

EFFICACY OF LIFE INSURANCE COMPANIES IN THE LIBERALISED REGIME

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DR. PIYALI CHANDRA KHAN
PROF. DEBABRATA MITRA



**Efficacy of Life Insurance
Companies in the
Liberalised Regime**

An Indian Perspective

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Dr. Piyali Chandra Khan

Assistant Professor of Commerce
University BT Evening College, Coochbehar
University of North Bengal
&

Prof. Debabrata Mitra

Head and Professor
Department of Commerce
University of North Bengal
Raja Rammonunpur
Darjeeling, West Bengal

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4658-A, First Floor, Ambika Bhawan,

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Phone: 011-23259444

E-mail: abhijeetpublication@gmail.com

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Preface

The life insurance sector in India has gone enormous changes from its inception. The modern concept of insurance entered India with the advent of British rule in India. The foreign insurance company extended their business to India but only to insure the British lives which were not very gladly accepted by the common people. The Swadeshi Movement aggravated the situation and few prominent personalities like Raja Rammohun Roy, Sir Dwarkanath Tagore initiated major steps to insure Indian lives as well. Gradually, Kolkata then Calcutta and later Mumbai then Bombay experienced birth of many Indian companies. The insurance sector was not divided into life and non-life at that point of time. Due to various economic and demographic factors the insurance companies started dwindling. Many insurers turned into fraudulent practices due to lack of stringent norms. The British Government tried hard to extend justice to the victims but they failed to do so. Indian Independence brought a new dawn for the insurance sector. The sector was filled with serious lacunae at the time of independence. The sector was categorized into life and non-life. Life Insurance Corporation of India (LIC) was formed as the single insurance company by amalgamating all the life insurers and provident societies operating at that time. So, the insurance sector got nationalized in 1956 with the birth of LIC. LIC tried to fulfill every objective behind such nationalization. Most importantly it not only reinstated public confidence on insurance but also served as

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a major financial institution to mobilize fund. It is amongst one of the apex bodies in Indian economy. LIC enjoyed this monopoly upto the year 1999-2000. The liberalization drive affected insurance sector in the year 2000. As per the recommendation of the Malhotra Committee, the insurance sector was opened for the private players. A number of private companies in tie up with their foreign counterparts plunged the arena. The number of private companies in India has shot up to 25 in recent past. In this backdrop, the study attempted to understand such interesting phenomenon over the years, find out the financial performance of the individual life insurance companies and most importantly identify the efficiency of the insurers during the period of the study.

AUTHORS

Contents

<i>Preface</i>	5
1. Introduction	9
2. History of Life Insurance	16
3. Financial Soundness of Life Insurers	116
4. Performance Measurement in Liberalised Regime: Methodology Adopted	179
5. Findings, Analysis, Observations, Recommendations and Conclusion	244
<i>Bibliography</i>	256

Introduction

1.1 Overview of the Study

The word insurance has originated from the word "insure". It means to secure the payment of a sum of money in the event of loss or damage to either life or property as per the contract made thereof against a periodical contribution or premium. Insurance may be defined as "a social device for reducing risk by combining a sufficient number of exposure units to make their individual losses collectively predictable. The predictable loss is then shared proportionally by all those in the combination" (www.ezinarticles.com). Insurance is a form of risk management used to hedge against the risk of a contingent, uncertain loss. The term insurance is, however, popularly used in the context of a contract or a promise of compensation. As per www.investorwords.com, insurance is "a promise of compensation for specific potential future losses in exchange for a periodic payment." Therefore, the term insurance may be defined as a cooperative mechanism to spread the loss caused by a particular risk over a number of persons who are exposed to it and who agree to ensure themselves against the risk (E. Dharmaraj, 2008).

The concept of insurance dates back to the history of mankind. Insecurity can be considered as the father of insurance. The urge of security gave birth to the concept of what we now term as 'insurance'. So, it is not something new. It was practiced by our ancestors and the ancient civilization.

