

# INSURANCE IN INDIA: FROM ANCIENT PRACTICES TO MODERN INNOVATIONS

**Ishwarbhai M. Rathod**

Assistant Professor (GES-2),  
Shri K. K. Shastri Government Commerce College, Gujarat University,  
Ahmedabad, Gujarat, India  
rathodishwar2988@gmail.com

## Abstract

This article examines the historical development of the insurance industry in India, spanning from ancient times to early 2024. It is structured into four key sections: Ancient References to Insurance in India, Insurance in Medieval India, Insurance in Modern India, and Emerging Technologies impacting the sector in the early 2020s. The evolution reflects a complex journey from communal risk-sharing practices to a highly regulated and technologically advanced industry. Early forms of risk management are documented in foundational texts such as the \*Arthashastra\*, \*Manusmriti\*, and \*Dharmashastra\*, which laid the groundwork for more structured systems during the medieval period, where merchant guilds and religious institutions provided financial security through cooperative efforts. The modern era, marked by British colonial influence and subsequent nationalization post-independence, saw the introduction of the Insurance Regulatory and Development Authority (IRDA) in 2000, which shifted the market towards competition and innovation. As the industry approaches 2024, emerging technologies like artificial intelligence (AI), the Internet of Things (IoT), and cloud computing are reshaping operational frameworks and enhancing customer interactions. This historical overview not only elucidates the current dynamics of the sector but also prepares stakeholders for future challenges and opportunities in an increasingly digital landscape. The insurance sector in India has evolved significantly from ancient community-based practices to a modern, technology-driven industry, shaped by historical influences and technological advancements.

**Keywords:** Insurance, Insurance in India, Historical development, Ancient insurance practices, medieval insurance systems, Insurance regulatory development

## INTRODUCTION

The objective of this article is to explore the historical evolution of the insurance sector in India, tracing its development from ancient communal risk-sharing practices to the modern, regulated industry we see today. Additionally, the article aims to examine the impact of emerging technologies on the insurance sector, particularly as the industry prepares for significant transformations in the early 2020s. Through this exploration, the article seeks to provide insights into the current dynamics of the insurance landscape and the future opportunities and challenges posed by technological advancements. All data presented in this article is derived from online sources, academic journals, and articles, reflecting a secondary nature. Consequently, the limitations associated with secondary data are applicable, including potential biases, accuracy concerns, and the context in which the original data was collected. This article addresses significant research gaps by providing a comprehensive historical overview of the insurance sector in India, linking ancient practices to modern developments. It explores the impact of emerging technologies on the industry, an area often overlooked in existing literature. Additionally, the article examines the evolution of regulatory frameworks offering valuable insights into how these frameworks have shaped the insurance landscape. By synthesizing diverse sources, it presents a holistic view that enhances understanding of both historical and contemporary issues in Indian insurance Sector.

### 1. Ancient References to Insurance in India

The history of insurance in India can be traced back to the 4th century B.C. during the reign of Chandragupta Maurya. It is referenced in the writings of Kautilya (in the Arthashastra), Manu (in the Manusmriti), and Yagnavalkya (in the Dharmashastra). These texts describe insurance as a method of "pooling resources for redistribution during calamities such as fires, floods, epidemics, and famines," serving as a precursor to modern insurance practices. There is lack of detailed and structured information in Ancient Insurance Sector. The scarcity of detailed information on the ancient insurance sector can be attributed to several factors. Ancient societies often relied on informal, community-based risk management rather than formalized insurance systems, leading to limited written records. Most available texts focus on broader economic and social frameworks rather than specific insurance practices. Additionally, evolving terminology and cultural

differences in risk management approaches further complicate the understanding of ancient insurance, resulting in less emphasis in historical documentation.

## 2. Insurance in Medieval India

The medieval period features more historical data than the ancient era due to increased documentation from structured bureaucracies and growing trade. The rise of merchant guilds necessitated formal agreements and contracts, while clearer legal frameworks provided insights into risk management practices. Cultural exchanges during this time also spread advanced financial concepts, and religious institutions kept detailed records of transactions. Together, these factors contributed to a richer understanding of practices like insurance in the medieval period.

**2.1 Maritime Insurance:** Maritime trade was vital for the economic landscape of medieval India, particularly along trade routes connecting India to the Middle East, Southeast Asia, and beyond. Merchants engaged in long-distance voyages often faced significant risks, including shipwrecks, piracy, and adverse weather conditions. To mitigate these risks, traders formed informal alliances to pool resources, effectively creating a rudimentary form of maritime insurance. By sharing the potential losses associated with maritime ventures, merchants could better navigate the uncertainties of long-distance trade, thereby promoting economic stability and fostering international commerce.

