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A THESIS

ON

"A STUDY OF FINANCIAL PERFORMANCE VIS A VIS MANAGERIAL EFFECTIVENESS OF INSURANCE SECTOR OF INDIA"

SUBMITTED BY:

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M.COM. M. PHIL (FINANCE)

FOR

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SAURASHTRA UNIVERSITY, RAJKOT

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May-2005

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CERTIFICATE

This is to certify that ***<u>MS. SHARMA MAMTABEN RAMKRISHNA</u>*** carried out the research work in this thesis on "**A STUDY OF FINANCIAL PERFORMANCE VIS A VIS MANAGERIAL EFFECTIVENESS OF INSURANCE SECTOR OF INDIA**" under my guidance and supervision.

I also certify that this is her original work.

Place: Rajkot

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<u>May – 2005</u>

Department of Commerce and Business Administration

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DECLARATION

I hereby declare that the research work presented in this thesis on "**A STUDY OF FINANCIAL PERFORMANCE VIS A VIS MANAGERIAL EFFECTIVENESS OF INSURANCE SECTOR OF INDIA"** prepared by me after studying various references. I also declare that the research work is my original work and has not previously submitted to this or any other University for any degree or diploma or award.

Place: Rajkot Researcher: **Ms. Sharma Mamtaben Ramkrishna**

M.Com. M.Phil (Finance)

May – 2005

PREFACE AND ACKNOWLEDGMENT

Insurance is basically a cooperative endeavor. It is a noble portfolio where in assurance is offered against contingencies. The subject matter of assurance may relate to life or non – life matters. In either case, it mitigates the hardships caused to individuals and through them to society. This helps in fulfilling a social obligation, which result in keeping the economy sounds 'Insurance' and 'social wellbeing for social economy' are therefore interwove; flourish of one leads to the flourish of the other and vice versa.

Insurance plays a very important role in reducing the strain on national economy and helping it to grow directly and indirectly. Beyond the national economy also, it forges ahead in the international areas. The media for this is "Reinsurance" arrangement in both 'life' and 'general' branches. In life insurance, very big risks are accepted which are beyond the tolerance limit of LIC, the business is ceded to the foreign insurer thereby distributing the risk and reducing the strain on Indian Insurer. In general insurance, reinsurance helps in a big way in distribution and transfer of risks. Beyond the ceding limit the risk is transferred to the foreign reinsurance. This is a two – way process foreign insurers face the same problem. A part of their risk is accepted by Indian insurers. This arrangement makes inroads into the international economy and keeps us within safe limits without hurting the national economy. It improves our foreign exchange position.

Since 1991 India has liberalized its economy by opening a number of industries for private, joint and international investment. Insurance sector had been opened up for competition from Indian private insurance companies. Insurance Regulatory and Development Authority (IRDA) was established on 19th April, 2000 to protect the interests of holders of insurance policy and to regulate, promote and ensure growth of the insurance industry. This study emphasis on the financial performance of all the public insurance companies of the country for the period of five years from the year 1998-99 to 2002-03.

The aim of this study is to evaluate general insurance performance and examine the life insurance performance. The study is also examining the managerial implications in insurance companies. All the public sector insurance companies have been selected by the researcher. The selected companies are:

1. The Oriental Insurance Company Limited.
2. The New India Assurance Company Limited.
3. National Insurance Company Limited.
4. United India Insurance Company Limited.
5. Life Insurance Corporation of India.

It is my first and foremost duty to express my heart felt gratitude to my "Guru", Dr. D.C. Gohil, Associate Professor, Department of Commerce and Business Administration, Saurashtra University for guiding me in this study. She is very noble motivating, knowledgeable and sincere. She has always inspired me to do the work at my level best. She has guided me not only for this study, but also for many issues of my career as well as my life. My dream would not become true without the inspiration and valuable guidance of Dr. D.C.Gohil. I express my heart-felt gratitude to Dr. Pratapsinhji Chauhan for motivating me to complete my study in time

The blessings of my father Shri Ramkrishna L. Sharma and my mother Shrimati Shantidevi R. Sharma are always with me and without them, I could not be having on this stage of my life. My parents have always supported me in every step of life. Throughout my life, my beloved brother

Mr. Kuldipkumar R. Sharma has provided me a consistent and incredible moral support. This research work would not be completed without his moral support. He had always inspired me in all the odds.

I am deeply grateful to Dr. Ghanshyambhai Patel and their family members, Dr. Sandeep K. Bhatt, Dr. Manishaben S. Bhatt, Ms. Anushri B. Lalani and Mr. Amit B. Lalani who helped me every step of the way at the cost of great inconvenience to themselves.

I acknowledge the grace of "Babaji" and offer my work to the society.

Ms. Mamta R. Sharma.

CHAPTER PLAN

LIST OF TABLES:

CHAPTER 1

RESEARCH METHODOLOGY

1.1 INTRODUCTION:-

Insurance industry has been changed after reform process. The government has taken this sector in a basic priority. This service sector has been changed according to the need of present days. Insurance industry reforms stave to protect the interest of policyholders and to regulate, promote and ensure growth of insurance industry. The Insurance Regulatory and Development Authority Act, 1999 seeks to open up the insurance sector for private companies with a foreign equity of 26 percent. It is also aimed at ending the monopoly of the life Insurance Corporation and General Insurance Corporation in insurance sector of the country.

Therefore Researcher has conducted a study of financial performance and managerial effectiveness of insurance sector of India. The scope of the study is limited to the public sector units of India. The Researcher has selected all four general insurance and life Insurance corporation of India. The Present study deals with the performance evaluation of the insurance companies for the last five years.

1.2 REVIEW OF LITERATURE – PROBLEM IDENTIFICATION:

Some studies conducted in context with the performance evaluation of Life Insurance Corporations and General Insurance Companies of India. The Researcher has studied those research works which are as follows:

*Dr. Harishbhai Shah has evaluated insurance business entitled "The Performance Evaluation of General Insurance Companies" for his PhD level research work in Sardar Patel University in his thesis work.

*"Performance of various plans marketed by Life Insurance Corporation of India – A case study of Rajkot Division, A dissertation by Mrs.Sonal Naina evaluates the operating efficiency of Rajkot Division with different plans in Saurashtra University. She tries to find out which type of policy is sold more than others and their reasons.

* Dr. P. Pariasamy has written a book, "Principles and Practices of Insurance ", published by Himalaya Publishing House. The book provides a detail coverage of risk management, general insurance, life Insurance, Fire insurance and Marine insurance in a comprehensive way.

*February 2004, IRDA Journal, an article written by Mr. Sandeep Batra, titled "Need for Change ". In this article, he has focused on proposed amendments and progress of life insurance in India. He has covered the effects of the changes in the Law on Insurance industry.

*The researcher has collected information from the site named, "www.indiaspace.com" It has an article on "Privatization of Insurance Industry in India"

*Chartered financial analyst – February-2003, has a special survey of insurance sector. An issue covers many articles such as "A High Growth Market", "New distribution Channels", "Customer focus", "Legal Issues".

*Dr. A. N.Agrawal has written a book, "Insurance in India- A study of Insurance aspect of social security in India", which has published by

Allahabad Law Journal Press. He covers history of Insurance sector of India and Legal aspect of Insurance.

*Mr.N. D. Gupta has written an article named, “Insurance- A Booming Professional Opportunity”, in the Chartered Accountant-June 2003. He provides information on history of Insurance, evolution of present Indian insurance Industries and professional opportunity in insurance.

*Business Today –June 2003, an article written by Roshani Jaykar, “Covering Lives” She has focused on , How private Life insurer take market share away from yesterday’s monopolist.

*Insurance Vision-2000 published by the insurance Times, which has focused on latest developments of the Indian Insurance Industry.

*Researcher has got very significant information about private and public insurance companies and there financial data, legal aspects and latest reforms in insurance industry of India from the different web sites like, www.irdaindia.com, www.bimaonline.com, www.indiainfoline.com, www.google.com and its search engines .

*Mr. Sanjib Chaudhary has written an article, “Reinsurance in Shining India” in March, 2004. IRDA Journal. He has written his confusion that today, India’s Industry and general public have a choice of insurances and India’s insurers in town need a choice of reinsures.

*Shri G. V. Rao, a retired Chief Managing Director, The Oriental Insurance Company Ltd. has evaluated general insurance companies underwritten gross premium up to January 2004 and written an article in IRDA Journal, March, 2004.

*February 2004, IRDA Journal, and article has been written by Mr. P. S. Prabhakar, Chartered Accountant who used to work with the nationalized general insurance industry. In the article, “Back to the Basics- General

Insurance Financial – A primer, he concentrates on the significance of all operating ratios.

*Shri P. B. Ramanujan, the managing director of General Insurance Corporation of India has written an article "Paleontology and Palingenesis" in December 2003. IRDA Journal. He has focused on the role of General Insurance Corporation before opening up and past liberalization.

1.3 GAPS AND RESEARCH PROBLEM:

The various studies conducted by various researchers have covered many aspects of insurance business. But there were no research work has been carried out after global scenario (after 1991). Secondly, Managerial Effectiveness and related aspects have not been covered. So in this context researcher has selected following problem for the research.

PROBLEM OF THE STUDY:

"A study of Financial Performance Vis a Vis managerial effectiveness of insurance sector of India."

1.4 RESEARCH METHODOLOGY:

The Research Methodology of the selected topic follows in these dimensions.

1.4.1 OBJECTIVES OF THE STUDY:

The various objectives of the study are as under:

To document insurance business.

To evaluate general insurance performance.

To examine the life insurance performance.

To compare the performance of major four public sector units of general insurance.

1.4.2 POPULATION OF THE STUDY:

In this study whole public sector insurance companies has been covered by the researcher. There are four insurance companies in general insurance in India, which are as follows:-

1. National Insurance Company Limited.
2. The New India Assurance Company Limited.
3. United Insurance Company Limited.
4. Oriental Insurance Company Limited.

Life Insurance Corporation of India is the only public sector unit in life insurance business. It has also covered by the researcher. Researcher wants to evaluate the financial performance for the last five years. There are many private insurance companies which entered into the Indian Insurance Industry after the year 2000. Thus, researcher has not considered all the private players of life and non – life insurance sector.

1.4.3 THE PERIOD OF THE STUDY:-

The study has covered for five years from the year 1998-99 to 2002-03.

1.4.4 SCOPE OF THE STUDY:-

The scope of the study is limited to the public sector units of India[2]. The Researcher has selected all four companies of General Insurance and Life Insurance Corporation of India for the study .The period of five years from 1998-99 to 2002-03 have been taken.

1.4.5 INVESTIGATIVE QUESTIONS:

The global environment has thrown the challenges for public limited companies especially for finance and insurance. The numbers of private players are coming forward with competitive operating strategies for the business. In this background researcher would like to investigate following questions:

- Whether the public sector general insurance companies business is viable or not?
- Whether the life insurance sector is financially sound or not?
- What would be the managerial practices in changed scenarios?

1.4.6 HYPOTHESIS :

The broader hypothesis is as under

1. There would be no significant difference in average mean score of Ratio of current Asset to Total Asset in all four group of General Insurance.

2. There would be no significant difference in average means score of current Ratio in all four group of General Insurance.

3. There would be no significant difference in average means score of Quick Ratio in all four group of General Insurance.

4. There would be no significant difference in average means score of Ratio of Assets to Total Liabilities in all four group of General Insurance.

5. There would be no significant difference in average means score of Fire Premium Income in all four group of General Insurance.

6. There would be no significant difference in average means score of Marine Premium Income in all four group of General Insurance.

7. There would be no significant difference in average means score of Miscellaneous Premium Income in all four group of General Insurance.

8. There would be no significant difference in average means score of Total Net Premium Income in all four group of General Insurance.

9. There would be no significant difference in average means score of Net Underwriting Profit in all four group of General Insurance.

10. There would be no significant difference in average means score of Net Profit (After Tax) in all four group of General Insurance.

11. There would be no significant difference in average means score of Profit Transfer to General Reserve in all four group of General Insurance.

12. There would be no significant difference in average means score of Proposed Dividend in all four group of General Insurance.

13. There would be no significant difference in the trends of Assured sum of individual insurance of Life Insurance Corporation of India during the period of study.

14. There would be no significant difference in the trends of Number of policies of individual insurance of Life Insurance Corporation of India during the period of study.

15. There would be no significant difference in the trends of Annual premium of individual insurance of Life Insurance Corporation of India during the period of study.

16. There would be no significant difference in the trends of new business of group schemes of Life Insurance Corporation of India during the period of study.

17. There would be no significant difference in the trends of Number of lives under group schemes of Life Insurance Corporation of India during the period of study.

18. There would be no significant difference in the trends of Payments to policy holders of Life Insurance Corporation of India during the period of study.

19. There would be no significant difference in the trends of Expenses of management of Life Insurance Corporation of India during the period of study.

20. There would be no significant difference in the trends of Total new business of individual insurance of Life Insurance Corporation of India during the period of study.

1.4.7 **DATA COLLECTION:**

The study is based mainly on secondary data, which is supported by primary data❸. For this purpose, researcher has used the financial data of all public sector undertakings of general and life insurance companies for the period 1998-99 to 2002-03. The data has been published in annual reports of each company. Researcher has also referred annual reports of Insurance Regulatory and Development Authority and its monthly journals. The Researcher had met managers with structured questionnaire for information about managerial effectiveness.

1.4.8 DATA ANALYSIS:

All the public sector insurance companies are selected by the researcher but for the comparison between the groups some statistical tests have been used according to the nature and objectives of the study[4]. The collected information are suitably classified and tabulated with the help of statistical tools life ratios, trends and ANOVA test[3]. The conclusions have been drawn on the basis of 5% level of significance.

