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Study on History of Insurance and Review of Literatures

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Abstract: *We explore a bottom-up approach to revisit the problem of cash flow modeling in insurance business and propose a methodology to efficiently simulate the related tail quantities, namely the fixed-time and the finite horizon ruin probabilities. Our model builds upon on History of insurance and review of literatures. This distinguishes from traditional risk theory that uses random-walk-type model, and also enhances risk evaluation in actuarial pricing practice by incorporating the dynamic arrivals of policyholders in emerging cost analysis. The simulation methodology relies on our model's connection to infinite-server queues with non-homogeneous cost under heavy traffic. We will construct a sequential importance sampler with provable efficiency, along with large deviations asymptotic*

Keywords: cash flow

I. INTRODUCTION

HISTORY OF INSURANCE

The business of insurance started with marine business. The insurance policy was issued First time in 1583 in England. Some of the important milestones in the insurance business in India are:

1818: -The Insurance was introducing to India, with the establishment of the oriental Insurance Company in Kolkata.
1870: - Mumbai Mutual Life Assurance Society is the first India-owned life insurer.
1907: - Indian (Bharat) Mercantile Insurance is the first Indian non-life insurer.
1938: - The insurance, which forms the basis for most current insurance laws, replaces earlier act.
1972: - Non Life insurance nationalized and established the GIC
1993: - Malhotra Committee, headed by former BBI governor R N Malhotra, established to draw up a blue print for insurance sector reforms.
1994: -Malhotra Committee recommends allowed for private players, autonomy to PSU.
1997:-Insurance regulator IRDA (Insurance Regulatory and Development Authority) was established.
2000:-IRDA starts giving license to private insurers, ICICI Prudential and HDFC Standard Life first private insurers to sell a policy.
2002:- Banks were allowed to sell insurance plans, as TPAs enter the scene, insurers start settling non-life claims in the cashless mode.

II. LITERATURE REVIEW

Dharmendra Mistry & Gurmeet Singh (2015): conducted a study on the Determinants of Insurance Product Performance in India. The main objective of the study is to examine the determinants of the maturity benefits of insurance products in India, using the data for the period of 5 years i.e. 2008 to 2012. The analysis covered ten Insurance Companies and their three categories of products i.e. ULIP endowment plans, ULIP wealth plans and ULIP child plans. The study used time series data analysis technique to study the relationship between the maturity benefits of ULIP products and variables, namely allocation, mortality, policy, administration and fund management charges. In order to examine and analyze the relationship between the dependent variables of maturity benefit of ULIP insurance products with independent variables, multiple linear regression analysis is used. The results of the study indicated that the risk coverage, benefits, price/premium and associated services form the key components of core features of an insurance product. They suggested that the product design teams need to configure innovative combinations of these components to address specific segments' needs. They concluded that investors may decide the suitable insurance products in which they should invest to fulfill their financial needs.

Monika Bhatia & Narinderkour (2015): According to them, Indian population and growing per capita income are the main driving factors which indicated that there is a huge business-opportunity available for the insurance companies in India. They quoted that according to the annual report of Insurance Regulatory and Development Authority of India 2013-14, 80% of the population in India is without life Insurance policies. They indicated that in the present times the most preferred insurance plans are Unit Linked Insurance Plans. ULIP is a life insurance policy which gives dual benefit, namely risk cover with investment. Flexibility transparency, liquidity and fund option have made the ULIPs an attractive and high acceptance product. This study is conducted with an objective to explore and analyze the impact of various demographic variables on investors' attitude towards ULIP's and also to study and rank the factors responsible for the selection of ULIP's as an investment option.

Kamaludeen & Thamodaran (2014): According to them, the Unit Linked Insurance Plans is one of the hybrid financial products that offer life insurance as well as an investment component like a mutual 28 28 fund. Part of the premium that is paid goes towards the sum assured and the balance will be invested in whichever investment the policy holder desires, based on the risk taking ability. Their study is conducted with an objective to study the factors that influence investment behavior of the respondent in the selected study area. 450 sample respondents from different insurance companies were selected using simple random sampling.

Rao & Gopi (2013): in their research, Investor Perception towards Unit Linked Insurance Plan a Select Study on UTI Mutual Fund‖ had made an attempt to analyze the investor's opinion on UTI-ULIP. The primary data were collected through questionnaire and also personal interview from the investors to know how they perceive UTI-ULIP. The chi-square test had been applied to find the product validation as a better option for investment there being many avenues for investment. They opined that ULIPs are such schemes that provide a combination of benefits of life insurance and diversified investment. They further stated that with high competition, existing companies and advancement of information technology, investors are able to know information from all corners and also have many choices to invest at their behest. They recommended that the companies have to provide innovative services to attract the investors.

The report of the City of London Economic Development (2011): stated that the insurance and pension sectors in India are underdeveloped, but there is a huge potential for growth. It explained that the insurance sector in India has grown rapidly during the past decade. Its assets as a share of GDP increased from 9.6 per cent in 2001 to 16.1 per cent in 2010, driven by an expansion of life insurance, which dominates the market due to the entry of private and foreign firms into the insurance sector. The past decade has witnessed the rise of new insurance products (such as ULIP), and innovation in their marketing and distribution. The growth of unit linked insurance products has made up nearly 30 per cent of the life insurance market in the financial year ending in March 2010. It concluded that the potential for growth in India is therefore huge, especially because India's household savings rate is high, at 24 per cent, and because 50 per cent of household savings are kept in non-financial assets.

