Chapter II

OBJECTIVES
AND
METHODOLOGY
This chapter presents research problem, overview of literature on general insurance, need for the current study, objectives, scope, data source, and other methodological aspects of the study.

Introduction

The Indian insurance industry has been playing a significant and leading role in mobilizing long term savings to support economic growth and also facilitate socio-economic development by providing insurance coverage to a large segment of people as well as to business enterprises throughout the country. The increasing complexity and novelty of business opportunities in the insurance market have opened door to more and more players – both public and private. Therefore, today, the industry is going through a testing period that has not been witnessed any time in the past. This indicates a challenging market, but a bright future for Indian general insurance industry in the years ahead.

Research problem

General Insurance Companies constitute important financial institutions in the Indian economic system. Since, their inception, they have been growing enormously in terms of physical growth, financial viability and achieving operational efficiency by introducing different business products and improving the existing services. As the decades roll by, their products and services have also been increasing tremendously. Besides, with the emergence of liberalization, privatization and globalization of economic systems, the doors are opened freely to many private companies to enter the general insurance sector. With regard to National Insurance Company (NICL), it is the oldest company and it has been
carrying out General Insurance Business since 1906. It became one of the subsidiary companies of General Insurance Company in 1972 and later in 2001 it was separated as an independent company. It has been carrying its business in non-insurance operations like Fire, Marine and Miscellaneous business with as many as 24 regional, 311 divisional, 559 branch offices and 71 Direct Agent branches across the country. As on 31-3-2009, it carried out its business to the tune of Rs.47,335 crore as against Rs.98800 crore of the total General Insurance Companies. The insurance business in general and the general insurance business of National Insurance Company in particular has been facing severe competition within the sector and more so with the insurance business of private sector. The NICL is separated from GIC in the year 2001 as per the recommendations of IRDA. Keeping this in view, it is thought of to have a detailed analysis on the current status of NICL and evaluate its performance in terms of physical growth, operational and financial performance over a period of time i.e. from 2001 to 2009.

Review of literature

Hereunder an endeavour is made to present various research studies made in the areas of General Insurance Business and this enables the researcher to find out the research gaps in the field.

Neelam Jaim (2003), in his attempt on “Liberalization of Insurance Industry in India; Opportunities and Challenges” emphasized the need for private sector entry into insurance is justifiable on the basis of enhancing the efficiency of operations, achieving greater density and insurance coverage in the country and
for a greater mobilization of long-term savings for long gestation infrastructure projects. According to him, non-life insurance provides protection against accidents, property damage, theft and other liabilities. Non-life insurance contracts are typically shorter in duration as compared to life insurance contracts. The bundling together of risk coverage and saving is peculiar in life insurance.

Pallande, Shah and Lunawar, (2003)\(^2\), in their paper pointed out that “There appears to be an almost universal agreement that the Indian Insurance Industry has a vast growth potential. The conclusion is based on the fact that the Indian economy is among the most underinsured market in terms of spread and penetration. The authors opined that the changing demographic profile, growth of the Indian economy and changing nature of risk in the wake of adoption of new technologies and the like will also push up the demand for insurance cover. They also opined that cognizance also has to be taken of the various social and economic factors influencing the need for and attraction of insurance to various sections of society”.

Sinha (2005)\(^3\), in his article stated that India is among the important emerging insurance markets in the world. The major drivers according to him include sound economic fundamentals, a rising middle income class, improving regulatory framework and rising risk awareness. He strongly held that fundamental regulatory changes that were initiated in the insurance sector in 1999 widened the scope for future growth of insurance business. He further said that despite the restriction of 26 per cent on foreign ownership, large foreign insurers have entered the Indian market and State-owned insurance companies still have dominant market positions.
Rao (2006), in his paper titled "Issues and Challenges" stated that the penetration of insurance in India compared to western countries has been woefully low. The average size of an Indian life policy is only Rs.45,000. Likewise the insurance density (insurance premium per capita) in the country is the lowest in the world. The author suggested that for a healthy and overall development of insurance market in India we have to move away from a situation where insurance is brought only on compulsion. Insurance in India has to develop as a Service Product, which is sought after by public because of its intrinsic characteristics. The lack of competition possibly has been one of the reasons for the slow growth of the Indian Insurance Industry.

