

Chapter II
HISTORICAL BACKGROUND OF INSURANCE BUSINESS
IN INDIA

2.1: Ancient concept of Life insurance in India

The need for security against risk or any uncertainty is one of the basic motivating forces to develop the concept of insurance in this world. The urge to provide protection (insurance) against the loss of life and property must have induced the people to make some kind of sacrifice (premium) willingly in order to get the security through “collective co-operation”. The Aryans had evolved a system of village and community life, which was proof against the depredation of time and gave sustenance to everyone. A reference is available in the Rig Veda as stated by F. J. McLean in his book *‘Human Side of Insurance’*. It is stated that the Sanskrit term **‘Yogakshema’** (means well being) in the Rig Veda was practiced by the Aryans in India nearly 3000 years ago. The ‘Manu Smriti’ also supports the system of “collective co-operation” as practiced by the Aryans¹.

The Indian social system, guided by its basic philosophy of benevolence, gave the birth of joint family system where all the family members stay together and share every eventuality. The joint family system is the basic unit of Indian society. For ages, joint family system, in India, continued to provide adequate protection to all its members. Education and marriage of children, taking care of old and infirm members of family and unfortunate widows were the main responsibilities of all the members of a joint family. The basic objective of life insurance, viz. taking care of financial needs of a family in case of premature death of the principal wage earner, provision for the old age, are fully taken care of by the system of joint family mechanism. We can term the joint family system as a little insurance concern that take care the members of the respective family members. Apart from the system of joint family, the caste system, temples also used to provide protection to a person and/or dependants in times of need. Various systems prevailed in different parts of India but the underlying idea was the same – ‘Yogakshema’, that is, the idea of welfare including the idea of prosperity and happiness.

2.2: Modern concept of insurance in India (1818-1870)

As the time progresses, the system of joint family gradually came under pressure with the rapid industrialization and urbanization in India. Now individualistic approach towards the

family has evolved. The responsibility, which was previously shared by the all-family members together, now came upon to an individual himself. Now an individual himself has to look towards the security of his own and his family and property in the time of eventualities. It is, perhaps, against this background the concept of life insurance in its modern form came to be accepted in our society.

Until the 19th century, the Indians were unaware of the advantages and the utilities of life insurance and there was widespread superstition among the people that to insure one's life was to court death. In local languages, life insurance is often termed as '*registration of death*'. The influence of Islam too, was against the usage of life insurance. The process of political and military dissolution of Moghuls that set in after Aurangzeb's regime was completed with the rise of East India Company. In the vacuum created by such dissolution, the western social, religious and educational ideas, which the British introduced in India, took the deep roots of the soil and its people. The spread of western education and ideas helped the political and spiritual resurgence in the country. The new ideas led to the changes in social, political and economic outlook of India and Indian people and that led to the establishment of modern institution in the field of banking and insurance. The first plan to form an insurance organization in India was proposed at the governmental level. Sir John Child, who was the governor of Bombay (1681-1690), was instructed by the Court of Directors of East India Company "to constitute an insurance office on the (Bombay) island", but the reason/s behind such suggestion was not known though the earliest known insurance company was "Bombay Insurance Society"³.

The life insurance in its modern form came to India in **1818**, with the establishment of the **Oriental Life Insurance Company** to provide life insurance to English widows only at Calcutta (now Kolkata). The venture of this first life insurance company was not quite successful and it was re-formed in 1829 and again in 1833 when many agency houses of Calcutta fell⁴. Prince Dwarkanath Tagore took the responsibility on his shoulder to re-organize the Oriental Life Insurance Company in the year 1834. The other two men who took an active part in the development of the company were Ramatanu Lahiri and Rustomjee Cowasjee.

Most of the early attempts to form insurance offices were in the province of Bengal because of its political and economical importance at that time. The head office of the East India Company was at Calcutta. Bombay and Madras, now Mumbai and Chennai respectively, were the other places where the English had their early settlements due to the spread of business activity of East India Company. On May 1, 1823, several entrepreneurs in Bombay started "**Bombay Life Assurance Company**". According to the Insurance Encyclopedia by C. Walford, the Bombay Life Assurance Company did not issue whole life policies and its main business was to offer short-term protection⁵.

"**Madras Equitable**" was founded in the year 1829 at Madras. This company was started by Messrs Arbuthnott and Co. to insure lives of British officers. Few people have referred to Madras as "*the birthplace of insurance*" as the company was the first in the country to issue regular life policies. There were few foreign insurance companies, which started operation during this time also. Prominent amongst the companies that came to India are '**The Universal Life Assurance Company**', '**Medical, Invalid and General**', and the '**Colonial Life Assurance Company**'.

The Universal Life Assurance Company established in England in 1836 and started its operation in India in 1840. This company enjoyed a long tenure of success until it was taken over by the '**North British**' in 1901. The Colonial Life Assurance Company established in 1846 mainly to extend the full benefit of life assurance to the colonies of Great Britain and to India. The company appointed agents with local board at Calcutta, Bombay and Madras. Later this company was taken over by the '**Standard Life**', '**The Medical, Invalid and General**' established in London in 1841 and extended its work to India. Later it absorbed the '**Agra Life**' and in 1853, it took over the '**New Oriental**'⁶.

We can get the, the then, story of life insurance industry in India from the Insurance encyclopedia of C. Walford and to quote "'*Bombay Life Assurance Company*' was founded in Bombay on May 1, 1823.' *Madras Equitable*' was founded in 1829. '*Madras widows*' was started in 1834. '*Medical Invalid and General*' was established in the United Kingdom in 1841 and soon started operating in India. It took over '*New Oriental*' in 1853. It also took over '*Agra*

Insurance Company', 'Family Endowment and Indian Laudable'. The entire amalgamation of these five companies was absorbed in the 'Albert Life Insurance Company' in 1860, which went into liquidation in 1869"⁷.

By 1870, there were nearly fifteen companies operating in India, out of which seven were established in India and eight foreign companies with their head offices in Great Britain. Until 1870, the life insurance coverage was only extended to the lives of Europeans and/or their descendants born in India. The premium charged by these companies were not the same as in England as the high mortality rate due to residence in India and perhaps due to the absence of proper mortality data. Until 1870, Indians were subjected to great discrimination when being insured, just as the then ruler unequally treated them in all other matters. Indians denied insurance because their lives were considered risky, sub-standard and sometimes value less. When some Indians were insured, though the numbers of such cases were very low, their lives were accepted with exorbitant extra premiums⁸.

The development in this sector between 1818 and 1870 was the stepping-stone for writing life business in India and gave the direction towards the promotion of Indian life insurance companies. Indian insurance companies were not governed by any act until 1866 and later it was covered under the Indian Companies Act, which was passed in 1866 by the then Government.

2.3: Era of Indian companies (1870-1900)

As the Indians are not entitled to insure their lives by the then insurance companies and even though few have accepted that too with extra premium amount. Indian lives were considered risky and sub-standard and loaded with 15 to 20 percent extra premium. This discrimination led to the demand to treat Indian lives at par with the British. We should also note that the role of social reformers to the development of life insurance was commendable. We can highlight the contribution made by Raja Ram Mohan Roy, who rose in revolt against the practice of 'SATI', tried to motivate rich and influential natives to start life insurance institution through



the columns of newspapers with which he was associated. He wrote in "SAMBAD KAUMUDINI" in 1821, to quote,

*"There has been a fund established by the Laudable Society called the Civil and Military Widows' Fund, for the purpose of supporting the children of deceased, both of civil and military services, but there is among Hindus no provision for the maintenance of poor widows..... To remedy this, if two or three respectable native gentlemen were to institute a life insurance, this would be most advantageous to people to narrow circumstances"*⁹.