Knut & Svein (2011): stated that the key feature of unit-linked plan is the uncertain value of the future insurance benefit. By issuing unit-linked insurances that guarantees the policy holder a minimum benefit and the insurance company is exposed to financial risk. They further stated that the 33.33 value of the insurance benefit is assumed to be a function of a particular stochastic process. They used the financial theory of arbitrage pricing and martingale theory to calculate single premiums for different policies. They formulated the risk-minimizing trading strategies describing how the issuing company can reduce financial risk.

Sonikachaudhary & PritiKiran (2011): They stated that many new products (like ULIPs, pension plans etc.) were provided by the life insurers to suit the requirements of various investors. According to them, private life insurers used the new business channels of marketing to a great extent when compared with LIC. They concluded that the investment pattern of LIC and private insurers also showed some differences. Affluence ratio of private life insurers is much better than LIC in spite of big losses suffered by them. They concluded that the causation ratio of private insurers is higher than LIC and servicing of death claims is better in case of LIC, compared to the private life insurers.

Divya Y. Lakhani (2011): had conducted a research study to identify the relation between returns and Sensex, investors' preference for ULIP and Equity, growth and penetration of ICICI Prudential and the performance of some of

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its ULIP schemes. The major finding of this study was that the NAV for equity based fund options moves in tandem with Sensex while for debt based fund options it is not much affected by the movement of Sensex.

Manvendra Pratap Singh et al. (2011): identified the contemporary issues and challenges in the marketing of life insurance services in India. They listed some of the important contemporary issues in life Insurance business for which all insurance companies have to pay more attention and adequate measures to overcome. According to them, the contemporary issues are pension plans, alternative channels, product positioning, investor education, product line, information technology, rural marketing and investor service. The challenge thus facing life insurance industry is the need for diversification of insurance products better tailored and suited to meet the needs. Package products like ULIPS have proven to be inadequate risk covers for the insured, significantly affect life insurance business. This may become a major threat in future for the growth of the life insurance industry. They concluded that the orderly growth of life insurance business is conducive to the growth of our nation.

Hebbaret al. (2010): made an attempt to analyze the ULIP with traditional insurance plans. The results indicated that over half of the respondents are young people in the age group of 18-40. Males dominate in having life insurance policies. The majority of people having life insurance are employed. The most preferred plan is the unit linked plan because of its high returns. The awareness level of the ULIP investor is much higher than that of the TLIP. Brand image helps in the assortment of an insurance policy. Advertisement is not sufficient. More returns are the major factor in the selection of any plan. Information about companies and policies come mainly from advisors. They also highlighted that 56% of the people stay in villages and many private insurers do not venture into those areas where there is a big opportunity available. Promotion of advertisement and calls for awareness of ULIP plans may be planned, because they give superior returns. They concluded that the company could increase its sales force managers so that they can approach more people and sell more policies.

Ramakrishnan (2010): stated that the Unit-linked insurance is introduced in the 1950s in the U.K. —by unit trusts and not by the life insurance industry. Between 1990 and 1999, with a high level of insurance penetration, a new premium income under life insurance (both linked and non-linked) grew at an average rate of 17 per cent, an impressive performance in a country. The heavy inflow of fund is due to high average growth rate of 43 per cent. The contribution of unit-linked policies during this period to this surge in stock indices and explosive growth of the life insurance market cannot be denied. But it is wrong to presume that ULIP funds can perpetually sustain such high growth. The average life time of a unit linked policy is well below 50 per cent of that of a traditional policy and the surrender rates under this class of insurance are always very high. Consequently, we can see deterioration in renewal premium income. Though new premium income may continue to show impressive growth, total premium income will not and, as a result, the impact on stock indices will tend to weaken. He concluded that the mutual fund industry can provide an alternative to the life insurance industry in the ULIP market.

III. CONCLUSION

There must be a conclusion to every endeavor and study. Therefore, based on a brief analysis of ICICI Prudential and its products and a survey of customers' and advisors' attitudes toward the goods and services offered by ICICI Prudential, I have come to the conclusion that ICICI Prudential Life was the market leader in private life insurance with a market share of 11.8% for the 10-month period ending January 31, 2019. The Company's assets under management (AUM) were at Rs 28,515 crore as of January 31, 2019. Along with having one of the largest distribution networks among private life insurers in India, the business has over 2,100 branches, a clientele of over 2,90,000 advisors, 1,116 small offices in rural India, and 18 Bank assurance offices.

Suggestions:

Continuous bombardment of Advertisement by ICICI Prudential as a Life Insurance Company for a common man as well as for well educated and good salaried people.

The company has concentrated increases on premium 20000-50000.

Look for the way to make customer highly satisfied with respect to returns.

Premium and initial charges to be reworked as, the customer is dissatisfied with there.

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