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Developments in Indian Non Life Insurance Industry

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ABSTRACT

The most important impact of economic liberalization on general insurance sector has been the volume of business. There has been a tremendous effect on the business of insurance sector due to opening of this sector to private and foreign players. The present study attempts to evaluate the emerging trends in the growth and financial performance of General Insurance Companies in India. This impressive growth in the market has been driven by liberalization, with new player's significantly enhancing product awareness. It's the time that Indian General Insurance Industry got a face lift and the government is initiating steps in this direction, the first of which is detariffing. The study highlights that public sector insurance companies are suffering from losses when it comes to their core insurance business, but still manage to get good net earnings, which is mainly attributed to the investment income.

Keywords : Detariffing, Indian General Insurance Industry, liberalization

INDUSTRY OVERVIEW

In 1929, the occasion of the celebrations to mark the 50th anniversary of the foundation of The Tokio Marine & Fire Insurance Co., Ltd., Mr. Kenkichi Kagami, the chairman of the company, proposed a plan to find an institute for non-life insurance in commemoration of that anniversary. The plan was implemented in 1933, when The Non-Life Insurance Institute of Japan was established with a fund of one million yen donated by The Tokio Marine & Fire Insurance Co., Ltd. After World War II the institute was compelled to suspend its activities when all of its properties were lost in the flames of war in Tokyo in May 1945. Efforts were made to restore the institute and rebuild its library during the difficult post-war period, and in 1947 all the member companies of The Marine & Fire Insurance Association of Japan (now The General Insurance Association of Japan) agreed to provide financial support for the activities of the institute.

The world of insurance market has turned more global, innovative and is continuously restructuring itself. During the last few years several numbers of changes and developments have brought a drastic change in general insurance market, which will assist in minimizing the risk of a fast changing environment. The need for non-life insurance has been increasing in India. Since the liberalization of the sector in FY00, several international general insurance companies have entered the market owing to the enormous opportunities in the sector. While the public sector insurers remain the dominant players in the industry, the gap between private players and the public entities has narrowed substantially over the last few years.

Insurance occupies an important place in the modern world because the risks, which can be insured, have increased in number and extent owing to the growing complexity of the present-day economic system. It plays a vital role in the life of every citizen and has developed on an enormous scale leading to the evolution of many different types of insurance. In fact, now a day almost any risk can be made the subject matter of contract of insurance. The different types of insurance have come about by practice within insurance companies, and by the influence of legislation controlling the transacting of insurance business. Broadly, insurance may be classified

into the following categories:

(1) Classification on the basis of nature of insurance

- Life Insurance
- Fire Insurance
- Marine Insurance
- Social Insurance
- Miscellaneous Insurance

(2) Classification from business point of view:

- Life Insurance
- General Insurance

(3) Classification from risk point of view:

- Personal Insurance
- Property Insurance
- Liability Insurance
- Fidelity Guarantee Insurance

OBJECTIVE OF THE STUDY

The study is based on a single objective and that is to analyze and compare the financial performance of Public and Private General Insurance Companies in pre and post liberalization periods. The time frame of the study is from 2005 to 2009. To make an appraisal of comparative growth & financial performance of both the Public & the Private Sector, the study mainly focuses on financial parameters. This research is carried out primarily on the secondary data. Only the data available through public sources (internet, journals, magazines, annual reports etc.) is considered for the study.

Status during Pre-Liberalization Period

Table 1
Table (1) showing milestone's in the general insurance business in India

Source-IRDA Journal

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

