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EMERGING PERFORMANCE OF INDIAN INSURANCE INDUSTRY ON POST ECONOMIC LIBERALIZATION IN INSURANCE SECTOR

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ABSTRACT

The basic aim of this Paper is to bring the readers, insurance professionals, insured and general public, the emerging performance of Indian Insurance Industry on Post Economic Liberalisation in the Insurance Industry between 2002 to 2014. This paper will focus on how the Insurance Regulator performs his duties by bring various regulations for better level playing of the individual insurers and also to offer various services to insured as well as to protect their interest.

Even though the insurance companies shows tremendous growth during 2002 – 2015 due to liberalization and opening of insurance sector for private players, but I feel, the industry has not touched the benchmark due to various reasons which includes rate cutting due to stiff and unhealthy competitions, statutory norms and management of claims.

At the end I analyzed the probable reasons for not growing the insurance industry as expected and also given suggestion to improve the premium and reduce the claims which will help the insurance companies to earn the profit from the Underwriting Income because none of the General Insurance companies has earned a single rupee as underwriting profit particularly the Government owned general insurance companies. They are showing profit of their business due to adding of income earned through their investment.

KEYWORDS: History of Insurance Industry in India, Life and General Insurance, Insurance Regulatory and Development Authority, Performance of Insurance Industry, Market Share, Penetration and Density, Reasons for Emerging Performance, Suggestions for Further Improvement

INTRODUCTION

According to Petre & Rugg (2010) “Making a significant contribution means adding to knowledge or contributing to the discourse – that is providing evidence to substantiate a conclusion that is worth making. This paper will contribute the society as well as Insurance Industry to understand the emerging performance of insurance industry after economic liberalization and private participations and also ***suggest improvement in specified areas***.

Insurance in India

The insurance sector in India has come a full circle from being an open competitive market to nationalization and back to a liberalized market again. Tracing the developments in the Indian Insurance Sector reveals the 360 degree turn witnessed over a period of almost two centuries. During the last 10 years the Insurance Industry – both life and non life –

has shown tremendous changes in various facets which includes premium underwritings, claims settlement, new innovative policies / products and customer services and grievances handling etc apart from changes in regulatory controls.

Indian Insurance is a flourishing industry with several national and international players competing and growing at rapid rates. Thanks to reforms and the easing of policy regulations, the Indian insurance sector been allowed to flourish and as Indians become more familiar with different insurance products this growth can only increase with the period from 2010-2015 projected to be Golden Age" for the Indian Insurance Industry. Further allowing the Foreign Direct Investment upto 49% in to the Insurance industry encourage the more foreign players to enter into Insurance field.

History of India Insurance

Life Insurance

- The history of the Indian Insurance sector dates back to 1818, when the Oriental Life Insurance Company was formed in Kolkata. In 1907, The Indian Mercantile Insurance Ltd. set up, the first company to transact all classes of general insurance business. A new era began in the India Insurance Sector, with passing of the Life Insurance Act, 1912. **In 1938,** earlier legislations consolidated and amended to by the Insurance Act with the objective of protecting the interests of the insuring public.
- In **1956,** 245 Indian and foreign insurers and provident societies taken over by the Central Government and nationalized. LIC formed by an Act of Parliament, viz. LIC Act, 1956.

GENERAL INSURANCE

- The first general insurance company established in the year 1850 in Calcutta by the British. In **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.
- **In 1972,** the General Insurance Business (Nationalization) Act, 1972 nationalized the general insurance business in India with effect from 1st January 1973. 107insurers 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 holding company for this subsidiaries.

REFORMS IN INDIAN INSURANCE

- The formation of the Malhotra Committee in 1993 initiated reforms in the Indian Insurance sector. The aim of the Malhotra Committee was to assess the functionality of the Indian Insurance Sector. This committee was also incharge of recommending the future path of insurance in India. Malhotra Committee attempted to improve various aspects of the insurance sector, making them more appropriate and effective for the Indian Insurance Market.
- The recommendations of the committee put stress on offering operational autonomy to the insurance service providers and also suggested forming an independent regulatory body.

