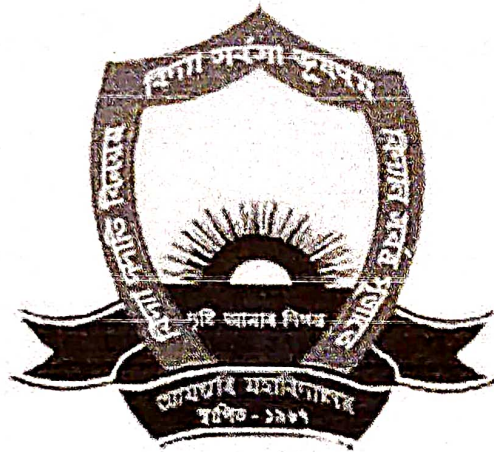


PROJECT REPORT

ON

INSURANCE IN INDIA

A project report Submitted to the Department of Commerce ,Amguri College in Partial Fulfillment of the Requirements of the Degree of Bachelor of Commerce in education of Dibrugarh University.



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INSURANCE IN INDIA

Introduction:

Insurance, being an integral part of the financial sector, plays a significant role in India's economy. Apart from protecting against mortality, property and casualty risk and providing a safety net for individuals and enterprise in urban and rural areas, the insurance sector encourages savings and provides long-term funds for infrastructure development and other long-term gestation project of the nation. The development of insurance in India is necessary to support continued economic transformation.

1.The Insurance Division of the Department of Financial Services:

The insurance division deals with policy and legislative matters as well as monitoring of the performance of both life and nonlife insurance segments of the public sector insurance industry. It lays down the framework of rules for the insurance sector and is also administratively concerned with the activities of the Insurance Regulatory and Development Authority.

The Public Sector Insurance Companies:

1.1.Life Insurance Corporation

1.2.National Insurance Company Limited

1.3.Oriental Insurance Company Limited

1.4.New India Assurance Company Limited

1.5.General Insurance Corporation of India Limited(National Re-Insurer)

1.6.United India Insurance Company Limited

1.7.Agriculture Insurance Company of India Limited(company floated by Non Life Public Sector insurance companies along with NABARD).

2.Legislative Framework governing the Insurance Sector:

The Insurance Division is responsible for policy formulation and administration of the following Acts:

2.1.The Insurance Act 1938

2.2.The Life Insurance Corporation Act 1956

2.3.The General Insurance Business (Nationalization) Act, 1972

2.4.The IRDA Act, 1999

2.5.The Actuaries Act, 2006

2.6.The Securities and Insurance Laws (Amendment and Validation) Act, 2012

Government had introduced the insurance laws (Amendment) Bill, 2008 in Rajya Sabha on 22.12.2008, which aims at crucial reforms in the sector, has been reviewed by the Standing Committee on Finance and submitted its report to the Parliament on 13.12.2011. based on the recommendations of the Committee a Cabinet Note was approved by the cabinet on its meeting held on 04.10.2012. the official amendments to the Insurance Laws (Amendment) Bill, 2008 are proposed to be introduced at the earliest.

3.The Insurance Division of the Department is, in addition, Responsible for:

3.1.Monitoring of the performance of the public sector in insurance companies.

3.2.Framing of rules and regulation in respect of service conditions of employees of the public sector insurance companies.

3.3.Co-ordination of vigilance activities in the public sector insurance industry.

3.4.Appointment of Chief Executives and Directors on the boards of public sector insurance companies and on the IRDA.

3.5.Administration of social security insurance schemes such as the Aam Aadmi Bima Yojana.

4.An Overview of Insurance Sector:

The insurance sector was opened for private participation with the enactment of the Insurance Regulatory and Development Authority Act, 1999. Since opening up of the sector, the number of participants in the industry has gone up from six insurers(Including Life Insurance Corporation of India, four Public sector general public insurers and General Insurance Corporation as the National Re-insurer) in the year 2000 to 52 insurer as on 31st March, 2013 are operating in the life ,and non life and re-insurance segments (Including specialized insurers) viz. Export Credit Guarantee Corporation and Agriculture Insurance Company of India Limited (AICIL). Four of the general insurance companies' viz. Star Health and Alliance Insurance Company, Apollo Munich Health Insurance Company, Max BUPA health Insurance Company and Religare Health Insurance Company function as standalone health insurance companies. Of the Twenty three Life Insurance Companies which have set up operations in the life segment post opening up of the sector, twenty one are in Joint venture with foreign partners. Of the twenty one companies which have commence operations in the non-life segments, eighteen had been set up in collaboration with foreign partners. Thus ,thirty nine insurance companies in the private sector are operating in the country in collaboration with established foreign insurance companies from across the globe as on 31st march,2013.