During the period of 44 years from 1824 to 1868, was marked by rapid development in the insurance sector in England where 285 life insurance companies were formed. During the decade following 1860, a large number of indiscriminate amalgamations took place in England and India. Due to the bad selection, bad management along with few other reasons 174 companies ceased to exit the business. The failure of Albert Life Assurance Company in August 1869 had far-reaching consequences in the world of life insurance business. The Albert Life Assurance Company was formed in 1838 and it had absorbed 26 other life insurance companies, of which five companies were from India. The failure of the Albert Life Assurance Company along with others led to the passing of the "**Life Insurance Companies Act, 1870**", by the British parliament¹⁰.

The progress in the life insurance sector in England was closely watched in India and the demand for the state controlled insurance company to insure the lives of the citizens of India rose. Nevertheless, Government turned down the demand of Indian people on the following grounds. In the first place, the Government did not have the adequate statistical information regarding the mortality of Indian lives and European statistics can not be used to operate insurance business in India. Secondly, it was stated that it was not possible for the Government to operate other parts of India except the presidency towns, thereby, making the insurance operation uneconomical and unjustifiable for the state as it would increase the expenses of the Government. It was also stated by the Government that the Indian themselves did not want insurance. This led to the development of an India insurance company that will insure the Indian

lives. To quote the silver jubilee souvenir published by the Indian Life Assurance Offices Association (ILAOA):

*"Notwithstanding the opinion of the government of India, some influential citizens of Bombay decide to form Indian companies themselves, so that the controlling of business would remain in their own hands instead of the speculative promoters in England. They also intended to accept Indian lives freely on the same rate as the European lives in India"*¹¹.

To quote from C. Walford's Encyclopedia: *"On 3rd December, 1870, G.A. Summers, Asstt. Registrar, Bombay High Court, gathered six of his personal friends around him and the seven earnest men, seven willing pockets, just seven rupees for initial expenses gave shape to a plan offering insurance without the risk of ruin and the **Bombay Mutual Life Assurance Society (BMLAS)** came into existence"*¹².

After the Bombay Mutual Life Assurance Society (BMLAS), the next insurance company that came into operation was '**Indian Life Assurance Company Ltd**', in the year 1871 with its head office at Meerut. This could be found out from the Director's report of the 'Bombay Mutual', for the year 1876, which states, *"one member who had applied for a policy of Rs. 10,000 has been reassured in the Indian Life Assurance Company Ltd. for a period of five years to the extent of Rs. 5,000."*

After the plea of Raja Ram Mohan Roy toward the natives of Indian to form an insurance company, another great social reformer and educationist, Pandit Ishwar Chandra Vidyasagar founded the '**Hindu Family Annuity Fund**' in June 1872 in Calcutta². This insurance company was formed mainly to cater the financial needs to Hindu widows and orphans through annuities. The rules of the fund, printed in 1872, stated *inter alia*; *"that the object of the fund shall be, by voluntary donations and by subscriptions, to provide for the maintenance of parents, widows and children and other relatives of Hindu inhabitants of Bengal proper, who shall subscribe to it..."*¹³.

The next most important Indian life insurance company was the '**Oriental Government Security Assurance Company**', which was established on May 5, 1874 in Bombay by a

distinguish actuary Mr. D. M. Slater. The first and foremost importance of this company was to make genuine effort to provide security to policyholders and re-established their faith in insurance by making most of the investments in Indian Government Securities and doing so, keep the management and the funds in the country under local controls. This company made a modest effort to reach insurance within the reach of Indians by placing Indian lives at par with the English lives in this country. In the later years, this company emerged as leader in the insurance business in India¹⁴.

Some citizens of Goa, who were settled in Karachi, promoted an insurance company in 1892 named '**Indian Life Assurance company Ltd.**' in Karachi. Mr. M.C. Duarte was the secretary and the company was set up to provide the insurance services on the scientific basis. The Indian Life was acclaimed as one of the leading sound Indian life insurance companies¹⁵.

Nearly up to the end of the 19th century, foreign insurance companies enjoyed some kind of monopoly and Indian proprietary insurance companies were up against this stiff competition. On the other side Indians had faced unfair discrimination in the matter of premium rates charged to them. Indian lives were insured with extra premium up to 20 percent which was a common practice¹⁶. This has provoked many Indians. The feeling of this resentment was quite strong as we could see from the declaration from Lala Harkishenlal, who declared: "*Never in Punjab will we allow the Britishers to treat Indians with a difference. When we take up insurance we will do so on equal terms*". Lala Harkishenlal, '*the Napoleon of Indian Finance*' launched the '**Bharat Insurance Company**' at Lahore (now in Pakistan) in 1896 with a number of influential natives¹⁷.

Another milestone was achieved in the life business sector in India when the alliance between the orient and the Occident took place and a new company "**Empire of India**" emerged in the year 1897 at Bombay. Earnest Frederik Allum and Rustomji Bharucha were the main architects behind the creation of Empire of India and the key characteristics of this company were the liberal policy conditions and relatively low rates of premiums¹⁸.

2.4: Foreign life insurance companies (1870-1900)

As a result of the spread of the English educational system in India, a new middle class was coming into existence. This huge section of enlightened middle class developed the insurance demand in the later years. At the same time, small and useful societies were born to support the need of this section of people. This situation led to understand that the demand for life insurance among the people were alive. The vast field of life insurance market in India, due to the very small number of insurance service providers, a number of foreign insurance companies attracted and they came here with rapid succession. Again, the fascination of the local population for the foreign companies also drove the demand for foreign insurance companies in India.

The following are the companies, which came in early stage of the insurance business in India.

- ❖ **'The Commercial Union Assurance Co. Ltd.'**, established in the United Kingdom in the year 1861 and the company extended its operation in India in 1870.
- ❖ **'City of Glasgow'** established its first office in Calcutta in 1881. This was the only company and first in India to charge Indian people and European people with the same rate of premiums.
- ❖ *The largest insurance company in the world, 'Equitable Life Assurance Society of New York'* of America started its operation in India in the year 1882.
- ❖ Another American company, the **'New York Life'** came to India in 1885.
- ❖ The next insurance company to appear in the Indian market to write business was the **'Sun Life Assurance Company of India Ltd.'** of England in the year 1891.
- ❖ The **'Sun Life Assurance Company of Canada'** commenced its business operation in India by opening up an agency in Bombay, in 1892.
- ❖ *The next year (1893), India witnessed another two foreign companies opening their business units. The names of those two were, the 'Gresham Life Assurance Society of England' and the 'London and Lancashire'.*

The development of other foreign companies operating throughout the India was same and they generally offer insurance to their fellow citizens and selected Angliscised Indians, but they

were reluctant to issue life policies to natives of India, as they were considered risky and substandard¹⁹.

2.5: Swadeshi Movement and development of life business in India

The educated and the progressive classes were the first to understand the benefit of insurance and the major share of insurance business used to go to the foreign companies. Up to the 19th century, the insurance business in India were dominated by the foreign insurance companies and the premiums collected through the insurance business were credited outside the country instead of being utilized and invested in India to promote the growth. Nationalist movement in India had a great impetus in the development of insurance industry. With the dawn of 20th century, the glorious renaissance of the Swadeshi Movement of 1905, the Non-cooperation movement of 1919 and the Civil Disobedience Movement of 1929 were the landmark in the history of development of insurance industry as these movements were responsible for generating the spirit of Indianness among the Indians. Referring to this spirit Lala Lajpat Rai appealed to the Indians to adopt the motto "**Be Indian and Buy Indian**". The movement of boycott the British product and insurance from foreign companies to stop the drain of national resources, well to do Indians realized the potentiality of Indian business. This movement gave birth of several Indian insurance companies in India to serve the needs of Indians and to meet the aspirations of all Indians in the light of national integrity²⁰.

