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## Changing Scenario Of Indian General Insurance Industry

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### ABSTRACT

The paper presents a theoretical framework on ever changing competitive dynamics of Indian General Insurance Industry. The insurance sector is highly concentrated with the large number of private and government insurance companies in India. The growth of the insurance sector in India has been phenomenal, offering a diversified product portfolio and excellent services. Many insurance companies in India have managed to make their way into almost every Indian household. The main theme of this paper is to expose the ever changing approach of General Insurance Industry in the era of LPG and especially after detariffing. Detariffing allows an industry to price its goods or services at market value, as regulation is discontinued to promote market equilibrium. Detariffication opened new ways for companies to be more efficient, refocusing again in the traditional insurance business basics and sound underwriting practices.

**Keywords : General Insurance Industry, Detariffing, Product Portfolio & Market equilibrium**

### A HISTORICAL REVIEW OF INDIAN GENERAL INSURANCE INDUSTRY

The first non-life insurance company to set up shop in India was the Triton Insurance Company of Calcutta followed by Indian Mercantile Insurance Ltd in 1907 and the New India Assurance Company was incorporated in 1919. By 1956, there were around 240 private life insurers and more than 100 general insurers. In 1972, the non-life insurance business in India was nationalized with effect from 1st January 1973. General Insurance Corporation of India (GIC) was formed as single holding companies with four sub Companies: 1. The National Insurance Co. Ltd 2. The Oriental insurance Co. Ltd 3. The United India Insurance Co. Ltd 4. The New India Assurance Co. Ltd. with effect from Dec'2000, these subsidiaries have been de-linked from the parent company and made as independent insurance companies.

### CURRENT SCENARIO

Due to liberalization policies, the government of India has opened up the insurance sector to private in 1999. As a result the monopoly of GIC and LIC were broken and new players have entered in the market creating a competitive environment. This new modifications have brought air in the industry and the customers are the ultimate beneficiaries. Currently there are 24 companies engaged in General Insurance Industry.

Table-1

| S.No | Insurer   | Address (link )  | RegNo | Date of Reg. |
|------|---|--|-------|--------------|
| 1    | Bajaj Allianz General Insurance Company Limited | <a href="http://www.bajajallianz.com/Corp/aboutus/financial-info.jsp">www.bajajallianz.com/Corp/aboutus/financial-info.jsp</a> | 113   | 02.05.2001   |
| 2    | Bharti AXA General Insurance Company Limited    | <a href="http://www.bharti-axagi.co.in/download-center">www.bharti-axagi.co.in/download-center</a>                             | 139   | 27.06.2008   |

|    |  |  |     |            |
|----|--|--|-----|------------|
| 3  | Cholamandalam MS General Insurance Company Limited | <a href="http://www.cholainsurance.com/errorpage.aspx?aspxerrorpath=/aboutus.aspx#15">www.cholainsurance.com/errorpage.aspx?aspxerrorpath=/aboutus.aspx#15</a> | 123 | 15.07.2002 |
| 4  | Future Generali India Insurance Company Limited    | <a href="http://www.futuregenerali.in/">www.futuregenerali.in/</a>   | 132 | 04.09.2007 |
| 5  | HDFC-ERGO General Insurance Company Limited        | <a href="http://www.hdfcergo.com/AboutUs/PublicDisclosure.htm">www.hdfcergo.com/AboutUs/PublicDisclosure.htm</a>   | 125 | 27.08.2002 |
| 6  | ICICI Lombard General Insurance Company Limited    | <a href="http://www.icicilombard.com/app/lom-en/AnnualReport/publicdisclosures.aspx">www.icicilombard.com/app/lom-en/AnnualReport/publicdisclosures.aspx</a>   | 115 | 03.08.2001 |
| 7  | IFFCO Tokio General Insurance Company Limited      | <a href="http://www.iffcotokio.co.in/public-disclosure.html">www.iffcotokio.co.in/public-disclosure.html</a>   | 106 | 04.12.2000 |
| 8  | Raheja QBE General Insurance Company Limited       | <a href="http://www.rahejaqbe.com/Home/PublicDisclosures/Insurance.html">www.rahejaqbe.com/Home/PublicDisclosures/Insurance.html</a>                           | 141 | 15.12.2008 |
| 9  | Reliance General Insurance Company Limited         | <a href="http://www.reliancegeneral.co.in/Pages/Public%20Disclosure.aspx#">www.reliancegeneral.co.in/Pages/Public%20Disclosure.aspx#</a>                       | 103 | 23/10/2000 |
| 10 | Royal Sundaram Alliance Insurance Company Limited  | <a href="http://www.royalsundaram.in/aboutus/annualreportss.asp">www.royalsundaram.in/aboutus/annualreportss.asp</a>   | 102 | 23.10.2000 |
| 11 | SBI General Insurance Company Limited              | <a href="http://www.sbigeneral.in/Internet/jsp/publicdisclosures.jsp">www.sbigeneral.in/Internet/jsp/publicdisclosures.jsp</a>                                 | 111 | 30.03.2001 |
| 12 | Shriram General Insurance Company Limited          | <a href="http://www.shriramgi.com/">www.shriramgi.com/</a>   | 128 | 8.05.2008  |

