Chapter – 6
Overview of General Insurance Services in India
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Overview of General Insurance Market in India

The general insurance market in India evolved and matured over a period of years. The evolution had an episodic event in 1972 in the form of
nationalization of General Insurance resulting in creation of the General Insurance Corporation of India.

Prior to nationalization general insurance was a private sector initiative. Entrepreneurs who set up industries realised the need for general insurance cover for their industrial enterprises. Hence they had the motivation to start general insurance companies. They also felt that their insurance companies can serve two purposes viz to act as "Captive" insurers of the assets of group companies as well as act as an income earning insurance company extending cover to other enterprises which did not have their own insurance arm and depended on independent insurance companies. Like every enterprise, insurance companies also were driven by the entrepreneurial vision of profits and opportunities for growth. The insurance industry at that time was not well structured. The entrepreneurs were not well informed of the strategic management. They had the vision but they lacked a rigorous strategic management approach.

Industrial enterprises need purpose, mission, objectives to survive and generic strategies and functional strategies to prosper cover many years of existence. Vision & entrepreneurial guts & risk taking qualities are good as well as essential for starting an enterprise with many enterprises in insurance area focused & driven by profit motive and captive service, two situation seem to have been predominant there were (1) Providing insurance cover to captive units at low premiums, (2) Providing insurance cover to others at relatively high premiums to cover costs, To cover risks
etc. There were too many insurance companies in too narrow a market - basically focused on private manufacturing sector having no insurance arm of their own – with the result there was intensive rivalry among them to gain major share of the market. The entrepreneurs were motivated by laws of demand which says lower the price, greater the demand, cetirus paribus. So there was a tendency to cut down premium for insurance cover to capture clientele.

The customers who wanted insurance cover had their own perceptions about Quality of service, risks coverage, premium costs, expertise of the insurers and the reputation of insurers. Because of these reasons and also as there was no entry barriers to the industry, the insurance industry underwent structural changes.

Some insurance companies focused on fundamentals such as strict norms for investments, risk assessment and management, scientific underwriting practices, training and manpower development, financial accountability etc. Those insurance companies which focused on profit motive only often used not-scientific methods such as premium rate cuts, unsustainasible terms favouring the clients, employment of untrained personnel at low salaries, preferential claim settlements, lack of safeguards in investments etc. It is recognised that insurance business, by its very nature, has potential for wide variety of misuse and irregularities. And at least some of the companies resorted to these
practices to undercut competitors. Unhealthy business practices, therefore, developed in the industry.

It is previously pointed out elsewhere that insurance business generates huge amounts for investments. It is necessary that the funds in the hands of insurers are maintained and invested to be advantage of policy holders and beneficiaries. Apart from this, reasonable and prompt settlement of claims also is necessary. All these are to be achieved within the fame work of national policy, self stipulated business ethics and social responsibility.

In this context the industry was directed by Government to pursue the following social objectives:

(1) Provide need based and low cost general insurance covers to the rural population keeping in new their low capacity to pay premium.

(2) Operate crop insurance scheme for the benefit of farmers.

(3) Develop and introduce insurances with social security benefits.

(4) Develop marketing network throughout the country including areas with low premium potential with the objective of balanced regional development irrespective of cost considerations but with the primary objective of making insurance available to masses.

(5) Channelise investible funds into socially sectors and to provide resources for national development.
### STAGES OF REFORMS IMPLEMENTED IN INSURANCE SECTOR IN INDIA

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 1993</td>
<td>Committee set up under R N Malhotra to prepare a report on Insurance sector.</td>
</tr>
<tr>
<td>Jan 1994</td>
<td>Malhotra Committee submits report to Finance minister suggesting privatization of Insurance services and setting up of Insurance Regulatory Authority (IRA)</td>
</tr>
<tr>
<td>Jan 1996</td>
<td>An Interim Insurance Regulatory Authority (IRA) is set up through a resolution K.C. Mittal and N.M. Govardan joined the IRA as members.</td>
</tr>
<tr>
<td>Sept 1996</td>
<td>IRA bill drafted.</td>
</tr>
<tr>
<td>Dec 1996</td>
<td>IRA bill is introduced in parliament and referred to the standing committee is presented.</td>
</tr>
<tr>
<td>May 1997</td>
<td>The final report of the standing committee is presented.</td>
</tr>
<tr>
<td>June 1997</td>
<td>The Govt. gives greater autonomy to LIC, GIC and its subsidiaries with regard to the restructuring of boards and flexibility in investment norms aimed at channeling funds to the infrastructure sector,</td>
</tr>
<tr>
<td>April 1998</td>
<td>The BJP led Govt. comes to power and promises to open the Insurance sector to provide players.</td>
</tr>
<tr>
<td>Nov 1998</td>
<td>The cabinet decides to allow 40% foreign equity in private Insurance companies and 14% to NRI’s, OCB’s and FII’s.</td>
</tr>
<tr>
<td>Dec 1998</td>
<td>The IRA bill is presented in parliament but referred to the standing committee on finance owing to opposition from the Congress and the Left.</td>
</tr>
<tr>
<td>April 1999</td>
<td>The standing committee headed by Murali Deora decides that foreign equity in private Insurance should be limited to 26%. The IRA bill is renamed as the Insurance Regulatory and Development Authority (IRDA).</td>
</tr>
<tr>
<td>Oct 20, 1999</td>
<td>Cabinet clears IRDA Bill.</td>
</tr>
<tr>
<td>Jan 5, 2000</td>
<td>President gives assent.</td>
</tr>
</tbody>
</table>

**Source:** Privatisation of Insurance sector – Issues and challenges: Pavleen Kaur, the Insurance Times, June 2002.
### Financial Highlights of General Insurance Business

