

# **Insurance in India**

## **LIFE INSURANCE CORPORATION OF INDIA**

Life Insurance Corporation of India (LIC) was established on 1 September 1956 to spread the message of life insurance in the country and mobilise people's savings for nation-building activities. LIC with its central office in Mumbai and seven zonal offices at Mumbai, Calcutta, Delhi, Chennai, Hyderabad, Kanpur and Bhopal, operates through 100 divisional offices in important cities and 2,048 branch offices. LIC has 5.59 lakh active agents spread over the country. The Corporation also transacts business abroad and has offices in Fiji, Mauritius and United Kingdom. LIC is associated with joint ventures abroad in the field of insurance, namely, Ken-India Assurance Company Limited, Nairobi; United Oriental Assurance Company Limited, Kuala Lumpur; and Life Insurance Corporation (International), E.C. Bahrain. It has also entered into an agreement with the Sun Life (UK) for marketing unit linked life insurance and pension policies in U.K.

The total new business of the Corporation during 1998-99 was Rs 75,316 crore of sum assured under 148.43 lakh policies. LIC's group insurance business up to 31 March 1999 was Rs 66,085 crore (provisional) providing cover to 219 lakh people.

## **SOCIAL SECURITY GROUP SCHEME**

A Social Security Fund (SSF) administered by the LIC was set up in 1989- 90 to meet the insurance requirements of the weaker and vulnerable sections of the society. As on 31 March 1999, about 49 lakh people belonging to 24 occupational groups/areas have been covered under various social security group schemes financed from the SSF. Under these schemes people in the age group of 18-60 years are covered for a sum of Rs 5,000 on death due to natural causes, and Rs 25,000 on death caused by accident. While the SSF subsidises 50 per cent of the premium, the beneficiary has to pay the remaining 50 per cent.

Under Landless Agricultural Labourers Group Insurance Scheme (LALGI) in operation since 1987, the heads of the families in the age group of 18 to 60 years and not appearing as a land holder in the revenue records and not having inheritable right in agricultural land are eligible to be covered for an insurance cover of Rs 2,000 payable only on death before 60 years. Upto 1 April 1990, it was operated by LIC on behalf of the Central government which used to reimburse to LIC the premium payable by the beneficiaries. However, with effect from 1 April 1990 the entire premium payable by the beneficiaries is being met out of the SSF. At present, about 1.2 crore landless agricultural labourers are covered under the Scheme. During 1998-99, 47,122 claims were settled.

All over the country, the Integrated Rural Development Programme (IRDP) beneficiaries between the age group of 18 to 60 years are covered under a Group Life Insurance Scheme being operated by the LIC for which the entire premium is paid by the Central government. An amount

of Rs 5,000 is payable to the beneficiary in case of normal death and Rs 10,000 in case of accidental death. During 1998-99, 5,896 claims were settled. The Rural Group Life Insurance Scheme (RGLIS), announced on 15 August 1995, is a group insurance scheme which provides a life cover of Rs 5,000 for persons in rural areas. The premium payable is Rs 60 per year for those who enroll up to the age of 40 years and Rs 70 per year for those who enroll beyond 40 years and up to 50 years. The entry age is restricted to 20 years (minimum) and 50 years (maximum). Deaths occurring after 60 years are not covered. Nor is there any saving element in the Scheme. There are two types of scheme: (i) General Scheme - for persons between the age 20 and 50 years where premiums are to be paid by the members in full and (ii) Subsidised Scheme - for persons between the age of 20 and 50 years who belong to a household below- poverty line. Only one member of such a household is eligible under the scheme where 50 per cent of the premium is shared by the Central government and State government in equal proportions. Intermediate Level Panchayats are designated as the nodal agencies for its implementation. LIC provides incentives to village level workers of Rs six for enrolment of a new member and Rs three on renewal of insurance cover for an existing member in the subsequent year. From 15 August 1997 to 14 August 1998, 3,09,252 persons were enrolled and 73,925 persons renewed their membership. Among them 2,98,917 and 70,183 persons were under subsidised category respectively 5,047 claims were settled up to 31 March 1999.

