

INDIAN ECONOMY | MODULE 3**INSURANCE IN INDIA**

- ◆ Insurance is a protection against financial loss arising on the happening of an unexpected event
- ◆ First insurance company in India is the **Oriental Life Insurance Company** which started in 1818 at Calcutta.
- ◆ The **Bombay Mutual Life Assurance Society** founded in 1870 was the first native insurance company.
- ◆ The oldest existing insurance company is the National Insurance Company formed in 1906
- ◆ The first General Insurance Company in India was Triton Insurance Company established in 1850.
- ◆ Parliament passed Life Insurance of India Act in 1956 and nationalised life insurance sector in India. General Insurance Sector was nationalised in 1973.
- ◆ Together with banking services, insurance services contribute 7% to the country's GDP.
- ◆ Indian insurance market accounts for less than 1.5 % of world's total insurance premium.
- ◆ Government raised the FDI Capital in the insurance sector from 26% to 49% in 2015.
- ◆ At present, Indian insurance industry consist of:
 - One public sector Life Insurer (LIC)
 - Four Public sector general insurers
 - One Public sector re-insurer (GIC)
 - Two specialized public sector insurers (AICIL and ECGC)
 - 37 private insurance companies.

LIFE INSURANCE CORPORATION (LIC)

- ◆ Life Insurance Corporation was formed in 1956 after nationalising life insurance sector in India
- ◆ LIC is the largest life insurance company in India and largest in the world in terms of number of policies covered
- ◆ The headquarters of LIC is in Mumbai. LIC has 7 zonal offices.
- ◆ **'Yogakshemam Vahamyaham'** (Your welfare is our responsibility) is the slogan of LIC. It is taken from Bhagavad Gita.
- ◆ H.M Patel was the first Chairman of LIC. The present Chairman is V.K Sharma
- ◆ Usha Sangwan is the first woman Managing Director of LIC

GENERAL INSURANCE CORPORATION (GIC)

- ◆ Parliament passed General Insurance Business (Nationalisation) Act in 1972 and General Insurance business was nationalised with effect from January 1, 1973
- ◆ General Insurance Corporation was incorporated on 22nd November, 1972 with headquarters in Mumbai.
- ◆ GIC is the sole reinsurance company in the Indian Insurance Market (GIC Re)
- ◆ GIC had four subsidiary companies:
 - National Insurance Company Limited
 - New India Assurance Company Limited
 - Oriental Insurance Company Limited
 - United India Insurance Company Limited
- ◆ With the General Insurance Business (Nationalisation) Amendment Act 2002, GIC ceased to be a holding company of its subsidiaries. Now these four companies are directly owned by Government of India.
- ◆ New India Assurance Company is the largest general insurance company in India. It was founded by Sir Dorabji Tata in 1919, and was nationalised in 1973. It today operates in 28 countries and headquartered at Mumbai.
- ◆ The Union Minister of Finance in his Budget Speech for 2018-19 announced that the three Public Sector General Insurance Companies viz. National Insurance Company Limited, United India Insurance Company Limited and Oriental India Insurance Company Limited will be merged into a Single Insurance Entity.
- ◆ The three insurers together collected a total premium of about Rs 44,000 crore in 2016-17 and their combined market share was close to 35 percent in the general insurance industry

REINSURANCE

- Reinsurance is the insurance purchased by a insurance company for its insurance business to reduce the financial risks.
- Government of India took the initiative to convert the existing public sector General Insurance Company [GIC] into a Reinsurance Company named GIC Re, in 2000.
- IRDA gave initial approval to four foreign reinsurance companies, including Munich Re.
- ◆ *Munich Re* is the largest reinsurance company in the world, followed by *Swiss Re*.

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (IRDA)

- ◆ IRDA is the apex statutory body which regulates and develops the Insurance sector in India.
- ◆ It was constituted by Parliament through Insurance Regulatory and Development Authority Act, 1999
- ◆ IRDA was incorporated as a statutory body in 2000.
- ◆ It was formed on the recommendation of Malhotra Committee
- ◆ Its headquarters is at Hyderabad.

- ◆ IRDA is a ten member council consisting of a Chairman, five Whole - time Members and four part-time Members
- ◆ First departmental life insurance in India was started for the employees of postal department

INSURANCE PENETRATION IN INDIA

- ♣ India's insurance penetration rate is 3.42% (Global average is 6.2%) in 2015.
- ♣ After the liberalisation of insurance sector in 1999, there was a consistent rise in insurance penetration from 2.71% in 2001 to 5.2% in 2009.
- ♣ Then it started to decline due to certain regulatory changes and unfavorable market conditions.

SPECIALISED PUBLIC SECTOR INSURERS***Agriculture Insurance Company of India Limited (AICIL)***

- ◆ AICIL was set up by Government in 2002 to provide insurance coverage and financial support to farmers in the case of crop failures.
- ◆ It is under the administrative control of Ministry of Finance and under the operational supervision of Ministry of Agriculture.
- ◆ This agri-insurance company is implementing many insurance programmes such as National Agricultural Insurance Scheme (NAIS), Modified NAIS and Pradhan Mantri Fasal Bima Yojana (PMFBY).

Export Credit Guarantee Corporation (ECGC)

- ◆ ECGC Limited is an insurance company wholly owned by Government of India based in Mumbai.
- ◆ It provides adequate credit insurance cover to Indian exporters, for medium and long term exports.