<table>
<thead>
<tr>
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<td><strong>National Insur. Co.</strong></td>
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<td>8700</td>
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**Source:** General insurance compendium – 1999-2000, Volume-1; Published by Insurance Times.
Table 6.5
The list of foreign players entering the Indian Insurance sector and their Indian Partners

<table>
<thead>
<tr>
<th>Indian Partner</th>
<th>Foreign Insurer</th>
<th>Specialization</th>
<th>Present Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aditya Birla Group</td>
<td>Sun life, Canada</td>
<td>Life</td>
<td>Received License</td>
</tr>
<tr>
<td>Kotak Mahindra</td>
<td>Old Mutual, South</td>
<td>Life</td>
<td>Received license</td>
</tr>
<tr>
<td>HDFC</td>
<td>Standard life, UK</td>
<td>Life</td>
<td>Received License, Commences Operation</td>
</tr>
<tr>
<td>Reliance</td>
<td>No Foreign Alliance</td>
<td>Life, Non-Life and Health</td>
<td>Received License For Non-life</td>
</tr>
<tr>
<td>ICICI</td>
<td>Prudential, UK</td>
<td>Life</td>
<td>Received License, Commences Operation</td>
</tr>
<tr>
<td>ICICI</td>
<td>Lombard, Canada</td>
<td>Non-life</td>
<td>Received License, Commences Operation</td>
</tr>
<tr>
<td>Max India</td>
<td>New York life, USA</td>
<td>Life</td>
<td>Received license</td>
</tr>
<tr>
<td>Sundaram</td>
<td>Royal &amp; Sun Alliance Pic, UK</td>
<td>Non-life</td>
<td>Received License</td>
</tr>
<tr>
<td>IFFCO</td>
<td>Tokio Marine, Japan</td>
<td>Non-life</td>
<td>Received License</td>
</tr>
<tr>
<td>Tata Group</td>
<td>AIG, USA</td>
<td>Life and Non-life</td>
<td>Received license</td>
</tr>
<tr>
<td>Vysya Bank</td>
<td>ING Insurance, Netherlands</td>
<td>Life</td>
<td>Applied for License</td>
</tr>
<tr>
<td></td>
<td>Zurich, Switzerland</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hero Group</td>
<td>Zurich, Switzerland</td>
<td>Life</td>
<td>Not Applied</td>
</tr>
<tr>
<td>Cholamandalam Group</td>
<td>Undecided</td>
<td>Life</td>
<td>No Applied</td>
</tr>
<tr>
<td>Hindustan-Times</td>
<td>Undecided</td>
<td>Life</td>
<td>Not Applied</td>
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<tr>
<td>Dabur</td>
<td>CGNU Life, UK</td>
<td>Life</td>
<td>Not Applied</td>
</tr>
<tr>
<td>Bajaj Auto</td>
<td>Allianz</td>
<td>Non-Life</td>
<td>IRDA Seeks More Information</td>
</tr>
<tr>
<td>Undecided</td>
<td>Met Life, USA</td>
<td>Life</td>
<td>Not Applied</td>
</tr>
<tr>
<td>Company</td>
<td>Country, Region</td>
<td>Sector</td>
<td>Status</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>---------------------------</td>
<td>-------------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>Sanmar Group</td>
<td>AMP, Australia</td>
<td>Life</td>
<td>Not Applied</td>
</tr>
<tr>
<td>SBI</td>
<td>Cardiff, France</td>
<td>Life</td>
<td>Not Applied</td>
</tr>
<tr>
<td>S Kumar's, J &amp; K Bank</td>
<td>Undisclosed</td>
<td>Ncn-life</td>
<td>Finalizing Partner</td>
</tr>
<tr>
<td>Corporation Bank</td>
<td>Undisclosed</td>
<td>Life</td>
<td>Finalizing Partner</td>
</tr>
<tr>
<td>Undisclosed</td>
<td>Aegon, Netherlands</td>
<td>Life and Pensions</td>
<td>Finalizing Partner</td>
</tr>
<tr>
<td>Undisclosed</td>
<td>Cigna, USA</td>
<td>Life and Health</td>
<td>Finalizing Partner</td>
</tr>
<tr>
<td>Undisclosed</td>
<td>Chubb, USA</td>
<td>Property &amp; Causality</td>
<td>Finalizing Partner</td>
</tr>
<tr>
<td>Undisclosed</td>
<td>Ysuda Marine and Fire, Japan</td>
<td>Non-life</td>
<td>Finalizing Partner</td>
</tr>
<tr>
<td>Undisclosed</td>
<td>Mitsui Marine and Fire</td>
<td>Non-life</td>
<td>Finalizing Partner</td>
</tr>
<tr>
<td>Undisclosed</td>
<td>Nationwide, USA</td>
<td>Life and Pensions</td>
<td>Finalizing Partner</td>
</tr>
<tr>
<td>Citibank, India</td>
<td>Undecided</td>
<td>Non-life</td>
<td>Finalizing Partner</td>
</tr>
<tr>
<td>Undisclosed</td>
<td>GE Capital Services International, USA</td>
<td>Life</td>
<td>Finalizing Partner</td>
</tr>
<tr>
<td>Videocon International</td>
<td>Talks on with BNP Parbas, AXA, France</td>
<td>Non-Life</td>
<td>Finalizing Partner</td>
</tr>
</tbody>
</table>
In order to achieve the above goals the Govt. felt it necessary and desirable to nationalise the insurance companies in operation prior to 1972 and restructure them into viable entities.

