CHAPTER II
ORGANISATION AND FUNCTIONS OF GENERAL INSURANCE CORPORATION

2.1 Introduction

The business of insurance is related to the protection of economic value of assets. Every asset has a value. The asset would have been created through the efforts of the owner, in the expectation that, either through the income generated therefrom or some other output, some of his needs would be met. In the case of a factory or a cow, the production is sold and income generated. In the case of a motor car, it provides comfort and convenience in transportation. There is no direct income. There is a normally expected life time for the asset during which time it is expected to perform. The owner, aware of this, can so manage his affairs that by the end of that life time, a substitute is made available to ensure that the value or income is not lost. However, if the asset gets lost earlier, being destroyed or made non-functional, through an accident or other unfortunate event, the owner and those deriving benefits therefore suffer. Insurance is a mechanism that helps to reduce such adverse consequences. In this chapter an attempt is made to give organizational structure and functional coverage of the United India Insurance Company.
2.2. How Insurance Works

People facing common risks come together and make their small contribution (Insurance Premium) to a common field. The following example explains basic concept of Insurance. In a village, there are four hundred houses each valued at Rs.20000/-. Every year, on the average, four houses get burnt, resulting into a total loss of Rs.80000/-. If all the four hundred owners come together and contribute Rs.200/- each, the common fund would be Rs.80000/-. This is enough to pay Rs.20000/- to each of the four owners whose houses got burnt. Thus the risk of four owners is spread over four hundred house-owners of the village.

It is inferred that insurance may be described as a method of a technique, which provides for collection of small amounts of premium from many individuals and firms. Out of which, losses suffered by the few are met.

INDUSTRY PROFILE

The insurance industry provides protection against financial losses resulting from a variety of perils. By purchasing insurance policies, individuals and businesses can receive reimbursement for losses due to car accidents, theft of property, and fire and storm damage; medical expenses; and loss of income due to disability or death.
The insurance industry consists mainly of insurance carriers (or insurers) and insurance agencies and brokerages. In general, insurance carriers are large companies that provide insurance and assume the risks covered by the policy. Insurance agencies and brokerages sell insurance policies for the carriers. While some of these establishments are directly affiliated with a particular insurer and sell only that carrier's policies, many are independent and are thus free to market the policies of a variety of insurance carriers. In addition to supporting these two primary components, the insurance industry includes establishments that provide other insurance-related services, such as claims adjustment or third-party administration of insurance and pension funds.

Insurance carriers assume the risk associated with annuities and insurance policies and assign premiums to be paid for the policies. In the policy, the carrier states the length and conditions of the agreement, exactly which losses it will provide compensation for, and how much will be awarded. The premium charged for the policy is based primarily on the amount to be awarded in case of loss, as well as the likelihood that the insurance carrier will actually have to pay. In order to be able to compensate policyholders for their losses, insurance companies invest the money they receive in premiums, building up a portfolio of financial assets and income-producing real estate, which can then be used to pay off any future claims that may be brought. There are two basic types of insurance carriers: direct and
reinsurance. Direct carriers are responsible for the initial underwriting of insurance policies and annuities, while reinsurance carriers assume all or part of the risk associated with the existing insurance policies originally underwritten by other insurance carriers.

Direct insurance carriers offer a variety of insurance policies. Life insurance provides financial protection to beneficiaries—usually spouses and dependent children—upon the death of the insured. Disability insurance supplies a preset income to an insured person who is unable to work due to injury or illness, and health insurance pays the expenses resulting from accidents and illness. An annuity (a contract or a group of contracts that furnishes a periodic income at regular intervals for a specified period) provides a steady income during retirement for the remainder of one’s life. Property-casualty insurance protects against loss or damage to property resulting from hazards such as fire, theft, and natural disasters. Liability insurance shields policyholders from financial responsibility for injuries to others or for damage to other people’s property. Most policies, such as automobile and homeowner’s insurance, combine both property-casualty and liability coverage. Companies that underwrite this kind of insurance are called property-casualty carriers.

