CHAPTER – II

TRENDS IN THE GROWTH AND PROGRESS OF PRIVATE SECTOR GENERAL INSURANCE COMPANIES IN INDIA

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CHAPTER II

2.1 INTRODUCTION

Insurance means a promise of compensation for any potential future losses. It facilitates financial protection against losses by reimbursing losses during crisis. There are different insurance companies that offer a wide range of insurance options and an insurance purchaser can select the insurance provider as per his/her own convenience and preference. The insurance company operates by collecting small contributions from many people who are exposed to risks. The money thus collected is used to settle those who fall victims of such risks. These contributions which the insurance company collects are called premium. Premiums are periodical payment and different insurers offer diverse premium options. The periodical insurance premium is calculated according to the total insurance amount. Several insurers provide comprehensive coverage with affordable premiums. Insurance is a contractual arrangement that provides for compensation by an insurer to an insured if a special Financial Year set of circumstances occur. These circumstances could be accidents, personal injury, death, loss or damage to property or any other number of instances that can be compensate for financially. To some individuals, insurance is seen as an investment. But, it cannot be merely considered as an investment. Insurance is a way that one shares his / her risk with others. It is a way of getting protection to reduce damages associated with some mishaps. When a client buys insurance, it means that the client is sharing his / her risk with others. Simply, the insurance company is a risk management company that can help anyone to reduce risks associated with day to day activities. In simple words, insurance means transfer of risks of an individual (unexpected and uncertain) i.e Death, Old age. Disability, Illness or Business Risks (unexpected and uncertain) i.e Fire, Earthquake, Theft and Liability to an insurance company. This chapter presents a bird’s eye view on the growth and progress of Private Sector General Insurance Industry in India.
2.2 HISTORICAL BACKGROUND OF INSURANCE COMPANIES

Early methods of transferring or distributing risk were practiced by Chinese and Babylonian traders as long ago as the 3rd and 2nd millennia BC, respectively. Chinese merchants travelling treacherous river rapids would redistribute their wares across many vessels to limit the loss due to any single vessel's capsizing. The insurance tradition was performed each year in Nowruz (beginning of the Iranian New Year); the heads of different ethnic groups as well as others willing to take part, presented gifts to the monarch. The most important gift was presented during a special ceremony. When a gift was worth more than 10,000 Derrik (Achaemenian gold coin) the issue was registered in a special office. This was advantageous to those who presented such special gifts. For others, the presents were fairly assessed by the confidants of the court. Then the assessment was registered in special offices. A thousand years later, the inhabitants of Rhodes (an island in Greece) created the 'general average', which allowed groups of merchants to pay to insure their goods being shipped together. The collected premiums would be used to reimburse any merchant whose goods were jettisoned during transport, whether to storm or sinkage. The ancient Athenian "maritime loan" advanced money for voyages with repayment being cancelled if the ship was lost. In the 4th century BC, rates for the loans differed according to safe or dangerous times of the year, implying an intuitive pricing of risk with an effect similar to Insurance. The Greeks and Romans introduced the origins of health and life Insurance in 600 BC when they created guilds called "benevolent societies" which cared for the families of deceased members, as well as paying funeral expenses of members. Guilds in the Middle Ages served a similar purpose. The Talmud deals with several aspects of Insuring goods. Before Insurance was established in the late 17th century, "friendly societies" existed in England, in which people donated amounts of money to a general sum that could be used for emergencies. Separate Insurance contracts (i.e., insurance policies not bundled with loans or other kinds of contracts) were invented in Genoa (a city and important seaport in Northern Italy) in the 14th century, as were Insurance pools backed by pledges of landed estates. The first known Insurance contract dates from Genoa in 1343, and in the next century Maritime Insurance developed widely and premiums were intuitively varied with risks.
These new insurance contracts allowed insurance to be separated from investment, a separation of roles that first proved useful in marine insurance. The first printed book on insurance was the legal treatise On Insurance and Merchants' Bets by Pedro de Santarem (Santerna), written in 1488 and published in 1552. The concept of insurance can be traced to the Great Fire of London, which in 1666 devoured 13,200 houses. In the aftermath of this disaster, Nicholas Barbon opened an office to insure buildings. In 1680, he established England's first fire insurance company, "The Fire Office," to insure brick and frame homes. The concept of health insurance was proposed in 1694 by Hugh the Elder Chamberlen from the Peter Chamberlen family. In the late 19th century, "Accident Insurance" began to be available, which operated much like modern disability insurance. This payment model continued until the start of the 20th century in some jurisdictions (like California), where all laws regulating health insurance actually referred to disability insurance. The first insurance company in the United States underwrote fire insurance and was formed in Charles Town (modern-day Charleston), South Carolina, in 1732, but it provided only fire insurance. The sale of life insurance in the U.S. began in the late 1760s. The Presbyterian Synods in Philadelphia and New York founded the Corporation for Relief of Poor and Distressed Widows and Children of Presbyterian Ministers in 1759; Episcopalian priests created a comparable relief fund in 1769. Between 1787 and 1837 more than two dozen life insurance companies were started, but fewer than half a dozen survived.1

