Preface

Recent years have heralded a period of unprecedented changes in the Indian financial sector. Following the reforms in the banking sector and stock market, reforms in the insurance sector was introduced in 1999, which was a part of the overall financial sector reform. Insurance is very important for any economy and it is especially important for country like India as it works as an important vehicle of savings for the economy for longer period of time. The development of insurance and the overall spread of insurance are also important in India where there is an absence of any significant state welfare benefit for the people. People need to make provisions for their future financial eventualities and insurance can provide that benefit to the people. The low level of insurance penetration, higher premiums, less attractive products along with the monopolistic approach of the state life insurer has been highlighted in the Malhotra Committee report and the opening up of the insurance sector has been advocated.

The controversy that erupted thereafter was due to the concept of the liberalisation of the insurance sector. It is the same genus of motivation for which the nationalisation of life insurance business was propagated in 1956. Considering that the insurance industry in India evolved in 1818, the common people are not fully acquainted with the main features and development of the life insurance industry, a short historical review of the Indian life insurance industry has been briefly carried out with out eliminating key milestones achieved by the industry as this will serve as a background to explain the current liberalisation judgment. The journey of the Indian insurance industry from *private sector to nationalisation and again back to the opening up of the* insurance industry to the private players has been quite exciting.

After a long debate, among pro-reformists and anti-reformists, the insurance sector finally opened to the private and foreign equity in India in 2000 with the passing of IRDA Act, 1999. India is also a signatory member of WTO which advocates the opening of boundaries for international trade. The opening up of the life insurance industry has been discussed on the basis of Malhotra Committee report and on the arguments relevant to Indian context.

Since the opening of the Indian life insurance market 21 life insurers are operating in the market. After few years of open market in the insurance sector this study will highlight the basic issues and try to find out the answer whether the reforms have benefited the Indian insurance sector, life insurance sector in particular, since the life insurance sector is the major part of the total insurance market in India.

It was argued that the opening of the life insurance sector would bring range of products before the consumers and competition will bring down the premium rates in the market which will ultimately improve the life insurance penetration in the country along with per capita life insurance consumption. In this study we tried to focus on the benefits gained in the post reform period by the consumers in respect of product choices, price dispersions, and payment options along with extra benefits and try to see how much the new policy has improved the penetration and density level in India.

Life insurance generates huge amount of saving from the common people and the use of those funds at their optimum level is very important for the life insurance companies itself as well as for the society. This is also important to maintain the liquidity and the solvency of the industry to settle the claims against them. Therefore, prudent investment regulations in this respect have been evaluated in this connection. This study also examined the post reform savings behaviuor of the Indians when new customized life products are available in the market.

The life insurance sector is also expected to emancipate certain rural and social obligations. The present obligations of the life insurers in this respect along with the future requirement and other needs have been discussed in this work.

Experience from the countries where the reforms initiated earlier, such as developed countries and few developing countries, shows that the role of an independent regulator is very important for the regulating and development of the industry. This study, therefore, discussed the role of IRDA in Indian conditions and found that IRDA prescribed rules and regulations from time to time to regulate the insurance industry and for the overall development of the industry in our country. In certain cases it has taken steps to protect the interest of the common investors.

In dealing with the benefits of the insurance sector reforms in India, we tried to build a composite index to quantify the life insurance reforms as there are no standard measures available which can measure the life insurance sector reforms in India. This is the first of its kind in India to assess the life insurance sector reforms quantitatively. We used the VAR and VECM to assess the life insurance sector reforms in India and found that the life insurance reform does affect the development of the life insurance industry and both have a long run relationship.

In dealing with the perception of the common people towards the new private domestic and foreign life insurance companies and also the future expectations from these companies, we constructed a questionnaire and collected the primary data through field survey.

After the introduction of the new economic policy, the Indian economy has witnessed a radical transformation in its structure. The share of agriculture in GDP has gone down and the share of services sector improved considerably. The implementations of new economic policy have improved the GDP for the last few years consecutively in and around 8%. This has improved the per capita income of the country. Rural India has also improves its earning from agricultural and non-agricultural incomes. On the other hand, rural people migrated into the urban areas for better job and earnings. The most important change has been seen in the demographic pattern of Indians. The average Indians are young and the rising of middle class peoples in India are acting as a catalyst in the post reform development in India. Under these circumstances this study also tried to find out the determinants of demand for life insurance in India in the post reform era.

The main problem we faced was that the dearth of data as the reforms in the life insurance sector started in 2000 only. Due to time lag in publishing official data, we have considered data up to financial year 2007-2008. The present study is expected to provide a brief overview on the overall impact of these reforms measures on the life insurance sector and answer the questions regarding the viability of the life insurance sector reforms in India and assess the present Indian life market. The findings and the suggestions of this study will be useful for the policy makers, leaders, potential insurers, researchers, academicians along with the general readers who are interested in the life insurance sector.

Amlan Ghosh.

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