Saranya and Geetha, (2006), in their endeavour pointed out that the Indian life insurance market has a large potential, considering the country’s huge and burgeoning population, a growing and increasingly affluent middle class, and gross domestic savings of around 23 per cent of GDP, now expected to rise by 6.7 per cent. The authors urged that the new insurers are expected to change everything about the insurance industry, from the very structure of the industry to the structure of the market place as there is still a larger untapped demand for insurance in India.

Shukla (2006), in his seminar paper on "Critical issues in micro-insurance, opined that micro-insurance in India is an effective enabler of the poor by enhancing their capacity to participate in the larger economy. He asserted that this ensures protection of the poor households from the crippling state of uncertainty by securing them from day-to-day risks and thereby helping them to establish and enhance their livelihood. According to him, the next critical issues in micro-
insurance are the cost set-up, management and staff compensation, product design and delivery costs, commission and incentives, expenditure on training and client orientation, cost of risk and cost of systems.

Blancher, (2007)\textsuperscript{6}, strongly felt that education will enable consumers to make ‘appropriate financial choices’ and not solely to provide information. He also found that consumer dissatisfaction about insurance products was mainly a result of the purchase of the products without correct information or appropriate understanding about the products. He further supplemented that nurturing appropriate professional standards among insurance agents is equally important as they remain as the first and often the only contracts with customers.

Gupta, (2007)\textsuperscript{7}, in his paper “Motor Insurance Consumer Beware” mentioned that motor insurance is the most important tool for all motor vehicle owners. He was of the opinion that the customers will get benefit from the policy only when they are aware of the details and renew their policies in time. He further said that since motor insurance consumers form the biggest segment of non-life insurance consumers in the country and insurance companies should come forward for increasing consumers’ awareness on insurance. He suggested that understanding the nitty-gritty of motor insurance policies is the need of the hour for all consumers as it will be a win-win situation for both the company and the consumer.

Gopalakrishna, (2007)\textsuperscript{8}, in his article on the “Role of Insurance in Risk Management”, stressed that the insurance constitutes an important service segment accentuating economic development by resource mobilization, utilization
and resource creation. The author also categorically stated that risk is incidental in life and business and possibility of hazard, danger, loss, injury or other adverse consequences (a health risk, a risk of fire etc.) The risk is uncertainty of a financial loss and thus, wherever there is uncertainty with respect to a probable loss, there risk prevails the author further added.

Gopalakrisha, (2007)\(^9\), in his paper titled “Risk and Insurance” mentioned that the success of insurance companies are to be measured not just in terms of profits earned or rates of return, but equally by the quality of corporate government. To him, the Indian Insurance Industry has been seeing various changes, some of which are very significant for the overall development of a dynamic industry, as it exists elsewhere in the world. The opening up of the industry, which was done as a consequence of the liberalization, privatization and globalization process sometime ago, has its impact on the way the business is conducted. The author also stated that several universally renowned players have tied up with Indian companies for a fruitful alliance. This has laid to the emergence of a vibrant market with the hitherto monopolistic public sector players joining the race with renewed fervor. Today, the industry is going through a testing period that has not been witnessed any time in the past. This indicates a challenging market, but a bright future for the insurance industry.

Known (2007)\(^10\), suggested that presence of a strong tax motive in insurance regulation. He also held that state governments seem to outsource their regulatory functions to the NAIC at the additional cost of the regulated insurance entities and other users of NAIC services. The supervisory authority sets minimum requirements for insurers and intermediaries in dealing with consumers
in its jurisdiction, including foreign insurers selling products on a cross
information.

Ramakrishna Rao, (2007)\textsuperscript{11}, was of the strong opinion that insurance is a
vital economic activity and hence there is an excellent scope for its growth in the
emerging markets. The penning jump of the insurance sector has raised high
hopes among people both in India and abroad and stated that the recent
detariffication in the non-life domain has provided a great deal of operational
freedom to the players.

