

CORPORATE SOCIAL RESPONSIBILITY IN INDIAN INSURANCE SECTOR

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ABSTRACT: *Corporate Social Responsibility is the key theme today in the corporate world. A company is measured not merely on its performance but also by its contribution to the society as a part of its social responsibilities. Government of India also has made this CSR as mandatory for companies having a turnover of more than Rs.100 crores as per the New Company Law. Insurance companies must realize that corporate social responsibility is an intrinsic part of a sustainable business. The practice of embracing CSR helps in addressing the socio-economic development of the country including poverty alleviation, health-care provision, infrastructure development, education, job creation and skill development etc. It also highlights the positive image of the corporate with the public, government and non-government organisations. This paper primarily makes an attempt to understand the importance of CSR in insurance sector, also tries to examine the various CSR initiatives undertaken by leading Insurance companies in India. The data is largely obtained from secondary sources i.e. from annual reports of insurance companies, journals and websites.*

Key Words:

INTRODUCTION

Corporate Social Responsibility (CSR) is the commitment of companies to provide resources and support activities focused on enhancing economic and social development. It is the effort made by companies to improve the living conditions of the local area in which they operate and the society at large. The activities taken up as part of corporate social responsibility reflect the intent to create a positive impact on society without seeking any commensurate monetary benefits.

The importance of CSR emerged significantly in the last decade. Over the time, CSR expanded to include both economic and social interests. Along with this it also broadened to cover economic as well as social interests. Companies have become more transparent in accounting and display 'public reporting' due to pressures from various stakeholders. They have started incorporating their CSR initiative in their annual reports. The concept of CSR in Insurance law is, encouraging or enforcing contribution to the society at large, thus upholding the interests of the society in which the firms are operating. CSR is a method viewed to enfold responsibility for the company's actions and ensure a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all others members of the public sphere who may also be considered as stakeholders. The two relevant laws that protect the stakeholder's interest are the Companies Act 2013 and the IRDA Act 1999. The compliance to CSR clause 135 of the companies Act 2015 applies to all the companies registered under the Act. The CSR Rules of Clause 135 of the Companies Act 2013 pronounced contain

1. The CSR provisions are applicable to companies with an annual turnover of 1000 crores INR and more or a net worth of 500 Crores INR and more, or a net profit of five crore INR and more.
2. The new rules require companies to set up a CSR committee consisting of their board members including an independent director.
3. The Act encourages companies to spend at least 2% of their average net profit in the previous three years on CSR activities.

OBJECTIVE OF THE STUDY

- To understand the concept of CSR
- To understand the importance of CSR in insurance sector
- To know various CSR initiatives undertaken by selected private sector insurance companies

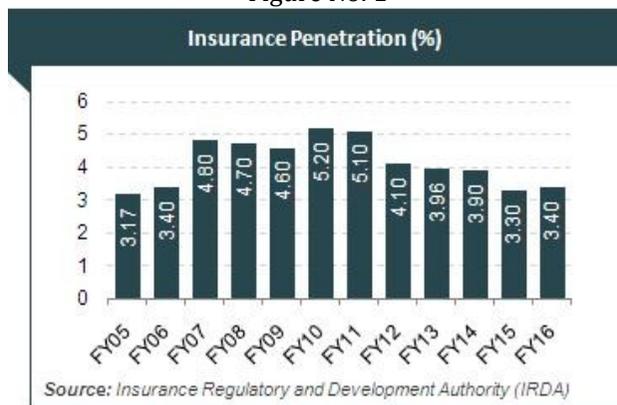
METHODOLOGY

In order to achieve the objectives of the study secondary data have been used. These data have been obtained from various journals, annual reports of respective insurance companies, reports, websites and various other sources.

INSURANCE INDUSTRY IN INDIA

As per the report of IRDA, there are 54 insurers operating in India. Out of which 24 are in Life insurance business and 29 are non-life insurers. Of the 54 insurers presently in operation, eight are in the public sector and the remaining forty six are in the private sector. Two specialized insurers, namely ECGC and AIC, one life insurer namely LIC of India (LIC), four in general insurance and one in reinsurance namely GIC are in public sector. 23 life insurers, 18 general insurers and 5 standalone health insurers are in private sector. Globally, the share of life insurance business in total premium was 55.6%. The share of life insurance business in India was at 79% while that of non-life insurance business was at 21%. In life insurance business, India is ranked 10th among the 88 countries, for which the data was published by Swiss Re. India's share in global life insurance market was 2.24% during 2015 whereas it was 2.08% in 2014. The measure of insurance penetration and density reflects the level of development of insurance sector in a country. While insurance penetration is measured as the percentage of insurance premium to GDP.

