PRIVATIZATION AND ITS IMPACT ON INDIAN INSURANCE SECTOR:

A LEGAL STUDY.

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CERTIFICATE

This is to certify that TANAY PAUL is pursuing Master of Laws (LL.M) from National Law University and Judicial Academy, Assam and has completed his dissertation titled "PRIVATISATION AND ITS IMPACT ON INDIAN INSURANCE SECTOR: A LEGAL STUDY" under my supervision. The research work is found to be original and suitable for submission.

Date: 19/08/20

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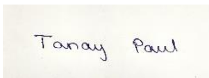
DECLARATION.

I, TANAY PAUL, pursuing Master of Laws (LL.M) from National Law University and Judicial Academy, Assam, do hereby declare that the present dissertation titled "PRIVATISATION AND ITS IMPACT ON INDIAN INSURANCE SECTOR: A LEGAL STUDY" is an original research work and has not been submitted, either in part or full anywhere else for any purpose, academic or otherwise, to the best of my knowledge.



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PREFACE

Life Insurance Corporation of India and General Insurance Corporation along with its subsidiaries were sole players in Insurance business in India; it was only after privatisation the public sector insurance company faced competition in Insurance business. Opening up of the financial sector is one of the financial reforms which the government was to implement as an integral part of structural reforms and stabilization process of the economy. Insurance has a very important role in this reform process. The opening of the insurance market to private players and a conversion of a monopolistic market to a liberalized one has transferred the insurance industry in India totally. The insurance industry in India is now facing tremendous competition when many of the private sector insurance companies have entered in the insurance business. In these circumstances an attempt has been made to study the impact of privatization on insurance industry in India. The present study evaluates the current situation of general insurance sector in India. This study is basically intended to analyse the growth of insurance sector in India during the post privatisation period. Meanwhile the study focuses on financial performance of private and public insurers before and after privatisation, to draw conclusion and make suggestions for enhancing the present status of insurance companies in India. The study is basically descriptive in nature and it is based on secondary data collected from the reports published by IRDA, LIC, GIC and other journals and articles.

LIST OF CASES

1. *Asha Goel v. LIC.*
2. *Biman Krishna Bose v. United India Insurance Company Ltd.*
3. *Ibrahim v. Raju.*
4. *Life Insurance Corporation of India v. Shakuntala.*
5. *Magna General Insurance v. Nanu Ram.*
6. *Nagappa v. Gurudayal Singh.*
7. *National Insurance Company v. Jugal Kishore & Ors.*
8. *Ramla v. National Insurance Company Ltd.*
9. *State of Rajasthan v. Jhansi Bhai.*

TABLE OF STATUTES

1912	Life Assurance Companies Act.
1912	Provident Assurance Societies Act.
1928	Indian Insurance Companies Act.
1938	Insurance Act.
1950	Insurance Act.
1956	Life Insurance Corporation Act.
1968	Insurance Act.
1972	General Insurance Business Nationalisation Act.
1999	Insurance Regulatory and Development Authority Act.
2014	Insurance Amendment Act.
2017	Ombudsman Rules Act.

TABLE OF ABBREVIATIONS

1.	AIR	All India Reporter.
2.	Amt.	Amount.
3.	Art.	Article.
4.	Ch.	Chapter.
5.	COI	Controller of Insurance.
6.	Comp.	Company.
7.	FDI	Foreign Direct Investment.
8.	FY	Financial Year.
9.	GDP	Gross Direct Premium.
10.	GIC	General Insurance Corporation.
11.	Ins.	Insurance.
12.	IRDA	Insurance Regulatory and Development Authority.
13.	IPO	Initial Public Offering.
14.	LIC	Life Insurance Corporation.
15.	No.	Number.
16.	Pvt.	Private.
17.	PSU	Public Sector Undertakings.
18.	Rs.	Rupees.
19.	Sec.	Section.
20.	SEBI	Security and Exchange Board of India.
20.	Sl.	Serial.
21.	USD	United States Dollar.

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CHAPTER 3 COMPARATIVE ANALYSIS OF PUBLIC AND PRIVATE SECTOR INSURERS POST PRIVATISATION

CHAPTER 4 IMPACT OF PRIVATISATION OF INSURANCE SECTOR: ISSUES AND CHALLENGES

CHAPTER 5 INSURANCE SECTOR REFORMS AND JUDICIAL RESPONSES

CHAPTER 1- INTRODUCTION

1.1 INTRODUCTION

We often come across the word “Fear” and “Love”, both of them has four alphabets yet they have very diverse meaning. Whatnot a person does for the love of his/her families always starts with the background of fear. Normally many times we have been hearing people saying that what will happen if they are not alive anymore, they keep on asking rather than doing something for it. Time is precious, it never stops for any one and we are living in the world full of uncertainty; the uncertainty of job, the uncertainty of money, the uncertainty of property and like this the story goes continuous for the whole life of a person[1].

Ours is an era of uncertainty and ambiguity, with full of surprises. It is the sum total of strains and apprehensions regarding the future uncertainties. Anywhere there is an ambiguity, there is a risk and this risk cannot be avoided. It has got multi-faceted dimensions and involves huge losses. No one can accurately predict the uncertainty. Life styles have also changed rigorously and along with these changes, the uncertainties of lives have also increased manifold. Man has to face many risks, to his life and property throughout his life which is one of the root causes of losses and the law of insurance helps him to mitigate such losses to some extent. An insurance system is a well-developed and organised system of redistributing the cost of losses by collecting premium from every insured in that system. Insurance is the man’s constant search for security and finding out ways of ameliorating the hardships arising out of calamities. Here the persons exposed to similar risk contribute some amount periodically and those who actually face the loss are indemnified out of these fund. Insurance, essentially, is an arrangement where the losses experienced by a few are extended over several who are exposed to similar risks[2].

Insurance is a business which works on confidence. It is not only a handmaid of commerce but a basic service needed by the society. It is to be made available to every persons and every area and category of persons. Thus, confidence on insurance is to be restored and cultivated by the insurer. An insurer’s reputation is evaluated mainly on his ability to fulfil his promise when and where the insured needs it. A well developed and evolved insurance sector is a boon for economic development of the country, as it provides long term funds for infrastructure

[1] Sukhvinder Singh Dari, *Need for privatization in Insurance Industry and its impact on Life Insurance Corporation of India,* IJLRS, ISSN: 2348-8212, Vol. 1 Issue 7, 3, 1-19, (2017).
[2] M.N. MISHRA, LAW OF INSURANCE, Central Law Agency, Allahabad (8th ed.)

development .and at the same time strengthen the risk taking ability. Insurance sector in India is one of the blooming sector of the economy and is growing at the rate of 15-20 % per annum. Together with the banking industry, it contributes to about 7% of the country's GDP.

The privatization of Indian Insurance sector has been the subject of much heated debate for many years. The policy makers on one hand wanted competition, efficiency, growth and development of insurance sector, which is very pivotal in channelling the investment in to the infrastructure sector. On the other hand the policy makers had also the fear that the insurance premium, which are substantial would seep out of the country and in the nation's interest they wanted to have a cautious approach of opening of the foreign participation in this sector.

After the institution of the economic restructurings the scenario of Indian industry changed drastically and Indian insurance sector was also not lagging behind. Before 1999, Indian insurance sector was a public monopoly in which for life insurance there was only "Life Insurance Corporation (LIC) and for non-life insurance there was General Insurance Corporation (GIC) and GIC had four subsidiaries namely The New India Assurance Company Limited, The Oriental Insurance Company Limited, The National Insurance Company and the United India Insurance Company Limited".

The Indian insurance sector has countersigned many radial revolutions since the days of its commencement. The insurance market remained in the control of private insurance companies with marginal government intervention up to 1956. Both the life insurance as well as general insurance was nationalised in the year 1956 and 1972 by the government of India, giving them the complete chance of monopoly in the insurance sector. The insurance sector in India was opened for private participation after the recommendation of the "Malhotra Committee". This does not mean that the public sector insurers do not continue their business but after privatization both private and public sector would work simultaneously. This befitted a big milestone in the history of insurance sector in India. And then the government started granting permits to private insurance sector to operate in India. After privatization the monopolies of the public insurance sector came down and from then they had to face tough competition from their private insurance competitors.

The establishment of the "Insurance Regulatory and Development Authority (IRDA)" in 1999 was a clear sign of the end of monopoly of public sector companies in India. It became very crucial for the public company to adapt with the new private company and on the other hand it also became tough for the new private company to compete with the already existing public companies.

1.2 STATEMENT OF THE PROBLEM

Even with the outstanding performance of public sector insurance company both life and non-life it is revealed that there is enormous scope for insurance business in India, as it have high potential which still remain untapped. It have been reflected in many studies that the public insurance companies are performing very well in certain areas, while in certain areas they are unable to reach the masses. The liberalisation and privatisation of the economic reforms in 1990's gave path to privatisation and after setting up of Insurance Regulatory and Development Authority (IRDA) the way of privatisation of insurance sector was opened in India and the question of accepting the private insurance companies to enter the insurance business in India and whether they can win the Indian market is a debatable issue.

The opening of the insurance sector for private companies and the renovation of an anticompetitive market to a liberalised one in early 2000 has reassigned the insurance industry to a great extent. There are several issues which need to be examined carefully for removing the lapses in the insurance sector in order to make it more efficient and effective in achieving the objectives of IRDA. This requires undertaking an independent and in depth research on the different aspects of the insurance business in India in order to find answers to the various dilemmas faced during the implementation of privatization in India. In this context, the present reading is attempted to observe the impact of privatization on Indian Insurance Sector. The study also tries to analyse the performance of private insurance company with comparison to the public insurance sector post privatisation.

1.3 NEED FOR THE STUDY

In recent times, Insurance have become a very significant area of research in all most all the social services, because of its wide popularity and increased concern for nation's development. All these years there has been a continuous and serious debate among both scholars and economists over the pros and cons of privatisation of insurance industry and on its development process. As a result, there has been an urge on doing research on different issues relating to the process of privatization through legal, social and economic spheres.

An enquiry into the nature and factors responsible for the performance of insurance sector with comparison between public and private sector in pre and post privatization will be helpful in formulating the future course of action in the area of product innovation and development, asset liability management and customer relationship management of insurance players in India.

This study will also enable for toning the efficiency of the working of both the public and private sector units, which are expected to play a crucial role in the years to come and give a new horizon and outlook to the insurance policies and regulations laid down by the Government and Insurance Regulatory and Development Authority (IRDA). It aims to find out deficiencies and how they can be avoided for further growth and development. It will also try to point out many aspects like the performance evaluation of the insurance industry that contribute for higher insurance penetration and better customer service.

In India's case the economic and social impact of privatization on employees and consumers need to be studied more rigorously. As such it is hoped that the study will be useful for inter sectorial comparison, not only for the newly entered company but also for those who proposed to enter in the insurance sector in the years to come. Therefore, a study of this sort is undertaken in a more judicious manner.

1.4 RESEARCH OBJECTIVES

The aim of this study is to make an analytical study on the impact of privatization on the Indian insurance sector and to achieve the aim the researcher has endeavoured to set forth the following objectives:

1. To present a historical background of insurance in India.
2. To access the growth and evaluate the performance of insurance sector in India post privatization period.
3. To compare the development aspects of Private Insurance Companies V. Public Insurance Companies.
4. To study the legal regulatory framework of insurance sector in India.
5. To study the impact of privatization of insurance sector in India.
6. To draw conclusion and recommend suggestions for improving the present status of insurance industry in India.

1.5 RESEARCH HYPOTHESIS

In significance to the objectives stated above, the hypotheses are as follows-

1. The privatization of insurance is projected to increase the insurance penetration and density, and to increase awareness among the general public.
2. Privatization has led to intense competition to the public insurance players and to change their traditional business policies and strategies.
3. Privatization has increased efficiency and forced them to use latest technology to satisfy customers.

1.6 RESEARCH QUESTIONS

1. What is the growth and performance pattern of insurance players after privatization?
2. Whether the public insurance sectors able to cope up with the new and vibrant private sector?
3. What is the role of regulatory framework in coping up with the economic development and growth?
4. What is the impact of privatization on the overall insurance sector in India?
5. Whether India should follow the previous monopolistic pattern or opt for the present liberalisation pattern?

1.7 RESEARCH METHODOLOGY

Research Methodology is the specific procedures or techniques used to identify select, process and analyse information about a topic. The study is descriptive in nature and as such doctrinal method is incorporated and is mainly based on secondary data sources collected from the Annual Reports of Insurance Regulatory and Development Authority (IRDA), Life Insurance Corporation of India (LIC), General Insurance Corporation of India (GIC) and other private sector insurance companies.

For the study various books, journals, research articles and reports are used to complete the study. The data published by various insurance organizations have also been used for this study. Further, information has also been collected by visiting the websites of different insurance players and also the regulator where the information in some segments is lacking.

An attempt has been made to evaluate the impact of privatization on the insurance sector. Appropriate research tools have been used as per the need and type of study. The information so collected has been classified, tabulated and analysed as per the objectives of the study. The data so collected from different sources have been analysed by using the suitable statistical techniques like mean, percentage system and incorporating the values of the same in the relevant graphs and tables for arriving at a meaningful and accurate conclusion on the stability and consistency in the growth rate of both public and private sector insurance company during the study period.

1.8 SCOPE AND LIMITATION

As spelled out in the objectives, the study is on the performance of the public and private sector insurance players during the post privatization period. It is hoped that a comparison of performance of this kind would help to bring out factors associated with efficient and inefficient functioning of the units. Efforts are also made in the study to suggest relevant strategies and solutions for a proper workable and efficient system in future in the backdrop of the problems identified so as to enable the insurers to improve their performance and profitability. But the scope of the conclusion arrived at in this study are limited. Many changes may take place continuously and unless we make a constant study of the impact of these changes and their influences, it may not be possible to assess correctly and comprehensively the trends in the performance of different companies.

The study has some limitation and the major limitation is that it is mostly confined to post privatization, the performance of pre-privatization are not well considered, only the major developments taken place during the pre-privatization are considered whenever necessary.

Another limitation is that the comparative study between public and private sector insurance is made on the basis of some selected variables only as this study is not an exhaustive one, there can be another diversity of variables taken from another angles.

One more limitation is that the study is confined only to India and the researcher has not used any sophisticated statistical tools to analyse the secondary data solidified from the annual reports of IRDA, LIC and GIC.

1.9 REVIEW OF EXISTING LITERATURE

The review of past research works helps the researcher to find out the different problems and apprehensions relating to the study. The review of different related literature is one of the pre requisite of any organised research and it helps to understand the current position of the topic and carry on with the research.

The researcher here studied different literature relating to insurance industry and the impact of privatisation on it and tries to find out various issues relating to it. Following are the list of articles, journals, books, reports and thesis that were connected directly or indirectly with the study that the researcher reviewed while carrying on the present work.

Pooja Puri and Dr Harinder Singh Gill in their paper "**A Comparative Study of LIC and Private Insurance Companies**" compared the performance of LIC with the private life insurers on the indicators like quality of services, customer choice and preferences, customer satisfaction and their awareness scheme. The author carried out an empirical research on 100 insurance holders in Amritsar and concluded that initially the private life insurers faced many problems and failed to impress their customers; but with time they improved a lot and it is expected to even rise above the public insurer in near future.

"M. Rajeev and Dr S.M.Abdul Kader" in their journal entitled "**A study on the Impact of Privatisation on the Performance of Indian General Insurance Sector**" analysed the progress of general insurance industry post liberalisation and evaluated the present position of general insurance with its previous nationalised position. The study in the paper is mainly circled around the financial performance of public and private non-life insurers' pre and post privatisation.

Amish Patel and Dr V.J. Dwivedi in their journal "**A Comparative study of Public and Private Sector Life Insurance Companies in India: Post Liberalisation Span**" emphasised on cutthroat competition post privatisation, analysing their performance from 2000-2017. The author viewed that in case of life insurance market the private insurers succeeded by selling more unit linked policies.

Arjun Bhattacharya and O'Neil Rane in their article published in the Indian Economy titled "**Nationalisation of Insurance in India**" elaborated complete ancient history of insurance mainly during the British regime. The author commented that the decision of nationalisation of both life and general insurance sector was not a good option, he opined that at that time onwards there should have been flexibility in the insurance sector and the private companies should have been allowed to operate in India.

Dr S.V. Silbert Jose in his research paper "**An Analytical Study of Privatisation in Indian insurance Sector**" explained the overall impact of privatisation on insurance companies, safety of consumers, wealth of people and their pros and cons of it. The author in his paper concluded that it is only due to privatisation that the efficiency of insurance companies are enhanced.

"Dr Syed Husain Ashraf and Dr Abdullah Faiz" in their article "**India's Insurance Sector in Post Privatisation Period: Emerging Financial Issues**" explained the drawbacks of privatisation of insurance on financial sector and its impact on the economy. The author also commented that it is only due to liberalisation of insurance that the insurance industry have seen a new sunrise which fostered competition, innovation and product variations.

Dr Sukhvinder Singh Dari in his journal paper entitled "**Need for Privatisation in Insurance industry and its impact on Life Insurance Corporation of India**" advocated that the Indian life insurance landscape had major change with privatisation. The increasing tough competition in the insurance industry have changed the rule of insurance game. And due to this change the insurance industry is submerged with a range of products and services. The paper mainly focused on the positive and negative aspects of privatisation on the life insurance market.

G.Suneetha in her Ph.D Thesis titled "**Impact of Privatisation on Life Insurance Sector in India**" elaborated the Life Insurance History in Indian soil and its stages of development and growth. The writer concluded that the public insurer provide more facilities and amenities to employees of the insurer than the private insurance companies, that is why the employees of LIC feel more secure and safe in their job. But, in terms of consumer response the private sector undertakings provide more facilities and services than the public sector undertakings.

Thomas Bird in his book "**Birds' Modern Insurance Law**" talks about the growing pattern of insurance industry in India, which has become a customer driven and customer centric in the present times. He also advocates that when the insurance products are attractive and convincible to customers, then only it flourishes in the market and serves its purpose of profit earning and income generation.

Dr S. Jayadas in his journal "**Privatisation of Service Sector in India- A SWOT Analysis**" emphasised the strength, weakness, opportunity and threats of privatisation in Indian service sector. The paper also focused on the disinvestment procedure in public sector undertakings and categorised them according to their percent of disinvestment.

"Syed Ahmed Salman, Hafiz Majdi Ab Rashid, Sheila Nu Htay" in their journal "**The Progressive Development of India's Insurance Industry from Ancient to Present Times**" highlighted the early history of insurance in India by deriving their roots from ancient Indian history. The paper also focused on the early Acts and Regulations of life insurance and general insurance before independence and tried to compare it with the present global perspective. The author illustrated the performance of insurance companies from 2001 to 2012 to understand its growth and progress.

Harpeet Singh Bedi and Dr Preeti Singh in their research article "**An Empirical Analysis of Life Insurance Industry in India**" explored the overall performance of life insurance industry of India in pre and post liberalisation era i.e. from 1980 to 2009. The researcher used "T- Test and ANOVA Test" in his research article to measure the performance. The researcher also illustrated the recommendation of Malhotra Committee and IRDA in a very descriptive manner. The researcher in his paper concluded that the life insurance business is at an increasing trend and it need to be geared in the present globalised and competitive world.

"Silpa Agarwal and A.K.Mishra" in their research journal "**Life Insurance Industry in India-Past, Present and Future (A Study of LIC of India)**" carried a doctrinal research on the status of LIC and its change in the working procedure from pre liberalised to liberalised period and as well as predicting the future trend of LIC in India. The paper also tried to analyse the future days of LIC in the hard trobe competition with the private insurance companies.

"Babita Yadav and Dr Anshuja Tiwari" in their journal "**A study on factors affecting customers' investment towards life insurance policies**" concluded that the demographic influences of the people play an important role in determining the securing of life insurance programme. The researcher had conducted an empirical study on 150 policyholders of Jabalpur district of Madhya Pradesh from July 2009 to July 2010.

R Vijaya Naik in his paper titled "**A Study on Structure of Insurance Sector in India**" emphasised the framework of the insurance market in India comprising all sectors viz. life, general and health insurance industry. The paper has also illustrated on the Malhotra Committee recommendation and its importance in the present day structure of Indian insurance market.

M.N.Mishra in his book "**Law of Insurance**" provided a basis concept of insurance in India. The author also focused on the various principles and maxims of insurance applicable in the insurance system. The book clearly explained the insurance contract and statutory framework of insurance in India.

Dr N.Kannan in his journal titled "**A Study on the Growth of Insurance Sector**" focused on the new innovative distribution techniques and the updated IT tools which helped the growth and development of the insurance market. The author also laid emphasis on the application of the information technology in the present globalised world and its impact on the insurance market.

Aslesha Parwat Mukadam and **Dr Pramod Deo** in their research paper titled "**IRDA: Regulator of Insurance Sector in India**" have clearly explained the framework of IRDA and its role in Indian insurance industry. The author also described the working procedure, role, functions of IRDA. The author urged that with the establishment of IRDA, India has got a clear well regulated insurance industry working for the betterment of overall insurance sector industry.

Kattamuri Satish in his journal paper "**The Dynamics of General Insurance Sector in India- Growth and Performance Perspective**" stated that the four public non-life insurance companies are dealing with a lot of challenges by the new and dynamics private general insurance players. He further stated that the public non-life insurers to continue in this highly competitive market must change their business strategy. The author also discussed the conceptual model of general insurance and the changing trend and interest of public regarding insurance.