Mehni (2007)\textsuperscript{12}, observed that the insurance industry in India has taken
impressive steps already and experienced a phenomenal growth in improving the
stock markets and achieving historic highs in the recent past. The huge untapped
potential in the largely undeveloped private pension market would further give up
the performance of insurance industry.

Sheela and Aerti, (2007)\textsuperscript{13}, made an empirical attempt on "A study on the
Awareness of Life Insurance Policies in Visakhapatnam". For a detailed study a
total of 1500 respondents from 12 sectors were chosen by using the convenience
sampling method. Of these, as many as 1206 people-respondents were selected for
final analysis. The study clearly revealed that majority of the respondents are
aware of life insurance and its significance and only 41.7 per cent of them have
opted for insurance risk coverage. Empirical findings of the study also showed
that the insurance is widely disliked by customers and the life insurance
distribution channels adopted by the companies are to be improved.
Venkataramana, (2007)\textsuperscript{14}, categorically stated that the non-life insurance and reinsurance firms are the main providers of risk financing for man-made disasters and natural catastrophes. While the life insurance industry mobilizes long term savings for investments and retirement benefits to the employees and individuals, the GI business helping both the individuals and institutions in protecting them against the losses arising from damages and losses of their property.

Venkataramana, (2007)\textsuperscript{15}, in his article on "Insurance Regulator: The emerging challenges", said that the increasing complexity and novelty of business opportunities in the insurance market have opened doors to more and more players. He also reiterated that the insurance industry not only plays a leading role within the financial system in a country but also discharging an important socio-economic function for the welfare of the economy.

Biswajit Chatterjee and Ram Pratap Sinha, (Jan. 2008)\textsuperscript{16}, in their article on "Insurance against Natural Disaster Across country perspective", overviewed the functioning of insurance industry for the last two decades both in terms of number and intensity of natural disasters and found that their role has been increasing over the years.

In a study by Antony Oliver-Smith, (1998), stated that "A disaster is a process or an event involving the combination of a potentially destructive agent from the natural, modified and/or constructed environment and population in a socially and economically produced condition of vulnerability resulting in a
perceived disruption of the customary relative satisfaction of individual and social needs for physical survival, social order and meaning.

Brian Heale and Francosos Morin, (2008)\textsuperscript{17}, examined the risk management process focusing not only on protection from adverse results but also must find and coverage risk assumption opportunities. Risk modeling solutions according to the authors must held capitalize on available opportunities to improve business performance.

Warrier (2007)\textsuperscript{18}, was of the opinion that the combination of high potential and low penetration makes India and China attractive for global players. Also, both Indian and Chinese economies have been flourishing, facilitating quicker growth. But, this opportunity is not without challenges like difficulties in reaching out to the large population with a huge geographical spread, client-friendly regulations which are still emerging and low insurance awareness.

Gopal Krishna's, (2008)\textsuperscript{19}, article on "Social Security Character of Life Insurance. "Social Security to Business" held that the uncertainty of business and losses are to be taken care of by the device of insurance. He also caustioned that in the world of business, commerce and industry, where huge properties are involved, a slight slackness or negligence may destroy the property and hence the accident may be fatal not only to the individual or property but also to the third party.

Jack Hungelmann, (2008)\textsuperscript{20} in a study titled "A case study for standardizing insurance policies" appealed to the insurance industry that the national Association of Insurance Commissioners (NAIC) should create universal
Jean Known, (2008)\textsuperscript{21}, highlighted the various issues related to the reforms of insurance regulation in the United States. He compared regulatory structures in selected countries, investigated the political history of insurance regulation in the US to identity the motives behind each call for reform, and evaluated the current state based approach along with proposed alternatives (i.e. federal regulation and optional federal chartering). He concluded that the current state based system had not failed but continued to show signs of efficiency improvement. He also hinted that in order to earn more support of the system by all parties of interest, however, State regulators must eliminate any bureaucratic duplications in the procedure and consolidating their activities using a centralized entity. He also recommended that regulation should exist primarily to benefit the general public, particularly policy-holders.