Some insurance policies cover groups of people, ranging from a few to thousands of individuals. These policies usually are issued to employers for the benefit of their employees or to unions, professional associations, or other membership organizations for the benefit of
their members. Among the most common policies of this nature are group life and health plans. Insurance carriers also underwrite a variety of specialized types of insurance, such as real-estate title insurance, employee surety and fidelity bonding, and medical malpractice insurance.

A relatively recent act of congress allows insurance carriers and other financial institutions, such as banks and securities firms, to sell one another’s products. As a result, more insurance carriers now sell financial products such as securities, mutual funds, and various retirement plans. This approach is most common in life insurance companies that already sell annuities; however, property and casualty companies also are increasingly selling a wider range of financial products. In order to expand into one another’s markets, insurance carriers, banks, and securities firms have engaged in numerous mergers, allowing the merging companies access to each other’s client base and geographical markets.

Insurance carriers have discovered that the internet can be a powerful tool for reaching potential and existing customers. Most carriers use the internet simply to post company information, such as sales brochures and product information, financial statements, and a list of local agents. However, an increasing number of carriers are starting to expand their web sites to enable customers to access online account and billing information, and a few carriers even allow claims to be submitted online. Some carriers also provide insurance quotes
online based on the information submitted by customers on their Internet sites. In the future, carriers will allow customers to purchase policies through the Internet without ever speaking to a live agent.

In addition to individual carrier-sponsored Internet sites, several “lead-generating” sites have emerged. These sites allow potential customers to input information about their insurance policy needs. For a fee, the sites forward customer information to a number of insurance companies, which review the information and, if they decide to take on the policy, contact the customer with an offer. This practice gives consumers the freedom to accept the best rate.

The insurance industry also includes a number of independent organizations that provide a wide array of insurance-related services to carriers and their clients. One such service is the processing of claims forms for medical practitioners. Other services include loss prevention and risk management. Also, insurance companies sometimes hire independent claims adjusters to investigate accidents and claims for property damage and to assign a dollar estimate to the claim.

Other organizations in the industry are formed by groups of insurance companies, to perform functions that would result in a duplication of effort if each company carried them out individually. For example, insurance companies to provide loss statistics, which the companies use to set their rates, support service organizations.
2.3 Insurance in India

The business of life Insurance in India in its existing form started in India in the year 1818 with the establishment of the Oriental Life Insurance company in Calcutta. Some of the important milestones in the life insurance business in India are:

1912: The Indian Life Assurance Companies Act enacted as the first statute to regulate the life insurance business.

1928: The Indian Insurance Companies Act enacted to enable the government to collect statistical information about both life and non-life insurance businesses.

1938: Earlier legislation consolidated and amended to by the Insurance Act with the objective of protecting the interests of the insuring public.

1956: 245 Indian and foreign insurers and provident societies were taken over by the central government and nationalized. LIC formed by an Act of Parliament, viz., LIC Act, 1956, with a capital contribution of Rs.5 crores from the Government of India.

The General Insurance business in India, on the other hand, can trace its roots to the Triton Insurance Company Ltd., the first general Insurance Company established in the year 1850 in Calcutta.
by the British. Some of the important milestones in the general insurance business in India are:

1907: The Indian Mercantile Insurance Ltd. set up, the first company to transact all classes of general insurance business.

1957: General Insurance Council, a wing of the Insurance Association of India, frames a code of conduct for ensuring fair conduct and sound business practices.

1968: The Insurance Act amended to regulate investments and set minimum solvency margins and the Tariff Advisory Committee was set up.

1972: The General Insurance Business (Nationalization) Act, 1972 nationalized the general insurance business in India with effect from 1st January, 1973. 107 insurers amalgamated and grouped into four companies’ viz., the National Insurance Company Ltd. and the United India Insurance Company Ltd. The GIC was incorporated as a company.

### 2.2.3 Development of Insurance in India

Thriving insurance sectors are of vital importance to every modern economy. First because it encourages the savings habit, second because it provides a safety net to rural and urban enterprises and productive individuals. And perhaps most importantly it generates long-term investible funds for infrastructure building. The
nature of the insurance business is such that the cash inflow of insurance companies is constant while the payout is deferred and contingency related.