1.4.9 CHAPTER PLAN:

1. Research Methodology
2. Overview of Insurance sector.
3. Analysis of General Insurance Business.
4. Analysis of Life Insurance Business.
5. Implications of managerial effectiveness.
6. Summary Findings and Conclusion.
7. Bibliography

1.4.10 SIGNIFICANCE OF THE RESEARCH:

Insurance sector has been restrictive by the government. It has focused some challenges to the existing units so; this study can contribute some light on existing literature. It can give ideas about insurance knowledge and present performance of units. It can also help the private players for their product profit, income options and strategy for it.

1.4.11 LIMITATIONS OF THE STUDY:

1. The Study covered Public Sector Units of India.
2. It is mainly based on secondary data.

1.5 REFERENCES:

❶ D.D.Sharma, Marketing Research-Principles, Applications and cases. S.Chand and Sons-New Delhi.

❷ C. M. Chaudhary, Research Methodology -, RBSA Publishers, Jaipur (1991)

❸ D. M. Mithani, Quantitative Techniques – (For economics, Commerce and Management) , Himalaya Publishing House (2001)

❹Insurance Vision – 2000 – A Review of latest Development of the Indian Insurance Industry – The Insurance Times, Calcutta.

❺IRDA – Journal : March-2004, December – 2003.

❻Business Today : June – 2003

❼The Chartered Accountant: June – 2003

❽Asia Insurance Post: March – 2003

CHAPTER. 2

OVERVIEW OF INSURANCE SECTOR

CHAPTER. 2

OVERVIEW OF INSURANCE SECTOR

2.1 INTRODUCTION

Insurance is a method through which one can just spread over the risk. It is a way of reducing uncertainty of occurrence of an event. It is co-operative effort where in the loss occurred by a specific risk in spread over a large number of persons. Insurance is a solution for reducing risk, large number of people collect small amount, known as premium and out of this losses are paid to the suffering persons.

2.2 ORIGIN AND DEVELOPMENTS OF INSURANCE

No one know that when the insurance transactions started? The origin of insurance is lot in antiquity. However, there are certain evidences on the basis of which one can say that the earliest form of insurance was marine insurance. Evidences are also on record that arrangements embodying the ideas of insurance were being practiced in Babylone and India, centuries ago. References are also available in Hammurabi Manu (Manav Dharma Shashtra). The word ‘Yogakshema’ used in ‘Rig-Veda’ suggested that some form of community insurance was being carried on by the Aryans in our country well over 3000 years ago. The existence of burial society also acknowledge that insurance played significant role in Buddhist period when it used to help the family of a deceased person by building a house and protecting the widows[1]. Marine insurance came earliest than fire insurance and life insurance came and lastly other forms of insurances were developed in the world.

MARINE INSURANCE:-

Marine insurance was the first form of the insurance business. It is said that it probably began in north Italy by the end of 12th century. The Italian merchants who came to England in 12th or 13th century covered their risk of assets with insurance. The first marine policy called "Polliza" was issued in Italy in 1300. "Charter of insurance" was also established in 1300 in Belgium. Insurance was similarly developed in other European countries like Spain, France, Germany and Holland. Insurance sector was greatly developed in the time of Queen Elizabeth-I in England during the 14th and the 15th centuries. Lombards, the ex-communicated businessmen of Italy captured the whole market of marine insurance business. They run the business along with other and settled docon the street of London which was later on famous by the name of 'Lombard Street' – a well known place for marine insurance transactions.

The present form of marine insurance is developed by the Lloyds Association which was established in 1774 by a man Mr. Edward Lloyds, a coffee merchant with the publication of 'Lloyds News'. The merchants gathered into the coffee house and took liability in marine insurance business as per their financial position. Even today, Lloyds Association is one of the leading firms transacting marine insurance in the whole world. Later on Marine Insurance Act was passed in 1906 in England. Other countries had also passed the marine insurance act nearly the same period. It was passed in 1963 in India.

FIRE INSURANCE:

The evidences of emergence of fire insurance can be seen in 16th century in Germany❶. There was a scheme made to spread over the fire risk a group of people in Oldenburg in 1609 by collecting the premium. The market of fire insurance was greatly developed after the great fire of London in 1666 in which 85% of the houses burnt to ashes and property worth 10 crores sterling was completely destroyed. The first fire insurance office was established in London in 1680. ‘Sunlife’ office was set up in 1710 in London. The industrial revolution gave impetus to develop the fire insurance business because there was great expansion of machinery used. The market for fire insurance expanded for protecting the highly cost machinery.

Fire Insurance started in India with the establishment of Triton Insurance Company in Calcutta in 1850. The North British Mercantile company came into existence in 1861.Fire insurance has very slow trend for progress in India up to nationalization of general insurance.

LIFE INSURANCE:-

The origin of Life Insurance business was not so earlier. There is no specific evidence available through which one can consider how the idea of life insurance developed. The first life insurance policy issued on the life of Mr. William Gybbons on 18th June, 1653 in England. It was issued for one year period. The first registered life office in England was ‘hand in hand’ society which was established in 1690. Mutual Life Insurance Company came into existence later on in 1696. The first mortality table prepared in the 19th century gave impetus to the life insurance transactions.

Life Insurance started in India by Europeans with the establishment of ‘Oriental Life Insurance Company’ in 1818. ‘Bombay Mutual Life Insurance’ came into existence in 1871. In 1874, the third company entered into the same business of life insurance called ‘The Oriental Government Security Life Assurance’. The life insurance act passed in 1956 in India.

MISCELLANEOUS INSURANCE:-

The Industrial revolution gave impetus to certain miscellaneous insurance like accident insurance, liability insurance, theft and burglary insurance and fidelity insurance. There are certain latest forms of insurance like cattle insurance, crop insurance, profit insurance and consequential loss insurance.

2.3 ORIGIN OF GENERAL INSURANCE

Insurance was a method of sharing of the losses, embodying the principle of co-operation existed in the early civilization. Evidences are available that proves loss of profits in industry was insured by the village co-operatives in India during the Aryan Civilization.

"Bottomary Bonds" were the first plan, which considered insurance as a technique of providing protection against the fortuitous events for a Consideration. The medilevaranean merchants as early as in the fourth century B.C issued the bonds. The Bottomary loan was an advance of money on a ship during the period of a voyage. It was repayable with the agreed rate of interest, on the arrival of the ship safely at destination. There were possibilities of losing the ship during the voyage; the obligation to repay the loan was extinguished in that case. The interest payable constituted a sort of premium for the risk of total loss. Similar loans were issued on the security of cargo and were called"Respondentia bonds"❷.

There are references found in "Manav Dharma Shashtra", code of Manu which contained rules for sea form contracts observed by the traders from Broach and Surat who set sailed in Indian built ships with Indian merchandise to Lanka, Egypt and Greece.

The other fore-runner of insurance was the marine practice of general average whereby losses incurred to save the common venture, were shared by contributions from all the interests – ship, freight and cargo all the things saved by the general average at. The Rhodians also practiced it in their Mediterranean trade in 916 B.C.

The earliest transaction of insurance can be traced out to the beginning of the fourteenth century in Northern Italy. Some Italian merchants were engaged in the Mediterranean trade with India via Constantinople and with the European countries by land. It originated the practice of breaking of the botany bonds into two instruments covering separate transactions.

1. The advance of money, which was to be repaid on the safe arrival of the ship.
2. A policy of assurance, which paid the amount, stated, in the event of loss of sea. This was the beginning at marine insurance business.

HISTORY OF INSURANCE IN U.K.

The marine insurance gradually spread northwards from Italy to the Netherlands then to London in the sixteenth century, it got firmly established in the mercantile transactions of Lombard Street in London. Lombard Street which was a centre for commerce chamber of assurances was established to register policies and settle disputes in 1575. This chamber played significant role and devised a policy form whose wording is the basis of the modern marine policy.

The early history of marine insurance business is closely related with the origin and development of Lloyd's Ship owners, Sea captains and Merchants used to congregate in coffee houses to deal with their various mercantile transactions. An individual merchant gradually added the business of accepting marine risks to their other lines of activity. Edward Lloyds coffee house was memorable started around 1680 and in this coffee house, the marine insurance took place in the form of individual underwriting.

Around the middle of the 18^{th} century, these individual underwriters formed an association with a common subscription. There was a stiff competition from the London assurance and the Royal charters to transact marine insurance on an exclusive basis in 1720. The monopoly was repleded in 1824 after which many joint stock companies were founded. These companies together with Lloyd's underwriters constituted the marine insurance market.

The Lloyd's Act was framed to set up the Corporation of Lloyd's in 1871. Lloyd's underwriters were empowered to transact non marine insurance in 1911. Today Lloyd's is known as a great international insurance centre. Its underwriters operate along with giant insurance companies in a spirit of co-operation and healthy competition. The marine insurance Act was framed to codify the marine insurance law in 1906. It was till then consisted of a considerable body of case law, custom and usages that had developed during the preceding three centuries.

FIRE INSURANCE

Some form of fire insurance was transacted under municipal auspices in Germany and through private charity in England also, but the attempts to organize fire insurance were made only after the great fire of London in 1666. Dr. Nicholas Barbon, a London builder started the fire office in 1680. An office was established in 1708 to provide insurance to goods and merchandise. These offices had there own fire brigades and issued fire marks which were fixed to buildings to indicate that they were being insured by a particular office.

There were thirty-two fire insurance offices by the beginning of the 19th century. All offices recognized the requirement for joint action to deal with common problems. The London offices formed one common fire brigade in 1832. The associated action was extended to collection of loss experience on a common basis for the purpose of charging agreed rates. This step led to the formulation of different tariffs such as the Liverpool Warehouse Tariff, Cotton Mills Tariff. An association of English and Scottish Fire Offices was formed in 1858, which came to be known in 1868 as the fire offices committee which has been the central tariff institution for fire insurance.

The industrial revolution had brought about a great increase in material wealth in the form of factories, machinery and merchandise which had protected by fire insurance. The system of rating became complicated and the committee played a most useful part in introducing uniformity of rates and scientific classification of risks.

Some fire offices extended their Operations to the United States, the Colonies and Europe. This process gathered momentum in the second half of the nineteenth century. The larger fire offices started also acquired small local offices. The process of amalgamation was later introduced with the birth of accidence insurance.

A number of further offices were formed by the beginning of the 20th century. Lloyd's also had commenced the fire insurance. The insurance industry also introduced the loss of profits policy in 1900. It was followed by insurance against the special perils. The insurances on reinstatement value basis were introduced during the inter war period. The fire office committee established in 1935 a testing station for research purposes on the technical side. This was converted into the joint fire research organisation in

1946. It was a unique combination of a commercial interest and a government department at the same time. The fire protection association was established with the objective of advising the community in regard to the reduction of fire waste with the approval of government.

ACCIDENT INSURANCE

The industrial revolution itself gave impetus to the beginning of an accident insurance in 19th century. The invention of railway led the establishment of the Railway Passengers Assurance Company in 1848, which covered only accidents, sustained during railway travel to start with and later introduced annual personal accident policies on a 24-hour basis. From the year 1840 the fidelity guarantee insurance transacted.

The employers' liability act 1880 made employers liable under certain circumstances to pay compensation to the workers. The workers were injured at work created need for insurance protection. The Employers' Liability Assurance Corporation Ltd. founded to provide the requisite protection. In 1948 the all-labor laws were repleded and a national insurance scheme for industrial injuries benefits. The employers' liability still persists in certain circumstances.

By the beginning of the 19th century, there were many explosions of boilers causing heavy damage and bodily injury. A system of combining insurance protection with inspection service was started by the steam boiler assurance company in 1858. Insurances of engines started about in the 1872, which was followed by insurances of electrical plant in 1887. The engineering offices association formed in 1920 to administer tariffs for certain classes of engineering insurance. Passing various factory acts further widened the scope of the insurance.

The employers' liability had emerged the requirements for liability towards third party. The early third party liability policies were issued in respect of horse drawn vehicles since 1880. An engineering insurance policy also included a public liability indemnity in their boiler policies. Builders and contractors were the earlier clients for this class of business, which followed by property owners, farmers, school authorities and sportsmen. Personal liability was also desired to protect citizens. Product liability insurance came into existence due to claim from third parties against manufacturers for death or bodily injuries because of the defective products. Even professionals began to receive claims for professional negligence such as doctors, solicitors, dentists, architects, etc.

The first motor vehicle entered in the U.K in 1894 and the motor insurance started in 1898 onwards by the law. Accident insurance society ltd. during the inter war period, there was tremendous expansion of road to transport. The road tariff act was passed in 1930 to introduce compulsory insurance of third party liabilities. After the Second World War, motor insurers in the U.K set up the motor insurers' bureau by an arrangement with the ministry of Transport. The bureau pay third party claims where no insurance was available or it was ineffective.

By the end of the last century, burglary insurance had come into existence. Lloyd's underwriters had agreed on 'more in just than in earnest' and started to issue a fire policy to cover burglary risks in 1887. The same was followed by the mercantile accident and guarantor insurance, co. by issuing the burglary polices in 1889. The burglary insurance had widened its scope by covering private dwellings and business premises. Thereafter it was widened gradually to include all risks cover on valuable property, money in transit insurance, goods in transit insurance, and personal baggage insurance.

Aviation insurance had started in 1909-10. The investment in aeronautics got impetus by First World War and the demand for insurance had felt with the first regular civil aviation service which began in 1919.

The risk involved with the aviation was substantial as well as extremely hazardous, thus different pools and groups of insurance companies formed to provide the required cover. The first pool or group was the British Aviation Insurance, which formed in 1923 and later called the British aviation insurance company ltd in 1931. The other famous group was the aviation and general insurance co. ltd. was formed in 1935. Lloyd's underwriters had started the aviation business from the started period Moreover, with the great experience and acquisition of technical knowledge. Some insurance companies had opened the separate aviation departments to deal with the business.