2.3 ORIGIN OF INSURANCE COMPANIES IN INDIA

The story of insurance is probably as old as the story of mankind. The same instinct that prompts modern businessmen today to secure themselves against loss and disaster existed in primitive men also. They too sought to avert the evil consequences of fire and flood and loss of life, and were willing to make some sort of sacrifice in order to achieve security. Though the concept of insurance is largely a development of the recent past, particularly after the Industrial era – past few centuries – yet its beginnings date back to almost 6000 years. Life insurance in its modern form came to India from England in the year 1818. Oriental Life Insurance Company started by Europeans in Calcutta was the first life insurance company on the Indian soil. All the insurance companies
established during that period were brought up with the purpose of looking after the needs of European Community, and Indian natives were not being insured by these Companies. However, later with the efforts of eminent people like Babu Muttyal Seal, the foreign Life Insurance Companies started insuring Indian lives. But Indian lives were being treated as sub-standard lives and heavy extra premiums were being charged on them. Bombay Mutual Life Assurance Society heralded the birth of first Indian Life Insurance Company in the year 1870, and covered Indian lives at normal rates. Starting as Indian enterprise with highly patriotic motives, Insurance Companies came into existence to carry the message of Insurance and social security through Insurance to various sectors of society. Bharat Insurance Company (1896) was also one such Company inspired by nationalism. The Swadeshi Movement of 1905-1907 gave rise to more Insurance Companies. The United India in Madras, National Indian and National Insurance in Calcutta and the Co-operative Assurance at Lahore were established in 1906. In 1907, Hindustan Co-operative Insurance Company took its birth in one of the rooms of the Joransanko, house of the great poet Rabindranath Tagore, in Calcutta. The Indian Mercantile, General Assurance and Swadeshi Life (later Bombay Life) were some of the companies established during the same period. Prior to 1912 India had no legislation to regulate Insurance business. In the year 1912, the Life Insurance Companies Act, and the Provident Fund Act were passed. The Life Insurance Companies Act, 1912, made it necessary that the premium rate tables and periodical valuations of Companies should be certified by an actuary. But the Act discriminated between Foreign and Indian Companies on many accounts, putting the Indian Companies at a disadvantage. The first two decades of the twentieth century saw a lot of growth in Insurance business. From 44 companies with a total business-in-force as Rs.22.44 crore, it rose to 176 companies with a total business-in-force as Rs.298 crore in 1938. During the mushrooming of Insurance Companies, many financially unsound concerns were also floated which failed miserably. The Insurance Act 1938 was the first legislation governing not only life Insurance but also non-life Insurance to provide strict state control over Insurance business. The demand for nationalization of Life Insurance Industry was made repeatedly in the past but it gathered momentum in 1944 when a bill to amend the Life Insurance Act 1938 was
introduced in the Legislative Assembly. However, it was much later on the 19th of January, 1956, that Life Insurance in India was nationalized. About 154 Indian Insurance Companies, 16 non-Indian companies and 75 Provident Funds were operating in India at the time of nationalization. Nationalization was accomplished in two stages; initially the management of the companies was taken over by means of an Ordinance, and later, the ownership too by means of a comprehensive bill. The Parliament of India passed the Life Insurance Corporation Act on the 19th of June 1956, and the Life Insurance Corporation of India was created on 1st September, 1956, with the objective of spreading Life Insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost.  

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., was 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 was amended to regulate investments and set minimum solvency margins and the Tariff Advisory Committee was set up.  
107 insurers amalgamated and grouped into four Companies viz. The National Insurance Company Ltd., The New India Assurance Company Ltd., The Oriental Insurance Company Ltd., and The United India Insurance Company Ltd. GIC Incorporated as a company.  

2.4 INSURANCE COMPANIES IN INDIA: PRE-LIBERALISATION PERIOD  
Insurance under the British Raj: Life insurance in the modern form was first set up in India through a British Company called the Oriental Life Insurance Company in 1818,
followed by the Bombay Assurance Company in 1823, and the Madras Equitable Life Insurance Society in 1829. All these companies operated in India but did not insure the lives of Indians. The first General Insurance Company in India – Triton Insurance Company Limited – was set up in 1850 under the control of the British. Its first Indian counterpart, the Indian Mercantile Insurance Company Limited, launched its operations in Bombay in 1907. Although the general insurance business was not nationalised along with life insurance, a code of conduct for fair and sound business practices was framed in 1957 by the General Insurance Council (a wing of the Insurance Association of India). In 1968, the Insurance Act was amended to provide for greater control over the General insurance business. In 1971, the management of non-life insurers was taken over by the Government of India (GOI).

In 1972, it was announced that the Indian Non-life Insurance sector was to be nationalized with effect from 1\textsuperscript{st} January, 1973. At that time there were 107 General Insurance Companies within the country. They were mainly large city-oriented companies of different sizes catering to the organised sector (trade and industry). Upon nationalization, these businesses were assigned to the four subsidiaries of the General Insurance Corporation (GIC) of India namely – the New India Assurance Co. Ltd., (NIACL), Oriental Insurance Company Ltd., (OIC), United India Insurance Co. Ltd., (UIIC) and the National Insurance Company Ltd., (NIC). The goals behind this structure were:

- The subsidiary companies were expected to set up standards of conduct, sound practices and provision of efficient customer service in the General Insurance Business.
- The GIC was to help control the expenses of the subsidiaries.
- It was to help with the investment of funds for its four subsidiaries.
- It was to bring General Insurance to the rural areas of the country, by distributing business to the four subsidiaries, each operating in different areas in India.
- The GIC was also the designated national reinsurer. By law, all domestic insurers were to yield 20\% of their gross direct premium in India to the GIC.
- All four subsidiaries were to compete with one another.