Dr D.Rajasekar and T.Hymavathi Kumari in their global journal "**Life Insurance Industry in India-An Overview**" evaluated the administrative and operating performance of life insurance post privatisation era i.e. till 2012 and observed that in comparison to public life insurers the private insurers have worked more efficiently in increasing their business. The author also emphasised on the role of banks in developing the insurance sector.

J.V.N. Jaiswal in his book "**Law of Insurance**" illustrated the salient feature of India's insurance sector and explained briefly the different types of insurance intermediaries and channels which are essential to understand any topic on insurance.

“Anant Kousadikar and Trivender Kumar Singh” in their paper “**Advantages and Disadvantages of privatisation in India**” emphasised upon the importance of privatisation in the present globalised world and also illustrated the drawbacks of excessive privatisation in every sector. According to the author complete privatisation is not a good option in Indian context, instead there should be a mixture of both private and public enterprises in every sector.

Tapen Sinha in his article paper series “**Privatisation of Insurance Market in India: From the British Raj to Monopoly Raj to Swaraj**” and “**An Analysis of the Evolution of Insurance in India**” has very well explained the phases of development of Indian insurance imarket. The author compared the development stage of Indian privatisation with the privatisation of China and stated that Indian industry is way behind than that of China and our insurance industry is one such example.

1.10 MODE OF CITATION

A uniform system of citation has been adopted throughout the dissertation. The Bluebook (19^{th} Ed.) has been adopted.

1.11 TENTATIVE CHAPTERIZATION

The dissertation entitled “Privatisation and its impact on Indian Insurance Sector: A Legal Study”, include six chapters. A brief note of this chapters are as follows:

Chapter 1- Introduction.

This chapter provides a vision of the topic. This part will mainly cover the basic introduction on privatisation of insurance and its impact on the country’s economy. The chapter includes components like statement of the problem, need for the study, research objectives, research hypothesis, research questions. Moreover, the introduction part also illustrates the methods used in the study and its scope and limitations along with literature review and tentative chapterization.

Chapter 2 – History of Insurance in India.

The chapter focuses on the historical background of insurance in India. The unit studies the evolution of insurance sector comprising both life and general insurance in India. For easy understanding the chapter has divided into three stages viz.

Stage I – Insurance Sector before Nationalization.

Stage II – Insurance Sector after Nationalization.

Stage III – Insurance Sector post Privatization.

The chapter also underlines the various acts and amendments which led to this present massive insurance industry. The chapter also studies the various merits and drawbacks of each stages of evolution in the Indian insurance industry.

Chapter 3 – Comparative Analysis of public and private sector insurers post privatisation.

The third chapter mainly compares the performance of the public insurers with the performance of private insurers. To compare the performance the researcher has used various indicators like "insurance penetration and density, number of insurance companies, profitability, expenses and premium underwritten". To analyse the growth of the sector the market share and number of policies issued by private and public insurers are analysed separately. Moreover, to get an overview of Indian insurance sector an international comparison of insurance penetration and density with other countries is studied.

Chapter 4- Impact of Privatisation on Insurance Sector: Issues and Challenges.

This chapter focuses on the perspective of privatisation in Indian context and its impact on insurance industry. The chapter studies the meaning of privatisation and rationale of privatisation for insurance industry. To understand the intention of the government regarding liberalisation of insurance sector, the scope of privatisation is also analysed. And finally to access the influence of privatisation on insurance sector in India, the benefits and demerits of privatisation is analysed.

Chapter 5- Insurance Sector Reforms and Judicial Response.

The chapter focuses on the various report of committee's which directed to the insurance sector reforms in India. This chapter illustrates the "Malhotra committee report" which is considered to be the backbone of liberalisation and studies its formation and recommendations very minutely. The chapter also includes analysis of Mukherjee committee and most importantly illustrates the structure of "Insurance Regulatory and Development Authority" along with its objectives and functions. The researcher carries an in depth study of Malhotra Committee and IRDAI regarding liberalisation of insurance sector and moreover to have legal knowledge on privatisation the various judicial cases of Supreme Court and High Court regarding insurance industry is studied.

Chapter 6- Suggestion and Conclusion.

This chapter carries the researcher's own interpretation regarding privatisation of insurance sector in India. It more or less tries to answer the research question of the researcher. It is the concluding part of the research work along with some proposed suggestions by the researcher for more efficient working of the Indian insurance sector.

CHAPTER 2 – HISTORY OF INSURANCE SECTOR IN INDIA

2.1 INTRODUCTION

Insurance in India has a deep rooted history, it has well established history of more than thousand years. There was a concept called Yogakshema in Rig-Veda which means prosperity, well-being, security and safety of the people. In Manu's Manusmriti, Yagnavalkya's Dharmashastra and Kautilya's Arthashastra we too find the mention of Insurance[3]. This was probably a pre-cursor to modern day insurance, and Indian ancient history has preserved the earliest traces of insurance business in the form of marine trade loans and carriers' contracts[4]. In those period insurance refers to the pooling of resources that could be re-distributed in times of unseen natural calamities such as floods, earthquake, fire epidemics, famine and drought. Ancient Indian history has very well preserved the earliest traces of insurance in the form of marine trade loans and carriers' contract insurance. But, proper insurance in India has evolved over time heavily drawing its traces from other countries and England in particular[5].

The business of insurance started informally with the marine business traders, who used to gather near the Lloyd's coffee house' on Tower Street in London and would agree to share the losses (if incurred) while being carried by ships. Normally there were no losses incurred but sometimes there were losses when the pirates used to rob on the high seas or due to bad weather the goods are spoilt or when the ship gets sinked. The Lloyd's soon became a meeting place for the shipping industry parties and these informal beginnings in shipping led to the establishment of the insurance market in Lloyd's of London. After the death of Lloyd's in the year 1713, long after in 1774, the participating members of the insurance agreement formed a committee and moved to the royal exchange on Cornhill as the society of Lloyd's[6].

The advent of Life Insurance Business in India can be drawn from England in 1818 with the establishment of "Oriental Life Insurance Company in Calcutta followed by the Bombay Life Assurance Company in 1823, The Madras Equitable Life Insurance Society in 1829"[7]. However till the establishment of the Bombay Life Assurance Society in 1871, Indians were

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[3] Syed Ahmed Salman "et al", *The Progressive Development of India's Insurance Industry from Ancient to Present Times,* HUMAN RESOURCE MANAGEMENT RESEARCH, E-ISSN: 2169-9666, Vol.6 Issue 4, 91, 91-98 (2016).

[4] Amish Patel & Dr V.J.Dwivedi, *A Comparative study of Public and Private sector Life Insurance Companies in India: Post Liberalization Span,* IJRSML, ISSN: 2321-2853, Vol. 7 Issue 4, 1, 1-7 (Apr. 2019).

[5] IRDA, *History of Insurance in India,* https//irdai.gov.in.

[6] R.Vijaya Naik, *A Study on Structure of Insurance Sector in India,* IJBMI, E-ISSN: 2319-8028, Vol.7 Issue 9 Ver. 2, 1, 1-8 (Sept. 2018).

[7] Supra note 3.

charged an extra premium of 20% as compared to the Britishers[8]. Although there were many Indian insurance companies however the era was dominated by many foreign life insurers namely the "Albert Life Assurance, Royal Insurance, Liverpool and London Globe Insurance". The indigenous Indian insurers were finding it very hard to compete with the well-developed foreign companies.

The history of General Insurance dates back to the age old Industrial Revolution in the western countries and consequently the growth of sea trade and commerce in the developing state in late 17th century, but general insurance had its roots in Indian soil with the legacy of the Britishers. The first General Insurance Company in the Indian soil was the Triton Insurance Company Limited, in the year 1850 in Calcutta, but it did not transact all classes of general insurance business. It was the Indian Mercantile Insurance Limited who gave diversity in general insurance business and transacted all kinds of general insurance. The year 1957 is marked as an important year in the general insurance history as in 1957 the General Insurance Council, a wing of the Insurance Association of India was formed. It was the first general insurance company which showed the path of fair conduct and sound business practices paving a path of full-fledged insurance company. In 1968, the Insurance Act was amended in order to regulate the investments and set minimum solvency margins and for this the Tariff advisory Committee was set up. The year 1972 is the golden year in the history of general insurance as in 1972 the General Insurance Business (Nationalisation) Act, was passed and the general insurance business was nationalised with immediate effect from 1st January, 1973. This nationalisation made huge changes in the general insurance business as 107 small insurers were amalgamated and grouped into four companies namely – a. National Insurance Company, b. The New India Assurance Company Limited, c. The Oriental Insurance Company Limited, d. The United India Insurance Company Limited[9].

Since the nationalisation of both life and general insurance in 1956 and 1972 respectively by the Indian government, the previous module of insurance has changed drastically. Prior to nationalisation of the life insurance business in India there were 170 companies and 75 provident fund societies transacting life insurance business in India but with nationalisation i.e. after 1st September, 1956 Life Insurance Corporation of India held the complete monopoly of India's life insurance business. There were no other life insurance company to provide life

[8] Dr Silbert Jose S.V., *An Analytical study of Privatisation in Indian Insurance Sector*, IJMRA, ISSN: 2249-0558, Vol. 9 Issue 2, 244, 241-250, (Feb. 2019)
[9] Supra note 1.

insurance business other than L.I.C of India. On the other hand after 1973, with the nationalisation of General insurance in India, it was grouped into four major subsidiary companies and this four companies were only available to provide general insurance. Both LIC and GIC have played a very vital role in developing the insurance sector and providing insurance coverage all over India.

From 1991 onwards the Indian government made tremendous reforms in the financial sector and it affected the insurance sector also which needed to be improved and uplifted with the changing time and demand. As such in 1993 the Indian government set up an eight member committee chaired by Mr R.N.Malhotra, former governor of R.B.I to review the prevailing structure of regulation and supervision of the insurance sector and to make recommendation for strengthening and modernising the regulatory system of the existing insurance sector in India[10]. The committee submitted its report to the Indian government in January 1994. The committee after analysing the situation gave two key recommendations one is the privatisation of the insurance sector by permitting the entry of private players to enter the insurance sector including both life and general insurance and another major recommendation was the establishment of an Insurance Regulatory for the regulation of insurance business in India.

In took a number of years for the Government of India to implement the recommendations of the Malhotra committee. Finally the Indian Parliament passed the Insurance Regulatory and Development Authority Act, 1999 (IRDA Act) on 2nd December, 1999 with the aim to provide for the establishment of an authority to protect the interest of the policy holder, to regulate promote and ensure the orderly growth of the insurance industry and to amend the Insurance Act, 1938, The Life Insurance Corporation Act, 1956 and the General Insurance Business (Nationalisation) Act, 1972[11].

[10] Avinash Singh, *History of Insurance Legislation in India*, MANUPATRA, https//www.manupatra.com.
[11] Ibid.

2.2 LIFE INSURANCE HISTORY

Life insurance business in India has grown and upgraded manifold with the entry of private players, meanwhile "Life Insurance Corporation of India" has also kept his good performance. There is tremendous increase in life insurance business for both private players as well as for public players, this is due to the increase in awareness among the people in both rural and urban areas through wide publicity and campaign through agents, intermediaries and other sources[12]. For easy understanding the life insurance cycle can be divided into three different milestones and which can be studied in detail in specific stages-

Stage I – Life Insurance before Nationalisation (Prior to 1956)

Stage II – Life Insurance after Nationalisation (1956 to 1999)

Stage III – Life Insurance Post Privatisation (2000 onwards)

2.2.1 Stage I – Life Insurance before Nationalisation (Prior to 1956)

In India, the life insurance concept was mainly introduced by the European people and precisely it was for a particular sector of people i.e. the fishermen for boats, due to various natural calamities and threats their lives were insured. And later on this concept was adopted in different sectors and business. The first company to establish insurance business in India was "Oriental Life Insurance Company (1818) in Calcutta, later on the Bombay Life Assurance Company (1823), The Madras Equitable Life Insurance Society (1829)" was established on Indian soil but the irony was it was mainly not for Indians, as Indians were charged extra 20% premium compared to the native Indians. In1868 there were 285 companies offering life insurance business in India but by the end of 1870, more than 174 companies ceased to exist, when the British Parliament enacted the Insurance Act of 1870 over viewing completely the Indian Companies Act, 1866[13].

The first Indian insurance company was the Bombay Mutual Assurance Society Ltd, formed in 1870. The Bombay Mutual Assurance Society was followed by the Oriental Government

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[12] G.Suneetha, *Impact of Privatization on Life Insurance Sector in India,* Ph.D. Thesis submitted to Sri Krishnadevaraya University, Andhra Pradesh, 2008.
[13] Silpa Agarwal & A.K.Mishra, *Life Insurance Industry of India- Past, Present & Future (A Study of LIC of India),* SSRG-IJEMS, ISSN: 2393-9125, Vol.4 Issue 4, 43, 42-45, (Apr. 2017).

Security Life Assurance Company in 1874, The Bharat Empire in 1896 and the Empire of India in 1897 were started in the Bombay Presidency[14]. Later on many insurance companies like the Hindustan Co-operative in Calcutta, The United India in Madras, The Bombay Life and Jupiter in Bombay and The Lakshmi in Delhi was established from time to time.

As the life industry started blooming and it showed ample scope in this sector, lot of private foreign players entered into the insurance market. Due to the impact of Swadeshi Movement at that time many Indian insurance players too entered into life insurance business. In the year 1912 two important Act viz. "The Life Insurance Companies Act and the Provident Fund Act" were passed. The Life Insurance Companies Act, 1912 made various recommendations and obligations and one important among them was that the said act made it compulsory that the premium charges schedule and the periodic evaluations of the insurance companies should be certified and approved by an actuary and made it mandatory for every life insurance companies, thus a new era began in the Indian insurance sector with the passing of the Life Insurance Act, 1912[15]. But the 1912 Act failed because it discriminated between the foreign and Indian Companies on many accounts, putting the Indian companies at a disadvantageous seat. Later on the 1928 Act of Indian Insurance Companies was enacted to enable the government to collect statistical information about both life and general insurance[16]. The period was termed as 'Privatisation period' as there were numerous number private life insurers operating in India compared to public life insurance companies. Premiums were collected from large number of peoples and huge amount of money were accumulated in this process but later on there were many frauds and cheating and the company started misutilisation of funds like the premium collected were used for their personal work and benefit. To bring an end to this malpractices and to protect and safeguard the interest of the policy holders an Act was passed known as the Insurance Act, 1938. It was the first complete legislation governing not only life but also general insurance branches in India. There was a provision in another separate sub-section which have the power to deal in the matter of provident companies, mutual offices and co-operative societies as well. Its main objective was protecting and safeguarding the interest of insurance public, with operational control over the activities of insurers[17].

[14] Supra note 2.
[15] Dr D.Rajasekhar & T.Hymavati Kumari, *Life Insurance Industry in India- An Overview*, GLOBAL JOURNAL OF COMMERCE AND MANAGEMENT PERSPECTIVE, ISSN: 2319-7285, Vol.3 Issue 2, 50, 50-59 (Apr. 2014).
[16] Ibid.
[17] Vinay V. Mishra & Harshita Bhatnagar, *Foreign Direct Investment in Insurance Sector in India*, 6 Macquarie J. Bus. L. 203 (2009), https://heinonline.org/HOL/License.

The Act was expected to bring sound business practices but with the starting of the 2nd World War, the financial sector crumbled but the insurance industry managed to recover from the devastation of the 2nd World War very quickly[18]. The year 1943 onwards the insurance industry has progressively increased and in that year only there was Rs. 62.94 crores business in life insurance followed by Rs. 95.20 crores in 1944 and Rs. 122.78 crores in 1945, it was the year when the life insurance business crossed 100 crores mark and in the same year in the month of April a committee was appointed by the government under the chairmanship of 'Sir Cowasji Jehangir', to investigate into the management of the insurance companies in India and to recommend measures that could be taken to check manipulation of funds, interlocking between banks and insurance companies and proliferating short term management policies. The Insurance Act, 1950 was passed following the recommendation of Sir Cowasji Jehangir Committee Report and it was the first amendment which abolished the Principal Agencies system in India[19]. This was the last legislation till the nationalisation of life insurance market in India.

[18] Syed Ahmed Salman "et al", *The Progressive Development of India's Insurance Industry from Ancient to Present Times*, HUMAN RESOURCE MANAGEMENT RESEARCH, E-ISSN: 2169-9666, Vol.6 Issue 4, 93, 91-98 (2016).

[19] Arjun Bhattacharya & O'Neil Rane, *Nationalisation of Insurance in India,* Centre for Civil Society, The Indian Economy, 380, https://ccs.in/internship_papers/2003/chapter32.pdf.

TABLE 2.1 "GROWTH OF LIFE INSURANCE BUSINESS IN INDIA: 1914-1950".

YEAR	No. of Insurers	Total No. of Policies in force	Total No. of Business in force (Crore Rs.)	Total No. of Funds (Crore Rs.)
1914	44	------------	22.44	6.36
1930	68	513925	84.89	20.53
1940	195	1371963	225.51	62.41
1945	215	2376000	459.43	107.40
1948	209	2791000	566.36	150.39
1950	208	3010780	612.45	172.30

[20]

*------ symbolises unavailability of data.

If we observe the above table we can find that the life insurance business was saturated in very rapidly increasing number of insurance companies. While the number of insurers in the year 1914 was only 44 it kept on increasing to 208 by the end of 1950, at the period of nationalisation of life insurance companies in 1956 there were total 245 life insurance companies operating in India. The policies in force in 1930 was 513925 policies which has increased to 3010780 policies and the business in force in the year 1914 was 22.44 crores which has also drastically increased to 612.45 crores in 1950 and the same is with the total number of funds which has also increased from 6.36 crores to 172.30 crores.

[20] DHARMENDRA KUMAR,,ed. TRYST WITH TRUST, THE LIC STORY, 263, Life insurance Corporation of India, 1991, https://books.google.co.in/books/tryst_with_trust_the_LIC_Story.enw (May 20, 2020, 9.00 P.M)

TABLE 2.2 “LIFE INSURANCE BUSINESS IN FORCE IN INDIA: 1949-1955”.

YEAR	“ NEW BUSINESS”		“TOTAL BUSINESS IN FORCE”	
	No. of Policies (Rs Lakhs)	Amount (Rs Crores)	No. of Policies (Rs Lakhs)	Amount (Rs Crores)
1951	4.74	147.90	34.14	873
1952	5.34	146.70	39.25	922
1953	5.58	155.20	40.79	966
1954	7.73	255.25	47.82	1177
1955	8.31	260.28	47.92	1220

[21]

If we just look at the preceding 5 years data before nationalisation it also shows positive results. The number of policies in new business has increased from 4.74 lakhs to 8.31 lakhs in just 5 years while the amount has increased from 147.90 crores to 260.28 crores. The same result is with the total business in force if compared with no. of policies has increased from 34.14 lakhs in 1951 to 47.92 lakhs in 1955 and the total amount has increased from 873 crores to 1220 just prior to nationalisation of life insurance business.

The above two tables depicts the growing pattern of life insurance business in India, now the question arises why the decision of nationalisation of life insurance sector? Though there are many answers to this questions but the most prominent reasons was the misappropriation of funds, inadequate approval of loans and low penetration of insurance in Indian market. Another group of scholars favours the nationalisation on the following grounds-

a. It was supposed that the private insurance companies would not encourage insurance in rural areas as compared to the public insurers.
b. Government would be in a better position to station resources for saving and investment and other purposes by taking over the life insurance business completely.

[21] S.R.BHAVE, SAGA OF SECURITY: STORY OF INDIAN LIFE INSURANCE, Life Insurance Corporation of India, 1970, https://books.google.co.in/books/about/saga_of_security.html (May 22, 2020, 11 A.M)

c. Another major ground was the bankruptcies of life insurance companies (at the time prior to nationalisation 25 insurance companies were on the verge of bankruptcy)[22].

2.2.2 STAGE II – LIFE INSURANCE AFTER NATIONALISATION (1956-2000)

Till the Nationalisation of life insurance business i.e. 1956, we had a number of insurance players both Indian and foreign insurers operating in Indian market. But the government decided to nationalise it mainly due to misappropriation and unscrupulous practices implemented by some of the insurer players. The year 1956 was very significant milestone in the history of life insurance sector in India, as on 19th January, 1956 the then "Finance Minister C.D.Deshmukh" announced that the government will conquest the life insurance business of all local national and foreign insurers in India. As such an Emergency Provision Act was made which provided for the government control of 245 companies compromising 154 Indian insurers, 75 provident societies and 16 foreign insurers and the Life Insurance Corporation of India was constituted on September 1, 1956 under the Act (LIC Act No.31 of 1956 dated June 18, 1956)[23]. LIC slogan in Sanskrit is "*yoga kshemen wahanm yaham*" and in English translated as "your welfare is our responsibility". This is derived from the Ancient Hindu text, The Bhagawat Gita's 9th chapter 22nd verse[24]. "Life Insurance Corporation Act, 1956" was the basis for the establishment of the Life Insurance Corporation of India as a body corporate, it consisted of not more than 16 members appointed by the Central Government, one of them being the chairman.