Jean Known, (2008)\textsuperscript{22}, "Cross Accountability in the Insurance Market" highlighted the importance of consumer education in insurance. He concluded that based on the analysis of the changes in the regulatory environment in the US as well as on the theoretical aspects of insurance regulation. Finally, he inferred that both prudential regulation and market regulations play an important role for the development and furtherance of the insurance market. However, he identified that there is a less coordinated effort among the insurance regulators in market regulations, particularly for consumer services and education.
Jaya Prakash, (2008)\textsuperscript{23}, in his paper found that many of the insurance companies either run their operations without proper systems for new business, policy servicing, billing, claims, agency management systems, run with few of the systems that are mostly not integrated with each other. This led to an increase in the cost towards data conversion, web enablement etc. Especially, when the insurance companies try to interact with the agents, regulators, web portals, etc. the difference in the data format lead to a lot of mismatch and conversion exercises as the data dictionary of the systems mentioned are often different from each other. Hence for better use of ACORD, what is required as per the author is the agreement – accord to enjoy the benefits of standards thereby enabling innovative products in quick time frame, reduced administrative expenses, reduced premium rates, more bonuses and ultimately a risk covered in the age of economic inflations and fluctuations across the globe.

Narasimha Rao, (2008)\textsuperscript{24}, attempted to discuss the nature of conflicts that are arising due to the enforceability of some regulations. He also touched upon “Cross – Accountability in Insurance Regulation” and stated that in insurance all the parties should be accountable to one another. The author further emphasized the need for self-regulation for the purpose of quality services to the people.

Biswajit Chatterjee and Ram Pratap Sinha (2008)\textsuperscript{25} in their paper threw light on the natural disasters and the role of disaster insurance in managing them. According to them, insurance is a business of risk and insurance companies earn their income in the form of premium collected on policies sold to customers. These funds are, in turn, invested to earn profits. The premiums which are collected by the insurance companies usually exceed the amount required to pay
claims on policies and the excess becomes profit to the insurer. In this regard the authors suggested that efforts are to be made by the insurance companies to increase their premiums and monitor cautiously their claim substant.

Rao, (2008)\textsuperscript{26}, in his paper "Getting Ready for the future", felt that planning for the future in a competitive insurance industry was never more important than now. Public sector insurers that had huge advantages have fettered away most of them because of unclear goals. In this article, he compared two public sector insurers. It also dwells on what the customers and the market expects from them in the future. According to him, low premiums, wide coverage and improved services are the need of the hour for achieving paper progress of insurance industry.

Rao, (2008)\textsuperscript{27}, suggested in his paper that creating demand rather than stimulating supply is not the right strategy and warned that it may be harmful to the insurance system in the long-run.

Ram Pratap Sinha, (2008)\textsuperscript{28}, in one of his articles described various major issues relating to the growth of micro insurance market in India in the light of the various studies on the potential market as well as the initiatives taken by the IRDA especially in the development of micro-insurance. He also held that in spite of the apparent success of the market mechanism in the insurance industry, there are still ample evidences regarding market failure relating to the industry. Therefore, the insurance companies especially in the competitive environment as of study should be cautious about various issues relating to mine insurance.
The International Labour Organization, (2004)\textsuperscript{29}, prepared an inventory of micro-insurance schemes being operated in India. The International Labour Organization identified that as many as 51 schemes are in operation in India and the major outcomes of the study were that 59 per cent of schemes provided life insurance and 57 per cent of them were exclusively related to health insurance, while 56 per cent of such schemes covered only one single risk.

The Committee on Financial Inclusion, (2008)\textsuperscript{30}, rightly identified micro-insurance is a key element in the financial services package for the less privileged people. The poor not only face more risks (due to uncertainties associated with income) than those are well-off, but also their ability to cope with hazards is extremely limited. In view of the relative neglect of the rural sectors by insurers so far, micro insurance deserves a push from the IRDA as well as the government. Effective linking of micro-credit with micro-insurance can greatly facilitate the upliftment of the rural and urban poor.