After nationalization of general insurance, operations were consolidated into 4 subsidiary companies of the GENERAL INSURANCE CORPORATION OF INDIA, set up under the Nationalisation Act, 1972.

The structure was such as to encourage competition and service to customers, while ensuring discipline in underwriting and rating as per the Tariff System which has been in existence even during pre-independence days.

In order to make general insurance cover available to people in even remote villages, the organizational network was expanded. There are about 4200 offices of GIC spread across the length and breadth of the country covering almost all districts which includes hilly terrains and many parts of the country which are accessible only in certain seasons. It may be argued that many of these offices do not have adequate business potential to make operations commercially viable. However the investments in such branches is not done with immediate profit as a goal. The goal is to extend the insurance cover and make people aware of this service and thus bring them under the cover. Thus the investment is in the nature of promotional efforts, the costs or which are to be amortised over a certain period or time. As a result of this network expansion, GIC
employs over 82000 people thus creating large scale demand pull in the
economy.
Customer relation is the bedrock of progress for a service industry such as
general insurance. The specific objectives in the area of customer
relations are spelt out as under:

1. Maintaining high ethical/professional standards to develop an
organisational & cultural ethos conducive to courteous and cordial
relationships with customers.

2. Enhancing customer service levels and decision making processes
through introduction of modern technology.

3. Interacting with Govt. to bring about necessary legislatine so as to
make the functioning of general insurance industry more effective,
efficient and purposeful in the interest of customers.

4. Rationalise procedures and systems to reduce delays.

General Insurance Industry interfaces with customers through a vast
network of Agents, Development Officer and employees at Branch,
Divisional & Regional Offices and at the corporate level of the companies.
There is constant inter-action with organised trade and industry bodies at
the GIC and companies corporate level. These result in identifying issues
requiring resolution, particularly in terms of rates and terms.

The industry issues nearly 30 million documents and settles nearly 2.5
million claims every year. Nearly Rs. 24000 million are paid out as claims
annually. Documents and claims disposal ratios are key performance

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indicators to assess the performance of operating offices and these are closely monitored. In 1984 documents clearance ratio was 83.9% which improved to 90.0% in 1990-91. To further improve customer service and availability of requisite management data, computer network systems have been installed in the industry.

Grievances cells were set up at 1+0, Regional Office and Divisional Offices of GIC to promptly handle customer grievances & promote customer satisfaction. The Insurance Division of Ministry of Finance and Director of Public Grievances monitor disposal of customer grievances. Open House sessions have been held and over 60% of the claims put up have been settled at the centres. Grievances settlement ratio is in the range of 82%.

In the case of Motor vehicle insurance, third party claims often arise. A number of such claims may go to tribunals for settlement. As a measure of quick disposal of such cases, Lck Adalat (Peoples Court) has been extensively used in the industry. Over 1,20,000 claims amounting to compensation of Rs. 3200 million for third parties have been settled in 5 years between 1987-1992. Two schemes called Jalad Rahat Yojna and Solatium Fund scheme all operated by GIC. The first one is a pre-litigation scheme. The second named is for hit and run road accident victims. In order to take a uniform view in respect of accident claims in industry and motor-accident related claims, a separate cell has been set up at the metro centres by GIC.
In the investment area the general insurance industry is governed by Govt. regulation. As per the Govt. directives 10% of annual accrual of funds are to be invested in socially oriented sectors such as central Govt. securities, state Govt. & other approved securities, Bonds and Debentures of PSU, Looms to state Government for Housing and fire fighting, to HUDCO for construction of houses for weaker sections, special deposits with Govt. of India.

Through its investments in such socially deshed areas, the general insurance industry catalyses the economic development.

Total investment made by the industry stands at Rs. 50190 million and income from investments has shown steady increase in term of yield rates. The mean yield rate is 12.6% p.a. In 1990-91 the income from investments was of the order of Rs. 6040 million and it had then registered a growth of 22% over previous year.

Economic considerations in business do not always take a back seat in preference to social objectives. Prior to nationalisation the general insurance business was inadequately capitalised. At the time of nationalisation in 1972 Govt. contributed Rs. 215 million to the capital. By march 31, 1991 the capital of the industry has grown up to Rs. 1075 million. GIC's free reserves as on that date was of the order of Rs. 3680 million. This is in addition to the 4 subsidiary company's capital and free reserves amounting to Rs. 12920 million. Thus the capital of GIC and its
subsidiaries would amount to Rs. 17675 million as on 31-3-1991. Besides the GIC has consistently paid a dividend of 25% to the Gove.

Business Growth, Customer Relations, Investments and Reinsurance are other parameters of performance of the General Insurance Corporation & its subsidiaries. After nationalisation, this Govt. monopoly has been the insurance industry in India. There was no exit or entries into the industry. The corporation had some commendable record in support services area also. In the following paragraph we focus on each area of operation of GIC and its subsidiaries.

Business growth in statistical terms were already given in the table titled. Performance at a glance – General Insurance Industry to recapitulate the growth in premium generation, it has grown from Rs. 1840 million in 1973 to ever Rs. 34000 million in the year ended march 1992. It is represents a compound growth of 16.990.

In terms of growth in products, the General Insurance Industry has made good progress in rural sector and covered weaker sections of community also. At the same time it has adequately served the organized industry, trade & commerce.

The industry has upgraded technical expertise and is therefore able to underwrite high technology risks such as satellites & off-shore oil installations.
Fire insurance rates have been reduced on too occasions. It is ranked as one of the lowest priced product in world. Motor insurance rates also is among the lowest priced insurance products it's-a-it's other nations. Thus profits are shared with the customers by lowering premium rates.