The risks underwritten by an Insurance company in the Non-life segment are
usually covered under fire, motor and miscellaneous Insurance segments. The miscellaneous portfolio covers engineering, aviation, health, and other retail classes of risk. The rates, terms, and conditions that insurers could offer for their products were governed by the Tariff Advisory Committee (TAC), a statutory body created under the Insurance Act of 1938, the main Insurance legislation in effect during the pre-liberalization period. Under this tariff system, premiums were fixed at the same rate for all companies, products were undifferentiated and coverage was limited in almost every segment. Non-life products were classified by whether they were regulated by tariffs: fire insurance, motor vehicle insurance, engineering Insurance and workers’ compensation, among others that came under tariff; and burglary Insurance, mediclaim, personal accident Insurance, among others that did not. In addition, specialised Insurance (eg: racehorse Insurance) did not fall under tariff regulations. Further, the monopoly structure and the closing of the market to foreign and domestic Private Companies enabled domestic public insurers to freely conduct business without having to face any competitive challenges. Under this market structure, there was no need for brokers. Besides, brokers were effectively kept out of the country by regulations that prevented them from charging fees or commissions for their services.

Just as in the case of the life Insurance sector, policy makers also had to consider bringing about policy reforms in the General Insurance Sector once the new industrial policy was introduced by the government of India in 1991. Moreover, the level of penetration in the General Insurance segment was below even the level of penetration in the Life Insurance segment. As a result, the need for liberalisation of the General Insurance Sector was also emphasized upon. Just like the life insurance sector, there was a need to offer wider range of innovative products to suit specific customer needs and to change people’s attitude towards General Insurance. Thus, the General Insurance Industry along with the Life Insurance Industry was liberalized by the year 2000.\textsuperscript{3}

2.5 INSURANCE COMPANIES IN INDIA: POST-LIBERALISATION

The Insurance Industry in India has passed through a period of structural changes under the combined impact of financial sector reforms in general, and Insurance Sector in particular. The market for Insurance services previously was monopolistic while the
market place was regulated and Insurance companies were expected to receive assured spreads over their costs of funds and systematic demand for their products. This phase in Insurance Business was the result of sheltered markets and administered prices for various Insurance products. Existence of entry barriers for new Insurance Companies meant that competition was restricted to existing public insurers. In case of life segment of Insurance, Life Insurance Corporation of India (LIC) had a dominant role, while in non-life business segment, New India, United India, National and Oriental General Insurance Corporations were having monopoly. These Companies were operating as cartel, even in areas where the freedom to price their products existed.

With the liberalisation of Insurance Sector, the paradigm for Indian Insurance Industry has witnessed a sea change during the last decade. The emerging scenario has infused greater competitive volatility in the system, because the Insurance Sector has now entered into a competitive phase due to entry of more players in the Insurance field. As a result, there has been expansion and growth of Insurance both in the life and non-life business. Hence, the larger cake is now being shared by the existing and new players. Further, Industry will become more professional and lowering the entry barriers and growing sophistication of customers will make insurance market oligopolistic.

The Insurance Regulatory and Development Authority Bill (IRDA) 1999, which was approved by both Houses of Parliament in December, 1999, paved the way for opening of Insurance Sector to Private Players in the country. The IRDA which was statutorily constituted on April 19, 2000, quickly organized itself to accomplish its primary task of maintaining and developing efficient, fair, safe and stable Insurance market for the benefit and protection of policyholders. The authority has so far adopted a clear, transparent and consistent regulatory and supervisory process, which has brought credit to the nation and has received accolades from the International Association of Insurance Supervision.

Liberalisation of Insurance Industry is expected to generate enough funds for the development of infrastructure and boosting the economic development of the country, but it is also believed that public sector insurers in particular and other new Indian players will have to work with high standard of professionalism. Therefore, promulgation of
regulations only cannot improve their efficiency but they have to hone their skills by encouraging product innovation, competitive pricing of products and improving the customer service and satisfaction in an innovative manner. Thus, the new environment is demanding specialized knowledge and skill for very survival in the new emerging market. Those insurers who will adapt to the changing environment can survive, and others will face problems even in continuing their operations. The onus, therefore, lies with the players to deliver, after taking into account continuing developments and changes. The significant innovations which have really changed the total scenario of the Indian insurance industry, especially after liberalisation, are growing use of internet by Insurance customers, convergence of financial services, mergers and acquisitions, demutualization of several large insurers, liberalisation and globalization of Insurance sector, increase in disasters, declining of interest rates and heightened customer expectations. In view of these environmental changes, risk has become very complex and both people and property are not properly protected in spite of availability of coverage. The risk awareness has increased demand for various insurance products, however, with the increase in demand for various insurance products covering various types of risks, the players will pursue actively all customers so as to gain major market share. Thus, the Insurance sector has not only entered into a competitive mode in a short span of time, but also moved into an expansionary phase.

All this needs lot of will and courage on the part of management to implement plans in the light of long term perspective; otherwise, state owned companies may fade away gradually. In addition to risk balanced challenge, another challenge for Indian insurance industry due to liberalisation would be technology management. In the new market ethos, the Indian Insurance Industry will not only have to be part of a procession that is marching in majesty for leveraging the technology, but will have to be the flag bearer. The winning strategy in such an environment would not be risk aversion, which would be an obvious recipe for facing extinction but managing risk in such a manner so as to profit from them.