Section 30 of the Act gave LIC exclusive privileged to transact life insurance business in India as per its rules and regulation. LIC started the business with life fund of 545 crores under 46 lakhs of policies. LIC's first five year plan (1959-63) was set up with the objective of spreading life insurance more widely and rapidly in the rural and semi urban areas and to ensure more efficient service to the new policy holders, raising the output of new business from every year with due share particularly from the rural areas, building up full time agents and supervisory development personnel[25]. LIC was carrying on his good business but in the mid of 1966, the

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[22] Tapen Sinha, *Privatization of the Insurance Market in India: From the British Raj to Monopoly Raj to Swaraj,* CRIS Discussion Paper Series, The University of Nottingham, 2002, https://www.nottingham.ac.uk/business/cris/papers/2002-3.pdf.

[23] Ibid.

[24] R.Vijaya Naik, A Study on Structure of Insurance Sector in India, IJBMI, E-ISSN: 2319-8028, Vol.7 Issue 9 Ver. 2, 1, 1-8 (Sept. 2018).

[25] Supra note 10.

world-wide economic recession and inflation and in India also the devaluation of rupee and famine has affected the insurance business till the end of decade. LIC was reorganised in 1971-78 in which the life insurance cling to success. In this period people started realising the importance of life insurance and started purchasing it, meanwhile LIC also started outfitting to the needs of the people and also opened a new path of employment both in urban and semi urban areas.

TABLE 2.3 "GROWTH OF LIFE INSURANCE BUSINESS AFTER NATIONALISATION (1956-2000)". (Amount in Rs crores, No. in Lakhs)

"NEW BUSINESS"				"TOTAL BUSINESS IN FORCE"				
Year	No of Policies	Sum Assured	Premium Income	No of Policies	Sum Assured	Premium Income	Life Fund	Total Inv.
1956	7.96	240	-------	-------	1128	58	300	328
1960	12.6	488	20	74.6	2176	93	520	527
1965-66	15.5	789	31	114.0	4282	175	931	962
1970-71	16.1	1216	48	146.9	6952	279	1765	1700
1975-76	20.1	2104	94	196.1	13248	543	3382	------
1981-82	21.0	3479	158	236.0	23998	1007	7514	7473

[26]

[26] Ibid.

1986-87	38.7	9067	372	298.0	47906	1885	14406	13936
1988-89	59.8	17223	713	360.8	74129	2938	19450	18702
1991-92	92.4	32064	1399	508.6	145929	5946	34424	32262
1992-93	100.0	35957	1609	566.1	177268	7146	40706	38407
1993-94	107.25	41814	-------	608.0	207601	8758	------	46561
1995-96	110.20	51816	2332	708.78	294336	12094	72780	68276
1999-2000	169.77	91214	4956	1012.99	534589	24540	154047	146364

The above table depicts the complete picture of the monopoly rule of Life Insurance Corporation of India in the life business. If we observe the new business table we can find that the number of policies along with sum assured and premium income all have increased drastically after nationalisation of life insurance. All of the different sectors of development has shown positive results and if we observe the total business in force it has also grown to a large extent. Total investment of LIC in the year 1956 was just 328 crores which has increased to 146364 crores by the end of 2000 which shows the success of nationalisation.

TABLE 2.4 "PERFORMANCE OF TOTAL LIFE BUSINESS OF LIC IN FORCE FROM 1991 TO 2000".

"YEAR"	"No. of policies" (Lakhs)	"Sum Assured" (Rs. Crores)	Annual Premium (Rs Crores)
1991-92	508.63	145929	5946
1992-93	566.12	177268	7146
1993-94	608.00	207601	8758
1994-95	654.52	253333	10385

1995-96	708.78	294336	12094
1996-97	776.66	343018	14500
1997-98	849.15	398959	17066
1998-99	916.37	457435	20234
1999-00	1012.99	534589	24540

[27]

The performance table of LIC for the last ten years before insurance reform and after economic reforms of 1991 is quite impressive. Number of policies has increased from 508.63 in 1991-92 to 776.66 in 1996-97 financial year and finally to 1012.99 in 2000. The same scenario is with the sum assured and annual premium which has also shown positive results, while in 1991-92 the sum assured was 145929 crores and annual premium 5946 crores it has increased to 534589 crores and 24540 crores by the end of 2000.

The LIC was one of the most important financial intermediaries at that time and it can be clearly understood from the above two tables and the table also pictures the growing importance of LIC in the economic and financial sector of the country. If we analyse Table 2.3 we can find that in 1956 where the number of new policies was just 7.96 lakhs it has grown to 169.77 lakhs before the entry of private players and the total sum assured and total premium income which was Rs 1128 crores and 58 crores respectively in 1956 showed a rapid growth and increased to Rs. 534589 crores and Rs 24540 crores by the end of the financial year 1999-2000. The figures shows how LIC has emerged into a big gigantic organisation through continuous struggle and hard work, no doubt that this organisation too had to face lots of up's and down's due to socio-economic factors prevailing at that time, the above table clarifies that though after nationalisation there was growth but till the early 80's the growth rate was bit slow but after that there was a steady increase in the business, but after the economic liberalisation in 1991, there was almost two to three times increase in the business of LIC up to the year 2000.

An important reason of nationalisation of life insurance business was to reach every rural areas and to intensify the role in mobilizing rural savings and in this regard "Life Insurance Corporation of India" has played its role very well. The main reason for its growth was the increasing awareness among the individuals both in rural, semi-urban and urban areas. LIC

[27] Annual Reports of L.I.C. of India, https://www.licindia.in/Bottom-Links/annual-report.

enjoyed the privilege of monopoly and gained the markets to maximum extent with the benefit of nationalisation up the year 2000.

2.2.3 STAGE III- LIFE INSURANCE POST PRIVATIZATION (2000 onwards)

Indian insurance sector was liberalised in March, 2000 with the passage of the Insurance Regulatory and Development Authority (IRDA), withdrawing all entry limitations for private players and allowing foreign insurers with an upper cap of 26% foreign direct investment[28]. The opening up of the insurance sector has led to rapid growth of the industry. Presently, there are 24 life insurance companies in India out of which only one is public company i.e. The Life Insurance Corporation of India.

One of the key objectives of insurance liberalisation was to get into the roots of insurance markets by getting more and more consumers under its umbrella and improve on the product delivery and customer service aspects of the business to bring it on par with the international standards[29]. The Indian life insurance industry entered a new phase of transition following liberalisation, it was only this liberalisation in the insurance sector which gave an opportunity to the private players to enter into the insurance market again. Till the year 2000, the insurance industry was a government monopoly after their nationalisation, but in the present time the situation is completely different it is now experiencing severe competition because a number of players have entered into the Indian market in the form of joint ventures with Indian private sector partners.

LIST OF PRESENT LIFE INSURANCE COMPANIES IN INDIA.

SL. NO.	NAME OF INSURERS	DATE OF REGISTRATION
PUBLIC LIFE INSURANCE COMPANIES		
1.	Life Insurance Corporation of India	01/09/1956
PRIVATE LIFE INSURANCE COMPANIES		

[28] Pooja Puri & Dr Harinder Singh Gill, *A Comparative study of LIC and Private Insurance Companies,* IJETMAS, ISSN: 2349-4476, Vol.5 Issue 5 (May 2017).
[29] Joshi N. Naren, *A Reality Check*, IRDA JOURNAL, Vol. VIII No. 2 (Dec. 2003), https://www.irdai.gov.in/ADMINCMS/cms/frmGeneral_list.aspx?DF=JRNL&mid=15.

1.	Aegon Life Insurance Company Ltd.	27/06/2008
2.	Aviva Life Insurance Company India Ltd.	14/05/2002
3.	Bajaj Allianz Life Insurance Company Ltd.	03/08/2001
4.	Bharti AXA Life Insurance Company Ltd.	14/07/2006
5.	Birla Sun Life Insurance Company Ltd.	31/01/2001
6.	Canara HSBC Oriental Bank of Commerce Life Insurance Company Ltd.	08/05/2008
7.	DHFL Pramerica Life Insurance Company Ltd.	27/06/2008
8.	Edelweiss Tokio Life Insurance Company Ltd.	05/10/2011
9.	Exide Life Insurance Company Ltd.	15/08/2001
10.	Future General India Life Insurance Company Ltd	04/09/2007
11.	HDFC Standard Life Insurance Company Ltd.	23/10/2000
12.	ICICI Prudential Life Insurance Company Ltd.	24/11/2000
13.	IDBI Federal Life Insurance Company Ltd.	19/12/2007
14.	India First Life Insurance Company Ltd.	05/11/2009
15.	Kotak Mahindra Old Mutual Life Insurance Ltd.	10/01/2001
16.	Max Life Insurance Company Ltd.	15/11/2000
17.	PNB Merit Life India Insurance Company Ltd.	06/08/2001
18.	Reliance Life Insurance Company Ltd.	03/01/2002
19.	Sahara India Life Insurance Company Ltd.	06/02/2004
20.	SBI Life Insurance Company Ltd.	29/03/2001
21.	Shriram Life Insurance Company Ltd.	17/11/2005
22.	Star Union Dai-Ichi Life Insurance Company Ltd.	26/12/2008
23.	Tata AIA Life Insurance Company Ltd.	12/02/2001

All this sequence of establishment started initially with the constitution of the Malhotra Committee and to the passage of the IRDA Act, 1999 which has become a part of the history now, more than 64 years after the industry was opened up[30]. To consolidate the events that occurred from the British Raj to Monopoly to Swaraj in the Life Insurance sector, can be consolidated and presented in the form of a table.

[30] G.Suneetha, *Impact of Privatization on Life Insurance Sector in India*, Ph.D. Thesis submitted to Sri Krishnadevaraya University, Andhra Pradesh, 2008.

The various milestone which the Indian life insurance industry has gone through is shown in the following table:

YEAR	MAJOR HISTORICAL EVENTS
1818	Establishment of the first life insurance company- “The Oriental Life Insurance Company” in Calcutta.
1870	“Bombay Mutual Life Assurance Society” started its business in India.
1912	The Indian Life Assurance Company’s Act was enacted as the first statute to regulate the life insurance business.
1914	The Government started publishing returns of insurance companies in India.
1928	The Indian Insurance Companies Act was enacted to enable the government to collect statistical information about both life and non-life insurance business.
1938	Previous legislation of 1928 was consolidated and amended by the Insurance Act of 1938 with the main objective of protecting the interests of the insuring public”.
1950	Comprehensive Act to regulate insurance business in India and abolished the principal agencies system.
1956	Nationalisation of life insurance business in India.
1993	Setting up of Malhotra Committee.
1994	Malhotra Committee recommendations were published.
1997	Government of India cleared proposals for giving greater autonomy to Life Insurance Corporation of India.
1998	The cabinet decides to allow 40% foreign equity in private insurance companies, 26% to foreign companies and 14% to NRI’s ,
1999	The Standing Committee decides that the foreign equity in private insurance should be limited to 26% and the IRDA Act was given statutory recognition.
2000	IRDA started its operation India.
2000	Private player’s started entering the life insurance business.

2.3 GENERAL INSURANCE HISTORY

Like life insurance, general insurance also had a deep root history in India. It eventually reached its height with the growth of trade and commerce. But even when there were no financial mechanisms, general insurance was carried out in the form of mutual help in which people helped each other. In that period if a house was burnt or destroyed, other community members would help him build a new house and if anybody else in the public faced any problem, other people helped them thus were also a type of insurance prevalent in early period. It has got its mark in the famous writings of Manusmriti, Dharmashastra and Arthashastra[31].

The General Insurance Industry can also be classified into three milestone groups for easy understanding and which can be studied in detail in the following stages-

Stage I- General Insurance before Nationalisation (Prior to 1973)

Stage II- General Insurance after Nationalisation (1973-2000)

Stage III- General Insurance Post Privatisation (2000 onwards)

2.3.1 STAGE I - GENERAL INSURANCE BEFORE NATIONALISATION (Prior to 1973).

In ancient period people used to pool resources in order to face or tackle the natural calamities like fire, floods, epidemics, earthquake etc. The Aryans had the idea of community insurance more than 3000 years ago as mentioned in Rig-Veda[32], thus it can be substantiated that the general insurance too had age old stories and roots in India. But the first general insurance in India was comprehended in the form of marine insurance, due to industrial revolution in England marine business increased to a large extent. The first formal general insurance company to be established in Indian soil was the Triton Insurance Company Limited in Calcutta (now Kolkata), in the year 1850 by the Britishers[33]. The first indigenous general insurance

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31 IRDA, *History of Insurance in India*, https//irdai.gov.in.
32 Dr Saif Siddiqui, *Indian Insurance Sector-An Overview*, SSRN Electronic Journal, (Aug. 2008), https://www.researchgate.net/publication/228121406_Indian_Life_Insurance_Sector_An_Overview/citation/download.
33 Dr N.Kannan*, A Study on the growth of Indian Insurance Sector*, INTERNATIONAL JOURNAL OF MANAGEMENT, Vol.1 Issue.1, 17-32, (May 2010), https://ssrn.com/abstract=2192840.

company in Indian soil was the Indian Mercantile Insurance Company Limited which was set up in 1907 and it transacted in all types of general insurance business in India[34].

Till the year 1912, insurance business was conducted without any specific guidelines and regulations, it was subjected only to the Indian Companies' Act, 1866. A need for legislation was felt to regulate the insurance business and as a result two legislation came up in the year 1912-

a. "Indian Life Assurance Companies Act.
b. Provident Assurance Societies Act".

These two legislations were meant for only life insurance business hence non-life or general insurance does not fall under the purview of the above mentioned act. It was only in 1928 when Indian Insurance Companies Act was enacted to obtain statistical information of both life and general insurance business in India[35]. During those period foreign companies were doing well as compared to the Indian insurance companies, so to address this issue the government of India in the year 1937 set up a consultations committee under the chairmanship of Mr. Sushil Chandra Sen, a well-known solicitor of Calcutta and during that period more than 199 insurance companies were operating in India[36]. The Insurance Act of 1938 was passed on the recommendation of this committee and it was the first comprehensive legislation covering both life and general insurance business. This Act defined the terms life and general insurance separately and laid down well defined rules and regulations regarding deposits, supervision, investments, commission of agents, director's appointment etc.[37]

But soon after India's independence in the year 1950, the Insurance Act of 1938 was amended to set up a Tariff Committee under the control of the general Insurance Council of India. Through this amendment, many lines of general insurance were brought under the Tariff Committee (including Fire, Marine and Miscellaneous) and it was made compulsory for all the insurance company to follow the regulations made by the Tariff Committee. During those period there were no significant changes in the general insurance business but a historical

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[34] Tapen Sinha, *Privatization of the Insurance Market in India: From the British Raj to Monopoly Raj to Swaraj*, CRIS Discussion Paper Series-2002X, The University of Nottingham, https://www.nottingham.ac.uk/business/cris/papers/2002.X.pdf.
[35] Nalini Prava Tripathi and Prabir Pal, *Insurance Theory and Practice*, (1-27), PHI Learning Pvt. Ltd., New Delhi, 2005.
[36] Ibid.
[37] Tapen Sinha, *An Analysis of the Evolution of Insurance in India,* CRIS Discussion Paper Series- 2005.III, The University of Nottingham, www.nottingham.ac.uk/business/cris/papers/2005-3.pdf.

change took place in life insurance business i.e. the Nationalisation of Life Insurance Corporation of India in 1956, but general insurance still remained in the private hands. It was only in the year 1957, the General Insurance Council, a wing of the Insurance Association of India was formed. This council framed the code of conduct for ensuring fair and sound practices by insurance companies[38]. Before the nationalisation of General Insurance, the year 1968 is marked as an important year as in 1968, the Insurance Act was again modified for solvency margins, licensing procedure and payment of premium even before the commencement of the risk. The earlier Tariff Committee was exchanged by the Tariff Advisory Committee and was set up under the chairmanship of the Controller of Insurance, to carry out various inspection, investigation, search and raid and seizure of books of accounts[39]. These amendments of 1968 came into force from June 1, 1969 and this was the last important milestone in the history of general insurance before its nationalisation.

2.3.2 STAGE II- GENERAL INSURANCE AFTER NATIONALISATION (1973-2000).

General Insurance business in India were privately handled by companies before the nationalisation and it was felt that this private general insurance companies failed to infiltrate into the rural areas and remote semi urban areas and the insurers also failed to gain faith of their customers. Hence, the government tried to bring the general insurance business under its control by passing the General Insurance Business Nationalisation Act and it came into effect from 1st January, 1973.

Before the nationalisation of general insurance there were almost "107 non-life insurance companies operating in India, but with nationalisation all of them were merged to form four major general insurance companies. The General Insurance Corporation of India was also incorporated as a holding company in November, 1972 and it started commencing business in India from January 1, 1973" with the following four subsidiaries namely-

NAME OF THE COMPANY	HEADQUARTERS
"National Insurance Company Limited"	Kolkata
"Oriental Insurance Company Limited"	Mumbai

[38] IRDA, *History of insurance in India*, https://www.irdai.gov.in.
[39] Syed Ahmed Salman "et al", *The Progressive Development of India's Insurance Industry from Ancient to Present Times*, HUMAN RESOURCE MANAGEMENT RESEARCH, E-ISSN: 2169-9666, Vol.6 Issue 4, 93, 91-98 (2016).

"United India Insurance Company Limited"	New Delhi
"New India Assurance Company Limited"	Chennai

On its counterpart the life insurance business in India was nationalised way before the general insurance in the year 1956 itself. In 1956 the then government of Indian National Congress justified the nationalisation of life insurance by the point that India being a socialist country is better to have government control in the insurance sector and moreover the private insurers were expensive and not catering to the needs of all groups of people (document of Mr. H.D.Malaviya on behalf of Indian National Congress). Finance Minister Mr. C.D.Deshmukh, in his speech explained for not nationalising the general insurance business in that time was that general insurance has formed an important part of trade and industry function and it was not easy to directly nationalise them[40]. From the speech of the finance minister it can be understood that general insurance part in economic growth is less than that of life insurance. But later on with the changing time and need the government understood the importance of general insurance too and finally nationalised in the year 1972 with the passing of the General Insurance Nationalisation Act, 1972.

The reasons as forwarded by the government behind the nationalisation of non-life insurance business in India were-

1. Like the life insurance, awareness and importance about general insurance need to be spread all over the country and among all segments of people.
2. Nationalisation is the only key to curtail the entry of foreign insurers and restrict the expulsion of funds to other countries.
3. With nationalisation the main motive of the insurers will shift from service motive to profit motive.
4. With the backing of the government, the interest of the policyholder will remain better protected and they will feel more secure than before.
5. Nationalisation leads to the dilution of economic power from the private hands to public hands.

[40] Tapen Sinha, *An Analysis of the Evolution of Insurance in India*, CRIS Discussion Paper Series- 2005.III, The University of Nottingham, www.nottingham.ac.uk/business/cris/papers/2005-3.pdf.

6. And with nationalisation the government will get more funds from investment in various sectors[41].

"According to Section 2 of the General Insurance Business Nationalisation Act, 1972 the act was meant for giving effect to the policy of the state towards securing the principles specified in clause (c) of Article 39 of the Constitution of India which read as follows that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment"[42].

"According to Section 18 of the General Insurance Business Nationalisation Act, 1972 the functions of General Insurance Corporation of India are as follows-

a. To carry on any general insurance business or part of it in India.
b. Aiding and advising companies in any matter relating to setting up of standards of conduct and following sound practices for the benefit of all policy holders of the general insurance.
c. In the matter of investment of funds, advising and acquiring companies.
d. In the matter of acquisition and merger, issuing direction in relation to the conduct of general insurance business.
e. Encouraging competitive environment among all the four companies in order to render more effective and efficient services"[43].

Nationalisation facilitated with standard of conduct and sound practices and it promoted healthy competition in the market. With the changing time nationalisation proved to be a blessing with the grounds like far and wide distribution pattern, gaining the trust and faith of the policy holder, minimising frauds and promoting general insurance all over the country.

Before nationalisation the general insurance went through various ups and downs and was not static but with nationalisation of the general insurance, the industry showed a positive response and kept on its good performance. Let us look at the following tables to have a clear idea about the growth of General Insurance post nationalisation.

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[41] M.Rajeev & Dr.S.M. Abdul Kader, *A Study of the Impact of Privatisation on the performance of Indian General Insurance Sector*, IJERME, ISSN(Online): 2455-4200, Vol.1 Issue 2, 111,110-121, (2016).
[42] https://www.gic.of.india.com/pdf/regulatory_framework/the_general _insurance_business_act-1972.pdf.
[43] Ibid.

TABLE 2.5- "GROWTH IN GROSS DIRECT PREMIUM (GDP) POST NATIONALISATION (1973-2000)".

(Amt in Crores)

YEAR	GDP within India	GDP outside India	Total GDP	Annual Growth (in percentage)
1973	184	24	208	-------
1989-90	2174	104	2279	-------
1990-91	2796	117	2913	27.8
1991-92	3287	216	3503	20.3
1992-93	3792	278	4070	16.2
1993-94	4449	317	4766	17.1
1994-95	4959	312	5271	10.6
1995-96	6047	330	6377	21.0
1996-97	7021	327	7348	15.2
1997-98	7736	350	8086	10.0
1998-99	8759	399	9158	13.3
1999-2000	9522	460	9982	9.0

[44]

From the above table it can be pictured that while the Gross Direct Premium in India was Rs 184 Crores in 1973, it has increased to whopping amount of Rs 9522 crores by the end of 2000 and the total GDP comprising both India and outside India has increased from Rs 208 crores and Rs 4070crores in 1993 and finally to Rs 9982 crores in 1999-2000 which is around 48 times increment in a short span of 27 years, the growth has shown an increasing trend. It is interesting to note that even after nationalisation the foreign insurers also has shown a growing pattern and are active with their performance.