The Swadeshi Movement found its concrete expression in Madras with the formation of the '**United India Life Assurance Company**' in the year 1906. The M/s. Lingam Brothers floated this company and it was controlled and managed by exclusively by the Indians. The objective of this company, as stated in its memorandum of association "providing the poorer and middle class people life assurance at a moderate cost".

As the centre of all nationalist movement and economic activity, Calcutta was also witnessed formation of few Indian insurance companies in the line with the spirit of Swadeshi Movement. The '**National Insurance Company Ltd.**' founded by Sri Pannalal Banerjee in the year 1906. The company was known for its steadiness and consistency and had no craze for new

business to be secured at any cost. The slogan of the company was "*National is the Nation's own*". Another great life insurance company, '**Hindustan Co-operative Insurance Company**' was established in one of the rooms of the Jorasanko house of the great poet Gurudev Rabindranath Tagore at Calcutta in 1907. The main objective of this company was to offer the service of insurance for the development of country's economy by collecting and mobilizing the small income and small savings of India. The story of success of '**Hindustan Co-operative Insurance Company**' can best be seen by the words of Gurudev Rabindranath Tagore, on the occasion of its Silver Jubilee celebration on February 13, 1934 and he said:

"It gives me no little pleasure on the occasion of this Silver Jubilee, to look back on the day when the infant institution with the then ambitious-sounding name Hindustan Co-operative Insurance Society had its birth in one of the rooms of my house in Jorasanko. The reason why I was tempted to do what little I could to help in ushering it into the world was my own strong faith in the principles embodied in its constitution. When over 25 years ago, the scheme of this Insurance Society was laid before me, a picture of the long and arduous road that needs must be traversed by such an institution, flashed vividly through my mind. But it was this very difficulty of achievement that chiefly attracted me to its programme and the other attraction was the strangeness of the spectacle that it conjured up of our Bengali Countrymen thus banding together to organize a vast wealth-producing organization on upto-date lines"²¹.

The wave of Swadeshi Movement also reflected in the sea shore of Bombay. Sir Lalubhai Samaldas, a business magnate of Bombay, established another life insurance company from actuarial and statistical point of view on March 4, 1908. As the company owed its origin to the Swadeshi Movement, it is named after the same as '**Swadeshi Life Assurance Company**'. The company got the momentum in its business when the movement was in full swing as it was related to the sentiments of common Indians. But due to the development in the political activity and the heavy crack down on the movement by the then government the company received complaints from some of its chief agents that they were not able to secure enough business as people were afraid that they might be shadowed by the police if they insured their lives with a Swadeshi concern and request to change the name of the company. Later the management changed the name from '**Swadeshi**' to '**Bombay Life**' in 1913²².

The Swadeshi movement not only gave the birth of Indian life insurance companies in large cities, it also encouraged other small cities to develop new insurance companies. Ajmer of Rajasthan was one of them. There was no insurance company founded in the whole Rajasthan at that time when '**General Assurance Society**' was formed in July 1907. During these time country was witnessed launching of two other successful companies: the '**Co-operative Assurance**' at Lahore in 1906 (later this company was shifted to Amritsar in Punjab) and '**India Equitable**' of Calcutta in 1908²³.

Quite a few numbers of India life insurance companies were formed during the first decade of the 20th century. The prominent name out of those companies were '**Asian**' founded in Bombay in 1910, the '**Arya**' in Assam, 1910, the '**Methodist Annuitant**' in Madras, 1911 and the '**Unique**' in Bombay in 1912²⁴.

The overall scenario of Indian life insurance industry was at the end of the first decade of the 20th century was that about fifty small life insurance companies issuing new policies mostly of endowment assurance to the amount of Rs. 6 lakhs each on average. Companies invested bulk of its income in the government securities earning interest at the rate of 4 to 5 percent per annum. These companies were faced the stiff competition from the foreign companies. The fact was that during the same time the influxes of foreign companies were also in high. The prime reason behind the formation of foreign companies in Indian soil was that the funds contributed by the policyholders in India were used elsewhere and the Indian policyholders had practically no voice in the investment, safety and security of the funds and in the management of the companies. Foreign companies continued to establish themselves in large numbers with the collaboration of the existing companies operating in India and the support of European population residing in India along with the Europeanised section of Indian society who were mostly elite class and educated. At the beginning of the 20th century, two Scottish companies started their operation in India. Firstly, the '**Scottish Amicable Life Assurance Society**' commenced writing its business in Calcutta in 1902, and secondly, the '**Scottish Union and National Insurance Company**' started its business in 1905.

The 'Liverpool Victory Insurance Corporation' of England also started operation in India in the year 1906. according to the Indian Insurance Manual, 1907, the other foreign insurance companies operating in India were: 'English and Scottish Law Life', 'Law Union and Crown', 'Northern Assurance', 'Provident Life', 'Scottish Metropolitan', 'Star', 'Royal Exchange Assurance', 'Alliance Assurance', 'Atlas Assurance', 'London Assurance', 'National Mutual of England', 'National Mutual Life Association of Australia', 'China Mutual', and 'Norwich Mutual Life Insurance Society'²⁵.

Table 2.1: No. of Life Insurance Companies: 1870 – 1912

	Promoted	Exited	Remained
Indian Companies	58	28	30
Foreign Companies	30	21	09
Total	88	49	39

Source: G R Desai, 1973, Life Insurance in India: its history and dimensions of growth.

2.6: First Insurance Legislation (1912)

Prior to 1912, there was no regulation/s that could regulate the insurance business in India. All the insurance business was governed by the Companies Act, passed in 1866 by the government that cover all the companies, including insurance companies. In India, due to some lucrative benefits (discussed earlier) foreign companies was mushrooming along with the Indian companies which were formed mainly to serve the Indians at par with the Europeans in the spirit of nationalist movement. Five of the eight in Bombay, four of the five in Madras, six of the seven in Punjab and eleven of the fifteen life insurance business offices of Bengal, all were established during the tenure of 1903 to 1912, went into liquidation. Most of these insurance companies were promoted by the new middle class people who were trained professionals but lack of experience in promoting and organizing business institutions and lack of business acumen made them unsuccessful at the test of practical business. On the other side, along with the life business, there was huge development of small Provident Societies (provident fund

companies were the pension funds) to cater the needs of small income groups. Many of the societies come up in the wake of the Swadeshi Movement. These provident societies worked on dividing principle that had inherent defects in it and the societies were bound to fail in fulfilling the long-term objectives of the society itself²⁶.

In the world scenario, it was the time when other countries were enacting legislation to regulate the insurance business. We can highlight the case of America in this regard. A comprehensive Insurance Act was passed, following an enquiry into the *working of life business, in the state of New York in America in 1906*. A need was felt to check and regulate the operations of life businesses, so that the business can act on sound actuarial principles. The British parliament had passed an act (British Assurance Companies Act) in 1909 to this effect. In India too, two sets of legislations were passed in the year 1912: the '**Indian Life Insurance Companies Act**' and the '**Provident Insurance Societies Act**'. The passing of these two acts in 1912 was an important landmark in the progress of life insurance industry in India.

The main features of those acts were as follows:

- These were the first legislations that specifically made to regulate the life insurance business in India;
- These acts were only meant to control and regulate the Indian insurance companies and not for the foreign companies, which were operating in India *though the model used in these acts, were the same as the British Act of 1909.*
- These acts did not include the general insurance business in India.