The development of insurance industry in UK had started with the rise of composite offices through the process of amalgamation. The earliest insurers were the motor insurers. Fire offices also adopted the procedure of amalgamation and opened small fire offices at local levels and became able to have wide spread of business. During the same period, some accident offices established to underwrite workmen's compensation, motor, public liability and engineering insurances. These all offices were new in the field of insurance. They had not enough financial resources and adequate statistical experience to transact the business on a scientific and economic basis.

The established fire offices had acquired the technical as well as statistical knowledge. They had acquired the necessary funds to deal with the insurance business. The newly established fire offices had started their business with either establishing the new offices or purchasing the running fire business. They had built up an extensive branch organisation. As a result of all above said matter the procedure of amalgamation got impetus, which was followed by marine and engineering offices. Few large composite offices came to dominate the insurance market since the 1920's. There were almost 2000 amalgamations during that period.

The insurance companies were then ready to cater their services to the international insurance business. The U.K. Insurance Market consisted the powerful domestic insurance companies, foreign companies and Lloyd's underwriters. The company's act provided the provisions for the state through which the market is regulated and controlled. The act brought the industry under stringent control of the board of trade.

HISTORY OF GENERAL INSURANCE IN INDIA

Even though marine insurance practiced today was introduced in U.K in the 15th century, it was established only at the beginning of the 19th century. There are some evidences about between 1797 and 1810; marine insurance companies were established in Calcutta. It was the centre of the east India Company's trade and commerce. Thus, the marine insurance was the earliest form of insurance in India.

Alliance British and foreign fire insurance company established an agency office at Madras in 1825 and introduced fire insurance in India. Some British companies which basically conducted the import export business had also started the insurance activities as a subsidiary line of activity. The British company appointed the different managing directors for different fields as like sugar factories, tea estates, cotton mills, jute mills and the managing directors controlled the insurance of these fields, which they placed, with British Insurance Companies.

Around 50 foreign offices commenced the insurance business through agency houses in the year 1885. Most of them were British and few of them were from Australia, New Zealand and the Continent. Some of these insurance offices were members of the fire offices committee which formed in 1858 in London. There was no uniformity of rates of premium because all of the companies were not members of tariff body. The first Indian general insurance company was formed to transact insurance business in 1850, namely the Triton Insurance Corporation.

By the end of the 19th century, the Indian Businessmen had taken active interest in insurance business as brokers in western India. Fire insurance transacted only in metropolitan cities like Bombay, Calcutta and Madras during this period. The fire insurance had become popular in other areas as industries developed outside the metropolitan cities. The Indian broker commenced their business in western India and gradually captured the control of the business. There was an institute of brokers placed the business directly without any intermediary.

The brokers faced the common problems due to the competition and formed an association of Fire Insurance Agents in 1882 in Bombay. Similar associations were established in Calcutta in 1888 and in Madras in 1896.

In the year 1894 there was first Indian tariff for fire business formed in India. Then after the Bombay city and Mofussil Tariff were formed in 1895, which was followed by the Calcutta Tariff in 1900. The first underwriters association was established in Bombay in 1872. The association worked in close conjunction with both the fire offices committee and the accident offices association of London.

Due to the developed industry and commerce, there was an increase of insurance potential. Many British offices had already made a success of their business through agency. They began to convert the agency houses into branch offices or to open new branch offices. The Indian insurance market attracted few American Offices.

The Swadeshi movement provided impetus to the development to insurance in India. On the political and economic ground, the need for purely Indian insurance companies to cater to the insurance requirements of the mercantile community was keenly felt. The Indian Mercantile Insurance Company established in 1907 with the Indian capital. At the end of the First World War, here were seven largest Indian offices were established.

The merely established companies had faced severe competition from the foreign insurance companies. The Indian companies had no enough expenses as well as no technical expertise where as the foreign insurers are superior in both of field them the Indian companies.

The position of Indian insurance companies was further aggravated by the fact that exchange banks did not recognize the policies issued by the Indian Insurance companies except up to the small amount. Thus, it was the requirement of the government interference by appointing a special officer in 1935.He investigated and presented report on insurance law reports. Thus according to the suggestions and findings of the report, the Indian insurance act was passed in 1938 and brought into force in 1939. The act was important landmark in the history of Indian insurance industry. Then government had controlled uniformly over all insurance companies whether foreign or Indian.

There were some important provisions made by the insurance act 1938 as follows.

(i) Statutory deposits, registration of insurers

(ii) Periodical returns to government

(iii) Prohibition of rebating out of commission / premiums

(iv) Fixation of commission rates

(v) Licensing of agents

(vi) Criteria of the post of superintendent of insurance (later designated controller of insurance). There was a steady development of Indian insurance between 1940 and 1950. Indian enterprises set up various industries like textiles, sugar, paper, cement, paints etc. under the influence of the 'Swadeshi Spirit'. The industrial development was under the protective tariffs. Moreover the Second World War as an indirect result helped rapid expansions of Indian industries in 1939. The share of insurance business of the Indian insurance companies registered a sharp increase from 11% in 1929 to 31% in 1939.

The explosion occurred on the board the S.S. fort Stikine in Bombay Docks on 14th April 1944 had created an extra ordinary situation for the insurance industry. The government took a sympathetic view and issued the Bombay Expansion Ordinance 1944. It provides the compensation for losses of insured property. The compensation also extended to uninsured property and personal injuries.

There was a partition of the country in 1947 between India and Pakistan. It came with the specific problems for insurance industry in India. The claim settlement procedures become very complex due to unavability of sufficient records which were destroyed during the riots and they were compulsory required to investigate the reality of the claim. There were some cases in which the policy number also destroyed due to the same difficulties. The insurance companies had faced many difficulties. They had to shift their offices from the area of Pakistan to India. It was done after the considerable time.

There were a great insurance potential during the Second World War thus, 10 composite offices and 15 general offices were established and some Indian businessmen had purchased several foreign business houses❸. Industrial houses, banks and insurance companies were closely inter-related through common owners. It had an unhealthy influence on the insurance market as a whole, for various reasons. The situation had led to the appointment of Cowasjee Jahangir Committee, which led to the amendment of the Insurance Act, 1938 in 1950.

The main changes due to the amendment were as follows.

(a) Limitation on expenses of management

(b) Limitation of commission payable to principal agents and ordinary agents

(c) Establishment of the Insurance Association of India.

The insurance companies had to regulate their management expenses including commission within the prescribe scale. Under the above mentioned amendments, the scales were in the form of percentage of gross direct premium on a descending slab system.

The act established a statutory association of insurance companies which is called as insurance association of India. Indian insurance companies entered into the association as a member whereas the foreigner companies entered as associate members. The association had two councils.

(i) Life Insurance Council

(ii) General Insurance Council

The general insurance council had operated through the executive committee whose functions are to aid and advise insurance companies in the matter of rendering efficient service to policy holders and setting up standard of conduct and sound practices.

The general insurance council constituted the Tariff committee, which controls and regulates the rates, terms and conditions of the insurance business. The Tariff committee is the committee which controls and regulates the rates, terms and conditions of the insurance business. The Tariff committee had operated through the regional councils in Bombay, Calcutta, Delhi and Madras.

The councils constituted the sectional committees for fire, marine and miscellaneous business. The whole object of the organizational structure is to create a collective sense of responsibility among the Insurance Companies and statutory machinery to advise the government in the matter of control and supervision of insurance companies. It was a unique experiment in co-operation between business and government.

The period from 1951 onwards the five year plans initiated the rapid development of insurance business made possible by large scale economic development which increased insurance consciousness among the people. The problem of preserving foreign exchange actually felt in India as a result of drain on foreign exchange involved.

Thus, all the insurance companies both Indian and foreign companies operating in India formed the Indian reinsurance cooperation, in 1956 to provide reinsurance facilities. The insurance companies were obliged to make compulsory cessions to the Corporation at a fixed percentage.

The reinsurance market became more strengthened by the setting up of another professional insurance company called the Indian Guarantee and General Insurance Company Ltd. in 1961 which received similar cessions on a company basis.

Life Insurance Corporation had also entered into the field of general insurance in the year 1964. There was a requirement to save foreign exchange in marine hull insurance where the premiums are substantial. All Indian ships were insured in India in 1953. The capacity of the market was limited, so foreign reinsurance was required. The rates had to be fixed in consultation with London reinsures.

With the co-operation of the London Joint Hull Committee in 1965, An Indian Hull committee was formed under the aegis of the Tariff Committee, which has the assumed responsibility for rating Indian Hulls.

There was a demand for nationalization of general insurance to introduce a socialistic pattern of society. The insurance act further amended and gave wide powers to the controller of insurance. A Tariff Advisory Committee replaced the general insurance. The Act had made provisions for licensing of surveyors and loss assessors.

The general insurance business act was passed in 1972. The government has established the general Corporation of India with effect from 1st January 1973. All the 107 insurance companies were merged with one or the other of the four subsidiaries of the general insurance Corporation.

2.4 INSURANCE IN INDIA:-

The history of insurance in our country is somewhat darken. The earliest reference of life insurance was available in the days of East India Company, when the policies were taken only by the British officers. The policy was issued by British officers in sterling currency. Oriental was the first foreign insurance company established in India in 1818. Foreigners, orphans and widows were become subject matter for the oriental company. The company started accepting the Indians in 1934 due to the efforts of Babu Muttylal seal. ‘Bombay Life’, a company had issued short term policies for 2-3 years in 1823. Raja Ram Mohan Roy, the man who pleaded for protecting widows through government insurance ‘Bombay Mutual Life Assurance Society was established by some prominent citizens of Bombay in 1871. European merchant also started ‘Bombay Insurance Society’ in 1893 by voluntary efforts. Mr. Curstjee Furdoonju was the first insured person of India. This policy was insured in 1848 by royal Insurance which started in 1845. It was the beginning of the Indian insurance venture.

GENERAL INSURANCE

The general insurance business in India, can trace its roots to the ‘TRITON INSURANCE COMPANY, the first general insurance company established in the year 1850 in Calcutta by the Britisher❹. The ‘INDIAN MERCHANTILE INSURANCE LTD.’ set up in 1907. It was the first company to transact all classes of general insurance business. General insurance council as a wing of the insurance association of India framed a code of conduct and count business practices in 1957. During 1968, the Insurance Act amended to regulate investments and set minimum solvency margins and the TARIFF ADVISORY COMMITTEE set up in 1972 the General Insurance Business (Nationalization) Act, 1972 nationalized the general insurance business in India with effect from 1st January 1973.

One hundred and seven insurers amalgamated and grouped into four companies like

1. National Insurance Company Ltd.
2. The New India Assurance Company Ltd.
3. The United India Insurance Co. Ltd.

4. Oriental Insurance Co. Ltd.

General Insurance Company incorporated as a main company which held the power to control and manage above said four subsidiaries companies.

Bombay Mutual Assurance Society Ltd. Oriental Government Security Life Assurance Co. Ltd., Bharat and Empire of India were the well organized units in the field of insurance business established in India. The history can classify on the basis of following period

(a) Before Independence

(b) After independence

(c) During globalization

BEFORE INDEPENDENCE

Indian national congress and other Swadeshi Movement started in earlier part of twentieth century, which became cause for refused to purchase English goods and the matter became root for preferring Indian insurance. Thus, many Indian insurance companies came into existence. Indian insurance business stimulated through the first world war Indian life, the national, The Hindustan Co-operative, The Bombay Life, The Asian Life and The General Assurance were some prominent.

Many industrialists started their own insurance companies during 1919 to 1932 due to the recession in the Indian economy. In 1919, New India was started by the TATA Group. The Jupiter General was started by Lalaji Narnji in 1919. Both of them were the most prominent results of that economic recession. 'LAXMI', 'VULCAN', 'THE BRITISH INDIA', THE ZENITH' were other companies which had started their insurance business from that period.

The transactions of insurance companies were negligible till the end of the First World War. There after the position began to change, outbreak of Second World War stimulated the rapid progress of Indian Insurance Business.

The number of the Indian Companies transacting in insurance business were only 80 in the year 1920. It was increased up to about 240 during the Second World War. Speculative business was also involved in the insurance companies by themselves through such financial irregularities, so that government appointed a committee under the chairmanship of Sir Cowasjee Jahangir to examine the insurance structure. The committee was found that the insurance companies were not working satisfactorily.

AFTER INDEPENDENCE

The independence of India followed by the partition it was resulted that there were 218 head offices in India and 12 in Pakistan in 1946❺. The network of insurance sector was drastically changed. The insurance act was passed by government in 1956. The period 1952 to 1955 was the period of pre nationalization of insurance company. The Indian insurer was not in satisfactory condition due to great depression in Jute, Tea and other cash crops. In 1955 the last year of pre nationalization, the total business was 2207 crores on 749000 polices. The total investments were 318.9 crores.

The government of India took decision of nationalization of insurance business in 1956 by taking management and control of all 245 existing companies. All insurance companies continued to exist as separate entities and the ownership also continued until the life insurance act, came into existence on 1-9-1956.

India is the first country in the whole world to nationalize the life insurance business. The objectives of insurance sector were as under.

- To establish socialistic pattern of society
- To provide complete security to the policy holders.
- To avoid mal practices
- To protect the interest of citizen.

DURING GLOBALIZATION PERIOD:-

The insurance sector regulated according to the industrial policy passed by government industrial policy 1990 was the milestone for globalization as well as liberalization. In April, 1993 government set up a high power committee headed by Mr. R.N.Malhotra to suggest reforms in the insurance sector and make it more efficient and competitive. The committee recommended the establishment of a strong and effective insurance regulatory authority in the form of a statutory autonomous board on the lines of SEBI.