5.Life Insurance Industry:

5.1.From being the sole provider for life insurance till the financial year 1999-2000, LIC is today competing in the industry with private sector insurers which have commenced operations over the period 2000-12.The life insurance industry (first year premium)has shown an annualized

growth of 37% between 1996-97 and 2000-2001 and 27.04% between 2001-20002 and 2012-13. This growth has been achieved on the increase base of premium underwritten.

5.2.The first year premium, which is a measure of new business secured, underwritten by the life insurers during 2012-13 was Rs.1,07,0111 crore as compared toRs.9,707 crore in 2000-2001. The life insurance industry underwrote 444.86 lakh policies in 2012-13 reporting a decline of 0.01 percent (previous year 444.92 lakh policies). There was a marginal increase in the total premium underwritten in the life insurance sector from Rs.2,87,202 crore in 2012-2013.

5.3.The share of ULIP business in the first year premium in 2012-13 was 10.11 per cent while that of non-linked premium was 89.89%.

5.4A notable feature of the opening of the life insurance market has been that the size of the life insurance pie itself is expanding insurance penetration which was 1.41% of GDP in 1995 has grown to 3.17% of GDP in 2012. However, there has been a decline during 2012 as compared to 3.40% in 2011. Insurance density is US \$49.00 in 2011.

6.Non-LifeInsurance Industry:

The non-life insurers(excluding specialized institutions like ECGC and AICL and the standalone health insurance companies)underwrote premium within India of Rs.62,973 crore in 2012-2013,as against Rs.9,806.95 crore in 2000-2001,The total premium underwritten in India by the general insurance companies for the year 2012-2013 is Rs.62,973 crore as against 52876 crores in 2011-2012 .two of the fastest growing segments are Motor and Heath accounting for 46.49 and 24.36 percent of the premium underwritten in India in 2012-13.the premium underwritten in these two segments in 2012-13 was Rs 29,777 crore and Rs.15,341 crore respectively, reporting growth of 22.85 and 17.18 percent over 2011-2012.The number of policies underwritten in 2012-13 was 9,91,89,578 as against 8,57,43,820 in 2011-12. The penetration of the Non-Life Insurance sector in the economy has remained in the range of 0.55-0.78% over the

last 13 years (0.70% in 2011 and 0.78% in 2012). The insurance density of Non-Life Insurance sector reached the peak of US \$10.50 in 2012 from its level of US \$2.4 in 2001.

7.FDI in Insurance Sector:

At present, the foreign equity up to 26% is allowed in insurance sector. The FDI has been put in the automatic route. The finance Minister in the Budget Speech of financial year(2004-2005) has announced hiking of Foreign Direct Investment(FDI) limit in Indian insurance companies. Accordingly, Government has introduced the Insurance Laws (amendment) Bill,2008 in the Rajya Sabha on 22.12.2008.the Bill inter-alia, provides for enhancement of holding of equity shares by the foreign company, either by itself or through its subsidiary company or its nominees in Indian Insurance Companies from twenty six percent to forty nine percent except in case of Insurance corporative Societies, where the limit continuous to be 26% as at present. The Bill is yet to be passed.

8.Recent initiatives by the insurance companies:

8.1.Business process re-Engineering and core insurance solutions: The process Re-engineering (BPR) and implementation of core insurance solutions has been undertaken through usage of IT in order to enhance their efficiency by rendering services in a more professional manner at a quicker pace. E-governance plan has been formulated and being implemented to ensure focus on customer in all field of operations;

8.2.Customer Centric Innovations :Customer awareness through information about products and other related information on the Web Portals of GIPSA companies. Online issuance of policies including premium calculations, online receipt of premium ,online issuance of select police are available on the Web Portals of the PSGICs. Online intimation and tracking of claims is also available. Online Registration of grievances and tracking of grievance status is also available on the website of the PSGICs.