National Journal of Advanced Research
ISSN: 2455-216X
Impact Factor: RJIF 5.12
www.allnationaljournal.com
Volume 4; Issue 2; May 2018; Page No. 45-48

Birth of life insurance

Monika Hooda
Research Scholar, Chandigarh University, Mohali, Punjab, India

Abstract
Uncertainty is the part of human life and this uncertainty leads to fear of risk in our life, in spite of all precautions we can procure, accidents are inevitable so, insurance is one of the medium with the help of which we can tackle this uncertainty. Life insurance is a tool which safeguards an individual’s life with certain benefits through which he can overcome with such accidents. There are many insurance companies prevailing in India and offering ample amount of benefits to its insurers but Life Insurance Corporation plays a major role in this field.
The researcher has chosen this topic to study the historical aspect of LIC a life insurance, the paper is based on secondary data, the findings reveals that the insurance companies must find more market outside India, insurance awareness must be made by insurance industry in different ways, companies must offer more plans with fixed and assured returns.

Keywords: insurance, risk, benefits, LIC, historical background, etc.

Introduction

Insurance is a form of management of risk, basically used as a tool of safeguard against the unpredicted losses of risk [1]. Insurance spreads the risk and damages of few individuals among various number of individuals as individuals opt for little settled risk rather than enormous indeterminate and evolving obligation. Insurance is a plan of financial co-activity by which individuals from network share the unavoidable dangers.

Subsequently, insurance includes abstaining from, relieving, and exchanging of venture which makes more noteworthy consistency for people and association. Insurance empowers venture to be taken care of keenly to accomplish security of development.

In previous time, the commitment by the individual was set aside a few minutes of damage. Today, just a single business, which offers varying backgrounds, is insurance business. Inferable from developing multifaceted nature of life, exchange and trade, individual and business firms and swinging to insurance to oversee different dangers. Each person in this world is liable to unanticipated vulnerabilities which may make him and his family helpless. At this place, just insurance causes him to get by as well as recuperate his damage and proceed with his life in a typical way.

Insurance is a critical guide to trade and industry. Each business undertaking includes expansive number of dangers and vulnerabilities. It might include venture to premises, plant and hardware, crude material and different things. Products might be harmed or might be pulverized because of flame or surge. Some venture can be kept away from by auspicious precautionary measures and few are mainly unavoidable which are outside the ability to regulate the business [2].

Meaning of Insurance

Insurance can be characterized as legitimate contract between two parties, the insurance provider embraces to pay a settled measure of money on occurring of a specific occasion which might be sure or unverifiable. Insurance is fundamentally considered as a tool to share the budgetary damages which may harrow the individual or his/her family. Insurance is a method for security from money related damage. It is a type of venture administration principally used to fence against the danger of an unexpected, dubious damage.

An entity which gives insurance is known as an insurer, insurance organization or insurance bearer. A man or element who purchases insurance is known as a policyholder or insured. The insurance’s transaction includes the assurance because of this insuree is expecting that pay is gotten by him as instalment that is given by the life insurance in return of the guarantor's guarantee to repay the safeguarded one, at the occasion of a secured misfortune. The misfortunes could possibly be monetary; however, it might be reducible in money related terms and should include something in which the protected has an insurable premium built up by proprietorship, ownership or previous relationship and so on...

The contract of insurance is received by insured, called the insurance policy, which contains the subtle elements of conditions and conditions under which the safeguarded will be fiscally repaid in required circumstances. The measure of cash charged by the insurance plan to the safeguarded for the scope put forward in the insurance arrangement is known as the premium. In the event that the protected encounters misfortunes which is conceivably secured by the approach. The safeguarded needs to presents a claim to the insurance plan for handling by a claim adjudicator.

History of Life Insurance

International Prospective

In England, by 17th century commencing with short term insurances and all these mutual offices disappeared with the passing of the Bubble Act 1720. Only the Amicable Society survived. It was started in 1705 and its business increased by 1757, a fresh charter was obtained and the Amicable Society thereafter transacted life insurance according to modern methods. For a number of decades, it was the only society which offered whole life assurance. In the meanwhile, mortality tables were prepared which made it possible to do profitable and scientific life insurance business. Towards the end of the 17th century the requirement of insurable interest was done away with when the life insurance business became a way for gambling [3]. To check this evil, the Life Assurance Act 1774 was passed. Then came big joint stock companies which started business on sound and scientific principles. Protective legislations like the Policies of Assurance Act 1867 and the Life Assurance Companies Act 1870 were passed. The Act of 1867, which regulated the life insurance business was repealed and replaced by the Assurance Companies Acts,1958-67. In the later years, ordinary life business was extended to accident insurance and further by industrial and technological advancements to industrial insurance. Instances of this branch can be found in liability insurance such as engineering, motor vehicles and aviation insurances [4].