Figure No: 1



The graph above shows the penetration of insurance industry in India for the last 12 years. Insurance penetration reached 3.4 per cent in FY16 and is expected to cross 4 per cent in FY17. In Union Budget 2017, government increased the coverage from 30 per cent to 40 per cent under Pradhan Mantri Fasal Bima Yojna.

LIFE INSURANCE MARKET IN INDIA

During the period of 1956 to 2000, Indian life insurance market was completely occupied by LIC of India. LIC was state monopoly and the largest player in the market. Later on various private companies came out with innovative products in the market which offered both life cover as well as scope for savings or investment options for customer. In India, there are 24 life insurance companies operating successfully. Apart from Life Insurance Corporation, the public sector life insurer, there are 23 other private sector life insurers; most of them are joint ventures between Indian groups and global insurance giants.

ROLE OF CSR IN INSURANCE SECTOR

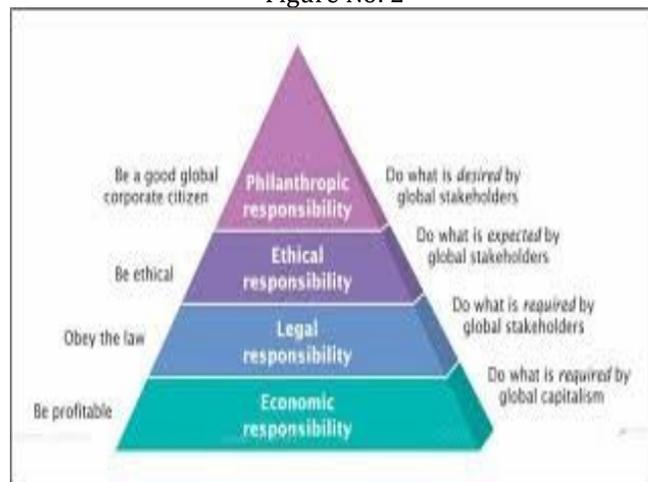
As we are aware that making profit only should not be the objective of any business. Focus should be laid on wellbeing of the society as that indirectly affects the profits therefore CSR is the DNA of business which incorporated would be beneficial to the business ensuring sustainable development. Despite the obvious recognition of CSR investment benefits, CSR is only an emerging phenomenon in the Indian Insurance market. Insurance companies need to prove that it is more than just a profit-generating entity. It is important for insurers to highlight the essential responsibility they play in economic and societal development. CSR determined implemented in good times and in bad will develop the industry's reputation and strengthen stakeholder relationships.

Carroll's Pyramid of Corporate Social Responsibility

The problems regarding CSR are the concepts that are difficult to measure and evaluate. Therefore different models have arisen in an attempt to depict what is included in CSR. The most commonly used models are Carroll's Pyramid of Corporate Social Responsibility and Mollen baker model.

Carroll has proposed a comprehensive definition embracing four kinds of social responsibilities for business: economic, legal, ethical and philanthropic. The single most valuable theory concerning the content of a firm's social responsibility is Carroll's pyramid of CSR. The very basic of a firm's responsibility is economic and therefore its primary obligation is to operate at a profit thereby pursue growth and to provide society with goods and services at fair price. The CSR pyramid is based on four-part perspectives, namely Economic, Legal, Ethical and Philanthropic standpoint. Four-part conceptualization of CSR put forward the concept that the corporates should focus not only economic and legal obligations, but ethical and discretionary responsibility as well. It is during the recent years that ethical and philanthropic responsibilities gain more importance. The pyramid of CSR is a tool for measuring the level of CSR at the firms based on how they fulfil their responsibilities towards the society.

Figure No: 2



Carroll's CSR pyramid

Steps to Execute CSR in Insurance Sector

For the accomplishment of CSR practices in the firm, the insurers must consider all their stakeholders such as customers, employees, intermediaries, suppliers, government and the broader community. An insurance company can undertake following possible ways specific to corporate social responsibility in order to be sustainable in the competitive scenario.

