

Unit III – Insurance

Introduction to Insurance & Insurance Sector

By

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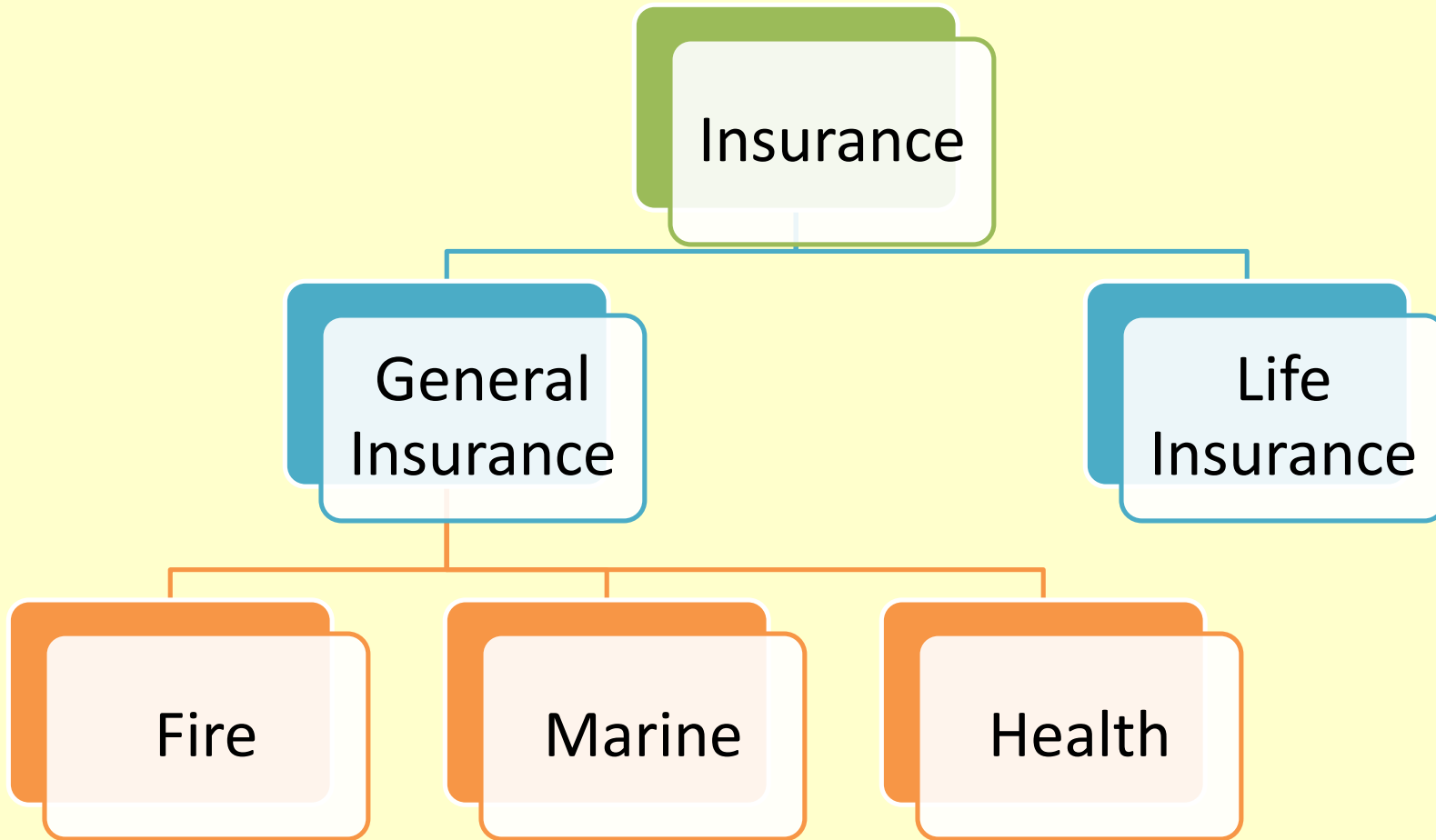
Introduction to Insurance

- 13th and 12th BC – Chinese and Babolyin traders, Collect money amongst themselves and tried to insure the transportation of goods.
- After the Great Fire of London which burnt down 13,200 houses, Nicholas Barbon opened “The Fire Office” which is the first official Insurance Company established.
- To maintain good relationship between the insured and the insurer, there was a mutual agreement which defined the principles of insurance.