In 1999, the insurance sector opened up for private companies in life as well as Non-life insurance companies. It was followed by the establishment of IRDA (insurance Regulatory and Development Authority) in April 2000. The foreign companies looked upon the untapped profit potentials in Indian insurance industry and rushed over here.

2.5 DEFINITIONS OF INSURANCE

There are many definitions of insurance

We can classified them into two aspects

I. Functional definitions
II. Contractual definitions

I. Functional Definitions:

Insurance has varied aspects. There is emphasis on functions of insurance in functional definitions. According to this aspect, definition of insurance must include the following points❸.

- Cooperative effort
- Spread risk over a large number of people
- Method to provide security.

There are certain definitions which include above said points as follows

1. "Insurance may be defined as a social device providing financial compensation for the effects of misfortune, the payments being made from the accumulated contributions of all parties participating in the scheme.

   - D. S. Hansell

2. "Insurance is a co-operative device to spread the loss caused by a particular risk over a number of persons who are exposed to it and who agree to insurance themselves against the risk".

   -R.S.Sharma

3. "Insurance may be described as a social device whereby a large group of individuals, through a system of equitable contribution, may reduce or eliminate certain measurable risks of economic loss common to all members of society."

   - Encyclopedia

II. **Contractual definitions**

These definitions are quite different. The definition must include

(i) An agreement

(ii) A Consideration and

(iii) The happening of a particular event.

The following authors have given the contractual definition of the insurance

1. "Insurance is a contract in which a sum of money is paid to the insured in Consideration of insurance incurring the risk of paying a large sum upon a given contingency"

   - Justice Tindall

2. "Insurance is a contract by which one party, for a Consideration called premium, assumes particular risk of the other party and promises to pay to him or his nominee a certain or ascertainable sum of money on a specified contingency."

   -E.W. Patterson

3. "Insurance is the process by which a firm (the insurance company) for a fee (the premium) agrees to pay another firm or individual (the insured) a sum of money stated in a written contract (the policy), if a loss occurs"

   - Boon and Kurtz

4. "In its legal aspect it is a contract, the insurer agreeing to make good any financial loss the insured may suffer within the scope of the contract and the insured agreeing to pay a Consideration (the premium)"

   -Riegal and Miller

After considering these definitions, one can clearly understand the concept of insurance. Insurance as a whole is a co-operative device to spread the loss caused by a particular risk over a number of persons who are exposed to it who agree to insure themselves against that risk.

SUBJECT - MATTER OF INSURANCE

The subject matter of insurance describe in policy itself. There are various subject matters for example, a person, any asset, property, right, interest, life or liability. Thus in fire insurance the subject matter may be a car or a shop, in case of life insurance the subject matter of insurance is the life of a person and in an accident insurance, the matter may be one's liability for body injuries or damages to the property of a third party. Thus the subject matters are different depends upon the policy.

<u>SCOPE OF INSURANCE:-</u>

Insurance has very wide scope due to cutthroat competition in every service section of business. Insurance can do anything except giving back the life of the dead person. Insurance can restore the loss to the extent if promises to do. Insurance can make good the less to the extent it promises to do. It can put the suffered person in the same position as he was in before the loss occurred. Life insurance provides immediate financial assistance to the family of the deceased.

W.A Dinsdale considers the scope of insurance as under:

"There are very few events against the happening of which insurance is now a days unable to provide protection." Today life becomes more and more complex. Social systems are also changing fast, so the scope of insurance becomes wider. One can purchase insurance on any risk event. Riegal and miller in their book said 'Insurance principles and Practices' have mentioned the scope of insurance as under:

"Every individual is exposed to innumerable risks connected with life, physical exertion, business and recreation and most individuals are interested in escaping, if possible the injurious consequences of such risks".

2.6 NATURE AND CHARACTERISTICS

The characteristics of Insurance are as under:

1. A cooperative device
2. A contract

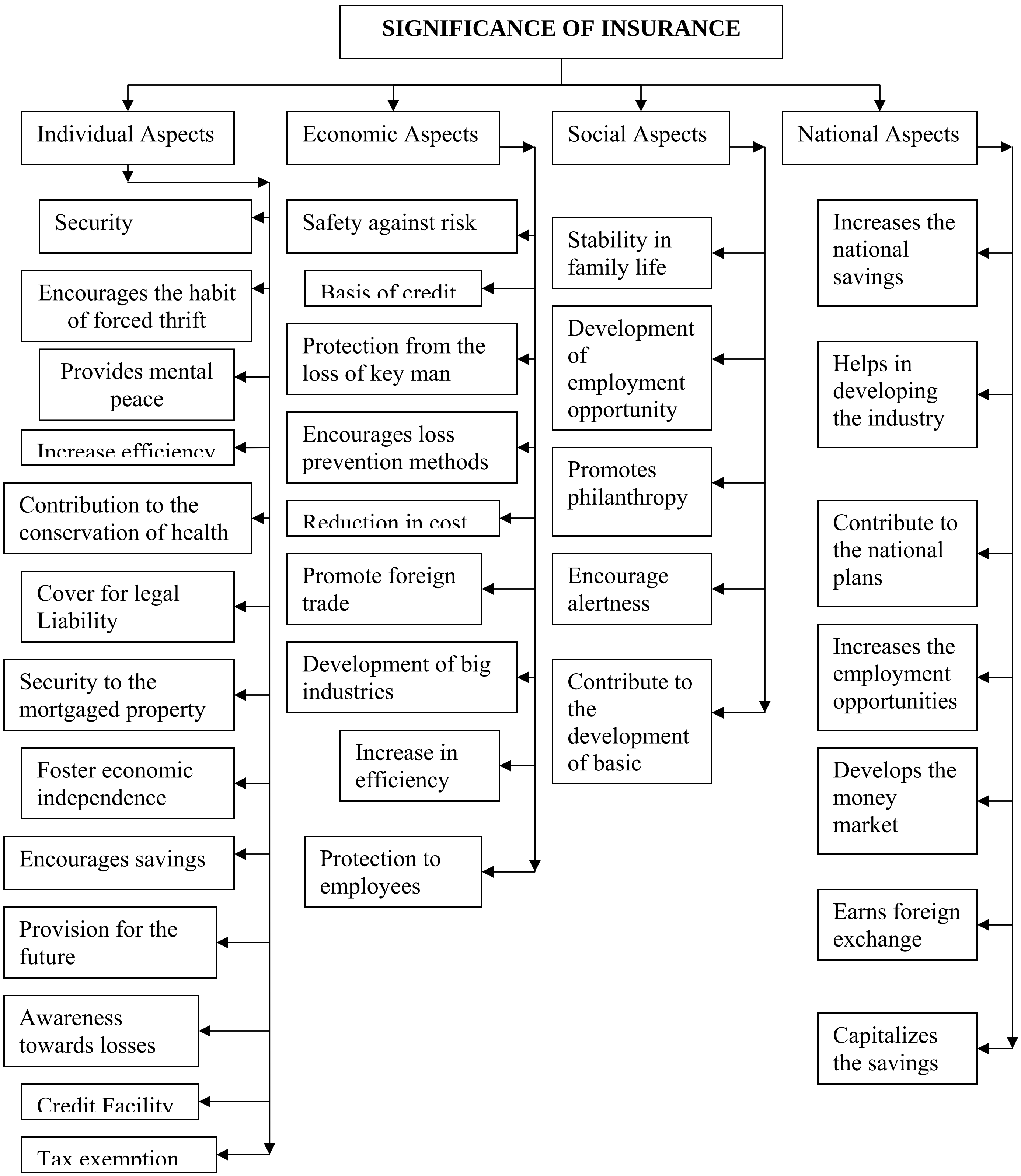
3. Consideration
4. Protection against the risks
5. Device to spread the risks
6. Based upon certain principles
7. Social device
8. Regulated by law
9. It is not a wagering.

2.7 SIGNIFICANCE OF INSURANCE

As the industrial revolution comes with cut throat competition, the chances of uncertainty are also increasing day by day❻. Insurance plays significant role for not only an individual or for a family but it has spread over the entire nervous system of the nation. According to the famous philosopher J. Royce, Insurance Principles comes to be more and more used and useful in modern affairs. Not only does it serve the ends of individuals, it tends more and more both to pervade and transform our modern social order. It brings into new synthesis, not merely pure and applied sciences, but private and public interests, individual prudence and a large regard for the general welfare theft and charity

One famous author named “Dinsdale” also explains the significance of insurance as under.

“No one in the modern world can afford to be without insurance”. Insurance provides various advantages to various fields. One can classify the significance as under.


SIGNIFICANCE OF INSURANCE
Individual Aspects
Economic Aspects
Social Aspects
National Aspects
Security
Encourages the habit of forced thrift
Provides mental peace
Increase efficiency
Contribution to the conservation of health
Cover for legal Liability
Security to the mortgaged property
Foster economic independence
Encourages savings
Provision for the future
Awareness towards losses
Credit Facility
Tax exemption
Safety against risk
Basis of credit
Protection from the loss of key man
Encourages loss prevention methods
Reduction in cost
Promote foreign trade
Development of big industries
Increase in efficiency
Protection to employees
Stability in family life
Development of employment opportunity
Promotes philanthropy
Encourage alertness
Contribute to the development of basic
Increases the national savings
Helps in developing the industry
Contribute to the national plans
Increases the employment opportunities
Develops the money market
Earns foreign exchange
Capitalizes the savings

2.8 SCOPE OF GENERAL INSURANCE

Traditionally, general insurance includes fire insurance, marine insurance and miscellaneous insurance. It includes almost all insurance without life insurance. Insurance act 1938 Section – 2 provides its definition as under.

"General Insurance Business means fire, marine or miscellaneous insurance business, whether carried on singly or in combination with one or more of them".

Thus, general insurance business does not mean that the businessmen must transact with all of their plans. It may be carried on single plan or in combination with one as like fire and marine or more of them like almost insurance plans.

"Fire Insurance Business" means the business of effecting, otherwise than incidentally to some other class of insurance business, contracts of insurance against loss by or incidental to fire or other occurrence customarily included among the risks insures against in fire insurance policies.

"Marine insurance business" means the business of effecting contracts of insurance upon vessels of any description including cargoes, freights and other interests which may be legally insured in or relation to such vessels, cargoes and freights, goods, wares merchandise and property of whatsoever description insured for any transit by land or water, or both, whether or not including ware house risks or similar risks in addition or as incident to such transit, and includes any other risks customarily included among the risks insured against in marine insurance policies❼.

Thus, marine insurance policies protect the businessmen from the risks to the vessels, cargoes, freight and other interests during the transportation by sea.

"Miscellaneous Insurance Business" means the business of effecting contracts of insurance which is not principally or wholly of any kind or kinds included in clause 6-A and 13A.

Thus miscellaneous insurance includes in its scope all non fire and non marine business, namely Motor Insurance, Burglary, and Personal Accident and other miscellaneous policies and aviation and engineering insurances.

The traditional classification of general insurance policies is on the basis of perils covered under the policies another classification may be on the basis of subject matter of insurance. There are certain examples of the subject matter of the main branches of general insurance as follows.

FIRE INSURANCE:

Material property such as buildings, machinery, furniture, fixture and fitting, stocks etc. Consequential losses such as loss of net profit and standing charges.

MARINE INSURANCE:

(a) Iron, Steel and / or composite vessels classified in Indian Register of Shipping, Lloyd's Register of Shipping or other classification societies. These are large vessels carrying cargo and / or passengers.

(b) Smaller crafts generally Indian built which are not classified in any classification society

The examples of the same are as follows:

i. Motorboats, mechanized barges, launches employed for cargo or passengers in inland waters.

ii. Dredges

iii. Mechanized fishing travelers

iv. Wooden fishing boats with diesel engines.

MISCELLANEOUS

(a) Material property e.g. stocks, cash etc. under burglary policy. Motor car, two wheeler etc. under Motor insurance, Aircraft under aviation insurance.

(b) Legal liability under a third party liability policy or employers liability policy

(c) Money under a fidelity guarantee policy.

(d) Human life under personal accident policy.

(e) Animals like cows and buffaloes etc. under Cattle insurance.

(f) Crops under Crop insurance.

The classification of insurances which is on the basis of subject matter of insurance would be as follows:

INSURANCE OF PROPERTY:

Fire to cover building, machinery etc, burglary to cover stocks, motor insurance to cover motor car, motor cycle etc. insurance of machinery, plate, glass, aircraft etc.

Thus it is an insurance of property, which has intrinsic value of its own, is insured against loss or damage by various perils such as fire, burglary, accidents. etc.

INSURANCE OF LIABILITY

Legal liability to third parties e.g. product liability, public liability, professional indemnity. Legal liability to employees etc. e.g. workman's compensation insurance. Insurance of liability protects the insured party against the financial loss caused by incurring legal liability, through negligence or by reason of statuary law.

INSURANCE OF THE PERSON

It includes the personal accident. The personal accident policy provides for payment of fixed benefits in the event of death or disablement of the insured due to an accident.

INSURANCES OF PECUNIARY LOSSES:

It includes loss of profits policies and fidelity guarantees. Loss of profit policies provide protection against certain consequential losses that result from material damage by any reason where as fidelity guarantee policies pay for financial losses suffered by the insured due to acts of dishonesty of his employees.

Some policies are the combinations of two policies like comprehensive motor policy is the combination of property insurance and liability insurance. It covers the protection from the accidental damage to the vehicle as well as legal liabilities for third party injury or property damage. A fire insurance policy on loss of rent, thus making it a combination of property insurance and pecuniary loss insurance.

The scope of general insurance is described in a broad terms under the fire insurance, marine insurance, accident insurance, aviation insurance and engineering insurance. It is similar classification followed by the Indian system. Although the insurance act 1938 refers the term miscellaneous insurance, generally ‘accident insurance’ used for the miscellaneous insurance as well as motor insurance. Aviation and engineering insurance is separate branches of the insurance, which has managed separate from motor and miscellaneous insurance.

