CHAPTER I

INTRODUCTION

1.1 Introduction

The present chapter highlights the life insurance industry from its inception to modernisation, wherein the evolution phase, growth, and regulatory developments during pre-nationalisation phase (before 1956), post nationalisation phase (1956 to 2000) and post-liberalisation phase (2000 onwards) have been discussed. It has also highlighted contemporary issues which have affected the life insurance business. In this chapter, a detailed plan of research methodology and a brief profile of companies selected for research work have been discussed.

Unpredictability, all our lives we live with the unpredictability, not knowing what fortune and time will unfold. This uncertainty in life paves the way for insurance as risks, instabilities, precarity and insecurities. It opens new horizons of adverse effects arising as a result of perils that operate on one's property or person. Insurance is a mechanism to reduce or alleviate the adverse financial consequences of such damage or loss. (Balchandran & Kaikini, 2014). The word "insurance" can be defined in financial and legal connotations: insurance in the financial context refers to transfer of the risk by the insured to the insurer to setoff loss against the stipulated premium. In a legal context, insurance is a contract wherein insured pays the price in consideration of security provided by the insurer for any loss or damages occurred due to unprecedented events.

Earlier in the 2nd and 3rd millennia B.C.E., Chinese and Babylonian traders witnessed the insurance in a financial sense. They believed that insurance does not reduce the risk, it transfers the risk. Although, insurance has been understood as mutual support before industrialisation and it has been turned in to modern form with writing contract. First insurance contract presenting insurance as an organised activity was conceptualised in 1343 in Genoa. The first Insurance Chamber was established by Hanseatic merchants of Northern Europe in Burges with the prime focus on covering maritime risks. Eventually, the insurance industry started expanding its horizons in domains of the overall growth of industry, trade, and commerce. The present day finds availability of various kind of insurance contracts in the market. Insurance contracts can be divided into two types based on their characteristics and nature:

1. Non-Life Insurance
2. Life Insurance

As the name denotes the non-life insurance deals with all insurance contracts other than life insurance and is also known as "General Insurance", whereas Life insurance contracts cover the insured's life with the goal of providing financial security to the insured's dependents in the unfortunate event of the insured's death (Naik, 2018). The present study is solely focused on life insurance contracts.

Life insurance is a distinctive type of insurance, where the certainty of a specified amount of payment either at the time of death of the insured or at the time of maturity of the policy, whichever is earlier.

Distinctive features of the life insurance contract

1. Life insurance policy can be taken only when an interested individual has a financial interest in his/her own life as well as in the life of his family and relatives.
2. Insurers and insured are preserved principle of utmost good faith. The aim of the life insurance policy requires that the insured reveal all essential information without concealing any facts.
3. Warranties are the ground rule of the life insurance contract. On the contrary, this warranty gets nullified on the hiding of information, and the amount of premium paid by insured may be forfeited by the insurer.
4. The insured must make a nomination when purchasing a policy, which can be changed at any moment during the term.
5. In case of breach of contract or misrepresentation from the insurer, insured can claim for return of premium paid.
6. Life insurance products are available for:
    i. Pure insurance purpose e.g. term insurance plans
    ii. Pure investment purpose e.g. pensions plans
    iii. A mixture of investment and insurance purpose e.g. endowment, moneyback, whole life, ULIP plans etc.

1.2 Life Insurance Industry: An Overview

It is a known fact that the Greeks & Romans introduced the concept and practice of Health & Life insurance in 7th Century A.C.E.by creating guilds called "Benevolent Societies" that collected funds from members, and in return, they took care of the families of deceased and also bore expenses for the funeral and associated rituals. Europe also witnessed the establishment of insurance business especially in England around 17th century where people donated a certain amount of money to a common fund that could later be used for emergencies. The Amicable Society for a Perpetual Assurance Office, founded in London in 1706 by William Talbot and Sir Thomas Allen, was the first company to sell life insurance. Other life insurance policies carried out in the 18th century are rarely documented. The Prudential Clerks Mutual Benefit Association initiated a group life assurance scheme in 1846. In the U.K., in the mid-19th century, nearly fifty per cent of lives were being insured by third parties, either as indemnity by business partners or by way of speculation.

Life insurance was first sold in the United States in the late 1760s. More than two dozen life insurance firms were founded between 1787 and 1837, but only a few of them survived.

Insurance penetration and insurance density are two indicators used to evaluate the insurance sector's potential and performance in the economy. Insurance Penetration is the proportion of insurance premiums to GDP, whereas Insurance Density is the proportion of premiums to the total population (Per Capita Premium). These two parameters and their significance in the insurance sector can be understood with the two tables given below where Table 1.1 shows a global scenario of life insurance penetration level from the year 2007-08 to 2016-17 and the Table 1.2 shows a global scenario of life insurance density from the year 2007-08 to 2016-17.

Higher penetration reflects high life insurance business and the below table 1.1 revealed that the highest penetration is observed in Taiwan- from 13.30% to 17.89% during the stipulated time period. Countries like Hongkong and South Africa have been able to achieve higher penetration, i.e. more than 10% throughout the ten consecutive years. As far as India is concerned, declining penetration i.e. from 4% in 2008 to 2.76% in 2017 is witnessed during the study period. However, a marginal rise is visible during the last three years which is nominal despite the vast potential market positing India far behind as compared to other countries. Although, in comparison with the neighbourhood countries like China, Pakistan, and Srilanka penetration in India has been observed on a higher brink. In the initial study period, Indian penetration matched that of world penetration level. It is noted that Asian countries have managed to achieve a higher penetration level and the momentum of growth as compared to other countries during the period under consideration.

Table 1.1 Penetration of Life Insurance Markets (In Per Cent)

Countries	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Australia	4.40	3.40	3.10	3.00	2.84	3.00	3.80	3.50	2.99	2.33
Brazil	1.40	1.60	1.60	1.70	1.99	2.20	2.10	2.10	2.28	2.28
France	6.20	7.20	7.40	6.20	5.64	5.70	5.90	6.20	6.06	5.77
Germany	3.00	3.30	3.50	3.20	3.12	3.10	3.10	2.90	2.75	2.63
Russia	-	-	-	0.10	0.09	0.10	0.20	0.20	0.25	0.36
South Africa	12.50	10.00	12.00	10.20	11.56	12.70	11.40	12.00	11.52	11.02
Switzerland	5.50	5.40	5.50	5.50	5.25	5.13	5.10	5.10	4.72	4.41
United Kingdom	12.80	10.00	9.50	8.70	8.44	8.80	8.00	7.50	7.58	7.22
United States	4.10	3.50	3.50	3.60	3.65	3.20	3.00	3.10	3.02	2.82
Asian Countries										
Hong Kong	9.90	9.60	10.10	10.10	11.02	11.70	12.70	13.30	16.20	14.58
India	**4.00**	**4.60**	**4.40**	**3.40**	**3.17**	**3.10**	**2.60**	**2.70**	**2.72**	**2.76**
Japan	7.60	7.80	8.00	8.80	9.17	8.80	8.40	8.30	7.15	6.26
Malaysia	2.80	2.90	3.20	3.30	3.08	3.20	3.10	3.40	3.15	3.32
Pakistan	0.30	0.30	0.30	0.40	0.43	0.50	0.50	0.50	0.63	0.60
PR China	2.20	2.30	2.50	1.80	1.70	1.60	1.70	2.00	2.34	2.68
Singapore	6.30	5.10	4.60	4.30	4.43	4.40	5.00	5.60	5.48	6.64
South Korea	8.00	6.50	7.00	7.00	6.87	7.50	7.20	7.30	7.37	6.56
Sri Lanka	0.60	0.60	0.60	0.60	0.54	0.50	0.50	0.50	0.52	0.54
Taiwan	13.30	13.80	15.40	13.90	15.03	14.50	15.60	15.70	16.65	17.89
Thailand	1.80	2.40	2.60	2.70	2.95	3.80	3.60	3.70	3.72	3.59
World	**4.10**	**4.00**	**4.00**	**3.80**	**3.69**	**3.50**	**3.40**	**3.50**	**3.47**	**3.33**

Source: Compiled from IRDA Handbook on insurance statistics from 2008 to 2017.

Table 1.2 Density of Life Insurance Markets (In Us Dollars)

Countries	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Australia	2,038	1,525	1,766	2,077	1,988	2,056	2,382	1,830	1,559	1,304
Brazil	115	128	170	208	226	246	222	178	196	224
France	2,792	2,980	2,938	2,638	2,239	2,391	2,552	2,263	2,228	2,222
Germany	1,347	1,357	1,402	1,389	1,299	1,392	1,437	1,181	1,151	1,169
Russia	5	5	6	8	12	19	20	15	22	39
South Africa	707	574	855	823	882	844	748	688	616	674
Switzerland	3,552	3,406	3,667	4,421	4,121	4,211	4,391	4,079	3,700	3,522
United Kingdom	5,582	3,528	3,436	3,347	3,256	3,474	3,638	3,292	3,033	2,873
United States	1,901	1,603	1,632	1,716	1,808	1,684	1,657	1,719	1,725	1,674
Asian Countries										
Hong Kong	2,930	2,887	3,197	3,442	4,025	4,445	5,071	5,655	7,066	6,756
India#	**41.2**	**47.7**	**55.7**	**49.0**	**42.7**	**41.0**	**44.0**	**43.0**	**46.5**	**55.0**
Japan	2,870	3,139	3,473	4,138	4,143	3,346	2,926	2,717	2,803	2,411
Malaysia	226	207	283	328	330	341	338	316	298	339
Pakistan	3	3	3	4	5	6	7	8	9	9
PR China	72	81	106	99	103	110	127	153	190	225
Singapore	2,549	1,912	2,101	2,296	2,472	2,388	2,840	2,932	2,895	3,835
South Korea	1,348	1,181	1,454	1,615	1,578	1,816	2,014	1,940	2,050	1,999
Sri Lanka	13	12	14	15	15	16	17	19	21	22
Taiwan	2,281	2,257	2,757	2,757	3,107	3,204	3,371	3,397	3,599	4,195
Thailand	77	92	122	134	157	214	198	215	222	237
World	**369.7**	**341.2**	**364.3**	**378.0**	**372.6**	**366.0**	**368.0**	**346.0**	**353.0**	**353.0**

Source: Compiled from IRDA Handbook on insurance statistics from 2008 to 2017.