FORMATION OF IRDA

- As per Malhothra committee report, the Union Government has enacted a new law called "The Insurance Regulatory and Development Authority Act, 1999" brought about several crucial policy changes in the Indian Insurance sector. It led to formation of the Insurance Regulatory and Development Authority in 2000. This Act curbed the monopoly of government insurance companies and allowed the private insurance companies to play in the Indian Insurance Market.
- **The Insurance Regulatory and Development Authority** has its Head Quarters at Hyderabad. The Goals of the IRDA are to safeguard the interests of the policy holders, as well as to initiate different policy measures to help sustain growth in the Indian Insurance Sector.

DELINK OF GOVT GENEAL INSURANCE COS. FROM THE CLUTCHES OF GIC

In 2002, the Government of India through an executive order delinked the 4 subsidiary companies of General Insurance Corporation of India viz National Insurance Company Ltd., New India Assurance Company Ltd., Oriental Insurance Company Ltd., and United India Insurance Company Limited from General Insurance Corporation of India and made them as independent and autonomous general insurance companies and General Insurance Corporation (GIC) as National Reinsurance Company.

INDIAN INSURANCE INDUSTRY – AT A GLANCE

Insurance Companies in India

As on 31.12.2014 there are 59 companies registered with Insurance Regulatory and Development Authority and details are given below.

Table 1

Type	Life	Non-Life General	Non Life - Health	Non Life - Specialized	Total
Private	23	17	5	0	45
Government	1	4	0	3	8
Total	**24**	**21**	**5**	**3**	**53**

Performance - Life Sector

- **Premium wise**

The Life insurance sector is showing tremendous growth in terms of premium underwritten. Prior to privatization, this sector was shown meager premium growth. In 1999-2000, the Life Insurance Corporation which is the only company to offer Life Insurance, premium was just 15,000 crores. Since privatization it has shown a great premium hike. During 2011-12 LIC has underwritten premium of Rs.81514.90 crores and Private companies premium amounting to Rs.33,561.14 crores wheres for 2013-14 it was Rs.90,123.75 crores and Rs.29,515.48 crores respectively. During this period LIC has shown positive growth around Rs.9000 crores where the private companies shown negative growth. However the overall growth of Private companies and LIC being encouraged after privatization.

Table 2: Rupees in Crores

Type	30/9/14	30/09/13	31/03/14	31/03/13	31/03/12	31/03/11
Private	13400.24	11435.20	29515.48	30745.55	33561.14	39361.29
Government-LIC	35833.21	37906.37	90123.75	76487.59	81514.49	86444.72
Total	**49233.45**	**49341.57**	**119639.23**	**107233.14**	**115075.63**	**125806.01**

- **No. of Policies Issued Wise**

For the period ending 31.3.2013, LIC Hs issued 3,67,81,642 policies and Private companies issued 1,70,63,373 policies totaling 5,34,45,015 policies where as for the year ending 31.3.2014 it was reported 3,45,11,781 and 63,57,221 by LIC and Private companies respectively totaling 4,08,69,002 policies showing a sharp decline of policies issued by Private companies and marginal decline of policies issued by LIC. However, premium underwritten during 2013-14 shown growth.

Table 3

Type	30/9/14	30/09/13	31/03/14	31/03/13
Private	2292961	2752147	6357221	17063375
Government-LIC	7276665	17233998	34511781	36781642
Total	**9569626**	**19986145**	**40869002**	**53845015**

- **No. of Life Covered Wise**

For the period ending 31.3.2013, 7, 81, 16, 532 life covered by LIC where as in 2013-14, LIC has covered 9, 30, 26, 460 life showing the growth @ 20%.

Table 4

Type	30/9/14	30/09/13	31/03/14	31/03/13
Private	28525203	19770995	45931733	34431562
Government-LIC	25681555	23344145	47094727	43684970
Total	**54206758**	**43115140**	**93026460**	**78116532**

PERFORMANCE – NON-LIFE INSURERS

At the of entry private players again in the field in 2000, the entire premium underwritten by the Government Insurance companies around 10000 crores. But now the government companies are playing to keep their presence in the market very aggresively. Even there are so many hurdles for Government companies by way of Audit, Vigilance and Social obligations, they are progressing steadily. For the period ending on 31.3.2010, the Government insurance companies underwritten premium was Rs.20,263 crores where as on 31.3.2014 it has jumped to 43,295.crores just more than double in 5 years. The private players has increased their premium from 15415.20 on 31.3.2010 to Rs.34,245.98 crores showing growth at 160% - just in 5 years. This is shows that the government companies slowly losing their market share.

