

## Non-Life Insurance Industry in India

**T. Anna Selvam**

*Ph.D Research Scholar, PG Department of Economics and Research Centre, South Travancore Hindu College Nagercoil, (T.N.) India*

**Dr. P.N. Sali Kumar**

*Associate Professor, PG Department of Economics and Research Centre, South Travancore Hindu College Nagercoil, (T.N.) India*

### Abstract

General Insurance or non-life insurance refers to the insurance of goods and properties. The insurance which is done for the physical properties other than human life is known as non-life insurance. The individual or organizations have to suffer a huge loss from the destruction of their physical things. Thus, they can ensure their properties against the varieties of risks. Such risks may be risk, marine risk etc. Non-life insurance is taken as a means of providing financial protection for building, machinery, equipment, furniture and vehicle and merchandise items against the risk of fire, earthquake, accident and theft. The research paper discussed both public and private key players of Indian non-life insurance industry.

**Key Words:** General Insurance, Non-Life Insurance, Financial Protection, Risks

### Introduction

The General Insurance business in India can trace its roots to the Triton Insurance Company Ltd., the first general insurance company established in the year 1850 in Calcutta by the British. Some of the important milestones in the general insurance business in India are:

- ❖ 1907: The Indian Mercantile Insurance Ltd. set up, the first company to transact all classes of general insurance business
- ❖ 1957: General Insurance Council, a wing of the Insurance Association of India, frames a code of conduct for ensuring fair conduct and sound business practices.
- ❖

- ❖ 1968: The Insurance Act amended to regulate investments and set minimum solvency margins and the Tariff Advisory Committee set up.
- ❖ 1972: The General Insurance Business (Nationalization) Act, 1972 nationalized the general insurance business in India with effect from 1<sup>st</sup> January 1973.
- ❖ 107 insurers amalgamated and grouped into four companies viz. the National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance company Ltd., and the United India Insurance Company Ltd., GIC incorporated as a company.

In December 2000, the subsidiaries of the General Insurance Corporation of India

were restructured as independent companies and at the same time GIC was converted into a national re-insurer. Parliament passed a bill delinking the four subsidiaries from GIC in July, 2002.

Today there are 24 general insurance companies including the ECGC and Agriculture Insurance Corporation of India and 23 life insurance companies operating in the country. The insurance sector is a colossal one and is growing at a speedy rate of 15-20 per cent. Together with banking services, insurance services and about 7 per cent to the country's GDP. A well-developed and evolved insurance sector is a boon for economic development at the same time strengthening the risk taking ability of the country.

#### **Health Insurance**

Insurance sector in India's small but growing at very pace. The insurance companies in general have experienced significant growth during last decade in India. The impetus for this growth came from new economic policies and liberalization of insurance sector. There are 12 general insurance companies in India and they can offer health insurance products. However, given the complexities of health insurance, only few companies have ventured into offering health insurance products. In health insurance, 25 third party administrators (TPAs) function as intermediaries in this sector.

#### **Accidental Death**

In the event of an accidental death, this insurance will pay benefits in addition to any life insurance held. Some of the covered accidents include traffic accidents, exposure, homicide, falls, heavy equipment accidents and drowning. Accidental death is the fifth leading cause of death in the US. Deaths by illness,

suicide, or natural causes are generally not covered by AD & D. Some insurers will even cover an accidental death caused from war or terrorism.

#### **Total Permanent Disability (TPD)**

Total Permanent Disability (TPD) is a phrase used in the insurance industry and in law. Generally speaking, it means that because of a sickness or injury, a person is unable to work in their own or any occupation for which they are suited by training, education, or experience. An individual or group of individuals can insure themselves against it through a disability insurance policy, as part of a life insurance package or through worker's compensation insurance.

#### **Health Insurance Product Provider in India**

- ❖ Apollo DKV Insurance Company Ltd
- ❖ Aviva Life Insurance
- ❖ Bajaj Allianz General Insurance Co. Ltd.
- ❖ Birla Sun Life Insurance
- ❖ E-Meditek Solutions Limited
- ❖ Family Health Plan Limited
- ❖ Health India- Bhaichand Amoluk Insurance Services Pvt. Ltd.
- ❖ HSBC Health Insurance
- ❖ ICICI Lombard General Insurance Co. Ltd
- ❖ Life Insurance Corporation of India
- ❖ Max New York Life Insurance
- ❖ Medi Assist India Ltd.
- ❖ Met Life India Assurance Company
- ❖ National Insurance Company
- ❖ Paramount Health Group
- ❖ Reliance Health
- ❖ Royal Sundaram Alliance Insurance Company Limited
- ❖ Star Health and Allied Insurance Company Limited
- ❖ Tata AIG

- ❖ The New India Assurance Co. Ltd
- ❖ United Health care
- ❖ United India Insurance

### **Vehicle Insurance**

Auto Insurance in India deals with the insurance covers for the loss or damage caused to the automobile or its parts due to natural and man-made calamities. It provides accident cover for individual owners of the vehicle while driving and also for passengers and third party legal liability. There are certain general insurance companies who also offer online insurance services for the vehicle.