Table 1.2, depicts the global Life insurance density of different countries from 2007-08 to 2016-17. Premium per capita, or the amount each individual or inhabitant of a country spends on average on life insurance, is an indicator of life insurance density. Density is expressed in dollars so that comparison among different countries can be made possible without exchange differences. The highest per capita spending on life insurance policies is noticed in Hong Kong in the year 2015-16 which is U.S. $ 7,065. Other countries like Taiwan, Singapore, Switzerland, UK, France and Japan have observed more than the U.S. $ 2,000 per capita spending.

On the contrary, countries like Australia, Germany, US, and South Korea have observed per capita spending between the U.S. $ 1,000 to 2,000. In India, per capita premium has increased from the U.S. $ 41.2 to the U.S. $ 55, showing marginal growth rate owing to its vast population, which reduces per head consumption of insurance. It is also obvious that per capita spending on life insurance products by developed countries is much higher than that of developing countries during the period under consideration of study. Global density of life insurance in approximation remained U.S. $ 350.

1.3 Life Insurance Industry in India

In India, the traces of concept of insurance go back to the ancient period to Manu (Manusmrithi), Yagnavalkya (Dharmasastra) and later to Kautilya (Arthasastra). The Sanskrit term “Yogakshema” means wellbeing, the name of LIC of India’s corporate headquarters, is borrowed from Rig Veda. The extracted *shloka* below is indicative of pooling of resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine. There are archaeological as well as historiographical evidences of Aryans having practised this concept nearly 3000 years ago.

योगक्षेमश्च राष्ट्रस्य धर्माधर्मौ त्वयि स्थितौ |
मुच्यस्व महतो भरात्यागमेव अभिसंश्रय ||

The assurance of Lord Krishna to his devotees, in Bhagavad Geeta construed the willingness of the god to bear the burden of becoming an insurer (Yogakshemam Vahāmyaham) provided his devotees to pay him the Premium of undivided devotion (Ananyāschintayanto Mām).

The concept of insurance was commonly found during the monarchy in India. The king took the entire responsibility for the family of a soldier who was martyred or disabled in battle. Later, joint family system might be considered as a method of insurance because prosperity and adversity is shared by all members of the family and they could get necessary support from the family members in adverse circumstances either of death or disability.

Gradually, people turned towards business & employment, and began to look for new business ventures. By that time various managing agency houses were established and the job of managing agency houses was to manage someone else' business. The history of formal and organised insurance business in India can be linked to the growth of the managing agency houses. In 17^{th} & 18^{th} century, European companies desiring to do business in India faced a plethora of problems, finance being one of the most significant among those. Managing agency gradually evolved into a central coordinating organisation with the foundation of the East India Company in Calcutta. By the Mid-18th century, managing agencies established companies in major cities of India with the main aim of expanding their foothold in trading of coal, jute and tea and the ardent desire to gain power in India made them to diversify their business into shipping, manufacturing, banking & insurance.

Life insurance in its modern form came to India from England in the pre-independence era, in 1818 with the formation of Oriental Life Insurance Company (OLIC) in Calcutta which unprecedently was short lived and failed in 1834 (History of insurance in India, 2007). Since 1818, the life insurance industry crossed many milestones and has contributed significant impact in the insurance market as well as in the country's growth. The journey of the life insurance industry can be divided into three stages:

1. Pre Nationalisation Phase (Before 1956)
2. Post Nationalisation Phase (1956 to 2000)
3. Post Liberalisation Phase (2000 Onwards)

Each of these phases has been described as follows.

1.3.1 Pre Nationalization Phase (Before 1956)

In its informal nature, India has always had some type of insurance. The Indian joint family structure has met the aim of life insurance by considering the family's financial needs in the event of the principal wage earner's early death as well as old age provisions. Timeline of Insurance business in India: Pre Nationalisation Phase is briefly presented as follows.

<table>
<tr><th>Period (Years)</th><th>Incidence</th></tr>
<tr><td>1818</td><td>“Oriental Life Insurance Co. Ltd.” 1st insurance company which was established by Europeans in India.</td></tr>
<tr><td>1829</td><td>“Madras Equitable started transacting life insurance business in Madras Presidency”.</td></tr>
<tr><td></td><td>Oriental Life Insurance Co. Ltd. failed and was transformed in to ‘New Oriental’.</td></tr>
<tr><td>1818 to 1868</td><td>Twenty (20) new companies were established in India, out of which only five could survive.</td></tr>
<tr><td>1870</td><td>“Bombay Mutual Assurance Society Ltd” 1st Indian insurer established in Bombay.</td></tr>
<tr><td>1884</td><td>The Post Office- Life Insurance fund, generally known as Postal Life Insurance (PLI) started.
Initially, it was meant exclusively for the benefit of employees of the Postal Department later on it was extended for all.</td></tr>
<tr><td>1912</td><td>“The Indian Life Assurance Companies Act, 1912” the first statutory measure to regulate life business, enacted.
“The Provident Insurance Societies Act” was also enacted.</td></tr>
<tr><td>1914</td><td>The Government of India (GOI) began posting insurance company returns in India. No of Companies were in India.
<table>
<tr><td>Company</td><td>Companies Established</td><td>Premium Income</td></tr>
<tr><td>Indian Life Insurance Companies</td><td>46</td><td>Rs. 1.17 Crore</td></tr>
<tr><td>Foreign Companies</td><td colspan="2">22 (of which 15 Constituted in the U.K)</td></tr>
</table>
Source: Balchandran, S., & Kaikini, A. N. (2014). Indian Insurance Industry. Mumbai: Insurance Institute of India.</td></tr>
<tr><td>1926</td><td>
<table>
<tr><td colspan="3">No of Companies were in India</td></tr>
<tr><td>Particulars</td><td>Companies Established</td><td>Premium Income</td></tr>
<tr><td>Indian Life Insurance Companies</td><td>51</td><td>Rs. 2.53 Crore</td></tr>
</table>
Source: Balchandran, S., & Kaikini, A. N. (2014). Indian Insurance Industry. Mumbai: Insurance Institute of India.</td></tr>
</table>

<table>
<tr><td rowspan="2">1928</td><td>The government passed the "Indian Insurance Companies Act" to collect statistical data on life and non-life insurance transactions undertaken in India by Indian and international insurers, including provident insurance societies.</td></tr>
<tr><td>The All India Life Offices Association was established to assist Indian insurance businesses in managing their operations.</td></tr>
<tr><td>1933</td><td>No of Companies were in India.
<table>
<tr><td>Particulars</td><td>Companies Established</td><td>Premium Income</td></tr>
<tr><td>Indian Life Insurance Companies</td><td>144</td><td>Over Rs. 6 Crore</td></tr>
</table>
Source: Balchandran, S., & Kaikini, A. N. (2014). Indian Insurance Industry. Mumbai: Insurance Institute of India.</td></tr>
<tr><td>1938</td><td>To preserve the public's interest, the "Insurance Act, 1938" unified and updated previous legislation.</td></tr>
<tr><td>1950</td><td>Due to some deficiency noted by the government as well as industrial leaders Insurance Act was amended exclusively.</td></tr>
<tr><td>1955</td><td>No of Companies were in India.
<table>
<tr><td>Company</td><td>Companies Existed</td></tr>
<tr><td>Indian Life Insurance Companies</td><td>154</td></tr>
<tr><td>Foreign & provident Societies</td><td>91</td></tr>
<tr><td>Total</td><td>245</td></tr>
</table>
Source: Desai, G. R. (1973). Life Insurance in India: Its History and Dimensions of Growth. Macmillan.</td></tr>
</table>

Legal Framework of Insurance during Pre Nationalisation Phase (Before 1956)

The Indian Life Assurance Companies Act, 1912 & The Provident Insurance Societies Act: These were India's first laws specifically designed to govern the life insurance industry. The Indian Life Assurance Companies Act and the Provident Insurance Societies Act are modelled after the United Kingdom's Insurance Act of 1870 and the British Act of 1909. The Indian Life Assurance Companies Act of 1912 mandated the disclosure of premium rate tables, as well as the certification of periodic company valuations by an actuary.

Insurance Act, 1938: This was a comprehensive law that replaced the Indian Insurance Companies Act, 1928 and The Provident Insurance Societies Act, 1928. This act amended legislation governing insurance business in India. At that time, many foreign companies were established in foreign countries but, they operated through representative offices in India. Thus, for proper functioning of insurance business and controlling, this act discontinued the representative offices and directed them to open branch offices of the company. Same way certain provident societies that have not registered and doing their business. This act made it mandatory to register as a public company or cooperative society within a year. Moreover, within three months of the act's inception, every insurer was required to get a certificate of registration from the central government, which had to be renewed every year.