- **General Insurance - Government Insurance Companies Premium Consolidation**

Table 5

Govt.	Name of Co.	31/03/14	31/03/2013	31/03/2012	31/03/2011	31/03/2010
1	National Ins.	10244.43	9165.73	7785	6220.7	4625.1
2	New India	11523.04	10037.95	8535.68	7097.14	6042.51
3	Oriental Ins	7131.28	6543.51	6043.97	5457.34	4718.75
4	United India	9708.93	9266.04	8179.33	6376.35	5237.32

Table 5

5	ECGC	1303.85	1157.22	1065.11	878.28	828.00
6	AICOF	3383.95	3235.25	2577.07	2587.07	2301.02
A	**Govt. Total**	**43295.48**	**39405.7**	**34186.16**	**28606.88**	**20623.68**
B	**Private - Total**	**34245.98**	**29680.28**	**23861.31**	**19359.7**	**15415.2**
A+B	**Grand Total**	**77541.46**	**69085.98**	**58047.47**	**47966.58**	**36038.88**

MARKET SHARE – GENERAL INSURANCE

- **General Insurance Companies**

Market share of Government and Private companies for the last five years shows volatile variations. New India & United India maintain their market shares where as Oriental shows decline market share and National shows stable and no variation.

Table 6

Year	31/03/14	31/03/13	31/03/12	31/03/11	31/03/10
Govt.	55.84	57.04	58.48	59.11	56.22
Pvt.	44	42.77	41.52	40.93	43.78
NIA	14.86	14.53	14.63	14.99	17.28
NIC	13.21	13.27	13.34	13.14	13.23
UIIc	12.52	13.41	14.02	13.46	14.98
OIC	9.2	9.47	10.36	11.52	13.5
ECGC	1.68	1.68	1.72	1.85	1.85
AICOF	4.36	4.68	4.42	4.14	4.14

- **Life Insurance Companies**

Table 7

Company	31/03/14	31/03/13	31/03/12	31/03/11
Govt. LIC	75.33	71.04	70.54	68.72
Pvt.	24.67	28.67	29.16	31.28

Market share of the lone Government Company Life Insurance Corporation of India shows a constant and steady growth whereas the Private companies shows gradual reduction in their growth rate.

INSURANCE PENETRATION

Insurance Penetration: Comparison of India VS Selected Few Countries

Table 8

Country	2002**		2003		2004		2011		2012	
	LIFE	NL	LIFE	NL	LIFE	NL	LIFE	NL	LIFE	NL
US	4.48	4.9	4.25	5.15	4.12	5.05	3.6	4.5	3.7	4.5
UK	10.19	4.56	8.62	4.75	8.92	3.68	8.7	3.1	8.4	2.8
RUSSIA	0.96	1.81	1.12	1.91	1.17	1.9	0.1	2.3	0.1	1.2
JAPAN	8.64	2.22	8.61	2.20	8.26	2.25	8.8	2.2	9.2	2.3
INDIA	2.59	0.67	2.26	0.62	2.53	0.65	3.4	0.7	3.2	0.8
PAKISTAN	0.24	0.39	0.24	0.39	0.28	0.43	0.4	0.3	0.4	0.3
SRILANKA	0.55	0.74	0.55	0.74	0.60	0.77	0.6	0.6	0.5	0.7
WORLD	4.76	3.38	4.59	3.48	4.55	3.46	3.8	2.8	3.7	2.8

