

UNIT 4 - Indian Insurance Industry Overview



The insurance sector of India is a very dynamic growth oriented one – and is one of the world’s largest in the insurance scene.

Even though we are very familiar with the LIC logo – as popular as the McDonald’s logo! – layman knowledge of how the sector is structured in India is quite dubious.

Being well performing sector – along with banking – it is responsible for improvement in GDP over the recent years – and it is expected to increase its share considerably in the coming few years.

Such an important and vast sector, here I present how the Insurance business in India is structures:

Insurance Companies in India:

In India we have both the Government and the public sector participating in the Insurance sector.

It is important to know the names of the PSU companies, as they are not many – so, here’s a list:

Public Sector – Life Insurance Company:-

1. Life Insurance Corporation of India (the one and only PSU life insurance company)

Public Sector – General Insurance Companies:-

1. Agriculture Insurance Company of India Ltd.
2. National Insurance Company Ltd.
3. New India Assurance Company Ltd.
4. Oriental Insurance Company Ltd.
5. United India Insurance Company Ltd.
6. General Insurance Corporation Of India – India’s sole re-insurer
***Trivia:** NIC, NIA, OIC & UIIC (as above) were fully owned subsidiaries of GIC until March 2003 – after amendment the four subsidiaries and GIC itself became Government undertakings. They are now wholly owned Government companies.*

Private Sector – Life Insurance Companies are many, here are some worth noting:

1. Bajaj- Allianz Life Insurance Company
2. HDFC Standard Life Insurance Company
3. ICICI Prudential Life Insurance Company
4. SBI Life Insurance Company
5. Max New York Life Insurance Company

Private Sector – General Insurance Companies:

1. Tata AIG General Insurance Co. Ltd.
2. IFFCO- Tokio General Insurance Company Ltd.
3. SBI General Insurance Co. Ltd.
4. Reliance General Insurance CO. Ltd.
5. ICICI Lombard General Insurance Company and etc.

As per the Department of Finance’s statistics, here are some noteworthy figures:

- **Total number of Insurance Companies in India** – including both public and private companies = **52**
- There is 1 PSU life insurance company (LIC) – and 23 private sector life insurance companies.
- 1 PSU re-insurance company (GIC) and none in private sector.

- 6 PSU general insurance companies and 21 private sector general insurance companies.

Regulatory authority(ies) in India:

Insurance Regulatory & Development Authority (IRDA); functioning under the Insurance Regulatory & Development Authority Act, 1999.

Important points of the IRDA Act, 1999 and what the IRDA is about are:

1. First of all - IRDA provides license and permission for carrying out insurance business in India – and monitors the licensees.
2. And most importantly - IRDA is responsible for the regulation, promotion and growth and development of the insurance and re-insurance business in India.
3. IRDA also functions to protect the interests of the policy holders in many matters – such as redressal of grievances, protection against frauds, settlement of claims etc. among others.
4. It prescribes the code of conduct, duties and procedural compliances for surveyors and loss assessors.
5. Also regulates how the insurance companies invest their funds! Look at the picture – all the premiums that an insurance company, like LIC, collects – all that fund needs to be invested properly!
6. It is also instrumental in controlling and regulating the rates of insurance premiums.
7. Making the interest and protection of the policy holders a priority IRDA hosts a ‘Consumer Education Website’

Other relevant Acts governing insurance sector are:

Actuaries Act, 2006 – governs the actuarial profession in India.

1. General Insurance Business (Nationalization) Act, 1972
– It is called ‘nationalization’ act, as the general insurance business was nationalized in 1972, with the government taking over 55 insurance companies.
2. Insurance Act, 1938
– provides the meanings and definitions of words and terms unique to the insurance sector, provisions regarding accounting and audit of insurance companies, compliance procedures and penalties on non-compliance etc.
3. Life Insurance Corporation Act, 1956
- it provides for the nationalization of life insurance business in India, and the formation of the Life Insurance Corporation of India. It also provides for the meanings

of terms and phrases, and rules and regulations specifically pertaining to the life insurance business.

Trivia and some latest news:

1. LIC is the largest life insurance company in India – having the maximum market share from the point of view of premium collected at 73%.
2. And India has the largest number of life insurance policy in the world!
3. IRDA Chairman is T. S. Vijayan.
4. FDI in insurance sector presently is at 49% (increased from 26%)
5. With the increase in the cap, new players have shown interest in entering the Indian insurance scenario as per IRDA.

6. Some Government Sponsored Insurance Schemes worth noting:

- Aam Admi Bima Yojna
- Janashree Bima Yojna
- Sikhsha Sahayog Yojna
- Varistha Pension Bima Yojna
- Universal Health Insurance Scheme
- National Agriculture Insurance Scheme

7. For protection of consumer interests and grievance redressal – ‘Insurance Ombudsmen’, were introduced in 1998, and are currently located in 12 cities.

Each Ombudsman is empowered to redress customer grievances in respect of insurance contracts where the insured amount is less than Rs.20 lakhs.

8. Also IRDA is looking to make some 40 odd new regulations/ amendments following up on the ‘insurance ordinance’ footed by the Government in December 2014.

9. With the new regulations/ amendments – global re-insurance companies can open branches in India. As of now India has only GIC as it one and only re-insurance company.

10. India’s oldest (1884) insurance service ‘Postal Life Insurance’– provided by the Postal Department (for Govt. and semi Govt. employees)– will be going online soon; utilizing software developed by

Infosys, known as the 'Core Insurance Solution' CIS – similar to the CBS!

11. Insurance sector along with the Banking sector are the major contributors from the service sector towards GDP. Approximately ranging from 7-10% of GDP.
12. And if you are asked – LIC very recently (few hours back) bought and increased its stake in Coal India Limited to 7.2%

With that it's a wrap for today.

Have a good day and keep the feedbacks coming!

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