The Indian Life Insurance Companies Act, 1912, brought in some measures to control over the life business in India by the Indian companies by requiring that an actuary should certify their rate tables and periodical valuations. The act made it mandatory to submit certain returns in a schedule form to the office of the Government Actuary. The new law also required that the Indian companies make deposits with the government, but foreign insurer were exempted on the basis that they carried on

insurance business in Britain and complied with the provisions of the '**British Assurance Companies Act**' of 1909²⁷.

The Actuary to the Government of India published the first report of the insurance companies in 1914. The report had some interesting information about the life insurance companies then operating. The report pointed out that the several Indian companies, which were operating on actuarially unsound basis, had either to drop such schemes or to modify those to conform to the actuarial requirements. The Indian life companies, which were paying dividends irrespective of profit, were stopped from declaring dividends except out of actuarially ascertained profit. Few foreign companies were also stopped writing life business in India due to the avoidance of the submission of reports to the Government. The first insurance yearbook also mentioned the names of 13 Indian life insurance companies that did not make the deposit requirement by the Insurance Act²⁸.

2.7: The World War I (1914-18) and Life Insurance in India

With the passing of the Insurance Act, 1912, many foreign and Indian companies stopped writing business but the act did not deter those people who had urge, self-confidence and business acumen to succeed from starting a new life business in India. The very next year of the passing of the said act, two life insurance companies were formed—'**The Western India Life Insurance Company**' at Satara and '**The Industrial and Prudential Life Insurance Company Ltd.**' in 1913²⁹.

The year 1914 saw the beginning of the World War I, which had a disastrous effect on the Indian economy. Although the trade and industry recovered quickly by exporting goods to alternative markets and foreign goods were imported from neutral places otherwise substituted by local production. Economy was revived through the setting up of new factories and producing more goods and the war profits were ploughed back into industry. Indian industries were pulled back to its 1913 level. However, it was a bad period for Indian banking and the insurance industry which faced its repercussion. This was evident from the fact that in 1914, forty-four insurance companies wrote Rs.

3.20 crore of new business in India while two years later the same number of offices wrote only Rs.1.75 crore. The Year Book, 1917, stated: *"the summaries of the Indian companies showed a continued shrinkage in the new sum assured. It is, however, satisfactory to be able to state that many of the returns now being received show a marked recovery. Notwithstanding this new business, the total amount of sum assured remaining in force shows a decrease of only 3 percent. It is satisfactory to find a considerable decrease in the expense ratio, although this is partly due to the smaller amounts of new business transacted. Notwithstanding the decrease in funds, it is satisfactory to find that the amount of interest income had increased considerably. This is very important consideration in view of the fact that Indian companies issued mainly Endowment assurances and under that class of policy the principal source of profit is generally surplus interest"*³⁰.

Only two life insurance companies were formed during the World War I in India. These two were the '**Zenith**', established in 1916 in Bombay and the '**G.I.P.R. Employees' Fund**' in 1917. Four other companies were also formed during the same tenure but went to liquidation. During the World War I, the average size of Indian insurance companies was small and the average amount of new life business was between Rs. 4 to Rs. 7 lakhs.

The boom that was seen in the Indian insurance market in 1913 temporarily slowed by the sudden eruption of the World War I. However, the War showed, to the people of India, the urgent requirement of building up its own self-sufficient and balanced economy. The development of indigenous insurance became the main forefront of economic spirit. Many Indian industrialists came forward to establish new companies and the lead was taken by the house of Tatas. Realizing the need for an insurance company which catering the general insurance business, Sir Dorab Tata formed the '**New India Assurance company Ltd.**' in the year 1919. Another general insurance company was formed in the same year was the '**Jupiter General Insurance Company Ltd.**' which started its life business in the year 1928. In 1919, as many as nine companies were established in the field of general insurance, later they started operating life business. Out

of nine-business unit, eight were formed in Bombay and rest one was in Calcutta. Besides New India and Jupiter, the other companies were the '**Universal Fire and General**', the '**Vulcan**', and the '**British India**'³¹.

From political perspective also national leaders patrons the setting up of insurance business in India. Mahatma Gandhi in his speech said, "*It is the duty of every Indian to support only Indian insurance. The keynote of our Swaraj is in placing all our insurance with our Indian companies*". Again, Pandit Jawaharlal Nehru stated, "*I hope Indians will realise the importance of patriotism only through Indian insurance institutions*". Thus, to extricate the Indian economy from the domination of foreign companies, Indian insurance became a national issue³².

With the help of Pandit Motilal Nehru and Lala Lajpat Rai, Pandit K. Santhanam started the '**Laxmi Insurance Company**' in the year 1921 when the non-cooperation movement under the leadership of Mahatma Gandhi turned the nation into a mass movement against the ruling government. With the initiative of Dr. Pattabhi Sitaramiah and other enlightened, enterprising and patriotic gentlemen founded the '**Andhra Insurance Company Limited**' at Machilipatnam in 1925³³.

During the decade following 1928, the promotion of life insurance business offices continued to be almost a trend and companies were promoted in haphazard manner. The hasty growth of life insurance companies in India in the spirit of nationalist movement, limited the space available for writing business of the foreign life insurance companies. However, three life insurance companies from three different countries entered into the Indian market. '**Allianz and Stuttgarter Life Insurance Bank**', a German company established in 1889, was the first to operate in India in the year 1929. The next was the '**Crown Life**' of Canada, established in 1900 at Toronto, to enter the Indian market in 1930. The only Swiss company entered the Indian life market was '**Winterthur Swiss Life**' in 1932. The first *Insurance Year Book* was published in the year 1914, gave the figure of Indian life business-in-force at Rs.22.44 crore. According to the Insurance Year Books from 1914 to 1938, the promotion of life companies, during the

next twenty-five years, rose to 176 from 44 in 1914. In 1938, out of 176 companies only 22 companies could cross the Rs. 1 crore mark in respect of business-in-force and the new business written of almost hundred companies were less than Rs. 5 lakhs each in that year. This unhealthy growth was harmful to the interest of policyholders and insurance business in India³⁴.

Table 2.2: No of Life Insurance Companies: 1929 – 1939

	Promoted	Exited	Remained
Indian Companies	176	60	116
Foreign Companies	05	2	03
Total	181	62	119

Source: G R Desai, 1973, Life Insurance in India: its history and dimensions of growth.

2.8: Development of insurance acts in India

The Indian Life Insurance Companies Act, 1912, brought in some measures to control over the life business of the Indian companies by requiring that an actuary should certify their rate tables and periodical valuations. The law also required that the Indian companies make deposits with the government, but foreign insurer were exempted from this provision. Thus, the said act made a clear discrimination between Indian and foreign companies. Indian insurer were demanding to amend the existing laws to bring the Indian and foreign companies at par. Public bodies, commercial associations along with the national leaders rose the issue in various platforms and were demanding amendments into the law. In 1924, many national leaders like, Deshbandhu C.R.Das, Pandit Motilal Nehru, Lala Lajpat Rai and others were the members of the Assembly and the Legislative Councils, where they fought against the discrimination of Indian insurance industry and drew public attention on this issue.

Due to the demand from different section of the country, the Government introduced a comprehensive bill in the Assembly in 1925. However, this bill was

deferred, as the out come of the investigation, to make British Assurance Companies Act, 1909, up-to-date, was not available.