Some of the other relevant provisions of the act were as follows:

- The office of superintendent of insurance was created to administer the provisions of the act.
- Insurance companies were required to maintain deposits with the RBI. The amount of deposit depended on the nature and volume of the business handled by the company.
- Insurance companies were required to submit their accounts in prescribed forms annually to the superintendent of insurance.
- Insurance companies doing life insurance business had to conduct actuarial valuation at specified intervals and submit the valuation report to the superintendent of insurance.
- The act prescribed how investments shall be made.
- The system of managing agencies terminated
- Agents had to obtain licences to procure business.
- The amounts of commission payable to the agents restricted.
- The act permitted nomination and assignment of life insurance policies. (Balchandran & Kaikini, 2014)

Amendments in 1950:

Owing to a few deficiencies noted by the government, as well as industrial leaders; The Insurance Act was amended extensively in 1950. Some of the amendments in the act are as follows.

1. Life insurance companies were required to conduct actuarial valuations at least once every three years.

2. The funds of life insurance business being called as controlled funds, and the law required that not less than 25% of the controlled funds should be invested in govt. securities.
3. Limits, in terms of percentages of premiums collected, were laid down for expenses of overall management, as well as for various categories of persons like agents, managing director and other specified groups.
4. Principal agents, chief agents and special agents were required to obtain certificates from the government to act as such, within six months.
5. Terms of appointment of chief agents and special agents were made more restrictive.
6. Methods of valuing assets and liabilities were laid down.
7. The act prescribed how assets and liabilities should be valued.
8. Payment of loans, except loans under life insurance policies, to directors and officers and firms in which such persons were interested, was prohibited.

Business during the Pre Nationalisation Phase

Several life insurance companies entered and made exit during the period 1914 to 1956. However, the life insurance business witnessed growth in terms of policies issued. Table 1.3 depicts the performance of the life insurance business with regard to number of policies and total business in force from 1914 to 1955. The new business in the year 1920 marks only 28 thousand policies worth Rs.5.16 crore in force. In the year 1955, the number of policies increased to 831thousand policies worth Rs.260.84 crores in force. Whereas in the year 1928 total business in force was 564 thousand number of policies worth Rs.124 crores, this increased to 4,782 thousand no of policies, worth Rs.1220 crore in the year 1955 which denotes a consistent and progressive increase in new life insurance business volume.

Table 1.3 Life Insurance Business in India from 1914 to 1955

Year	New Business		Total business in force	
	Number of policies (in thousand)	Amount (Rs. in Crores)	Number of policies (in thousand)	Amount (Rs. in Crores)
1914	---	3.20	---	---
1915	---	2.25	---	---
1916	---	1.75	---	---
1917	---	2.23	---	---

Year	New Business		Total business in force	
	Number of policies (in thousand)	Amount (Rs. in Crores)	Number of policies (in thousand)	Amount (Rs. in Crores)
1918	---	2.86	---	---
1919	---	4.49	---	---
1920	28	5.16	---	---
1921	29	5.47	---	---
1922	29	5.64	---	---
1923	32	5.85	---	---
1924	36	6.89	---	---
1925	43	8.15	---	---
1926	53	10.35	---	---
1927	67	12.77	---	---
1928	93	15.50	564	124
1929	143	28.75	656	142
1930	145	27.50	717	154
1931	125	26.66	714	168
1932	139	27.66	774	178
1933	183	33.00	867	193
1934	215	38.00	987	215
1935	239	43.50	1095	235
1936	273	46.75	1261	261
1937	294	48.66	1371	277
1938	322	51.70	1516	298
1939	300	46.62	1497	272
1940	206	36.11	1553	286
1941	200	39.51	1592	292
1942	178	42.83	1661	323
1943	296	72.12	1821	369
1944	451	108.90	2127	454
1945	599	136.30	2592	557
1946	617	153.80	2797	651
1947	544	139.60	2936	706

Year	New Business		Total business in force	
	Number of policies (in thousand)	Amount (Rs. in Crores)	Number of policies (in thousand)	Amount (Rs. in Crores)
1948	486	134.60	3025	724
1949	544	142.20	3303	765
1950	498	139.50	3280	780
1951	474	147.90	3414	873
1952	534	146.70	3925	922
1953	558	155.20	4079	966
1954	773	255.25	4782	1177
1955	831	260.84	4782	1220

Source: Saga of Security: Story of Indian Life Insurance 1870-1970. (Bhave, 1970)

1.3.2 Post Nationalisation Phase (1956 to 2000)

Due to the allegation of unfair trade practices and high competition among insurance companies, the Government of India decided to nationalise the insurance business in 1950.

On 10th January 1955, the economic policy adopted in the Avadi (Suburb city of Chennai) session of the Indian National Congress suggested a socialistic pattern of the economy. It urged nationalisation of the insurance business. At that time, there were strong expressions both in favour of and against the proposal for insurance nationalisation. The bill has piloted by the Finance Minister, Shri C.D. Deshmukh in Parliament with the various issues of insurance companies like mismanagement, large scale frauds in investments, totally neglecting the ordinary people & the rural areas, avoiding payment of claims etc.

As a first step towards nationalisation, the government issued the Life Insurance (Emergency Provisions) Ordinance on 19th January 1956, which was later replaced by the Life Insurance (Emergency Provisions) Act in March 1956. According to this ordinance management of all the assets and liabilities of life insurance vested with the Central Government with immediate effect from 19th January 1956.

One hundred seventy insurers (including sixteen non-Indian insurers) and seventy-five provident societies were affected by the provisions of this ordinance. Post office life insurance funds were exempted from the purview of the ordinance because they were operated by some state governments and some other specified funds. The Life

Insurance Corporation Act was enacted by Parliament in June 1956, and the Life Insurance Corporation of India (LIC) was formed on September 1, 1956.

The original capital of the LIC was fixed at Rupees five crores. The LIC had five Zonal offices in Bombay, Calcutta, Delhi, Madras, and Kanpur, as well as a headquarters office in Bombay. They have started their operations with 33 Divisional and about 200 Branch offices.

The Administrative Reforms Commission (ARC), appointed by the government in 1966, constituted a study group to study the working of LIC. According to its recommendation in 1971, LIC decided to decentralise its functions. The government appointed a committee in 1979 with Shri Era Sezhiya, a member of Parliament, as its chairman, to review the working of LIC. This committee took note of LIC's programme to decentralise work from the divisional offices to the branch offices and commented that the decentralisation programme had not made sufficient headway for several reasons like inadequate space, lack of adequate controls, lack of trained staff and so on. The committee recommended that LIC should pursue the programme of decentralisation, as well as introduce an efficient data processing system and also make branch offices accounting units. The committee recommended promoting group insurance in the rural area and unorganised urban areas and many more.

In 1980, the LIC appointed Prof. Ishwar Dayal as the consultant to suggest ways for better organisational effectiveness and improvement in the procedure through a systematic review of the existing system and structure. After this more focus has been given on the customer and his needs, in other words, acquire a marketing focus, without losing sight of the demands of internal systems and of the staff. Sales & services availability and implementation of technology had meanwhile enhanced the capability of the system to handle much more complexities and volumes. Until the late 1990s, when the insurance sector was reopened to the private sector, the LIC enjoyed a monopoly. During 1993-1999 - The Malhotra Committee proposed that the insurance industry be opened up to private companies. The IRDA, LIC, and GIC Acts were approved in 1999, and IRDA became the statutory regulatory authority for insurance, putting an end to LIC and GIC's monopoly.

Reforms in the Insurance Sector

Economic reforms of July 1991 led a series of measures to structure the economy in which more importance has been given to liberalisation, privatisation, and globalisation. Due to the liberalisation economy started leaning towards services and opened its doors for private and foreign investors. Economic reforms have given a significant positive impact on the insurance sector in India resulting in profound changes and subsequent opening of new vistas of liberalisation and globalisation.

In April 1993, the Indian government established a committee to examine the structure of the insurance business, chaired by R.N. Malhotra, former governor of the RBI and former finance secretary, with six other members. In January 1994, the Malhotra Committee issued recommendations that encompassed both general and life insurance.

R.N. Malhotra Committee

Purpose

- To examine the structure of the life insurance industry and assess its strengths and weaknesses in order to achieve the goals of creating an efficient and viable insurance industry that provides a wide range of insurance services to the general public and an effective tool for mobilising financial resources for development.
- Make a recommendation for modifying the insurance industry's structure.
- To provide a recommendation on the role and operation of surveyors, intermediaries such as agents, and other professionals in the insurance industry.
- To provide recommendations on any other topic that is relevant to the growth of the Indian insurance business.

Recommendations

Restructuring

- The Raising capital base of LICI from Rs. 5 Crore to Rs. 200 Crore. Government stake in LIC to be bought down to 50%.
- Restructuring LICI involved a delegation of administrative, operational and financial authority to zone offices. The central offices should focus on policy formulation, product development, pricing of the product, an account of the corporation etc.
- In the next 12 to 18 months, the insurance business will undergo computerization of operations and technological updates.

Liberalisation

- Private enterprises with at least Rs. 100 crores in paid-up capital should be allowed to enter the business. (unless in the event of a cooperative institution at the state level)

- The life insurance monopoly should be broken up by allowing private companies into the market, but no corporation should be involved in both life and general insurance.
- Foreign players may be allowed to collaborate with native enterprises to enter the business.
- It should be possible for postal life insurance to operate in rural areas.
- The insurance laws should be amended, and a regulating agency for insurance should be established.
- The insurance controller (now a member of the finance ministry) should be decentralized.

Investment

- The LIC Life Fund's mandatory investments in govt. securities will be decreased from 75 percentage to 50 percentage.
- GIC and its subsidiaries are not permitted to own more than 5 percent of any company. (Their present holding has been reduced to their previous level over time.)