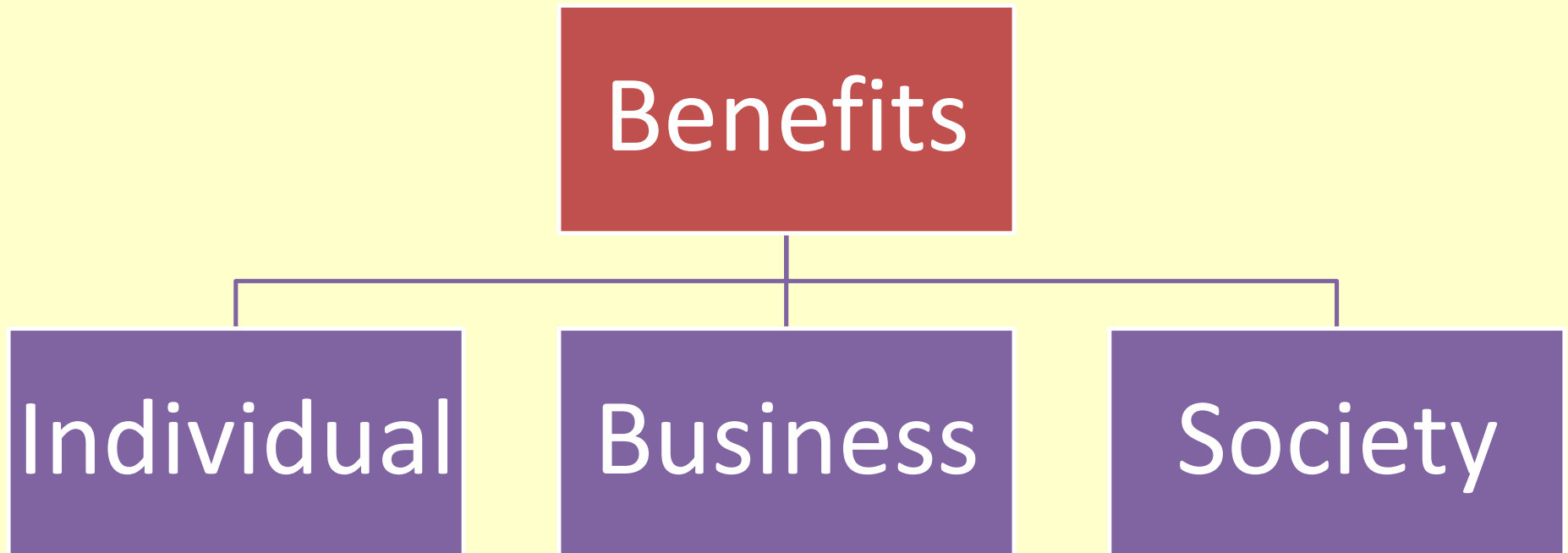
Principles of Insurance

- Principle of Indemnity (Only the losses can be compensated, the insured must not earn profits)
- Principle of Insurable Interest
- Principle of Utmost Good Faith
- Principle of Causa Proxima
- Principle of Contribution
- Principle of Loss Minimization

Types of Insurance



Need and Purpose of Insurance



- Benefit to Individual:
 - Insurance provides safety and security.
 - Insurance provides peace of mind.
 - Insurance helps in Tax Savings
 - Insurance helps in developing saving habits
 - Insurance eliminates dependency
 - It helps to cater family needs, old-age needs and special needs.
- Benefit to Business:
 - Uncertainty of business is reduced
 - Business efficiency increases
 - Enhancement of Credit
 - Welfare of Employees

- Benefit to Society:
 - Wealth of the society is protected.
 - Economic growth of the country
 - Reduction in Inflation.

Operations of Insurance Company

- Rating/Deciding premium amount
- Underwriting
- Production
- Claim Settlement
- Reinsurance

	Regular Insurance	Reinsurance ceded	Reinsurance Accepted
Premium	Income	Expense	Income
Commission	Expense	Income	Expense
Claims	Expense	Income	Expense

How to take out an Life Insurance Policy

- Fill in the proposal form
- Submission of Agent's Report
- Medical Check up
- Certificate of Age
- Scrutiny of documents
- Acceptance of proposal
- Payment of First Premium

How to take out a General Insurance Policy

- Fill up the proposal form
- Inspection
- Payment of Premium
- Issue of Cover note/ Policy document in lieu of acceptance.

Insurance Sector In India

Year	Event
1912	The Life Insurance Companies Act was passed, making it mandatory for companies to get their premium table certified by an Actuary.
1938	The Insurance Act, 1938 became the first legislation governing all forms of insurance to provide strict state control over insurance business.
1956	Life Insurance in India was completely nationalized in January, 1956 by means of Life Insurance Corporation Act. LIC was born on 1 st September, 1956. All the 245 insurance companies were merged as one government institution.
1957	The General Insurance Council, a wing of the Insurance Association of India, was formed and framed a code of conduct for ensuring fair conduct and sound business practices.
1968	The Insurance Act, 1938 was modified to regulate investments and set minimum solvency margins. The Tariff Advisory Committee was also set up
1972	On 1 st January, 1973, 107 companies were amalgamated and grouped into 4 companies: a) National Insurance Company Ltd b) Oriental Insurance Company Ltd c) New India Assurance Company Ltd and d) United India Insurance Company Ltd.

1993	The Govt of India set up a committee under the chairmanship of RN Malhotra, Governor of RBI, to propose recommendations for reforms in Insurance sector in accordance with reforms in financial sector
1994	The Amphora Committee submitted its report, recommending entry of the private sector in the Insurance sector and that foreign companies be allowed entry by floating Indian Companies, preferably as a Joint Venture with Indian partners
1999	The <u>Insurance Regulatory and Development Authority (IRDA)</u> was constituted as an autonomous body to regulate and develop the insurance industry. The IRDA deregulated the insurance sector and allowed the entry of private companies. Foreign investment was allowed at 26% holding in the Indian Insurance Companies
2006	The Actuaries Act was passed to give the profession statutory status at par with Chartered Accountants, Notaries, Cost Accountants, Advocates, Architects and Company Secretaries.
2014	Foreign Investment was increased from 26% to 49%
2021	The finance ministry in its budget proposed to increase FDI in Insurance sector upto 75%