|    |  |  |     |            |
|----|--|--|-----|------------|
| 13 | Tata AIG General Insurance Co. Ltd.              | <a href="http://www.tataaiginsurance.in/taig/taig/tata_aig/about_us/about_tata_aig/financials.html">www.tataaiginsurance.in/taig/taig/tata_aig/about_us/about_tata_aig/financials.html</a> | 108 | 22.01.2001 |
| 14 | Universal Sampo General Insurance Co. Ltd.       | <a href="http://www.universalsampo.com/financial-information.html">www.universalsampo.com/financial-information.html</a>   | 134 | 16-11-2007 |
| 15 | National Insurance Company Limited.              | <a href="http://www.nationalinsuranceindia.com/nicWeb/nic/fncInfo.jsp">www.nationalinsuranceindia.com/nicWeb/nic/fncInfo.jsp</a>   |     |            |
| 16 | The New India Assurance Company Limited          | <a href="http://www.newindia.co.in/publicdisclosures.asp">www.newindia.co.in/publicdisclosures.asp</a>   |     |            |
| 17 | The Oriental Insurance Company Limited           | <a href="http://www.orientalinsurance.org.in/">www.orientalinsurance.org.in/</a>   |     |            |
| 18 | United India Insurance Company Limited           | <a href="http://www.uiic.co.in/publicdisclosure.jsp">www.uiic.co.in/publicdisclosure.jsp</a>   |     |            |
| 19 | AIC  | <a href="http://www.aicofindia.com/AICEng/Pages/StatInfo_home.aspx">www.aicofindia.com/AICEng/Pages/StatInfo_home.aspx</a>   |     |            |
| 20 | Export Credit Guarantee Corporation of India Ltd | <a href="http://www.ecgc.in/Portal/IRDA/first.asp">www.ecgc.in/Portal/IRDA/first.asp</a>   | 124 | 27.08.2002 |
| 21 | Apollo DKV                                       | <a href="http://www.ecgc.in/Portal/IRDA/first.asp">www.ecgc.in/Portal/IRDA/first.asp</a>   | 131 |            |
| 22 | Max bupa   | <a href="http://www.maxbupa.com/about-us/maxbupa/financials.aspx">www.maxbupa.com/about-us/maxbupa/financials.aspx</a>   | 104 | 03-08-2007 |
| 23 | Star health                                      | <a href="http://www.starhealth.in/about-us#public">www.starhealth.in/about-us#public</a>   | 142 |            |
| 24 | General insurance India                          | <a href="http://www.gicofindia.com/">www.gicofindia.com/</a>   |     |            |

Source: www.ijmbs.com (International Journal of Management & Business Studies)

### PRODUCT INNOVATIONS

The new, private insurers focused on providing customized products that hold innovative features to the customers. Most of the private insurers came up with innovative insurance policies, as well as products designed according to needs of the customer. Today, many insurers still struggle with manual, paper-based product development and regulatory filing processes and often, more time is spent managing compliance with regulations than actually getting the product out the door.