As liberalization process marches relentlessly, it is difficult to visualize the impact on the insurance industry. It would be safe to conclude that in market driven economy,
regulation will play a crucial role in promoting entrepreneurship, creating space for a healthy growth of the industry and sharpening focus on customer concerns. With the increase in competition, customers will become more vulnerable and less protected. Therefore, regulating insurance companies and their products in the Indian market as from cross border operations, inter regulatory space for supervision, inter institutional conflict and convergence in the financial services is mandatory. It is obvious that the public as well as private insurance players will experience both positive and negative impact on their financial performance. However, for the players who are not in a position to face the competition efficiently, their financial performance will be negatively affected in post-liberalization era. 

2.6 TRENDS IN THE GROWTH OF PRIVATE SECTOR GENERAL INSURANCE INDUSTRY IN INDIA

The performance of Indian Private Sector General Insurance Industry is presented in the following paragraphs. The trends in the Gross Direct premium income in India, Paid up capital non-life insurers and reinsurance, New policies issued, Commission expenses, Operating expenses, Net incurred claims, Incurred claim Ratio, Investment income, Underwriting losses are presented in the following paragraphs.

(a) Gross Direct Premium Income in India

The amount of gross direct premium collected by the Private Sector General Insurance Companies in India had shown an increasing trend during the periods between 2005-06 and 2011-12. It has increased from ₹ 5362.66 crores in the year 2005-06 to ₹ 8646.57 crores in the year 2006-07, accounting for an increase of 61.24%, ₹ 10991.89 crores in the year 2007-08, accounting for an increase of 27.12%, ₹ 12321.09 crores in the year 2008-09, accounting for an increase of 12.09%, ₹ 13977.00 crores in the year 2009-10, accounting for an increase 13.43%, ₹ 17424.63 crores in the year 2010-11, accounting for an increase 24.67%, ₹ 22315.03 crores in the year 2011-12, accounting for an increase 28.06% when compared to the respective previous years. The amount of gross direct premium incomes has recorded an overall growth rate of 316.12 between the periods 2005-06 and 2011-12.
(b) Paid-up Capital Non-life Insurers and Reinsurance

The amount of paid-up capital non-life insurers and reinsurance collected by the Private Sector General Insurance Companies in India has shown an increasing trend during the periods between 2005-06 and 2011-12. It has increased from ₹ 1279.01 crores in the year 2005-06 to ₹ 1400.87 crores in the year 2006-07, accounting for an increase of 9.53%; ₹ 1802.70 crores in the year 2007-08, accounting for an increase of 28.68%; ₹ 2533.23 crores in the year 2008-09, accounting for increase of 40.52%; increased to ₹ 3160 crores in the year 2009-10, accounting for an increase of 24.74%; increased to ₹ 3956.00 crores in the year 2010-11, accounting for an increase of 25.19%; increased to ₹ 4861 crores in the year 2011-12, accounting for an increase of 22.88%, when compared to the respective previous years. The amount of paid up capital has recorded an overall growth rate of 280.06% between the periods 2005-06 and 2011-12.

(c) Issue of New Policies

The number of new policies issued by the Private Sector General Insurance Companies in India has shown an increasing trend during the periods between 2005-06 and 2011-12. It has increased from ₹ 89.47 crores in the year 2005-06 to ₹ 135.53 crores in the year 2006-07, accounting for an increase of 51.48%; ₹ 187.03 crores in the year 2007-08, accounting for an increase of 37.99%; ₹ 219.23 crores in the year 2008-09, accounting for an increase of 17.22%; ₹ 240.84 crores in the year 2009-10, accounting for an increase of 9.86%; ₹ 287.65 crores in the year 2010-11, accounting for an increase of 19.44%; ₹ 329.30 crores in the year 2011-12, accounting for an increase of 14.48%, when compared to the respective previous years. The new policies issued have recorded an overall growth rate of 268.06% between the periods 2005-06 and 2011-12.

(d) Commission Expenses

The Commission expense incurred by the Private Sector General Insurance Companies in India has increased from ₹ 394.28 crores in the year 2005-06 to ₹ 585.98 crores in the year 2006-07, accounting for an increase of 48.62%; ₹ 637.39 crores in the year 2007-08, accounting for an increase of 8.77%; ₹ 682.79 crores in the year 2008-09, accounting for an increase of 7.12%; ₹ 676.90 crores in the year 2009-10, accounting for a decrease of 0.86%; ₹ 813.32 crores in the year 2010-11, accounting for an increase 20.15%; ₹ 1079.80 crores in the year 2011-12, accounting for an increase 32.76%, when compared to
the respective previous years. The amount of commission expenses incurred has recorded an overall growth rate of 173.87% between the periods 2005-06 and 2011-12.

(e) Operating Expenses

The operating expense incurred by the Private Sector General Insurance Companies in India has shown an increasing trend during the periods between 2005-06 and 2011-12. It has increased from ₹ 1060.51 crores in the year 2005-06 to ₹ 1700.15 crores in the year 2006-07, accounting for an increase of 60.31%; ₹ 2484.08 crores in the year 2007-08, accounting for an increase of 46.11%; ₹ 3019.88 crores in the year 2008-09, accounting for an increase of 23.98%; ₹ 3129.61 crores in the year 2009-10, accounting for an increase of 3.63%; ₹ 3932.00 crores in the year 2010-11, accounting for an increase of 25.64%; ₹ 4614 crores in the year 2011-12, accounting for an increase of 17.34%, when compared to the respective previous years. The amount of operating expenses has recorded an overall growth rate of 335.07% between the periods 2005-06 and 2011-12.

f) Net Incurred Claims

The Net claim incurred by the Private Sector General Insurance Companies in India has shown an increasing trend during the periods between 2006-07 and 2011-12. It has increased from ₹ 2502.89 crores in the year 2006-07 to ₹ 4246.31 crores in the year 2007-08, accounting for an increase of 69.66%; ₹ 6064.78 crores in the year 2008-09, accounting for an increase of 42.82%; ₹ 7307.25 crores in the year 2009-10, accounting for an increase of 20.49%; ₹ 9914.90 crores in the year 2010-11, accounting for an increase of 35.68%; ₹ 12755.79 crores in the year 2011-12, accounting an increase of 28.65%, when compared to the respective previous years. The amount of net incurred claims has recorded an overall growth rate of 409.64% between the periods 2006-07 and 2011-12.