**Insurance penetration is measured as ration (in percent of premium to GDP)*

*** Data relates to calendar year *** IRDA Annual Report*

Insurance Density: Comparison of India Vs Selected Few Countries

Table 9

Country	2002		2003		2004		2011		2012	
	LIFE	NL	LIFE	NL	LIFE	NL	LIFE	NL	LIFE	NL
US	1662	1799	1657	1980	1692	2062	1716	2130	1808	2239
UK	2679	1199	2617	1441	3190	1318	3347	1188	3255	1094
RUSSIA	23	43	34	64	24	89	0.8	295	12	170
JAPAN	2783	714	3002	768	3044	830	4138	1031	4142	1024
INDIA	**11.7**	**3**	**13**	**3.5**	**15.7**	**4**	**49**	**10**	**42**	**10.5**
PAKISTAN	1.7	1.7	1.1	1.8	1.5	2.2	4	4	5.3	3.4
SRILANKA	1.0	6.1	5.3	7.1	6.2	7.9	15	18	14.8	18
WORLD	247	175	267	2.2	291	220	378	283	372	283

**Insurance density is measured as ratio (in Per Cent) of premium to total population*

*** Data relates to calendar year *** IRDA Annual Report*

INSURANCE PENETRATION AND DENSTY IN INDIA

The measure of insurance penetration reflects the growth of insurance sector in a particular country. Insurance penetration is measured as the percentage of insurance premium to GDP where as the density is calculated as the ratio of premium to population (per capita premium).

Insurance Penetration and Density* in India from 2001 to 2012 are Produced below

Table 10

Year	Life		Non-Life		Industry	
	Density (USD)	Penetration %age	Density (USD)	Penetration %age	Density (USD)	Penetration %age
2001	9.1	2.15	2.4	0.56	11.5	2.71
2002	11.7	2.59	3.0	0.67	14.7	3.26
2003	12.9	2.26	3.5	0.62	16.4	2.88
2004	17.5	2.53	4.0	0.64	19.7	3.17
2005	18.3	2.53	4.4	0.61	22.7	3.14
2006	33.2	4.10	5.2	0.60	38.4	4.80
2007	40.4	4.00	6.2	0.60	46.6	4.70
2008	41.2	4.00	6.2	0.60	47.4	4.60
2009	47.7	4.60	6.7	0.60	54.3	5.20
2010	55.7	4.40	8,7	0.71	64.4	5.10
2011	40.0	3.40	10.0	0.70	59.0	4.10
2012	42.7	3.17	10.5	0.78	53.2	3.96

**Insurance density is measured as ratio (in Per USD) of premium to total population*

Insurance penetration is measured as ratio of premium (in USD) to GDP (in USD) * IRDA Annual Report*

`As far as Life insurance concern, the Density has increased from 9.1 (USD) in 2001 to 42.7 ((USD) in 2012 where as for Non-life, it has increased from 2.4 (USD) to 10.5% for the same period. The penetration percentage increased from 2.15 to 3.17% for Life and 0.56 to 0.78 for Non-life between 2001 to 2012.

ANALYSIS OF REASONS FOR EMERGING DEVELOPMENTS IN INDIAN INSURANCE INDUSTRY

- **Emerging Development Due To Regulator - IRDA**

IRDA becomes one of strict and stringent Regulator. Success cannot be come overnight without making any efforts. IRDA has worked hard to bring the entire insurance business with its regulations control. Violations are seriously viewed and heavily fined.

Since its incorporation as a statutory body in April 2000 has fastidiously stuck to its schedule of framing regulations and registering The other decision taken simultaneously to provide the supporting systems to the insurance sector and insurance companies was the launch of the IRDA's online service for issue and renewal of licenses to agents. The approval of institutions for imparting training to agents has also ensured on at later stage. Since being set up as an independent statutory body the IRDA has put in a framework of globally compatible regulations. In the private sector 24 life insurance and 29 general insurance companies have been register.

The Authority has notified 27 Regulations on various issues which include Registration of Insurers, Regulations on Insurance Agents, Surveyors, Brokers, TPAs, Reinsurance, Obligations of Insurers to Rural and Social sector, Investment and Accounting Procedures, File and use guidelines, Protection of policy holders interest etc. Some of the important regulations of IRDA are explained below

- **Regulations on File and Use Guidelines**

From 1.4.2007 IRDA has made mandatory to file their products with the IRDA and get approve then to be used. This system is called FILE AND USE guidelines of IRDA. Even the pre IRDA products also to be filled with IRDA under File and Use Guidelines. This regulations monitor the insurer about their product and its pricing. The products should not be sold more than the rate filled with IRDA.

