

Growth of Life Insurance and The Indian Life Offices Association

PROBABLY because the joint family system was in itself a combined old age sickness—unemployment—life insurance all rolled into one, India of old does not appear to have given any thought to life insurance until Englishmen came with their individualistic ideas and agents of British insurance companies began to insure the lives of Europeans in this country. The theory appears plausible, because the idea of insurance was not unfamiliar. Marine insurance was known and practised. British companies, however, did not insure the lives of 'natives' in the beginning. They needed considerable persuasion to accept Indian lives, and the credit for inducing one of them to do so goes to one Babu Muttylal Seal who achieved this miracle in the 30'S of the last century. At that time life insurance was still very new in England, too. Too many companies were floated, and there was a boom in insurance companies like a South-Sea Bubble which burst in due course, leading finally to the passing of the Insurance Act by Parliament in 1870, after which things began to get stabilised.

When life insurance was passing through the stage of heady expansion in Britain, a couple of enterprising British companies of the wild cat variety, presumably doing considerable business in Bombay, went bankrupt towards the end of 1870. The resulting loss and distress caused to those who had insured their lives with them, so shocked and stirred some public spirited people of Bombay, that they got together to set up a mutual insurance company. Life insurance, they felt, was a sacred trust and should never become a business for profit. Thus was born the Bombay Mutual on December 3, 1870, started by a number of influential citizens of Bombay, both Europeans and Indians, seven of the promoters putting up a rupee each for meeting the initial expenses and with a guarantee to reimburse to the extent of Rs 5,000 each to meet claims, if necessary. The necessity to avail of the guarantee did not arise. The first Articles of Association of the Society gave fitting expression to the aims of the promoters in the following words:

"All the affairs and every transaction of the Society must be open to the most minute inspection of every member. Each member may take part in management. Business to be conducted with the strictest economy. All profits that may accrue must be awarded exclusively to those whose contributions have caused them and to each in due proportion to his contribution." The first balance sheet of Bombay Mutual struck in July 1871 dis-

closed 19 policies insuring a sum of Rs 66,500.

Thus, life insurance was taken up as a sacred trust and a social service by public spirited people and for the next 50 years or more, it retained this character. Life insurance engaged the active interest of the political leaders and benefited immensely from the national movement for freedom.

Indeed, in the early years, it is this character of insurance business which came uppermost. Given the spirit of service, the unwillingness of British companies to insure Indian lives and their practice of charging a higher premium for such lives perhaps explain the rest and provide the clue to the growth of mutual societies which were confined to particular communities. The Christian Mutual of Lahore established in 1847 was one of the earliest of this type. This was followed by Tinnevely Diocesan Council Widows' Fund of Madras in 1840. The Bengal Christian Family Pension Fund was another such, established in 1852. These companies insured Christian lives only. The movement, however, was not confined to any one community. In Bengal, the great philanthropist and social reformer, Ishwar Chandra Vidyasagar, founded the Hindu Family Annuity Fund in 1872 which is one of the oldest companies of this type still extant and flourishing. There are others, the Gujarat Parsee Mutual Life-insurance Society for insurance established in 1891 and the Mangalore Roman Catholic Pioneer Fund established in 1888 is not surprising therefore that in the early days so many of the companies started were mutual companies until life insurance developed, as was inevitable, into the big business of the latter days. The point needs to be emphasised for the activities of the Indian Life Assurance Offices Association, which celebrates its Silver Jubilee today, belongs more to the latter period. For, as in other countries, it is primarily to help orderly development by providing the services which individual life companies, however well managed, cannot perform that such an association is needed. But there is also a differ-

BIRTH OF THE ASSOCIATION

In the year 1926, late Pandit K Santanam, of Laxmi Insurance, took the lead in the matter and started correspondence with leading insurance companies all over India and pointed out the urgent necessity of establishing an Association of Indian Life Insurance- Offices. A preliminary meeting was held in Bombay on the 2nd and 3rd April 1928. Thirteen companies actually participated in the discussions and others, by letters and messages, agreed with their views that an Association should be formed and conveyed their willingness to join such an Association. It was at this historical meeting on 2nd April 1928 that Mr H E Jones, the then Manager of the Oriental moved a resolution:

"That an Indian Life Assurance Offices Association be formed in the first instance of all companies represented in this meeting."

This resolution was seconded by Mr E S Allum of the Empire and so the Indian Life Assurance Offices Association was born. On the following day the constitution of the Association was drawn up and adopted. Mr H E Jones was appointed the first President of the Association and Pandit Santanam became its first Honorary Secretary.

1928-1953

Founded in 1928, THE INDIAN LIFE ASSURANCE OFFICES
ASSOCIATION completes 25 Years of service to the Insurance
Industry and the Insuring Public. We are happy to extend
cordial Greetings to the Association on this occasion.

For New India, these have been
Years of Achievement

In 1928, one year after the formation of the Association, the
New India commenced transacting Life Assurance Business
and within the short period of 24 years the Company has
developed an underwriting capacity of *Rs. 18 Crores* of New Life
Business and has on its books over 230,000 Life Assurance
Policies assuring, with bonuses, sums over *Rs. 80 Crores*.