**2.2 Agricultural Risk Management:** Agriculture was the backbone of medieval Indian society, but farmers faced numerous challenges, including natural disasters such as droughts, floods, and pest infestations. To cope with these risks, farmers often formed cooperative associations that allowed them to share resources and support each other during times of crop failure. These informal networks functioned similarly to modern insurance systems by redistributing wealth within the community, ensuring that families affected by agricultural disasters could receive assistance. This mutual aid was essential for the resilience of agrarian communities, reflecting a collective approach to risk management.

**2.3 The Role of Guilds:** The guild system in ancient India comprised organized associations of artisans and merchants that oversaw trade and craftsmanship in designated areas. Its importance stemmed from its contributions to economic regulation, social support, political influence, and cultural development. Trade guilds, which emerged in various regions of medieval India, played a crucial role in providing support to their members. These organizations not only regulated trade practices but also established mechanisms for financial assistance during times of hardship, such as illness, accidents, or loss of livelihood. By fostering solidarity among members, guilds created a safety net that enhanced the economic security of artisans and traders. This cooperative spirit is akin to modern insurance practices, where collective contributions provide coverage against unforeseen events.

**2.4 Religious Institutions as Safety Nets:** Temples and other religious institutions also served as crucial safety nets within medieval Indian society. These establishments often maintained funds designated for helping the needy during times of crisis. In many instances, temples acted as centers for community support, offering aid to individuals and families affected by disasters or economic hardships. The role of these institutions in promoting social welfare highlights the interplay between spirituality and economic security in medieval India.

## 3. Chronological Development of Insurance Sector in India:

Year	Event Description
Ancient	Early references to insurance concepts in texts by Manu, Yagnavalkya, and Kautilya.
1818	Establishment of the Oriental Life Insurance Company in Calcutta (failed in 1834).
1829	Madras Equitable begins life insurance operations.
1870	Enactment of the British Insurance Act; several local insurers emerge.
1912	Indian Life Assurance Companies Act enacted for life insurance regulation.
1928	Indian Insurance Companies Act introduced to collect data on insurers.
1938	Consolidation and amendment of earlier legislation through the Insurance Act, protecting policyholders.
1950	Insurance Amendment Act abolishes Principal Agencies.
1956	Life Insurance Corporation (LIC) formed; nationalization of life insurance sector.
1850	Triton Insurance Company Ltd. established, marking the start of general insurance.
1907	Indian Mercantile Insurance Ltd. set up to transact all classes of general insurance.
1957	Formation of the General Insurance Council to promote fair practices.
1968	Amendment of the Insurance Act to regulate investments and set solvency margins.
1973	Nationalization of general insurance; General Insurance Corporation formed.
1993	Government establishes a committee (Malhotra Committee) for insurance sector reforms.
2000	IRDA is incorporated as a statutory body to regulate and develop the insurance industry.
2000	Market opened for registration; foreign ownership allowed up to 26%.
2002	Subsidiaries of General Insurance Corporation restructured into independent companies.

**3.1 Reform and Growth in the Insurance Sector in 2000s:** The fiscal reforms in India during the early 1990s aimed to dismantle the restrictive "License-Permit Raj," which included significant changes in the banking and insurance sectors. The introduction of the IRDA Act in 2000 marked a shift from a state monopoly to a competitive market, allowing private insurers to enter. This transition resulted in a substantial growth in insurance premiums, particularly in life insurance, showcasing the sector's vast potential and validating the government's reform objectives.

**3.2 Market Liberalization and Insurance Penetration:** The removal of tariffs in the Indian general insurance market in 2007 was a crucial step towards fostering a free market. Insurers were given the autonomy to determine pricing and underwriting risks, which increased competition and consumer benefits. Insurance penetration improved significantly, rising from 1.93% in 1999 to 4.8% by 2006, though non-life insurance remained stagnant. This liberalization allowed the private sector to tailor products to meet diverse consumer needs, leading to larger average policy sizes.

**3.3 Challenges in Workforce Training and Consumer Awareness:** Despite the growth and opportunities, the insurance industry faces challenges, particularly regarding workforce training and agent professionalism. The increasing complexity of insurance products necessitates better training for agents, yet high attrition rates and insufficient selection processes remain concerns. Moreover, there's a significant risk that policyholders may make uninformed decisions, especially concerning unit-linked life insurance products, prompting the need for improved transparency and disclosure guidelines.

**3.4 Technological Advancements and Future Outlook:** As we move towards 2024, emerging technologies like AI, machine learning, and IoT are transforming the insurance landscape. Digital transformation is crucial for enhancing operational efficiency and improving customer satisfaction. The industry is expected to adapt to these changes, meeting the growing demand for modern insurance products, particularly among younger consumers. The Authority remains optimistic about the sector's ability to navigate these evolving challenges and leverage technological advancements for future growth.

#### **4. New Technologies Heavily Impact the Insurance Industry**

In an increasingly digital landscape, traditional insurance firms face pressure to fully embrace digital transformation to remain competitive. Over the next decade, advancements in technology will significantly alter the insurance landscape, separating tech-savvy firms from their contemporaries. To stay ahead, insurers must monitor disruptive technologies that present opportunities to improve operational efficiencies and enhance customer experiences. Identifying where to focus technological investments has become crucial, as the rapid pace of innovation requires keen analysis and evaluation.