This File and Use guidelines prevent the insurer for unethical price competition and also promoting defective products in the market. Hefty fine levied by the IRDA for non compliance of File and Use Guidelines and even they have the authority to cancel the license itself.

- **Regulations on Protection of Policy Holders**

On 16.10.2002, the IRDA has issued a regulations to protect the Policy holders interest vide Insurance Regulatory and Development Authority (protection of policy holders interest) Regulations 2002. Salient Features of this regulations are given below:-

- This Regulation is application to all insurers, insurer agents and insurance intermediaries.
- This Regulation is addition to any other regulations made by the Authority.
- Point of sale – the insurer / his agents to clearly spell out the scope of benefit / terms and conditions at the time of selling the policy
- Proposal is must for each and every insurance. Insurers has to give a copy of the proposal within the 30 days of acceptance of the same. The proposal should be in any one of approved Indian language
- Extending the nomination facility

- Claims procedures – claims should be settled within stipulated time
- Policy holders service – Time bound service

REGULATIONS ON INVESTMENT

IRDA has issued separate regulations on Investment by Insurance Companies. Investment income is one of the major source of income for Insurance companies. If the investment are not made properly, they have loose the investment income. To overcome this crisis, IRDA issued various regulations in this aspect.

REGULATIONS ON REINSURANCE

The Regulator want to retain the maximum reinsurane premium within the country and give chances to participate all Indian insurers in the Indian Reinsurance pool.

Objective of Reinsurance Programme (1): Maximum retention within the country (2) Develop adequate capacity (3) Secure the best possible protection for the reinsurance cost incurred (4) Simply the administration of business

- Every Indian Insurance company has to submit their reinsurance proposal to IRDA 45 days before commencement of accounting year
- After 30 days of commencement of Financialyear, every insurer has to submit their reinsurance treaty details including the list of reinsurer and reinsurance arrangements.

Sharing of Reinsurance Premium 1*:* Indian reinsurers should organize domestic pools 2. Every insurer shall give opportunity to India reinsurance 3. After the pool, 10% to any other insurer 4. 50% of reinsurance business to be retrocede to the Ceding insurer. ***Because of stringent regulatory norms, Indian Insurers are having strong reinsurance backing for their risk.***

HEALTH INSURANCE REGULATIONS, 2013

Health insurance is a single largest portfolio on non-life insurers after motor insurance. Health constitute around 25-30% total premium of insurance companies. IRDA also granted five companies to do the business of health insurance exclusively. Performance of standalone health insurance companies are given below :-

Table 11

Year	Star health	Max Bupa	Religare	Apollo Munich
2011-12	8,085,078	509,163	0	3008239
2012-13	5,112,286	1,283,719	816,435	4421296

Total Health Insurance Premium procured by all Non-Life Insurers since liberalization has increased in multiple fold within 10 years from the premium of Rs. 944 crores in 2003-04 to Rs.12941 cores in 2012-13. (premium and claims in crores)

Table 12

Year	No. of Policies	No. of Members	No. of Claims	Premium	Claims	Claim Paid Ratio
2003-04	22.65	83.61	3.6	944	785	83
2004-05	20.59	89.87	5.55	987	948	96

2005-06	38.28	163.45	10.16	1947	1777	91
2006-07	31.1	179.07	10.6	2820	2198	78
2007-08	37.9	241.21	14.36	2758	2904	105
2008-09	45.75	327.1	20.81	3976	4087	103
2009-10	68.84	458.98	32.63	7803	7456	96
2010-11	77.42	528.08	38.43	10932	10797	99
2011-12	82.25	291.34	25.91	10942	8499	78
2012-13	94.1	347.46	35.17	12941	8783	68