FIRE INSURANCE

There are mainly three fire policies has known as Fire policy ‘A’, Fire policy ‘B’ and Fire Policy ‘C’.

FIRE POLICY 'A'

It covers risks of (i) Fire, (ii) Lightning, (iii) Explosion / Implosion (iv) Impact Damage (v) Aircraft damage (vi) Riot, strike and Malicious damage (vii) storm cyclone, tempest, hurricane, tornado, flood and inundation (vii) earthquake (ix) subsidence and lands line (including rockslide).

FIRE POLICY 'B'

It provides protection against the risks of (i) Fire, (ii) Lightning, (iii) explosion / Implosion (iv)impact damage (v) Air craft damage and (vi) riot, strike and malicious damage.

FIRE POLICY 'C'

It covers (i) Fire, (ii) Lightning (iii) explosion / Implosion (iv) impact damage (v) Aircraft damage and (vi) Riot, Strike and Malicious damage

SPECIAL PERILS:

Fire Policy 'C' does not includes certain special perils. They can be purchased by giving extra amount of premium. Suitable endorsement is placed on the policy. These perils are termed as "special perils" or extraneous Perils" which are as follows

(a) Bursting and / or over flowing of water tanks, apparatus and pipes.

(b) Deterioration of stocks due to power failure following damage to premise of public power stations and terminal ends of electrical service feeders.

(c) Earthquake

(d) Forest fire

(e) Leakage and contamination cover

(f) Spoilage material damage cover

(g) Sprinkler leakage cover.

(h) Subterranean Fire

(i) Storm, cyclone, typhoon, tempest, hurricane, tornado, flood and inundation cover.

(j) Spontaneous combustion

(k) Subsidence and landslide combustion.

(l) Terrorist cover

CONSEQUENTIAL LOSS POLICY

Generally fire policy provides protection against the losses occurred due to the fire. The insured person will suffer the additional losses due to the fire like losses in respect of (i) Net profit (ii) Standing Charges (iii) Increased cost of working due to interruption of business which follows the damage caused by fire. These losses are covered under consequential loss of policies. These policies are also called loss of profits policies and are issued only in conjunction with the basic fire insurance.

LOSS OF RENT:

The fire policy may be extended up to the rent in case of fire policy on building.

It covers loss of rent for the period the building is untenable as a result of damage to the building by an insured peril.

TRANSIT POLICIES:

The standard fire policy covers the goods in transit by rail and road; however the cover is restricted up to the risk of fire only. Thus, the railway contractor or the transport contractor is not legally liable towards the fire risks.

MARINE INSURANCE

Marine insurance provides protection against the risk of vessels and goods. There are two distinct branches of marine insurance such as Marine Hull

Insurance which deals with ships and Marine Cargo Insurance which deals with goods in transit.

MARINE HULL INSURANCE

It covers the insurance of ocean going steams and other vessels. The term "hull" refers to the body of frame of the ship❽. Hull insurance protects the hull and machinery as well as in respect of materials and outfit and stores, provisions for the officers and crew. In addition to all these covers, it provides cover for liability.

The marine hull insurance consists of the basic policies form to which clauses are attached. These clauses are known as institute clauses, which are drafted by the institute of London underwriters, which is an association respecting the marine insurance companies and Lloyd's undertaking operating in London. The same clauses are adopted by the General insurance **Industry in India.**

The risks covered under the special clauses are maritime perils such as fire, collision, etc. There are certain perils which are not a maritime nature though they are covered as like damage to hull caused by latent defect in machinery, accidents in loading or discharging cargo etc. The running Down Clause extends the hull policy to cover the ship owner in respect of his liability for damage caused to another ship in collision as a consequence of negligent navigation.

Marine hull policy is also available to cover.

(i) Loss of freight i.e. earnings derivable by a ship owner for the employment of his ship.

(ii) Disbursements i.e., amounts spend by him in fitting out the vessel including provisions and stores.

Hull policies are also covered the risks of vessels in course of construction. These policies are issued by the ship builders. The vessels are insured from the laying of the keel, until completion of trails leading to the delivery of the ship to its owners.

Marine Cargo Insurance

Marine Cargo Insurance deals with the cover in respect of goods and / or merchandise in transit from one place to another by sea, air, rail, road or registered post, marine hull policy provides the basic cover by the standard marine policy. The cover is much attached to the policy

The Lloyds S.G. Policy form has been replaced by a new simplified policy. It contains particulars such as

- Name of the insured
- Details of vessels
- Voyage
- Goods insured
- Sum insured
- Premium etc.

The institute clauses provide the cover in respect of marine perils, war perils and strike, riot and civil commotion perils. Cargo insurance described above relates to export or impact shipments. Marine policies also give protection towards cargo transported over inland waters, backwaters and canals, cargo in transit by rail, road, air or registered post.

ACCIDENT INSURANCE

There are mainly three types of cover granted.

(i) Policy provides an indemnity in respect of legal liability for death or bodily injury to members of the public or damage to their property, compulsorily insurable under the provision of the motor vehicles act, 1938.

(ii) Third party policy provides cover as under (i) above and grants protection for damage to third party property for limits higher than those required by the motor vehicles act.

(iii) Comprehensive policy is the wildest policy of the three types of cover. In addition to covering the insured liability to third party both bodily injuries and damage to the vehicle by accident, the theft malicious acts etc.

PERSONAL ACCIDENT INSURANCE

It is the policy, which is designed to provide cover in respect of financial loss that may arise as a result of accidental bodily injury causing death or disablement. The policy pays fixed benefits as per a scale incorporated in the policy plus medical expenses up to fixed limits.

BURGLARY INSURANCE

Burglary business is divided into several sections:

(a) Burglary (Business Premises) insurance covers the contents of offices, shops, warehouses and other business premises against loss or damage by theft.

(b) Burglary Insurance (Private Residences).It covers contents of private dwelling houses. This cover is wider than that under business premises policy, as the risk of theft is also included.

(c) All risks policy covers very wide protection to valuable property such as jewelry, ornaments, cameras and other works at art. The risks covered are those of fire, accidental loss or damage and theft

(d) Money in Transit policy covers the property as like

1. Wages.
2. Other cash
3. Postal orders, money orders and stamps all the above said property must be in transit from place to place. Robbery and theft are the risks, which covered under this policy. Cash in safe is included under a separate item in the policy. Cash in safe is included under a separate item in the policy

(e) Baggage insurance

The policy provides the protection to accompanied baggage of persons traveling against loss or damage due to theft, fire or accident during travel.

PUBLIC LIABILITY INSURANCE

The public liability policy provides an indemnity in respect of legal liability for accidental death or bodily injury or accidental damage to property of the insured or his employees or through defects in the insured's premises or other property owned by him. The costs occurred for legal procedures are also payable under this policy. The scope of the policy is very wide and will be explained as follows:

(a) Property owners
(b) Shops, warehouse, factories, departmental stores
(c) Builders and contractors
(d) Lifts
(e) Hotels and restaurants
(f) Hospitals and nursing home
(g) Cinemas and theatres

PERSONAL LIABILITY

This policy may be issued to an individual for legal liability arising out of his or her own negligence or the negligence of their family members. It is called as personal liability policy.

PRODUCTS LIABILITY

The product liability policy provides the protection to manufactures and others against legal liability in respect of accidental death or bodily injury or accidental damage to the property caused by any defects in any of the products manufactured, sold or supplied by the insured. The products covered under the policy are pharmaceuticals, electrical appliances, cosmetics, hospital equipment, canned food, industrial machinery etc.

PROFESSIONAL INDEMNITIES:

The policy deals with the various professionals such as physicians, surgeons, dentists, solicitors, chartered accountants, architects etc. It provides them cover in respect of their legal liability for professional negligence. Professionals are expected to exercise a reasonable degree of care and skill. Any failure in this respect may cause financial loss to the clients giving rise to a claim for damages. These policies are also issued to hospitals, nursing homes, etc. to cover them against similar liability.

WORKMEN'S COMPENSATION INSURANCE

This plan is also known as 'Employer's Liability Insurance' which designs to protect an employer against legal liability that he may incur as a result of death or bodily injury sustained by his employees out of and in the course of employment. The cover also includes legal costs incurred by the insured party.

FIDELITY GUARANTEE INSURANCE:

It provides an indemnity to an employer for financial losses suffered by him due to acts of dishonesty of his employers in handling cash or stocks.

OTHER CLASSES OF MISCELLANEOUS INSURANCE:

The scope of this insurance is very wide as well as is continually expanding to provide cover for a wide range to new risks and contingencies. There are some of the more important policies described as follows.

i. Blood stock insurance
ii. Plate glass insurance
iii. Pedal cycle insurance
iv. Missing documents indemnities
v. Bankers blanket policies
vi. Householder's insurance or shopkeepers' insurance policy.

NON-TRADITIONAL BUSINESS

There are certain non-traditional insurance businesses available in the market. Cattle insurance provides protection for death due to accident or diseases, whereas Janta Personal Accident Policy provides cover for accidental death or disablement. The insurance companies are added other older but lesser known classes of insurance to the list of non-traditional business.

ENGINEERING INSURANCE

The engineering insurance includes various types of the policies described as follows.

i. Contractors all risks

ii. Boilers and pressure plant insurance
iii. Erection.
iv. Marine cum erection
v. Machinery Insurance
vi. Loss of profits Insurance

CONTRACTOR'S ALL RISK

The cover is provided all risks such as fire, storm, flood, earthquake, subsidence and collapse, theft and accidental damage under this policy. It may be extended up to third party liability of the contractor.

BOILER AND PRESSURE PLANT INSURANCE

It provides protection to the boiler in respect of

i. Damage to the boiler itself
ii. Damage to surrounding property
iii. Legal liability to the third parties for death or bodily injury or
iv. Damage to property caused by explosion or collapse of the insured item

ERECTION

It protects in respect of plant and machinery while being erected and subsequently while being tested.

MARINE CUM ERECTION

This policy is the combination of transit and erection cover. It covers all risks of physical loss or damage and the erection cover as described above.

MACHINERY INSURANCE

The policy is provided cover in respected sudden and unforeseen damage to the insured machinery. The internal causes for these may be faulty material, short circuit, etc., whether in Operationnn or at rest. The external causes may be lack of skill, sabotage, entry of foreign bodies.

The policy may be extended up to third party liability.

Loss of profits insurance: Loss of profits insurance provides an indemnity against financial losses caused by interruption of production due to machinery break down or boiler explosion.

AVIATION INSURANCE

Aviation insurance provides an indemnity in various conditions. It comprises the following types of cover.

(a) Insurance of aircraft against loss or damage
(b) Insurance of legal liability to third parties and passengers
(c) Insurance of legal liability for freight mail etc. carried
(d) Insurance of pilots, crew and ground staff against the personal accident risk.
(e) Insurance of pilots and other crew against loss of professional license.

2.9 CHARACTERISTICS OF AN INSURABLE RISK

Risk is occurred frequently in insurance transactions. Risk means uncertainty about loss. Risks are of two types

(i) Pure risks

(ii) Speculative risks

A risk becomes insurable if it has the following characteristics

(i) Fortuitous nature

(ii) Pure risk

(iii) It can be measured in terms of money

(iv)Legal nature

(v) It must not against the public policy (vi)Not be of a catastrophic nature

2.10 GENERAL INSURANCE AND LIFE INSURANCE

The concept of the general insurance may be better understood if it is contracted with the life insurance.

Life Insurance may be described as a contract to pay a fixed sum of money on the happening of a stated contingency such as death or maturity. The primary function of life insurance is to provide protection to the family against loss of income on the death of the breadwinner, but there are different forms of life insurance policies, which have been devised to meet diverse financial needs.

There are mainly two basic differences between the life insurance and the general insurance as follows.

(i) A life insurance policy is not a contract of indemnity. The amount insured becomes payable on the happening of the insured contingency either death or maturity of policy without any reference to the extent of financial loss suffered whereas the general insurance contracts are a contract of indemnity except the personal accident policy. Only actual financial loss suffered is payable subject to the maximum limit of the sum assured.

(ii) Life Insurance policy can be renewed on the payment of requisite premium in time throughout the period agreed in the policy at the outset. The insurer has no right to refuse the renewal of the policy if the premium is paid at the right time. General insurance policies are the annual contracts which to be renewed every year. Each time the contract of the insurance is new. Both the parties, the insured and the insurer have the option to renew or not to renew the policy.

(iii) The principle of utmost good faith has to be observed by both the parties in both types of insurance. However in life insurance contract once is entered into, then the insured has no duty to report any changes affecting the insured risk.

In general insurance the duty of utmost good faith arises at every renewal, which is at annual basis. Policy conditions require disclosure of material changes in risk under certain policies, even during the currency of the policy.

(iv)The premium under the life insurance contract remains constant throughout the constant throughout the contract of the life insurance where as the premium under the general insurance contract has been changed as per the contract changed annually. The premium may be described or increased according to the circumstances.

2.11 FUNCTIONS OF INSURANCE

Insurance becomes very useful in today's life. It plays significant role in this competitive era. One should know the functions of insurance. According to Sir William Beveridge the functions of insurance can be divided into three categories as under

1. Primary functions
2. Secondary functions.
3. Indirect Functions

1. PRIMARY FUNCTIONS

(A) To provide protection

The most important function of insurance is to provide protection against the risk of loss. It is one type of guarantee that it will make good the losses if they occurred. Insurance can check the reality of the misfortune happening and pay the cost of damages or losses.

