PREFACE

The focal point of international economic growth keep on shifting from region to region. The undisputed economic supremacy of Europe and their eco-political hegemony world over experienced gradual decline during the period of First and Second World War. This was the period of emergence of two superpowers of the world namely United States of America (USA) and Union Soviet Socialist Republic (USSR). For almost half the century the world was bipolar. The terminal decade of the last century experienced the fast emergence of America (USA) as the only super power making the world unipolar. There was a parallel economic growth during last fifty years in the Pacific Rim and emergence of NICs (Newly Industrialised Countries) namely Japan, South Korea, Singapore, Malaysia, Indonesia etc. the world economists foresee a further shift of focal point of economic activities towards Asia. India being the prominent Asian Country will undoubtedly benefit from the economic spread of this shift and will also be able to materialize its own potential.

There is no dearth of potential of entrepreneurs in the country. Ample number is willing and have set up a large number of
organisations. Every entrepreneur with different permutations and combinations tries to serve his own interest and make the organisation grow in terms of size expansion and wealth. Consequently, the muscles of invisible hands of Adam Smith fluxes—generation of employment and income creates demand while newer entrepreneurs identifying these demands establish newer organisations facilitating more employment and income thus forming the virtuous circle of growth and development.

The global world provides huge opportunities and also throws serious challenges in terms of cut-throat competitions, diverse socio-cultural environment and ever changing eco-political atmosphere. It requires a lot of wit and consistency of efforts to cap these challenges. Those capable of gauging the dynamism of the modern business world are blessed with immense wealth paving way for economic growth and development for their respective nations.

However, despite of best of efforts, including the most judicious business decisions and with all competitive edge, the lady luck may still not smile on an organisation. There are certain uncontrollable risks like famine, droughts, fire, accident etc. The dynamism of the
business world lead to forces that contribute ebbs and tides in the
business organisation constituting the element of risk. Risk is
uncertainty of happening of an event in favour or against.

The modern society is exposed to various kinds of risks. The
financial risks are of different degrees and range from unavoidable
to those assumed by choice. It should not be confused with chance
of loss, which is the probable number of exposures. It should not be
considered as peril, which is defined as the cause of loss, or with
chance of loss. Finally, risk must not be confused with loss itself
that is the unintentional decline in or disappearance of value arising
from a contingency. Therefore, we can say that wherever there is
uncertainty with respect to happening / event (profit), there is risk.

Some influences are external, and cannot be controlled, and their
effect is large. Other influences are internal and are controllable to
a large degree. Therefore, the risks have been basically classified
into:

(i) Speculative Risk and

(ii) Pure Risk

Speculative Risk exists when the consequences may be either
favourable or unfavourable. Thus, the purchaser of wheat may have
to sell it at a loss, but on the other hand, if the price rises, he will have a profit. Most risks of this character are unfortunate only to some individuals, and not necessarily to society as a whole. Infact, the loss to one person from the sale of wheat is a gain to another. The loss of one business establishment may mean profit to others. These risks are often non-measurable, that is, there is lack of information about their occurrence that would permit reliable estimation of its probable frequency and severity and are largely influenced by inefficient managerial decisions.

Pure risks as distinguished from speculative risks always entail as unfortunate consequences. Examples of possible consequences of pure risks are the destruction of property by a fire, the breakerage of a window, the loss of deposits by failure of a bank, the loss of employment and the fracture of a persons' arm. All these consequences are unfortunate not only for the individual sufferer but also for society as a whole. There is no possibility of gain. It is therefore extremely important that people seek ways to meet these risks. One important way is insurance.

The direct linkage between the entrepreneurs and the business and that of economic growth and development is long established. Since
the former contribute significantly for the later and thus it is logical that the society should also hedge the interest of individual organisations and ensure its sustainability. Insurance is based on the said premise.

The insurance is a cooperative device to spread the loss. Further, it is also a social device to accumulate funds to meet uncertain losses. The main function of insurance is to provide protection against the possible chances of generating losses. It eliminates worries and miseries of losses at destruction of property and death. Further it provides capital to the society as the accumulated funds are invested in the productive channel. The earliest traces of insurance are in the form of marine trade losses or carriers’ contracts. In ‘Rigveda’, the references are made to the concept of ‘Yogakshema’ which is more or less kin to the well-being and security of people. This makes it clear that albeit in the ancient world, the traces for sharing future losses are available. However, there is no evidence of a particular form or shape, specially prior to the 12th century. The oldest form of insurance is the Marine Insurance. The travellers by sea or by land were very much exposed to the risk of losing their vessels and merchandise. The piracy on the open seas and highway
robbery or fear of sinking the vessels in the deep waters necessitated a device, which spreads the financial losses. And the Marine Insurance was found suitable for that very purpose.