Others

The committee also recommends other steps in the insurance sector to popularise insurance and extend the benefit of insurance to the masses in India are summarised as follows:

- Newer marketing strategies from the insurance companies to reach the life insurance coverage to the weaker sections of society, including working women and the introduction of cheap term insurance coverage to improve the insurance coverage in India.
- Unit linked schemes encouraged to float as well as private pension funds scheme allowed to operate in the market.
- In general, the committee believed that the insurance industry should be opened up to competition in order to improve customer service and expand coverage. However, the committee felt compelled to be cautious, as any failure on the part of new players could jeopardise public trust in the business.

Legal Framework of Insurance during Post Nationalisation Phase (1956-2000)

Life Insurance Corporation (LIC) Act, 1956:

This act provides the nationalisation of life insurance business in India by transferring all such activity to a corporation established for the purpose. It has provided the regulation, control of the business and matters connected with or incidental to it.

Insurance Regulatory and Development Authority (IRDA) Act, 1999.

In accordance with the Insurance Regulatory and Development Authority Act, 1999, the IRDA was established as an autonomous agency to regulate and develop the insurance and reinsurance business in the country. Government of India notification No. 277 constituted the authority on April 19, 2000. The authority's primary goal is to increase market efficiency and safeguard consumers.

Regulations framed under the IRDA Act, 1999

1. Insurance Regulatory and Development Authority (Actuarial Report and Abstract) Regulations, 2000
2. Insurance Regulatory and Development Authority (Obligations of Insurers to Rural or Social Sectors) Regulations, 2000
3. Insurance Regulatory and Development Authority (Insurance Advertisements and Disclosure) Regulations, 2000
4. Insurance Regulatory and Development Authority (Licensing of Insurance Agents) Regulations, 2000
5. Insurance Regulatory and Development Authority (General Insurance - Re-insurance) Regulations, 2000
6. Insurance Regulatory and Development Authority (Appointed Actuary) Regulations, 2000
7. Insurance Regulatory and Development Authority (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000
8. Insurance Regulatory and Development Authority (Meetings) Regulations, 2000
9. Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) Regulations, 2000
10. Insurance Advisory Committee (Meetings) Regulations, 2000
11. Insurance Regulatory and Development Authority (Investment) Regulations, 2000
12. Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor’s Report of Insurance Companies) Regulations, 2000
13. Insurance Regulatory and Development Authority (Licensing, Professional Requirements and Code of Conduct) Regulations, 2000

14. Insurance Regulatory and Development Authority (Conditions of Service of Officers and Other Employees) Regulations, 2000
15. Insurance Regulatory and Development Authority (Life Insurance - Re-insurance) Regulations, 2000.
16. IRDA Investment (Amendment) Regulations, 2001.
17. Insurance Regulatory and Development Authority (Third Party Administrators - Health Services) Regulations, 2001

Post nationalisation and Growth of the Life Insurance Industry

Robust growth has been seen in the life insurance business from the year 1956 to 2000. At the time of nationalisation in the year 1956, the total assets of the LIC were Rs. 411 crores which have gone up to Rs. 1,60,000 crores in the year 2000. Moreover, the policyholders increased around 100 million with a total sum assured of Rs. 5,00,000 crores. The premium income had risen from about Rs. 90 crores to Rs. 40,000 crores from 1956 to 2000. The LIC was functioning through 109 divisional offices and over 2500 branch offices, with the strength of more than 1,17,000 workers and 6,80,000 active agents.

In 1956-57 the group insurance business was apparently negligible at the time of nationalisation which grew up to 25 million persons and about Rs. 75,000 crores. It had an impact on the weaker sections of society.

By the end of the year 2000, the LIC had created LIC Housing Finance Ltd. and LIC Mutual Fund as its subsidiaries. Later, it set up the LIC Pension Fund Ltd and Strategic Business Unit for international operations managing the business in Bahrain, Kenya, Nepal and Sri Lanka through locally incorporated subsidiary companies, in addition to its branches in Fiji, Mauritius and the U.K.

Some growth statistics have been extracted from the different sources and compiled in table 1.4 to 1.7 presented below.

Table 1.4 Life Insurance Business in India from 1956 to 1970

Year	New Business		Total business in force	
	Number of policies (in thousand)	Amount (Rs. in Crores)	Number of policies (in thousand)	Amount (Rs. in Crores)
1956	567	200.28	---	---
1957	795	281.90	5683	1473
1958	936	343.87	6234	1682

Year	New Business		Total business in force	
	Number of policies (in thousand)	Amount (Rs. in Crores)	Number of policies (in thousand)	Amount (Rs. in Crores)
1959	1123	427.16	6929	1958
1960	1234	495.72	7713	2285
1961	1470	608.82	8581	2738
1962-63 (15 Months)	1768	745.96	9493	3165
1963-64	1646	702.76	10328	3571
1964-65	1444	701.08	10822	3878
1965-66	1561	797.79	11589	4394
1966-67	1412	770.27	12141	4736
1967-68	1428	844.47	12759	5240
1968-69	1454	929.35	13453	5725
1969-70	1401	1036.08	14041	6425

Source: Saga of Security: Story of Indian Life Insurance 1870-1970. (Bhave, 1970)

Table 1.4 presented above shows a picture of the life insurance business for fourteen years after nationalisation. Initially, in the year 1956 to 1958 new as well as total business declined due to the immediate effect of nationalisation. later this, new business and total business in force showed an increasing trend from 1956 to 1969-70. In the year 1969-70, the new business reached 1401 thousand and as a result of it, total business in force catapulted to 14041 thousand.

LIC has achieved growth with respect to new business performance as well as in the area of organisational development. The decade of eighties was an eventful one. LIC had operated through 1651 branch offices in 1000 centres, out of which 700 were in rural areas. The growth of the new business accelerated since 1983 after that LIC went in for a massive reorganisation programme.

Table 1.5 (a) Growth Statistics of LIC from 1984-85 to 1989-90

Year	Premium Income (In Crore)	Investment Income (In Crore)	Total business in force (In Crore)	Total in force policies (In lakh)
1984-85	1,559	951	33,951	265
1985-86	1,782	1,127	40,617	280
1986-87	2,097	1,334	48,151	299

Year	Premium Income (In Crore)	Investment Income (In Crore)	Total business in force (In Crore)	Total in force policies (In lakh)
1987-88	2,672	1,557	59,068	325
1988-89	3,433	1,885	74,429	361
1989-90	4,489	2,278	94,823	404

Table 1.5 (b) Growth Statistics of LIC from 1984-85 to 1989-90

Year	Annual New Business (In Crore)	Annual No. of New Policies	Agents	Life Fund (In Crore)	No of Branches
1984-85	5,376	26,99,654	1,47,783	11,191	1,107
1985-86	7,088	32,94,000	1,72,542	12,666	1,197
1986-87	9,108	38,76,000	1,98,734	14,502	1,280
1987-88	12,468	47,64,000	2,39,832	16,632	1,353
1988-89	17,269	59,87,000	2,75,249	19,569	1,427
1989-90	23,320	74,01,000	3,85,013	23,472	1,528

Source: Compiled from Tryst With Trust: The LIC story. LIC of India, Bombay, (Kumar, 1991).

Table 1.5 shows growth statistics from 1984-85 to 1989-90 in terms of premium, investment, new business, total business in force, policies issued, agents, life fund and branches. During these six years, new business has increased more than 4 times i.e. from 5376 to 23320 crores. A significant rise has also been observed in policies issued, life fund and investment income. In this period, LIC has expanded its business by establishing a greater number of branches and appointing agents.

Table 1.6 Total Life Insurance Business of LIC in force from 1991-92 to 1999-00

Year	No of Policies (In Lakh)	Sum Assured (In Crore)	Annual Premium (In Crore)
1991-92	508.63	1,45,929.00	5,946.00
1992-93	566.12	1,77,268.00	7,146.00
1993-94	608.00	2,07,601.00	8,758.00
1994-95	654.52	2,53,333.00	10,385.00
1995-96	708.78	2,94,336.00	12,094.00
1996-97	776.66	3,43,018.00	14,500.00
1997-98	849.15	3,98,959.00	17,066.00
1998-99	916.37	4,57,435.00	20,234.00

Year	No of Policies (In Lakh)	Sum Assured (In Crore)	Annual Premium (In Crore)
1999-00	1,012.99	5,34,589.00	24,540.00

Source: Compiled from Annual Reports of LIC of India

Business growth of LIC was substantial and consistent in the nineties, one can understand it with the help of table 1.6 presented above. During these ten years, the number of policies increased from 508.63 lakhs to 1012.99 lakhs and by that, the premium income and sum assured increased substantially i.e. From 5,946 crores to 24,540 crores in annual premium and from 1,45,929 crores to 5,34,589 crores in sum assured.

Table 1.7 Key Market Indicators of Life Insurance at the time of liberalisation

Size of Market, Life and Non-Life	$8 Billion a year
Rate of Annual Growth	Average of 20% for life (1990-99)
Geographical Restriction for new players.	None. Players can operate all over the country
Equity Restriction in a new	Indian Insurance Company Foreign promoter can hold up to 26%
Registration Restriction	Composite registration not available
Market opening	August 2000 with the invitation for application for registration
Life Insurance Penetration (Premium as % of GDP) Year 1999 - 1.39	
Life Insurance Density (Premium per capita in USD) Year 1999 - 6.1	

Source: Compiled from IRDA Annual Report (2000-01)

Table 1.7 shows key market indicators of the life insurance business at the time of liberalisation i.e. 2000-01. The annual growth rate has been noted 20% for the life insurance business, which indicates good sign for the market, but penetration level and density were considerably lower during this period. By observing these indicators, it is very essential to open up the market for private players to bring innovation and development of life insurance business in the new fold in India.