#### Types of General Insurance Products

A large number of General Insurance Companies provide a wide-ranging series of insurance products and services. Some of these can be classified as follows:

- Car Insurance
- Home Insurance
- Travel Insurance
- Private Medical Insurance
- Illness Insurance
- Long-term care Insurance
- Accident Insurance

#### Key factors contributing to current financial position

While buying a particular general insurance, there is a need to examine certain angles to make sure that it would accommodate all the essential requirements to its fullest capacity. These angles or key factors are:

- A suitable product or service that matches your particular need
- Cost of the insurance product
- Flexibility of the product or services
- Terms and policies of the product

#### General insurance challenges and outlook

Strengths/Opportunities

- The intense competition brought about by deregulation has encouraged the industry to innovate in all areas; from underwriting, marketing, policy holder servicing to record-keeping.
- Aggressive marketing strategies by private sector insurers.
- Competition in a deregulated environment is one of the important causes to create differentiation in their products and services.
- The existences of rigorous licensing requirements make sure that only adequately capitalized and professionally managed companies are eligible to carry out insurance and reinsurance.
- Innovations in distribution and improvements in market penetration will follow as public and private insurers compete to market their products.

#### Weaknesses/Challenges

- Premiums rates will remain under pressure due to intense competition.
- Lengthy and cumbersome procedure of claim settlement.
- Conventional distribution channels, especially tied agents, need to be improved to match the new product offerings.
- cost of capital
- Declining premium income -- without a corresponding reduction in claims -- is likely to drive down profits.
- The shortage of trained insurance professionals and technicians at all levels.
- The Indian is defenseless to face natural calamities like cyclones, floods, hurricanes and earthquakes, and until there is a national capacity to manage losses, dependence on overseas reinsurers will continue.

PRODUCTS: The range of products can be grouped under the following categories:

- Individuals/Family
- Marine
- Professionals
- Business/Office/Traders
- Engineering/Industry
- Agriculture/Sericulture/Poultry
- Animals/Birds
- Aviation
- Motor Vehicle – Private/Commercial
- Health-Medicaid/Overseas Medicaid/Personal Accident

Documents requirement for various types of Claims Different documents are required for settling different types of claims. The most commonly required ones are mentioned under each claims type listed below.

- Claim due to Flood, Storm, Cyclone, Earthquake, and Subsidence/Landslide.
- Claim due to Riot, Strike, Malicious Damage and Terrorism (RSMdT).
- Marine Inland Transit Loss of cargo/machinery.
- Marine Loss of cargo/machinery for export'
- Marine Loss of cargo/machinery during Import
- Claim due to Electrical/Mechanical/Electronic Breakdown/mishandling/
- Impact damage to machine.
- Claim due to Burglary/Theft of Vehicle
- Accidental Death Claim
- Permanent Disability/Injury claim due to accident
- Temporary Total Disability (TTD) (Weekly compensation) claim due to accident
- Medicaid claim due to hospitalization (disease/accident)
- Claim due to Death of Cattle (Non-IRDP)/Permanent Total Disablement. Damage claim to private Vehicle (Car/2Wheeler) due. to accident
- Claim of Damage to Commercial Vehicle (Taxi/Bus/Lorry) due to accident. Third Party (T.P.) Claim due to accident.

#### Registered Insurers in India

At end-September 2011, there are forty-nine insurance com-

panies operating in India; of which twenty four are in the life insurance business and another twenty four are in general insurance business. In addition, GIC is the sole national reinsurer. Of the forty-nine companies presently in operations, eight are in the public sector: two specialized insurers, namely ECGC and AIC, one in life insurance, four in general insurance and one re-insurance. The remaining forty one companies are in the private sector.