Health Insurance Regulations 2013: Salient features

- Grace period for Renewal of policy – 30 days
- Sr. Citizen – who has completed 60 yrs or more on the date of commencement / renewal
- Group Mediclaim – 1 year contract only
- File &Grace period for Renewal of policy – 30 days
- Renewal can be denied – Mis-representation, fraud, non-disclosure & Moral Hazards
- Free look in period at inception
- Cost of Medical expenses should be included in the premium in general. If the terms is one year or less not less than 50% expenses shared by Insurance Companies.
- Insurer to provide list of Institutions where such Medical examinations conducted
- Portability – as per rules
- Permitted non-allopathic treatment at Govt Hospitals & Govt. approved Institutions
- Settlement including rejections within 30 days from last documents. No piecemeal – collection of documents
- All data including underwriting, claims & report be captured in electronic format and maintained.
- The insurer and TPA are responsible for prompt service to policyholders
- Change in TPA – 30 days notice before effecting the changes.
- Details of TPA should be provided to Insured.

IRDA REGULATIONS ON THIRD PARTY ADMINISTRATORS (TPA) – HEALTH INSURANCE

The Introduction of TPAs was made by Insurance Regulatory and Development Authority (IRDA)with advent of TPAs (Third Pary Administrators – Health Services) Regulation in order to infuse a new management system and to regulate the healthcare services and costs. In other words, the prologue of TPAs was made on the expectation to ensure to better services to insurers as well as to insured. There are 26 TPA – Health services on the approved list of IRDA on30.11.2014. The role of TPA includes :-

- Collect all the records of medical insurance from the insurers
- Issue Identity cards to the policy holders

- In case of claims, policy holders to inform TPA on 24 hrs helpline
- TPA will direct the policy holders to hospital where TPA has arrangements Where there is no TPA agreement with hospitals, TPA will process the claims on reimbursement basis and Issue authorization letter to hospitals
- To follow the patients / hospital and collect the bills and records and settle the claims
- Insurer will pay service charges @ 5.5% to the TPA on the premium amount.

REGULATIONS ON MICRO INSURANCE – OBLIGATIONS OF INSURERS

Insurance Regulatory and Development Authority (Obligations of Insurers to Rural Social Sectors Regulations, 2009) envisage that – every Insurers who begins to carry on insurance business after the commencement of the Insurance Regulatory and Development Act, 1999 (41 of 1999), and the existing insurers shall, for the purposes of sections 32B and 32C of the Act, ensure that he has obliged to carryout Rural and Social Sector Insurance as prescribed by Authority time to time.

REGULAIONS OF MOTOR THIRD PARTY INSURANCE

The Major Portfolio of Non-life insurance companies is Motor Insurance which is accounting for more than 35% of their total premium. Till 2007 the Motor third premium is not increased by IRDA due to want to data on motor third party claim payment. Since 2007, insurance companies able to generate the motor third party claim data and the same being submitted to IRDA every year. Based on the ICR, the IRDA increased motor TP premium every year but there is not increase in OD premium till date but offering discount increasing year by year.

- **Motor Third Party Insurance Pool**

Third party motor insurance is the only insurance product in India mandated by law. This means that one has to drive the vehicle on public road is bound under the Motor Vehicles Act, 1988 to have a minimum third-party motor insurance policy. The primary function of third party liability insurance is to protect the Insured/Policy Holder in the event of an accident causing bodily injury and/ or death and property damage to third parties.

The third party pool was created because of supply side constraints. Distribution of the cover was limited because more efforts were put by industry participants on other products. On 1st April, 2007 Indian Motor Third Party Insurance Pool (IMTPIP) was setup by all General Insurers in India. The main objective behind this was to make available Third Party Insurance to all commercial vehicle owners at reasonable rates and terms and to distribute the losses on this account to all market participants. The premium for the third party liability cover is limited however the claims are unlimited. The lack of balance between the premiums paid and liability incurred has led to an adverse claims ratio, especially with regard to commercial vehicles. Currently non-life industry is experiencing huge losses on account of this portfolio. Since the quantum of losses from the pool is huge, the insurers are under heavy strain. They requested the IRDA to dismantle the poor, IRDA also accepted their views and dismantled the pool.