(g) Incurred Claim Ratio

The Incurred Claim Ratio of the Private Sector General Insurance Companies in India has shown an increasing trend during the periods between 2005-06 and 2011-12. The ratio has decreased from 68.03 in the year 2005-06 to 68.02 in the year 2006 – 07, increased to 72.21 in the year 2007-08, increased to 76.89 in the year 2008-09, increased to 80.30 in the year 2009-10, increased to 86.71 in the year 2010-11 and increased to 88.22 in the year 2011-12 when compared to the respective previous years.
(b) Investment Income

The Investment Income earned by the Private Sector General Insurance Companies in India has shown an increasing trend during the periods between 2005-06 and 2011-12. It has increased from ₹ 184.42 crores in the year 2005-06 to ₹ 415.04 crores in the year 2006-07, accounting for an increase of 125.05%; ₹ 742.05 crores in the year 2007-08, accounting for an increase of 78.79%; ₹ 1091.20 crores in the year 2008-09, accounting for an increase of 47.05%; ₹ 1334.29 crores in the year 2009-10, accounting for an increase of 22.28%; ₹ 1539.63 crores in the year 2010-11, accounting for an increase of 15.39%; ₹ 2083.65 crores in the year 2011-12, accounting for an increase of 35.33%, when compared to the respective previous years. The amount of investment income has recorded an overall growth rate of 1029.84% between the periods 2005-06 and 2011-12.

(i) Underwriting Losses

The Underwriting loss incurred by the Private Sector General Insurance Companies in India has shown an increasing trend during the periods between 2005-06 and 2011-12. It has increased from ₹ 50.61 crores in the year 2005-06 to ₹ 106.42 crores in the year 2006-07, accounting for an increase of 110.27%; ₹ 598.90 crores in the year 2007-08, accounting for an increase of 463.77%; ₹ 1099.21 crores in the year 2008-09, accounting for an increase of 83.54%; ₹ 1402.48 crores in the year 2009-10, accounting for an increase of 27.59%; ₹ 2394.03 crores in the year 2010-11, accounting for an increase of 70.70%; ₹ 2999.45 crores in the year 2011-12, accounting for an increase of 25.29%, when compared to the respective previous years. The amount of underwriting losses has recorded an overall growth rate of 5826.59% between the periods 2005-06 and 2011-12.
## Table-1: Trends in the Growth of Private Sector General Insurance Industry in India

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<td>Gross Direct premium income in India</td>
<td>5362.66</td>
<td>8646.57</td>
<td>10991.89</td>
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<td>2345.32</td>
<td>1329.20</td>
<td>1655.91</td>
<td>3447.63</td>
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<td>Percentage of Increase / Decrease</td>
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<td>Paid-up capital non-life insurers and reinsurance</td>
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<td>1400.87</td>
<td>1802.70</td>
<td>2533.23</td>
<td>3160.00</td>
<td>3956.00</td>
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<td>796.00</td>
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<td>Percentage of Increase / Decrease</td>
<td>9.53</td>
<td>28.68</td>
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<td>New policies issued</td>
<td>89.47</td>
<td>135.53</td>
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<td>240.84</td>
<td>287.65</td>
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<td>9.86</td>
<td>19.44</td>
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<td>Commission expense</td>
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<td>855.98</td>
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<td>Operating Expenses</td>
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<td>Increase / Decrease</td>
<td>-639.64</td>
<td>783.98</td>
<td>595.80</td>
<td>109.73</td>
<td>802.39</td>
<td>682.00</td>
<td></td>
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<tr>
<td></td>
<td>Percentage of Increase / Decreane</td>
<td>60.31</td>
<td>40.33</td>
<td>21.98</td>
<td>3.63</td>
<td>25.04</td>
<td>17.14</td>
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<tr>
<td>6</td>
<td>Net incurred claims</td>
<td>2502.89</td>
<td>4248.31</td>
<td>6094.78</td>
<td>7107.25</td>
<td>9014.99</td>
<td>12753.79</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Increase / Decrease</td>
<td>-1745.42</td>
<td>1814.74</td>
<td>2122.47</td>
<td>2607.65</td>
<td>2840.89</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Percentage of Increase / Decreane</td>
<td>-46.19</td>
<td>78.79</td>
<td>100.89</td>
<td>35.68</td>
<td>28.52</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Incurred claim Ratio</td>
<td>88.03</td>
<td>68.02</td>
<td>72.21</td>
<td>76.89</td>
<td>80.30</td>
<td>86.71</td>
<td>88.22</td>
</tr>
<tr>
<td></td>
<td>Increase / Decrease</td>
<td>1.05</td>
<td>4.19</td>
<td>6.48</td>
<td>3.41</td>
<td>6.44</td>
<td>1.51</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Percentage of Increase / Decreane</td>
<td>-0.015</td>
<td>6.16</td>
<td>6.48</td>
<td>4.43</td>
<td>7.98</td>
<td>1.74</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Investment income</td>
<td>184.02</td>
<td>415.04</td>
<td>742.05</td>
<td>1091.20</td>
<td>1334.29</td>
<td>1539.63</td>
<td>2083.65</td>
</tr>
<tr>
<td></td>
<td>Increase / Decrease</td>
<td>-230.82</td>
<td>327.01</td>
<td>349.15</td>
<td>243.99</td>
<td>205.34</td>
<td>548.02</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Percentage of Increase / Decreane</td>
<td>125.03</td>
<td>76.79</td>
<td>47.03</td>
<td>22.28</td>
<td>15.39</td>
<td>35.33</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Underwriting losses</td>
<td>50.63</td>
<td>106.42</td>
<td>598.80</td>
<td>1099.23</td>
<td>1402.48</td>
<td>2394.03</td>
<td>2959.45</td>
</tr>
<tr>
<td></td>
<td>Increase / Decrease</td>
<td>-110.27</td>
<td>462.77</td>
<td>83.54</td>
<td>27.59</td>
<td>70.70</td>
<td>23.29</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Percentage of Increase / Decreane</td>
<td>55.81</td>
<td>492.48</td>
<td>500.51</td>
<td>303.27</td>
<td>991.55</td>
<td>605.42</td>
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</tbody>
</table>