[44] Compiled from GIC Annual Report, https://www.gicofindia.com/en/media_menuu/downloads/category/4_annual_reports.

TABLE 2.6 "PROFIT BEFORE TAX AFTER NATIONALISATION".

(Amt in Crores)

"YEAR"	"PROFIT BEFORE TAX"	"ANNUAL GROWTH" (in %)
1973	38	-------
1989-90	371	-------
1990-91	482	29.92
1991-92	669	38.80
1992-93	779	16.44
1993-94	1082	38.90
1994-95	503	(95.38)
1995-96	831	65.20
1996-97	1084	30.45
1997-98	1623	49.72
1998-99	1467	(9.61)
1999-2000	1152	(21.47)

[45]

The profit before tax figures as shown above shows a mixed result, while it was at an increasing rate from 1973 to 1994 but drastically it slowed down to 95.38% in the next year and it slightly showed increasing pattern and again dropped down by the end of 2000. But, the scenario of profit after tax is quite different while it was Rs 83 crores in 1973 it has increased to 1082 crores by the end of 1994 and slightly slowed down the following years and finally in the year 2000 it was Rs 1152 crores.

[45] Compiled from GIC Annual Report, https://www.gicofindia.com/en/media_menuu/downloads/category/4_annual_reports.

TABLE 2.7 "NET PROFIT AFTER NATIONALISATION".

(Amt. in Crores)

YEAR	NET PROFIT	ANNUAL GROWTH (in %)
1973	14	------
1989-90	258	------
1990-91	334	29.46
1991-92	428	28.14
1992-93	503	17.52
1993-94	670	33.20
1994-95	377	(43.73)
1995-96	551	46.15
1996-97	721	30.85
1997-98	1255	74.06
1998-99	1077	(14.18)
1999-2000	874	(18.85)

[46]

"Net profit means the actual profit after deducting income tax and provision for tax. Net profit = Profit before tax – income tax deducted at source- provision for tax".

From the above table we can depict that same as profit before tax net profit also showed a mixed pattern of growth in which it was at an increasing figure till 1994 but again slowed down in the financial year 1994-95 and again showed negative growth by the end of 2000.

Other major significant performance of General Insurance from post nationalisation and pre reform period i.e. till 2000 is indeed appreciable, like the number of offices has increased from 789 offices to 4175 offices, while the number of employees has increased from 27033 employees in 1975 to 84429 employees in 2000 and the general insurance industry has increased its geographical spread to over 30 countries.

There is no doubt that after nationalisation of general insurance it has grown to a tremendous rate in terms of premium income, profits, innovation, increase in employment, investments,

[46] Ibid.

geographical spread etc.[47]. However insurance penetration and insurance density remained low as compared to other countries.

2.3.3 STAGE III- GENERAL INSURANCE POST PRIVATISATION (2000 onwards)

With the passing of the General Insurance Business Nationalisation Act in 1972 the general insurance business in India has seen height of growth. But in due course of time and with the changing economy it was felt that the insurance sector both life and non-life has to be liberalised. There are several reasons for which the government decided to liberalise the insurance sector and some of the major reasons are as follows-

1. Non fulfilment of the objectives of both "Life Insurance Corporation Nationalisation Act, 1956 and General Insurance Business Nationalisation Act, 1972".
2. With the fleeting of the Economic Policy in 1991, the need for regulation of insurance too aroused and hence the government appointed the Malhotra Committee for this purpose.
3. Global competition and the need for larger resources for infrastructure development[48].

As like the life insurance the general insurance sector was also liberalized with the passing of the "Insurance Regulatory and Development Authority (IRDA)", 2000 which lifted all entry restrictions for private players and initially allowed foreign players with an upper limit of 26% foreign direct ownership, presently the limit has been extended to 49%. The opening up of general insurance sector has led to enormous growth and exposure an presently there are 25 general insurance companies in India, including four public general insurance companies but excluding health insurers, specialised insurers and reinsurers.

[47] JITHIN DHAWAN, THE CHANGING FACE OF INDIAN ECONOMY, Atlantic publishers and Distributors Pvt Ltd, 221 (1-408), New Delhi, 2007.
[48] M.Rajeev & Dr.S.M. Abdul Kader, *A Study of the Impact of Privatisation on the performance of Indian General Insurance Sector*, IJERME, ISSN(Online): 2455-4200, Vol.1 Issue 2, 111,110-121, (2016).

LIST OF PRESENT GENERAL INSURANCE COMPANIES OPERATING IN INDIA.

SL NO	NAME OF INSURERS	YEAR OF REGISTRATION
PUBLIC GENERAL INSURANCE COMPANIES		
1.	“National Insurance Company Ltd.	1906
2.	New India Assurance Company Ltd.	1919
3.	United India Insurance Company Ltd.	1938
4.	Oriental Insurance Company Ltd”.	1947”
PRIVATE GENERAL INSURANCE COMPANIES		
1.	Royal Sundaram Allianz Insurance Company Ltd.	2000
2.	Reliance General Insurance Company Ltd.	2000
3.	IFFCO Tokio General Insurance Company Ltd.	2000
4.	TATA AIG General Insurance Company Ltd.	2001
5.	Bajaj Allianz General Insurance Company Ltd.	2001
6.	Cholamandalam General Insurance Company Ltd.	2001
7.	ICICI Lombard general Insurance Company Ltd.	2001
8.	HDFC ERGO General insurance Company Ltd.	2002
9.	Future Generali Indian Insurance Company Ltd.	2006
10.	Universal Sompo General Insurance Company Ltd	2007
11.	Shriram General Insurance Company Ltd.	2008
12.	Bharati AXA General Insurance Company Ltd.	2008
13.	Raheja QBE General Insurance Company Ltd.	2007
14.	Magma HDI General Insurance Company Ltd.	2009
15.	SBI General Insurance Company Ltd.	2010
16.	Liberty Videocon General Insurance Company Ltd.	2013
17.	Kotak Mahindra General Insurance Company Ltd.	2015
18.	Acko General Insurance Company Ltd.	2016
19.	Go Digit General Insurance Company Ltd.	2016
20.	DHFL General Insurance Company Ltd.	2016
21.	Edelwiess General Insurance Company Ltd.	2017

- Excludes Standalone Health Insurance Company
- Excludes Specialised Insurance Company

- Excludes Reinsurers Company.

All this entry of private general insurance companies initiated with the constitution of Malhotra Committee and the passage of the IRDA Act, 1999. To consolidate the events that occurred from the British Raj to Monopoly Raj to Swaraj in General Insurance Sector in India, can be consolidated and presented in the form of a table.

The various milestone in the history of general insurance is shown below-

YEAR	MAJOR HISTORICAL EVENTS
1850	First General insurance Company- “Triton Insurance Company” was set up.
1907	The Indian Mercantile Insurance Limited was set up- the first insurance company to transact all kinds of general insurance business.
1928	Formation of Indian Insurance Companies’ Act.
1938	The first comprehensive legislation covering both life and non-life insurance in India.
1957	General Insurance Council, a wing of the Insurance Association of India, frames a code of conduct for ensuring fair conduct and sound business practices.
1968	The Insurance Act awarded the earlier 1938 Insurance Act to regulate investments and set minimum solvency margins and regulate licensing procedure and the Tariff Advisory Committee was set up replacing earlier Tariff Committee.
1971	General Insurance Act- Nationalisation Process of General Insurance In India.
1972	Enactment of General Insurance Business Nationalisation Act- Formation of GIC and it nationalised the general insurance business in India with effect from 1st January, 1973.
1993	Setting up of Malhotra Committee.
1994	Publication of Malhotra Committee Report.
1999	IRDA Act was enacted to regulate and promote all insurance business in India.
2000	IRDA started giving licenses to private insurers.
2002	The General Insurance Business nationalisation act was amended and consequently four subsidiaries of GIC became independent.

CHAPTER 3- COMPARATIVE ANALYSIS OF PUBLIC AND PRIVATE SECTOR INSURERS POST PRIVATISATION.

3.1 INSURANCE PENETRATION AND DENSITY

The level of development or growth of insurance sector is reflected by its measure of insurance penetration and density.

"Insurance penetration is measured as the percentage of insurance premium to G.D.P. of the country i.e. it is measured as ratio of insurance premium (in US Dollar) to Gross Domestic Product (in US Dollar)"[49].

"Whereas insurance density is calculated as the ratio of premium to population (as per capita premium) i.e. Insurance Density is measured as ratio of premium (in US Dollar) to total population.[50]"

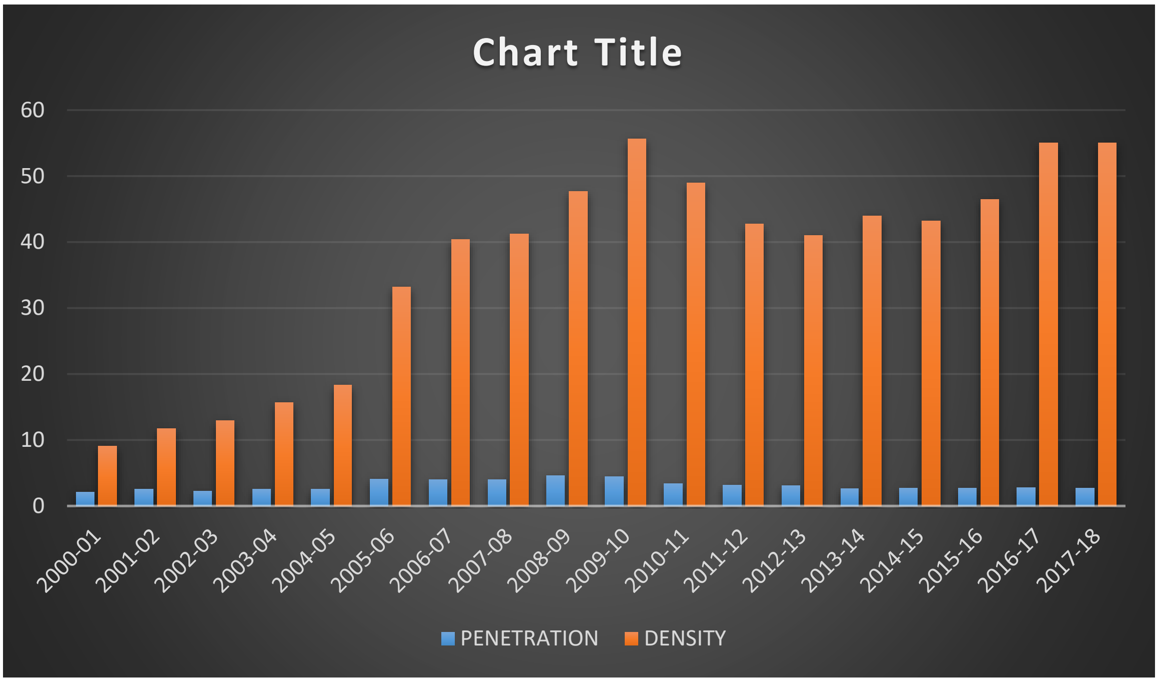
TABLE 3.1 "LIFE INSURANCE PENETRATION AND DENSITY IN INDIA".

YEAR	PENETRATION (in %)	DENSITY (IN US$)
2000-01	2.15	9.10
2001-02	2.59	11.70
2002-03	2.26	12.90
2003-04	2.53	15.70
2004-05	2.53	18.30
2005-06	4.10	33.20
2006-07	4.00	40.40
2007-08	4.00	41.20
2008-09	4.60	47.70
2009-10	4.40	55.70
2010-11	3.40	49.00
2011-12	3.17	42.70
2012-13	3.10	41.00

[49] Dr Vikas Gairola, *A Comparative Study of Public and Private Life Insurance Companies in Post Liberalisation Era*, IJMBS, E-ISSN: 2230-9519, Vol. 6 Issue 4, 41, 39-43 (2017).
[50] Ibid.

2013-14	2.60	44.00
2014-15	2.72	43.20
2015-16	2.72	46.50
2016-17	2.76	55.00
2017-18	2.74	55.00

[51]



The G.D.P. (Gross Domestic Product) of India in 2018 was 2.72 lakh crores USD i.e. its growth rate for 2018 was 6.12% from previous year.[52]While the G.D.P. in the year 2000 was just 46839.5 crores USD i.e. its growth rate from previous year was 6%[53].Now if we look at the G.D.P. in calculating insurance penetration in the country we will get a disappointing result. The insurance penetration just after liberalisation in the year 2000-01 was 2.15% it showed positive result but with slow growth till the financial year 2004-05 after that from 2005-06 it showed massive growth till 2009-10 with insurance penetration of 4.40% and again it slowed down ultimately to 2.74% by the end of 2018.

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51 IRDA Annual Reports, Compiled from 2000-2018, https://www.policyholder.gov.in/irdai_annual_reports.aspx.
52 https://www.macrotrends.net/countries/IND/india/gdp_growth_rate.
53 https://www.indexmundi.com/g/g.aspx?c=in&v=66.

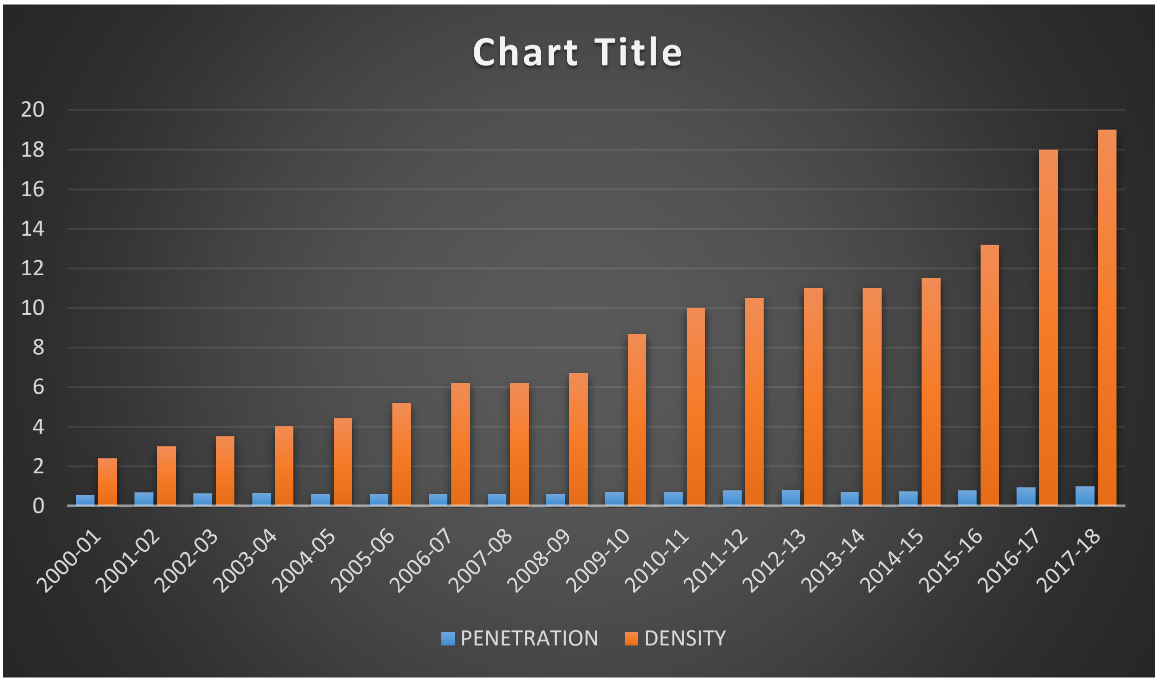
Now if we observe the Insurance Density Graph we get to see a clear increasing result while the density of insurance in the year 2000-01 was 9.10 USD it has increased to 55.70 USD in the year 2009-10 and slightly slowed down after that and finally in the year 2017-18 it remained to 55 USD.

TABLE 3.2 "GENERAL INSURANCE PENETRATION AND DENSITY IN INDIA".

YEAR	PENETRATION (in %)	DENSITY (in US$)
2000-01	0.56	2.40
2001-02	0.67	3.00
2002-03	0.62	3.50
2003-04	0.64	4.00
2004-05	0.61	4.40
2005-06	0.60	5.20
2006-07	0.60	6.20
2007-08	0.60	6.20
2008-09	0.60	6.70
2009-10	0.71	8.70
2010-11	0.70	10.00
2011-12	0.78	10.50
2012-13	0.80	11.00
2013-14	0.70	11.00
2014-15	0.72	11.50
2015-16	0.77	13.20
2016-17	0.93	18.00
2017-18	0.97	19.00

[54]

[54] IRDA Annual Reports, Compiled from 2000-2018, https://www.policyholder.gov.in/irdai_annual_reports.aspx.

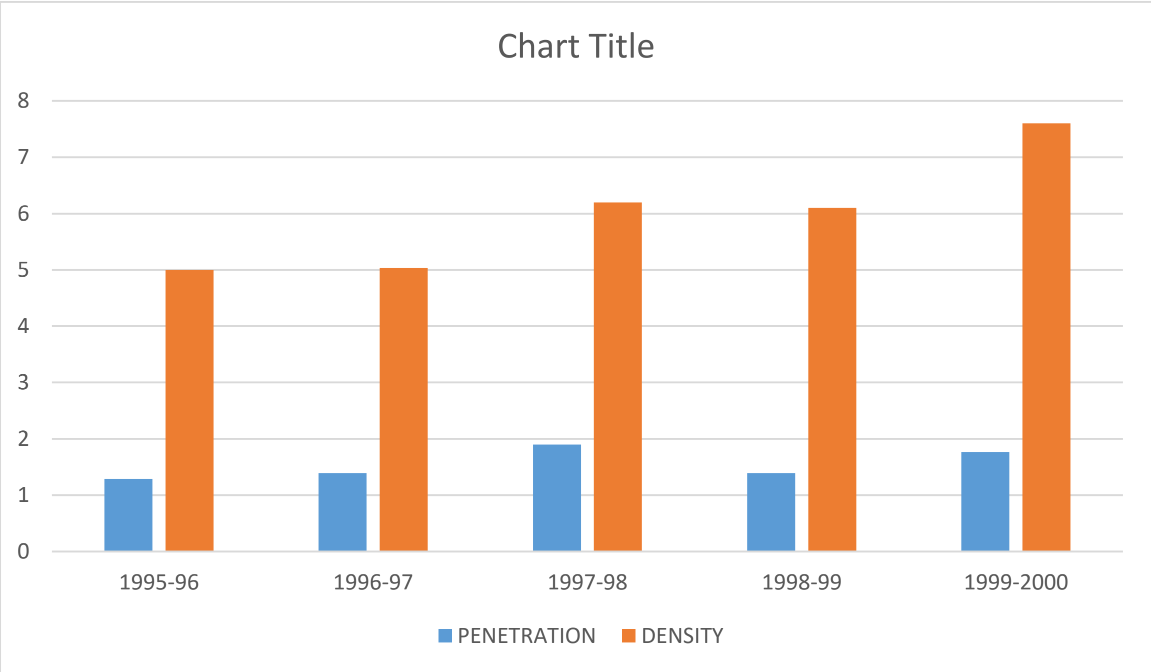


The table and graph shown above shows general insurance penetration and density after privatisation i.e. from the year 2000-01 to 2017-18, while the insurance penetration for general insurance in 2000-01 was 0.56% and by the end of the financial year 2017-18 it was 0.97%, which the very slow growth of insurance penetration is depicted i.e. in 17 years it has grown by just 0.41% while the insurance density has grown by over 16 USD in 17 years. The insurance density in the year 2000-01 was just 2.40 USD which has continuously increased and it stood to 19 USD by the end of 2018.

TABLE 3.3 "LIFE INSURANCE PENETRATION AND DENSITY IN INDIA FROM 1995-96 TO 1999-2000".

YEAR	PENETRATION (in %)	DENSITY (in US$)
1995-96	1.29	5
1996-97	1.39	5.03
1997-98	1.90	6.2
1998-99	1.39	6..1
1999-2000	1.77	7.60

[55]



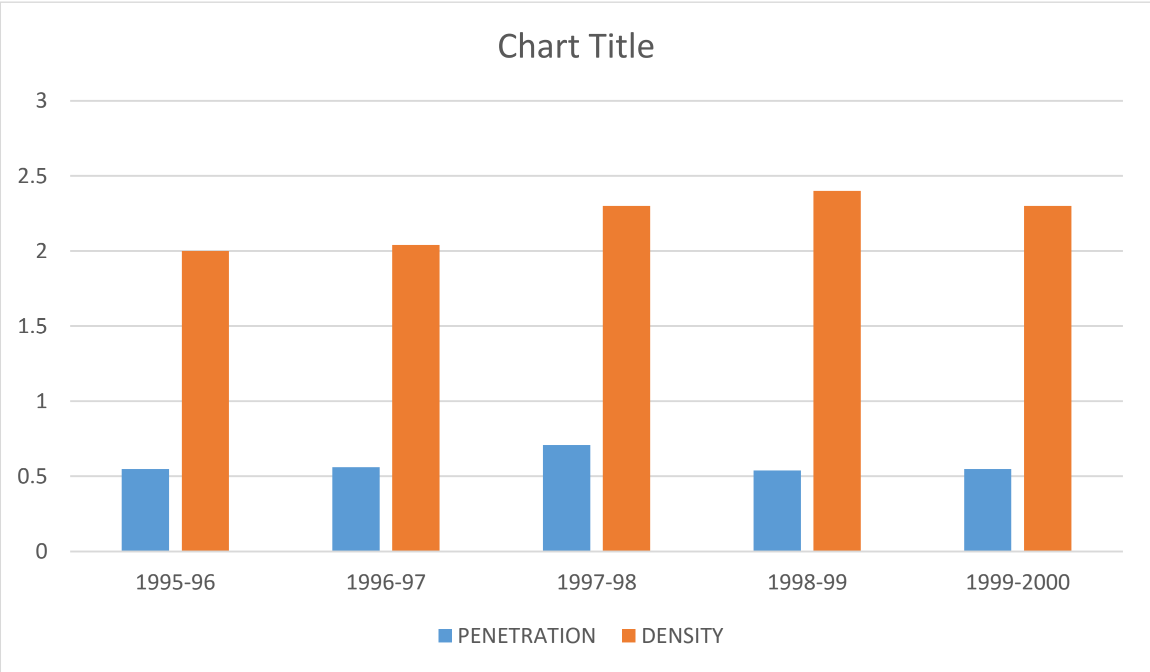
If we observe the above table and graph which pictures the life insurance penetration and density for the last five years before privatisation of insurance we observe that the insurance penetration growth rate was very low in 5 years it has only increased 0.48% i.e. in the year 1995-96 it was 1.29% and by the end of 2000 it was 1.77% and the case with insurance density is also same, while in 1995-96 it was 5 USD it grew to just 7.60 USD.