Auto Insurance in India is a compulsory requirement for all new vehicles used whether for commercial or personal use. The insurance companies have tie-ups with leading automobile manufacturers. They offer their customers instant auto quotes. Auto premium is determined by a number of factors and the amount of premium increases with the rise in the price of the vehicle. The claims of the Auto Insurance in Indian can be accidental, theft claims or third party claims. Certain documents are required for claiming Auto Insurance in India, like duty signed claim form, RC copy of the vehicle Driving license copy, FIR copy, Original estimate and policy copy.

There are different types of Auto Insurance in India:

#### **Private car Insurances**

In the Auto Insurances in India, Private car Insurance is the fastest growing sector as it is compulsory for all the new cars. The amount of premium depends on the make and value of the car, state where the car is registered and the year of manufacture.

### **Two Wheeler Insurance**

The two wheeler Insurance under then Auto Insurance in India covers accidental insurance for the drivers of the vehicle. The amount of premium depends on the current showroom price multiplied by the depreciation rate fixed by the Tariff Advisory Committee at the time of the beginning of policy period.

#### **Commercial Vehicle Insurance:**

Commercial Vehicle Insurance under the Auto Insurance in India provides cover for all the vehicles which are not used for personal purposes, like Trucks and HMVS. The amount of premium depends on the showroom price of the vehicle at the commencement of the insurance period, make of the vehicle and the place of registration of the vehicle. The auto insurance generally includes:

Loss or damage by accident fire, lightning, self ignition, external explosion, burglary, house-breaking or theft, malicious act, liability for third party injury / death third party property and liability to paid driver. On payment of appropriate additional premium, loss / damage to electrical / electronic accessories. The auto insurances do not include:

1. Consequential loss, depreciation, mechanical and electrical breakdown, failure or breakage
2. When vehicle is used outside the geographical area
3. War or nuclear perils and drunken driving vehicle Insurance Providers in India

The top motor insurance companies in India are as follows:

- ❖ ICICI Lombard General Insurance
- ❖ Bajaj Allianz

- ❖ HDFC Ergo
- ❖ IFFCO-Tokio General Insurance
- ❖ Cholamandalam MS General Insurance
- ❖ Oriental Insurance
- ❖ Royal Sundaram Alliance
- ❖ Tata AIG
- ❖ HSBC India
- ❖ The New India Assurance Company
- ❖ United India Insurance Company Ltd
- ❖ Reliance General Insurance
- ❖ Apollo Munich Health Insurance Co. Ltd
- ❖ Future General India Insurance Co. Ltd
- ❖ Universal Sompo General Insurance Co. Ltd.
- ❖ Shriram General Insurance Co. Ltd
- ❖ Bharti AXA General Insurance Co. Ltd.
- ❖ Raheja QBE General Insurance Co. Ltd.

### **The key players of the Indian Non-Life Insurance Industry**

Following are the key players of the Indian Non-Life Insurance Industry:

#### **Public Players**

National insurance company Limited, oriental Insurance Limited, New India Assurance Company Limited and United India Insurance company limited

#### **Private players**

- ❖ Bajaj Allianz General Insurance Co. Ltd.
- ❖ ICICI Lombard General Insurance Co. Ltd
- ❖ IFFCO Tokyo General Insurance Co. Ltd.
- ❖ Reliance General Insurance Co. Ltd
- ❖ Royal Sundaram Alliance Insurance Co. Ltd
- ❖ Tata AIG General Insurance co. Ltd.
- ❖ United India Insurance Co. Ltd.
- ❖ Cholamandalam MS General Insurance Co. Ltd.
- ❖ HDFC ERGO General Insurance Co. Ltd.
- ❖ Export Credit Guarantee Corporation of India Ltd
- ❖ Agriculture Insurance Co. of India Ltd.
- ❖ Star Health and Allied Insurance Co. Ltd.

### **Major Non- Life Insurance Players**

Following are major non-life insurance players, selected for the study on the basis of number of policy issued in the market, market share and premium collected from the insurance policy holders.

#### **1. GIC's Four Subsidiary**

##### **a) The National Insurance Company Ltd**

National Insurance Company Limited was incorporated in 1906 with its registered office in Kolkata. Consequent to passing of the General Insurance Business Nationalization Act in 1972, 21 Foreign and 11 Indian companies were amalgamated with it and National became a subsidiary of General Insurance Corporation of India (GIC) which is fully owned by the Government of India. After the notification of the General Insurance Business (Nationalization) Amendment Act, on 7<sup>th</sup> August 2002, National has been de-linked from its holding company GIC and presently operating as a Government of India undertaking.

##### **b) The New India Assurance Company Ltd.**

Incorporated on July 23<sup>rd</sup> 1919, founded by the House of Tata Founder member -

Sir Dorab Tata nationalized in 1973 with merger of Indian companies.