## **INSURANCE REGULATORY AUTHORITY**

On the recommendations of the Malhotra Committee, Government has set up an interim Insurance Regulatory Authority (IRA), with a view to activate an insurance regulatory apparatus essential for proper monitoring and control of the insurance industry. The IRA is headed by a Chairman who is also Controller of Insurance and Chairman of TBC. The other Members of the IRA, not exceeding seven in number of whom not more than three shall serve full time, shall be nominated by the Central government.

## **GENERAL INSURANCE CORPORATION OF INDIA**

The general insurance industry in India was nationalised and a government company known as General Insurance Corporation of India (GIC) was formed by the Central Government in November 1972. With effect from 1 January 1973 the erstwhile 107 Indian and foreign insurers which were operating in the country prior to nationalisation, were grouped into four operating companies, namely, (i) National Insurance Company Limited; (ii) New India Assurance Company Limited; (iii) Oriental Insurance Company Limited; and (iv) United India Insurance Company Limited. All the above four subsidiaries of GIC operate all over the country competing with one another and underwriting various classes of general insurance business except for aviation insurance of national airlines and crop insurance which is handled by the GIC. From 799 offices in 1973, the network grew to 4,208 offices as on 31 March 1998.

Besides the domestic market, the industry is presently operating in 17 countries directly through branches or agencies and in 14 countries through subsidiary and associate companies. The wholly-owned subsidiary of GIC known as India International Insurance Private Limited set up in 1988 in Singapore has grown into a leading company in the Singapore market. The gross premium

income of the general insurance industry in India during 1997-98 was Rs 7,736 crore as against Rs 7,021 crore during 1996-97 representing a growth of 10.2 per cent over the premium income of 1996-97. The net premium income of the general insurance industry in India during 1997-98 was Rs 6,725 crore as against Rs 6,041 crore during 1996-97 representing a growth of 11.3 per cent over the net premium income of 1996-97. The gross profit of the industry during 1997-98 were Rs 1,623 crore as against Rs 1,084 crore in 1996-97 recording a growth of 49.7 per cent over the previous year. The net profits of the industry during 1997-98 were Rs 1,255 crore as against Rs 719 crore in 1996-97 representing a growth of 74.5 per cent over the previous year.

Hut Insurance Scheme for Poor Families in Rural Areas provides fire insurance cover for huts and belongings of landless labourers, small farmers, artisans and other poor families in rural areas. Under the Scheme, compensation is provided for an amount not exceeding Rs 1,000 for a hut and Rs 500 for belongings in the hut destroyed by fire. The Central Government is bearing the entire premium in respect of the scheme. During the year 1997-98, 40,554 claims involving an amount of Rs 4.85 crore were settled.

Mediclaime Insurance Policy has recently been revised. The revised policy does away with the sub-limits under the various sub-heads and offers just one sum-insured ranging from Rs 15,000 to Rs 3,00,000. The cover provides for reimbursement of medical expenses incurred by an individual towards hospitalisation/domiciliary hospitalisation for any illness, injury or disease contracted or sustained during the period of insurance. Premium is calculated on the basis of age of the proposer and the sum insured opted for Jan Arogya Bima Policy which is primarily meant for the larger segment of the population who cannot afford the high cost of medical treatment, was introduced with effect from 12 August 1996. The limit of cover per person is Rs 5,000 per annum. The premium payable is very low depending on the age of the person covered ranging from Rs 70 to Rs 140 per person per year and Rs 50 per dependent child below 25 years. The cover provides for reimbursement of medical expenses incurred by an individual towards hospitalisation/domiciliary hospitalisation for any illness, injury or disease contracted or sustained during the period of insurance.

The existing Overseas Mediclaime Policy offering emergency medical expenses cover to overseas travellers has been extended to include In-flight Personal Accident cover up to US \$ 10,000 and Loss of Passport cover upto US \$ 150 from 1 April 1997. The extended cover will be available without payment of additional premium under Business and Holiday cover and under the Corporate Frequent Travellers cover. A more comprehensive policy with additional benefits has also been devised.