Indian Prospective

The concept of life insurance is very old and profoundly engrained in the history of India. Even in Manusmiriti also talk about same has a history dating back to 1818 with the formation of oriental life insurances company in Calcutta the formation of this company is looking after the needs of European community and these companies not insuring Indian native. The birth of first Indian life insurance company in the year 1870. The history during the first half of this century may, for purpose of convenience be divided into the following periods:

Period of Mushroom Growth (1900-1912)

Due to the Swadeshi movement (boycott of British goods, British institutions and everything British.), result of this is many life offices were established with Indian capital. mushroom growth, led to appearance of some evil which had to be checked for which the Indian life Assurance Act of 2012. It may be said that the authoritative history of Indian insurance commenced to be recorded for the initial time when, the Government of India under this Act started publishing returns of life insurance companies in India in the year 1914.

Period of Struggle and Steady Growth (1913-1938)

Known as period of war, during this period indigenous life offices had to pass through a critical period many small offices had to be wound up. And few that survived had to face the competition with foreign offices. In 1937 a draft bill was introduced and in 1938. The act provided for a uniform control by government over all insurers, Indian as well as foreign, as a result of which several foreign offices discontinued their business in India.

Period of Stability and Consolidation (1938-1950)

By this time Indian industries also started developing the business of insurance assumed significant size and importance as large amounts of capital were available with them for the investment in developing industries, in 1945 government appoints a committee for checking out malpractices in matter of investing the funds available with the insurers.

Period of Boom and Nationalization (1950 up to date)

Political independence under the stewardship of our first beloved Prime Minister Jawaharlal Nehru, the people of India moved to archive their economic independence by the Five-Year Plans. The agrarian society was to be industrialized by governmental activity and planning. The level of education was also rising as a consequence of which the insurance consciousness in the people of the country increased. There was increased confidence in the domestic companies. The leading insurers also indulged in vigorous development programs. All these contributed to a boom in the insurance business and in particular in life business. Huge amount of capital was available with the insurers and the government found it handy to utilize these funds for its development plans and also to ensure the investing public, a better security. In 1956 with the passing of Life Insurance Corporation Act, the business of life insurance was nationalised in the same year. On 1st September, Life Insurance Corporation was created which conferred upon it the ultimate power of carrying on all the life insurance business in India except to the limit otherwise laid down in the Act.

The Companies who were running their own business of proving life insurance which were at National level, came directly under the Corporation along with their liabilities and assets. The Corporation was started with 5 Crores which was provided by the Central Government as per the requirement to run the Corporation.

Along with the life, fire and marine, other insurance like motor vehicles, aviation, burglary and other liability insurances also developed. In the beginning this business was monopolized by British firms. The Indian insurer got into this business during the present century. All reinsurance business was in the hands of the foreign firms and the first Indian reinsurance concern, namely, the Reinsurance Corporation of India was formed in 1957 with a view to stop the heavy drain on our foreign exchange.

After the nationalization of the life business, the Insurance Act 1938 applied mainly to the general insurance. By a drastic amendment in 1968 to the Act, more effective control and supervision was provided over the general insurance companies requiring increased deposits from them, giving the insurers in all matters including the appointment and removal of their directors, constituting a tariff advisory committee to fix, control and regulate advisory committee in fixing and revising the rates of tariff was held as legislative power and not an administrative one and so binding on the insured in the same manner as any other provisions of the Insurance Act [5]. In spite of such control there was a persistent public demand for the nationalization of the general insurance business, on which, an ordinance replaced by the General Insurance (Emergency Provisions) Act 1971. Finally, an administration corporation named as General Insurance Corporation with four insurance organizations for running the general insurance business. The nationalized insurance organizations were to anticipate that not will keep themselves to the present activities but rather would cover new fields at the appointed time.

Likewise, new principles of conduct in their managing their clients, the strategy holders and building up another insurance law have been set up by the legal in India. Courts in India forced on the two corporations as a major aspect of their obligations to act in consonance with the standards set down in the order standards in the Constitution. They have been compared to sovereign instrumentalities.

In Asha Goel v. LIC [6], 'Kantaria J rightly observed

"The business activities of LIC are not of a purely commercial nature. LIC is a statuary corporation being an 'Authority' or an 'Instrumentality' of the State within Article 12 of the Constitution, the contract of the life insurance entered into by the Life Insurance Corporation are for the welfare and benefit of the society as it is the primary goal of the LIC to promote the welfare of the people."

Hence a writ under Article 226 can lie against the LIC for enforcements of its liability through contractual.