Due to the relentless demand from Indian insurer and national leaders, Government decided to pass a 'stop-gap' legislation in 1928, by amending the Insurance Companies Act, 1912. The new act met the demand of the Indian insurer by introducing special feature in the old Insurance Companies Act, 1912, in the following manner: first, it made it mandatory for all insurance companies, including the foreign companies, to file the statistics with the Government. The next important amendment was that insurers could dispose surplus assets in the event of liquidation of an insurance company in the same proportions amongst the policyholders and shareholders as profits were distributed³⁵.

The growths of the insurance companies were in its pinnacle at this time in India. After the 25 years of passing the Insurance Companies Act, in 1909, there were 176 (Life and General) companies operating in India. The increase in the number of insurance companies did not appear to have any healthy effect on the business and on the contrary, they seem to have done more harm than any good to life insurance business in India. By this time, an all India organization called '**All India Life Offices' Association'** (AILOA) was formed, to represent the views of all life companies as a whole, with Mr. H.E. Jones of Oriental as founder president and Pandit K. Santhanam of Laxmi Insurance Company as secretary in 1928. This organisation played useful roles in expressing the views of the life insurance industry to the Government and it played a very important role to protect the interest of insurers during the time of enactment of insurance legislations. This organisation felt that the unprecedented growth of life insurance companies in Indian market was harmful to the interest of policyholders and to the insurance development in India, urged the Government in 1932, to introduce following legislations:

- (1) Compulsory registration of all life insurance companies;
- (2) A deposit of Rs. 2 lakhs from all life insurer; and

(3) Mandatory investments sufficient funds by the foreign life insurance companies in government securities to meet their liabilities under all the policies issued in India³⁶.

To protect the interest of the policyholders and the insurers and in response to the recommendations made by the AILOA, Government set up a consultative committee chaired by a well-known solicitor Mr.Sushil.C.Sen to study and report on the subject of amendments of insurance law, in 1934. The committee consulted a wide range of interested groups related with the insurance business and submitted its report along with the draft bill. The committee was in the opinion to dump the foreign insurance companies operating in India arguing that under the present conditions Indian companies were not in a fair position to grow and prosper. The committee in its report stated that Indian insurance companies required effective protection and provisions should be made to ensure that no new non-Indian insurance company should be given the license to write business in India for the next 20 years. This recommendation was for the both, life and general insurance sector in India as there was many insurance companies struggling for the existence in the market. Government appointed a committee chaired by the then Law Member Sir N.N. Sarcar to scrutinize the report of Mr. S.C.Sen and debated the report in the Legislative Assembly with regard to amendment of the insurance law in India in the year of 1937. Finally, in 1938, the **Insurance Act** was passed³⁷.

The Insurance Act,1938, was the first comprehensive law, which covered both life and general insurance, to provide stringent state control over insurance business in India and brought the insurance business under a unified system of control. The new law covered supervision of insurance companies, deposits, investments, commissions of agents, directors appointed by the policyholders among others. In separate sub-sections, the law dealt with the provident companies, mutual offices and co-operative societies as well³⁸.

Insurers of Indian companies welcomed the new law as it eliminated the differences between the foreign and Indian companies through the statutory provisions made in the

law relating to deposits and submission of returns for all the companies operating in India. The act had an effective impact on the control over the business expansion and operation of insurance business in India. Many British insurance companies closed their operation in India immediately after the enactment of the law due to the stringent requirements of deposits and disclosure of statistics to the government. The Indian companies that conducted schemes based on principle of assessments and on actuarially unsound basis had dropped their policies or altered the policy, conditions of insurance, insurance prospectuses to conform to the new law. Weaker companies were weeded out or merged with the healthy companies.

However, soon it was found that The **Insurance Act, 1938**, had its shortcomings in the field of commissions, licensing of agents, investments of funds of the insurance companies and others. Various amendments were made to the **Insurance Act, 1938**, in the coming years of 1939, 1941, 1944, and in 1945³⁹.

2.9: Growth of life business in India

It was viewed that the post-Act period would be an era of comparatively sound business practice in India. However, the World War II (1939-1945) slowed down the normal development of life business that might have followed in the event of the new insurance law. The war brought some problems before the Indian insurer in the line of attack of a fall in new business, increase in expenses and depreciation in securities. At that stage, the prices of the precious metals rose, which made rupee and other smaller silver coins out of market. Therefore, a panicky condition evolved in the market due to the demand of currencies, affected the stock market as well as the middle class people. In that effect, life insurance policies were surrendered in huge numbers and loans were taken to the limit though lapses were more than the surrendered policies and policy loans. The main objective of the **Insurance Act, 1938**, was to check the indiscriminate growth of life insurance companies with out adequate capital and management, the growth of formation of new insurance offices were continued to be seen in India. Four companies were registered in the year 1939. The '**Ruby General**', which was founded in 1936,

started its life business in 1939, led by the house of Birlas. Another fund '**The Bengal Police Death Benefit Fund**', which started its operation in 1926, found it difficult to maintain its existence due to the advent of the Insurance Act, 1938, converted itself into a regular life business unit in 1939⁴⁰.

Table 2.3: Indian and Foreign Insurance Companies Operating in India

Year	Number of Indian Office	Number of Non-Indian Offices
1928	97	138
1929	108	149
1938	200	143
1941	197	80
1945	234	81

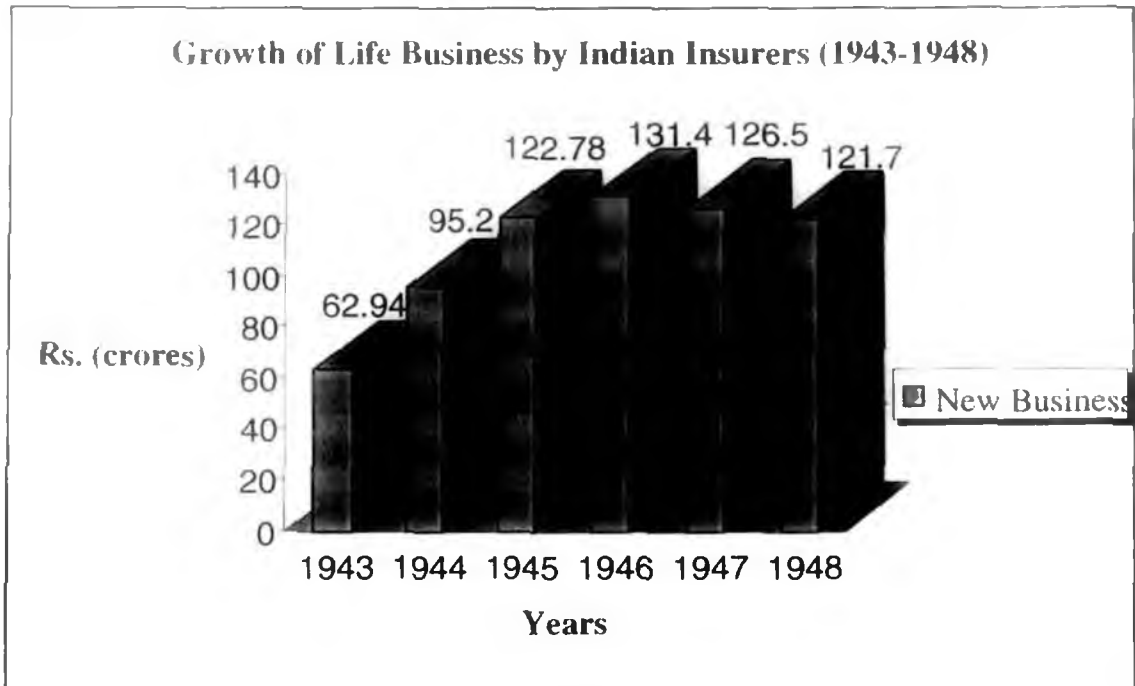
Source: Dr. A N Agarwala, 1961, Life Insurance in India: A Historical and Analytical Study

