IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN:2278-487X, p-ISSN: 2319-7668. Volume 26, Issue 6. Ser. 3 (June. 2024), PP 42-43
www.iosrjournals.org

Turning The Hourglass: A Historical Journey Of Insurance Laws In India

Archa Menon

Abstract
Imagine an hourglass of sand moving from top to bottom, and then reversing the floating course. This simple image captures the essence of insurance in India – a long and exciting journey marked by a cycle of innovations, changes and trends. "Turning the Hourglass: A Historical Journey of Insurance in India" explores this rich tapestry, exploring the ancient roots of risk-sharing practices, their evolution through imperialism and colonial rule, and their dramatic resurgence in the modern era. Protecting individuals and communities from life's uncertainties by adopting alternative approaches has always been embedded in Indian society. The Indian insurance industry has been on an interesting cyclical journey of change. Initially open to public-private entities, the industry was then nationalized by the union government, effectively excluding private players. However, following the recommendations of the Malhotra Committee, the door was again opened to private companies, leading to a return to the multi-stakeholder model.

Date of Submission: 01-06-2024 Date of Acceptance: 10-06-2024

I. Introduction

India's rich tapestry of history extends to the insurance sector as well. The overlap of the concept can be seen in ancient texts such as the Manusmriti and the Dharmashastra, where principles of shared risk likely protected families and communities The collective family system itself insured life, reflecting culture revealing a long-standing understanding of shared risk. Moreover, the earliest examples of insurance practices, in general, can be traced back to marine insurance contracts and agreements between carriers and merchants.

The arrival of the British in India left a mark on the insurance sector. The first insurance company, the Oriental Life Insurance Company, was established in Calcutta in 1818 by a British company. However, it met with a brief non-existence. The British Insurance Act of 1870 established the first regulatory framework governing the industry. But in this period, foreign companies dominated the industry, leaving Indian players facing an uphillbattle.

The first statutory measure to alter life insurance in India underwent a thorough alternate with the enactment of the Indian Life Insurance Company Act in 1912. This act targeted handiest on life coverage, as there had been nevertheless other varieties of insurance in their infancy and deemed useless for criminal authority. Thepassage of the Act paved the way for the emergence of Indian entities within the sector.

II. Evolution Of Laws Governing The Sector

1914 was a pivotal year for the Indian insurance industry. It began collecting and publishing data on insurance companies, giving policyholders much-needed transparency. The first law regulating life insurance companies in India came in 1912 after the unprecedented Indian Life Insurance Company Act.

Fast forward to 1928 and the Indian Insurance Companies Act expanded the scope of the business. The Act empowered the government to seize claims on life insurance and non-life insurance issued by Indian and foreign companies. This comprehensive view ensured that all insurance practices were monitored.

Finally, in 1938, the government took another step to protect consumers. Existing laws were strengthened and consolidated by the Insurance Act of 1938. The Act established comprehensive regulations to effectively regulate the activities of insurance companies, and to ensure policyholders great peace.

The scenario of the insurance industry changed drastically in 1956. Under the Life Insurance Company Act of that year, the government nationalized all private life insurance companies this move to set up Life Insurance Corporation (LIC) and grant rights which is unusual if they operate in the life insurance business.

In a similar vein, the General Insurance Business (Nationalization) Act of 1972 nationalized all private general insurance companies in 1973. These companies were consolidated under the General Insurance Corporation (GIC).

The nationalization of life insurance in India was not an isolated event. That was evident in two ways First, an ordinance gave the government control over the management of private companies. Later, a comprehensive bill transferred ownership to the state. This nationalization, formalized in 1956 with the Life Insurance Corporation Act, aimed to significantly expand life insurance access. The goal was to reach people in rural areas and across the country, ensuring everyone had affordable financial protection. This strategy proved successful, as evidenced by LIC's position as India's leading insurance company in 2007, with its extensive network of approximately 2,000 branches – likely the largest in the Indian insurance.

III. Re-Entry Of Private Sector: Completion Of The Circle

The Indian insurance industry has been on an interesting cyclical journey. After decades of nationalization, the early 1990s marked the beginning of a new chapter. Recently, there have been many changes in the banking industry. To maximize those changes, officials have asked R.N. Malhotra Committee In 1993, the task of this committee became to support reforms for industry coverage.

One of the most important recommendations of this committee was to reopen the project to the private sector.. The aim of the application was to bring new opposition and innovation to the market. Furthermore, the committee recommended that foreign companies should be allowed to enter the market in joint ventures with Indian companies. This strategy sought to increase trade and investment in foreign know-how in India.

R.N. The Malhotra Committee was laying the groundwork for change, and it was time to translate ideas into movement. Finally, in 1999, after years of deliberations, the Government of India took a major step. The Indian Parliament enacted the Insurance Regulatory Development Act (IRDA Act) on 2 December 1999. The Act established a regulatory body to review the efficiency of the industry and made recommendations now and then to enhance its effectiveness in Of the minimum Insurance Act, the Act is the necessary change for the coverage industry.The purposes of the IRDA Act included:

1. Protection of policyholders: The Act gave precedence to the welfare of policyholders and ensured that their rights have been blanketed.
2. Promotion of increase: The purpose of the Act turned into to alter and promote the coverage enterprise in this sort of manner as to encourage orderly and sustainable growth.
3. New era: The IRDA Act also amended the existing legal guidelines and paved the way for a new technology inIndian insurance.

The regulation marked a prime shift within the profession, recognizing non-public participation from an embedded public coverage and specializing in consumer safety

In 2000, IRDA invited applicants to check in groups inside the task and granted foreign funding up to 26%. Subsidiaries of GICs were liberalised. These groups ought to now turn out to be autonomous and drive competition and innovation at some stage in the insurance marketplace. At this factor, the GIC itself underwent a strategic trade. A shift from a direct insurer to a national reinsurer. In this new role, GIC gives vital support to other insurance agencies, ensuring a robust and secure coverage device in India.

IV. Conclusion

There are indeed sandstorms of time in the Indian insurance industry, and it has completed a remarkable cycle. From ancient risk-sharing practices to the era of nationalization and the return to a vibrant private market, the insurance landscape in India is one of constant growth as we look to the future and the industry poised for continued growth and innovation. With a regulatory framework focused on consumer protection and a diversity of players, the Indian insurance industry is poised to weather future storms and ensure the emerging country's financial security Hourglass may change, but Indian traditions of protecting families and communities through insurance will survive.