Finally, the time came, and the market was opened for private players from the year 2000. Gradually, private players entered in the Indian life insurance market and the transformation started. Important developments later on have been discussed in post liberalisation phase as follows.

1.3.3 Post Liberalization Phase (2000 Onwards)

"During post liberalisation phase, the insurance industry recorded a significant growth; the number of private players increased, customers became conscious of the benefits of insurance and its importance for a secure future. The industry was spurred by product innovation, vibrant distribution channels, coupled with targeted publicity and promotional campaigns by the insurers", (Bishnoi & Kshetrimayum, 2014).

Growth of Life Insurance Industry during Post Liberalisation period

The number of players in the Life insurance market increased in the post liberalisation period. In the year 2000-01, there was only one Public life insurance Company, i.e. LIC and four private life insurance companies. At the end of March 2017, 24 life insurance companies were operating in India, out of which 23 companies were private life Insurance companies, and one public company i.e. LIC. Following is the list of the life insurance companies operating in India as on 31st March 2017.

Table 1.8 List of Life Insurance Companies in India as on 31st March 2017

No	Name of the Companies	Foreign Partners	Date of Registration	Year of Operation
Public Company				
1	Life Insurance Corporation of India	---	01-09-1956	1956-57
Private Companies				
1	HDFC Standard Life Insurance Co. Ltd	Standard Life (Mauritius Holdings) 2006, Ltd. U.K.	23-10-2000	2000-01
2	Max Life Insurance Co. Ltd	Mitsui Sumitomo Insurance Company Ltd. Japan	15-11-2000	2000-01
3	ICICI Prudential Life Insurance Co. Ltd	Prudential Corporation Holdings Ltd. U.K.	24-11-2000	2000-01
4	Kotak Mahindra Old Mutual Life Insurance Limited	Old Mutual Plc, U.K.	10-01-2001	2001-02
5	Birla Sun Life Insurance Co. Ltd	Sun Life Financial (India) Insurance Investment Inc, Canada	31-01-2001	2000-01
6	Tata AIA Life Insurance Company Limited	American International Assurance Company (Bermuda) Ltd.	12-02-2001	2000-01

No	Name of the Companies	Foreign Partners	Date of Registration	Year of Operation
7	SBI Life Insurance Co. Ltd	BNP Paribas Cardif, France	29-03-2001	2001-02
8	Exide Life Insurance Company Limited	---	02-08-2001	2001-02
9	Bajaj Allianz Life Insurance Company Limited.	Allianz, SE Germany	03-08-2001	2001-02
10	PNB Metlife India Insurance Co. Ltd.	Metlife International Holdings Ltd., USA	06-08-2001	2001-02
11	Reliance Nippon Life Insurance Company Limited.	Nippon Life Insurance Company Ltd. Japan	03-01-2002	2001-02
12	Aviva Life Insurance Company India Limited	Aviva International Holdings Ltd., U.K.	14-05-2002	2002-03
13	Sahara India Life Insurance Co, Ltd.	----	06-02-2004	2004-05
14	Shriram Life Insurance Co, Ltd.	---	17-11-2005	2005-06
15	Bharti AXA Life Insurance Company Ltd.	AXA India Holdings, France	14-07-2006	2006-07
16	Future Generali India Life Insurance Company Limited	Participatie Maatschapij Graafsschap Holland NV, Netherlands	04-09-2007	2007-08
17	IDBI Federal Life Insurance Company	Aegis Insurance International NV Netherlands	19-12-2007	2007-08
18	Canara HSBC Oriental Bank of Commerce Life Insurance Company Ltd.	HSBC Insurance (Asia Pacific) Holdings Ltd, UK	08-05-2008	2008-09
19	AEGON Religare Life Insurance Company Limited.	Aegon India Holding BV, Netherland	27-06-2008	2008-09
20	DHFL Pramerica Life Insurance Co. Ltd.	Prudential International Insurance Holdings Ltd., USA	27-06-2008	2008-09
21	Star Union Dai-ichi Life Insurance Co.	Dai-ichi Life Insurance Company Ltd. Japan	26-12-2008	2008-09
22	IndiaFirst Life Insurance Company Limited	Legal & General Middle East Ltd.	05-11-2009	2009-10
23	Edelweiss Tokio Life Insurance Co. Ltd.	Tokio Marine &Nichido Fire Insurance Company Ltd. Japan.	10-05-2011	2011-12

Source: IRDA Handbook

Below table 1.9 depicts the journey of the life insurance sector during 2000-01 to 2016-17 in summarised tabular form. During this period, the public company LIC has gradually strengthened its position while on the other hand, many private companies entered with innovative products, technological advancement, and financial engineering. As a result of this, competition from private players increased but LIC was still a dominant player. In this period robust growth has been reported by the private players, the number of private players increased from 4 to 23 and the number of branch offices also substantially increased. It has been observed that some major private players consolidated and closed several branches during this period whereas LIC of India continued to establish new offices.

Growth of overall life insurance premium has been grown around twelve times, LIC has grown up around nine times whereas private companies have grown up in multifold during the stipulated period. Percentage growth of premium has been reported 12.78% in LIC and 17.40% in private companies which indicates the rapid growth of the life insurance industry. During this period market share of private players in the industry has been fixed around 30% on an average in terms of the total premium.

In an insurance company, a premium is considered as a primary source of income and from total collected premium, expenses like administration, operating, sales and mortality etc. are to be deducted then the remaining amount with a company is invested as per IRDA guidelines. This total value of the investment is known as assets under management, that the insurance companies manage in terms of Life fund, pension & group fund and ULIP on behalf of their policyholders and shareholders. A massive increase in all type of funds has been observed during 2000-01 to 2016-17, which reflects an increase in the size of the business. Detail analysis of assets under management has presented in chapter V.

It has also been observed from the table 1.9 that private player suffered a substantial loss in the initial period after liberalisation but gradually they were moving to the generation of profit in the last 5 years i.e. from 2012-13 to 2016-17.

Table 1.9 (a) Growth of Life Insurance Sector from 2000-01 to 2016-17

Particulars	Remarks	Unit	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
No of Companies											
Public	As on 31st March	No.	1	1	1	1	1	1	1	1	1
Private			4	11	12	12	13	14	15	17	21
Total			5	12	13	13	14	15	16	18	22
Total No of Branch offices	As on 31st March	No.	2199	2306	2445	2612	3001	3865	5373	8913	11815
Total Life Insurance Premium											
Public	for F.Y	In Crore	34,892	49,822	54,628	63,533	75,127	90,792	1,27,823	1,49,790	1,57,288
Private			6	273	1,119	3,120	7,728	15,084	28,253	51,561	64,497
Total			34,898	50,094	55,748	66,654	82,855	1,05,876	1,56,076	2,01,351	2,21,785
Growth In Premium											
Public	for F.Y	In %	--	42.79	9.65	16.30	18.25	20.85	40.79	17.19	5.01
Private			--	4,125.58	310.59	178.83	147.65	95.19	87.31	82.50	25.09
Total			--	43.54	11.28	19.56	24.31	27.78	47.41	29.01	10.15
Market Share based on Total Premium											
Public	for F.Y	In %	100	99	98	95	91	86	82	74	71
Private			0	1	2	5	9	14	18	26	29
Share of each fund in Total Assets Under Management											
Life Fund	As on 31st March	In Crore	194010	230369	229649	307309	366220	397189	465555	541630	629650
Pension & Group Fund			0	0	30638	43627	54705	64074	71575	91262	113952
ULIP Fund			0	0	266	1688	7527	25888	67050	133077	172763
Total			194010	230369	260553	352624	428452	487151	604180	765969	916365
Profit / (Loss) after tax	As on 31st March	In Lakh	29115	59398	11064	-41456	-16483	-45242	-115960	-341281	-488301
Equity Capital		In Crore		1669	2234	3244	4353	5892	8124	12296	18255

Source: Data Compiled from IRDA Handbook and Annual Reports of different years

Table 1.9 (b) Growth of Life Insurance Sector from 2000-01 to 2016-17

Particulars	Remarks	Unit	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
No of Companies										
Public	As on 31st March	No.	1	1	1	1	1	1	1	1
Private			22	22	23	23	23	23	23	23
Total			23	23	24	24	24	24	24	24
Total No of Branch offices	As on 31st March	No.	12018	11546	11167	10285	11032	11033	11071	10954
Total Life Insurance Premium										
Public	for F.Y	In Crore	1,86,077	2,03,473	2,02,889	2,08,804	2,36,942	2,39,668	2,66,444	3,00,487
Private			79,370	88,165	84,183	78,399	77,359	88,433	1,00,499	1,17,989
Total			2,65,447	2,91,639	2,87,072	2,87,202	3,14,302	3,28,101	3,66,943	4,18,477
Growth In Premium										
Public	for F.Y	In %	18.30	9.35	-0.29	2.92	13.48	1.15	11.17	12.78
Private			23.06	11.08	-4.52	-6.87	-1.33	14.32	13.64	17.40
Total			19.69	9.87	-1.57	0.05	9.44	4.39	11.84	14.04
Market Share based on Total Premium										
Public	for F.Y	In %	70	70	71	73	75.39	73.05	72.61	71.81
Private			30	30	29	27	24.61	26.95	27.39	28.19
Share of each fund in Total Assets Under Management										
Life Fund	As on 31st March	In Crore	731291	841075	974620	1120000	1288225	1495309	1697453	1907952.88
Pension & Group Fund			143627	189927	236667	282387	337579	389472	464203	566399.18
ULIP Fund			337540	399116	369972	342507	331661	362740	340412	379841.04
Total			1212458	1430118	1581259	1744894	1957465	2247521	2502068	2854193.1
Profit / (Loss) after tax	As on 31st March	In Lakh	-98882	265704	597354	694839	758783	761131	741497	772789
Equity Capital		In Crore	21020	23662	24932	25519	25939	26240	26691	26956.94

Source: Data Compiled from IRDA Handbook and Annual Reports of different years

1.4 Current Scenario

Looking at the way life insurance business is moving forward; it has been found lucrative opportunities and future prospects for life insurers in India but at the same time they have to face several challenges. Several challenges like demonetisation, GST, IND AS, legal framework and mergers and acquisition are discussed below.