Table-2

| REGISTERED INSURERS IN INDIA (As on 30th September, 2011) |               |                |       |
|---|---------------|----------------|-------|
| Type of business  | Public Sector | Private Sector | Total |
| Life Insurance  | 1             | 23             | 24    |
| General insurance   | 6             | 18             | 24    |
| Re-insurance  | 1             | 0              | 1     |
| Total   | 8             | 41             | 49    |

Source: IRDA annual reports 2010-11

Table-3

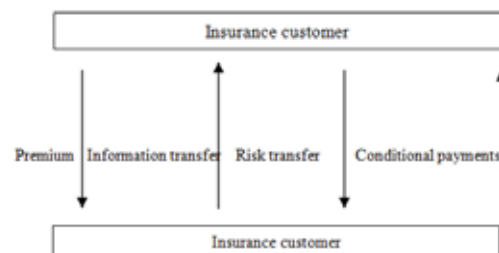
| Sr. No | Basis of Difference     | General insurance  | Life insurance  |
|--------|-------------------------|--|---|
| 1      | Nature                  | General insurance is always a personal contract where the insurance company contracts with you directly for insurance protection   | Life insurance is a non-personal insurance contract. This means that the policyholder and the person being insured do not have to be the same person.   |
| 2      | Claim settlement        | Both life insurance and general insurance accept premiums in exchange for insurance benefits. Both types of insurance require a claim form for you to fill out. The payment of benefits, and the amount of the benefit that is payable, are always spelled out in your insurance contract. |   |
| 3      | Loss of indemnification | There is no indemnification at the time of loss. Life insurance insures the life of a person. Generally a death benefit is given to the insured at the time of death. This is called a valued contract.  | General insurance insures homes, automobiles and other personal property. General insurance is indemnity insurance. Indemnity insurance pays just enough money to you to repair or replaced the insured property. |
| 4      | Benefits                | Death benefits can be used to create wealth for the surviving beneficiaries, or they can be used to replace the primary income earner's salary for a surviving spouse.   | It does not pay a fixed amount, so you won't have to guess at how much insurance you need to purchase. Generally average clause is used for the payment of loss.  |

[http://www.ehow.com/about\\_7383668\\_life-insurance-vs\\_-general-insurance.html](http://www.ehow.com/about_7383668_life-insurance-vs_-general-insurance.html)

**Claim settlement process of general insurance industry:**

1. NEFT Payments: for improving the delivery standards, the company has embarked upon payment of claim monies through electronic transfer to customers' bank account. These make sure immediate credit to customer's account. This has also resulted in a reduction in the number of customer complaints on account of non delivery of cheques.
2. Stolen Vehicle Recovery: Theft recovery team is now in place at select centers who co-ordinate with manufacturers, police and investigation agencies and have been able to recover vehicles before settlement of claims and hand over to customers.
3. Claim Process and Status information to Customers by SMS and on web: A detailed claim procedure has been made a part of the claim form to enlighten customers on document required for claim settlement. Proactive updates on claims status by way of SMS to customers for pending documents has also been initiated. This has facilitated faster compliance and resultant speedy settlement of claims. Customers and Advisors can check status of online claims pertaining to them or their clients through our website on the secure login page
4. Customer Complaints Handling: Proper handling of customer complaints is of paramount importance and has received highest priority hence tracking thereof has been automated resulting in faster resolutions to their grievances. We have identified various complaint categories and taken steps for avoidance of such complaints. However, we believe that our complaint handling procedures will provide a quick and effective resolution of your concerns and difficulties.
5. Health Claims: During the year, the company has received claims under our Health Policies and settled 73583 claims. 68% of customers were able to avail Cashless facility through the network Hospitals of TPA. In order to ensure quality in claims services by TPA, regular audits are conducted to ensure prompt payment of claims to Hospitals/customers and handling of customers' complaints by them.
6. Training and Employee Motivation: There is a need to put special attention on training on communication with customers and handling of customer complaints has been conducted to all employees in claims department.

**Fig-1**  
Insurance as transfer of risk and information



In today's financial marketplace, insurance instruments have grown more and became more complex, but the transfer of risk is the one prerequisite that is always met in any insurance contract. For example, whenever someone purchases home insurance, he or she is essentially paying an insurance company to take the risk involved with owning a home. In the event that something does happen to the house, such as property damage from a fire or natural disaster, the insurance company will be responsible for dealing with any resulting consequences. Detariffing –An approach to Rationalizing Prices

The general insurance industry in India is going through a drastic change after introduction of Discounts in Motor OD and Deatariffing of Property Insurance. The premium rates have reduced drastically while the cost of repairing/replace-

ment has gone up considerably leading to high incurred claim ratios.