(B) To provide certainty

As we know future is totally uncertain. Any misfortune happening may occur at any stage of life. The amount of loss and time of losses both are uncertain. No doubt better planning and administration can reduce the chances of happening these types of accidents but it requires lots of attention towards strengths and weaknesses, special knowledge of the field. After all these precautions, the uncertainty remains steady. Insurance provides certainty towards the losses. The policy holders pay the premium to buy the certainty.

(C) Distribution of Risk:

It is a cooperative effort where the risk is distributed among the group of people. Thus, no one have to bear the losses occurred due to uncertainty.

2. **SECONDARY FUNCTIONS**

(A) Helps in economic progress:-

Insurance plays an important role in economic progress. It gives fully certainty to the industrialists towards the risks. The entrepreneurs can more concentrate on innovative and profitable techniques of the production. They should not require thinking over the risks.

The industrialists can establish new industries in certain environment. Thus, industries have got development in economic and commerce of the nation.

(B) It prevents losses

Insurance plays vital role in preventing the losses. The amount of premium may be minimized by using such appliances like the Fire extinguisher. If one uses interior machinery which may be caused for misfortune, the amount of premium will be high. Thus, indirectly, insurance provides help to minimize the chances of risks. It will be useful for the agencies which are directly related with the same function like.

(a) Loss prevention association of India

(b) The salvage corps of loss prevention association of India.

(c) Survey and inspection of risks, etc.

3. INDIRECT FUNCTIONS

(A) A forced savings

Life Insurance is also a method of savings in India. Income Tax Act gives relief in payment of income tax because government wants to habituate general public to save money. It encourages the habit of thirft and savings among the people. Thus, it becomes compulsory savings to people of nation.

(B) Promote foreign trade:-

It is compulsory to take marine insurance policy in foreign trade in India. Foreigners can't issue the foreign trade bill unless the cargo is fully insured. Thus foreign trade is totally depends upon the insurance sector of the nation. It gives relief to entrepreneurs from the uncertainty of foreign trade.

(c) Others

Insurance provides certainties towards risks in entrepreneurship. It gives confidence in general public. It is one of the important source of investment which develops the trade and commerce of the nation.

2.12 ROLE OF INSURANCE

Business is full of risks. There are mainly two types of risks

(i) Speculative risks and

(ii) Pure risks

Speculative risk is the condition when there is a chance of profit or loss whereas; the pure risk has not a single chance of profit. There is only losses and damages from the pure risks. The pure risks can shut down the doors of the any business firm. Insurance companies provide security against the pure risk only.

Risk is nothing but an uncertainty. Insurance companies give protection towards the uncertainties of the business. Thus insurance plays very significant role in the development of commerce and industry. Nobody is interested to invest huge amount in industries and business without the presence of insurance. Establishment of new industrial undertakings is possible only with the help of insurance. Insurance can remove the chances of uncertainty and encourage the business activities. Peter F. Drucker has rightly said that, “It is no exaggeration to say that without insurance and industrial economy could not function at all”.

Role of insurance in the development of commerce and industry can be explained in the following points.

1. <u>FULFILLMENT OF VARIOUS LOSSES:-</u>

Insurance is a means of getting protection coverage from different types of uncertainty. Life Insurance and General insurance pay crores of rupees every year as a term settlement. There are risks of fire, theft, accident and other perils to the business. The person is an asset to the business as well as family. If the bread earner of the family gets sudden death, the future of the remaining family members may be dark without insurance. LIC has made losses from last many years which can be analyzed by the table presented as follows.

<u>TABLE 2.1 CLAIMS SETTLEMENT OPERATIONS (INCLUDING CLAIMS WRITTEN BACK)</u>

<u>(Rs. in crore)</u>

Year	Amount in crore

1997-98	6677.04
1998-99	7583.18
1999-00	9211.30
2000-01	11637.98
2001-02	14519.25

Source: 45th LIC Annual Report

Life Insurance Corporation has settled down many terms by death or by maturity.

2. PROTECTION FROM THE RISK OF NATURAL CALAMITIES.

Insurance companies provide security against the natural calamities like earthquake, cyclone, flood, fire etc. The business and industrialists become secure about these types of sudden losses by insuring the business goods as well as premises.

3. MONEY IN TRANSIT INSURANCE: -

Business firms have to handle huge amount of money everyday. There are certain risks of theft, decoity etc. the money in transit policy provides protection of money against theft, decoity, malicious act, strikes and riots. There is one another policy concerned to malpractices of money. The fidelity guarantee policy provides protection to an employer against misappropriation by the employee during the work period of his / her employment. Three types of risk can also be insured.

4. PROTECTION FROM PUBLIC LIABILITIES

There are certain conditions when the general public faces the losses due to the government establishments or other establishment. Suppose Mr. A goes to watch new movie in cinema hall. During the movie, there is a great fire done by unknown reason.

If the owner of the cinema hall has already issued the policy towards this risk, the insurance Corporation will make the losses to the Mr. A good. Thus the insurance company gives protection from public liabilities. The liabilities arising under the law of Torts ,liabilities arising in civil constructions, hospitals, uses of cinema halls, hotels and other various liabilities can be insured under which the claims are paid to third parties. The policy covers the liabilities against the users of life.

5. **PROTECTION TO THE INSTITUTION FROM THE DEATH OF KEY MEN.**

Well-qualified and professionally qualified persons are the assets of the company. Sometimes, business firms spend lots of money to train those personnel against the specific time's bond. If the person gets sudden death the company has to suffer huge losses due to the sudden death of the person. Insurance companies provide insurance policies for protecting ourselves against this type risks.

6. **PROTECTION FROM LOSS OF PROFITS.**

The insurer not only protects from the accidental risks but also consequential risks. If the firm got fire, there is not only the damage to the premises and goods but also work is stopped for a quite long time and the standing charges are to meet out resulting in the losses to the factory or business firm. The insurer provides protection from the losses of profits until the business is started in the normal course.

7. **PROTECTION FROM THE LEGAL LIABILITIES TOWARDS EMPLOYEES.**

There are certain laws in India concerned with the labour and workers while they are in the course of employment. Employers are compulsorily liable to the employees during their office / factory hours. The insurance companies provide different types of plan to solve the above said purpose. The schemes are group pension scheme, group insurance scheme, group and superannuation schemes etc.

8. **INCREASE CREDIT WORTHINESS:-**

There is cut throat competition in today's market. Credit becomes very essential requirement for business establishments. Bankers give the credit towards the hypothecation. Bankers motivate the trader to obtain insurance cover against the risk. Thus, insurance helps in credit worthiness.

9. CONTRIBUTION IN THE AVAILABILITY OF CAPITAL

Life Insurance Corporation and other general insurance companies have invested its huge funds in various basic industries. These institutions collect the premium and use them in the betterment and progress of the nation.

10. INVESTMENT IN THE SHARES AND DEBENTURES

Life Insurance Corporation and other insurance companies are allowed to invest its specific amount in the share and debentures as per government and IRDA norms. Thus they play significant role in the way of industrialization.

11. CONTRIBUTION TO THE DEVELOPMENT OF BASIC INDUSTRIES:

The L.I.C and other insurance companies have invested large sums for the development of basic industries like Iron and Steel, Cement, Coal, Pharmaceuticals, electricity, engineering and mining. Thus they plays very significant role in the progress of basic industries.

12. CONTRIBUTION TO THE DEVELOPMENT OF CONSUMER GOODS

There are different types of consumer goods industries available in India like textile, sugar, edible oils, paper etc. the LIC and others are invested large volume of funds in these industries.

13. UNDERWRITING SERVICES FOR SHARES AND DEBENTURES

The company, which issues the shares or the debentures, has taken the services of underwriting. L.I.C has provided the same and provides the helping hand to the newly opened companies.

14. **<u>AVAILABILITY OF TERM LOANS</u>**

The insurance companies render the financial assistance in terms of term loans – short term and long term loan to industries and help them to maintain their market position.

15. **<u>CONTRIBUTION TO THE FINANCIAL INSTITUTIONS.</u>**

The insurer companies provide loans to the financial institutions which have primary objective to provide capital loans to the business and industries for their developments. LIC has invested its money in Industrial Financial Corporation, Industrial Development Bank and other Financial Institutions.

16. **<u>CONTRIBUTION IN THE DEVELOPMENT OF BASIC FACILITIES:</u>**

The Insurance companies have contributed much of there funds in the development of road transport, electricity, sewerage schemes, various housing boards and agricultural finance Corporation, etc.

<u>2.13 KINDS OF PLAN</u>

There are different types of plans. Broadly we can classify the plans as

A. Life Insurance Plans
B. General Insurance Plans

Life Insurance Plans include the different policies for life insurance whereas general insurance includes different types of policies as like.

(ii) Marine Insurance
(iii) Fire Insurance
(iv) Liability Insurance
(v) Social Insurance
(vi) Miscellaneous Insurance

(A) LIFE INSURANCE PLANS

The plans are covered the risk of life called life insurance. Life insurance policies provides two fold advantages, the first in the form of small savings and second one is in the form of risk coverage. It is a small savings because after maturing the policy, the policy holders get a large amount which will be a significant base for old age expenses. The second one like a risk coverage advantage is that policy holders become tension free because they think if there will be any misfortune accident come due to which he will get premature death, the remaining family members will get sufficient funds from Life Insurance Corporation.

Life insurance Business was completely handled by the Life Insurance Corporation of India after nationalization in 1956. But due to 1990 Industrial Policy and IRDA act 1999 Life Insurance market increase and many new companies enter into the business.

(B) GENERAL INSURANCE PLANS :

Broadly considering only life insurance plans comes under Life Insurance except that all remaining plans comes in general insurance category. The main branches of general insurance are as under.

(i) MARINE INSURANCE :-

There is the oldest form of insurance plans. The important mode of transportation in 16th and 17th century was sea transportation. Marine Insurance covers all the marine perils. The main perils of the sea are fire, attacks by enemies, pirates and covers, thieves, jettison, arrest restraint and detainment, barratry, collision with the rock or another ship etc. Marine transportation has the above said perils through which not only the ship itself damaged but there is also loss of cargo and consequently loss of freight. Therefore, the marine insurance covers the risk of ship, cargo and freight on high seas. As competition grew, marine insurance also provides cargo protection from the time the goods leaves the warehouse until it reaches to the buyer's godown at destination. That means now marine insurance also covers inland risks.

(ii) FIRE INSURANCE

It covers the risk of fire. Fire insurance got impetus with the industrial revolution. Industries and factories all run by the highly costly machinery and technology. The chance of fire is increasing day by day in factories, shops, buildings as well as ships. Fire insurance covers all the losses occurred due to fire, war risk, turmoil, riots can also be insured.

(iii) LIABILITY INSURANCE :-

This insurance covers the liability of the insured party towards the third party. For example Mr. A is an insured person under liability insurance and he has got accident. Due to this accident, he has to pay costs of damages of the other parties' vehicle. Insurance company will pay this liability of the insured person. If an employer takes this insurance, insurance company will pay the amount to the employee in case of the employee had got injury during his office hours. The fidelity insurance is another form of liability insurance.

(iv) SOCIAL INSURANCE.

The main objective of social insurance is to protect and uplift the weaker section of the society. India is welfare state. Government plays duties for reducing the social imbalances. It provides social insurance to masses. Social insurance are in different forms like pension plans, disability benefits, unemployment benefits, sickness insurance and industrial insurance. The amount of premium is mainly paid by the government and employers.

Employees or beneficiaries only pay nominal amount of premium according to their capacity to pay.

According to Sir William Beverage “Social Insurance is giving in return for contribution benefits up to substance level, as of right and without means tests, so that an individual may build freely upon it. Thus, social insurance implies that it is compulsory and that men stand together with their fellows.

(v) MISCELLANEOUS INSURANCE

Besides the earlier said plans, all comes under this title. The cattle insurance, the crop insurance, theft and burglary insurance are some of the other forms of insurance. As the competition increases the scope of plans of insurance also increases. Export Credit Policy, State Employees Insurance and Guarantee Insurance also come under this category.

2.14 NATURE OF CONTRACTS

Insurance is a method of spreading the risks over the large group of the people having same risk on the payment of the small amount called premium. It is a legal contract. The contract of insurance is an agreement whereby one party undertakes in return of an agreed Consideration to pay the party, a sum of money upon the occurrence of a specified event resulting in loss to him. The policy document is an evidence of the contract of insurance. There are mainly two parties involved in the contract of insurance. The Consideration is nothing but the amount of the premium, which is paid to the insurance company. The term ‘insured’ refers to the party affecting the insurance, may be an individual, partnership firm or a corporate body or any institution with the legal status. The insured is known as the proposal until the contract is completed, that is during the negotiations prior to the completion of the contract the ‘insurers’ refers to the party granting the protection under an insurance policy.

Insurance contract is also governed by the general principles of the law of contract as defined in the Indian contract act, 1872. The Indian contract act, 1872 provides that all contracts (including the insurance contracts) must have the following essential elements in order to be legally valid.

(i) Offer and acceptance

(ii) Consideration

(iii) Agreement between the parties

(iv) Capacity of the parties

(v) Legality of the contract

(I) OFFER AND ACCEPTANCE

There is a contract whereby the offer made by the party accepted by another party. The offer is generally comes from the proposer, the offer is known as the proposal. The offer may be made by orally or verbally or in writing by means of a letter or by completion of the proposal form. Proposal forms are not used in the marine insurance. However, brief details of the risk are usually submitted through the letter or even on the telephone. In accident insurance the offer is invariably required to be made by the completion of a proposal form. Proposal forms are used for certain types of insurances in the fire insurance.

Acceptance can't be effective until the acceptance is communicated to the proposer. Acceptance may be verbal but the insurance companies indicate the acceptance usually by the issue of the cover note or a letter of acceptance.