(Sources: Comprise IRDA Annual report period 2005 to 2012)
2.7 PROFILE OF THE PRIVATE SECTOR GENERAL INSURANCE COMPANIES

The Insurance Industry in India has come a long way since the time when businesses were tightly regulated and concentrated in the hands of a few Public Sector Insurers. Following the passage of the Insurance Regulatory and Development Authority Act in 1999, India abandoned Public Sector exclusivity in the insurance industry in favour of market-driven competition. This shift has brought about major changes to the Industry. The inauguration of a new era of Insurance development has seen the entry of international Insurers, the proliferation of innovative products and distribution channels, and the raising of supervisory standards. Hence, profiles of the units selected for the present study are presented in the following paragraphs.

1. HDFC–ERGO COMPANY PROFILE

HDFC ERGO General Insurance Company Limited is a 74:26 joint venture between HDFC Limited, India’s premier Housing Finance Institution and ERGO International AG, the primary insurance entity of Munich Re Group was incorporated on February 8, 2002. The ERGO Insurance Group is represented in over 30 countries worldwide, concentrated in the regions of Europe and Asia. International business has become an important mainstay of the ERGO Group in recent years, and is growing strongly. HDFC ERGO focuses on providing the “Right Insurance Solution” for all. The company offers the customers a complete range of general insurance products ranging from Motor, Health, Travel, Home and Personal Accident in the retail space and customized products like Property, Marine and Liability Insurance in the corporate space. HDFC ERGO has been expanding its presence across the country and is today present across 46 cities with 52 branch offices with an employee base of over 650 professionals. The Company has presence in 28 locations across India. Indian General Insurance industry has grown at 24% in the Financial Year 2012. The company grew at 44% competing ₹ 1874 crores in Financial Year 2012, up from ₹1302 crores in the Financial Year 2011. This has helped the company to increase its market share to 3.4% from 3% last year.
2. TATA AIG GENERAL INSURANCE

Tata AIG General Insurance Company Limited (Tata AIG General) is a joint venture company, formed by the Tata Group and American International Group, Inc. (AIG). Tata AIG General combines the Tata Group's pre- eminent leadership position in India and AIG's global presence as the world's leading international insurance and financial services organization. The Tata Group holds 74 per cent stake in the insurance venture with AIG holding the balance 26 percent. Tata AIG General Insurance Company started its operations in India on January 22, 2001. Headquartered in Mumbai, the company has more than 40 branches in 35 cities in India. It has sold over 20,000 health polices between April-December 2012.

3. BAJAJ ALLIANZ GENERAL INSURANCE COMPANY LIMITED

Bajaj Allianz General Insurance Company Limited is a joint venture between Bajaj Finserv Limited (recently demerged from Bajaj Auto Limited) and Allianz SE. Bajaj Allianz General Insurance received the Insurance Regulatory and Development Authority (IRDA) certificate of Registration on 2nd May, 2001, to conduct General Insurance business (including Health Insurance business) in India. The Company has an authorized and paid up capital of Rs 110 crores. Bajaj Finserv Limited holds 74% and the remaining 26% is held by Allianz, SE. Bajaj Allianz today has a countrywide network connected through the latest technology for quick communication and response in over 200 towns spread across the length and breadth of the country. From Surat to Siliguri and Jammu to Thiruvananthapuram, all the offices are interconnected with the Head Office at Pune. The focus of your Company continued to be on growth with profitability during the year 2011-12 as well. The Company’s gross written premiums, excluding inward business from the IMTPIP, grew from ₹ 29,055 Million in 2010-11 to ₹ 33,376 Million in 2011-12, which is an increase of 14.9%. The combined ratio, excluding losses from the IMTPIP, stood at 96.1% as against 98.6% recorded in 2010-11 and including the Pool losses, the ratio decreased from 110.2% in 2010-11 to 107.2% in 2011-12. In a market where combined ratios are in excess of 110%, the Net Earned Premium during the year excluding the premiums from motor pool was ₹ 21,955 Million as against ₹ 19,309 Million in the previous year, a growth of 13.7%. The Company continued to retain the second position in
the Private Sector with a market share of 6.3%. During the year, the Company sold over 5.9 Million Policies. The number of claims reported in 2011-12 was 547,464 as against 561,720 reported for the previous year. The Profit Before Tax (PBT) for the year was ₹ 1,939.9 Million compared with ₹ 619.1 Million in the previous year, an increase by 213.3 %. The Profit After Tax (PAT) for the year was ₹ 1,236.5 Million against ₹ 432.7 Million in the previous year, an increase of 185.8 %.