GIC is not confined to domestic market alone. The industry operates in 17 countries directly through branches and agencies and in another 14 countries through subsidiaries and associate companies. Though the experience has been fluctuating, the profits have been satisfactory. The business has been rising continuously and branch net premium for 1990-91 was Rs. 1159.5 million which represents a growth of 15.7% over the previous year.

GIC has a fully owned subsidiary in Singapore. It has two joint venture companies in Kenya and Malaysia. It has been operating for 40 years in Japan too. It has a subsidiary in UK also.

GIC has diversified from insurance business into other financial services area. It has set up a Mutual Fund and a Housing Finance Company. It has set up, in collaboration with Life Insurance Corporation (LIC), an apex training establishment called National Insurance Academy which promotes Executive Development at national level and also for insurers from other countries.

Profits of GIC and its subsidiaries have increased since nationalisation. It was Rs. 140 million in 1973 but has grown to Rs. 3340 million by 1990-91.
The statistics are indicative of the growth & potential for growth in the general insurance industry.

These issues have surfaced in International Forum where nations have bargained for new positions in international trade & commerce. We take a snapshot of such bargains with reference to general insurance market, at the Uruguay Round of Talks.

Issues discussed covered various dimensions of the world commerce. These were:

1. Transparency
2. Market access
3. Establishment
4. Cross border provision of service
5. Prudential regulations
6. Most Favoured Nation Treatment
7. National Treatment
8. Increasing Participation of Developing countries.

Market access, Most Favoured Nation Treatment and National Treatment are sought along with Transparency in respect of regulations.

Countries which have for years adopted entry barriers for foreign competitors, but now reconsidering their existing position, often insist on their right to enact prudential regulations. These rounds of talks have resulted in many draft agreements among nations in respect of services and more particularly financial services like banking and insurance.
Positions taken by countries in these discussions were as under:

Developing countries apprehended the entry of large size foreign banks, insurance companies and trading houses of foreign origin. Their fears were that these corporate bodies had vast financial resources, trained man power, political clout with their own national level political personalities and once they enter a new market they would use these resources to subjudicate and colonise the new market to sub-serve their economic goals, drive out local competition etc.

Developed countries took the position that by allowing foreign corporate entries, domestic entities would have the opportunities to learn from foreign corporate bodies; the foreign entrants would bring in new products, new ideas, advanced technology, cost effective methods of marketing etc.

What was at the stake is the mission of the developing national governments. These governments set up many entities with social objectives and with the goal of making certain services available to socially backward & economically weaker sections of the population of their countries. Unemployment was to be reduced & demand pull is to be boosted to raise the standard of living & increase productivity of labour. These missions of the developing nations would be replaced by the profit motive and market share expansion motive of the foreign entrants. At any rate their commitment to social goals in nations other than their own is a suspect.
In the above context, insurance institutions of the developed countries new rook entry into and operation in the developing countries with a view to spreading their risk base and also to improve their profitability profile. In the last few years general insurance companies in almost all countries have suffered losses for various reasons. Increasingly large industrial accidents, natural catastrophes, new types of pollution & liability claims, severe interpretation of product & public liability laws, large claims arising from major risks such as chemical plants, oil platforms, etc have caused unprecedented outflow. In the Annextra we give 10 worst catastrophes in 1990.

Risk management has another dimension too.

Capital base and Quality of Assets also have a relationship with risk profiles of the companies. Unrealistically low premium rates in international insurance markets was one reason for poor financial performance of insurance companies. Due to severe competition some of them undercut the rates. The result was generally prevailing low rates for long periods of time. When profits are low or negative in some product lines or market segment, they affect the capital base. Reinsurance markets also have suffered because of the poor management of assets & liabilities and erosion of capital base. Some insurers have completely stopped underwriting or substantially reduced their levels of acceptance or increased steeply their rates & terms. For compelling reasons as above many insurance companies from developed countries have made
consistent efforts to enter into the closed markets of the developing countries hoping to recoup from their poor financial status. Barriers are not erected by only developing countries. Even developed countries have set up barriers. Japan and Korea have permitted only a selected few insurance of financial services companies to operate in domestic market. In most of these countries new domestic companies are prohibited. The foreign companies seek to enter these markets and also seek national treatment on entry.

What would be the implication to the market players when foreign entries as well as domestic well established forms and probable domestic new born firms tend to enjoy level playing field in the insurance markets? It could be threats for some, opportunity for many and their success or failure would depend upon their leadership, financial status and technical expertise.

Liberalisation is not same as de-regulation or privatisation. Liberalisation is a means to achieve development and governments of nations will not allow it to be otherwise. In liberalised environment ownership of enterprise is not material but goals and strategies of enterprise are material. The stated fundamental objectives of multilateral framework for trade in services is the economic growth of all trading partners and the development of developing countries. The expansion of such trade is the means and not the end. The trade has to expand under conditions of transparency and progressive liberalisation. Govts would undertake
analysis of sector specific traits, policy objectives and conditions under which liberalisation can be conducive or detrimental to development. Accordingly liberalization would be structured.

Liberalisation is an opportunity to be exploited and customer has to reign supreme. There has to be compulsory combination of commercial business goals with social responsibility besides serving the traditional industrial, commercial, financial and household sectors of the economy. General Insurance offers a wide mix of traditional & non-traditional schemes & products. It is in this background insurance sector entrants have to develop products and use technologies.

What are the challenges for the general insurance industry?

Firstly the industry must begin with the fact that liberalisation is a episodic phenomena which will continue for many years to come.

Next it has to be recognised that customers expectation would reach new heights and there would be competitors to rise upto their expectations.

Thirdly it is to be realised that market for insurance will grow leaps and bound and no single company can dominate it in competitive environment.