**Table-4**

| Worldwide Impact of Detariffication   |   |   |
|---|---|---|
| India Detariffication – Background  | China Detariffication – Motor Insurance   | Japan – Detariffication   |
| <p>2007: Indian Motor Third Party Insurance Pool created for commercial third party risks<br/>2007: Standard policy wordings were being used under the tariff regime, new wording was to be proposed and implemented in 2008/2009</p> <p>2009: IRDA allows companies to file variation in deductibles, coverage amounts, etc – providing additional options but not taking coverage away<br/>Limits on free pricing</p> <p>Until December 2007 companies were allowed to offer a maximum discount of up to x %, without IRDA approval:</p> <ul style="list-style-type: none"> <li>• 49% compared to tariff rate for fire and engineering policies</li> <li>• 20% compared to tariff rate for motor own damage policies</li> </ul> <p>Starting January 2008 companies have been allowed to charge the actuarially determined rate after filing it with IRDA</p> <ul style="list-style-type: none"> <li>• In some cases rate decrease of 80% over tariff rates were quoted</li> </ul> | <p>China Insurance Regulatory Commission (CIRC) was established in 1998 and imposed a tariff on motor insurance</p> <p>With accession to WTO, and liberalization of the insurance industry, it was decided to abolish the tariff beginning January 2003</p> <p>Free pricing as well as policy wordings were allowed as long as they were filed with the CIRC before being used<br/>The market fell into severe competition and rates fell to nearly half of the tariff rate</p> <p>Given the severe drop in insurance premiums, CIRC re-imposed tariff on the motor mandatory Third Party Liability coverage</p> <p>It is compulsory for consumers to buy a minimum coverage</p> <ul style="list-style-type: none"> <li>• It is also compulsory for insurance companies to provide the cover if approached by a car owner</li> </ul> <p>Since the mandatory limit is rather low, additional cover can be purchased on a voluntary basis</p> <p>Insurance companies have been provided with advisory policy wordings as well as advisory rates to charge</p> <ul style="list-style-type: none"> <li>• Limited rating variables are used</li> <li>• Maximum discount allowed from the advisory rate is 30% (which almost every insurer gives</li> </ul> | <p>Non-life Insurance Rating Organization (NIRO) used to provide rates that insurers were required to charge</p> <p>1998 - detariffication of the market; allowing free rating &amp; coverage changes</p> <p>Companies improved service and enhanced products as means of getting and retaining more customers</p> <p>However, intense competitions in commercial lines lead to premiums falling by as much as 30%</p> <p>Personal Lines split into two major groups based on differentiated products and pricing (both with healthy profitability):</p> <p>Multinationals and small domestics: lowered rates and moved to new &amp; cheaper distribution channels (internet, other direct marketing channels)</p> <p>Large domestics: Changed policies to improve/increase coverage and charge higher rates commensurate with the cover provided</p> <p>In general, companies had to reduce costs and improve efficiencies to compete; industry consolidated to reduce expenses:</p> |

source: www.towerswatson.com

**DE-TARIFF – ADVANTAGES / DISADVANTAGES**

**ADVANTAGES**

- Competition will help in improving the efficiency.
- Efficiency will lead to fall of premium and benefit
- It is part of the reforms towards liberalized economy.

**DISADVANTAGES**

- De-tariffication may make insurance unavailable at reasonable premium
- Companies may form cartels and jack up the premium
- Free market may lead to insolvency of companies and loss of protection for policyholders

**CONCLUSION:** General insurance products and services are being offered as package policies offering a combination of the covers mentioned above in various combinations. There are package policies specially designed for householders, shopkeepers, industrialists, agriculturists, entrepreneurs, employees and for professionals such as doctors, engineers, chartered accountants etc. Apart from standard covers, General insurance companies also offer customized or tailor-made policies based on the personal requirements of the customers. In today's age of privatization, insurance requirements have expanded to keep pace with the increasing risks. There is a need of an appropriate general insurance cover which is fundamental for every family.

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