

(Life Insurance and non-Life insurance companies.)

Important youtube links for online study

1 . https://youtu.be/GdIxMsyAM_c

2 . <https://youtu.be/tL0a7uWrmBs>

3 . <https://youtu.be/wTgAjK7dkWs>

4. <https://youtu.be/FB16gPz08PY>

5. <https://youtu.be/4JijP7WUfrg>

Learning outcomes-

- Meaning of insurance and different types of insurance
- Principles of insurance
- IRDA (completed in class notes)
- LIC, objectives and function
- GIC objectives and function
- LIC v/s GIC
- Major reforms in insurance sector in india.

➤ Meaning of insurance-

- an arrangement by which a company or the state undertakes to provide a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a specified premium.
- Insurance is a legal agreement between two parties i.e. the insurance company (insurer) and the individual (insured). In this, the insurance company promises to make good the losses of the insured on happening of the insured contingency.

❖ Different Types of insurance-

- Life insurance
- Health insurance
- Car insurance
- Home insurance
- Travel insurance

➤ Principles of insurance

1. Nature of contract:

Nature of contract is a fundamental principle of insurance contract. An insurance contract comes into existence when one party makes an offer or proposal of a contract and the other party accepts the proposal. A contract should be simple to be a valid contract. The person entering into a contract should enter with his free consent.

2. Principal of utmost good faith:

Under this insurance contract both the parties should have faith over each other. As a client it is the duty of the insured to disclose all the facts to the insurance company. Any fraud or misrepresentation of facts can result into cancellation of the contract.

3. *Principle of Insurable interest:*

Under this principle of insurance, the insured must have interest in the subject matter of the insurance. Absence of insurance makes the contract null and void. If there is no insurable interest, an insurance company will not issue a policy.

An insurable interest must exist at the time of the purchase of the insurance

For example, a creditor has an insurable interest in the life of a debtor, A person is considered to have an unlimited interest in the life of their spouse etc.

4. *Principle of indemnity:*

Indemnity means security or compensation against loss or damage. The principle of indemnity is such principle of insurance stating that an insured may not be compensated by the insurance company in an amount exceeding the insured's economic loss. In type of insurance the insured would be compensation with the amount equivalent to the actual loss and not the amount exceeding the loss.

5. *Principal of subrogation:*

The principle of subrogation enables the insured to claim the amount from the third party responsible for the loss. It allows the insurer to pursue legal methods to recover the amount of loss.

For example, if you get injured in a road accident, due to reckless driving of a third party, the insurance company will compensate your loss and will also sue the third party to recover the money paid as claim.

6. Double insurance:

Double insurance denotes insurance of same subject matter with two different companies or with the same company under two different policies. Insurance is possible in case of indemnity contract like fire, marine and property insurance.

7. Principle of proximate cause:

Proximate cause literally means the 'nearest cause' or 'direct cause'. This principle is applicable when the loss is the result of two or more causes. The proximate cause means; the most dominant and most effective cause of loss is considered. This principle is applicable when there are series of causes of damage or loss.

Life insurance corporation

Life Insurance Corporation of India is an Indian state-owned insurance group and investment corporation owned by the Government of India.

Headquarters: Mumbai

Owner: Government of India (100%)

Founder: Government of India

Founded: 1 September 1956

Total assets: 31.12 lakh crores INR (US\$450 billion, 2019)

Subsidiaries: LIC Housing Finance, IDBI Bank, Yes Bank LIC Cards Services More.

The important objectives of LIC are as follows:

1. To mobilize maximum savings of the people by making insured savings more attractive.
2. To extend the sphere of life insurance and to cover every person eligible for insurance under the insurance umbrella.
3. To act as trustees of the insured public in their individual and collective capacities.
4. Promote all employees and agents of the LIC, in the sense of participation and job satisfaction through discharge of their duties with dedication towards the achievement of LIC objectives.
5. To ensure economic use of resources collected from policyholders.