**c) The Oriental Insurance Company Ltd.**

The Oriental Insurance company Ltd was incorporated Bombay on 12<sup>th</sup> September 1947. The Company was a wholly owned subsidiary of the Oriental Government Security Life Assurance company Ltd. and was formed to carry out General Insurance business. The company was a Subsidiary of Life Insurance Corporation of India from 1956 to 1973 (till the General Insurance Business was nationalized in the country). In 2003 all shares of our company held by the General Insurance Corporation of India has been transferred to Central Government.

**d) The United India Insurance Company Ltd.**

United India Insurance Company Limited is a leader in the business of General Insurance in India. It came into being on 18<sup>th</sup> February 1938. However, the General Insurance business was nationalized in the country in 1972, the United India Insurance was then merged with 12 Indian Insurance Companies, 4 Cooperative Insurance Societies, Indian operations of 5 Foreign Insurance and the General Insurance operations of southern region of life Insurance Corporation of India. The company has progressed tremendously since nationalization and today stands as one of the most trustworthy name in the Insurance sector.

**2. ICICI Lombard**

ICICI Lombard GIC Ltd. is a 74:26 joint venture between ICICI bank Limited, Indian's second largest bank with consolidated total assets of over USD 100

billion at march31, 2010 and Fairfax Financial Holdings limited, a Canada based USD 30 billion diversified financial services company engaged in general insurance, reinsurance, insurance claims management and investment management. ICIC Lombard is the largest private sector general insurance company in India with a Gross Written Premium (GWP) of Rs.36, 948 million for the year ended March 31, 2010. The company issued over 44 lakh policies and settled over 62 lakh claims and has a claim disposal ratio of 96 per cent (Percentage of claims settled against claims reported) as on March 31, 2010. The company has 4634 employees and 350 branches as on March 31, 2010.

The company has been assigned a domestic rating of "iAAA" by ICRA (an associate of Moody's Investors service) for highest claim paying ability and a fundamentally strong position, for the fourth consecutive year. ICICI Lombard Auto Insurance has been rated highest in customer satisfaction by J.D Power Asia Pacific in India among 11 auto insurance providers. The company has been conferred the Golden Peacock-Eco Innovation Award of 2009 for weather insurance and the Customer and Brand Loyalty award in the "Insurance Sector - Non-Life" at the 3<sup>rd</sup> Loyalty award, 2010

It was awarded the "General Insurance Company of the Year at the 11<sup>th</sup> Asia Insurance Industry Awards. The company also won the NDTV profit Business Leadership Award 2007 and was adjudged as the most Customer Responsive Company in the Insurance category at the Economic Times Avaya Global Connect Customer Responsiveness Award 2006 It has the Golden shield for "Excellence in Financial Reporting" by the ICAI (Institute

of Chartered Accountants of India) for the year ended March 31, 2006.

### **3. Bajaj Allianz General Insurance**

Bajaj Allianz General Insurance Company Limited is a joint venture between Bajaj Finserv Limited (recently demerged from Bajaj Auto Limited) and Allianz SE; both enjoy a reputation of expertise, stability and strength. Bajaj Allianz General Insurance received the Insurance Regulatory and Development Authority (IRDA) certificate of Registration on 2<sup>nd</sup> May, 2001 to conduct General Insurance business (Including Health Insurance business) in India. The company has an authorized and paid up capital of Rs. 110 crores. Bajaj Finserv Limited holds 74 per cent and the remaining 26 per cent is held by Allianz, SE.

As on 31<sup>st</sup> March 2010, Bajaj Allianz General Insurance maintained its premier position in the industry by achieving growth as well as profitability. Bajaj Allianz has made a profit before tax of Rs. 180 crore and has become the only private insurer to cross the Rs. 100 crore mark in profit before tax in the last four years. The profit after tax was Rs. 121 crores, 27 per cent higher than the previous year. Bajaj Allianz today has a countrywide network connected through the latest technology for quick communication and response in over 200 towns spread across the length and breadth of the country. From Surat to Siliguri and Jammu to Thiruvananthapuram, all the offices are interconnected with the Head Office at Pune.

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### **4. Reliance General Insurance**

Reliance General Insurance is one of India's leading private general insurance companies with over 94 customized insurance products catering to the corporate, SME and individual customers. The Company has launched innovative products like India's first Over-The-Counter health & home insurance policies. Reliance General Insurance has an extended network of over 200 offices spread across 173 cities in 22 states, a wide distribution channel network, 24x7 customer service assistance and a full-fledged website. It is also India's first insurance company to be awarded the ISO 9001:2000 certification across all functions, processes, products and locations pan-India.

### **5. TATA AIG General Insurance**

Tata AIG General Insurance Company Limited is a joint venture company, formed by the Tata Group and American International Group, Inc. (AIG). The Tata Group holds 74 per cent stake in the insurance venture with AIG holding the balance 26 per cent. Tata AIG General Insurance Company, which started its operations in India on January 22, 2001, provides insurance solutions to individuals and corporate. The company's products are available through various channels of distribution like agents, brokers, banks (through banc assurance tie ups) and direct channels like Tele Marketing, Digital Marketing, Worksite etc.

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