- **Third Party Insurance Decline Pool**

In December 2011, Insurance Regulatory and Development Authority (Irda) dismantled the commercial third-party (TP) motor pool and decided to form a 'declined' pool, effective April 1, 2012. The move had assumed importance, as it freed the pricing model and gave insurers rights to price vehicles based on claims. Under the declined pool, insurers have the right to refuse or decline third-party insurance if it finds it too risky an asset to underwrite. This declined vehicle would then be given a cover by another insurer

REGULATION ON GRIEVANCES

IRDA has e-grievance system in their portal. Any aggrieved / disappointed insured can approach the IRDA grievance mechanism to redress the same. Apart from this, IRDA has instructed all the insurer to have e-grievance system called UGMS. The registered grievances will be escalated to the next higher official of the company, it it has not redressed within stipulated time frame.

- **Emerging Performance Due to Initiatives of Government of India**
  - **Foreign Direct Investment**

Foreign Direct Investment (FDI) in India is subject to certain Rules and Regulations and is subject to predefined limits ('Limits') in various sectors which range from 20% to 100%. There are also some sectors in which FDI is prohibited. The FDI Limits are reviewed by the Government from time to time and as and when the need is felt and FDI is allowed in new sectors where the limits of investment in the existing sectors are modified accordingly. In order to revise the FDI Limits to attract more foreign investment in India, the Union Government constituted a committee named, Arvind Mayaram Committee headed by the Economic Affairs Secretary. On Tuesday, 16th July, 2013, the Government approved the recommendations given by the Arvind Mayaram Committee to increase FDI limits in 12 sectors out of the proposed 20 sectors, including crucial ones such as insurance, defense and telecom.

Currently, Indian promoters are finding it difficult to continue investing additional capital required for growth. Experts say, 49 per cent increase should be positive and will help the industry to gain additional Rs 7,800 crores.

According to data on the website of Life Insurance Council, an umbrella body of life insurers, as on March 2013, insurers have deployed around Rs 34,200 crore as capital in the life insurance industry. However, unlike the existing automatic route, the additional investment has to follow the Foreign Investment Promotion Board (PFIPB) route.

Girish Kulkarni, Managing Director and Chief Executive Officer of Star Union Dai-ichi Life, says, "The move will help the industry, particularly existing players-old and middle-level companies. With tax sops let's hope its a beginning of "acche din (better days)" for the life insurance industry.".

Insurers have welcomed the move considering it would lead to product innovation, better customer service mechanism and higher insurance penetration in the country. From March 2015, Government of India allowed all 49% FDI in insurance sector.

- **Financial Inclusions**

Government of India launched an ambitious project of “Financial Inclusion” to provide Banking and other Financial Services like Life and Non Life Insurance to the Rural population. Initially starting with expansion of Banking network to the Rural areas, it was decided to extend the reach of Insurance facilities. Accordingly, the PSU Non Life Companies were advised to open Offices in unrepresented towns upto Tier-IV level with a population of 10000 and more.

On the basis of the list of unrepresented towns from Tier-I to Tier-IV, 2050 Micro Insurance offices were opened by the GIPSA companies under financial inclusions till now. Business Correspondents are appointed by Banks to provide banking service to unbanked areas. Under Financial Inclusion Programme, they will also market Life and Non Life insurance products, especially Micro Insurance. Business Correspondents are being mapped to various operating offices including Business Centres for necessary service support.

Presently IRDA has approved 15 micro insurance products under file and use guidelines. Without the approval, insurance companies are bared for selling any micro insurance products. Even for a change in the existing products should be approved by IRDA. All the Government owned Insurance companies - Life and Non-life - opened more than 10,000 micro offices at unrepresented areas till now.

The Insurance Business in India is considerably and strictly monitored by IRDA – the regulator. Frequent surprise checks and audit of regulator keeps the insurers at their toes. Stringent norms and hefty penalties made the insurer to follow the regulations with letter and spirit. If you visit IRDA website, you can note the penalty imposed by IRDA against the insurers which runs in to crores. IRDA becomes one of the world’s stringent regulator and working as a real watch dog for the benefit of insured public.