This characteristic of their business makes insurance companies the biggest investors in long-gestation infrastructure development projects in all developed and aspiring nations. This is the most compelling reason why private sector (and foreign) companies that will spread the insurance habit in the societal and consumer interest which is urgently required in this vital sector of the economy.

With the nation’s infrastructure in a state of imminent collapse, India couldn’t have afforded to be lumbered with sub-optimally performing monopoly insurance companies and therefore the passage of the Insurance Regulatory & Development Authority Bill on December 2, 1999 heralds an era of cautious optimism where stakes are high for all parties concerned. For the Govt. of India, Foreign Direct Investment (FDI) must pour in as anticipated: for foreign insurers, investments must start yielding returns and for the domestic insurance industry – their market penetration should remain intact. On the fringe, the customer is pondering whether all the hype created on liberalization will actually benefit him.

The IRDA Bill provides for the establishment of an authority to protect the interests of the holders of insurance policies, to regulate,
promote and insure orderly growth of the insurance industry and amend the insurance Act, 1938, the Life Insurance Act, 1956 and the General Insurance Business (Nationalization) Act, 1972. The bill allows foreign equity stake in domestic private insurance companies of 26 per cent of the total paid-up capital and seeks to provide statutory status to the insurance regulator.

### 2.3 Insurance as a Social Security Tool

The provision of social security is an obligation of the Government as per the Constitution of India. The various laws passed by Government are to involve the use of insurance, compulsory or voluntary as a tool of social security.

The Employee’s State Insurance Act, 1948 provides for the employees and their families (Insured persons) to pay for expenses of sickness, disablement, maternity and death. The scheme operates in certain industrial areas as notified by the Government.

Solatium Scheme, 1989 under the Motor Vehicles Act, 1988 came into force from 1st July, 1989. It provides that the insurance company should pay to victims of ‘hit and run’ motor accident Rs.25, 000/- for death and Rs.12, 500/- for ‘grievous hurt’.

National Agriculture Insurance Scheme, 1999 provides insurance coverage to the farmers in the event of failure of crops as a result of natural calamities, pests and diseases.
2.4 Insurance and Economic Development

Insurance is closely linked to concept of risk, and interestingly, there is a general lack of agreement concerning the definition of these two terms even amongst insurance theorists. One can, however, use the term risk to indicate a situation where an exposure to loss exists. The existence of risk may have deterrent effect on capital accumulation, and consequently on economic progress and growth. Insurance is one of the important devices designed to deal with risk through sharing. It is a complicated and intricate mechanism, and therefore difficult to define. But in its simplest aspect it is imbued with two fundamental characteristics.

a) It transfer risk from one person to a group and b) It facilitates sharing of losses, on some equitable basis, by all members of the group.

One can also see it from an individual as well as from a social point of view. From an individuals point of view, insurance could be said to be an economic device whereby the individuals substitute a small certain cost (the premium) for a large uncertain financial loss (the contingency insured against) that would exist if it were not for the insurance. Form the social point of view, insurance may be perceived to be an economic device which reduces and eliminates risk through the process of combining a sufficient number of homogeneous exposures into a group and makes the losses predictable for a group as a whole. Insurance creates a counterpart of risk, which is security.
Insurance has come to play a central role in the functioning of modern economies. Insurance issues traditionally a stodgy domain have become subjects for intense public debate and concern every where in the recent years. Together with other economic services, insurance is of primary importance both in regard to national economy and international trade. Yet its role in development is more difficult to assess and harder to appreciate than that of other services. Insurance is a contingent service, whose purchase is not an end in itself, but rather complementary to or required in connection with the production of good and other services.