MALHOTRA COMMITTEE

- ◆ Government appointed Insurance Reforms Committee (IRC) in 1993 under the Chairmanship of former RBI Governor R.N. Malhotra to study and suggest reforms in insurance sector. Malhotra Committee submitted its report in 1994
- ◆ Some major suggestions were :
 - Private players be included in insurance sector
 - Foreign private sector insurance companies be allowed, preferably through joint ventures with Indian partners.
 - Setting up of IRDA as a regulatory authority (it came to existence in 2000)
 - Delinking GIC and its four subsidiaries (which was done in 2002)
 - Restructuring the LIC and GIC and cutting down the government's holding in them to 50%.

INSURANCE SCHEMES***Janashree Bima Yojana***

- Central Government and Life Insurance Corporation together launched the Janashree Bima Yojana (JBY) on August 10, 2000.
- The scheme is devised to provide life insurance cover to rural and urban people below and marginally above the poverty line
- Replaced Social Security Group Insurance Scheme (SSGIS) and Rural Group Life Insurance Scheme (RGLIS)

Aam Admi Bima Yojana

- Aam Admi Bima Yojana was launched on October 2, 2007
- For rural landless household
- Under this scheme the head of the family or one earning member in the family of such a household is covered.
- The premium of Rs. 200 per person per year is shared equally by Central and State Government, so the insured person has to pay no premium.
- The member to be covered should be aged between 18 and 59 years.
- The AABY provides insurance cover for a sum of Rs 30,000/- on natural death, Rs. 75,000/- on death due to accident, Rs. 37,500/- for partial permanent disability (loss of one eye or one limb) due to accident and Rs. 75,000/- for total permanent disability (loss of two eyes or two limbs or loss of one eye and one limb) due to accident.
- Janashree Bima Yojana and Aam Admi Bima Yojana (both were being implemented through Life Insurance Corporation of India) merged and renamed as Aam Admi Bima Yojana with effect from January 1, 2013

Rashtriya Swasthya Bima Yojana

- The RSBY is the health insurance scheme for BPL (below poverty line) families
- It was launched for the workers in the unorganized sector on April 1, 2008
- Aims to provide health insurance coverage for BPL Families
- It was launched by Ministry of Labor and Employment; but transferred to Ministry of Health and Family Welfare in 2015.
- The unorganized sector worker and his family (unit of five) will be covered under this scheme. Total sum insured would be Rs. 30,000/- per family per annum on a family floater basis.
- The beneficiary would pay Rs. 30 per annum as registration/renewal fee
- Under Rashtriya Swasthya Bima Yojana (RSBY), a smart card is issued to the beneficiaries for availing the benefits of the scheme in offline mode.

Pradhan Mantri Suraksha Bima Yojana

- It is an accident insurance scheme launched by Prime Minister Narendra Modi on May 9, 2015 at Kolkata
- PMSBY covers the persons within the age slab of 18 to 70 years and is provided at an affordable premium of Rs 12 per annum only.
- Under PMSBY, the risk coverage available is Rs 2 lakh for accidental death and permanent total disability, and Rs 1 lakh for permanent partial disability.
- The cover is for a one-year period, starting June 1 to May 31 of subsequent year.
- As per the date 12th April, 2017, around 10 crore people were enrolled under Pradhan Mantri Suraksha BimaYojana (PMSBY)

Pradhan Mantri Jeevan Jyoti Bima Yojana

- PMJJBY is a life Insurance Scheme launched on May 9, 2015
- PMJJBY offers a renewable one year term life cover of Rupees Two Lakh to all subscribing bank account holders in the age group of 18 to 50 years, covering death due to any reason, for a premium of Rs.330/- per annum per subscriber
- The life cover of Rs 2 lakhs is provided to the insured payable in case of death of the insured due to any reason

Postal Life Insurance

- Postal Life Insurance (PLI), introduced in 1884, is one of the oldest life insurance schemes for benefit of Government and semi-Government employees.
- Government in 2017 decided that benefits of PLI will no more be confined to Government and semi-Government employees, but will also be available to professionals such as Doctors, Engineers, Management Consultants, Chartered Accountants, Architects, Lawyers, Bankers etc. and to employees of listed companies of NSE (National Stock Exchange) and BSE (Bombay Stock Exchange).
- The decision has been taken to enlarge the cover of social security and bring maximum number of people under the protection of Postal Life Insurance (PLI).

Rural Postal Life Insurance (RPLI)

- Rural Postal Life Insurance (RPLI), introduced on March 24, 1995 on recommendations of Malhotra Committee, provides insurance cover to people residing in rural areas, especially weaker sections and women living in rural areas.

Sampoorna Bima Gram (SBG) Yojana

- Department of Post under Government of India launched Sampoorna Bima Gram (SBG) Yojana in 2017.
- Under Sampoorna Bima Gram (SBG) Yojana, at least one village (having a minimum of 100 households) will be identified in each of the revenue districts of the country,

wherein endeavour will be made to cover all households of that identified village with a minimum of one RPLI (Rural Postal Life Insurance) policy each.

- Coverage of all households in the identified Sampoorana Bima Gram village is the primary objective of this scheme.

Ayushman Bharat -National Health Protection Scheme

- In the Budget speech of 2018-19, the Government has announced to launch a flagship National Health Protection Scheme (NHPS) providing coverage upto Rs. 5 lakh per family per year
 - Ayushman Bharat is National Health Protection Scheme, which will cover over 10 crore poor and vulnerable families (approximately 50 crore beneficiaries) providing coverage upto 5 lakh rupees per family per year for secondary and tertiary care hospitalization.
 - The benefit cover will also include pre and post-hospitalisation expenses.
 - Ayushman Bharat - National Health Protection Mission will subsume the on-going centrally sponsored schemes - Rashtriya Swasthya Bima Yojana (RSBY) and the Senior Citizen Health Insurance Scheme (SCHIS).
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