Even in conducting many litigations, the judiciary kept the state and its instrumentalities on a higher stand than a common litigant. It is also said that the obligation on the part of the state or its instrumentality like the LIC or GIC to act fairly can never be over emphasised [7]. They should not behave like cantankerous litigants. In *Assam and Meghalaya SRTC* v. *Abdul Razak* [8], the State Road Transport Corporation without extending a helping hand on humanitarian grounds to the victim aged 28 years who, due to rash and negligent driving, suffered multiple injuries including a leg injury resulting in amputation of Rs 60,000 as high. The court observed, 'Public policy should resist the temptation to litigation like cantankerous litigants for insignificant amounts, raising technical pleas.'

This is precisely what the Supreme Court has said in *Trustees, Bombay Port Trust* v. *Premier Automobiles Ltd* [9]. In National Insurance Co v. Jugal Kishore, the insurer, an instrumentality of the state, while defending the claim for compensation on the ground that its liability was not in excess of the statutory liability, did not file a copy of the policy before the tribunal or the High Court. Had they produced the policy there would have been no need to come to the Supreme Court, therefore remarked:

This court has reliably highlighted that it is the obligation of the party possessing report which would be useful in doing equity in the reason to create it and such gathering ought not be allowed to take protect behind the abstract principle of weight of verification. This obligation is more prominent on account of instrumentalities of the state. The commitment with respect to the state or the instrumentalities to act reasonably can never be over underscored [10].

In a progression of cases the judges emphasized their solid objection to the state endeavours like the ESIC, LIC, GIC, STRC and so forth raising specialized supplications to crush genuine cases of casualties of mishaps by lawfully admissible yet barely treacherous conflicts including restricted confinement [11].

Conclusion

Hindu rationality gives the aphoristic truth of the idea of insurance 'Yat bhavathi tat nasyathi' which implies whatever is made will be wrecked. The universe in general is made; as a thing made it is nevertheless normal that it will be annihilated. Creation is unavoidably trailed by annihilation. Demolition is an ideal change to the more regrettable; in that sense change is a characteristic course and its event includes venture. Venture is along these lines inescapable throughout everyday life. Business is a course of life; so throughout everyday life and business there he an assortment of dangers. Venture is firmly associated with proprietorship. The proprietors need to spare themselves from chance and out of this longing, is the matter of insurance conceived.

The Insurance Act, 1938 had surrendered to setting of the Controller of Insurance to perform as a strong and extraordinary supervisory and managerial authority for insurance. After, nationalization, the piece of Controller of Insurance decreased stunningly in centrality since the insurance associations were controlled by the Governing body. On the opening up of the insurance business to the private section, the prerequisite for a strong, free and self-decision Insurance Authoritative Authority was felt. On the enforcement of an enactment, it would have required huge venture, the then Government established through an Insurance Regulatory Authority was incomplete the enactment of a comprehensive laws.

In order to protect the interest of policy holder an act was passed in the year 1999, a proper authority commonly known as IRDA approach, to immediate progress and assurance efficient advancement of the insurance business and for issues related therewith or unintentional thereto and further to change the Insurance Act, 1938, the Catastrophe assurance Corporation Act, 1956 and the General insurance Business (Nationalization) Act, 1972 to end the limiting framework of the Disaster protection Corporation of India (for additional security business) and General Insurance Corporation and its reinforcements (for general insurance business).

Suggestion

Following are the suggestions which the researcher have learned from her study from the historical perspective of life insurance companies in India:

1. The insurer companies must find more markets outside the India.
2. Insurance companies must create such kind of product that consumers himself want to take such policies.
3. Insurance awareness must be made by insurance industry in different ways among journal public that it cannot become only a instrument to save tax.
4. Insures must promote the term Insurance plan and convert insurance plans with immediate effect.
5. Unit link assurances must be also make available by the insurance companies.
6. Insurance covers must be made less expensive so that it could become more affordable by majority of consumers.

It is necessary to cover young age population by introducing new policies for their benefits.

7. Companies should offer more and better plans with fixed and assured returns.

Insurance companies must make changes in the beneficiary clause. At present only one person can become beneficiary of insured person it must be changed in more beneficiary in life insurance policies.

References

1. Dr. Kuldeep Kaur, Law of insurance, 1, 2016.
2. Taggar SS, Gurmrit Singh. Banking&Insurance services ED, 2015.
3. KSN Murthy & Dr. K.V.S. Sharma Modern Law of Insurance 4th Edi, 2010.
4. Ibid.
5. KMD Association v. Union of India AIR 1983 of K 100
6. AIR Bom. 1986, 412.
7. National Insurance Co v. Jugal Kishore AIR 1988 SC 789
8. AIR 1988 Gau 57 (DB)
9. AIR 1954 SC 923
10. National Insurance Co. v. Jugal Kishore AIR 1988 SC 789
11. Rajasthan State v. Jhansi Bhai 1987 ACJ 496; Assam Wool Exports Ltd. v. Export Credit Grantee corporation of India Ltd. AIR 1998 Cal Bhuwanewari Devi v. Murarilal AIR 1986 HP 44; ESIC v. Dhannibai 1986 ACJ 429 (MP);