1.4.1 Demonetisation: Impact on the Insurance Sector

Prime Minister Narendra Modi said on November 8, 2016, that the Rupee 500 and Rupee 1000 notes were no longer valid money. This measure was made to combat terror financing, money laundering, and counterfeiting. Some cash-intensive industries, such as real estate and agriculture, have been heavily damaged as a result of this action, whereas the insurance industry appears to have profited from the immediate aftermath. It gave a significant impact in the life insurance business. After demonetisation, an immediate hike has been observed in the number of policies and the first-year premium by 30% in the subsequent quarter. The benefit of demonetisation in terms of premium has been taken more by private players as compared to LIC (Goel, 2017).

Moreover, the importance of digitalisation has been given more. Thus, a greater number of customers are going to pay their Premium online, rather than paying cash to agents. So, this has increased transparency in the insurance business.

1.4.2 GST: Impact on Insurance Sector

On the 3rd of August 2016, the Rajya Sabha passed the Constitution Amendment Bill to implement the Goods and Services Tax (GST), and the Lok Sabha passed it on the 8th of August 2016. On September 8, 2016, it was notified as the Constitution (One Hundred and One Amendment) Act, 2016. The passage of the bill marked a historic step towards tax reforms. A big challenge is to understand the implications, but the actual implementation will take place effective from April 2017 or later. The introduction of GST will have a significant impact on services offered by the life insurance sector (Tripathy, 2016).

Presently, the rate of service tax on life insurance services ranges from 1.5% to 15% depending upon the nature of the policy, the burden of which is directly shouldered by the end customer. Under the GST regime, the GST Council would have the power to determine the GST rate. It is important to note that the Revenue Neutral Rate (RNR) report on the GST Law released by the Chief Economic Advisor in December 2015 has recommended the standard GST rate to be set at 18%. Assuming the standard rate of 18% is adopted by the GST Council, for the life insurance sector and the rate of GST would be higher than the present (maximum) service tax rate of 15%. With the burden of indirect taxes being shouldered by the final consumer, it would only discourage a common man from seeking life cover, resulting in lower levels of penetration (Balasudarsun & Paul, 2018).

Seeking to levy GST on life insurance services would be in contrast to several countries, including the EU, Africa, Australia, Malaysia and Singapore, where life insurance is a social security benefit provided by the government. It is essential that the GST rate on life insurance services be zero-rated or else taxed at a lower rate to ensure that every person avails the benefit of insurance by taking cues from these countries. The government had exempted Pradhan Mantri Jeevan Jyoti insurance policies from the applicability of serviced tax, and there were encouraging results from the society in large. It shows that the government recognises the fact that life insurance policies go a long way to provide social security (Rego, 2016).

Given the sector's strategic importance and the large untapped market, one can only hope that the government would address the industry's concerns in the future.

1.4.3 Regulatory update / Legal framework

Ind AS: On February 16, 2015, the Ministry of Corporate Affairs (MCA) announced the Ind AS road map for corporations. In an order issued on November 17, 2015, the Insurance Regulatory and Development Authority of India (IRDA) indicated that the insurance sector in India would be converting to International Financial Reporting Standards (IFRS). Following that, on December 7, 2015, IRDA released a discussion paper on the adoption of Ind AS in the insurance sector. Furthermore, on the 18th of January 2016, MCA issued a press release outlining the road map for implementing Ind AS in the financial services sector, including insurance companies; however, due to practical difficulties and industry pressure, it has been extended to implement Ind AS in the financial services sector. Finally, IRDA has announced an effective date 1st April 2020 for implementation of Ind AS. It is a big challenge to understand the implications of Ind AS in future.

Other: The year 2016 witnessed the notification of several fundamental guidelines and few other circulars and exposure draft issued by IRDA. Some of the key Regulations, Circular and Exposure Draft for the FY 2015-16 are as follows.

Guidelines / Regulations

- IRDAI (Assets, Liabilities, and Solvency Margin of Life Insurance Business) Regulations, 2016
- IRDAI (Actuarial Report and Abstract for Life Insurance Business) Regulations, 2016
- Appointment of Appointed Actuaries and their Mentors
- IRDAI (Expenses of Management of Insurers transacting life insurance business) Regulations, 2016
- IRDAI Corporate Governance Guidelines, 2016
- IRDAI (Lloyd's India) Regulations, 2016.

Circulars

- IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2016.

Exposure Draft

- IRDAI (Registration of Indian Insurance Companies) (Eight Amendment) Regulations, 2016

1.4.4. Consolidation in the Insurance industry: Mergers and Acquisitions

Insurance is a capital-intensive business which required a huge amount of capital. It is a big challenge for private players to survive against giant public insurer LIC. Indian promoters couldn't plough more fund and expertise to compete with the LIC, although regulatory support has been given in terms of FDI to promote private players in India. During the initial period of liberalisation, the government allowed FDI in the insurance sector to the extent of 26%, which was subsequently raised to 49% in the year 2015. In Budget 2020, the government has permitted 100% foreign direct investment through FDI route. Eventually, during the study period, merger and acquisition impacted their shareholding pattern and their performance. Reliance has commenced their business independently in the year 2001-02, and in the year 2011, they have diluted their stake to 26% with Nippon Life. Max New York Life insurance company has diluted its 26% shares in Japan's Mitsui Sumitomo in the year 2012 and rebranded as Max Life Insurance Company. Again in the year 2012, Tata AIG has diluted their shares and rebranded as Tata AIA Life Insurance Company. In January 2013 Punjab National Bank has diluted a stake of 30% in MetLife India insurance and rebranded as PNB MetLife insurance. In the same year 2013, ING Vysya sold its 26% stake and Exide purchased 50% stake in ING Vysya Insurance and rebranded as Exide Life Insurance. Later, the future group with 49% stake in Generali group rebranded as Future Generali India Life Insurance, DLF sells its 74% stake to Diwan Housing Finance and rebranded as DHFL Pramerica Life Insurance, AEGON Religare to AEGON Life Insurance with an increased stake of 49% from Aegon etc (Saraswathy, 2014).

1.4.5. Recent Developments & Road Ahead

The government of India undertook several initiatives to increase insurance penetration in the country with an objective to convert a big uninsured population into an insured population. It has launched several flagship schemes to boost the insurance sector. It has increased FDI up to 74% for insurance intermediaries in the budget 2021. Government of India and IRDA have taken significant measures to revitalise the insurance sector in order to make it more competitive globally. Accordingly, the Insurance sector is to embrace better financial reporting practices in line with IFRS. In order to help insurance companies to divest their equities through IPO route, new IPO guidelines are being planned by IRDA.

In the same direction, private players are also coming with new innovative product design and with a different strategy. In November 2019 Bharti AXA Life launched prepaid bundle with insurance cover. The industry is the witness of New initiative like the entrance of Flipkart E-commerce company into insurance, cyber insurance policy etc. With growing middle class, young insurable population and growing awareness related to protection and retirement planning will support the wholesome growth in the Indian life insurance market. The life insurance industry would be expected to grow 12 to 15% in the next three to five years (Shahnawaz, 2018). India’s leading Bombay Stock Exchange and Ebix Inc are in the process of setting up jointly insurance distribution network in the country through a new distribution exchange platform (Towers Watson & Co., 2015).

1.5 Research Design

Research design is the framework of research which consist of collection, measurement and analysis of data. It is also known as a blueprint of research study, which comprises objectives, hypothesis and their operational implications to the final analysis of data. There are various types of research designs, based on the nature and purpose of the present study, empirical research design and analytical research design appears as the most suited research design type, whereas based on information, quantitative research design is being adopted. This research design consists of rationale, objectives, hypothesis, sample selection, data collection and methods of data analysis followed by the profile of selected companies and outline of the study in brief, which is presented as below.

1.5.1 Rationale of the Research Study

The insurance is primarily a social device adopted by civilised society to reduce the uncertainty towards unforeseen contingencies. Insurance is the business of accepting risk from various policyholders', which expose the insurance company to multiple risks. It contains market risk, credit risk, liquidity risk, morbidity and mortality risk, persistency risk etc. With these types of risks, life insurance products come in a variety of offerings, investment needs and objectives of different kinds of investors in the form of term insurance policies, money-back policies, endowment plan, unit-linked investment policies, pension policies, children policies etc.

Life Insurance is one of the fast-growing sector in India at a rate of 15 to 20%. Together with banking services, insurance services add about 7% to the country's GDP (India Brand Equity Foundation, 2020). A well-developed and evolved insurance sector is beneficial to economic development since it offers long-term financing for infrastructure development along with enhancing the country's risk-taking capacity. Government has liberalised their policy, allowed Private players and FDI from 26% to 74%. India has ranked 10th among 147 countries in the life insurance business (India Brand Equity Foundation, 2020).