4. IFFCO-TOKIO GENERAL INSURANCE (ITGI)

IFFCO-Tokio General Insurance (ITGI) was incorporated on 4th December 2000 and it is a joint venture between the Indian Farmers Fertilizer Co-operative (IFFCO) and its associates and Tokio Marine and Nichido Fire Group, the largest listed insurance group in Japan. IFFCO Tokio General Insurance has Pan India presence with 65 'Strategic Business Units' and a wide network of over 120 Lateral Spread Centres and 255 Bima Kendras. It offers a wide range of uniquely customized policies covering a wide range of customers, from farmers to some of India's largest automobile manufacturers. From a modest Rs 213 Crores of GWP (Gross Written Premium) in 2001-02 it has achieved an impressive Rs 2248.16 Crores in 2011-12, thereby becoming one of India's leading private players. IFFCO Tokio General Insurance has got the Technical Support for underwriting and reinsurance from Tokio Marine and on Risk Management from Tokio Risk Consulting (TRC). It is the first company in India to underwrite mega policies for a fertilizer and an automobile company. This comprehensive policy is based on international rates and optimizes the premium outflow for clients even as it offers a one-stop, all-risk cover. Other than the conventional products, it has been able to come out with niche products like Credit Insurance, Fine Arts Insurance, P & I Insurance, Errors & Omissions Policy for the IT Sector etc. At the same time, it has steadfastly carried out its rural centric initiatives by launching products like Sankat Haran Bima Yojana, Mausam Bima Yojana, Mahila Suraksha Bima Yojana and Janata Bima Yojana for the masses. Its pioneering work using technology like RFID (Radio Frequency Identification Device) and NDVI (Normalised Difference Vegetation Index) has made it possible to offer Cattle and Weather insurance to the rural population at large. It is also the only insurance company in the country to have a 100%-owned distribution channel to service its retail
customers called IFFCO-TOKIO Insurance Services Ltd. (ITIS). It finds special mention in the ‘Capgemini World Insurance Report- 2009’ as an innovative distribution channel. Today, ITIS has a highly motivated workforce of over 1500 employees in over 350 towns. As a customer focused company, it conducts bi-annual customer satisfaction surveys through independent agencies to gauge its operational efficiencies. This is backed by a robust IT infrastructure, which has enabled, among other things, speedy settlement of claims. The Premium growth of Private Players at 23.8% during the year 2011-12 exceeded that of the Public Sector which recorded a growth of 21.4%. Members will be happy to note that the Company maintained third position amongst Private Players with an overall market share of 3.8 per cent. During the year under review your Company has weeded out several loss making accounts. The Company has successfully completed another year of its operations. Despite the difficult market conditions, the Company has underwritten Gross premium of 2248 Crores including 222 Crores allocated from the motor third party insurance pool as compared to 1989 Crores achieved in the previous year representing an increase of 13.0 per cent over the previous year. The financial results of the Company, however, show a net loss of ₹ 31.80 Crores during the year under review as against net loss of ₹ 32.70 Crores during the previous year, mainly on account of increased Third party motor pool liability created from 2007-08 to 2011-12 consequent to the mandate received from IRDA\textsuperscript{12}.

5. APPOLO MUNICH HEALTH INSURANCE CO. LTD.

Apollo Munich Health Insurance is a joint venture between Apollo Hospitals Group and Munich Health, Munich Re’s newest business segment. The Apollo Hospitals Group is Asia’s largest integrated healthcare provider, while Munich Health draws on Munich Re’s Insurance and reinsurance competence in more than 40 countries. This parentage ensures that Apollo Munich is in a good position to understand the healthcare financing requirements of this country and replicate the success of healthcare financing through insurance, as seen in other countries, with the support of Munich Health. Apollo Munich’s headquarters is located in Gurgaon, India, and has 40 operational offices covering major metros and category - A, cities/towns of India. The Apollo Hospitals Group’s extensive healthcare infrastructure comprising large tertiary care hospitals,
primary care clinics, the largest retail pharmacy chain and rural reach through telemedicine provides significant strength to Apollo Munich’s distribution capabilities. Apollo Munich’s health insurance plans are valid in all the hospitals across India on a reimbursement basis and in around 4,000 trusted hospitals across 831 cities and towns including the 50 Apollo Group hospitals, where customers can avail “Cashless Hospitalization” service. In 2011-12, the Indian health insurance market had managed to hold ground despite the economic slowdown and registered a double digit growth of 20% as compared to the growth rate of around 33 per cent in the previous year. It continues to be the second biggest segment of the non-life insurance industry and contributes about 23 per cent of the total premium. Health insurance premium collections touched roughly ₹ 1,33,000 mn in 2011-12, compared with ₹ 1,10,000 mn in the previous year.