[55] Dr Syed Husain Asraf & Dr Abdullah Faiz, *India's Insurance Sector in Post Privatization period: Emerging Financial Issues*, www.insuranceinstituteofindia.com/downloads/Forms/III/Journal-2008-01/India's%20Insurance%20sector.pdf.

TABLE 3.4 "GENERAL INSURANCE PENETRATION AND DENSITY IN INDIA FROM 1995-96 TO 1999-2000".

YEAR	PENETRATION (in %)	DENSITY (in US$)
1995-96	0.55	2
1996-97	0.56	2.04
1997-98	0.71	2.30
1998-99	0.54	2.40
1999-2000	0.55	2.30

[56]



The insurance penetration and density of general insurance for the period between 1995-96 to 1999-2000 shows a flat pattern with neither impressive growth nor decline, while the penetration in 1995-96 was 0.55% it by the end of 2000 too remained the same 0.55% and the density which was 2 USD increased to just 2.30 USD by the end of 2000.

Now comparing the two tables and graphs for insurance penetration for both life insurance and general insurance we get a clear idea of the positive impact of privatisation and the same is

[56] Dr Syed Husain Asraf & Dr Abdullah Faiz, *India's Insurance Sector in Post Privatization period: Emerging Financial Issues*, www.insuranceinstituteofindia.com/downloads/Forms/III/Journal-2008-01/India's%20Insurance%20sector.pdf.

with insurance density which has increased many fold with the entrance of new private players in insurance market. Thus, we can conclude that the insurance sector reforms has brought good results in terms of insurance penetration and density.

3.2 GROWTH IN NUMBER OF INSURERS.

TABLE 3.5 "NUMBER OF LIFE INSURANCE COMPANIES IN INDIA".

YEARS	PUBLIC	PRIVATE	TOTAL
2000-01	1	7	8
2001-02	1	12	13
2002-03	1	12	13
2003-04	1	13	14
2004-05	1	13	14
2005-06	1	15	16
2006-07	1	16	17
2007-08	1	20	21
2008-09	1	21	22
2009-10	1	22	23
2010-11	1	23	24
2011-12	1	23	24
2012-13	1	23	24
2013-14	1	23	24
2014-15	1	23	24
2015-16	1	23	24
2016-17	1	23	24
2017-18	1	23	24
2018-19	1	23	24

[57]

After nationalisation of life insurance business in 1956 there was only one life insurance company i.e. The Life Insurance Corporation in India but with the insurance sector reforms i.e.

[57] IRDA Annual Reports, Compiled from 2000-2018, https://www.policyholder.gov.in/irdai_annual_reports.aspx.

after 2000 many new private insurers came to the market to deliver life insurance business. The first private life insurance company after liberalisation was HDFC Standard Life Insurance Company Ltd. followed by Max Life Insurance Company Ltd. and ICICI Prudential Life Insurance Corporation Ltd. and by the end of 2018-19 there are total 24 life insurance companies in India. The last life insurance company to be registered was Edelweiss Tokio Life Insurance Company Ltd in the year 2011.

TABLE 3.6 "NUMBER OF GENERAL INSURANCE COMPANIES IN INDIA".

YEAR	PUBLIC	PRIVATE	TOTAL
2000-01	5	3	8
2001-02	5	7	12
2002-03	5	8	13
2003-04	4	8	12
2004-05	4	8	12
2005-06	4	9	13
2006-07	4	9	13
2007-08	4	11	15
2008-09	4	12	16
2009-10	4	14	18
2010-11	4	14	18
2011-12	4	14	18
2012-13	4	15	19
2013-14	4	16	20
2014-15	4	16	20
2015-16	4	19	23
2016-17	4	21	25
2017-18	4	21	25
2018-19	4	21	25

[58]

*Excludes Standalone Health Insurance Company.

[58] IRDA Annual Reports, Compiled from 2000-2018, https://www.policyholder.gov.in/irdai_annual_reports.aspx.

*Excludes Specialised Insurance Company.

*Excludes Reinsurers Company.

After Nationalisation of the General Insurance in India there were only General Insurance Company and its four subsidiaries but with liberalisation of insurance many private insurers started their operations in India. The first private general insurance company in India after liberalisation was Royal Sundaram Allianz Insurance Company Ltd followed by Reliance General Insurance Company Ltd. in 2000. In the year 2003 General Insurance was established as Re-insurer Company and only after that there were only 4 public general insurance company. The last private general insurance company to be established was the Edelweiss General Insurance Company Ltd. in the year 2017.

The second indicator which the researcher undertook to compare the impact was the number of insurers. The table above clearly depicts the increasing number of insurance company post liberalisation, which is a good sign for the consumers as these competition will increase the efficiency of works in the company. Before liberalisation of insurance there were only 6 insurance company but presently there are 70 insurance companies in India, including health, specialised and re-insurers companies.

3.3 PREMIUM UNDERWRITTEN AND MARKET SHARE OF PUBLIC AND PRIVATE INSURERS.

TABLE 3.7 "PREMIUM UNDERWRITTEN BY LIFE INSURANCE COMPANIES IN INDIA".

(Amt in Crores)

YEARS	PUBLIC	PRIVATE	TOTAL
2000-01	34892.02	6.45	34898.47
2001-02	49821.91	272.55	50094.46
2002-03	54628.49	1119.06	55747.55
2003-04	63533.43	3120.33	66653.75
2004-05	75127.29	7727.51	82854.80
2005-06	90792.22	15083.54	105875.76
2006-07	127822.84	28253	156075.86
2007-08	149789.99	51561.42	201351.41
2008-09	157288.04	64497.43	221791.26
2009-10	186077.31	79369.94	265450.37
2010-11	203473.40	88165.24	291638.63
2011-12	202889.28	84182.83	287072.11
2012-13	208803.58	78398.91	287202.49
2013-14	236942.30	77359.36	314301.66
2014-15	239667.65	88433.49	328101.14
2015-16	266444.21	100499.02	366943.23
2016-17	300487.36	117989.26	418476.62
2017-18	318223.20	140586.24	458809.44
2018-19	337505.07	170626.96	508132.03

[59]

The above table shows the premium underwritten by public and private sector life insurances companies in India. It can be seen that the premium underwritten by public life insurance

[59] IRDA Annual Reports, Compiled from 2000-2018, https://www.policyholder.gov.in/irdai_annual_reports.aspx.

company was Rs 34892.02 crores in 2000-01 which has increased to Rs 337505.07 crores in the year 2018-19 i.e. an increment of Rs. 302613.05 crores in last 19 years. On the other hand the premium underwritten of private insurers were just Rs 6.45 crores in 2000-01 which has increased to Rs 170626.96 crores in the year 2018-19 i.e. an increment of Rs 166878.11 crores.

TABLE 3.8 "PREMIUM UNDERWRITTEN BY GENERAL INSURANCE COMPANIES IN INDIA".

(Amt in Crores)

YEARS	PUBLIC	PRIVATE	TOTAL
2000-01	---------	----------	
2001-02	11917.59	467.65	12385.24
2002-03	13520.44	1349.80	14870.24
2003-04	13337.08	2257.83	15594.91
2004-05	13972.96	3507.62	17480.58
2005-06	15976.44	5362.66	21339.10
2006-07	16258.90	8646.57	24905.47
2007-08	16831.84	10991.89	27823.73
2008-09	18030.74	12321.09	30351.83
2009-10	20643.45	13977.00	34620.45
2010-11	25151.85	17424.63	42576.48
2011-12	30560.74	22315.03	52875.77
2012-13	35022.12	27950.53	62972.65
2013-14	38599.71	32010.30	70610.01
2014-15	42550.97	35090.09	77641.06
2015-16	47690.68	39694.07	87384.75
2016-17	60218.37	53804.95	114023.32
2017-18	67794.23	65419.82	133214.05
2018-19	68658.85	81287.15	149946

[60]

[60] IRDA Annual Reports, Compiled from 2000-2018, https://www.policyholder.gov.in/irdai_annual_reports.aspx.

The above table shows the premium underwritten by both public and private general insurers separately. The premium underwritten by public sector insurance companies in the year 2001-02 was Rs. 11917.59 crores which has increased to Rs. 68658.85 crores, there is an increment of Rs 56741.26 crores. On the other hand the premium underwritten for private insurers were just Rs 467.65 crores in 2001-02 which has increased to Rs 81287.15 crores in 2018-19, there is an increment of Rs 80819.35 crores.

Now comparing the impact of privatisation on the above two tables we can clearly find the increasing pattern of private insurers more in comparison to the public insurers. No doubt that the public insurers are also showing upward trend but the private insurance companies premium underwritten are increasing at a greater rate than the public insurers, and this applies in both life and non-life i.e. general insurance companies.

3.4 EXPENSES AND PROFITABILITY OF INSURANCE COMPANIES.

TABLE 3.10 "EXPENSES OF LIFE INSURANCE COMPANIES IN INDIA".

(Amt in Crores)

YEAR	"COMMISSION"			"OPERATING"		
	PUBLIC	PRIVATE	TOTAL	PUBLIC	PRIVATE	TOTAL
2001-02	4519.30	49.09	4568.40	4260.39	419.36	4679.75
2002-03	5015.07	153.02	5168.09	4571.75	838.27	5410.02
2003-04	5742.91	415.41	6158.32	5186.49	1402.44	6588.93
2004-05	6203.23	854.72	7057.95	6241.26	2229.46	8470.72
2005-06	7100.19	1543.10	8643.29	6041.56	3569.48	9611.04
2006-07	9173.58	3109.65	12283.20	7080.86	6520.04	13600.90
2007-08	9614.69	5089.61	14704.30	8309.32	12032.46	20341.78
2008-09	10055.09	5474.27	15529.40	9064.29	16763.03	25827.32
2009-10	12132.56	6052.75	18185.30	12245.82	16561.11	28806.93
2010-11	13347.29	4982.12	18329.40	16980.28	15962.02	32942.30
2011-12	14063.06	4458.05	18521.10	14914.40	14760.19	29674.59
2012-13	14790.26	4471.19	19261.50	16707.66	14844.70	31552.36
2013-14	16762.88	4083.49	20846.40	20277.88	14773.88	35051.76
2014-15	15118.14	4342.54	19460.68	22395.45	14463.72	36859.17
2015-16	15500.33	4766.36	20266.69	22691.83	16091.26	38783.09
2016-17	16631.95	5485.20	22117.15	28952.06	17186.82	46138.88
2017-18	18271.53	7081.41	25352.94	30142.40	18678.30	48820.70
2018-19	19345.32	8429.23	27774.55	29182.02	21948.24	51130.26

[61]

The above table shows the expenses of life insurance companies in India classified under two groups' commission expenses and operating expenses. The total expenses in 2018-19 was Rs 27774.55 crores in compared to Rs 4568.40 in 20001-02, which indicates the growing expenses by the insurers to increase their business and cater to more and more customers. If we analyse the commission expenses of public and private insures separately we can find that the private

[61] IRDA Annual Reports, Compiled from 2000-2018, https://www.policyholder.gov.in/irdai_annual_reports.aspx.

insurers are spending more on commission than public insurer i.e. the commission of private insurers have increased from Rs 49.09 crores to Rs 8429.23 crores in 2018-19 and the same situation is with the operating expenses the private insurers are spending more and more on their operating expenses to increase their business.

TABLE 3.11 "EXPENSES OF GENERAL INSURANCE COMPANIES IN INDIA".

(Amt in Crores)

"YEAR"	"COMMISSION"			"OPERATING"		
	PUBLIC	PRIVATE	TOTAL	PUBLIC	PRIVATE	TOTAL
2001-02	657.41	5.91	663.32	2525.78	175.09	2700.87
2002-03	935.70	42.55	978.25	2766.61	317.71	3084.32
2003-04	1092.28	109.65	1201.93	3647.68	495.16	4142.84
2004-05	1233.19	228.19	1461.38	3640.30	691.98	4332.28
2005-06	1431.41	394.28	1825.69	4016.92	1060.51	5077.43
2006-07	1489.74	585.97	2075.71	3606.74	1700.15	5306.89
2007-08	1519.54	637.39	2156.93	3652.96	2482.30	6135.26
2008-09	1670.86	682.79	2353.65	4347.21	3017.22	7364.43
2009-10	1825.81	676.90	2502.71	5262.59	3129.61	8392.20
2010-11	1943.34	794.21	2737.55	6688.60	3931.88	10620.48
2011-12	2258.09	1079.80	3337.89	6563	4614	11177
2012-13	2505.47	1515.36	4020.83	8037	5503	13540
2013-14	2869.72	1643.96	4623.68	8791	6327	15118
2014-15	3105.11	1760.72	4865.83	11181	7527	18708
2015-16	3342.82	1983.21	5326.03	12535	9020	21555
2016-17	3624.81	2306.02	5930.83	12838.19	10694.19	23532.38
2017-18	5082.80	3946.08	9028.88	11631.57	11331.64	22963.21
2018-19	5041.48	5810.66	10852.14	12161.88	12940.27	25102.15

[62]

[62] IRDA Annual Reports, Compiled from 2000-2018, https://www.policyholder.gov.in/irdai_annual_reports.aspx.

The total commission expenses of general insurers have increased from Rs 663.32 crores to Rs 10852.14 crores and the operating expenses have increased from Rs 2700 crores to Rs 25102.15 crores but it is interesting to note that while the commission expenses of private insurers were just Rs 5.91 crores in 2001-02 it has increased to Rs 5810.66 crores which is more than the public sector insurance companies. Same is with the operating expenses which was just Rs 175.09 crores in 20001-02 for private insurers have increased to Rs 12940 crores in 2018-19 but in comparison the public sector insurers' commission and operating expenses have not increased so drastically.

TABLE 3.12 "PROFITABILITY OF LIFE INSURANCE COMPANIES IN INDIA".

(Amt in Crores)

YEARS	"PROFIT AFTER TAX"		"INVESTMENT INCOME"	
	PUBLIC	PRIVATE	PUBLIC	PRIVATE
2001-02	821.79	-227.81	23857.37	11.74
2002-03	9761.80	-9651.16	26038.98	176.60
2003-04	10962.60	-11377.20	29855.86	267.59
2004-05	15884.26	-16049.10	37066.76	363.39
2005-06	12733	-13185.40	40056.35	1222.42
2006-07	773.62	-1933.22	46800.52	2747.32
2007-08	844.63	-4257.44	56595.06	6602.62
2008-09	957.35	-5835.84	42804	10416
2009-10	1060.72	-2049.54	112425	42831
2010-11	1171.80	1485.24	95949	25718
2011-12	1313.34	4660.19	84545	7083
2012-13	1437.59	5510.8	117486	28878
2013-14	1656.68	5931.32	143001	43741
2014-15	1823.78	5787.53	168063.58	78650.52
2015-16	2517.85	4897.12	157961.30	13078.73
2016-17	2231.74	5496.15	192478.14	69184.14
2017-18	2446.41	6065.58	206069.53	55754.32
2018-19	2688.50	5747.31	223642.30	61158.07

63

Profitability of public life insurance industry especially if categorised in the group profit after tax has not been showing any consistency during the last 18 years. It has witnessed various ups and downs but the scenario is completely different in case of private insurers. While till the year 2009-10 it showed negative profits but after that they increased their profit regularly and by the end of 2018 they had a profit after tax of Rs 5747.31 crores while the public sector insurer had a profit of Rs 2688.50 crores, which is quite less in compared to the private insurers.

The investment income curve is quite static in case of both public and private sector insurers both the insurers showed positive results and has increased over time. The investment income of public insurers were Rs 23857.37 crores which has increased to Rs 223642.30 crores while the private insurers' investment income was just Rs 11.74 crores it has increased to Rs 61158.07 crores in 2018.

TABLE 3.13 "PROFITABILITY OF GENERAL INSURANCE COMPANIES IN INDIA".

(Amt in Crores)

YEARS	"PROFIT AFTER TAX"		"INVESTMENT INCOME"	
	"PUBLIC"	"PRIVATE"	"PUBLIC"	"PRIVATE"
2001-02	-49.49	-61.77	2188.48	67.47
2002-03	625.16	6.75	2519.88	116.94
2003-04	1358.32	67.04	3818.20	154.32
2004-05	1171.60	121.90	4330.18	184.42
2005-06	1319.28	154.38	5610.63	269.47
2006-07	2907.36	229.74	5784.23	415.04
2007-08	2205.48	43.83	6247.51	742.05
2008-09	498.33	-101.26	4799.78	1091.20

[63] IRDA Annual Reports, Compiled from 2000-2018, https://www.policyholder.gov.in/irdai_annual_reports.aspx.

2009-10	1293.07	-88.56	6347.27	1334.29
2010-11	-161.51	-857.43	7842.20	1539.63
2011-12	1152.48	-1120.15	7424.26	2083.65
2012-13	2602.72	679.11	8610.52	2991.09
2013-14	2899.76	1539.14	4438.90	9394.63
2014-15	3093.99	1643.51	10725.02	4770.95
2015-16	1499	1333.24	12147.41	5690.17
2016-17	-2551	2763	13241	7083.91
2017-18	2542.70	3798.33	15699.85	7759.21
2018-19	-3287.90	3584.40	15599.13	8884.58

[64]

The profitability of general insurance especially in case of profit after tax has been witnessing various ups and downs. The public insurers profit after tax has witnessed the extreme change, while the profit after tax in the year 2002-03 was Rs 625.16 crores it showed negative profit i.e. -Rs 3287.90 crores loss but the private insurers which was just at a profit of Rs 6.75 crores in 2002-03 has increased its profit to Rs 3584.40 crores in 2018-19.

The investment income of both public and private general insurers is quite static and showed positive results with time, the public insurers have increased from Rs 2188.48 crores to Rs 15599.13 crores in 2018-19. While the investment income of private insurers have increased from Rs 67.47 crores to Rs 8884.58 crores in 2018-19.

After analysing the profitability and expenses of both life and non-life insurance companies for both public and private insurers separately we can visualise the growing pattern of private insurers is quite high in comparison to public insurance companies. The private insurers incurred more expenses in both commission and operating expenses to increase their business and customers and this expenses showed result in the form of profit for the companies. The profit of private insurers are increasing year after year at a good pace with is a good sign. Thus,

[64] IRDA Annual Reports, Compiled from 2000-2018, https://www.policyholder.gov.in/irdai_annual_reports.aspx.

we can conclude from this indicator that the decision of liberalisation and allowing private insurers to operate in Indian insurance market was fruitful.

3.5 OTHER INDICATORS OF COMPARISON.

TABLE 3.14 "NUMBER OF NEW POLICIES ISSUED BY LIFE INSURANCE COMPANIES IN INDIA".

(Number in crores)

YEAR	"PUBLIC SECTOR"	"PRIVATE SECTOR"
2001-02	1.96	-------
2002-03	2.45	0.08
2003-04	2.69	0.16
2004-05	2.39	0.22
2005-06	3.15	0.38
2006-07	3.82	0.79
2007-08	3.76	1.32
2008-09	3.59	1.50
2009-10	3.88	1.43
2010-11	3.70	1.11
2011-12	3.57	0.84
2012-13	3.67	0.74
2013-14	3.45	0.63
2014-15	2.01	0.57
2015-16	2.05	0.61
2016-17	2.01	0.63
2017-18	2.13	0.68
2018-19	2.14	0.72

[65]

[65] IRDA Annual Reports, Compiled from 2000-2018, https://www.policyholder.gov.in/irdai_annual_reports.aspx.

TABLE 3.15 "NUMBER OF NEW POLICIES ISSUED BY GENERAL INSURANCE COMPANIES IN INDIA".

(Number in Crores)

YEARS	PUBLIC	PRIVATE
2001-02	--------	--------
2002-03	4.18	0.16
2003-04	4.44	0.31
2004-05	4.46	0.51
2005-06	4.39	0.89
2006-07	3.39	1.26
2007-08	3.85	1.87
2008-09	4.51	2.19
2009-10	4.51	2.19
2010-11	4.34	2.40
2011-12	3.29	5.28
2012-13	6.89	3.80
2013-14	6.00	4.24
2014-15	6.78	5.05
2015-16	6.71	5.49
2016-17	8.02	6.24
2017-18	7.97	7.87
2018-19	7.33	10.21

[66]

[66] IRDA Annual Reports, Compiled from 2000-2018, https://www.policyholder.gov.in/irdai_annual_reports.aspx.

