INTRODUCTION TO RESEARCH WORK

Life Insurance is a contract that pledges payment of an amount to the person assured (or his nominee) on the happening of the event insured against. Insurance provides people and companies with protection against major financial losses due to damage or loss of property. In exchange for a periodic payment or premium, individuals and companies are guaranteed to be compensated or reimbursed under the terms of the insurance policy. Insurance is a part of daily life. Car insurance and homeowner's insurance are two of the most common forms of insurance. Health insurance and workmen's compensation are also well-known types of insurance. While insurance is a part of most people's lives, not everyone understands how it works. There are always risks in life such as fire, theft or earthquake. Many people hope to avoid the financial consequences of replacing personal property that is lost or damaged. Insurance is a way to protect your personal finances from undue burdens. Insurance is really a form of risk management in which the risk is transferred to the insurance company in exchange for payments or premiums. When a person purchases insurance, he gets an insurance policy which is a legally binding contract. This policy describes in detail all the rights, responsibilities and obligations of both the insured and the insurance company. If a person suffers losses covered in the policy, he files a claim. A claim is a detailed account of what is lost or damaged and its value.

When individuals or companies purchase insurance policies, all the money from the premium is combined into what is called the insurance pool. Insurance companies use statistics to predict what percentage of insured people or businesses will actually suffer a loss and file a claim. The statistics also help to determine the amount of the premium. Other factors such as credit scores and previous claims are also taken into consideration. Because the vast majority of insured people do not suffer losses or only small losses, the insurance companies make a huge profit which enables them to pay out the occasional huge claim.

The Life Insurance Corporation of India (LIC) is the largest state-owned life insurance company in India, and also the country's largest investor. It is fully owned by the Government of India. It also funds close to 24.6% of the Indian Government's expenses. It has assets estimated of Rs.1,00,000 crores. It was founded in 1956 with the merger of more than
200 insurance companies and provident societies. Headquartered in Mumbai, financial and commercial capital of India, the Life Insurance Corporation of India currently has 8 zonal Offices and 101 divisional offices located in different parts of India, at least 2100 branches located in different cities and towns of India along with satellite Offices attached to about some 50 Branches, and has a network of around 1.2 million agents for soliciting life insurance business from the public. LIC had monopoly in Life Insurance sector.

Although the insurance sector particularly Life Insurance sector is as old as 1884 the life insurance sector was nationalized in 1956 and the Life Insurance Corporation a public sector undertaking was established. Till then the LIC was the only monopoly player in this sector until 1999. Based on the recommendations of R. N. Malhotra Committee (1998) the insurance sector was gradually opened up for private players and Insurance Regulatory & Development Authority (IRDA) Act was passed in 1999 by the Indian Parliament. In the year 1999 the penetration of life insurance was merely 2% of the population which has now in 2010 reached to 7%. In monetary terms the overall insurance business in the country was to the tune of Rs.2 bn US $ in 1999 which has now reached upto 100 bn US $ in 2010. Considering this statistical information and taking into account the Indian population as per Census 2011 the Indian population has crossed 125 crores and at the same time the economy has also grown substantially over the past decade.

Life Insurance is the backbone of the Indian economy and it will be of vital importance that it reaches every nook and corner of the country and to every family. The present penetration as pointed above is a sad commentary on the efforts put in by the insurance service providers. The bright side of it is with the opening up of the insurance sector to the private as well as foreign insurance companies the growth of penetration is increasing fast. With a view to understand the current level penetration of the insurance sector this researcher is of the considered view that an in depth study of this aspect is very much essential. The findings and suggestions on this score will be very much useful to these insurance service providers and ultimately it will have positive impact on the Indian economy.

As stated in the earlier paragraphs such a study about finding the current penetration of the life insurance sector, the problems in enlarging the services, the SWOT analysis of the Life
Insurance services will help to draw some meaningful conclusions and will emerge in some solutions to achieve greater penetration in a well thought of time frame.

The finance ministry at the Centre has targeted that the Life Insurance penetration will be to the extent of 50% of the population by 2030. If the target has to be achieved this present study will be of immense utility to direct the efforts in a positive manner so as to achieve the targeted growth.

Confederation of Indian Industries and Association of Chambers of Commerce and Industries have estimated that the employment potential offered by the Life Insurance sector is of the order of 2.5 mn by 2025 as against the present level of 0.5 mn. This employment potential aspect cannot be ignored. The current rate of growth of the Life Insurance sector is 22% per annum which needs to be stepped up to achieve the targeted growth as stated earlier.

At present there is a cap of 26 % Foreign Direct Investment in the insurance sector and which is likely to grow upto 74% in this decade. Once this FDI is pumped in the insurance sector naturally the growth rate will achieve new heights.

Keeping all these aspects in mind the researcher is of the view that the study undertaken will prove to be very much useful to achieve the targeted growth level.