In 1941, as many as eight life companies were formed and continued working in 1955. The '**Dena Insurance Company**' and '**Eastern Life**' of Karachi were few of them. The year 1943 also had observed few formations of insurance companies in India. '**Jay Bharat Insurance Company**' at Bombay, '**New Great**' at Baroda, '**Prithvi Insurance Company**' at Madras were the major ones at that time. Some other players also joined the life market, for instance, '**The British India General**', one of the largest general insurance company in India, took over the management of '**Zenith**' in 1943 and started issuing life policies from 1943. From this year onwards, the life insurance sector witnessed a surge in the volume of business done by the Indian insurance companies. The total volume of business done by the Indian insurance companies in 1943 was at Rs. 62.94 crores, which went up to Rs. 95.20 crores in 1944⁴¹. The year 1945 created a history, as the volume of total business by the Indian life companies crossed Rs. 100 crores mark. Indian insurer reached the pinnacle of new business in the very next year, 1946, when their business volume touched Rs. 131.40 crores. If we add up the total business done by the foreign insurance companies, then the total business of the industry

ended up at Rs. 140.9 crores. Speedy elimination of unemployment, inflation, large amount of profits earned by the industry and those other industries associated with the business activities related to war contributed to this surge in the life business in India. As far as the growth was concerned, until 1946, it was very smooth and uninterrupted for the Indian insurance industry in one hand and on the other; the share of foreign insurers in the total business fell from 16.2 percent to 9.3 percent⁴².

On 15th of August 1947, India freed from the domination of British Government and became an independent country. Due to the partition in 1947 and the assassination of Mahatma Gandhi on January 30, 1948, the political and economic condition of the country deteriorated. This, along with the increase in the cost of living and general premium rates, had a direct negative impact on the life insurance business in India in 1947-48⁴³.

Fig 2.1



2.10: Insurance Act, 1950

The development in the insurance sector in India was manifested with much malpractice, frauds, liquidation of many life insurance companies and large industrial houses and managing agencies were controlling the bulk of insurance business in India. The same situation prevailed despite the introduction of new legislations in the insurance sector and implementing the further amendments to control and regulate the industry. In 1945, a committee was appointed by the Government, under the chairmanship of Sir Cowasji Jehangir, to enquire into the undesirable developments in the management of the insurance companies and to recommend the measures to control such frauds, manipulation of funds and interlocking between banks and insurance companies by the financiers having control of the company⁴⁴.

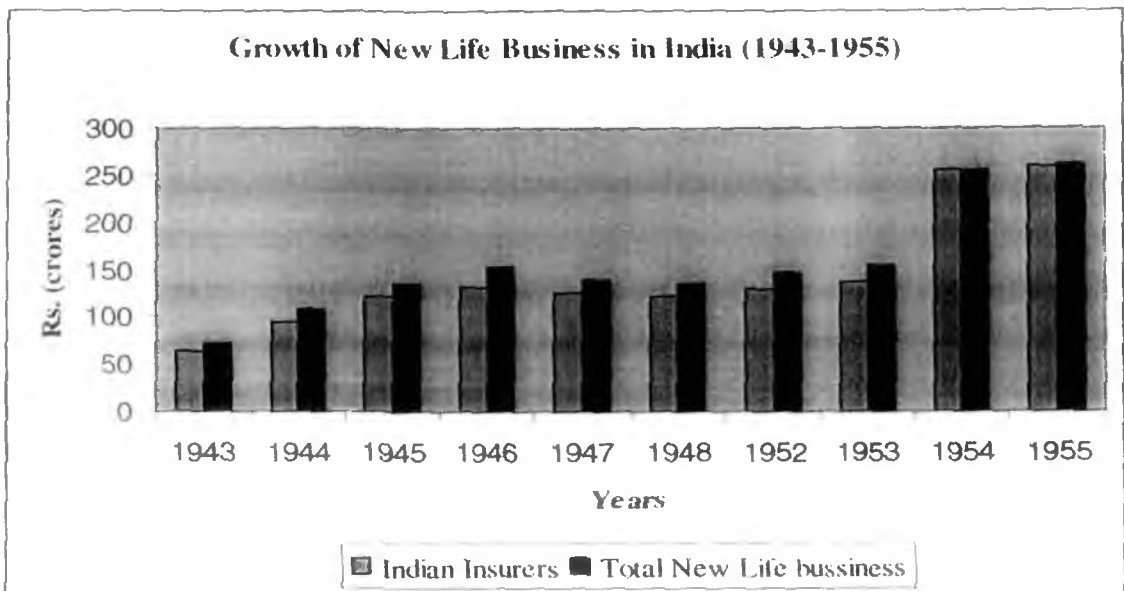
The Jehangir committee submitted its report and recommended important amendments in the Insurance act. The report suggested that no two companies doing life insurance business should have a common director. It also recommended that the insurer should not do other business other than insurance. The Bill was introduced in the parliament in April 1946 but could not be passed due to the political turmoil prevailed at that moment in the country.

In 1950, the Indian Parliament passed the same Bill as **Insurance Act, 1950** and the main features of the act were as follows:

- (1) The interlocking of interest between insurance companies and banks was prevented.
- (2) The superintendent of insurance was abolished and Controller of Insurance was created with more powers.
- (3) New changes were introduced in the regulation of insurance act to control over the insurance companies.
- (4) Lists of approved securities were introduced and the minimum level of investments in the government and other approved securities were fixed.

- (5) Statutory bodies like Life Insurance Council and General Insurance Council were formed.
- (6) The Controller of Insurance was given the power for inspection of the insurers' book.
- (7) The appointment of Administrator to manage the business of financially unsound concerned was provided in the act⁴⁵.

Fig 2.2



The most important aspect of the new act was the almost all the new provisions had the support of the vast majority of insurance executives. The insurance councils set up under the Act of 1950, made serious efforts to ensure the standard business practices. The amended new Act had good impact on the life insurance companies and the growth of life business in India for a few years. The total business of Indian insurers increased to Rs. 130 crores in 1952 and Rs. 138 crores in the year 1953. In 1954, the Indian companies achieved a new record as the average new business per year per office crossed Rs. 1 crore mark and touched Rs. 1.38 crores that went on crossing its own record in 1955 and reached to Rs. 1.48 crores. The total new business written by the Indian life insurance companies were Rs. 255 crore and Rs. 261 crores in the year 1954 and 1955 respectively. The foreign life insurers found it exceedingly difficult to withstand the

competition from Indian life insurers and merely managed to get the 7 percent share of the total new business in 1955. Out of 105 foreign companies, which were operating in India, only 15 were transacted life business in 1955⁴⁶.

2.11: Nationalisation of Life Insurance Business

By 1956, there were 154 Indian life insurance companies operating in India along with 16 non-Indian insurer and 75 provident fund societies. However, the spread of life insurance business was mostly city oriented, especially around big cities like Calcutta, Bombay, Madras and Delhi and more to the affluent section of the societies. The total numbers of lives covered were very low in size too. There was no such attempt to cover the lives of small income groups were made by the insurers and, their businesses, mostly, were governed by the short-term considerations⁴⁷.