TABLE 3.9 "MARKET SHARE OF LIFE INSURERS BASED ON TOTAL PREMIUM".

YEAR	"PUBLIC SECTOR" (in %)	"PRIVATE SECTOR" (in %)
2000-01	99.98	0.02
2001-02	99.46	0.54
2002-03	97.99	2.01
2003-04	95.29	4.71
2004-05	90.67	9.33
2005-06	85.75	14.25
2006-07	81.90	18.10
2007-08	74.39	25.61
2008-09	70.92	29.08
2009-10	70.10	29.90
2010-11	69.77	30.23
2011-12	70.68	29.32
2012-13	72.70	27.30
2013-14	75.39	24.61
2014-15	73.05	26.95
2015-16	72.61	27.39
2016-17	71.81	28.19
2017-18	69.36	30.64
2018-19	66.42	33.58

[67]

[67] IRDA Annual Reports, Compiled from 2000-2018, https://www.policyholder.gov.in/irdai_annual_reports.aspx.

TABLE 3.16 "NUMBER OF LIFE INSURANCES OFFICES IN INDIA".

"YEARS"	PUBLIC	PRIVATE	TOTAL
2001-02	2190	116	2306
2002-03	2191	254	2445
2003-04	2196	416	2612
2004-05	2197	804	3001
2005-06	2220	1645	3865
2006-07	2301	3072	5373
2007-08	2522	6391	8913
2008-09	3030	8785	11815
2009-10	3250	8768	12018
2010-11	3371	8175	11546
2011-12	3455	7712	11167
2012-13	3526	6759	10285
2013-14	4839	6193	11032
2014-15	4877	6156	11033
2015-16	4892	6179	11071
2016-17	4897	6057	10954
2017-18	4908	6204	11112
2018-19	4932	6347	11279

[68]

The other indicators which the researcher undertook to compare the performance of public and private sector insurance companies are number of new policies issued by life and general insurance companies, market share of life insurance companies and number of life offices

[68] IRDA Annual Reports, Compiled from 2000-2018, https://www.policyholder.gov.in/irdai_annual_reports.aspx.

located in India. All these indicators are grouped into two group's viz. public and private sector for the last 18 years.

The number of new policies' table shows the growth of insurance industry in India, but for public sector life insurers the growth in number a new policies issued does not shows a good result, while the number of new policies was 1.96 crores in 2001-02 it has increased to 2.14 crores in 2018-19 with many ups and downs but for private life insurers it was 0.08 crores in the year 2000-03 it has increased to 0.72 crores by the end of 2018-19.

The same result is with the general insurance companies, while the number of new policies issued by public insurers were just 4.18 crores in 2002-03 it has increased to just 6.78 crores in 17 years but if we look at the graph of private insurers they were at just 0.16 crores in 2002-03 and in 17 years they increased to 10.21 crores new policies.

Now, analysing the second categories under other indicator i.e. the market share of life insurance we get a clear picture growth and development of private insurers. By analysing the graph we get that the public sector insurers hold nearly about 99.98 % life business in India which has slowly gone done years after years and finally by the year 2018-19 it dropped down to only 66.42% market share. Now if we look at the graph of private insurers which were just at 0.02% market share has increased their market share year after year and continuously increased their business and finally by the end of 2018-19 they had market share of 33.58% from 0.02% in just 18 years.

The last indicator under other indicator is the number of life insurances offices in India. If we analyse the market share in present time which is at a ratio of 66:34 for public insurers: private insurers, considering the point there should be greater number of public insurers office compared to public but it reality its opposite, public insurance company i.e. LIC has only 4932 offices in India but the private companies taken together which holds only 34% business has 6347 offices in India. Again if we look at the increase in number of offices in the past 18 years we observe that public insurers' offices have increased to only 2742 offices while private insurers' have increased to 6231 offices in 18 years.

Thus, while comparing the above mentioned three other indicators in post privatisation period we observe that the performance of private insurers are more impressive than the public insurers. And due to this competition in the market only the public insurers are also getting ready with the new globalised world and adopting changes, which is a good sign for the consumers and the economy at large.

3.6 INTERNATIONAL COMPARISION.

TABLE 3.17 "INTERNATIONAL COMPARISION OF INSURANCE PENETRATION FOR THE YEAR 2018 AND 2017".

(Figures in %)

COUNTRIES	**2018**			**2017**		
	LIFE	NONLIFE	TOTAL	LIFE	NONLIFE	TOTAL
TAIWAN	17.34	3.4	20.88	17.89	3.42	21.32
HONGKONG	16.81	1.35	18.16	14.58	3.36	17.94
SOUTHAFRICA	10.27	2.62	12.89	11.02	2.74	13.75
SOUTHKOREA	6.12	5.05	11.16	6.56	5.00	11.57
UK	8.32	2.29	10.61	7.22	2.36	9.58
FRANCE	5.75	3.14	8.89	5.77	3.18	8.95
JAPAN	6.72	2.14	8.86	6.26	2.34	8.59
SWITZERLAND	4.32	4.10	8.42	4.41	4.12	8.53
SINGPORE	6.22	1.60	7.82	6.64	1.58	8.23
USA	2.88	4.26	7.14	2.82	4.28	7.10
GERMANY	2.41	3.62	6.03	2.63	3.41	6.04
AUSTRALIA	2.13	3.46	5.58	2.33	3.48	5.81
THAILAND	3.59	1.68	5.27	3.59	1.69	5.29
MALAYSIA	3.32	1.45	4.77	3.32	1.44	4.77
CHINA	2.30	1.92	4.22	2.68	1.89	4.57
BRAZIL	2.10	1.80	3.90	2.28	1.77	4.05
INDIA	**2.74**	**0.97**	**3.70**	**2.76**	**0.93**	**3.69**
SRILANKA	0.54	0.62	1.15	0.54	0.62	1.15
RUSSIA	0.47	1.06	1.53	0.36	1.04	1.40
PAKISTAN	0.68	0.25	0.93	0.60	0.26	0.86
WORLD	**3.33**	**2.78**	**6.09**	**3.33**	**2.80**	**6.13**

[69]

[69] IRDA Annual Reports, 2018, https://www.policyholder.gov.in/irdai_annual_reports.aspx.

TABLE 3.18 "INTERNATIONAL COMPARISON OF INSURANCE DENSITY FOR THE YEAR 2018 AND 2017".

(Figures in US$)

COUNTRIES	**2018**			**2017**		
	LIFE	NONLIFE	TOTAL	LIFE	NONLIFE	TOTAL
HONGKONG	8204	659	8863	6756	1557	8313
SWITZERLAND	3555	3379	6934	3522	3289	6811
TAIWAN	4320	841	5161	4195	803	4997
SINGAPORE	3944	1014	4958	3835	915	4749
UK	3532	971	4503	2873	938	3810
USA	1810	2672	4481	1674	2542	4216
FRANCE	2370	1296	3667	2222	1224	3446
SOUTHKOREA	1898	1567	3465	1999	1523	3522
JAPAN	2629	837	3466	2411	901	3312
AUSTRALIA	1203	1957	3160	1304	1942	3247
GERMANY	1161	1747	2908	1169	1519	2687
SOUTHAFRICA	669	170	840	674	167	842
MALAYSIA	361	157	518	339	147	486
CHINA	221	185	406	225	159	384
BRAZIL	186	159	345	224	174	398
RUSSIA	50	114	164	39	113	152
INDIA	**55**	**19**	**74**	**55**	**18**	**73**
SRILANKA	23	26	49	22	25	47
PAKISTAN	10	4	14	9	4	13
WORLD	**55**	**19**	**74**	**55**	**18**	**73**

[70]

[70] IRDA Annual Reports, 2018, https://www.policyholder.gov.in/irdai_annual_reports.aspx.

INTERPRETATIONS:

If we observe the above table we would be shocked to know that the insurance penetration and density of India is very low in comparison to other developed and developed countries. Our insurance market is under developed in contrast to most of the countries. The average insurance penetration of the global world was 6.09% in 2018 while India's insurance penetration was just 3.70%. The general insurance is very low in India which is just 0.97% and 0.93% in 2018 and 2017 respectively but the insurance penetration for general insurance of South Korea was 5.05% and 5% in 2018 and 2017. The same is with life insurance penetration, India's position is very low only countries like Srilanka, Russia, Pakistan are below India.

The picture is same with insurance density, India is at the lowest rank with just 74 and 73 USD in 2018 and 2017 respectively. While the insurance density of countries like Hongkong and Switzerland is 8863 and 6934 USD respectively. The insurance density for life insurance in India was 55 USD and 19 USD for the year 2018, which is very low and it need to be improved.

Thus, from the above graph we can analyse that the Indian insurance sector is very low and the government need to take certain steps regarding these. Though the liberalisation has brought positive results but it was way back in 2000 more than 18 years from now and it is the need of the hour to bring another historic changes in our insurance system. Many scholars critised the privatisation move of the government back then in 1999 but it is only due to liberalisation of the insurance sector that India though slowly is rising upward in the insurance sector.

CHAPTER 4 IMPACT OF PRIVATISATION OF INSURANCE SECTOR: ISSUES AND CHALLENGES.

4.1 MEANING OF PRIVATISATION.

Privatization may be jotted as the fundamental pillar on which the network of new economic policy of 1991 has been erected. Liberalisation, Privatisation and Globalisation have become a much heated debate among various economists, businessman, scholars, politicians and professionals in modern days whole around the world[71].

"Is privatization good? is a debateable point among financial experts. To some scholars privatisation is a valiant new realm with many opportunities, while to others it curses doom and disaster"[72].

The concept of privatisation has gained momentum since early 1980 and has become a hall mark of the new wave of economic reforms throughout the globe. In particular privatisation has been undertaken in India under the aegis of increasing economic efficiency, streamlining public sector, lessening government borrowing, reducing fiscal deficits, generating government revenues, reducing state influence in economy, persuading market forces, enhancing competition, amplifying customers' choices and upgrading service quality[73].

4.2 RATIONALE FOR PRIVATISATION.

Some scholars welcomes the initiative by the government of India in terms of the following four categories-

a. "The efficiency argument, which assumes that the state owned enterprises are inefficient and privatization would advocate for better outcomes and positive result.
b. The property argument, which makes a strong allegation that the public enterprises i.e. the state owned enterprises discourages the administration to work efficiently, since they have no stake in them.

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[71] G.Suneetha, Impact of Privatization on Life Insurance Sector in India, Ph.D. Thesis submitted to Sri Krishnadevaraya University, Andhra Pradesh, 2008.

[72] Privatisation of Insurance Sector in India, SHODGANGA, https://shodganga.inflibnet.ac.in/bitstream/10603/110787/12-Chapter 3.pdf.

[73] Ibid.

c. The distortion argument, which assumes the government intervention in every affairs liable for creating distortion in the resource allocation of the company.
d. The fiscal argument, which argues that the excessive government intervention is the root cause of budgetary deficits"[74].

The declaration of a new regime with the new economic policy of 1991, envisioned the transition of a strict regulated economy to a more liberalised, flexible and deregulated regime leading to the privatisation of insurance sector too. This transition in the insurance sector meant the competition was bound to increase in upcoming years with the entry of many private insurers in the insurance field, especially the foreign insurers in joint venture with Indian companies[75]. If we look at Indian insurance sector before the reform period, the Indian insurance business was circled around two public sector giants viz. LIC and GIC with its four subsidiaries dominated the whole life and nonlife insurance policies in India.

But with the changing economy there aroused the need for reforms in the insurance sector too and the government of India for this purpose appointed the Malhotra Committee for the improvisation of the insurance sector. When India initiated the drive of privatization of insurance sector, it had two alternatives namely-

a. Selling of the public sector insurers i.e. L.I.C and G.I.C into the private hands.
b. Or allowing private sector to enter into the insurance market and compete with the already existing public sector insurers.

The latter option was considered to be a wise decision and hence two major giants Life Insurance Corporation of India and General Insurance Corporation and its subsidiaries remained untouched[76].

The insurance industry was thus open for participation by private insurance players after the suggestions and recommendations of Malhotra Committee and establishment of IRDA Act. This does not mean that the public insurers stop their work, on the other hand it paved a new

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[74] Privatisation of Insurance Sector in India, SHODGANGA, https://shodganga.inflibnet.ac.in/bitstream/10603/110787/12-Chapter 3.pdf.

[75] Anant Kousadikar & Trivender Kumar Singh, *Advantages and Disadvantages of Privatisation in India*, INTERNATIONAL JOURNAL OF ADVANCED SYSTEM AND SOCIAL ENGINEERING RESEARCH, ISSN: 2278-6031, Vol.3 Issue 1, 2017.

[76] Dr Syed Husain Asraf & Dr Abdullah Faiz, *India's Insurance Sector in Post privatization period: Emerging Financial Issues*, www.insuranceinstituteofindia.com/downloads/Forms/III/Journal-2008-01/India's%20Insurance%20sector.pdf.

path where both public and private sector insurers play their role simultaneously[77]. It was thus concluded that there will be both coexistence of both public and private insurance companies.

But there was another important side of privatisation i.e. foreign participation. The committee on one hand sought competition, expansion and growth of insurance sector, which is necessary to channel the investment into the infrastructure sector but they also feared that the insurance premium which are significant, would seep out of the country; to address this question and for nation's interest they wanted to have a vigilant approach of liberalising the insurance for foreign participation[78].

Following the recommendations and suggestions of the government appointed Malhotra Committee Report, the Insurance Regulatory and Development Authority was constituted in 1999 as an autonomous body to regulate and develop the insurance business in India. The Insurance Regulatory and Development Authority opened up the market from the month of August, 2000 for private players and invitation for application for registrations but it fixed a percentage for foreign direct investment with an upper limit of 26%[79].

"In 26 December, 2014 the Insurance Laws (Amendment) ordinance 2014 was introduced which increased the Foreign Direct Investment (F.D.I) and as such the Indian Insurance Companies (Foreign Investment) Rules, 2015 notifies the Foreign Equity Investment cap of 49% applicable to all the Indian Insurance Companies." Thus, the foreign ownership in the Indian Insurance sector has been increased from 26% to 49%[80].

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[77] Dr Sukhvinder Singh Dari, *Need for Privatization in Insurance Industry and its impact on Life Insurance Corporation of India,* INTERNATIONAL JOURNAL OF LAW AND LEGAL JURISPRUDENCE STUDIES, ISSN: 2348-8212, Vol.1 Issue 7, 7,1-19.

[78] G.Suneetha, *Impact of Privatization on Life Insurance Sector in India*, Ph.D. Thesis submitted to Sri Krishnadevaraya University, Andhra Pradesh, 2008.

[79] Vinay V.Mishra & Harshita Bhatnagar, *Foreign Direct Investment in Insurance Sector in India,* 6 Macquarie J. Bus. L, 203(2009), https://heinonline.org/HOL/License.

[80] Pooja Karnal, *Impact of Foreign Direct Investment in Indian Insurance Sector,* IJCISS, ISSN: 2394-5702, Vol. 2 Issue 1, (Jan. 2015).

4.3 SCOPE OF PRIVATISATION.

"Privatization! Do we need it or not"? And a few other same queries can thrill start a much intense debate as this. In present context what is perceived is that India is slowly swamped by an eagerness to privatize anything and everything, the news of privatisation of PSU's, Railways and even L.I.C is one of them. Even when the opposition parties in India stalwartly oppose theprivatize all move, but the government supported it as an answer to glitches of the poor, inefficient services and loss making performance of the public sector units[81].

In India's context privatisation of insurance is generally supported on the following basis. A large size of public enterprises have given rise to many complex problems like procedural defects and rigidity and not being flexible, effective and efficient. Studies proved that the performance of public insurers especially in departmental undertakings over the last decade have been very discouraging. It was viewed that the too rigid control over performance and routine operations resulted in lower productivity[82]. One of the most prominent characteristics of privatisation is the enhanced competitive characteristics it provides to the enterprise which prove to be very fruitful in long run for the business as well as the economy of the country[83].

As such privatisation of India's insurance sector including both life and nonlife insurance was inevitable because of the following important factors. Foremost reason was that the majority of other industries or companies previously reserved for public sector had been privatised, therefore it was felt that the insurance service must also go with the flow and the consumers must be provided with a broader choice to get advantage of the competition in every aspect like product value, services, redressal mechanism etc. Another major reason was the insurance awareness which was very low among the masses of the country. And also the Indian insurance sector was lagging behind the International Standard compared to other developed or developing countries not only in terms of technology, managerial skill, cost efficiency, product range and new innovation but also in terms of insurance density and penetration[84]. Another disappointing fact about Indian insurance sector pre privatisation was the old age income

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[81] Dr Sukhvinder Singh Dari, *Need for Privatization in Insurance Industry and its impact on Life Insurance Corporation of India*, INTERNATIONAL JOURNAL OF LAW AND LEGAL JURISPRUDENCE STUDIES, ISSN: 2348-8212, Vol.1 Issue 9, 7,1-19.

[82] Ibid.

[83] Anant Kousadikar & Trivender Kumar Singh, *Advantages and Disadvantages of Privatisation in India*, INTERNATIONAL JOURNAL OF ADVANCED SYSTEM AND SOCIAL ENGINEERING RESEARCH, ISSN: 2278-6031, Vol. 3 Issue 1, 20, 18-22, (2013).

[84] Dr Syed Husain Asraf & Dr Abdullah Faiz, *India's Insurance Sector in Post privatization period: Emerging Financial Issues*, www.insuranceinstituteofindia.com/downloads/Forms/III/Journal-2008-01/India's%20Insurance%20sector.pdf.

security in terms of pension, it was estimated that only 10% of the total workforce in India had pension security scheme. Thus, it became very essential for the government to allow private entities in insurance to boost new technology, skill and increase productivity and demand and it will mobilize large amount of fund domestically through insurance business which can be used for other development activities of the economy.

4.4 BENEFITS OF PRIVATISATION

In Indian insurance sector privatisation is a boon as it shifts the risk in the hands of private entities, because private entities are more responsive to customer complaints, innovation and technology. In privatisation of insurance the role of government reduces as a player and it acts as an umpire on behalf of IRDAI[85]. Some of the major potentials of privatisation are stated as follows-

1. **Improved Efficiency**- The main argument for privatisation is that the private insurers have a profit incentive to cut costs and be more efficient[86]. The administration or managers of the private firms do not have any share in profits of the company. Hence there work become less efficient on its counter parts the private insurers are more interested in increasing their profits and hence it is more likely to cut costs and be more efficient. Private insurance companies have lower cost of capital and better operating efficiency which results in cheaper and better cover to end customers[87].
2. **More employment opportunities** – The establishment of new insurance companies and expanding of business will result in more job creations. Greater the market expands, higher is the opportunity of new employment[88]. It will overall increase the infrastructure, have better operations and more manpower. Privation of insurance services will ultimately increase productivity in business and bring new employment opportunities[89]. If we observe the journey of Indian insurance companies post

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[85] Dr Silbert Jose S.V, *An Analytical study of Privatisation in Indian insurance sector*, IJMRA, ISSN: 2249-0558, Vol. 9 Issue 2, 246, 241-250, (Feb. 2019).
[86] Ibid.
[87] Pooja Karnal, *Impact of Foreign Direct Investment in Indian Insurance Sector,* IJCISS, ISSN: 2394-5702, Vol. 2 Issue 1, (Jan. 2015).
[88] Dr Sukhvinder Singh Dari, *Need for Privatization in Insurance Industry and its impact on Life Insurance Corporation of India*, INTERNATIONAL JOURNAL OF LAW AND LEGAL JURISPRUDENCE STUDIES, ISSN: 2348-8212, Vol.1 Issue 9, 7,1-19, (2017).
[89] M.Rajeev & Dr.S.M. Abdul Kader*, A Study of the Impact of Privatisation on the performance of Indian General Insurance Sector*, IJERME, ISSN(Online): 2455-4200, Vol.1 Issue 2, 111,110-121, (2016).

privatisation we can find out that it has created immense job opportunities and helped in the growth of the country.