Rao, (2009)\textsuperscript{31}, in his attempt on 'Products to Services' felt that customers' expectations come in various forms, convenience, perfection, easy to deal with, sight response, empathy, a fair process and acting with a helpful nature. The power to satisfy or deny satisfaction to a customer, according to him, is entirely in the hands of insurers. While products can be easily limited, the basic culture of customers orientation of an insurer is beyond the possibility of an instant transfers. He also stated that the real challenge and opportunity for service innovation is the greatest in non-life insurance, because an occurrence of a claim is the only moment of truth for an insurer.
Rao, (2009)\textsuperscript{32}, in his another paper “Managerial Effectiveness in Non-life insurance companies”, discussed and described how insurers conduct SWOT analysis and changing for the better can rediscover fresh opportunities to reinvest themselves. Non-life insurance business is exceptionally unique in the nature of its transactions. He strongly reiterated that it needs a high level of human contact. He came to a conclusion that the PSU insurers are dominating the scene for over three decades and have set the business standards and practices, which are now recognized industry-wide. Insurers pursuing the narrow goal of premium growth are getting out of sync with their customer segment. The non-life insurance industry unlike life insurance as disclosed by author is a multi-product business with periods of insurance covers limited equally to 12 months, requiring renewals and fresh negotiations to maintain coverage. He finally came to a conclusion that it is comparatively less capital intensive, more product centric and wholly service oriented.

Rao, (2009)\textsuperscript{33}, in his article stated that while the concepts of risk management are applicable to each of them, and every stakeholder has practiced them in differing and perhaps even in conflicting ways with the system getting weaker. The IRDA, which overseas the performance of the insurance system in terms of the solvency of insurers and the protection of policy-holders’ interests, is also required to have a risk management agenda of its own to ensure the safety of the system.

Rao, (2009)\textsuperscript{34}, “Non-life insurers and challenges in the Emerging Market Scenario”, discussed the unpredictable challenges, which threaten the economic viability of the non-life insurance system in India, and more particularly the
private players. These players, according to his opinion, are relatively lower net worth have built up a large market share of 40 per cent of potentially loss-making portfolios in motor and health in a short span, with a restricted scope to generate investment incomes from the struggling stock market. With premium growth declining and other business costs including claims going up, with more competition injected into the market and with the domestic economy skidding, the non-life insurers are at their wit's and to climb out of the abyss they find themselves in post-detoxification. Finally, the author assessed suggestions for effective portfolio of investment by non-life insurance companies.

Samuel Babu, (2009)\textsuperscript{35}, "The Psychology of Insurance Decision Making", tried to capture the psychology behind the insurance decision making under the heading of False Perceptions, loss Probability, Risk Behaviour, Risk Homeostasis and Registrance to change, Overconfidence and Faming effects. In sum, the author pointed out that it is very difficult for individuals to reflect on the thought of uncertainty, probability, and risk.

Qaiser, (2009)\textsuperscript{36}, "The Role of Actuary General Insurance Business in India". The author stated that the Actuarial techniques now find practical application in the operation of a general insurance company. But there is lack of awareness and appreciation of this fact, even amongst the staff and officers of insurance companies, which calls for a change. This article also discussed the role of the Appointed Actuary as per the regulations of IRDA and goes beyond the examinations of other areas in general insurance operations where the services of Actuaries can be utilized.
George E Tomas and Vishnu Moham Rao (2010)\textsuperscript{37}, “In their empirical analysis of insurance litigation in India”. Touched upon the litigants, causes and patterns of litigation inferences and poses questions for future research. The study also emphasized on the need for setting up a comprehensive database with the insurance regulator, comprising past and present insurance cases.

Krishna Kumar Agarwall and Rajesh Upadhay, (2010)\textsuperscript{38}, in their article described the various changing trends in the Indian insurance industry. Further the author stated that one of the fastest growing industries in the service sector is insurance. With the entry of private players and foreign collaborations, penetration of insurance sector in India has gone up. Introduction of new products and channels of distribution along with the penetration of private insurance companies in hitherto uncovered markets are the major contributing factors for growth.

Raju, (2010)\textsuperscript{39}, “General Insurance in India”, pointed out that new private general insurers, in collaboration with large global insurers, started joint ventures in India. Consequently, a significant increase is observed in the general insurance business in India in terms of number of new policies and premiums. The growth is very significant in the case of private players. The segment wise analysis revealed that the health insurance sector recorded a remarkable improvement as compared to other sectors. The level of penetration of general insurance, however, is showing a downturn and is far below the world average as per the Rajus observations.