Fourthly the expanded application of information technology is inevitable. With it would come demand for high degree of skills and large data base management & information base.

Insurance community would broadly consist of the following segments:

(1) Rural / Agricultural
(2) Urban – Personal lines

(3) Urban – Consisting of traders, Shopkeepers, Small scale operators

(4) Urban – Professionals, Specialists etc whose occupation is based on individual skills and expertise

(5) Industrial / Commercial groups

(6) Activities which are sophisticated and / or high exposure oriented such as atomic energy, power, off shore oil drilling, satellites, aviation, petrochemical complexes etc.

General insurance in India, by the turn of the previous century, was expected to generate an annual premium of the order of Rs. 12000 crores, service nearly 100 million policy holders annually, pay nearly 10 million claims involving an outgo of approximately Rs. 7000 crores per annum. Management of vast product range with thrust on customer satisfaction is indeed a challenge.

Three key areas would have to be addressed by General Insurance Industry. These one:

(1) Quality assurance in documentation characterised by speedy and correct issuance of documents.

(2) Efficiency exhibited in expeditious disposal of claims

(3) Creation of systems for proper build up of accounts & statistical information.

These can be achieved only through application of I.T. network.
The massive volume of business and its spread throughout the country will need greater decentralisation of authority, review of organisational infrastructure, systems & procedure, innovations in product development, simplification of policies and procedures, creation of marketing strategies, development of delivery systems etc.

Human Resources Development particularly in the area of development of professional and managerial skills, an improved disciplinary environment, productivity, accountability etc. would be in focus.

In the operational area the general insurance industry utilizes the services of specialists who are not its employees. These are surveyors and advocates. There is a need for better interaction between insurance industry and these specialists so that customer gets quicker and superior service.

The industry has to build up constant interaction with interest groups such as trade and commerce associations, consumer interest forums, regulatory bodies etc. because of its very nature of business.

There is also a need to shift the focus of manpower from inside view to outside view. Managers, development officers; employees etc. have to be more responsive towards customer requirements and expectations. The change of attitude is not easy to be achieved but efforts are made and seems to produce desired results.

Marketing research is an area of tremendous importance to general insurance companies. The market segment of this industry consists of
high technology industries, with specialised coves as well as a largely varied masses requiring low technology products but intensive services. There is an All India Risk Management Association with membership from trade, industry commerce and this promotes risk management awareness among its members. General Insurance Industry would have to step up Research and Development so that characteristics of each socio economic group, identification of risk exposure and their implications for each sector of society would be studied. On the basis of findings of there studies product design and development has to be undertaken.

Other crucial areas requiring study are as under: (1) Pricing of products, (2) Policy wordings, (3) Loss behavior pattern, (4) Methodology of claim settlement, (5) Recent trends in legal interpretations, (6) loss control. Well organised R and D units would be an essential support for management.

Trends in international market in regard to products, rates and terms have to be constantly assimilated by particularly those who are in the rating body viz Tariff Advisory Committee.

General Insurance Industry is a large investor. Its investment role will increase in years to come. Its responsibility for funding socio-economic development in the country will be more pronounced. These are the forces which would shape up the strategic management for use of funds. Claim payments will have to be faster to ensure restoration of financial enterprise after a loss. Insurance companies would have to fore cast cash
flows and manage the operations in a manner consistent with commercial obligations & social purpose. It is necessary to stream line the funds flow through the use of modern technology like networking of computers and handle money more efficiently. Greater control will have to be exercised of loss minimisation and generation of underwriting profits. Further diversification into financial activities will have to be considered.

In the area of re-insurance India's General Insurance Corporation is perceived as having technical expertise and capital base to meet its commitments. This strength is to be geared up to satisfy the need of general insurance corporations abroad in their capacity as buyers of reinsurance product. There is a growing volume of business in high technology areas. Natural catastrophes, insurance liabilities, hull, aviation etc are the type of business where re-insurance would come under pressure.

In future general insurance industry will have to use multiple delivery systems. To continue to grow, companies would need the flexibility to ascertain & respond to customer's needs. Insurance services will not be just bought. It will have to be sold in a buyers market. New channels of marketing personal insurance's, such as over the counter covers, will have to be devised.
Insurance industry cannot afford to lose sight of its ultimate reason for existence ie service to the public in need of an efficient competitive method of protection against unforeseen losses.

Kinds of Insurance From risk point of View:

Insurance:

(A) Personal Insurance:
   (1) Life Insurance
   (2) Personal Accident Insurance
   (3) Health Insurance

(B) Property Insurance:
   (1) Marine Insurance
   (2) Fire Insurance
   (3) Automobile Insurance
   (4) Cattle Insurance
   (5) Crop Insurance
   (6) Machinery Insurance
   (7) Theft Insurance

(C) Liability Insurance:
   (1) Third party Insurance
   (2) Employees Insurance
   (3) Motor Insurance
   (4) Reinsurance

(D) Fidelity Insurance
Let us discuss the four kinds of Insurance in brief:

(A) **Personal Insurance:**

The personal Insurance includes insurance of human life which may suffer loss due to death, accident and disease. Therefore the personal insurance is further sub-divided into Life Insurance, Personal accident insurance and health insurance.

(B) **Property Insurance:**

The property of an individual and of the society is insured against the loss of and marine perils, the crop is insured against unexpected decline in production, unexpected death of animals engaged in business, breakdown of machines and theft of the property and goods.

(C) **Liability Insurance:**

The Liability Insurance covers the risks of third party compensation to employees, Liability of the automobile owners and reinsurance.