- **Paying Valid Claims Efficiently**

The yardstick to judge insurance company's efficiency is as to how quick the claim settlement is made. The less time consumption and fairness with which an insurer handles claims show the maturity of the company and may lead to great satisfaction of the client.

- **Risk Minimization**

Insurers should focus to minimise risks both internally in their operations and externally for their clients and other stakeholders. Though external risk minimization is a difficult task, but insurers should try to minimise the same by reducing claims cost and frequency for clients and insured's will thus be incentivized to reduce the likelihood and severity of loss in order to lower their premiums. Insurers should, and often do, consider offering discounted premiums to insured's that take preventative measures.

- **Strategic Philanthropy**

Strategic philanthropy involves associating with charities or similar non-profit organizations in the community. This type of corporate giving cannot only impact the community but also other stakeholders in the business. Insurers can also take part in disaster relief activities. Companies can provide substantial financial support to the victims of different catastrophes. Life insurance companies can relax the norms to ensure faster and easier claim settlement for the victims of disasters.

- **Corporate Governance Initiatives**

Insurers should take initiative in designing and formulating some codes of conduct and ethics, some guidelines comprising the basic principles that should guide the activity of top and middle managers.

- **Environmental Initiatives**

The companies can make financial investments in the environmental projects including energy conservation, environmental risk management and recycling operations of different natural resources.

- **Legal initiatives**

The firm can perform numerous activities in order to improve the laws in the countries in which the corporation operates, to adapt them to the new trends of different markets, provide necessary assistance to the area regulation and supervision authorities, as well as to state authorities on different themes.

- **Recognition for Human Rights**

Corporations develop a means to hold themselves accountable and to provide for remediation through grievance or other mechanisms. Companies should show enthusiasm for observing voluntary human rights codes of conduct usually operate in a business with the potential to considerably impact human rights.

CSR INITIATIVES BY PRIVATE SECTOR INSURANCE COMPANIES IN INDIA

The table below shows the CSR spending of some of the selected private sector insurance companies in India for the last 3 years. Prescribed CSR expenditure shows the 2% of average net profit of preceding 3 years of the company.

Table No: 1

(Amount in Lakhs)

	Insurance companies	2014-15		2015-16		2016-17	
		Prescribed CSR expenditure	Amount spent	Prescribed CSR expenditure	Amount spent	Prescribed CSR expenditure	Amount spent
1	SBI Life Insurance Co. Ltd.	811	811.67	994	994.3	1258	1284
2	HDFC Standard Life Insurance Co. Ltd.	993	448.88	1102	480	1087	1091
3	ICICI-Prudential Life Insurance Co. Ltd.	2174	2188	1991.11	1984	3082	3105
4	AVIVA India Life Insurance Co. Ltd	119.91	32.68	102	59	80.28	69.20
5	Bajaj Allianz Life Insurance Co. Ltd.	2905	1005	2610	2611	2288	2290
6	Birla Sun Life Insurance Co. Ltd.	-	-	798	481	530.77	331.50

From the above it is clear that no remarkable variation could be identified between prescribed CSR expenditure and the actual amount spent by the companies.

CSR INITIATIVES BY SELECTED PRIVATE SECTOR INSURANCE COMPANIES IN INDIA

1. SBI Life Insurance Co. Ltd.

- SBI Life's Corporate Social Responsibility initiatives have touched multiple dimensions of social issues in the realm of child education, healthcare, skill development, rural development and environmental upgrade. The Company has partnered with genuine and dedicated organizations towards such causes and has created a sustainable impact for years in a row.
- SBI contributed towards the academic support of 1,200 underprivileged girls in Mumbai and 69 girls in Andhra Pradesh in partnership with Nanhi Kali.
- Organized Project 'Unnati' along with Smile Foundation and supported the educational needs of 25 young girls.
- SBI Life in association with GrowTrees.com plants a tree on the occasion of every employee's birthday. The trees are planted at various reforestation areas like Kanha National Park at Madhya Pradesh, periphery of Satkosia Gorge Wildlife Sanctuary, Angul, and Orissa etc. and are maintained at a high survival rate.
- SBI Life Chandigarh office identified an orphanage for girls - "Unique Homes for Girls", Jalandhar. The office distributed a set of uniform, bags and shoes to 45 girls.
- Provision of vocational training equipment to educational institution for the less fortunate students at Kolkata, West Bengal
- Provision of a vehicle to a home for the mentally challenged children at Valsad, Gujarat