(ii) Consideration

Consideration is the amount paid by the one party to other party in spite of the insurance coverage. It may be defined as the "act or promise offered by the one party to other party who accepted it as the price of that others promise." In the case of 'insurance contracts' the 'premium' is the consideration from the insured and the 'promise to indemnify' is the consideration from the insurer. Prior payment of premium is a pre-requisite for assumption of cover by insurer.

(III) AGREEMENT BETWEEN THE PARTIES

Both parties are to agree to the same thing in the same sense. In the other words, there must be consent arising out of common intention.

There will be no consensus if either of the parties or both of them are under an erroneous impression as to some circumstances affecting the contract. If the proposer required fire insurance and proposed for the same but the insurance company issue the burglary policy, there is no consent arising out of common intention.

There may be something different situation as like, if the contract is entered into with the intention to deceive the other party or with fraudulent intention, then the contract will be void. It will be of no effect.

(IV) CAPACITY OF THE PARTIES TO THE CONTRACT.

Every person is competent to contract who is of the age of majority according to the law to which he / she is subject to and who is of sound mind and is not disqualified from contracting by any law to which he / she is subject according to the Indian contract act.

Thus, minors and the persons of unsound mind can't enter into insurance contracts as per the norms of contract act. This is also applied to the insurers who must have the legal capacity to contract under the provisions of the insurance act 1938.

(V) LEGALITY OF THE CONTRACT:

The subject matter of the contract must be legal. The object of an agreement is lawful unless (a) it is forbidden by law, (b) It is of such a nature that, if permitted it would defeat the provisions of any law or is fraudulent (c) it involves or implies injury to the person and property of another, or (d) The court regards it as immoral or opposed to public policy as per the Section 23 of the act.

The insurance companies can't insure the stolen goods. Court would be opposed the insurance of smuggling ventures or insurance for payment of fines for motor tariff offences.

OTHER FEATURES:

A contract of marine insurance is not admissible according to the marine insurance act 1963 unless it is in writing. At any rate of premium, all policies have to be stamped in accordance with the provision of the Indian Stamp Act; otherwise they are not enforceable in a court of law.

INTERPRETATION OF POLICIES:

In insurance contract act, the contract is drafted by the insurance companies as the standard policies and endorsements. Therefore, wherever any ambiguity in the wording of the policy emerges, the courts have given the benefit of the doubt to the insured, because the insurers drafted the policy.

However, the benefit does not go always to the insured person. The wording of the policies is interpreted according to certain well-defined rate of interpretation or construction, which have established by case law.

The intention of the both parties must prevail and the intention is to be looked for in the policy it is the most important rule of construction.

FUNDAMENTALS PRINCIPLES

Insurance contract is subject to special principles evolved under common law in the U.K, which are generally followed by the Indian courts. These principles are the basic / fundamental principles of the law of insurance which are as follows.

(i) Utmost good faith

(ii) Insurable interest

(iii) Indemnity

(iv) Proximate cause

i) UTMOST GOOD FAITH:

The seller can't mislead the buyer in respect of the transaction, but he has not obliged to disclose all information about the subject of the contract. The parties to the commercial contract are required to observe good faith according to the provisions of the law.

Buyer should be careful whilst entering into the contract. Good faith is required to observe in an insurance contract. The proposer of the insurance contract has given all the required material information about the subject matter of insurance to the insurance company, which don't have this information.

Material information about the subject matter is that information which directly affects the decisions of the insurance companies such as (i) whether to accept the risk and (ii) the rate of premium and terms, conditions of acceptance. This is the legal duty of utmost good faith arising under the common law.

The legal duty of the proposer has not only the criteria only to material facts which the proposer knows, but also extends to material facts which he / she ought to know. There are certain examples of material facts as follows:

FIRE INSURANCE

(i) Construction of the building,

(ii) Nature of the goods

MARINE INSURANCE:

a) Method of packing
b) Nature of goods.

MOTOR INSURANCE:

a) Cubic capacity of the engine.
b) The year of manufacture.

PERSONAL ACCIDENT INSURANCE:

(i) The exact nature of occupation

(ii) Physical Disability

(iii) Age, height and weight

GENERAL:

The facts for which the previous insurers had rejected the proposal, or charged extra premium, or refused to renew the policy are to be considered. There are certain facts, which are common knowledge or matter of law, need not be disclose by the proposer. The duty of disclosing material facts ceases when the issue of a cover note or a policy concludes the contract.

If there is non-disclosure or mis-representation with the fraudulent intention, the insurance contract becomes void and ineffective. The contract becomes invalid and voidable means the insurer will have the option to avoid the contact and reject the claim.

The contractual duty of utmost good faith is far stricter than the common law duty. The insured has to furnish all the information correct and mention in the proposal form of the policy. The rate of the premium and the decision of the acceptance of the proposal by the insurer are based upon the filled up form.

The insured can cancel the contract if any answer of the proposal form is inaccurate or incorrect, whether the answer is not material to the risk.

(ii) INSURABLE INTEREST

The owner of the property can be protected through the insurance cover if he is likely to suffer financially when the property is lost or damaged. The legal right to insure is called insurable interest. The contact will be void without insurable interest. Ownership of the property is a clear example of insurable interest in the ownership where as the cargo owners; both sellers and buyers have insurable interest in the goods owned by them.

The insurable interest must be present both the time,

i) Issuing the policy

ii) The time of loss in the fire and miscellaneous insurance. Such as the property under the fire insurance policy is sold and thereafter, there is loss after the sale. Then, insurance company can't settle the claim because of the absence of insurable interest at the time of loss.

Assignment is the term, which used frequently in the insurance transactions. It means transfer of rights and liabilities of an insured person who has acquired insurable interest in the property insured. The person called assignee who becomes the new insured to whom the benefits of the insurance is passed. The assignee is entitled to deal with the insurers in his/her own name and recover directly any claim under the policy.

The fire policy and miscellaneous policy are assigned only after the consent of the insurers which is depends upon the condition of the policy.

Marine Cargo policies are freely assignable without the prior consent of insurance company because the ownership of the cargo is changed frequently when goods are still in transit but marine hull policy can't be assignee without prior consent to the insurance company.

INDEMNIFY

There is a principle of indemnity, which arises under common law and requires that an insurance contract should be a contract of indemnity. The principle has the base of placing the insured after a loss in the same financial position as far as possible, as he occupied immediately before the loss.

The effect of the above said principle is to avoid the insured from making a profit out of his loss or gaining any benefit or advantage.

The main objective of the insurance companies is to spread the risk among a large group of people and the person can recover the losses due to the insured risks. He must be in the same financial position as far as possible, he occupied before the loss occurred. If the person will get more than the losses, thus if means the suffered person will get profit from the risks. Then after he will try to do the same losses himself to earn the profit which is the against the public policy.

The valuation of the loosed property is depends upon the intrinsic market value of the property at the place and on the date of the losses occurred. The measure of the indemnity applied to some types of property is explained below.

In the case of building, the cost of reinstating the building or the repairing the damage portion is assessed. An appropriate allowance is made towards depreciation, which depends upon the age and condition of the building.

2.15 PROBLEMS OF INSURANCE

One can insured anything like life, marine, fire or miscellaneous matters. A singer can be insured his throat, a dancer can insure her legs; a college girl can insure her nails. Does it mean anything can be insured in the world? The answer will be negative. The scope of insurance is limited. It is described as follows.

1. Absence of insurable interest
2. Limited to financial loss
3. Moral limitation
4. High premium rates
5. All risks are not insurable

1. Absence of insurable interest

The main requirement of getting insurance policy is the presence of insurable interest in subject matter. If there is an absence of insurable interest, no one can get advantage of insurance plans. The contract will be void. Thus, the insurable interest restricts the scope of insurance.

2. Limited to financial loss

The principle of indemnity applies to all insurance plans except the life insurance plan. The base of the principle is that the insured person will get the same financial position as before the misfortune happens. The principle is specially formed for avoiding the case of over insurance. The surveyor checks the value of the insured asset before issuing the policy. So far as the life insurance is concerned, the principle does not apply because one can not measure the value of assured's own life in terms of money.

3. Moral Limitation: -

Moral limitation restricts the scope of the insurance contract. The value of the subject matter must be reasonable. It should be real face value of the asset. In case of fire insurance the amount for the claim should be reasonable. If it is over insured, the claim settlement will be complex. If the person having cancer or T.B and gets himself insured whereas he is uninsurable, in order to claim by his dependents. Therefore, an insurer must consider moral hazards while accepting insurance proposal.

4. High premium rates:

The high premium rates restrict the scope of insurance. Poor people can not afford the insurance premium. They are deprived of food and shelter. How can they purchase the insurance plans? They believed it as a luxury item or service.

5. All risks are not insurable:-

The scopes of insurance services are increasing day by day and almost all risks can covered through insurances. But the insurers do not cover the risks from war, nuclear explosion etc. Thus, the scope is limited to a certain extent. The insurers generally undertake to insure the subject matter against the risks which are

1. Accidental and fortuitous in nature
2. Which can be measured in terms of money

Thus, we can say that all risks are not insurable even though most of them can be insured.

2.16 ORGANISATION OF INSURANCE

Insurance business developed through various types of organizations which can be summarized as under❼:

JOINT STOCK COMPANIES OR PROPRIETARY COMPANIES:

Joint Stock Company is the company which has share capital and each share holder is owner of the company. The company has managed by management committee selected by the shareholders. Shareholders have their limited liability up to their value of the shares. There were many companies which engaged in the insurance business before nationalization of life insurance business nowadays, there are certain private players has entered into life insurance business in India.

<u>MUTUAL ASSOCIATION:-</u>

These are the cooperative effort of specific group of persons. The association of person provides the insurance for the group only. No outsider can get the benefits of the association. If there will be any profit in the transaction, it will be used for minimizing the amount of premium for the persons of group.

<u>MIXED CORPORATION:-</u>

This form of organization followed the rules of company act as well as mutual association. Nowadays, it does not exist in India.

<u>CO-OPERATIVE INSURANCE ORGANIZATION:</u>

These organizations were called as ‘Co-operative Insurance societies’ and registered under the Indian Co-operative Societies Act. They were non-profit organizations and worked on the principles of mutual companies. They provided insurance protection to their members only. They were disappeared after the nationalization of Life Insurance Business.

<u>STATE INSURANCE ORGANIZATION:</u>

Sometimes government of the country may take personal interest in insurance business at that time it is known as state go insurance organisation. The main object behind this is to provide social security. The scope of state insurance was reduced due to nationalization of the insurance. The criteria of them became only for state government employees.

LLOYDS ASSOCIATION:

Lloyds Association is one of the famous names of organization in insurance sector of the whole world. Its name is based on one man called Mr. Edward Lloyd who was a coffee house owner. The members are known as underwriter who takes the responsibility to pay the contribution. Suppose Mr. A has taken a policy worth Rs.10000 and five underwriters have taken liability to pay him contribution if the loss occurs. Each member have to pay Rs.2000 to Mr. A if anyone of them will fail to pay his contribution, the association will pay to Mr. A. The rules to become an underwriter in Lloyds Association are very tuff. The member must be honest and have good financial position. Nowadays, the Lloyds Association has more than 1800 members called 'underwriters'.

2.17 INSURANCE ORGANIZATION IN INDIA.

There are different organizations in the insurance sector of India.

1. Departmental Organisations
2. Corporation
    a. Life Insurance Corporation and General Insurance Corporation
    b. Employees State Insurance Corporation
    c. Deposit Insurance Corporation
3. Government Companies

1. DEPARTMENTAL ORGANISATIONS:

Various departments of the central and state government, who handle the insurance business for their own employees. The postal department of India also provides the same facility for their employees. Even it provides insurance facilities for the parcels, money orders and other items on which their postal business depends on. Apart from the life insurance, the state government provides other insurance coverage like sickness, maternity, disability, medical and pension insurance facilities to their respective employees.

2. **CORPORATION**

A) LIFE INSURANCE CORPORATION AND GENERAL INSURANCE CORPORATION: In India, there were two separate Organisations for life insurance and general insurance. Life Insurance Corporation came into existence after nationalization of the life insurance sector of India in 1956 by enacting the act. It is only dealing with life insurance policies.

General Insurance Corporation established in 1972 with the specific amendment. It had for subsidiaries companies which could only transact in general insurance business

(i) National Insurance Co. Ltd.,

(ii) The New India Insurance Co. Ltd.,

(iii) The Oriental Insurance Co. Ltd.,

(iv) The United India Insurance Co. Ltd.

These all are related with general insurance. They worked under the direct control of General Insurance Cooperation. But after the entry of IRDA (Insurance Regulatory and Development Authority) in 1999 the scenario was totally changed. In 2001, there was decision taken by the government that all four general insurance companies can do well without its main head office. Nowadays, four subsidiaries became the independent companies and General Insurance Corporation has played role as a reinsure. It is only one company which plays role as a 'reinsurer'.

B) EMPLOYEES STATE INSURANCE CORPORATION:

The employees State insurance came into existence in 1948, when specific Act passed in the parliament. The Corporation provides the social security to the factory workers. The main benefits provided by the Corporation to the workers are as follows:

- Sickness benefit
- Disablement benefit
- Maternity benefit
- Dependent benefit
- Medical benefits.

The earlier four benefits are generally paid in cash to the factory employees.

C) DEPOSIT INSURANCE CORPORATION:

The Corporation came into existence in 1962.It has specific protection for the depositors of the bank. If any bank fails, the deposits can get their money back up to certain limit from the Corporation.

3. GOVERNMENT COMPANIES

Central Government incorporated certain companies under the provisions of Indian Companies act to control and regularize the insurance business. Export Risk Insurance Corporation established in 1957 to insure export risk. There after in 1964, the name of the institute was changed and new name is 'Export Credit and Guarantee Corporation' in India. However, with the nationalization of general insurance business, the four subsidiaries take place by them nowadays, many private players also came in general insurance and life insurance business.