It's more significant but less that obvious advantage arises from the fact that it eliminates or reduces uncertainties, which affect the economic agents. When one projects this micro level impact to macro economic level, it is easy to see that insurance has a key role to play in establishing the economy, trade and commerce. The insurance sector contributes to the formation of national income by creating ‘value added’, a fact often ignored in national accounting system. On one hand, insurance facilitates more optimum utilization of venture capital through risk management; and on the other hand, insurance premium cash flows generate funds for investments in the economy.
The importance of insurance in the trade and development matrix was recognized that a sound national insurance and re-insurance market was an essential characteristic of economic growth.

Indeed development and growth of the insurance sector in a country would depend on the general level of economic development and prospects for immediate future. Generally there is a positive correlation between the economic development of a country and the amount people spend on insurance.

In addition, the general price level, prices of insurance services, the aversion to risk and the specific social and political features of a country influence the demand for insurance.

The system of insurance provides numerous direct and indirect benefits to the individuals and his family as well as to industry and commerce and to the community and the nation as a whole. Those who insure are protected from the loss that may be caused by the accident. Thus, it protects the capital in industry and releases the capital for further expansion and development of business and industry. Insurance removes the fear, worry and anxiety associated with the risk. Thus, Insurance encourages commercial and industrial development and thereby contributes to a vigorous economy and increased national productivity.
Bank and financial institutions lend money to industrial and commercial undertakings only on the basis of collateral security of insurance. Loss Prevention Association of India creates an awareness of the need for loss prevention and implementing loss prevention measures in the various sectors of economy, thereby increasing productivity and saving national wealth.

Insurance ranks with the export trade, shipping and banking services as earner of foreign exchange to the country. The various rural insurance schemes provide necessary financial protection against loss or damage to cattle and other livestock as also equipment like pump-sets. Thus rural economy is protected.

IRDA has the daunting task of establishing and promoting fair competition in this sphere of monopolistic insurance market. It will have to do it in such a manner that this will support the greater national economic growth.

2.5 Insurance and Social Development

Way back in 1914, the Federal Supreme Court of the US had that “insurance is a business affected with a public interest. Indeed, it is difficult to divorce real economic development from social development. The relationship of insurance with economic development must therefore automatically replicate itself in the relationship of insurance with social development. In reality, however, the matter is not as simple. The General Insurance Business
(Nationalization) Act, 1972 had made explicit mention of the necessity of “securing the development of general insurance business in the best interest of the community” as its objective.

It may be an open question whether such development took place in any appreciable degree during the years after nationalization, but it would be incorrect to dismiss the matter of social linkages of the insurance business as redundant socialist rhetoric.

The Government of the developed markets, by themselves as well as in association with insurance regulators, has intervened in many to find, facilitate and further social purposiveness of the insurance business. Availability and affordability of insurance services have emerged as valid regulatory concerns in the developed markets, especially of the US, IRDA could learn from these development in firming up its agenda of promoting insurance as a catalyst of social development.

In India, agriculture is not only a business enterprise but also a way of life for the majority of its population. Elsewhere also, agriculture is not only indispensable to society, it is also a method of sustenance, both physical and moral, for a very large body of persons who are generically known as susceptible to socio-economic uncertainties like any other. First of all, agriculture is especially susceptible to the physical uncertainties of nature since it requires, as distinguished from most other forms of business enterprise, extensive,
direct and continuous contact with the forces of nature. All these uncertainties can make agriculture a very risky enterprise.

Developed countries have made sustained effort to manage the risk inherent in the agriculture enterprise. They use insurance, both public and private as an important link in the chain of diverse measures to secure stabilization in the agriculture industry. Insurance complements, on the one hand, activities designed to strengthen the base of agriculture productivity, and on the other hand to price and other income support measures.

Agriculture insurance should be playing an even greater role in India, as not only is the agriculture sector’s contribution to GDP relatively high, but also the largest number of people is engaged in agriculture and agriculture-related occupations. As a vital constituent of Indian society, Indian agriculturists have a right to demand and get a comprehensive package of risk management service, including insurance. Similarly, large bodies of non-agriculture workers, largely in the uncentral and state governments have targeted them with a large number of anti-poverty and rural development programmes at considerable expenses but with limited success.