3. **Lack of political Interference**- It is often debated that the public sector institutions make poor economic administrators. They seem to be motivated by governmental pressure rather than comprehensive economic and business sense[90]. On its counterparts the private insurers enjoy greater operational freedom and consequently can expect to obtain a better yield on investments than the public insurers[91]. The private insurers enjoy greater operational freedom and consequently can anticipate to obtain a better income on investments than the public insurers. The private insurance company is not managed by government but are in private hands which make them easy to take any crucial decisions in less time and public sectors are influenced with the change in government and their policies while the private players does not seem to bother about any election results or change in government.
4. **New and Innovation Business**- Privatisation brought enhanced technology, administrative skill and product innovations in the entire insurance sector[92]. It indicates the expansion of new and improvised products for the consumers with the changing taste and demand. The present insurance industry has completely changed from its age old method, now it has transformed traditional insurance company with machine learning, APIs, block chain and telematics. Entry of private players (along with foreign collaboration) with their proficient attitude and innovative spirit has enhanced the trend of introducing tailor made, need based business[93]. They can introduce innovative products and services offering a right mix of flexibility, risk, return depending on what will suit the appetite of the customers[94].
5. **Greater management skill**- With the entrance of new private and foreign insurers in insurance sector; the sector has witnessed many drastic changes and with more efficient and better management skill it has reached various heights of success. Now the management demands greater risk bearing managers who can take crucial decision

[90] Dr Silbert Jose S.V, *An Analytical study of Privatisation in Indian insurance sector*, IJMRA, ISSN: 2249-0558, Vol. 9 Issue 2, 246, 241-250, (Feb. 2019).
[91] Supra note 84.
[92] Supra note 89.
[93] Dr Sukhvinder Singh Dari, *Need for Privatization in Insurance Industry and its impact on Life Insurance Corporation of India*, INTERNATIONAL JOURNAL OF LAW AND LEGAL JURISPRUDENCE STUDIES, ISSN: 2348-8212, Vol.1 Issue 9, 7,1-19, (2017).
[94] G.Suneetha, *Impact of Privatization on Life Insurance Sector in India*, Ph.D. Thesis submitted to Sri Krishnadevaraya University, Andhra Pradesh, 2008.

regarding new product or policy and crucial area to focus for greater development. It is due to the proper management skill of the private players who competed with the already existing giant public insurance companies and achieved great success in the past two decades. Privatisation has been facilitating an efficient, effective and stable management skill in economic environment and it is along with the public sector insurers have paved in roads into the interiors of the economy of the country and is considered one of the fastest developing areas in the Indian financial market[95].

6. **Greater competition and customer services-** Privatisation leads to more competition in insurance business and for which now customers get a wide range of products and services[96]. Performance efficiency can only be enhanced with increase in competition[97]. And it is only due to this competitive environment in the market consumers are availed with wide range of new products and services. It is the impetus of liberalisation that industry is transforming approach towards its customers and has become more sensitive towards customer needs and services[98]. With insurance reforms a large number of companies have jumped into the insurance field with competitive pricing and services, which has not only changed the industry numerically but also has increased in dimensions of competitive pricing, better services, personal security and healthy lifestyles[99].
7. **Increase in Insurance Penetration and Density-** The development of any insurance sector is measured by insurance penetration and density. Insurance Penetration is the percentage of insurance premium to GDP of the country and insurance density is measured as ratio of premium to total population[100]. After analysing the insurance penetration and density post liberalisation we can find that there is rise in both insurance penetration and density of Indian insurance sector. But the penetration and density is very low in India in comparison to other developed or developing countries.

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[95] C. Kalpana Naidu & Dr C.Paramasivan, *A Comparative Study of Public and Private Life Insurance Companies in India*, IJMDRR, E-ISSN: 2395-1885, Vol. 1 Issue 7, 15(15-18), (Sept. 2015).
[96] M.Rajeev & Dr.S.M. Abdul Kader, *A Study of the Impact of Privatisation on the performance of Indian General Insurance Sector*, IJERME, ISSN(Online): 2455-4200, Vol.1 Issue 2, 111,110-121, (2016).
[97] Dr Silbert Jose S.V, *An Analytical study of Privatisation in Indian insurance sector*, IJMRA, ISSN: 2249-0558, Vol. 9 Issue 2, 246, 241-250, (Feb. 2019).
[98] Dr Sukhvinder Singh Dari, *Need for Privatization in Insurance Industry and its impact on Life Insurance Corporation of India*, INTERNATIONAL JOURNAL OF LAW AND LEGAL JURISPRUDENCE STUDIES, ISSN: 2348-8213, Vol.1 Issue 9, 8,1-19, (2017).
[99] Sushil Kumar, "et al." *Globalization and growth of Indian Life Insurance Industry*, IJEMS, ISSN: 0976-2183, Vol.3 Issue 10, 12, 9-15, (Oct. 2012).
[100] Supra note 45.

8. **Expansion of Insurance Market**- With the entrance of new players, the market expands with new product and services. It not only affects the insurance business but also the quality of business, with the expansion of the insurance market the opportunity for the growth of other sector also increases and it becomes a pool of long term resources for financing infrastructural development[101]. The privatisation era ensured overall growth and brought more and more people under the umbrella of insurance. With the expansion of the insurance market customers get easy access to insurance services and become more aware about the products, prices and services[102]. The Indian insurance industry has become a growing industry with many domestic and international players. Huge population in our country and a big untapped market has increased its scope of growth for next many years[103].

4.5 DEMERITS OF PRIVATISATION

The road to privatisation is not easy at all, it is fraught with many roadblocks and hurdles[104]. Privatisation in insurance sector is a bane because it is expensive compared to its counterpart public sector insurers and generates a lot of income in terms of fees and services for specialist advisers. The main motive of insurance sector reforms was to end the public monopoly but it turned into private monopolies, so consumer have not been benefitted as much as had been hoped[105]. Some of the major demerits of privatisation can be underlined as follows-

1. **Public Interest** – The insurance business should be affected by public interest, requiring all insurers to be actuated by good faith, abstain from deception and practice, honesty and equity in all insurance matters[106]. Insurance business is a public service and in public service industries profit motive should not be the primary objectives. But in reality the private insurance companies are more profit centric than service centric. For instance in the case of health insurance, private insurers priority is more on profit

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[101] Dr Sukhvinder Singh Dari, *Need for Privatization in Insurance Industry and its impact on Life Insurance Corporation of India*, INTERNATIONAL JOURNAL OF LAW AND LEGAL JURISPRUDENCE STUDIES, ISSN: 2348-8212, Vol.1 Issue 11, 7,1-19, (2017).
[102] M.Rajeev & Dr.S.M. Abdul Kader, *A Study of the Impact of Privatisation on the performance of Indian General Insurance Sector*, IJERME, ISSN(Online): 2455-4200, Vol.1 Issue 2, 111,110-121, (2016).
[103] Dr Vikash Gairola, *A Comparative Study of Public and Private Life Insurance Companies in Post Liberalisation Era*, IJMBS, E-ISSN: 2230-9519, Vol. 6 Issue 4, 41, 39-43, (Dec. 2016).
[104] Supra note 83.
[105] Dr Silbert Jose S.V, *An Analytical study of Privatisation in Indian insurance sector*, IJMRA, ISSN: 2249-0558, Vol. 9 Issue 2, 248, 241-250, (Feb. 2019).
[106] https://www.irmi.com/articles/expert_commentry/insurance_is_affected_with_a_public_interest.

than on patient care and well beings. Privatisation focuses more on profit maximisation of the country and less on social ideologies, unlike its counterpart's public sector insurers that initiates socially feasible adjustments in case of emergencies and criticalities[107].

2. **Geographical discrimination**- The private companies are mainly concentrating on urban segments[108]. One of the motive for privatisation of insurance was to reach every nook and corner of the country and every classes of people but the irony is that the private companies too remained limited to urban and semi-urban areas. The rural population was mostly untouched before the new reforms of insurance and the scenario is quite same in the present time too.
3. **Excessive competition**- At present there are 70 insurance companies as compared to 6 in the year 2000-01, which indicates the excessive competition in this sector. Though competition is healthy in any business but excessive competition creates deadlock. Due to competitions among the insurance companies the companies may sometime be forced to adopt unfair strategies which may fool the customer[109]. Excessive competition may bring negative result in this sector[110].
4. **Higher foreign control and profit move** – Most of the private insurance companies have foreign partners and presently the F.D.I. has been increased to 49%, which creates a speculation amongst many scholars that the higher stake by foreign companies means higher foreign control which runs the risk of having some decisions which may not be in the best interest of the country and the consumers[111]. There is also possibility that the foreign partners and foreign insurance companies may transfer the profit margins to their own country and our country will not be benefitted by the investment of our people.

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[107] Anant Kousadikar & Trivender Kumar Singh, *Advantages and Disadvantages of Privatisation in India*, INTERNATIONAL JOURNAL OF ADVANCED SYSTEM AND SOCIAL ENGINEERING RESEARCH, ISSN: 2278-6031, Vol. 3 Issue 1, 21, 18-22, (2013).
[108] Supra note 97.
[109] Isha Jaiswal, *Privatisation of Insurance*, https://www.slideshare.net/mobile/ishasdjic/privatization_of_insurance.
[110] Pooja Karnal, *Impact of Foreign Direct Investment in Indian Insurance Sector*, IJCISS, ISSN: 2394-5702, Vol. 2 Issue 1, (Jan. 2015).
[111] Ibid.

CHAPTER 5 INSURANCE SECTOR REFORMS AND JUDICIAL RESPONSE

5.1 INTRODUCTION

The millennium has experienced a 360 degree journey of Indian insurance sector over a period of 100 years. Its evolution from an uncluttered competitive market to monopoly and then back again to open relaxed market characterises this phenomenon[112]. Before nationalisation, the Indian insurance sector was circled around two major public insurance giants' viz. Life Insurance Corporation of India and General Insurance Corporation of India with its subsidiaries. In the life sector LIC has been in the brains of the people and holding up the individual's cerebrum by providing a wide variety of administrations and services, constructing a broad system of branches and offering work to countless people in the form of agency. The same situation is with general insurance sector which was overpoweringly ruled by GIC and its subsidiary companies. But it is to be noted that nearly 80% of Indian people was without life insurance and general insurance cover i.e. Indian insurance industry was far behind the International Standards[113].

One of the foremost driving forces for the nationalisation of insurance industries in the 20th century was to network more noteworthy assets towards enlargement programs. It was expected to improve insurance penetration and density of both life and general insurance and to cope up with the failures of mis-management during pre-nationalisation period. But even after nationalisation in 1956 and 1972, the LIC and GIC never proved to work for financing government deficits and it failed to fulfil the objectives of nationalisation of insurance and moreover with the inception of changes in the economic sector in mid 1990s, the need to rebuild the insurance market was felt because other Indian markets were liberalised and opened for foreign participations in India.

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[112] Arjun Bhattacharya & O'Neil Rane, *Nationalisation of Insurance in India*, Centre for Civil Society, The Indian Economy, 394, 378-398, https://www.ccsindia.org/internship_papers/2003/chap32.pdf.
[113] D Rajasekar & T. Hymavati Kumari, *Life Insurance industry in India- An Overview*, GLOBAL INSTITUTE FOR RESEARCH AND EDUCATION, ISSN: 2319-7285, Vol 3 Issue 2, 50, 50-59, (Apr. 2014).

Some of the major milestone in the reform process are described as under:

5.2-MALHOTRA COMMITTEE

A historic initiative to liberalise insurance industry was adopted in April, 1993 with the formation of Malhotra Committee, the committee on insurance sector changes. Malhotra Committee board was headed by Dr. R.N. Malhotra, the former finance secretary and governor of Reserve Bank of India. The committee was set up to survey the insurance industries and find out the loopholes and shortcomings regarding the target of offering good quality services to the insurers and filling in as a viable instrument for mobilizing the financial resources for development and growth, to review and audit the existing structure of regulation and supervision of insurance industry and to propose changes for strengthening and modernizing the existing regulatory framework in compliance with the changing economic situation in the country. The Malhotra Committee recommended the opening up of insurance sector for private insurance companies and setting up of an independent and effective supervisory authority for maintaining the balance and make an equal level playing field for all entities[114].

The committee was set up with the following objectives-

1. "To survey the present structure of the insurance sector and to assess its quality and shortcomings i.e. its strength and weakness in terms of products and services and working as a powerful means for mobilisation and functioning of financial assets and development of the economy of the country.
2. To communicate proposal for developing the insurance industry structure and general system of policy predictable with the changes in the economic and financial sector.
3. To make an exact proposition in regard to the existing public insurers i.e. the LIC and GIC so as to improve their working in changing the economic condition.
4. To analyse the present structure of regulations and guidelines of insurance companies operating in India and to recommend the flaws in it and make suggestions for fortifying and modernising the regulatory system.
5. To review and recommend suggestions on the part of surveyors, intermediaries and ancillaries of the insurance sector.

[114] *Privatization of Insurance Sector in India,* SHODGANGA, https://shodganga.inflibnet.ac.in/bitstream/10603/110787/12/12_chapter3.pdf.

6. Lastly, to make recommendations on different matters as the board of committee considers significant for the development and advancement of the insurance sector"[115].

The recommendations were published in January, 1994 by the Malhotra Committee. The committee to get a clear idea appointed an independent agency to conduct a market study on life insurance. The survey was conducted to discover the satisfaction level of clients and evaluate their perceptions and discernments on the possible liberalisation of insurance sector. Based on this study the panel underlined some positive and negative characteristics of expansion of LIC which are expressed as under-

The positive side of the study was-

1. LIC was multiplied protection culture generally across India, has spread the insurance culture fairly widely[116].
2. The immense amount of profits were organised for national advancement and the saving was used to back social segments like housing, power, water supply, sewage and drainage, education etc.
3. Among the insuring public LIC was a name of trust and faith.
4. In the past three decades a huge pool of skilled and capable insurance specialists was built up[117].

The negative side of the study was-

1. The huge market and services setup of LIC was in sufficiently receptive to client's demand.
2. There was absence of insurance awareness among the general masses of the country.
3. Absence of life insurance product and service with regard to customer needs.
4. The return from life insurance policy was very low compared to other saving instruments.

[115] Supra note 110.
[116] Arjun Bhattacharya & O'Neil Rane, *Nationalisation of Insurance in India*, Centre for Civil Society, The Indian Economy, 396, 378-398, https://www.ccsindia.org/internship_papers/2003/chap32.pdf.
[117] Supra note 110.

5. One major reason for slow growth of LIC was the misadministration and poor managerial control, and also the central and regional offices were overstaffed and the sub offices were understaffed.
6. Work culture in the organisation was not up to the mark[118].
7. The various unions like the trade unions, employee unions etc. had coddled in prohibitive practices.
8. Another major drawbacks of LIC was the absence of computerization and due to which the effectiveness and quality of the organisation and customer service had been seriously hampered[119].

The Malhotra Committee was not only limited to life insurance but it contacted even the general insurance business in India. "The Malhotra Committee basically covered three main topics-

a. Liberalisation, restructuring, regulation of insurance.
b. Pricing of product and distribution of services.
c. Surveyors, reinsurance and ombudsman"[120].

The main recommendations of Malhotra Committee were as follows-

1. **LIBERALISATION**

The most important recommendation of the committee was the liberalisation of the insurance industry i.e. the allowance of local and foreign private insurers in the insurance market. The committee opined that monopoly is a bane for any sector and especially when it is government monopoly they often fail in their job, as they do not keep themselves practical. At the hour of nationalisation of insurance business of both life and general insurance, it was realised that government monopolies would not make good or endure in long run as there would be no competition, but the main reason for nationalisation was that it was thought that regulation of such enormous assets and funds and their use was completely important to safeguard fulfilment of state significances for investment. Hence, the main recommendation of Malhotra Committee

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[118] Supra note 112.
[119] Ibid.
[120] *Privatization of Insurance Sector in India*, SHODGANGA, https://shodganga.inflibnet.ac.in/bitstream/10603/110787/12/12_chapter3.pdf.

was the abolition of state monopolies in insurance sector and permitting the local and foreign players in the insurance market.

The main thought for this liberalisation was to guarantee usage of undiscovered and untouched market, increase in competition, development of market and better decision to customers in terms of selection of product and services, decrease in cost and give efficient customer care. In the course the panel committee prescribed certain strict methods to be adopted:

a. Any insurance company should not be permitted to carry on both life and nonlife insurance business together[121].
b. The companies should be regulated by an independent insurance regulatory authority.
c. The regulatory authority should keep an eye on all insurance companies and the auditors of the insurers should report them as and when required.
d. The foreign insurance players should be given entry on completely selective basis i.e. they must merge with an Indian company by way of merger or joint ventures[122].

In order to guarantee commercial stability of insurance industry, the panel committee prescribed three fundamental processes to be adopted-

a. "The new insurance players should have a minimum paid up capital of Rs 100 crores, only the state co-operative institution are given exception.
b. The promoters holding in the insurance company should not be more than 40% and less than 26% of the total investment.
c. No individual except the promoter should be permitted to acquire more than 1% of the equity"[123].

2. SUPERVISION AND REGULATION

On nationalisation of LIC in 1956 and GIC in 1973, the regulatory functions were carried on mainly by "Controller of Insurance (COI)". The COI was a statutory body appended to the government i.e. the Ministry of Finance and thus to guarantee judicious practise while

[121] Harpeet Singh Bedi & Preeti Singh, *An Empirical Analysis of Life Insurance Industry in India,* INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH, ISSN: 2231-5780, Vol. 1 Issue 7, 66, 62-73, (Nov. 2011).
[122] R. Vijaya Naik, *A Study on Structure of Insurance Sector in India,* IJBMI, ISSN (Online): 2319-8028, Vol. 7 Issue 9 Ver.2, 3, 1-8, (Sept. 2018).
[123] Supra note 117.

liberalising the insurance industry the committee suggested that COI must be sanctioned as approved by the Insurance Act and should be made independent[124]. It was also suggested that an autonomous constitutional body should be established as like the SEBI for securities market, so as to ensure an equal level playing field for all insurance companies. Hence, the establishment of an independent insurance regulatory authority covering all the parts of insurance was another recommendation of the Malhotra Committee.

"In a nutshell, the insurance regulatory authority should act as regulator, controller, supervisor, initiator, mediator of insurance market"[125] and moreover 0.05% of the yearly income of all insurance sector in India should be backed for its foundation and exercises.

3. RESTRUCTURING

The Malhotra Committee witnessed that the life and general insurance sector is confronting some major issues mainly due to inefficient and poor helpless structure of administration. Therefore, the company decided to rebuild both the LIC and GIC for their growth and development.

Life insurance sector: The Malhotra Committee suggested that the administration working system should be mutually divided among central and zonal offices of Life Insurance Corporation of India. The main focus of central offices should be on policy formulation, review and evaluation, pricing and actuarial assessment, product development, personal policies, investments policies, system development, etc.[126] On the other hand the zonal offices should take care of the protection mechanism and related matters. It was opined by the committee that state proprietorship in the company lead to postponement and rigid i.e. non-flexible decision making in settlement of claims. Hence, LIC should be brought out of state proprietorship to some extent. During those period, Life Insurance Corporation had investment of Rs 5 crore, underwritten completely by Central Government. The committee suggested that this amount is not sufficient for a giant insurance company like LIC. Therefore, the committee suggested that the capital of Rs 5 crore to be raised to Rs 200 crores, where at least 50% should be held by the

[124] Supra note 117.
[125] Supra note 110.
[126] Supra note 110.

government and rest by the general public at large including company employees or administrators[127].

General Insurance Sector: Malhotra Committee suggested that the general insurance sector should rearrange the operation structures and chain of employees in their offices. The general insurance market was ruled by GIC and its four subsidiaries companies and all the four companies in their respective head offices were over staffed and the rural and sub-offices were under staffed. Hence, the committee suggested that there should be balance in all offices to strengthen the company as a whole. GIC and its subsidiaries were fully contributed by the Indian Government, which was in the view of the committee not good for the company. Moreover, the committee recommended that GIC should stop as a holding company and should go as a national re-insurer company in India. The committee further suggested that the present level of share capital i.e. of Rs 107.50 crores should be raised to Rs 200 crores; where 50% should be held by government and rest by public or employers or administrators of GIC. And regarding the four subsidiary companies, it was suggested that they work as an independent and separate companies run by a board and further the share capital should be raised to Rs 100 crore with 50% holding's by government and rest by public[128].

4. INVESTMENT REGULATIONS

The Malhotra Committee suggested certain modifications in commanded investment design and pattern followed by the insurance companies. The committee recommended that-

a. Central government investment in securities should not be less than 20%.
b. State government securities and government backed securities (including the central government securities) should not be less than 40% as compared to present 50%.
c. In case of socially oriented sectors the investment should not be less than 50% as compared to present 75%[129].
d. No changes should be made in other approved investments.

[127] R. Vijaya Naik*, A Study on Structure of Insurance Sector in India,* IJBMI, ISSN (Online): 2319-8028, Vol. 7 Issue 9 Ver.2, 3, 1-8, (Sept. 2018).
[128] Ibid.
[129] Ibid.

5. **RURAL INSURANCE**

Malhotra Committee suggested that the insurance companies should offer economical insurance package for moderately reluctant segments like the labourers and working women. To reach the rural population, the committee suggested that help from panchayats, voluntary organisations, NGO's, mahila mandals should be sought. Moreover, strict rules should be made for new entrants in life insurance business that the new entrants will devote certain amount of their occupational in village areas and the regulating authority must keep an eye on it. Another important recommendation of the committee was that postal life insurance should be allowed to operate in each state and especially rural market[130].

6. **PENSION FUNDS**

The committee recommended that the pension fund schemes should be completely excluded from tax. The committee opined that emphasis should be given to entrepreneurs, small traders or employers, professionals and they should be supervised by regulatory authority. It is also proposed that significant concessions must be provided for contribution to pension funds by all insurance companies.

7. **CUSTOMER SERVICE**

The committee suggested that computerization of operations and services and updating of technology must be carried out in all insurance industry including general insurance industry and they must be provided with more autonomy so that they can improve their efficiency and performance. Moreover this would help the insurers to be an independent companies with economic motives[131].

