



## Contemporary Trends in 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. 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. The de-tariffing of Indian general insurance industry has occurred in three phases, - in 1994 marine cargo, personal accident, health, aviation; in 2006 - marine hull segment and in 2007 - Fire, engineering and motor own damage (OD) segments. The general insurance industry is facing many challenges, particularly in terms of profitability. Profitability pressures are arising from the pricing, claims fronts, and changes that are happening because of motor third-party provisions.

**Keywords : General Insurance Industry, Detariffing, Product Portfolio & profitability**

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

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.

**Registered Insurers in India**

At end-September 2011, there are forty-nine insurance companies 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**

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 reports2010-2011

**Challenges facing GIC**

- The impact of changing customer needs. Increasingly diverse customer needs, buying behaviors, and product preferences combined with rapidly evolving consumer protection initiatives are further complicating already elaborate business models and strategies. Insurance boards are increasingly urged to consider the customer, but not all are well positioned to do so.
- Public policy issues that is fundamental to insurance. Global economic conditions have focused political attention on issues at the heart of the industry, such as pensions and savings, investment management, and climate change, to name a few. Directors are keen to understand how changes in public policy could help or hinder their institutions.
- Information Technology. Insurers are the earlier adopters of technology. Because of the Information revolution, customers are free to choose from a wide range of new and innovative products. The Insurance companies are

utilizing the Information technology applications for better customer service, cost reduction, new product design and development and many more.

- Product Innovations Insurers are continuously innovating new products based on forward-looking models. They have developed new products addressing the new challenges in society and products to address the hazards from new environmental issues. Understanding the customer better will enable Insurance companies to design appropriate products, determine price correctly and to increase profitability. Since a single policy cannot meet all the Insurance objectives, one should have a portfolio of policies covering all the needs. Product development is made possible by integrating actuarial, rating, claims and illustration systems. At present, the Life Insurers are concentrating on the pension schemes and the Non-Life Insurers on many innovative schemes of various realms and thereby enriching their market share. Moreover, with increased commoditization of insurance products, brand building is going to play a vital role.
- Distribution Network While companies have been successful in product innovation, most of them are still grappling with right mix of Distribution Channels for capturing maximum market share to build brand equity, building strong and effective customer relationships and cost effective customer service. While the traditional channel of tied up advisors or agents would be the chief distribution channel, insurer should innovate and find new methods of delivering the products to customers. Corporate agency, brokerage, Banc assurance, e-insurance, cooperative societies and panchayats are some of the channels, which can be tapped by the insurers to reach the appropriate market segments.
- Customer Education and Services Insurance is a unique service industry. Servicing focus is on enhancing the customer's experience and maximizing his convenience. This calls the effective CRM system, which eventually creates sustainable competitive advantage and enables to build long lasting relationship.
- Internet usage has drastically improved in the last decade. There was a tremendous increase in the use of technology by GIC during the late 1990's. The companies Launched its website in the mid 1990's to offer basic services such as modifying policies (change of address, change of nominee, etc) and querying the status of the policy. But today, the internet has completely changed the service delivery process. Internet is today used to even sell insurance policies. Internet is, in fact, proving to be one of the widely used distribution networks for selling insurance policies. Also internet is used for sending premium notices to policy holders through e-mails
- Metropolitan Area Network (MAN) and Wide Area Network (WAN) GIC has commissioned a MAN connecting more than 75 branches in Mumbai. This enabled the pol-

icy holders to pay their premiums and get their status report, surrender value quotations and loan quotation, from any branch in the city. Following the MAN in Mumbai, seven MAN centers (Chennai, Bangalore, Delhi, Calcutta, Pune, Hyderabad, and Ahmadabad) became operational. These MAN centers were connected to each other by a WAN network. This WAN was designed for distributed processing without a central database – each division maintains a database of the policyholders. The central office in Mumbai maintained an index of policy numbers and the corresponding IP addresses of the servers where the details of the policy were maintained

- Electronic Clearance Service (ECS) Almost all the big organizations today provide the ECS facility to its customers. A policyholder having an account in any bank which is a member of the local clearing house can opt for ECS debit to pay premiums. The advantage here is that once the option is exercised, the policy holder need not visit a branch for paying the premium or collecting the receipts.
- Bank ATM's Many insurance companies have a tie-up with commercial banks so as to enable policyholders to use the facility of paying premiums through the bank ATM's. ICICI Lombard has a tie up with ICICI bank; Bajaj Allianz has a tie-up with Corporation bank and UTI Bank.
- Call Centres and SMS services Almost all the insurance companies have their own call centres which cater to the phone based queries of the policyholders. This service is 24x7 and they have the Interactive Voice Response (IVR) systems at all the branches. Also, LIC and other companies now provide SMS services going with the new trends like SMS banking in the banking sector.

- *An Alternative to Reinsurance:* Companies are competitive after the liberalization of the insurance industry. New players are offering or proposing to offer customers various insurance products. This benefits consumers, as competition will drive down their prices. How will companies manage this? The answer is reinsurance. Reinsurance is a process by which private insurers transfer some part of their risk to reinsurers. That is, the reinsurer reimburses the private insurer any sum paid to the policyholders against the claims lodged. The need for reinsurance assumes importance given the increasing uncertainty faced by individuals and businesses.

#### 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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