The Indian Life Insurance industry has matured significantly after globalisation and has witnessed intense competition, a significant expansion of customer base, number of product and operational innovations. The industry is currently facing slow growth, rising costs, deteriorating distribution structure and stalled reforms because of tightening and standardising rules of the business to protect the interest of policyholders by The Regulator, IRDA (J, 2019).

Life Insurance Corporation of India is the most significant player in the life insurance industry in India with acquiring 70% market share in total business. It focuses more on traditional plans, whereas other private life insurance companies provide investment plans with the risk coverage in terms of unit linked plans. The unit-linked plans offer policyholders more transparency in terms of cost, annual returns and bonus calculations. The private life insurance sector is known for paying high salaries, but they are managing their expenses using innovation & technologies in products.

The competition has intensified not only between private and public players but also amongst private players. There is now a sense of benchmarking globally, which is indeed a very healthy trend. Most of the private insurance companies are joint ventures with recognised foreign players across the globe. It has resulted in the development of new insurance products, reduction of Premium, improved customer service, increased visibility through print & electronic media, discussions, symposia and seminars etc. ultimately benefitting the insuring public. There is increased use of technology, financial engineering & actuarial science in private sector life insurance business. It has enabled financial decisions to be made with more confidence by analysing past, modelling the future, assessing the risk involved and communicating what the results mean in monetary terms. In India, few types of research have been done on this subject, although foreign countries have worked significantly on it. Due to regulatory framework, continuously changing environment, various laws prevailing in India, and to survival with a dominant public player, i.e. life insurance corporation of India, it is the biggest challenge for the private players in India.

In this context, it is very pertinent to carry out a research study which focuses on various variables having an impact on the financial performance and position of the insurance companies and analyse the effectiveness of financial management practices adopted by the companies.

1.5.2 Statement of Problem

The life insurance industry in India has matured significantly after liberalisation yet the practices of financial management do not seem to be stable in private life insurance companies. Procurement of funds, allocation of funds and control of financial resources are some of the most poignant problems in private life insurance companies that directly affect financial management with an adverse effect on profitability and wealth of the business. However, research on financial management practices of private life insurance companies has remained seemingly untouched. Therefore, in order to bridge the divide between the existing problems and the panacea, this research attempts to lay down directions that may lead to evolving need-based strategies for sustained and/or improved financial performance & position of private life insurers in India.

The present study is conducted in the light of objectives referred below for the span of ten years from 2007-08 to 2016-17.

1.5.3 Objectives of the study

The primary objective of the research study is to identify, understand and analyse various financial management practices adopted and followed by selected private sector life insurance companies to improve their performance and financial soundness. Analysis of Financial Management practices of life insurance companies based on their operational efficiency, financial soundness, risk management and most important the way management of funds towards the settlement of policyholders' liabilities and meeting the expectations of shareholders' is executed by evaluating their investment pattern and the yield on investment.

However, it is essential to segregate the objectives into various sub-objectives based on certain important parameters related to the insurance sector. For each of the selected private sector life insurance companies, for the period under consideration, i.e. 2007-08 to 2016-17, the objectives are enumerated as follows:

1. To analyse and evaluate the overall growth of the business.
2. To analyse relative operational efficiency.
3. To identify and evaluate factors responsible for financial soundness.
4. To analyse and understand financial management practices with respect to investment pattern and yield on investment.
5. To study risk management practices regarding various risk exposures in the context of regulatory risk management prescriptions.
6. To assess and evaluate the impact of financial management practices on shareholders' wealth.
7. To carry out the inter-firm comparison and offer relevant suggestions/ recommendations.

1.5.4 Hypothesis of the study

Based on the objectives and nature of the analysis, an appropriate set of hypotheses have been framed as under.

Null Hypothesis:

1. Ho: There is no significant difference in new business premium collected among different selected companies.
2. Ho: There is no significant difference in renewal premium collected among different selected companies.

3. Ho: There is no significant difference in the management of expenses (which include commission and operating expenses) paid among different selected companies.
4. Ho: There is no significant difference in benefits paid among different selected companies.
5. Ho: There is no significant difference in income from investment among different selected companies.
6. Ho: There is no significant difference in surplus generated among different selected companies.
7. Ho: There is no significant difference in yield on investment of life fund among selected companies.
8. Ho: There is no significant difference in yield on investment of pension and general annuity fund among selected companies.
9. Ho: There is no significant difference in yield on investment of linked fund among selected companies.
10. Ho: There is no relationship between shareholders' wealth and capital among selected companies.
11. Ho: There is no relationship between shareholders' wealth and MV of AUM among selected companies.
12. Ho: There is no relationship between shareholders' wealth and policyholders' liability among selected companies.
13. Ho: There is no relationship between shareholders' wealth and reserve & surplus among selected companies.
14. Ho: There is no relationship between shareholders' wealth and claim among selected companies.
15. Ho: There is no relationship between shareholders' wealth and management of expenses among selected companies.
16. Ho: There is no relationship between shareholders' wealth and first-year Premium among selected companies.
17. Ho: There is no relationship between shareholders' wealth and renewal premium among selected companies.
18. Ho: There is no significant difference in the Conversion Ratio among selected companies.

19. Ho: There is no significant difference in Persistency Ratio among selected companies.
20. Ho: There is no significant difference in Claim Ratio among selected companies.
21. Ho: There is no significant difference in Retention Ratio among selected companies.

Alternative Hypothesis:

1. H1: There is a significant difference in new business premium collected among different selected companies.
2. H1: There is a significant difference in renewal premium collected among different selected companies.
3. H1: There is a significant difference in the management of expenses (which include commission and operating expenses) paid among different selected companies.
4. H1: There is a significant difference in benefits paid among different selected companies.
5. H1: There is a significant difference in income from investment among different selected companies.
6. H1: There is a significant difference in surplus generated among different selected companies.
7. H1: There is a significant difference in yield on investment of life fund among selected companies.
8. H1: There is a significant difference in yield on investment of pension and general annuity fund among selected companies.
9. H1: There is a significant difference in yield on investment of linked fund among selected companies.
10. H1: There is a relationship between shareholders' wealth and capital among selected companies.
11. H1: There is a relationship between shareholders' wealth and MV of AUM among selected companies.
12. H1: There is a relationship between shareholders' wealth and policyholders' liability among selected companies.
13. H1: There is a relationship between shareholders' wealth and reserve & surplus among selected companies.

14. H1: There is a relationship between shareholders' wealth and claim among selected companies.
15. H1: There is a relationship between shareholders' wealth and management of expenses among selected companies.
16. H1: There is a relationship between shareholders' wealth and first-year Premium among selected companies.
17. H1: There is a relationship between shareholders' wealth and renewal premium among selected companies.
18. H1: There is a significant difference in the Conversion Ratio among selected companies.
19. H1: There is a significant difference in Persistency Ratio among selected companies.
20. H1: There is a significant difference in Claim Ratio among selected companies.
21. H1: There is a significant difference in Retention Ratio among selected companies.

1.5.5 Selection of sample

At present in India, the life insurance business is undertaken by the public as well as private sector enterprises. There are 23 players in private-sector enterprise and only one player in public sector enterprise i.e. Life Insurance Corporation of India. The present study is exclusively based on these 23 private sector life insurance companies out of which 12 companies are identified on the basis of their establishment and net worth. These companies have been operating for more than 15 years and having the net worth of Rs. one thousand crores. Further, on the basis of their business (Premium) and market share, 8 out of the already selected 12 companies are identified for the present study.

The present study has used a stratified random sampling method.

Following are the selected private sector life insurance companies.

No.	Companies
1	HDFC Standard Life Insurance Co. Ltd
2	Max Life Insurance Co. Ltd
3	ICICI Prudential Life Insurance Co. Ltd
4	Kotak Mahindra Old Mutual Life Insurance Limited
5	Birla Sun Life Insurance Co. Ltd
6	SBI Life Insurance Co. Ltd
7	Bajaj Allianz Life Insurance Company Limited.
8	Reliance Nippon Life Insurance Company Limited.

Above eight selected companies have captured almost 80% of market share in terms of premium & policies. Therefore, they are considered as representatives of the entire private life insurance market in India.

1.5.6 Data Collection

The present study is conducted by collecting secondary data mainly from Annual Reports & Public Disclosures of selected companies, Annual Reports of IRDA & various IRDA Publications issued time to time.

1.5.7 Method of Data Analysis

The secondary data collected from the relevant sources have been analysed and interpreted using the following means.

1.5.7.1 Parameters in the Research

The overall objective of the study is to analyse financial management practices of private life insurance companies in India using parameters like operating efficiency, financial soundness, risk management and the most important- how private life insurance companies are managing their funds towards the settlement of a claim for policyholders (Assets under management) and meeting the expectation of shareholders (shareholders wealth).

1.5.7.2 Tools and Techniques Used

Based on the characteristics of data following financial techniques and statistical tools have been used.

- **Financial Techniques:**
    1. Ratio analysis: It demonstrates how to use financial statements to determine and comprehend numerical relationships.
    2. Percentage analysis: It is used for making a comparison between two or more series of data.
    3. Year on year growth rate and Compounded Annual Growth Rate (CAGR) analysis to measures the growth of different parameters year wise and after a specific period.
- **Statistical Tools:**
    1. <u>Descriptive Statistics:</u> It describes the basic features of the data in the study. In this regard Averages, Standard Deviation, Coefficient of Variance, Minimum & Maximum have been undertaken.
    2. <u>Normality Test of Data:</u> It determines whether the sample data has been drawn from a normally distributed population or not. Kolmogorov-Smirnova Test,

Shapiro-Wilk Test, Histograms, Normal Q-Q plots and Box plots have been undertaken in this regard.