Insurance business started in India during the colonial period in nineteenth Century. Indian Independence brought a new dawn for the insurance sector. The sector was filled with serious lacunae at the time of independence. The sector was categorized into life and non-life. Life Insurance Corporation of India (LIC) was formed as the single insurance company by amalgamating all the life insurers and provident societies operating at that time. So, the insurance sector got nationalized in 1956 with the birth of LIC. LIC tried to fulfill every objective behind such nationalization. Most importantly it not only re-instated public confidence on insurance but also served as a major financial institution to mobilize fund. It is amongst one of the apex bodies in Indian economy. LIC enjoyed this monopoly upto the year 1999-2000. The liberalization drive affected insurance sector in the year 2000. As per the recommendation of the Malhotra Committee, the insurance sector was opened for the private players. A number of private companies in tie up with their foreign counterparts plunged the arena. The number of private companies in India has shot up to 25 in recent past. In this backdrop, the study attempted to understand such interesting phenomenon over the years, find out the financial performance of the individual life insurance companies and most importantly identify the efficiency of the insurers during the period of the study.



Dr. Piyali Chandra Khan has 17 years of experience in academics and industry. She has imparted her knowledge to students at both UG and PG level on various areas such as Financial Management, Financial Services, Direct Taxation, Investment Management, International Finance. She has guided many internship projects in the area of finance. She is a gold medallist in PGDBM (equiv. to MBA). She was the topper of both specialisation – Finance and Marketing. She is M.Com, NET (Management), PhD in Commerce. She was the topper of her college during her graduation with Accountancy Honours. She started her academic career as Lecturer in BBA at I.T. Centre, University of North Bengal in December, 2004. In the year 2012, she joined MBA Department of University of North Bengal as an Assistant Professor. At present, she is serving as Assistant Professor in Commerce at University B.T. Evening College, Coochbehar.



Professor (Dr.) Debabrata Mitra has been serving as Professor Department of Commerce, University of North Bengal. He has a post graduate teaching experience of more than 25 years. He served as Dean, School of Professional Studies, Sikkim University (A Central University). He also acted as Head, Department of Management, University of North Bengal and also the Honorary Director, Directorate of Distance Education, University of North Bengal. Prof Mitra has been serving as Professor since 1st January, 2011. Till date he has published six books and fifty one articles in different National and International Journals. He has been invited ninety five times to deliver lectures as a resource person in different Universities and Institutes in India. He has presented research papers and chaired around one hundred and thirty three national and international seminars and conferences. Till date he has successfully guided six scholars leading to PhD degree in commerce. He has successfully completed one UGC sponsored Major Research Project in Commerce. He acted as UGC visiting fellow in the Department of Business Administration, Burdwan University in the year of 2012. Prof (Dr.) Debabrata Mitra was the executive committee member of Indian Commerce Association. He was awarded "BEST BUSINESS ACADEMIC AWARD -2012" for his paper at the 65th All India Commerce Conference held in Mumbai. He was awarded RASHTRIYA VIDYA SARASWATI PURASKAR by the International Institute of Management for his outstanding contribution in the field of Commerce & Management studies in the year of 2010. He was also awarded with the LIFE TIME ACHIEVEMENT GOLD MEDAL AWARD for his outstanding achievements in the field of education by the Indian Solidarity Council in the year of 2010. Professor Mitra was awarded "FELLOW" by the Indian Commerce Association for outstanding contribution in the field of Commerce and Management studies of our country. Prof (Dr.) Debabrata Mitra is the life member of Indian Accounting Association and Indian Accounting Association Research Foundation. He was the member of the Executive Council of North Bengal University for the period from 2006-10. Prof Mitra already organized nine seminars and symposiums at North Bengal University. Prof Mitra was one of the member of editorial consultants of "THE INDIAN JOURNAL OF COMMERCE" He is also in the advisory board of Hind Business Review (Journal published from the Commerce Department of Assam University) Prof Mitra is also one of the editorial consultants of quarterly published Journal "Management Development" (A Publication of Indian Association for Management Development). Till date Prof Mitra has received invitation from more than forty universities of our country to be associated with their academic affairs. He is the external member of board of research studies in commerce of Burdwan University. He is also the external member of PG Board of Studies of Kazi Nazrul University, Asansol. Email id: debabratamitra@nbu.ac.in Mobile No: 9474877362/8637374305

 **ABHIJEET PUBLICATIONS**
 4658-A, First Floor, Ambika Bhawan,
 21 Ansari Road, New Delhi 110002
 Phone: 011-23259444
 E-mail: abhijeetpublication@gmail.com
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