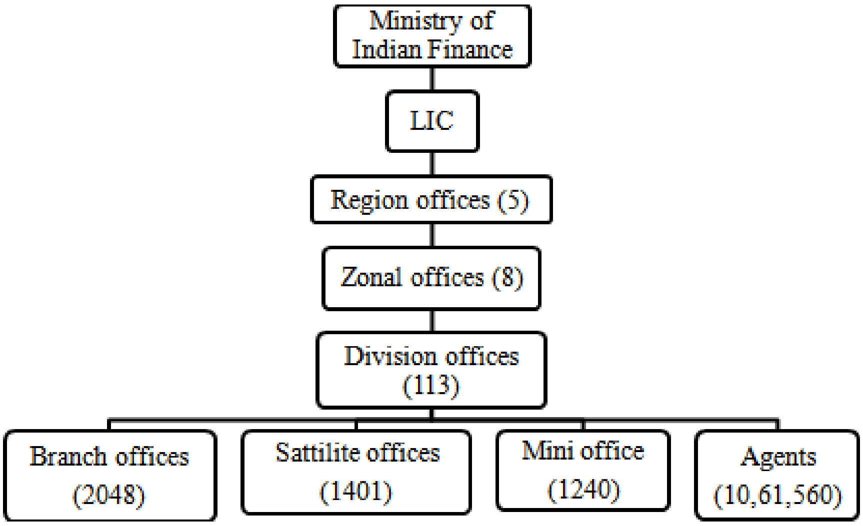
Health Insurance

Health insurance is an insurance policy that ensures that you get cashless treatment or expense reimbursement, in case you fall ill. It is a contract between a general insurance company and one, which consider expenses incurred when availing treatment. However, the insurance company would pay for your treatment if the medical condition is covered by your policy. As per IRDAI, the premiums payable towards such an insurance policy have tax advantage under section 80D of Income Tax Act,1961

Marine (Cargo) Insurance

Business involve the import and export of goods, within national borders and across international borders. Movement of goods is fraught with risk of mishaps which can result in damage and/or destruction of shipments. This leads to substantial financial losses for both the importers as well as the exporters.

3.(ii).Organizational Structure – India



The life insurance corporation India regions 5 with its central office in MUMBAI and 8 zonal office at Mumbai, Calcutta, Delhi, Chennai, Hyderabad, Kanpur, Bhopal, and Patna operates through 113 divisional offices including one salary saving scheme(SSS) divisions at Mumbai, 2048 branch offices and 1,401 satellite offices and Mini office 1,240 and Employees1,14,773and agents 10,61,560 in the year of 2017.

3.(iii). Registered Insurers in India

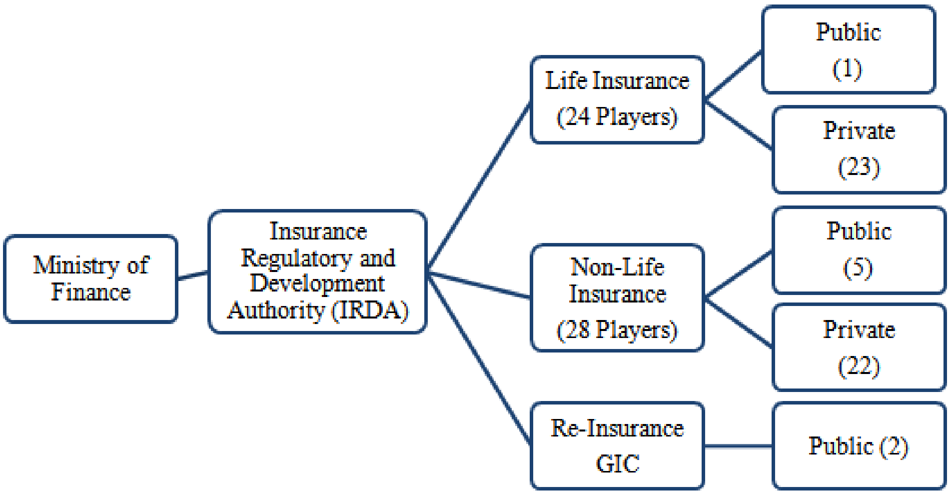
The number of life insurance companies in India in the year 2001 is total 5 out of which one in public sector and 4 in private sector. The government opened the doors for private players for entering in the insurance business in the year 2000, as a result, many private players entered in it. The number of private players increased day by day from 5 in the year 2001 to 23 in the year 2011. At present, there are 24 insurance companies in India.