(D) **Fidelity Insurance or Guarantee Insurance:**

The fidelity or Guarantee Insurance covers the loss arising due to dishonesty, disappearance and disloyalty of the employers or
second party. The party must be a party of the contract. His failure causes loss to the first party.

For example:

In export insurance, the insurer will compensate the loss at the failure of the importers to pay the amount of debt.

General Insurance Market After Liberalisation

Liberalisation is to be viewed in the context of international scenario of General Insurance business. Every country in the world, either singly or in association with other countries, would attempt to seize the opportunities in world wide commerce & trade and also would attempt to minimize threat from international commercial-politico-economic environmental changes. In this they have to match their strategic Advantage Profile with the External Threat & Opportunity Profile and must have a generic strategy. It can be a growth strategy for a well established nation like India or a survival strategy for a weak and vulnerable nation such as a pacific island nation.

These issues have surfaced in international forum where nations have bargained for new positions in international trade & commerce. We take a snap mean yield rate is 12.6% p.a. in 1990-91 the income from investments was of the order of Rs.6040 million and it had then registered a growth of 22% over previous year.
General insurance business covers reinsurance area also. In this area, Indian Insurance industry is treated with respect due to the combined strength of technical expertise and capital of the industry.

The objective of the GIC in this area has been to retain the premium within India consistent with safety and prudence. This objective has been consistently achieved during the last 16 years. Nearly 89% of the premiums written are retained in India. This has ensured conservation of foreign exchange to a good extent. Technological advancement contributes to higher exposure to large losses by the general insurance industry. Inspite of the Indian general insurance has been able to accurately assess the risks and determine re-insurance premium rate.

Reinsurance ceded abroad is also used as a means of obtaining reciprocal inward business through regular contact with almost all leading insurance and reinsurance companies. On behalf of the industry GIC underwrites a wide portfolio of reinsurance business from world markets.

India is one of the founding members of the Asian Reinsurance Corporation in Bangkok which was setup under the auspices of ESCAP. Reinsurance skills possessed by Indian insurance industry have been instrumental in formation of this corporation. The long term goal is to establish India as leading or quoting market for reinsurance business.

**Types of General Insurance:**

Different policies have been offered by General Insurance companies which can be grouped under two heads.
(A) **Urban householders Insurance**:

1. Householder's comprehensive Insurance Policy
2. Personal Accident Insurance Policy
3. Janta Personal Accident Insurance Policy
4. Mediclaim Insurance Policy
5. Jan Arogya Beema Insurance Policy
6. Overseas Mediclaim Insurance Policy
7. Motor Vehicle Insurance Policy
8. Transit Insurance household Goods Policy
9. Shopkeepers comprehensive Insurance Policy

(B) **Rural House Holders Insurance Policy**:

1. Gramin Personal Accident Insurance Policy
2. Comprehensive Insurance for irrigation system
3. Composite Package policy for Tribals
4. Cattle and Live Stock Insurance
   - Sheep and Goat Insurance
5. Horse, Ponny, Mule & donkey Insurance
6. Pig Insurance
7. Camel Insurance
8. Rabit Insurance
9. Zoo' circus Animals Insurance
10. Elephant Insurance
Main Insurances discussed are:

(A) Personal Accident Insurance
(B) Mediclaim Insurance (Group and individual)
(C) Overseas Mediclaim Insurance policy
(D) Personal Accident Insurance:

Purpose:

The purpose of personal accident insurance is to pay fixed compensation for death or disablement from accidental bodily injury.

Conditions:
The insured shall sustain any bodily injury resulting solely and directly from accident caused by external violent and visible means.

**To whom payable?**

The insurance company shall pay to the insured or his legal personal representative(s) as the case may be the sum of sums set forth in the policy in case of death or disablement etc.

There are different types of contingencies under which compensation is paid as under:

(a) **Death**  
Rs. 1,00,000 i.e. 100% capital sum insured.

(b) **Loss of two limbs or both eyes or one limb and one eye.**  
Rs. 1,00,000/- i.e. 100% of capital sum insured.

(c) **Loss of one limb or one eye.**  
Rs. 50,000/- i.e. 50% of capital sum insured.

(d) **Permanent total disablement other than the above e.g. paralysis due to an accident.**  
100% of capital sum insured.

(e) **Permanent partial disablement**  
Percentage as shown in the table in the policy.

(f) **Temporary total disablement.**  
Weekly payment of Rs.1000/- i.e. (1% of capital sum insured) subject to a maximum of 100 weeks.
Type of disablement:

(1) Permanent total disablement:

Examples:

(a) Paralysis.
(b) Loss of sight of both eyes.
(c) Actual loss by physical separation of the two entire hands or two entire feet or one hand and one entire foot or loss of sight of one eye and such loss of one entire hand/foot.

(2) Permanent partial disablement:

Under this type of disablement the loss is not total but partial.

Examples:

(a) Loss of a toe or finger. Loss is decided by a doctor and is paid according to the percentage shown in the policy.

(3) Temporary total disablement:

This is a type of total disablement where the insured is prevented from engaging in any occupation or business but for a temporary period only. This period may be days weeks or months.

Additional benefits at no Extra Premium:

(a) In case of Accidental Death:

Expenses for carriage of dead body to the place of residence are reimbursed @ 2% of capital sum assured or Rs. 2500/- which ever is less.
(b) In case of permanent total disablement of the insured:

(1) Incase of permanent total disablement of the policy holder educational expenses of the dependent child below the age of 25 years 10% of capital sum insured or Rs.5,000/- (Max. limit).

(2) If the insured person has more than one dependent child below the age of 25 years. 10% of capital sum insured subject to a maximum of Rs. 10,000/-.