Rao. G.V., (2010)\textsuperscript{40}, was of the opinion that India’s economic growth and its real impact on the growth of non-life insurance business, has stirred the
interests of African and other countries. The economic surge in India, with consistently high growth rates from the beginning of the 21st century, has caught the attention of other emerging markets, who are keen to know how India has been able to achieve this. Liberalization of the Indian Insurance Markets in 2000 according to him, was an initiative virtually ‘forced’ on the Government of India by the international multilateral agencies, which have led the forces of globalization of trade and services.

Rao (2010)41, made a strong case that it is for the management to educate all levels of employees so that they do not perform as if they are in silos of functional excellence. In his observation, the author found that the financial statements of insurers issued annually are of little interest even to the employees of insurers. Even the management does not make efforts to analysis it for information of the top and middle level executives. These financial statements highlighted the strengths and weaknesses of the insurers, and if analyzed over a period of time and can show the direction to formulate strategies to be employed for the over all education of the employees.

Rama Krishna Rao, (2010), in his article on “Indian Insurance Industry’ said that today the insurance market in India has come to life and is an exciting business. He further opined that though the Indian insurance industry is gaining in size and is on par with the Asian market, it has far behind the developed markets of Europe and America. The road to glory has not been very striven. It has been strewn with problems and there have been some stumbling blocks for the growth of insurance industry.
Ramakrishna Rao, (2010)\textsuperscript{42}, in his another article titled "Indian Insurance Industry: The exciting Journey Ahead", asserted that notwithstanding the temporary slide in the growth, the Indian insurance is on the threshold of a quantum increase in performance and will stabilize over the years. The right strategies implemented in a spirit of cooperation rather than competition, offers unprecedented growth opportunities for the industry. It has been a double whammy for the non-insurance industry, the global melt down and the price was an account of defarrifing. The slowing down of the economy in most of the sectors, declining exports, increasing unemployment, etc, has reduced the demand for insurance. The private players, who grew at a whopping rate of 50 per cent to 60 per cent in the past year, resorted to huge expansion in man-power and infrastructure. Resultantly, the fixed costs have been rising but commensurate growth eluding them.

Ramakrishna Rao, (2010)\textsuperscript{43}, in his paper "Indian Insurance Industry", stated that Indian Insurance has been a double whammy for the non-life insurance industry, the global meltdown and the price was on account of detariffing. He further opined that the slowing down of the economy in most of the sectors, declining exports, increasing unemployment, etc., has reduced the demand for insurance. The private players, who grew at a whopping rate of 50 to 60% in the past years, resorted to huge expansion in manpower and infrastructure. Resultantly, the fixed costs have been rising but commensurate growth is eluding them.

Ramana, (2010)\textsuperscript{44}, made an attempt on "Underwriting and claims management, Two sides of the same coin", The two key performance areas of
major concern to insurers according to the author are underwriting and claims management. To him, underwriting is a process of selecting a risk for insurance and determining in what amounts and against what terms and conditions and what rate of premium, the insurance company will accept the risks offered for insurance. Underwriting involves measuring risk exposure and determining the premium that needs to be charged to insure that risk.

Sankaranarayana, (2010)\textsuperscript{45}, Internal Risk Models in Insurance Companies", highlighted the various aspects of internal models, model construct and some of the practices followed by the insurers. He was on the opinion that the insurers are mandated to carry out their own Risk and Solvency Assessments (ORSA) in line with their nature of business, scale and complexity of the risk profile it carries by the International Association of Insurance Supervisors (IAIS). The author also felt that there are new regulatory, statutory and risk requirements that the insurers need to ensure regarding capital adequacy from different stakeholders’ perspective.