At the end of March 2017, there are 53 insurers operating in India of which 24 are life insurers, 27 are general insurers. In addition, GIC is the sole national reinsurer of the 53 insurers presently in operation, eight are in the public sector and the remaining forty five are in the private sector. Two specialized insurers, namely ECGC and GIC.

3.(iv).Table.1. Registered Insurers in India (As on 31th March, 2017)

Type of Insurer	Public Sector	Private Sector	Total
Life	1	23	24
General	5	22	27
Reinsurance	2	0	2
Total	8	45	53

Note: List of insurers registered in India is given in Annexure I



4. Life Insurance Vs. Other Savings

Contract of Insurance A contract of insurance is a contract of utmost good faith technically known as uberrima fides. The doctrine of disclosing all material facts is embodied in this important principle, which applies to all forms of insurance. At the time of taking a policy, policy holder should ensure that all questions in the proposals form are correctly answered. Any misrepresentation, non-disclosure or fraud in any document leading to the acceptance of the risk would render the insurance contract null and void.

Protection

Savings through life insurance guarantee full protection against risk of death of the saver. Also, in case of demise, life insurance assures payment of the entire amount assured(with bonuses wherever applicable) where as in other savings schemes, only the amount saved (with interest) is payable.

Aid to Thrift

Life insurance encourages 'thrift'. It allows long-term savings since payments can be made effortlessly because of the 'easy installment' facility built into the scheme.(Premium payment for insurance is either monthly, quarterly, half yearly or yearly).For example; The salary saving scheme popularly known as SSS, provide a convening method of paying premium each month by deduction from one's salary. In this case the employer directly pays the deducted premium to LIC. The Salary Saving Scheme is ideal for any institution or establishment subject to specified terms and conditions.

Liquidity

In case of insurance, it is easy to acquire loans on the sole security of any policy that has acquired loan value. Beside, a life insurance policy is also generally accepted as security, even for a commercial loan.

Tax Relief

Life insurance is the best way to enjoy tax deductions on income tax and wealth tax. This is available for amounts paid by way of premium for life insurance subject to income tax rates in force. Assesses can also avail of provisions in the law for tax relief. In such cases the assured in effect pays a lower premium for insurance than otherwise.

Money when you need It

A policy that has a suitable insurance plan or combination of different plans can be effectively used to meet certain monetary needs that may arise from time-to-time. Children's education, start-in-life or marriage provision or even periodical needs for cash over a stretch of time can be less stressful with the help of these policies. Alternatively, policy money can be made available at the time of one's retirement from service and use for any specific purpose, such as ,purchase of a house or for other investments. Also, loans are granted to policyholders for house building or for purchase of flats(subject to certain conditions).

V. FINDING

- Life insurance is a contract that pledge payment of an amount to the person assured (or his nominee) on the happening of the event insured against.
- The Insurance contract is also provides for the payment of premium periodically to the corporation by the policy holder.
- As per IRDAI, the premiums payable towards such an insurance policy have tax advantage under section 80D of Income Tax Act,1961.
- The number of private players increased day by day from 5 in the year 2001 to 23 in the year 2011. At present, there are 24 insurance companies in India.
- At the end of March 2017, there are 53 insurers operating in India of which 24 are life insurers, 27 are general insurers.
- It is the 2nd biggest real estate after Indian railways. In term of policies paid 96.97% in the year of 2014-15 and 99.55.% in the year of 2015-16.

VI. SUGGESTIONS

- Insurance is a co-operative device to share the burden of risk, which may fail on happening of some unforeseen events.
- The contract also provides for the payment of premium periodically to the corporation by the policy holder.
- The development of the life insurance market as positive effect on economic growth.
- General insurance covers insurance of property against fire, burglary, theft; personal insurance covering health, travel and accidents; and liability insurance covering legal liabilities.
- LIC's Insurance Plans are policies that talk to you individually and give you the most suitable options that can fit your requirement.

VII. CONCLUSION

It is noted that in many cases the life insurance claim has been denied by the insurer, because the claimant has failed to follow some step or not able to submit the necessary information to the company. So it is recommended that when you claim for life insurance, take proper steps and documentation so that you collect your benefit without difficult. Insurance is a protection against economical losses arising due to an unexpected event. In any type of insurance coverage claim settlement plays very important part .claim settlement is an integral part of the insurance business. An insurance claim is the only way to officially apply for benefits under an insurance policy. The policy documents also mentions in the schedule the event or events on the happening of which the insurer shall be paying every determined amount of money.

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