Suggestions to Enhance Further the Performance of Indian Insurance Industry

- **Premium**

We have witnessed the emerging performance of the Indian Insurance Industry after liberalization and globalization. The tremendous growth started from 2002 and it continues till now not only in terms of increase of premiums but it includes improved claims settlements, increased in total policies issued, customer satisfaction, online insurance, solvency margin etc.

The premium is increased Whether the profit is increased? Not at all. It is surprise to note that none of the Government non-life companies earned profit out of underwriting income till now. The profit generated from the Investment Income is added to the underwriting income and shown as profit. It is 100% true. This is applicable to private insurance companies also.

The profit has to be earned from the business underwritten during the year. The profit earned by underwriting is the real profit and not profit earned by investment. Investment income is dynamic and not static. But the underwriting income will increase if your underwriting is prudent.

The one and foremost reasons for underwriting loss is due to discount and rate cutting. I understand IRDA has not touched this aspect so far. As per IRDA File and Use guidelines, every insurer has to file their rate based on their past experience with IRDA before launching their product. This is maximum rate chargeable for that particular product. But the insurers are free to charge any rate less than the rate filed with IRDA.

This practice will make the file and use guidelines as mockery with concern to rate chargeable. For example, rate chargeable as per rate filed with IRDA to cover a sugar factory under fire insurance is 1.50 per Millie but the insurance company is offering 95% discount and charge only 5% on the rate filed with IRDA ie Rs. 0.075 per mille is the premium and Rs.1.425 per mille is the discount. Imagine how much premium loss to the insurance just in the name of competition.

The IRDA should fix minimum premium for each and every product filed with them instead of maximum premium chargeable to avoid this cut through competition. This action certainly increase the insurance companies premium income and improve well their profit margin drastically.

- **Claims**

The major killers of insurance companies are fraud claims and exaggerated claim amount. The third party motor insurance claims and health insurance claims take major chunk in this account.

Third Party Motor Claims: There is no fixed claim amount for death and injury claims as in AIR and Rail accidental claims. The motor third party claims goes by age and wage. Age can be proved by in majority of cases proving wage is very difficult. In most of the times, the insurance companies accept the court award in total without any contention / appeal due to lack of documentary evidences. IRDA can stipulate certain limits for compensation incase of death and injuries on line with Rail and AIR accidents. Even the government can also fix compulsory stamp duty on amount claimed by the claimant under Motor TP claims since most of the State Government exempted the stamp duty on this aspect which resulted filing of huge amount of claim under TP liability.

Health Insurance Claims: The Central Government has National Health Policy and not Regulations on Health providers. In the absence of such regulations each health providers charge the rates as per their wish. This is resulting huge loss to the insurer under health insurance and also increase the premium to individuals every year. Recently IRDA has made insurance companies compulsorily to follow the ICD 10 PCS for health procedure coding but still no regulations on health providers. The regulations on health providers will certainly curtail the fraud claims and disparity in the expenses. IRDA has to take concrete steps to stop the drain of loss under this head.

The portfolio of general insurance companies consists of (1) Fire (2) Motor (3) Miscellaneous. Health Insurance is part of Miscellaneous Insurance. Motor and Health consists 60-70% of total business any general insurance companies. If the insurer avoids the rate cutting in the name of competition and if the IRDA brings certain stringent norms on (1) the minimum premium for the risk as per the rate filled with them (2) Regulations on limiting the claim amount on Motor Third party death and injury claims on line with AIR and Railways and (3) Regulations on Health providers with respect to their charges, treatment guidelines etc.. certainly will improve the premium income as well as decrease the out go on TP and health claims.

CONCLUSIONS

Success of the insurance will be promptly measured when everyone is covered under the Insurance and their assets are protected from the unforeseen events.. Life is uncertain but the loss of life and injuries; loss or damages to property is not certain but it can happen. Insurance take cares the uncertainty

The Indian industry has seen a sea change activities after economic liberalisaion in Insurance sector in 2000.. The changes brought new insurance companies, new products, price differentiation, improvement in claim settlement, broken the monopoly of government companies and policy holders are protected by statue. The performance of Insurance companies improved in terms of premium and claim settlement. It created job opportunities. The economic reforms in Indian Insurance is really to be a boon for the Industry.

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