(3) compensation payable for death, Loss of limb(s) or sight and permanent total disablement is increased by 5% in respect of each completed year during which the policy shall have been in force., Prior to the occurrence of an accident for which capital sum becomes payable but amount of such increase shall not exceed 50% of the capital sum insured. The earned cumulative Bonus will not be lost if the policy is renewed within 30 days after its expiry.

There are certain provisions exclusions and conditions which are generally got printed in the policy document itself and both, the policy holder and the insurer are bound by it as it is treated as the part of a contract.

Age limit : Minimum 5 years. Maximum 70 years.

Medical : No medical examination is required for renewal or fresh cover.
Family Package cover:

(a) Earning member (persons insured) and spouse if earning

(b) Spouse (if not earning members). 50% of the capital sum insured or Rs. 1 lac whichever is lower.

(c) Children (between the age of 5 years and 25 years). 25% of capital sum insured or Rs. 50,000/- which ever is lower per child.

Conditions:

(1) For children the cover is limited to death and permanent Disability. (Total or partial).

(2) Premium payable for husband and wife will be on the total sum insured.

(3) A discount of 5% is granted on the gross premium.

Mediclaim Insurance (Individual):

The Mediclaim policy provides for reimbursement of Hospitalisation or Domiciliary hospitalisation expenses for illness/disease suffered or accident injury sustained during the policy period.

Expenses covered under this policy:

(A) Room, Boarding expenses in the Hospital/Nursing home.

(B) Nursing expenses.
(C) Surgeon Anaesthetist Medical Practitioner, consultants, specialist fees.

(D) Anaesthesia Blood, Oxygen, Operation Theatre charges, surgical Appliances, Medicines and drugs, diagnostic, materials and X-Ray, Dialysis, Chemotherapy, Radiotherapy, cost of pace maker, Artificial limbs and cost of organs and similar expenses.

Other benefits under this policy:

Though the liability of the insurer in respect of all claims during the period of insurance shall not exceed the sum insured for the person as mentioned under schedule, certain benefits are noteworthy. They are:

(1) Reimbursement is allowed only when treatment is taken in a hospital or nursing home which satisfies the criteria specified in the policy.

(2) Expenses on Hospitalisation for minimum period of 24 hours are admissible however this time limit is not applied to specific treatment like:

Dialysis
Chemotherapy
Radiotherapy
Eye surgery
Dental surgery
Lithotripsy (kidney stone removal)
D. and C.

Tonsilectomy

When the insured is taking the treatment in a hospital or nursing home and is discharged on the same day. The treatment taken under the above cases are treated as treatment taken under Hospital benefit.

Relevant medical expenses incurred during period upto 30 days prior to and period of 60 days after Hospitalisation are treated as the part of claim.

Domiciliary Hospital Benefit:

Though it is required for the insured to have been admitted for 24 hours excepting the treatment shown above, it many times happen that circumstances do not allow to get admitted to the Hospital or nursing home and these circumstances are also taken care under this policy.

 Certain circumstances are:

(i) The condition of the patient is such that he/she cannot be removed to the hospital or nursing home. OR

(ii) The patient cannot be removed to hospital/nursing home for Lack of accommodation in such hospital or nursing home.

However, this benefit does not cover:

(a) Expenses for pre and post hospital treatment and expenses incurred for treatment for any of the following diseases:

(1) Asthma

(2) Bronchitis

(3) Chronic Nephritis

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(4) Diarrhea and all types of Dysenteries including Gastroenteritis.

(5) Diabetes Mellitus and Insipidus.

(6) Epilepsy

(7) Hypertension

(8) Influenza Cough and Cold

(9) All psychiatric or psychosomatic Disorders.

(10) Pyrexia of unknown origin for less than 10 days.

(11) Arthritis, Gout and Rheumatism.

Exclusions are printed on the policy itself and both the insured and insurer are bound to act accordingly.

**Age Limit:**

This insurance is available to persons between age group 5 years to 80 years. Children between the age of three months and 5 years can be covered provided one or both parents are covered concurrently.

**Family Discount:**

A discount of 10% in the total premium to a family comprising the insured and any one or more of the following:

(1) Spouse

(2) Dependent children (Legitimate or legally adopted)

(3) Dependent parents.
Cumulative Bonus:

The sum insured is increased by 5% for each claim free year of insurance subject to a maximum accumulation of 10 years. In the event of a claim, the increased percentage will be reduced by 10% of the sum insured at the next renewal but the basic sum insured will remain the same.

Cost of Health checkup:

The insured shall be entitled to reimbursement of medical check up once in every four underwriting years. Subject to no claim preferred during this period. The cost shall not exceed 1% of the average sum insured during the block of four years.

Extension of Cover:

The cover can be extended to Nepal and Bhutan with prior permission.

Conditions for making claim under this policy:

Preliminary notice of claim with particulars relating to policy No. etc should be given by the insured person to the company within 7 days from the date of hospitalization, Domiciliary Hospitalization giving following details:

1. Policy No.
2. Name of the person insured.
3. Name and address of the attending Medical practitioner/Hospital/Nursing home.

Final claim with original receipted Bills, Cash Memos, claim form and list of documents as listed in the claim form etc should be submitted to the company within 30 days from the date of completion of treatment.
However, in extreme cases of hardship to the insured these limits may be waived.

**Sum insured and premium:**

The sum insured is available from Rs. 15,000/- with multiples of Rs. 5,000/- upto a maximum of Rs. 5,00,000/-. Domiciliary Hospitalization limit is fixed at 20% of the total sum insured upto Rs. 1 lac and 15% beyond Rs. 1 lac. The domiciliary Hospitalization is a part of overall limit of sum insured.

