



MANAGEMENT STREAM

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An Insight of Investment Pattern of Insurance Companies and its prospects in India

Mrs. Sangeetha Natarajan.*

ABSTRACT

Having talked so much about Liberalization, Globalization and Privatization and after completing a full circle, from being an open competitive market to complete Nationalization and then back to liberalized market, now there arise a need to monitor the Investment pattern of Insurance Sector. This is because the Reformation has changed the outlook totally, in the areas of deploying funds to the best advantage of the investors, conducting business for economic development and societal wellbeing.

The Authority also has taken a proactive role in the establishment of a vibrant insurance market especially in giving guidelines in the area of Investment for insurance companies. The quality and quantity of the investments are a reflection of the performance of insurance Industry. And as investment income is the key determinant in the calculation of premium rates and as it is the core function of an insurance company which cannot be outsourced by an insurer utmost consideration is needed in this area.

The present paper is an attempt to gain insight about the Investment patterns followed by the Insurance sector in general during all stages of sectoral reforms and thereby making a comparative study between Life and Non- Life segments and Private and Public sectors.

1. INTRODUCTION:

Insurance is a long duration contract, which generates investable surplus. This surplus is invested keeping in view the safety and security of the funds spread over different categories, industry and regions. All these are done to help to serve larger economic and social interests along with optimizing yield. With the formation of Life Insurance Corporation of India, it can be said that utilization of people's money invested in life insurance for planned economic development of country took roots. One of the objectives of nationalization of insurance industry was channelizing of its funds for the benefit of the community at large. The investment of the Insurance companies fund is governed by 27A of the Insurance Act 1938 and subsequent guidelines issued by the Government of India from time to time. These investments are regulated by the government to benefit the people at large by providing basic amenities like water, drainage, sanitation, power, housing, transportation etc.

2. INVESTMENTS OF INSURANCE SECTOR PORT FOLIO MANAGEMENT

All investments are risky and as such investor has to be choosy and highly selective in making investments. This is to ensure that the risk taken is lowest possible while the returns are the highest feasible. Insurance

companies essentially invest these funds with the combined objectives of Liquidity, Maximization of yield and safety.

An insurance policy has to be submitted to the authority by an insurer before the start of an accounting year. Since the insurance companies keep the policy holders money in their fiduciary capacity they are also required to maintain a minimum level of solvency to meet the reasonable expectations of the policyholders. Hence IRDA has mandated the pattern of investments to be followed by the insurance companies

3. INVESTMENT PATTERN OF LIC

The main objective of the LIC is that the funds to be deployed to the best advantage of the investors as well as the community as a whole, keeping in view national priorities and obligations of attractive return. True to the objectives of nationalization, LIC has mobilized the funds invested by the people in Life insurance for the benefit of the community at large.

The modified section 27A of the Indian Insurance act, 1938, prescribes percentage wise ceiling of maximum limit in different categories of investments. These have been modified from time to time with a view to preempting an increasing proportion of its funds in government / government guaranteed / approved / socially-oriented investments. The LIC has been

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