After Marine Insurance, we find development of Fire Insurance. It started from Germany in the beginning of the 16th century and its further consideration after the great fire in England in 1666, which turned eighty five percent of houses to ashes but at the same time also injected life, strength and continuity to the insurance program. With colonial development of England, the Fire Insurance spread all over the world. In India, the General Insurance started working since 1850. The credibility for the same goes to the Triton Insurance, Calcutta. It flourished in India thereafter progressively. Further, the General Insurance was nationalised in 1971. Thus the insurance business had been under the ownership and control of the Union Government managed by corporations for long period till it was opened for private players in the year 2000.
Objectives of the Study:

Indian insurance sector has developed considerably. However even today per capita expenditure on this account is significantly low when compared to many other countries suggesting large scope. In pre-liberalisation era, General Insurance sector was relatively closed one, primarily dominated by public sector mammoths. This project is an attempt to draw attention and suggest measures for increasing scope. The project will endeavour to achieve the following objectives.

1. To examine the general insurance structure in India.

2. To assess the overall performance of General Insurance Companies in pre-and post liberalisation era.

3. To present a comparison of public and private sector companies in the post liberalisation period.

4. To make SWOT analysis (Strength, Weakness, Opportunity and Threat) analysis of liberalised insurance market in terms of creating an efficient and viable insurance industry.

5. To examine the composition of insurance products for bigger mobilisation of resources.
6. To make an in-depth analysis of marketing strategies of general insurance companies.

7. To highlight the prospects and problems of marketing general insurance services in the era of globalisation.

8. To deliberate upon the recommendations of Malhotra Committee and recent changes for structural strengthening of insurance industry.

9. To assess the present framework of regulation and supervision of insurance sector in tune with changing requirements.

10. To make specific suggestions regarding GIC and its subsidiaries which would help to improve the functioning of the organisation in the open market.
**Hypothesis:**

The work is essentially based on the secondary sources, hence hypotheses of this study are based on the ‘Pilot Research’ conducted by the researcher and are being tested by using published material. However, the hypotheses are mentioned below:

(a) The overall performance of General Insurance Companies is low.

(b) General Insurance Sector is predominantly catered by the government companies but the private sector companies are pushing in.

(c) The composition of insurance products need to be strengthened for greater mobilisation of financial resources.

(d) The private companies are coming up with newer product ideas and aggressive marketing strategies.

(e) The existing players’ need to sharpen their marketing strategies.
Methodology:

The study covers a decade stretching from 1994 to 2004. The logic for selecting this decade is that Indian economy initiated the process of liberalisation during the decade of 1990s. Insurance sector particularly experienced the liberalisation process since 2000. Thus the selected decade pertain to pre and post liberalisation period so that a comparative study of the performance and marketing strategies of general insurance companies in the pre and post liberalisation period can be done. Moreover, comparatively uniform data is available for this period. The nature of study is such that the researcher has to depend on secondary data for which the main sources used are as follows:

1. The Annual Reports of IRDA.
2. The Annual Reports of GIC.
4. IRDA Journal published from Insurance Regulatory and Development Authority.
In order to analyse the trends in Insurance Sector Growth, percentage variations over the previous years are depicted. Comparative study has been done for the pre and post liberalisation period in absolute terms. With the application of the above methods an attempt has been made to maintain the objectivity of the project. On the basis of the trends and results drawn, endeavour is made to interpret and also to make appropriate suggestions so that the period after 2005 may prove to be a glorious chapter in the Indian Insurance history.
FORMAT OF THE PROJECT

The project has been divided into five chapters. First chapter is a prologue reflecting major developmental events of general insurance business in the world. It has been pointed out that marine is the oldest type of general insurance activity followed by fire and others.

The second chapter essentially deals with the basic reforms of insurance business and the process of its opening up for private players. Malhotra Committee report and establishment of IRDA and its functioning and role in promoting the insurance business have been dealt in detail. Many of the misconception regarding the opening up of general insurance sector of India have been displaced herewith.

The third chapter gives a synoptic view of general insurance business in India since independence. Its nationalization and latter on its de-nationalization and respective performance trends during these periods have been discussed in detail.

The fourth chapter deals with the changing market scenario of insurance business. Various marketing issues namely segmentation,
product, pricing, distribution channels, communication and customer service have been discussed in detail.

The fifth chapter necessarily is an attempt to conclude the chapters discussed earlier and in the later part of the chapter various suggestions have been made that may positively contribute for consolidation and growth of general insurance business in India.