6. FUTURE GENERALI

Future Generali is a joint venture between the India-based Future Group and the Italy-based Generali Group. The Generali Group is a leading player in the global insurance and financial markets. Established in Trieste in 1831, today the Group is one of Europe’s largest insurance providers and the European biggest Life insurer. It is also one of the world’s top asset managers with assets totalling more than € 400 billion. With an employed sales force of more than 100,000 people serving 70 million clients in 68 countries, the Group occupies a leadership position in Western Europe and an increasingly important place in Eastern Europe and Asia. Incorporated on October 30, 2006, Future Generali India Insurance is a joint venture between Future Group- India’s business conglomerate and Generali – Italy’s global insurance service provider. Future Group holds 74% stake while Generali Group has 26% stake in the venture. The A.M Best global rating agency has accredited Generali Group with A+ rating which signifies financial ability as stable. Future Generali India Insurance currently operates out of 84 branches across the country. Motor insurance business contributed 57 percent to the company’s overall premium for the Financial Year 2011-12 and registered a growth of 67 percent over the Financial Year 2010-11. The total gross premium underwritten by the non-life insurance sector for the Financial Year 2011-12 stood at ₹ 58,344 crore, which is 23 percent over the Financial Year 2010-11, (private non-life up by 25 percent and the public non-life insurance sector up by 22 percent). Earns ₹ 936
crore of gross premium earning in the Financial Year 2011-12 against ₹ 612 crore in the
Financial Year 2010-11.\textsuperscript{14}

7. L&T GENERAL INSURANCE COMPANY LIMITED

L&T General Insurance Company Limited (L&T Insurance) is a wholly owned
subsidiary of Larsen & Toubro Limited - one of the world's top 50 most reputed
companies in the June 2009 issue of Forbes-Reputation Institute’s “World’s Most
Reputable Companies” survey. The company is headquartered in Mumbai. L&T
General Insurance Company (LTGI) has incurred a loss of ₹ 106 crore in its first full
financial year of operations in 2011-12. LTGI, a wholly-owned subsidiary of engineering
major Larsen & Toubro, had received the regulatory approval to operate as a general
insurer in July, 2010. It commenced operations in October that year. The existing
resources being properly re-deployed and utilised resulted in motor line showing a
significant growth. However, lower price realization in this line has resulted in higher loss
ratio. The loss in the current year stands at ₹ 106 crore, LTGI in its second year of
operations and first full financial year, achieved Gross Written Premium of ₹143 crore by
selling nearly hundred thousand policies (97,766). LTGI has a "pan-India" presence with
10 branch offices as hub locations. The top-line of the Indian general insurance industry
recorded an impressive 23 per cent growth to ₹ 58,344 crore in 2011-2012.\textsuperscript{15}

8. STAR HEALTH AND ALLIED INSURANCE COMPANY LIMITED

Star Health and Allied Insurance Co. Ltd., is a joint venture between Oman
Insurance Company UAE, Leading NRIs, and an Indian Company being a special
purpose vehicle formed by a group of Business tycoons. M/s. ICICI Ventures and M/s.
Sequoia Capital have also invested in the Company. The Company has a total capital base
of ₹438 crore. In August 2010, Star Health and Allied Insurance in association with
Shiram Life Insurance launched the first Combi Insurance policy in India. Star Health and
Allied Insurance Company Limited (Star Health) has a capital base of ₹438 crores, more
than sufficient to form a General Insurance Company. However, Star Health has chosen
to be in the field of Health. It is India's first stand-alone Health Insurance Company in
India and deals in Personal Accident, Mediclaim and Overseas Travel Insurance. Total
Premium net the year ended 31\textsuperscript{st} March 2011 is ₹ 8,085,078 and Total claim incurred
ICICI Lombard GIC Ltd. was incorporated on October 30, 2000. It is a 74:26 Joint Venture between ICICI Bank Limited, India’s second largest bank with USD 75 billion in assets and Fairfax Financial Holdings Limited. Based in Canada, Fairfax Financial Holdings Limited is a USD 27 billion diversified financial services company. ICICI Lombard got its regulatory approval from the Insurance Regulatory and Development Authority (IRDA) and also obtained its certificate on renewal of registration to undertake General Insurance business on August 3, 2001. ICICI Lombard GIC Ltd. is the largest private sector general insurance company in India with a Gross Written Premium (GWP) over ₹4,734.89 crore (US$870 million) as of March 2011. The company issued over 56 lakh policies and settled over 81 lakh claims. The company has a network of 315 branches as on March 31, 2011. The firm provides instant policy issuance and renewal through its website. It provides retail insurance products including Car Insurance, Health Insurance, International Travel Insurance, Overseas Student Travel Insurance, Two Wheeler Insurance and Home Insurance.

RELIANCE GENERAL INSURANCE CO. LTD.

Reliance General Insurance is one of the leading Private General Insurance Companies of India. Founded in 2001, Reliance General Insurance is Non Life Insurance Company headquartered in Mumbai. Reliance General is a subsidiary of Reliance Capital – one of India’s largest financial services companies. It is also India’s first insurance company to be awarded the ISO 9001:2000 certification across all functions, processes, products and locations pan-India. The company offers an exhaustive and customized basket of insurance products that include motor, health, travel, student travel insurance etc., with over 94 customized insurance products catering to the corporate, SME and individual customers. To pursue the belief in providing easy access to our customers and distributors, the company has 152 offices spread across 119 cities in 24 states. The total premium earned for the year ended March 31st, 2012 was ₹11630.872. Net claim incurred Net 31st March 2012 ₹12,658,686.