2.6 Principles of General Insurance

When the insured pays the premium, the insurer accepts the risks. The policy issued by the insurer is the evidence of the contract, which is subject to the following principles.
a) **Utmost Good Faith:**

The parties to an insurance contract are required to accept good faith. Material information should be disclosed by the proposed policyholder, to accept the risk and also to fix terms and conditions of contract. This is the legal duty of the proposed policyholder under common law. This can be explained by an example. A residence is insured with an Insurance Company. Suppose, the residence is converted into a shop, the fact should be informed to the insurance company immediately. If not, the contract becomes void.

b) **Insurable Interest:**

The owner of property has a right under law to effect insurance on the property if he is likely to suffer financially when the property is lost or damaged. This legal right to insure is called Insurable Interest. Without Insurable Interest, the Contract of Insurance will be void. Because of this legal requirement of insurable interest, insurance contract is not a gambling transaction. A ship owner has insurable interest in the ship owned by him. Cargo owners, both sellers and buyers have insurable interest in the goods owned by them.
c) Indemnity:

The principle of indemnity arises under common law and requires that an insurance contract should be a contract of indemnity only and nothing more. The object of the principle is to place the insured after a loss in the same financial position as far as possible, as he occupied immediately before the loss. The effect of this principle is to prevent the insured from making a profit out of his loss or gaining any benefit or advantage.

d) Subrogation:

Subrogation may be defined as the transfer of rights and remedies of the insured to the insurer who has indemnified the insured in respect of the losses. If the insured has any rights of action to recover the losses from any third party, who is primarily responsible for the loss, the insurer, having paid the loss, is entitled to avail himself of these rights to recover the loss from the third party. The effect is that the insured does not receive more than the actual amount of his loss and any recovery effected from the third party goes to the benefit of the insurer to reduce the amount of his loss. Insured property may be destroyed by fire caused by the negligence of a third party who is at law responsible to make good the loss. The insurer having indemnified the insured is entitled to the insured’s right of recovery against the third party.
e) Contribution:

An insured may have several insurances on the same subject matter. If he recovers his loss under all these insurances, he will obviously make a profit out of the loss. This will be an infringement on the principle of indemnity. A House valued Rs.5,00,000/- is insured with companies A, B,C,D separately. When there is a total loss for the house each company will settle Rs.1,25,000 to the insured. The Rs.1,25,000/- is called contribution.

f) Proximate Cause:

The object of insurance is to provide indemnity for such losses as are caused by insured perils. If stocks are burnt, then the cause of loss is fire and hence the claim is payable. If stocks are stolen, the loss is not payable under the fire policy, as ‘burglary’ is not a peril covered. Thus it is important to determine the cause of loss to decide whether the loss is payable or not.

2.7 Functions of Insurance

Insurers provided insurance policies, which are legally binding contracts for which the policy-holder pays insurance premium. Under an insurance contract, insurance companies promise to pay specified sum contingent on occurrence of future events. Based upon this, the function of insurance may be discussed as follows.

Certainty:

Insurance provides certainty of payment for the risk of loss. There risk will occur or not, when will occur, how much loss will be
there? In other words, there are uncertainty of happening of time and amount of loss. Insurance remove all these uncertainties and the assured is given certainty of payment of loss. The insurer charges premium for providing the said certainty.

**Protection:**

The main function of the insurance is to provide protection against the probable chances of loss. The insurance guarantees the payment of loss and thus protects the assured from suffering. The insurance cannot check the happening of the event but can compensate for losses arising at the happening of risk event.

**Risk Sharing:**

When risk takes place, the loss is shared by all the persons who are exposed to the risk. The share is obtained from each and every insured in the shape of premium without which the insurer does not guarantee protection.

**Prevention of loss:**

The insurance companies assist financially the health organization, fire brigade, educational institutions and other organizations, which are engaged in preventing the loss of the masses from death or damage. The insurance joins hands with these institutions in preventing the loss of the society because the reduction in loss causes lesser payment to the assured and so more saving is possible which will assist in reducing the premium. Lesser premium
invites more business and more business causes lesser share to the assured. The reduced premium will stimulate more business and more protection to the masses.