Tab 2.4: Insurance Business in India (1947 – 1957)

Year	New Business		Total Business in Force	
	No. of Policies	Amount	No. of Policies	Amount
	(in Lakhs)	(Rs. In crores)	(in Lakhs)	(Rs. In crores)
1947	5.44	139.60	29.36	706
1948	4.86	134.60	30.25	724
1949	5.44	142.20	33.03	765
1950	4.98	139.50	32.80	780
1951	4.74	147.90	34.14	873
1952	5.34	146.70	39.25	922
1953	5.58	155.20	40.79	966
1954	7.73	255.25	47.82	1177
1955	8.31	260.84	47.92	1220
1956	5.67	200.28	—	—
1957	7.95	281.90	56.83	1473

Source: S.R.Bhave, 1970, *Saga of Security: Story of Indian Life Insurance (1870-1970)*; LIC.

During this tenure of life business in India, a number of malpractices and misuses of power occurred in the industry. The industry was also suffering from mismanagement and misutilization of funds collected as premiums from the policyholders causing loss to the innocent public. Premium rates and the expenses of the insurer were comparatively high, even after the adjustment for the Indian conditions, such as, lower average sum assured, high mortality rate, etc. The gloomy picture of the industry exposed when, for the first time in 1951, Government of India obtained detailed returns of investments made

Table 2.5: Comparative Overall Expense Ratio of India, USA and UK insurers
(In percentage of total expenses)

Year	INDIA	USA	UK
1930	29%	-	-
1940	28.5%	-	-
1950	28.9%	16.8%	13%
1951	27.2%	16.5%	14%
1952	27.1%	16.7%	14%
1953	27.3%	17%	14%
1955	31.8%	-	-

Source: G.R.Desai, (1973), Life Insurance in India: Its History and Dimensions of Growth; Macmillan.

by the management of the insurance companies. Loans were issued to every type of security irrespective of its status. Loans were also given on agricultural land, shares, standing sugarcane crops and libraries and sometimes with out any security. Innocent policyholder's money was invested in property at inflated price. Another obnoxious and risky development in the insurance industry was that the business houses, which promoted these companies, diverting a large amount of money, which were collected as insurance premiums from the policy holders, for their other concerns. All such investments and expenses led to a situation where insurance companies were not in a position to honour their commitments to their own clients. During 1945-1955, as many as 25 life insurance companies went into liquidation and almost the same numbers of companies merged with or transferred their business to other big companies. Amongst the

existing companies that were operating, 75 numbers of them could not declare any bonus at the end of 1953-54 financial year⁴⁸.

The efforts made by the Government of India to regulate the insurance industry through various legislative measures were not enough to bring about a change in the workings of the insurance companies. Addressing to the debate on the **Life Insurance (Emergency Provisions) Bill, 1956**, the then Finance Minister, Dr. C.D. Deshmukh said in the Parliament that

“The industry was not playing the role expected of insurance in a modern state and efforts at improving the standard by further legislation we felt, were unlikely to be more successful than in the past. The concept of trusteeship, which should be the corner stone of life insurance, seemed entirely lacking. Indeed, most management had no appreciation of the clear and vital distinction that exists between trust moneys and those which belong to joint stock companies”⁴⁹.

After the independence, India implemented the National Planning model of Soviet Union. Under this planning both public sector and the private sector placed with their respective field of work. The main principle was that all those activities that were strategically important in the process of economic development of the country were to be managed by the public sector. With the introduction of the planned programme (five-year planning model) for the country's economic development, it was necessary for the Government to mobilize the savings, as the savings are the prime movers of economic development in any country.

A reference to the nationalisation of insurance could be found in a letter addressed to the Prime Minister of India by Shri Jayaprakash Narayan, dated 22nd March, 1953, as a forwarding note to the draft 'Fourteen Point Programme for Socialism',

“You will find that we have suggested nationalisation in two spheres (1) Banking and Insurance and (2) Mining. You had told me that while you considered it unnecessary

to nationalise everything, the state must occupy the strategic point in the economy. We considered that one of the most strategic points is Banking and Insurance. Ashoka Mehta told me that Mr. Deshmukh himself was thinking somewhat on the lines"⁵⁰.

The Government did not keep its view secret and stated that the Controller of Insurance had been advised to utilize the opportunity of his visit to Australia and New Zealand in 1954 to observe the workings of the state run industries schemes in those countries. The Congress party at its Avadhi session of 1955 formally included the concept of socialist pattern of society in its manifesto and urged the nationalisation of life assurance business. This demand was more intensified in the context of the Dalmia case where Seth Ramkrishna Dalmia defrauded his own company, Bharat Insurance Company, of Rs. 2.25 crores in January 1956. Later he admitted the defoliated securities and was convicted to two years rigorous imprisonment⁵¹. Accordingly it was decided that the nationalisation of the life insurance sector would be accomplished in two stages; initially taking over the managements of the insurers by an Ordinance, and later, the ownership by the means of a comprehensive Bill.

On January 19, 1956, the management of all 245 companies (154 Indian life insurance companies, 16 non-Indian insurer and 75 provident fund societies) was taken over by the Central Government through the **Life Insurance (Emergency Provisions) Ordinance, 1956**. The names of those companies are given in Annexure 2. (A). Explaining the rationale of the action taken by the government, the Finance Minister, Shri C. D. Desmukh said:

"The Planning Commission, in order to organize the credit system of the country, envisaged the need of the involvement of the whole mechanism of finance such as the banking system, insurance, the stock exchange and other intuitions connected with investment, for it is only thus that the process of mobilising savings and utilising them to the best advantage becomes socially purposive."

"Nationalisation of life insurance is a further step (After the nationalisation of Imperial Bank) in the direction of more effective mobilisation of the people's savings."

"With the Second Plan, involving an accelerated rate of investment and development, the widening and deepening of all possible channels of public savings has become more than ever necessary. Of this process, the nationalisation of insurance is a vital part"⁵²

He then went on saying, *"The total life insurance in force exceeds Rs. 10,000 millions that is little over Rs. 25 per head. Quite recently, it was claimed on behalf of a private enterprise that business in force could be increased to Rs. 80,000 millions and per capita insurance to Rs.200. I am in complete agreement. There can be no doubt as to the possibilities of life insurance in India and I mention these figures only to show how greatly we could increase our savings through insurance"*

He further added, *"thus even in insurance which is a type of business which ought never to fail if it is properly run. We find that during the last decade as many as twenty five life insurance companies went into liquidation and another twenty five had so frittered away their resources that their business had to be transferred to other companies at loss to the policyholders"⁵³*

The Finance Minister expressed the Government's determination as, *"to see that the gospel of insurance is spread as far and wide as possible, so that we reach out beyond the more advanced urban areas well into the hither to neglect rural areas."*

To nationalise the life insurance business in India, a Finance Bill was introduced in the Lok Sabha on 18th February, 1956. Later, after the discussion the Bill was referred to the Joint Select Committee of the Parliament to review on 19th March 1956. After the report of the said committee, the Bill was taken up in the Lok Sabha and adopted the motion on 18th May, 1956. The Bill was referred to the President of India for his assent after the discussion in the Rajya Sabha.

The Bill became An Act of Parliament on 1st September, 1956, after the President's assent, as the **Life Insurance Corporation Act, 1956**, and a new organisation, **Life Insurance Corporation of India (LIC)**, was formed with capital contribution of Rs. 5 crore from the government of India, with enough autonomy so that the life insurance business run on the business principles⁵⁴.

Thus the objectives of nationalisation of life insurance business were

- (1) to mobilize the required savings for the development of the country as the country chosen the state planning for development,
- (2) to reach to the poor and rural areas with the insurance protection as the social objective of the government
- (3) to conduct the business in the spirit of trusteeship,
- (4) to overcome the malpractices and inefficiencies in the life insurance business, and
- (5) To restore public confidence and ensure maximum security to the policy holder's capital under direct government control.