6. To conduct business with the utmost economy and with the full realization that the money belongs to the policyholders.
7. Spread Life Insurance widely and in particular to the rural areas and to the socially and economically backward classes with a view to reaching all insurable persons in the country and providing them adequate financial cover against death at a reasonable cost.
8. Maximize mobilization of people's savings by making insurance-linked savings adequately attractive.
9. Bear in mind, in the investment of funds, the primary obligation to its policyholders, whose money it holds in trust, without losing sight of the interest of the community as a whole; the funds to be deployed to the best advantage of the investors as well as the community as a whole, keeping in view national priorities and obligations of attractive return.
10. Conduct business with utmost economy and with the full realization that the money belongs to the policyholders.
11. Act as trustees of the insured public in their individual and collective capacities.
12. Meet the various life insurance needs of the community that would arise in the changing social and economic environment.
13. Involve all people working in the Corporation to the best of their capability in furthering the interests of the insured public by providing efficient service with courtesy.
14. Promote among all agents and employees of the Corporation a sense of participation, pride and job satisfaction through discharge of their duties with dedication towards the achievement of Corporate Objective.

The function of Life Insurance Corporation of India:

1. to carry on capital redemption business, annuity certain business or reinsurance business in so far as such reinsurance business relating to life insurance business;
2. to invest the funds of the Corporation in such manner as the Corporation may think fit and to take all such steps as may be necessary or expedient for the protection or realization of any investment; including the taking over of and administering any property offered as security for the investment until a suitable opportunity arises for its disposal;
3. .to acquire, hold and dispose of any property for the purpose of its business;
4. to transfer the whole or any part of the life insurance business carried on outside India to any other person or persons, if in the interest of the Corporation it is expedient so to do;
5. .to advance or lend money upon the security of any movable or immovable property or otherwise;
6. to borrow or raise any money in such manner and upon such security, as the Corporation may think fit;
7. to carry on either by itself or through any subsidiary any other business in any case where such other business was being carried on by a subsidiary of an insurer whose controlled business has been transferred to and vested in the Corporation by this act;

8. to carry on any other business which may seem to the Corporation to be capable of being conveniently carried on in connection with its business and calculated directly or indirectly to render profitable the business of the Corporation; and
9. to do all such things as may be incidental or conducive to the proper exercise of any of the powers of the Corporation.

Subsidiaries:

1. LIC Nepal
2. LIC Cards Services
3. LIC International
4. Life Insurance Corporation (Lanka) Ltd
5. LIC Pension Fund Ltd
6. LIC Singapore
7. LIC Lanka
8. Life Insurance Corporation of India, Asset Management Arm
9. Life Insurance Corporation International B.S.C.
10. The Life Insurance Corporation of India Provident Fund
11. LIC Nomura Mutual Fund
12. Life Insurance Corporation of India

General insurance corporation of india

GIC of India (GIC Re) is a state owned enterprise in **India**. It was the sole reinsurance company in the **Indian insurance** market until the **insurance** market was open to foreign reinsurance players by late 2016 including companies from Germany, Switzerland and France.

The objective of the General Insurance Corporation of India(GIC):

1. To carry on the general insurance business other than life, such as accident, fire, etc.
2. Now, To aid and achieve the subsidiaries to conduct the insurance business.
3. To help the conduct of investment strategies of the subsidiaries in an efficient and productive manner.
4. A company counted upon by our clients to provide IT solutions solving business challenges, on time and budget utilizing the latest technology.
5. The company who takes pride in the empowerment of its employees.
6. A company who are able to design, deploy and manage projects from the business challenges to an operational production system.
7. The company who collaborate with customer's and the technology partner's in its drive to provide solutions.

8. A company who focuses on the continuous development of new solutions or new markets, services, or product offerings, or the individual growth and development of its employees and their ideas.

The function of the General Insurance Corporation of India

(GIC):

1. Carrying on of any part of the general insurance, if it thinks it is desirable to do so.
2. Aiding, assisting and advising the acquiring companies in the matter of setting up standards of conduct and sound practice in the general insurance business.
3. Rendering efficient services to policyholders of general insurance.
4. Advising the acquiring companies in the matter of controlling their expenses including the payment of commission and other expenses.
5. Advising the acquiring companies in the matter of investing their fund.
6. Issuing directives to the acquiring companies in relation to the conduct of general insurance business.
7. Issuing directions and encouraging competition among the acquiring companies in order to render their services more efficiently.

The subsidiary of General Insurance Corporation of India

(GIC):

1. New India Assurance Company Limited
2. Oriental Insurance Company Limited
3. National insurance co. Ltd.
4. United India Insurance Company.