**Tax Benefit:**

Premium upto Rs. 10,000/- qualifies for tax benefit under section 80 D of Income Tax Act.

**Procedure for obtaining Insurance:**

A person wishing to be insured under this policy can directly contact o the company or through the agent or development Officer of the concerned company. He will sign the proposal form and would given certain declarations and would pay the premium.

Upon underwriting from the company the procedure gets completed and the proposal is treated and accepted by the company. The risk of the insured gets started and Liability of the insurer commences from the date of commencement of risk.

The policy is ideal and accepted by the public for two purposes:

(1) For getting medical expenses reimbursed from the company.
Group Mediclaim Policy:

Availability:

This policy is available to:

1. Any group
2. Association
3. Institution
4. Corporate body of more

Provided it has a central administration point and subject to a minimum number of persons to be covered.

In whose name it is issued and who are the insured persons?

Policy is issued in the name of the Group / Association / Institution / Corporate body (Called insured).

Insured persons are the members of such group including their eligible family members. Both the insured i.e. a group and insured persons form a part of policy.

The coverage under the policy is the same as under Individual Mediclaim policy with the following differences:

1. Cumulative bonus and Health check up expenses are not payable.
2. Group discount in the premium is available.
3. Renewal premium is subject to Bonus/Malus clause.
4. Maternity benefit extension is available at extra premium.
Maternity Expenses Benefit Extension:

This is an optional cover which is available on payment of 10% of the total basic premium for all the insured persons under the policy. This option can be exercised at the inception of the policy period and no refund is available in case of insured's cancellation of this option during currency of the policy.

The maximum benefit allowable is up to Rs. 50,000/- or the sum insured opted by the member of the group whichever is lower.

Overseas Medical Policy:

This policy was originally introduced in 1984 to provide for payment of medical expenses in respect of all illness suffered or accident sustained by Indian residents during their overseas trips for official or holding purpose.

The insurance scheme, since 1984 has been modified from time to time to provide for additional benefits such as inflight personal accident. Loss of passport etc. The overseas medical schemes are available in different plants from A to H.

A complete chart is given as Annexure to this chapter:

Eligibility:

(a) Indian residents undertaking bonafide trips abroad for

(1) Business and official purposes.

(2) Holiday purpose.
(3) Accompanying spouse and children of person who is going abroad will be treated as going under holiday travel.

(4) Foreign Nationals working in India for Indian employers or multi-national organization getting their salary in Indian Rupees, Covering their official visits abroad provided they are undertaken on behalf of their employers.

Age Limits:

(a) For adult up to 70 years. Cover beyond 70 years is permissible at extra premium.

(b) For children above 6 months. Children between the age of 6 months to 5 years are covered by excluding certain specific children diseases.

Videsh Yatra Mitra:

To understand this policy two definitions have to be understood first:

(1) Insured person:

Insured person is a person named in the overseas policy schedule for whom the appropriate premium has been paid.

(2) Mercury:

It is Mercury International Assistance and claims Ltd., who provide emergency assistance and claims administration services. Their address is:
Period of Insurance:

The insurance is valid from the first day of insurance and expires on the last day of the number of days specified in the policy schedule or on return on India which ever is earlier.

Extension of the period of insurance is automatic for the period not exceeding 7 days, and without extra charge, if necessitated by delay of public transport services beyond the control of the insured person.

Coverage:

Section-A:

This insurance will pay the limit as shown in the schedule if the insured person sustains accidental bodily injury and such bodily injury within 12 months of the date of the injury is the sole and direct cause of death of loss of eye(s) or limb(s).

Not more than US $ 2000 is payable in respect of death if the insured person's age is under 16.

Section-B: Medical Expenses and Repatriation:

This insurance will pay up to the limit shown in the schedule in total for the insured person in respect of covered medical related expenses; incurred outside the Republic of India by the insured person suffering bodily injury, sickness, disease or death during the period of Insurance.
Covered Expenses:

(a) Expenses for physician services, hospital and medical services and local emergency medical transportation.

(b) Upto US $ 225 per occurrence for dental services for the immediate relief of dental pain only.

(c) Expenses for physician ordered emergency medical evacuation including medically appropriate transportation and necessary medical care in route, to the nearest hospital when the insured person is critically ill or injured and no suitable local care is available.

(d) Expenses for medical evaluation, including transportation and medical care en route to a hospital in India or the Insured person's normal place of residence in India when deemed medically advisable by the Medical Advisors and the attending physician.

(e) If the Insured person dies outside India, the expenses for preparing the air transportation of the remains for repatriation to India or upto an equivalent amount for a local burial or cremation in the country where the death occurred.

Section-C : Loss of Checked Baggage:

This insurance will pay up to the limit of cover shown in the schedule in the event of the Insured person suffering a total loss of baggage that has been checked by an International Airline for an International flight.
Section-D : Delay of checked Luggage :

This insurance will pay up to the limit of cover shown in the schedule for the necessary emergency purchase of replacement items in the event that the Insured person suffers a delay of more than 12 hours from the scheduled arrival time at the destination for delivery of baggage that has been checked by an International Airline for an International out bound flight from India.

Section-E : Loss of Passport :

Expenses incurred by an insured person necessarily and reasonably in connection with obtaining a duplicate passport will be part by an insurance company.

Section-F : Personal Liability :

If during the covered trip an insured person becomes liable to pay to third party due to an accident the insurance company will pay such liability. However certain exclusions apply which are printed on the policy itself. Different plans and benefits under different policies from plan A to H are shown as annexure to this chapter.

Sampoorna Suraksha Bima :

It is a new innovative product from National Insurance Co., Ltd., details of which are shown as Annexture at the end of last chapter.
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