2.12: Post Nationalisation Growth

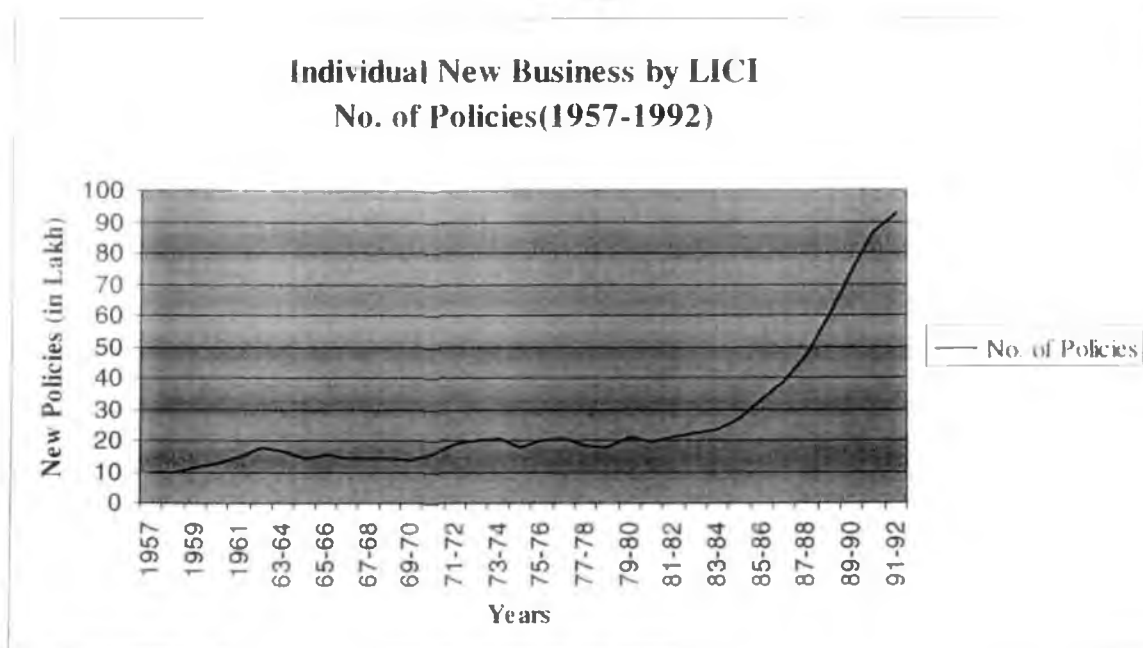
The period immediately after the nationalisation of the insurance industry was not good for the life insurance industry in India. The economic condition of the country was not in good shape in 1957, as the investors suffered losses and shown lack of confidence in the market, money position was tight, and common person affected with the increase in the cost of living with out any substantial increase in their income levels. Agriculture which was the backbone of Indian economy, hit severely due to floods and droughts and the famine condition prevailed in few parts of the India. In these adverse circumstances common people was not in a condition to save during 1957, yet newly formed Life Insurance Corporation of India (LIC) shown some positive results.

The first statutory report of the corporation was presented in the parliament on 13th March 1959 for the sixteen months of its operations which ended on 31st December 1957.

New business written by LIC by the end of December 1957 stood at Rs. 281.90 crore under 794,585 policies that was the highest level of business ever achieved by the insurance industry in India. At the end of 1957, the business volume of LIC, including bonuses, stood at Rs. 1474 crore under 56.86 lakhs of policies of which Rs.1375 crore under 54.17 lakhs policies were from India⁵⁵.

After the formation of Life Insurance Corporation of India (LIC), the first few years were mainly devoted by the corporation in setting up administrative procedures, rules and regulations of the new organisation, and restructuring the divisional offices and branch network with human resource development to achieve the overall targets.

Fig 2.3



Source: Annual Reports, LIC (various years); Sinha, T., (2004); "Tryst with Trust" (1991), LIC of India, Bombay, India.

However, the macroeconomic conditions were not conducive for the growth of life insurance business in India due to sustained low rates of financial savings, lack of knowledge of life insurance because of mass illiteracy, poverty and lack of co-ordination in the planning and operation divisions of the corporation. It was only after 1980s when

India witnessed few favourable improvement in the economy such as, growth of industry, increasing rate of financial savings, improvement in the capital market⁵⁶ along with the introduction of new business and marketing strategy of LIC by decentralizing its organizational and administrative structures such as opening of market and research cell, transferring decision making powers to branch offices, the corporation could see its business increasing. In accordance with the recommendations of the Administrative Reforms Committee in 1974, the LIC formulated its objectives to spread life insurance more widely and in particular to the rural areas, including socially and economically backward classes at a reasonable price. On the other side, the consequences of the 'Green Revolution' helped to increase the GDP and the adding towards the income levels of the rural people.

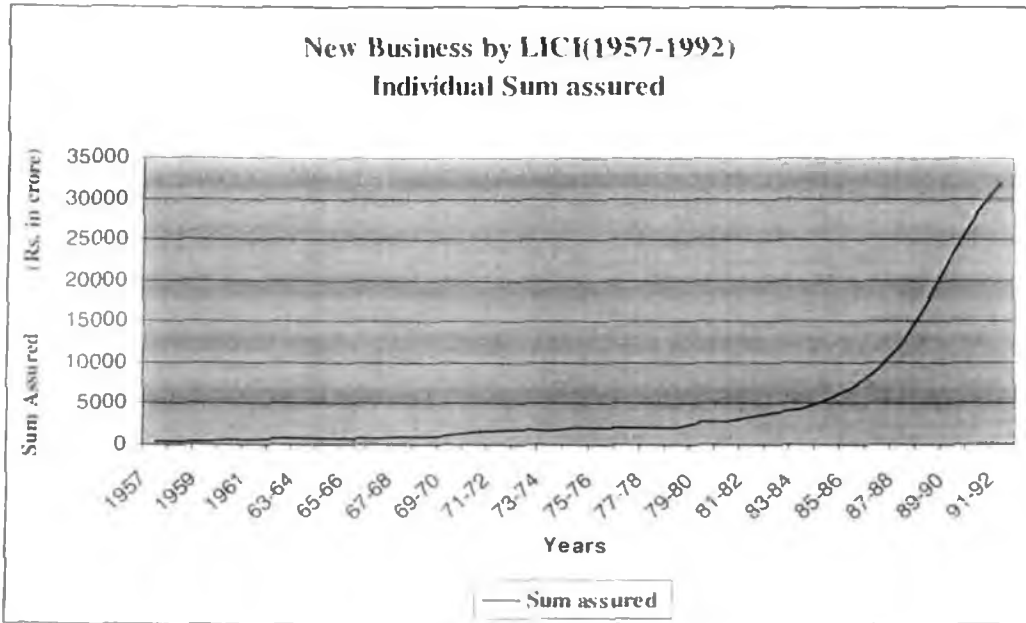
The largest segment of the life insurance business done by the LIC had been individual life insurance. The number of individual new life insurance policies sold by the corporation each year went from 9.5 lakh policies in 1957 to 92.38 lakh in 1991-92 and the volume of sum assured towards the new life business increased from Rs. 329.3 crore in 1957 to Rs.32064.4 crore in 1991-92⁵⁷.

Fig 2.4



Source: Annual Reports, LIC (various years); Sinha, T., (2004); "Tryst with Trust" (1991), LIC of India, Bombay, India.

Fig 2.5



Source: Annual Reports, LIC (various years); Sinha, T., (2004); "Tryst with Trust" (1991), LIC of India, Bombay, India.

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