On the basis of the discussion made above, it can be concluded that the primary function of insurance is the creation of the counter balance for risk, which is security. Insurance does not eliminate or decrease the uncertainty for the individual as to whether or not the event will occur, nor does it alter the possibility of occurrence, but it does reduce the extent of financial loss connected with the event. From the individual's point of view, the purchase of an adequate amount of insurance on a house reduces the financial loss in the event of the house catching fire.

A number of times one might think that he has wasted his money in purchasing insurance policy if loss does not occur and consequently, no financial returns are received. Some even feel that if they have not had a loss during the policy term, their premium should be returned. Both viewpoints constitute the inadequate understanding of the insurance concept. Related to the first, it is already known that the insurance contract provides a valuable feature in the relief from the burden of uncertainty. Even if a loss is not sustained during the policy term, the insured has received something for the premium in the form of freedom from the worry of financial loss. With respect to the second, one must appreciate the fact that the operation of insurance principle is based on the contributions of
the many paying the losses of the unfortunate few. If the premiums were returned to the many that did not have losses, there would be no funds available to pay for the losses of the few.

Basically, then the insurance device is a method of loss distribution. What would be devastating loss to an individual is spread in an equitable manner to all members of the group, and it is on this basis that insurance can exist. In other words, insurance meets the social commitment that every member of the society has to provide relief to those who necessitate it.

**Assists in capital formation**

The insurance provides capital to the society. The accumulated funds are invested in productive ventures. The scarcity of capital of the society is minimized to a greater extent with the help of investment of insurance.

**2.8 Basis of Pricing**

The rate of premium is fixed according to certain principles:

Firstly, the premium varies defending the degree of hazard or exposure to loss or damage of the property.

Secondly, to assess the variations in the degree of hazard, property must be classified according to the hazards involved.

Thirdly, the degree of hazard is determined on the basis of past loss experience.
In addition to the above the following factors are taken into account to fix the final rate of premium

Agency Commission
Expense Management
Margin for reserve from unexpected heavy loss
Margin for profit

By considering the above points the tariff advisory committee will fix the rates, terms and conditions that may be offered by insurers in respect of General Insurance Business.

2.9 Legislative and Regulatory Matters

The three major laws governing insurance business are
i. Insurance Act, 1938
ii. General Insurance Business (Nationalisation) Act, 1972 (GIBNA)
iii. Insurance Regulatory and Development Authority Act, 1999 (IRDA)

(i) Insurance Act 1938

It was passed in 1938 and brought into force from 1st July 1939. The act has been amended a number of times, the most important amendments being made in 1950 and 1968. It applies to General Insurance Corporation of India and four subsidiary companies.
(ii) General Insurance Business (Nationalisation) Act, 1972

This act was passed in 1972 and was brought into force from 1st Jan, 1973. The act provides that all shares of India Insurance companies and the undertaking of foreign insurers shall be transferred to the vested in the Central Government, with effect from 1.1.1973.

The Central Government formed a Government Company in accordance with the provisions of the Companies Act, 1956 to be known as General Insurance Corporation of India for the purpose of superintending, controlling and carrying on the business of General Insurance.

For the more efficient carrying on General Insurance Business the Central Government framed ultimately four companies (excluding the GIC) in existence and that they are so situated as to render their continued services effectively in all parts of India.

(iii) Insurance Regulatory and Development Authority Act, 1999

The Insurance Act, 1938 has been amended several times, the latest amendment being made by the IRDA Act in 1999. By the latest amendment, the IRDA has become the Authority to perform many tasks required to be done under the Insurance Act, like issuing licenses, issuing registration certificates, monitoring compliance with the provisions of the Act, issuing directories, laying down norms etc., These were used to be done earlier by the Controller of Insurance.
2.10 Functions of GIC:

The functions of the Corporation are stated in section 18 to be

The carrying on or any part of the General Insurance Business if it thinks desirable to do so.

