When life insurance business was nationalized in 1956 with the enactment of the L I C of India Act, 1956 the Department was permitted to underwrite Life Insurance policies for the state Government Employees only (Exemption provided under section 44(F) of the Act). Life Insurance with the State Insurance Department was made compulsory for the State Government employees with effect from 19.8.1976 vide Rule 22 Part I KSR. The Group Insurance is also made compulsory vide G.O (P) 392/84/Fin. Dt. 9.8.1984. In 1972 General Insurance business was nationalised with the passing of the General Insurance business (nationalization) Act, 1972. The exemption clause provided under section 36(1) a of the Act permitted it to underwrite general insurance policies for the assets and properties in which Government have substantial financial interest.

The State Life Insurance Scheme and Group Insurance Scheme, which were meant for the State Government employees only have now been extended and made applicable to the employees of Private Aided Educational Institutions, Autonomous Bodies, Public Sector Undertakings and other similar Organisations, vide G.O (P) 25/04/Fin. Dt. 12.1.2004 and 26/04/Fin. Dt. 12.1.2004, respectively.

The Department underwrites General Insurance policies for properties belonging to:

- State Government
- Undertakings owned wholly or mainly by State Government.
- Any board or body corporate established by State Government.
- Any industrial or commercial undertaking in which State Government has substantial financial interest whether as shareholder, lender or guarantor.

As per the G.O (MS) 567/96/Fin. Dt. 11.9.1996, the District Insurance Officers are empowered to:

- Accept proposals for life insurance and issue policies
- Issue passes books under Group Insurance Scheme on receipt of details in form GIS-C.
- Accept proposal for General Insurance Policies and issue cover notes and policies.
- Sanction loans up to Rs.10,000/- from State Life Insurance policies.
- Sanction payment of claims up to Rs.50,000/- in the State Life Branch and Group Insurance branch.
- To settle all claims under Motor Insurance up to Rs.5,000/-
- To settle claims under Fire Branch up to Rs.10,000/-