2. Max Life Insurance Co. Ltd.

- The Company works closely with Max India Foundation, an independent social service organisation of Max India Group. The immunisation programme covers vaccines like BCG, Hepatitis B vaccine, Polio drops, DPT, D Tap, Measles vaccine, MMR, Typhoid, DT and TT.
- Max also organised artificial limbs and polio calliper camps. Through each camp beneficiaries are provided artificial limbs or polio callipers. In each such camp around 350 beneficiaries are provided artificial limbs. Till date a total of 3,838 patients have been provided artificial limbs and polio callipers. Till date, 445 multi-speciality camps have been organized benefitting 1, 01,674 patients.
- Max Life supports 6 permanent health centres across Punjab, Uttrakhand and Delhi. These health centres provide comprehensive healthcare if required refer patients to closest Max Healthcare facilities for surgeries & treatments.
- The company has already adopted and initiated work in Dhakrani village in Dehradun district of Uttrakhand.
- Max Life Insurance started a new employee volunteering initiative - 'Pehal'. The initiative was formally launched with a cleanliness drive around the DLF Square building (DLF Phase II) with a motto to awaken each employee to contribute to the society and providing them with the opportunity to do so.

3. ICICI-Prudential Life Insurance Co. Ltd.

- ICICI Foundation, work with state governments and other not-for-profit organizations to improve the quality of education in government and municipal schools, which account for the vast majority of school-going children in the country.
- The ICICI Academy for Skills has been set up across the country to provide job-oriented skill training to youth. Several centres have been set up across the country.
- ICICI Foundation is also liaising with corporates and businesses to get the trained youth employed, through a job portal.
- The Company provides micro-insurance to India's low-income population, as part of its commitment to make life insurance accessible to low income groups and rural population, including the urban poor and migrant workers.

4. PNB MetLife Insurance Co. Ltd.

- PNB MetLife has taken the first step in giving back to the local communities and launched its CSR initiative.
- The company has joined hands with bank partners, Jammu & Kashmir Bank Limited (JKB) and Karnataka Bank Limited (KBL) to support the cause of education and development of underprivileged children.
- As a part of Promotion of nationally recognized sports like Badminton company provide scholarships for talented underprivileged children to pursue their dream of excelling in the sport.
- Provide opportunity for children in identified locations to get access and help in getting education in schools, helping school drop-outs with skill training

5. Exide Life insurance Co. Ltd.

- [1] Say No to Plastics is a very unique initiative from Exide Life Insurance that educates the citizens of India on the negative effects of usage of plastics and encourages them to switch to environment friendly materials.
- [2] In Association with SOS Children's Village, Exide Life Insurance is extending support for complete child care requirements including education, health and nutrition, psychological and career development of 50 orphan & abandoned children across Bangalore, Chennai, Hyderabad, Delhi, Kolkata amongst other locations and also sponsor 1 family at Bangalore location.
- [3] In partnership with Akshaya Patra Foundation, Exide Life Insurance is sponsoring distribution of mid-day meal to 1480 students of Government school across Bengaluru.

CONCLUSION

It is becoming increasingly important for companies to be good corporate citizens. Society has started to demand it. Consumers believe that increasing the transparency of business practices, and demonstrating

positive social and environmental impacts are the two most effective actions companies can take to improve public trust in the private sector. Today, numbers of industries have started CSR activities for enhancing their reputation and brand value and insurance sector is no exception to it. From the study it is evident that insurance sector also provide due importance for various CSR initiatives. As per the Companies Act 2013, companies are required to spend at least 2% of net profits in CSR activities. All registered companies including the insurers have to spend this amount on CSR every year. The recent initiatives of Government of India duly supported by State Governments in Schemes like Swachh Bharat, Swasht Bharat and recently launched Jan Suraksha Scheme are already taken as major CSR activities by Corporate Bodies and offer a great opportunity to insurance industry as a whole to make a definite impact towards increased insurance penetration for rural & Informal sectors in our country.

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