Malhotra Committee for efficient customer services, recommended that LIC must endure as a sole unit as before, for their goodwill they will have to pay interest on delays beyond 30 days, and they must use the revised mortality table and premium after every 10 years[132]. The committee in its final point proposed that the life insurance industries must be encouraged to

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[130] Supra note 122.
[131] Ibid.
[132] Harpeet Singh Bedi & Preeti Singh, *An Empirical Analysis of Life Insurance Industry in India,* INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH, ISSN: 2231-5780, Vol. 1 Issue 7, 67, 62-73, (Nov. 2011).

set up unit linked pension's plan[133] and for general insurance sector, the committee suggested that ombudsman institute should be set up for its grievances and complaints.

5.3 MUKHERJEE COMMITTEE

Soon after the publication of the Malhotra Committee Report, a new committee called the Mukherjee Committee was formed in the year 1995. The committee submitted its report in 1997. The main objective of the report was to make concrete framework laws for the newly formed insurance players. However, the recommendations of the Mukherjee Committee was never made public[134]. But, from unofficial sources information that filtered out unfolded that the committee recommended the inclusion of certain ratios in the balance sheet of the insurance industries to ensure clearness in accounting procedure and standards. But the cabinet ministry never approved the report of the committee and objected on the ground that it would affect adversely on the prospects of a developing insurance company[135].

5.4 INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

The enactment of any legislation is not a simple process. It requires a parcel of endeavours and efforts and also time. Malhotra Committee as mentioned above suggested the establishment of an effective and autonomous body to secure policy holder interest. And thus, by following the recommendations and suggestions of Malhotra Committee, the Government of India in 1999 finally opened the insurance sector for private players and to regulate the functioning of all insurers in India the IRDA was formed[136]. In January, 1996 the Indian Government had established an Interim Regulatory Authority in India through an exclusive order and later on this Interim Regulatory Authority becomes Insurance Regulatory and Development Authority[137]. Again on 30th December, 2014 the Chairman of insurance Regulatory and

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[133] Supra note 122.
[134] Tapen Sinha, *Privatization of the Insurance Market in India: From the British Raj to Monopoly Raj to Swaraj*, CRIS Discussion Paper Series-2002X, The University of Nottingham, https://www.nottingham.ac.uk/business/cris/papers/2002.X.pdf.
[135] *Reform and Growth in the Indian Life Insurance Sector,* SHODGANGA, https://shodganga.inflibnet.ac.in/bitstream/10603/94612/16/16-chapter4%.pdf.
[136] Silpa Agarwal & A.K.Mishra, *Life Insurance Industry of India- Past, Present and Future,* SSRG-IJEMS, ISSN: 2393-9125, Vol. 4 Issue 4, 43, 42-45, (Apr.2017).
[137] Supra note 116.

Development Authority (IRDA) shall be henceforth be known as Insurance Regulatory and Development Authority of India (IRDAI)[138].

The constitution of IRDAI is a milestone in the history of insurance sector. "IRDAI is not only a regulatory body but also provides for composition of IRDAI, tenure of office chairperson and other members, removal from office, salary and allowances of chairperson and members, duties, power and function of IRDAI, finance, account and audit, and other miscellaneous provision[139]". After its enactment the IRDA made various amendments to the "Life Insurance Corporation Act, 1956" and the "General Insurance Corporation (Nationalisation) Act, 1972 which withdrawn the monopoly model of Life Insurance Corporation and General Insurance Corporation of India".

IRDAI was formed in April 19, 1999 as a sovereign body with the main motto to regulate and supervise the insurance and re-insurance business in India. "It formally started its function from April 19, 2000 with N. Rangachary as chairperson and with 4 full time directors, 2 part time directors and with 25 members in Insurance advisory Council. Presently, the chairman of IRDAI is Dr. Subhash Chandra Khuntia and it consists of 7 whole time members and 5 part time members"[140].

IRDAI as a regulatory and supervisory body of insurance has overwhelming duties and responsibilities and various different and difficult roles to play. On one hand, it must ensure that the policyholders are protected against any unfair or malpractices and on the other side it must ensure the growth of insurance industries and it must impose any such limitations which may hamper its development.

"Objectives of the Insurance Regulatory and Development Authority of India.

1. To protect the interest of policyholders of insurance policies.
2. To bring about speedy and orderly growth of the insurance industry and to provide long term funds for accelerating growth of the economy.
3. To set, promote, monitor and enforce high standards of integrity, financial soundness, fair dealing and competence of those it regulates.

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[138] Aslesha Parwat Mukadam & Promod Deo, *IRDA: Regulator of Insurance Sector in India*, INDIAN JOURNAL OF RESEARCH, ISSN: 2250-1991, Vol.5 Issue 6, 189, 189-192, (Jan.2016).
[139] Supra note 116.
[140] IRDA Annual Report, https://www.policyholder.gov.in/irdai_annual_reports.aspx.

4. To ensure speedy settlement of genuine claims, to prevent insurance frauds and other malpractices and put in place effective grievance redressal machinery.
5. To promote fairness, transparency and orderly conduct in financial markets dealing with insurance and build a reliable management information system to enforce high standards of financial soundness amongst market players.
6. To take action where such standards are inadequate or ineffectively enforced.
7. To bring about optimum amount of self-regulation in day-to-day working of the industry consistent with the requirements of prudential regulation"[141].

"The goal of IRDA is to protect the interests of the insured and to regulate, promote and ensure the orderly growth of the insurance industry by dealing with matters connected therewith or incidental thereto"[142].

FUNCTIONS OF INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA.

The IRDAI is a comprehensive body to regulate all functions and working of insurance industry in India. "The main functions of IRDAI can be underlined as below-

1. Issue certificate of registration to the new players and also to renew, modify, change or cancellation of registration.
2. Protecting the interest of the policy holders in matters concerning assigning of policy, nomination by policy holders, insurable interest, settlement of insurance claim, surrender of policy and other such conditions.
3. Specifying requisite qualifications, code of conduct and practical training for intermediary or insurance intermediaries and agents.
4. Specifying the code of conduct for surveyors and loss assessors.
5. Promoting efficiency in the conduct of insurance business.
6. Promoting and regulating professional organisations connected with the insurance and re-insurance business.
7. Levying fees and other charges for carrying out the purposes of this Act.

[141] IRDA Annual Report, https://www.policyholder.gov.in/irdai_annual_reports.aspx.
[142] Monika Dhingra, Indian Insurance Industry- Past and Future, 30 Int'l Bus. Law. 378 (2002), https://heinonline.org/HOL/License.

8. Calling for information from, undertaking inspection of, conducting enquiries and investigations including audit of the insurers, intermediaries, insurance intermediaries and other organisations connected with the insurance business.
9. 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.
10. 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.
11. Regulating investment of funds by insurance companies.
12. Regulating maintenance of margin of solvency.
13. Adjudication of disputes between insurers and intermediaries or insurance intermediaries.
14. Supervising the functioning of the Tariff Advisory Committee.
15. Specifying the percentage of premium income of the insurer to finance schemes for promoting and regulating professional organisations.
16. Specifying the percentage of life insurance business and general insurance business to be undertaken by the insurer in the rural or social sector; and
17. Exercising such other powers as may be prescribed"[143].

The establishment of IRDAI has brought about revolutionary change in the Indian insurance sector and the credit for its establishment goes to the Malhotra Committee. In the last 18 years of its establishment, the insurance industry has seen another height of success. Before the establishment of IRDAI there were only 6 insurance companies but presently there are 70 insurance companies operating in India. And in near future, we are expected to see another height of success in the insurance industry.

[143] Supra note 116.

5.5 JUDICIAL PRONOUNCEMENT.

1. **"Ramla v. National Insurance Company Limited** [Civil Appeal No. 11495 of 2018, special leave to Appeal (c) No. 22334 of 2017]".

The Hon'ble Supreme Court bench comprising of Justice N.V.Ramana and Justice M.M. Shantanagoudan held that "there is no restriction in awarding compensation over and above the amount claimed under Sec. 168 of the Motor Vehicles Act, 1988.

Facts of the Case.

The claimants were the dependent relative of the deceased i.e. his wife, two minor children and an elderly father; who succumbed to death in 2008 due to grievous injuries. At first, the claimants claimed before the Motor accidents Claim Tribunal seeking a total compensation of Rs 25,00,000/-. But, the tribunal only granted compensation of Rs 11,83,000/- and later on appeal to the High Court of Kerala, the court enhanced additional award of Rs 9,70,000/-. But the claimant was not satisfied with the decision of the Kerala High Court, they appealed before the Hon'ble Supreme Court for further enhancement of the compensation.

Judgement of the Case.

While deciding the appeal case filed by the claimants, the Supreme Court laid emphasis on the salary certificate of the deceased, cost of living. The Hon'ble Supreme Court elaborated the term "just compensation" under Sec. 168 of the Motor Vehicles Act.

The Supreme Court held that the decision of the Kerala High Court was not appropriate in deducting 2/3rd of the deceased's total income in regard to his personal expenses. The apex court held that the claimants were entitled to a total compensation of Rs 28,00,000/- which was even more than the amount claimed by the dependents of the deceased. In this case the Supreme Court relied upon the judgements of Nagappa v. Gurudayal Singh[144], Magna General Insurance

[144] Nagappa v. Gurudayal Singh, (2003) 2 SCC 274.

v. Nanu Ram[145], and Ibrahim v. Raju[146], the court observed, there is no restriction that the court cannot award compensation exceeding the claimed amount, since the function of the Tribunal or Court under Sec. 168 of the Motor Vehicles Act, 1988 is to award just compensation.

"The court observed that the Motor Vehicles act is a beneficial and welfare legislation. A just compensation is one in which the compensation awarded is reasonable on the basis of evidence produced on record. It cannot be said to have become time barred. The court further observed that there is no need for a new cause of action to claim an enhanced amount. The courts are duty bound to award just compensation".

2. **Biman Krishna Bose v. United India Insurance Company Ltd**[147].

Facts of the Case.

The appellant Mr. Biman Krishna Bose and his wife Mrs. Alka Bose, took a mediclaim insurance policy from United India Insurance Company Ltd. on 14/12/1990. On 14/08/1991 Mrs. Alka Bose fell ill and was admitted to the nearest hospital. The appellant paid Rs 8243 for treatment and later claimed the amount from the insurance company. But, the insurance company did not paid them; despite repeated request. So, they decided to file application with District Forum, but District Forum rejected the complaint and on further appeal by them, the State Commission directed the insurance company to honour the appellant. Further the National Consumer Redressal Commission stuck down the demand for payment of money from the insurance company while the litigation was still going on. And during this process the appellant's policy fell due of renewal so he sent a letter along with a cheque of Rs 1796 for renewal of his existing mediclaim policy, but the insurance company refused to accept the premium on the bases of his previous conduct.

So, the appellant filed a writ application under "Article 226 of the Constitution" before the Calcutta High Court. The court allowed the claim but directed the plaintiff to take new mediclaim as the renewal of the previous policy cannot be granted with reviewing effect. But, the appellant was not satisfied with the decision of the Calcutta High Court and appealed before the Supreme Court.

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145 Magna General Insurance v. Nanu Ram, SCC (2018) SC 1546.
146 Ibrahim v. Raju, (2011) 10 SCC 634.
147 Biman Krishna Bose v. United India Insurance Co. Ltd, (2001) 6 SCC 477 (India).

Judgement of the Case.

"The Hon'ble Supreme Court held that the insurance company refusal to grant the payment would be arbitrary use of power. Insurance Company has assumed monopoly under the nationalisation regime in the country and has acquired the trappings of the state being other authority under Article 12 of the Constitution. The court held that the insurance company must act with fairness considering the relevant materials and they must not act arbitrary in their actions or decisions. Regarding the renewal of old policy the Supreme Court held that there were no mistake on the part of the appellant as he made no default in payment of premium".

3. **Life Insurance Corporation of India v. Shakuntala**[148].

Facts of the Case.

Jamanadas took an insurance policy from Life Insurance Corporation of India and almost after one and half year on 04/11/1986, he died of jaundice. The policy was approved on the basis of Jamanadas's statement that he had no illness and had no medical consultation for the last five years.

But, the insurance company rejected his death claim on the ground that before taking the policy, Jamanadas had once suffered from gastritis and took medicine from a local ayurvedic doctor. The insurance company relying on "Sec. 45 of the Insurance Act, 1938" specified that the company had right to reject the claim on the ground that the deceased gave inaccurate and false information. So, his wife Shakuntala filed a case before the court.

Judgement of the Case.

The court held that occasional headaches or indigestion is not an obligation to be disclosed and is unreasonable and does not fall under 'material facts'. "No reasonable man would deem it material to disclose all the casual headaches or indigestion he had in his life, hence there is no breach of duty in not disclosing it. Therefore, non-disclosure would not amount to untrue statement and the court ordered the insurer to give his wife the insurance claim.

[148] Life Insurance Corporation of India v. Shakuntala, AIR 1975 A.P. 68, (India).

From the cases above, the dark side of the insurance companies can be pictured as they often ignore the policy holder's claim as and when required. The appellant or the policy holder had to face many hardships due to irresponsible acts of the insurance companies and this was mainly due to the monopoly regime of the insurance company. The Indian Courts, time and again warned the insurance companies to be within their limits and abide by their duties and responsibilities and not to act arbitrary. Some of their judgements in this regard were as follows:

1. **Asha Goel v. LIC[149]**.

"The Court imposed on the two corporations LIC and GIC as part of their duties to act in consonance with the principles laid down under the Directive Principles of State Policy of the Constitution. The court held that the business activities of LIC and GIC are not purely commercial in nature, they are statutory corporation being an authority and fall within the meaning of state under Article 12 of the Constitution, their contract of LIC must be for the welfare and benefit of the society and their primary goal should be to promote the welfare of the people".

2. **National Insurance Co v. Jugal Kishore and Ors**.[150]

"The court has consistently emphasized that it is the duty of the party in possession of document which would be helpful in doing justice in the cause to produce it and such party should not be permitted to take shelter behind the obstruct doctrine of burden of proof. This duty is greater in the case of instrumentalities of the state. The obligation on the part of the state or the instrumentalities to act fairly can never be over emphasized".

[149] Asha Goel v. Life Insurance Corporation of India, AIR 1986, Bom 412.
[150] National Insurance Company Ltd. v. Jugal Kishore and Ors, 1988 AIR 719, 1988 SCC (1) 626.

3. State of Rajasthan v. Jhansi Bhai[151].

"The court reiterated their strong disapproval of state undertaking like the ESIC (Employees State Insurance Act), LIC, GIC etc. raising technical pleas to defeat honest claims of victims of accidents by legally permissible but marginally unjust contention including narrow limitation".

[151] Rajasthan State v. Jhansi Bhai, 1987 ACJ 496 (India).

CHAPTER 6 SUGGESTIONS AND CONCLUSION.

Indian economy is developing at a quick pace. The entry of new private players in the liberalised insurance sector has unlocked up new roads and huge job opportunities in the nation. Insurance sector modification speak to a persistent procedure planned for enhancing the qualities and opportunities of insurance industry and carrying them to reach the level of universal international standards. The difficulties confronting the insurance sector are gigantic yet not inconceivable. Each challenges can be regarded by the insurance players as allowing a chance to them. The penchant to spend on insurance for the most part relies upon dispensable income and savings for life insurance and the earnings and risks for general insurance. The insurance sector grows and develops when the economy grows and in this regard the government must take approach to build the employment infrastructure which is utmost necessary to increase the income levels of the insurance clients.

Another major issue with the Indian insurance sector is the absence of insurance consciousness among the majority of the masses. Insurance awareness is an absolute necessity and a need thing at various degrees of the general public in our nation. Every single individual should know the significance and the ensuing advantages of life insurance and the risk associated with it in case of general insurance. To accomplish higher levels of penetration and spread of insurance among bigger fragments of population, the insurance company should put the rural and semi-urban communities on their forefront instead of the urban or the higher strata of the general public.

Some of the major suggestions concluded from the study are as follows:

1. The foremost formula to increase the insurance penetration and density in India is to increase the awareness about the need and importance of insurance among the general masses.
2. Non-governmental organisations (NGO’s) and Self Help Group (SHG) should come together and approach the individuals in rural areas about the insurance scheme and make them understand the concealed conditions of the policies, which if not understood properly may play destructions with the hard earned money of the insured.
3. Number of consumer redressal forums at the local level should be expanded and appropriate staff strength should be encouraged to work efficiently and facilitate prompt disposal of cases.

4. There should be proper regulation for censuring intermediaries and extreme punishment for any such mal-practises or frauds. There should be extreme disciplinary acts for faulting insurance agents/brokers/companies for selling inadequate policies by distorting or misrepresenting the facts from the policyholders.
5. IRDA must implement strict rules for failing to provide maturity claims within time and must impose fine in case of such failure. There must be provision mentioned clearly in the proposal in case of death or disability claim so that the policy holder or their representative does not face any problem in case of claim.
6. The policy maker of IRDA should study and take suggestions from the developed insurance market of other country as India's insurance market is underdeveloped and need to be improved for better economy and growth.
7. IRDA must also appoint certain committee to keep an eye on the insurance agents and brokers, so that they does not involve in any fraudulent activities.
8. The public insurance companies in both the sector i.e. life and general insurers must try to surge its business by issuing more policies in order to regain their declining market position.
9. Both the private and public insurance sector must keep a check on their operating expenses, which is increasing at an alarming rate and must be controlled as it is not good for the company in long run and it may turn the company into a loss making company in near future.
10. India being a vast country with above 65% people living in rural or semi-urban areas and more than 35% people living below poverty line, with an annual earnings of less than Rs 27000. Hence, the insurance companies especially the life insurance company must make some policy scheme for such people so that these section of people can also avail the benefits of insurance.

CONCLUSION

Privatisation may be defined as the transfer of ownership from state endeavours private enterprises. It is the liberalisation of the industry that had been reserved previously for public sector to private sector. Presently, it has become a standard monetary strategy around the globe. The main advantages of privatisation is that it reduces the financial burden of the government and increases competition. It strengthen the economic growth and development of the country. But there are certain disadvantages of privatisation too. Some financial experts contend that some service sectors like health care, education utilities and law enforcement must remain in the hands of public sector to ensure more reduces the size of government machinery and leads to rapid economic development within a short span of time.[152] The government of India after many debates and recommendations of the committee picked a blended form of economy i.e. a mixed economy with both public and private sector operating simultaneously. Privatisation has proved to be valuable to the Indian economy and studies suggest more privatisation in other sectors like railways is required in our country for healthy growth and success of our economy.

We know that law is not fixed, it is dynamic in nature and it should be changed with the changing need of time. Revision or amendment is a mode to alter the current law in consonance with the evolving situation. We are presently, in the time of globalisation where every progression of alteration in the present law not only influences the people of the country but have a profound effect in the foreign markets too. After the liberalisation of the Indian economy, a stage to open the local market to the foreign markets and way towards industrialisation was initiated. The policymaker of the government had the motive to boost the process of liberalisation, but the main reason of these laws was to promote social security, raising the standard of living and to boost the economy of the country.

Over the past 100 years, the Indian insurance sector has undergone enormous changes. Initially it emerged with fully private insurers along with foreign players together. Later on it became government monopoly in the year 1956 and 1973 with the nationalisation of both life and general insurance respectively. The year 1991 is marked as a remarkable day in the history of Indian economy as the government liberalised the economic structure of the country but eventually, nothing changed in the framework structure of insurance, it remained monopoly as

[152] S. Jayadas, *Privatisation of Service Sector in India- A SWOT Analysis*, IJSRD, ISSN: 2321-0613, Vol. 4 Issue 11, 93, 93-96, (2017).

before. But with the rapid changes in all over financial sector the government appointed the two committee i.e. The Malhotra Committee and Mukherjee Committee to suggest modification in the Indian insurance industry. And finally in the year 1999, a new legislation came into effect with the formation of IRDA which changed the structure of previous insurance market in India.

And finally with the establishment of IRDA the government of India liberalised the age old tradition of monopoly regime in insurance industry and elevated the entry limitations for private insurance players and even allowed private foreign insurance players to enter insurance market and operate their business in India. But, regarding foreign players IRDA placed certain restrictions and permitted foreign players only with an upper cap of 26% equity capital and they must join hands with an Indian company to start their operations in India. Presently, the foreign investment in insurance sector has been enhanced to 49%. It is satisfying to note that the new players have initiated the business in an appropriate and right outlook. There is generous increment in the total premium collected and profitability of the insurance companies for both life and general insurance post privatisation. Insurance penetration and density which are the key indicator of development in insurance market appears to improve post privatisation but, it’s development before was quite negligible. The portion or the market stake of private insurance players both in respect of life and non-life is improving persistently but the important fact is that the growth rate of public sector has also increasing and showing efficient results. Both the sectors have improved as it is only due to increase in competition they redrawn their needs, to update and redesign their market with the rapidly changing financial market.

The recent coronavirus and its spread throughout the globe has thrown a curve ball for the insurance sector also. The COVID-19 crisis has given rise to many issues and challenges for both the public and private insurance companies. The pandemic has pushed the insurance sector to change the way they operate and rely more on digital technology. According to the report of PwC titled “COVID-19: Impact of Indian Insurance Industry” stated that the life insurance and general insurance renewal have been hit by around 30% and 15% respectively. The report also stated that there have been 30 to 40% increase in health insurance and awareness for life insurance among the Indian people. The situation post lockdown will be very challenging for both public and private insurers, but they must try to overcome it to the earliest possible and accelerate its’ growth and development trend.

Therefore, we can conclude that development of insurance business is wonderful and it has been playing a key role in the growth and development of Indian economic system. Although the Indian insurance sector has grown tremendously over the last two decades, but there are many more prospects for its future development and success.

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