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Within this period the Company's General Business
Premiums rose from Rs.77 lakhs to Rs.3.63 lakhs
recording an expansion of 375 per cent.

THE NEW INDIA ASSURANCE COMPANY LTD.
The House of Security & Service



INDIA'S LARGEST COMPOSITE INSURANCE COMPANY

ence. The services which such an association usually perform elsewhere are threefold: (i) Standardisation of insurance practices, (2) Organisation and dissemination of information and statistics essential for the successful conduct of insurance business, and (3) Insurance education, by holding examinations, etc. These are more or less technical services rendered by such associations in every country in the world, where insurance business has developed to any extent.

the primary function of this Association, however,—the main purpose for its origin, was something different from what its opposite numbers in other countries have to perform, viz. to ventilate the grievances of Indian life insurance companies, organise them and fight for their rights and interests, to win for them a place under the sun in their own country. This was its main function at a time when, due to foreign competition and indifference, if not positive hostility, of the Government, Indian life offices had to fight for every inch of the ground. This function, however, was broadly conceived and has been adequately discharged by the Association whenever a national calamity has occurred or an emergency has arisen. The activities of the Association for suitable legislation or for seeking redress from unjust taxation are all in the day's work. The service rendered by the Association during the great earthquakes in 1935 which caused extensive damage to life and property in Quetta and Bihar or at the time of Partition in 1947 have been memorable. On both occasions, the Association came to the rescue of the afflicted public, and secured special concessions to the policyholders affected by the wrath of nature or communal upheaval.

Though the nascent Indian life companies had felt the need acutely enough, for collective action to secure their rights and interests, it was not until over expansion and multiplicity of floatations threatened a crisis that the Association actually came into being, with a membership of 22 companies which has now risen to 76. But though all the leading companies are in it and they collectively account for 90 per cent of life insurance business in this country, it should not be forgotten that the total number of Indian companies doing life-business is 163. It stands to the credit of the Association that from

the very beginning, the Association set its face against multiplicity companies, strongly deprecated unhealthy practices, and sought to strengthen the structure of life insurance business. The Association had boldly demanded statutory control over insurance companies from the very beginning though the actual form of such control incorporated in the statutes may not always have been to its liking. Organisation, stability and steady development cannot be had without eliminating weakness and inefficiency from whichever source the latter might spring.

The Memorandum of Association of the Indian Life Assurance Offices Association lists the following principal objectives:

- (a) To encourage, uphold, and popularise the business of Life Assurance.
- (b) To disseminate information regarding the principles and the science of Life Assurance and to facilitate the study of the science of Life Assurance.
- (c) To uphold correct principles in the conduct of Life Assurance.
- (d) To promote co-operation and exchange of ideas between the members of the Association inter and then Executive Officers as well as with other Commercial bodies
- (e) To promote uniformity in methods of business by the members of the Association,
- (f) To take steps to get such Legislation passed as may serve the best interests of Life Assurance in India, and for mutual protection against prejudicial legislation.
- (g) To maintain a Card bureau at the Office of the Association containing a confidential record of (a) Declined Lives and (b) names and addresses, of Agents and Medical Examiners with regard to whom any member of the Association has got unsatisfactory experience, to circulate cards about such declined lives, Agents and Medical Examiners among the members of the Association, to exchange these cards with sister association or associa-

tions and to frame rules and bye-laws with regard to the same,

- (h) To collect and disseminate statistical and other information and to make efforts for the spread of knowledge regarding Insurance.

These objectives clearly fall in the fourfold classification: (1) Ventilation of grievances, (2) Standardisation of insurance practices, (3) Collection of information, and (4) Insurance education. Surveying the activities of the Association over the last 25 years, it is difficult to check the temptation of assessing the results. How far has this Association been successful in achieving these objectives and in what order of preference do these achievements come? The Association clearly comes out with flying colours in the first and second. With regard to its work of collection and dissemination of information, one may be permitted to express some reservation. The question of correct mortality rates of Indian life goes back to the very beginning of life insurance business in this country. It was a bone of contention with the foreign companies. It is amusing to recall that some of them, doubtful of the risks they were assuming in the absence of proper mortality tables, accepted Indian lives only as a very special case, in order to oblige the agents of the companies who had given them fire and marine insurance business, as a good turn for service rendered.

The Association has not yet been able to produce a satisfactory mortality table for Indian life and life companies are still using a mortality table for which the credit goes to the Oriental. This is not a satisfactory state of affairs for the simple reason that the experience of any one life company, however extensive may be, is not adequate. More energetic action could have been taken easily to pool the experience of all the life companies, to draw up a mortality table which would meet the stringent tests of actuarial science and practice. This is a task before the Association which is long overdue and to which the Association should address itself energetically forthwith. It is good to know that the Association has already taken it up and expect to complete it in four years. Friends of Indian life insurance will wish the Association God speed.