Sri Jyothi, (2010)\textsuperscript{46}, in her paper entitled “Rural Insurance in India’ prospects and Challenges”, assessed the prospects for insurers and the opportunities and challenges faced by them in the rural markets. He believed that insurance safeguards the individuals or organizations against unforeseen dangers. But it is mainly concentrated in and around urban centres, ignoring rural areas. In the rural areas, it is still in its nascent stage. The author also expressed the opinion that in spite of various marketing strategies being adopted by reputed insurance players, it is still unable to penetrate the rural areas.
Quaiser, (2010)^47, paper traced the history and development of LOP insurance and explained in simple language the essential features of LOP insurance and also stated that why business organizations opt for it. In today’s’ competitive environment, there is a need to propagate this type of insurance and exploit its potential. As part of their risk management philosophy and good cooperative governance, organizations are now more open to have a comprehensive insurance solution by transferring risks and thereby strengthening their balance sheets.

Quaiser (2010)^48, examined the process of product development in general insurance in its entirety. He said that the nationalized tariff set up product development and innovation has become neglected area. With the beginning of liberalization in 2000, underwriting, pricing and product development have become very important. Product development/innovation is a core activity of an insurance company and is a continuous process. According to him, the biggest challenge that the Indian insurers face in developing new products lack of expertise and the ideas. This is because before liberalization, in a nationalized and monopoly regime, the area did not receive any attention from the public sector insurance companies. He stated that the companies never felt the need for it. But now these skills need to be developed if the public sector insurance companies are to compete with their private sector counterparts.

Need for the present study

It is obviously clear from the literature reviewed above that some studies and articles are found on General Insurance on various aspects. Some sporadic
attempts are also made to study the products introduced and the services extended by General Insurance Companies. However, it is found that no studies are carried out exclusively on the General Insurance Companies in terms of physical, financial and operational performance. Besides, no attempts are made covering the above parameters especially on National Insurance Company Ltd. Hence, the present study is undertaken for an in-depth analysis.

It is firmly hoped that the outcomes of the study would help the insurance business institutions both in public and private sectors in general and National Insurance Company Ltd. in particular to assess the present status and scale out its performance on the selected parameters and also suggest measures to the policy makers for enhancing the performance of General insurance business especially in the changing competitive business environment.

**Objectives of the study**

**Objectives of the study:** The study is basically intended to evaluate the performance of National Insurance Company Ltd. However, the following are the specific objectives of the study.

1. To overview the General insurance business and also describe the role of Insurance Regulatory and Development Authority in promoting general insurance business.

2. To study and analyse the physical growth of NICL.

3. To evaluate the operational performance of National Insurance Company Ltd. during the study period i.e. from 2001 to 2009.
(4) To evaluate and analyse the financial performance of NICL, and

(5) To suggest measures for enhancing the performance of general insurance business in general and business of NICL in particular.

Scope of the present study:

The analysis of the present study is confined to evaluate the physical growth, operational and financial performance of National Insurance Company Ltd. during 2001-09 period only.

Data source:

The data for the present study are collected mainly from the secondary sources such as annual reports of Insurance Regulatory and Development Authority (IRDA) and National Insurance Company Ltd., published books, periodicals, journals and websites of General Insurance Companies of both public and private sectors. Besides, informal discussions are also made with the company’s top officials and personnel at Divisional, Regional, and Head Office level and collected the first hand information on various physical, operational and financial aspects of General insurance in general and National Insurance Company Ltd so particular.

Statistical tools used for analysis: The data collected from the official records and annual reports of GICs and NICL have been processed, tabulated through computers. For analyzing and evaluating the data over a period of time, the statistical techniques like linear growth rate, simple percentages are also used. Besides, the data are also shown in appropriate graphs and diagrams.
Chapter Scheme: The analysis of the study is presented in six chapters.

First chapter overviews the General insurance business both at global and national level. It also covers the role of IRDA in promoting and monitoring insurance business. Objectives and other methodological aspects of the study are dealt in the second chapter. Chapter third presents the profile and analyses physical growth of NICL during the study period, the physical growth, and also operational performance of the company is presented and analysed in the fourth chapter. Financial performance on selected parameters is calculated and analysed in fifth chapter and the sixth chapter summarises the findings and offers suggestions for enhancing the business of GICs in general and also NICL. The chapter also presents the scope for future research in the area of General Insurance Business.

References:


25 Biswajit chatterjee and Ram Pratap Sinha, op. cit.,