3. Inferential Statistics: It gives generalise view of the population. One-way ANOVA, Independent Sample Kruskal Wallis Test and Post hoc study test, (Tukey HSD in case of One-way ANOVA) is used as a statistical tool in this study.
4. Data Dimensional Reduction Technique: Principal Component Analysis (PCA), one of the Data Dimensional Reduction Techniques which identifies factors/components with higher significance value is used.
5. Predictive Statistics: It is used to make predictions about unknown future events therefore, Pearson Correlation Coefficient and Multiple Linear Regression tests have been used.
6. Efficiency Test: In this study Data Envelopment Analysis (DEA) with output slack is the means to measure the relative operational efficiency.

1.5.7.3 Analysis of Data

In tandem of the design of present research, the collected data is statistically analysed by using Microsoft Excel and available statistical package for social science, SPSS version 21 software.

1.5.7.4 Diagrammatic Representation

The graphical and visual presentation is being done for enhanced clarity and understanding of the information inculcated from the analysis of the acquired data.

1.5.8 Profile of selected private sector life insurance companies in India

All selected companies are considered as representatives of the private industry, and they have captured almost 80% market share in all significant parameters of operation. The profile of each selected company has been summarized in tabular form as under in table 1.10. It is pertinent to note that these companies are operating in India for more than 15 years with different products and designs addressing the dynamics of need of customers. Life Insurers mainly emphasized on protection, saving and investments plans in which protection plans usually attract low premium rates and long-term risk coverage as is noticed in term assurance, whole life and others. Whereas saving plans may support the saving needs of customers via product design with profit and without profit plans. In with-profit policies, all source of profits shared with policyholders through the bonus. In without-profit plans guaranteed pay-out to the policyholder based on assumed investment return at the time of pricing, any excess profit margin will be received by the insurer. Endowment assurance, pension products etc. are examples of saving plans. Other investment plans include the ULIP plans under which direct link between investment returns and policyholder pay-outs exists in which insured will bear the investment risk, and insurers benefited through various other charges. Furthermore, below table 1.11 depicts major product and services of selected private life-insurers.

Table 1.10 (a) Summary Profile of Selected Companies as on 31st March 2017

No.	Particulars	HDFC	MAX	ICICI	KOTAK
1	Establishment	23-10-2000	15-11-2000	24-11-2000	10-01-2001
2	Year of Operation	2000-01	2000-01	2000-01	2001-02
3	No of Years Completed	16 Years	16 Years	16 Years	15 Years
4	Listed or Not	Listed on NSE & BSE	Not Listed	Listed on NSE & BSE	Not Listed
5	Headquarters	Mumbai	New Delhi	Mumbai	Mumbai
6	Foreign Partners	Standard Life (Mauritius Holdings) 2006, Ltd. U.K.	Mitsui Sumitomo Insurance Company Ltd. Japan	Prudential Corporation Holdings Ltd. U.K.	Old Mutual Plc, U.K.
7	% of Alliance with partners	34.94%	25%	25.80%	26%
8	No of Employees	14,800+	9,403+	12,397+	5,806+
9	No. of Offices	414	210	510	235
10	No. of Individual Agents	54516	54283	136114	96729
11	No. of Corporate Agents	57	23	23	34
12	Equity Capital as on (Rs. in Crore)	199848	191881	143535	51029
13	Profit/Loss after Tax (Rs. in Lakh)	89213	65993	168223	30327
14	Assets under management (Rs. in Crore)	1,28,863	72,517	1,51,191	29,728
15	Persistency of Policies (for 13 Months)	67	77	80.58	79

(Source: compiled from Handbook on Indian Insurance Statistics 2015-16 & Annual Reports of the selected companies)

Table 1.10 (b) Summary Profile of Selected Companies as on 31st March 2017

Sr.No.	Particulars	BIRLA	SBI	BAJAJ	RELIANCE
1	Establishment	31-01-2001	29-03-2001	03-08-2001	03-01-2002
2	Year of Operation	2000-01	2001-02	2001-02	2001-02
3	No of Years Completed	16 Years	15 Years	15 Years	15 Years
4	Listed or Not	Not Listed	Listed on NSE & BSE	Not Listed	Not Listed
5	Headquarters	Mumbai	Mumbai	Pune	Mumbai
6	Foreign Partners	Sun Life Financial (India) Insurance Investment Inc, Canada	BNP Paribas Cardiff, France	Allianz, SE Germany	Nippon Life Insurance Company Ltd. Japan
7	% of Alliance with partners	49.00%	26.00%	26.00%	49.00%
8	No of Employees	7,269+	12,051+	7,896+	9,000+
9	No. of Offices	452	801	638	746
10	No. of Individual Agents	82048	95355	77097	162276
11	No. of Corporate Agents	37	77	41	22
12	Equity Capital as on (Rs. in Crore)	190121	100000	15071	119632
13	Profit/Loss after Tax (Rs. in Lakh)	12282	95465	83626	-6113
14	Assets under management (Rs. in Crore)	44,319	1,49,175	75,719	26,711
15	Persistency of Policies (for 13 Months)	56	68.81	59.56	60.30

(Source: compiled from Handbook on Indian Insurance Statistics 2015-16 & Annual Reports of the selected companies)

Table 1.11 Major Products & Services of Selected Companies

Company	Major Products & Services
HDFC	Savings and Investments Plans, Health Plans, Cancer Care Insurance Plans, Children's Plans, Retirement Plans, Protection Plans, Group Plans, Women's Plans
MAX	Protection Plans, Child Plans, Group Plans, Growth Plans, Savings Plans, Retirement Plans, Online Term Plans, Claims Services
ICICI	Term Insurance Plans, Child Education Insurance Plans, Health Insurance, Critical Illness Insurance, Unit Linked Insurance Plans, Traditional Savings/ Money Back Plans, Retirement Plans, Group Plans, Rural Plans, Insurance Advisory, Premium Collection, Fund Switching, Portfolio Statement.
Kotak	All Life Insurance Plans, Protection Plans, Child Plan, Savings and Investment Plans, Retirement Plans, Insurance Riders
Birla	Protection, Health and wellness, Children's future, Retirement, Wealth with protection, Riders, Individual solutions, Group solutions, Rural solutions, NRI solutions, Children plan, Retirement plan, Health and wellness plan.
SBI	Individual Plans: Unit-linked, Child, Pension, Protection, & Savings plans. Group Plans: Group employee benefit retirement, Protection plans, Savings protection products, Group loan protection products, Microinsurance plans. Health plans and banking product packages: Housing loans, Personal loans. Services: Premium calculator, Tax calculator, Child education planner, Easy plan finder, NRI services, SMS based services, Premium payment procedure
Bajaj	Individual Life Insurance: Unit Linked Plans, Pension Plans, Traditional Insurance Plans, Term Insurance Plans, Child Insurance Plans, Retirement Plans, Additional Riders. Group Life Insurance: Group Loan Protector, Group Income Protection, Group Term Life Insurance, Group Annuity Plan, Group Superannuation Secure Plan, Group Gratuity Gold Scheme, Group Employee Benefit Plan, Micro Insurance.

Company	Major Products & Services
Reliance	Protection Plans: Term Plans, Simple Term Plans, Special Term Plans, Credit Guardian Plans, Special Credit Guardian Plans, Endowment Plans, Whole-Life Plans, Cash Flow Plans, Healthcare Plans, Pension Plans, Savings, and investment plans: Cash Flow Plans, Endowment Plans, Life Insurance Plans, Child Plans, Employers Liability Solutions, Employee Protection Solutions, Group Saving Solutions

Source: Compiled from Timetric - Global Data (GolabalData., 2020).

1.5.9 Outline of the study

The study consists of seven chapters covering the aspect of financial management practices of selected private sector life insurance companies in India for the period under consideration.

I. Introduction:

This chapter gives an overview of the life insurance industry from inception to modernisation in which evolution phase, growth, and regulatory updates during the pre-nationalisation phase (before 1956), post nationalisation phase (1956 to 2000) & post-liberalisation phase (2000 onwards) has been discussed. It is followed by research methodology and a brief profile of selected companies.

II. Review of Literature:

This chapter will analyse the literature already available on the study topic in order to identify research gaps. Books, compendia, theses, dissertations, study reports, and articles published by academicians and researchers in various publications, among other things, are included in the literature.

III. Operating Efficiency Analysis

This chapter has been divided into two parts: the first part mainly emphasises on the growth of significant parameters of business operation, and the second part focused on operating efficiency undertaking all 23 private life insurance companies. However, more emphasise has given to 8 selected companies.

IV. Evaluation of Financial Soundness

Financial soundness is the outcome of financial management. The chapter has analysed the financial soundness of selected life insurers using financial soundness indicators in the form of CARAMEL framework and evaluated factors contributing to financial soundness.

V. Analysis of Assets Under Management

This chapter has analysed and understood financial management practices as regards investment pattern and the yield on investment. It has also assessed and evaluated the impact of financial management practices on shareholders' wealth, considering AUM as a key factor.

VI. Risk Management

This chapter attempts to describe risk management practices as regards various risk exposures in the context of regulatory risk management prescriptions. Different types of risks faced by the insurers and policies adopted for mitigation of risk by insurers have discussed with the key indicator ratios.

VII. Conclusion, Findings & Suggestions

This chapter has summarised significant findings and based on the results; meaningful recommendations have given to their stakeholders. The chapter has also presented summative statements, conclusion and SWOT analysis of selected companies, followed by the future scope for the study.

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