##### **4.1 Large Language Models Are Set to Reshape Insurance Operations**

One of the most prominent trends is the rise of Large Language Models (LLMs), exemplified by tools like ChatGPT. These models have the potential to transform various insurance operations, particularly claims processing and underwriting. LLMs can automate repetitive tasks, improving the speed and accuracy of underwriting decisions while enhancing customer service. For instance, they can extract information from claims submissions and input it directly into backend systems, outperforming manual data entry. AI-driven chatbots based on LLMs can engage customers more effectively than traditional bots, offering quicker and more accurate responses. Additionally, LLMs can analyze vast amounts of unstructured data, supporting more informed underwriting decisions. Current implementations show that AI can handle up to 90% of inbound documents, achieving accuracy rates of 95%.

##### **4.2 AI as a Driving Force for Major Industry Transformation**

The insurance sector is increasingly data-driven, leveraging diverse data sources such as social media, IoT, and natural language processing. This wealth of information allows insurers to harness AI for valuable insights, accelerating processes, and reducing risks. AI's role extends across the insurance value chain, impacting customer engagement, marketing, product development, and claims management. Industry experts emphasize that AI has evolved from a mere technological add-on to a core business strategy, facilitating real-time risk assessment through collaborative AI systems.

##### **4.3 The Ongoing Shift to Cloud-Based Insurance Businesses**

Cloud technology is revolutionizing business operations, yet the financial services sector, including insurance, has been slow to adopt it. However, as regulations clarify and technology evolves, European insurers are increasingly turning to cloud solutions. Predictions suggest that by 2024, cloud-based core insurance platform deals will outnumber traditional on-premise solutions. The need for agility and scalability in the face of evolving business models and product innovations makes cloud adoption crucial. Insurers are recognizing the benefits of improved efficiency and customer-centric approaches, leading to accelerated cloud implementation.

##### **4.4 IoT, Telematics, and Usage-Based Insurance Accelerate Digital Transformation**

The IoT is rapidly bridging the gap between physical and digital worlds, significantly impacting the insurance industry. The growing number of connected devices enhances data quality, improving risk assessment and pricing models. Real-time data exchange made possible by IoT devices allows for automated claims reporting and processing, enhancing customer experiences. Insurers can now analyze customer behavior more effectively, leading to tailored policies that reflect individual risk profiles.

#### 4.5 The Rise of Low-Code/No-Code Platforms for Agility and Growth

In 2024, the adoption of low-code/no-code methodologies is expected to expand significantly. These platforms enable rapid development and deployment of insurance applications without extensive coding, allowing non-technical employees to take on critical tasks. Research indicates that a growing number of organizations in the insurance sector are integrating these solutions into their digital transformation strategies, enhancing automation and customer interfaces while reducing reliance on IT departments.

#### 4.6 Ecosystems and Embedded Insurance Address Digitalization Challenges

As digitalization reshapes consumer expectations, insurers must create personalized and customizable products delivered swiftly and transparently. Building partnerships within digital ecosystems enables insurers to expand their offerings and enhance customer experiences. APIs facilitate collaboration with partners, allowing insurers to develop integrated products and services. Effective ecosystems involve not just technology, but also organizational relationships, positioning insurers to meet customer needs more effectively.

### CONCLUSION

The insurance sector in India has undergone a remarkable journey, evolving from ancient community-based practices to a modern, technology-driven industry. From its early roots in ancient India to the regulatory reforms of the 21st century, the sector has been shaped by various historical influences and technological advancements. As the sector continues to evolve, emerging technologies such as artificial intelligence and the Internet of Things are poised to further transform the insurance landscape. Understanding the historical development of the insurance sector provides valuable insights into its current dynamics and equips stakeholders to navigate the challenges and opportunities that lie ahead.

### REFERENCES

- [1] Kumarappan, M. & Sastra University. (2024). History of insurance and development of insurance in India. In International Journal of Law (pp. 98-100). <https://www.lawjournals.org/assets/archives/2024/vol10issue2/%2010072.pdf>
- [2] Evolution of Insurance - IRDAI. (n.d.). IRDAI. <https://irdai.gov.in/evolution-of-insurance>
- [3] Mucharla, V., & Mucharla, V. (2024, April 3). A brief history of insurance in India. Vskills Blog. <https://www.vskills.in/certification/blog/a-brief-history-of-insurance-in-india/>
- [4] Top insurance technology trends transforming the industry in 2024. (n.d.). <https://blog.adacta-fintech.com/insurance-technology-trends>
- [5] Kannan, N., A Study on the Growth of Indian Insurance Sector (2010). International Journal of Management, Volume 1, Issue 1, May 2010, pp. 17-32, Available at SSRN: <https://ssrn.com/abstract=2192840>