1. **The New India Assurance Co. Ltd.**, (HQ in Mumbai, Maharashtra) is a public sector general insurance company of India. "It is the largest general insurance company of India on the basis of gross premium collection inclusive of foreign operations. It was founded by Sir Dorabji Tata in 1919, and was nationalized in 1973.

2. **The Oriental Insurance Company Ltd.** is a public sector general insurance company of India. The headquarter of the company is located in New Delhi. It has 31 regional offices and more than 1800 active branches across the country. The company also has branches in Nepal, , Kuwait, and Dubai.

3. **National Insurance Company Limited (NICL)** is the oldest non-life general insurance company of India. It was established on 5th December 1906 at Kolkata. National Insurance Company was set up largely on the nationalism principles of Swaraj (self-government). NICL was nationalized after 66 years in the year 1972. Thereafter the company was merged with 21 foreign companies and 11 Indian insurance companies and that's how National Insurance Company Limited was consolidated into one. It is now one of the 4 largest general insurance subsidiaries entirely owned by Government of India.

Slogan – ("THODA SIMPLE SOCHO")

4. **United India Insurance Company** is an Indian leading general insurance company fully owned by Government of India and is headquartered in Chennai, India. It was incorporated on 18 February 1938, and was nationalised in 1972.

Difference between Life Insurance and General Insurance

Life insurance and general insurance are two different forms of insurances. General insurance covers any other risk except for life-risk of the person insured. Life Insurance covers only the life-risk of the person insured.

In a table below, we have covered all the key points between Life Insurance and general Insurance:

Difference between life insurance and general insurance

Key Points	Life Insurance	General Insurance.
Meaning	It is an insurance contract, which covers the life-risk of the person insured.	Anything which is not covered under life insurance like motor, house, health etc.
Form	It is a form of investment.	It is only a contract of indemnity.
Term	long term	short term
Premium	Premium has to be paid over the year.	Premium has to be paid lump sum.
Insurance claim	Insurable amount is paid either on the occurrence of the event, or on maturity.	Loss is reimbursed, or liability will be repaid on the occurrence of uncertain event.
Insurable Interest.	Must be present at the time of contract.	Must be present, at the time of contract and loss both.
Policy Value.	It can be done for any value based on the premium policy.	The amount payable under life insurance is confined to the actual loss suffered.

➤ Major Reforms in insurance sector in india

Key recommendations of the **reform**; 1 Structure: – a government stake 50% in **insurance** companies. 2 Competition: Private Companies with a minimum paid up capital of Rs. 1bn should be allowed to enter the **sector**. ... Investments : Mandatory Investments of LIC Life Fund in government securities to be reduced from 75% to 50%.

14.10 Major Reforms in Insurance Sector in India

The major reforms in insurance sector after 2000 are as follow:

1. Introduction of grievances redressal mechanisms and Ombudsman.
2. Requirement of minimum percentage of business from rural and social sector to enhance the availability of insurance cover to nook and corner of the country.
3. Introduction of micro-insurance products to cater the needs of rural populace.
4. Introduction of new distribution channel viz., brokers, corporate agents, micro insurance agents.
5. Introduction of mandatory training for the insurance intermediaries.
6. Comprehensive set of regulations for the range of intermediaries.
7. Encouraging health insurance and introduction of third party administration (TPA).
8. Constituting insurance advisory committee and revival of life and general insurance councils to promote transparency and fairness in the conduct of insurance business and emphasize the need for self-regulation.
9. Promoting professional training facilities by way of setting up Institute of Insurance and Risk management and Indian Institute of Insurance surveyors and loss assessors.
10. Moderating investment regulations.
11. Introduction of new types of products viz. unit linked, reviewable annuity, and innovative critical illness covers etc.
12. Dismantling of tariffs in non-life insurance business and strong growth in retail non-life insurance business.
13. Introduction of more product solvency regime.
14. Guidelines to address issues specifically related to "Unit linked insurance products (ULIP)" with effect from July, 2006.
15. To ensure fair insurance coverage.
16. To preserve the long term nature of the life insurance products.
17. To facilitate informed decision.
18. The Insurance Regulatory and Development Authority of India (IRDAI) plans to issue redesigned initial public offering (IPO) guidelines for insurance companies in India, which are to looking to divest equity through the IPO route.