A new policy called Videsh Yatra Mitra covering supplementary benefits besides providing indemnity for medical expenses during the period of overseas travel, has been introduced by the general insurance industry with effect from 1 January 1998. Two types of policies—one offering limit of benefits upto US \$ 2,50,000 for worldwide travel but excluding USA and Canada and the other offering limit of benefits up to US\$ 5,00,000 for worldwide travel including USA and Canada are available under the Scheme. In addition to medical coverage, the policy also provides coverage for : (i) Personal Accident up to US \$ 25,000; (ii) Loss of Personal Baggage up to US \$ 1,000; (iii) Delayed Baggage up to US \$ 100 and (iv) Personal Liability up to US \$ 2,00,000. The

premium under the policy is only 14 per cent more than that under the existing Overseas Medclaim Policy (OMD), while the medical benefits will be increased five times in addition to supplementary benefits.

Bhagyashree Child Welfare Policy covering girl child in the age group of 0 to 18 years whose parents' age does not exceed 60 years, was introduced with effect from 19 October 1998. In case of each of the girl child or both parents, an amount of Rs 25,000 would be deposited in the name of the girl child with a financial institution. Fixed annual disbursements to the girl child up to the age of 18 years would be made from the amount to her credit, and the balance amount to her credit would be disbursed on attaining the age of 18 years.

Raj Rajeshwari Mahila Kalyan Yojana offering security to women in the age group of 10 to 75 years irrespective of their occupation was introduced with effect from 19 October 1998. For a premium of Rs 15 per annum, the policy provides a cover of Rs 25,000 for permanent total disablement of the insured woman. The policy also provides a cover of Rs 25,000 for the death of her husband. For the death of an unmarried woman, the policy provides a cover of Rs 25,000 which will be payable to her nominee/legal heir.

Crop Insurance Scheme was introduced from 1985 Kharif season. The scheme is implemented in 15 States and two UTs. The scheme is administered by GIC on behalf of Central government. The premium and claims are shared by the Central and State governments in the ratio of 2:1 respectively. There are 11 Crop Insurance Cells at State capitals and UTs under GIC. These cells maintain close liaison with the State governments and monitor the implementation of the scheme.

The subsidiaries of GIC have introduced Jald Rahat Yojana with an objective to expedite payment of compensation to road accident victims. Under the scheme a claimant is not required to go to Motor Accident Claims Tribunal for claiming compensation and can directly approach concerned insurance company. Non-fatal injury claims involving accident victims of 18 years and above are taken up. The scheme is in operation in Ahmadabad, Mumbai, Bangalore, Calcutta, Delhi, Kochi, Chennai and Pune.

#### DISINVESTMENT IN PUBLIC SECTOR ENTERPRISES

For the year 1998-99 a target of Rs 5,000 crore was set for realisation through disinvestment of government's equity in public sector enterprises. The disinvestment programme of 1998-99 included offerings from Container Corporation of India (CONCOR), Gas Authority of India Limited (GAIL), Videsh Sanchar Nigam Limited (VSNL) and Indian Oil Corporation (IOC). The CONCOR offering was completed during November 1998 in the domestic market in which FIIs also participated. By divesting 90 lakh shares, the Government has realised about Rs 222 crore. The Government holding in company stands at about 63 per cent. In case of VSNL, the GDR/domestic offering of GAIL was completed in the first week of February 1999 and an amount of Rs 785 crore approx. was realised. The domestic offering of GAIL was completed in the first week of February 1999 and an amount of Rs 182 crore was realised. The disinvestment in IOC was deferred due to adverse market conditions. To have better synergies among the Oil Sector

PSUs, ONGC, IOC and GAIL cross purchased each others shares among themselves realising about Rs 4,200 crore for the Government. The total amount realised from the disinvestment during the year 1998-99 was Rs 6,000 crore (approx.) against the target of Rs 5,000 crore. .

Source: [www.tourindia.com](http://www.tourindia.com)