Aiding, assisting and advising the companies in the matter of setting up standards of conduct and sound practice in General Insurance Business and in rendering efficient service to policy holders

Advising the companies in the matter of controlling their expenses, the Investment of funds; and

Issuing direction to companies in relation to conduct of General Insurance Business.

In issuing directions to the companies the corporation is required to keep in mind the desirability of encouraging competition amongst the companies as far as possible in order to render their services more efficiently.

The four subsidiary companies are,

National Insurance Company Limited
The New India Assurance Company Limited
The Oriental Insurance Company Limited
United India Insurance Company Limited

The Corporation does not write any direct insurance business except the aviation insurance business of Air India, Indian Airlines, Hindustan Aeronautics and Crop Insurance. It receives by way of
reinsurance 20% of all the direct businesses written in India by the subsidiary companies.

2.11 United India Insurance Company

The functions of the four companies are to undertake all types of General Insurance both direct and by way of re-insurance. The companies also operate in overseas territories.

The companies are autonomous with their own Board of Directors and Management. The head office of the four companies is located at the four metropolitan cities as detailed below.

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<thead>
<tr>
<th>Name of the Company</th>
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<tr>
<td>1. The National Insurance Company Ltd.,</td>
<td>Kolkutta</td>
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<tr>
<td>2. The New India Assurance Company Ltd.,</td>
<td>Mumbai</td>
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<tr>
<td>3. The Oriental Insurance Company Ltd.,</td>
<td>New Delhi</td>
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<tr>
<td>4. The United India Insurance Company Ltd.,</td>
<td>Chennai.</td>
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</tbody>
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The United India Insurance Company Limited is one of the subsidiary companies having Head Office at Chennai. It is responsible for overall Planning, Direction and Control of Indian and Foreign businesses concerned with Accounts, Investments, re-insurance and other specialized functions.
The Registered and Head Office of the United India Insurance Company Limited is located at 24, Whites Road, Chennai – 600 014. It has 24 Regional Offices located in important centers in India for effective co-ordination, supervision and control of 359 divisional offices and 1056 branch offices. The paid-up capital of the company is Rs.150 crores. The accumulated general reserve is Rs.3096 crores. The total asset of the company is Rs.8283 crores. The total number of employees on their roll is 17781. ‘Service, the Gateway to Growth’ is the motto of the company.
2.12 Functions of Divisional Office

The primary function of divisional offices relate to development of business and administration including supervision of branches. There development function included appointment of inspectors, agents, marketing, planning and procurement of business. The administrative function involves issue of policies, settlement of claims, maintenance of accounts and general administration (for example personnel, establishment and the like). Other functions of divisional offices are,

- Premium register copy (example fire).
- Acceptance advices over the specified amount in respect of certain classes of business.
- Summary statement of gross premium
- Copies of policy documents.
- Copies of policy documents (certain special classes of miscellaneous insurance as specified by the head office).
- Final intimation of the claims paid over the specified limits.
- Monthly claims paid settlement
- Outstanding claims settlement.

2.13 Functions of Branch Office

The functions of Branch offices are also similar except that they are not empowered to appoint inspectors and settle claims, except motor owned damage. The functions of the branches would include
development of business direct through inspectors and agents, collection of premiums, issue of receipts, cover notes, policies and the like. Minor payments like, commissions, rent and the like and maintenance of accounts in that respect and co-ordination and control over inspectors are also carried out.

To make decision on all technical matters.

To receive monthly accounts from each division under its jurisdiction and guide its accounting matters.

To underwrite the proposal on substandard risk and proposal beyond the limits of divisional office.

To advises its employees in the matter of personal and legal matters

To frame rules and procedures for purchase of furniture and fixtures.

2.14. SUMMARY

The insurance industry provides protection against financial losses resulting from a variety of perils. By purchasing insurance policies, individuals and businesses can receive reimbursement for losses due to car accidents, theft of property, and fire and storm damage; medical expenses; and loss of income due to disability or death.

In general, insurance carriers are large companies that provide insurance and assume the risks covered by the policy. Insurance agencies and brokerages sell insurance policies for the carriers.
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