2.18 LEGISLATIVE AND REGULATORY MATTERS

There are mainly three laws are concerned with the insurance business of India as follows.

A Insurance Act. 1938

B General Insurance Business (Nationalization) Act, 1972

C Insurance Regulatory and development authority act 1999 (IRDA)

A INSURANCE ACT, 1938

The insurance act originally passed in the year 1938 however it amended for several times. It latest amendment of the insurance act was the, the IRDA itself when it became the authority to perform many tasks required to be done under the insurance act such as issuing licenses, issuing registration certificates, monitoring compliance with the provisions of the Act, issuing directives, laying down norms. The all above said functions were performed by the controller of Insurance earlier as per the Insurance Act, 1938. The provisions of the Act may be briefly described as follows.

REGISTRATION:

To obtain the certificate of Registration is compulsory to the every insurance company. The Registration should be renewed annually. The paid up capital must be of Rs. 100 crores for Life Insurance or general and Rs. 200 crores for re-insurance business.

Every insurer has to deposit in cash or approved securities, a sum equivalent to 1% in life insurance or 3% in general insurance of the total gross premium in any financial year commencing after 31st March, 2000 with the Reserve Bank of India. The amount is not being exceeding Rs. 10 crores. The deposit amount is Rs. 20 crores for re-insurance businesses.

Every insurance company must keep the accounts separately of all receipts and payment in respect of each class of insurance business such as the marine or miscellaneous insurance.

Insurers must invest his assets only in those investments which approved under the provisions of the Act. Every insurance company has to do a minimum insurance business in the rural or social sector, as may be specified in the order. The authority can be investigated the affair of the insurer at any time.

LICENSING OF AGENTS

License is the pre requirement for becoming the agent. Person can't work as an insurance agent unless he has obtained a license from the authority. There is some disqualification for being agents as per the act except the minor age or having unsound mind as follows:

i) Being unsound mind

ii) Being convicted of criminal misappropriation OR Criminal breach of trust OR Cheating OR Forgery or Abetment or Attempt to commit any such offence.

iii) Being found to have been guilty of OR Connived at any fraud, Dishonesty or misappropriation against any insured on insurer

LICENSING OF SURVEYORS AND LOSS ASSESSORS

No insurer can settle any claim equal to or exceeding Rs. 20000/- without the report on the loss from a licensed surveyor. The person can act as a surveyor or loss assessor only after obtaining license from the authority. The authority can't issue the license without get satisfaction about the applicant that he:

(a) Has been in practice as a surveyor loss accessor on the date of commencement of the IRDA Act, 1999.

Or

(b) Possesses any of the qualifications specified in the act e.g. degree in engineering, chartered accounting, diploma in insurance etc.

Or

(c) Does not suffer from any of the disqualification specified for grant of agent's license.

If the applicant for the surveyor is the company or a firm, the requirements must be satisfied to all the directors or the partners, as the case may. Limits have been laid down for the extent of the management expenses of the insurers. The commission to an insurance agent shall not exceed 15% of the premium payable under fire, marine or miscellaneous insurance polices. Rebate is not only parting of commission by the agent but also changing less than the tariff rate of premium by the way of inducement to the insured.

SOLVENCY MARGIN

The authority for the insurer also decides the solvency margin. The act clarifies how the assets and liabilities have to be determined and the extent to which the assets are to exceed the liabilities. These provisions exist to ensure the adequacy of insurers solvency.

PAYMENT OF PREMIUM BEFORE ASSUMPTION OF RISK:

A risk can be assumed by the insurance company after receiving the premium or a guarantee that the premium will be paid within the prescribe time. Sometimes agents collect the premium amount and dispatch or deposited to the insurance company. They have to deposit the money within the 24 hours except the bank and postal holiday. The agent has to deposit the premium in full without deducting his commission. If any refund of the premium will be due, the insurer directly shall paid the amount to the insured by crossed or order cheque or by postal money order.

B. GIBNA (The General Insurance Business Nationalization Act)

The General Insurance Business Nationalization Act was passed in 1972 to set up the general insurance business. It was the nationalization of 107 insurance companies into one main company called General

Insurance Corporation of India and its four subsidiary companies with exclusive privilege for transacting general insurance business.

This act has been amended and the exclusive privilege ceased on and from the commencement of the insurance regulatory and development authority act 1999. General Insurance Corporation has been working as a re-insurer in India. Their subsidiaries are working as a separate entity and plays significant role in the public sector of general insurance.

C INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY – 1999.

In 1993, Malhotra Committee headed by former Finance Secretary and RBI Governor. R. N. Malhotra was formed to evaluate the Indian Insurance Industry and recommend its future direction. The committee was set up with an objective of complementing the reforms in the Indian Financial Sector. The reforms were aimed at "Creating a more efficient and come positive financial system suitable for the requirement of the economy keeping in mind the structural changes currently underway and recognizing that insurance is an important part of the overall financial system where it was necessary to address the need for similar reforms."

MALHOTRA COMMITTEE-RECOMMENDATIONS:

In 1994, the committee submitted the report and gave the following recommendations now in the point forms.

STRUCTURE:

- Government stake in the insurance companies to be brought down to 50%.
- Government should take over the holdings of GIC and its subsidiaries so that there is subsidiaries can act as Independent Corporation.

- All the insurance companies should be given greater freedom to operate.

COMPETITION:

- Private companies with a minimum paid up capital of Rs. 1 billion should be allowed to enter the industry.
- No company should deal in both life and general insurance through a single entity.
- Foreign companies may be allowed to enter the industry in collaboration with the domestic companies.
- Postal Life Insurance should be allowed to operate in the rural market.
- Only one State Level Life Insurance Company should be allowed to operate in each state.
- The Insurance Act. Should be changed.
- An Insurance Regulatory body should be set up.
- Controller of Insurance (Currently a part from the Finance Ministry) should be made independent.

INVESTMENTS:

- Mandatory Investments of LIC Life Fund in government Securities to be reduced from 75% to 50%.
- GIC and its subsidiaries are not to hold more than 5% in any company.

CUSTOMER SERVICE:

- LIC should pay interest on delays in payments beyond 30 days.
- Insurance companies must be encouraged to set up unit linked pension plans.
- Computerization of Operations and updating of technology to be carried out in the insurance industry.

Overall the committee strongly felt that in order to improve the customer services and increase the coverage of the insurance industry should be opened up to competition. But at the same time, the committee felt the need to exercise caution as any failure on the part of new players could ruin the public confidence in the industry.

The act passed in 1999, which has the main objective as follows

"To provide for the establishment of an authority to protect the interests of holders of insurance policies, to regulate, promote and ensure orderly growth of the insurance industry. The authority has been established under the provision of the act. The authority shall consist some members as follows.

i) A chairperson,

ii) Not more than five whole time members,

iii) Part time members (not more than four)

All the members are appointed by the central government. The persons are able, who have ability, integrity, knowledge or experience in life insurance, general insurance, actuarial science, finance, economics, law, accountancy, administration or any other discipline which would be useful to the authority in the opinion of the central government.

DUTIES, POWERS AND FUNCTIONS OF THE AUTHORITY.

The authority has the powers and functions include

(i) Registration of insurers, intermediaries and agents.

(ii) Regulation of the terms and the conditions of the contracts of insurance

(iii) Promoting and regulating professional organisations connected with the insurance and re insurance business.

(iv) Monitoring investment of funds and solvency margins of insurance companies.

There is a committee, which advised the authority. The committee is known as the Insurance Advisory Committee. The committee consists of not more than twenty-five members excluding ex officio members.

The members are the representative of the interest of commerce, industry, transport, agriculture, consumer forum, surveyors agents, intermediaries, organizations engaged in safety and loss prevention, research bodies and employees association in the insurance sector. The insurance advisory committee is advised the authority on the matters relating to the making decision of the regulations.

The authority has issued a number of regulations, which have to be complied with the insurance companies. Only Indian insurance companies will be given Registration to transact in insurance business. An Indian company has been defined as a company under the company Act 1956 and, in the paid up capital of which, the holding of a foreign company, directly or through its subsidiaries and / or nominees, does not exceed 26%.

The paid up capital of the insurance (whether life or general) company will have to be not less than Rs. 100 crores and in the case of companies wanting to transact reinsurance business the paid up capital will have to be not less the Rs. 200 crores. The insurers have to maintain their assets up to specified limit as per the provisions of the authority at any time. Every insurance company has to appoint an actuary, who must be approved by the authority. The duty of the actuary will be

i) The assets are valued in the appropriate manner.

ii) The liabilities are evaluated as required.

iii) The prescribed margins for maintaining solvency are complied with.

The authority has also issued regulations with regard to advertisement. These regulations are applicable to all advertisement whether it issued by the insurance company or an insurance intermediary includes an agent. The scope of the advertisement is wide which includes almost any public communication, which recommends a sale of an insurance policy. The provision mentions that each advertisement should have full disclosures of the product mentioned and of the advertiser including license and Registration number. Advertisement, which is issued by agents, must be approved by the insurer in writing before issue.

There are certain other acts which directly or indirectly affects the general insurance businesses which are as follows:

MARINE INSURANCE ACT, 1963

The act is specially formulated for the marine insurance business. It codifies the law relating to Marine Insurance. There are only few exception from the U.K.Marine Insurance Act, 1906 Underwriters have thorough knowledge about how to pursue rights of recovery from carries or bailees under subrogation proceedings. In addition to the Marine Insurance Act, 1963 the following laws govern the practice of marine insurance.

THE CARRIAGE OF GOODS BY SEA ACT, 1925

The act specifies the minimum rights, liabilities and immunities of a ship owner in respect of loss or damage to cargo carried. The act specifies three aspects of a ship owner's liabilities towards cargo owners as follows.

i) The circumstances when the ship owner is deemed to be liable for loss or damage to cargo.

ii) The circumstances when the ship owner is exempted from liability such as when loss or damage is caused by events outside his control, e.g. perils of the sea.

iii) The limits of liability of a ship owner for loss of a damage to cargo calculated in monetary terms per package or unit of cargo.

THE MERCHANT SHIPPING ACT, 1958

It provides protection to ship owners. The ship owners liability arises up to certain maximum sums for certain losses, provided the incident giving rise to such claims has arisen without the actual fault or priority of the ship owner, whether the claims relates to loss of life, personal injury, or damage to property on land or water. It also confers an obligation on the ship owner to send his ship to sea in a sea worthy and safe condition.

THE BILL OF LADING ACT, 1855

Bill of leading is an evidence of the contract of carriage of goods between the ship owner and the shipper, as an acknowledgement of the receipt of the goods on board the vessel. It is a document of title. This document requires in connection with settlement of marine cargo claims.

THE INDIAN PORTS ACT, 1963

The act described the liability of port trust authority for loss of or damage to goods whilst in their custody. It also defines the prescribed time limit for filling monetary claim on, or suit against the Port Trust Authorities.

THE CARRIERS ACT, 1865

The act defines the rights and liabilities of truck owners or operators who carry goods for public hire in respect of loss or damage to goods carried by them. It also mentions the time limit within which notice of loss or damage must be filed with the road carriers.

INDIAN RAILWAYS ACT, 1989

The act deals with various aspects of railway administration; there are also provisions, which are relevant to marine insurance. The provisions of the act relate to rights and liabilities of railways as carries of goods.

The tribunals deal with claims for cargo loss, personal injuries, and refund of excess freight.

THE INDIAN POST OFFICE ACT, 1898

The act defines the liability of the government for loss, wrong delivery, delay of or damage to any postal article in course of transmission of post.

THE CARRIAGE BY AIR ACT, 1972

This act defines the liability of the air carrier for death of or injury to passages and for loss of or damage to registered luggage and cargo. It also prescribes the maximum limits of liability for death, injury, damage etc., it specifies the time limits within which claims have to be filed on the air carrier. The provisions also apply to domestic carriage with some changes.

MULTI MODAL TRANSPORTATION ACT, 1993

This is the act for the persons who engage in more than one mode of transportation such as rail, road, sea or air. The act specifies limits of liability of the operator, contents of documents issued by them, notice of loss etc.

THE MOTOR VEHICLES ACT, 1988

The act specifies for compulsory third party insurance of motor vehicles, no fault liability, solution fund for victims of 'Hit and run' victims of motor vehicle accidents

THE INLAND STEAM VESSELS ACT, 1977

The act is in relation to the insurance of mechanically propelled vessels against third party risks. It makes the same insurance compulsory for owners or operators of inland vessels to insure against legal liability for death or bodily injury of third parties or of passengers carried for hire or reward and for damage to property of third parties. It prescribes the limits of the liability.

PUBLIC LIABILITY INSURANCE ACT, 1991

It deals with the immediate relief to the persons affected by accidents arising out of hazardous substances. It also deals with that this liability, which is on 'no fault' basis, has to be compulsorily insured.

THE WORKMAN'S COMPENSATION ACT, 1923

It describes the payment by employers to their employee / workmen, of compensation for injury by accident or disease, arising out of and in the course of employment.

SALE OF GOODS ACT

The act relates with the rights and obligations of sellers and buyers of goods like the merchantable quality of goods, the point or time at which ownership transfers from sellers to buyer.

THE INDIAN STAMP ACT, 1899

A policy of insurance must be stamped as per the schedule of rates for various classes of insurance prescribed in the act. A policy can't be enforced in a court of law if it is not stamped.

EXCHANGE CONTROL REGULATIONS

Generally, premiums and the amount of the claim are payable in Indian currency, rupees. The regulations describe the circumstances when premiums and claims can be paid in foreign currency and the procedure for obtaining permission from the reserve Bank of India.

CONSUMER PROTECTION ACT, 1986

The objective to pass this act is to provide for better protection of the interests of consumers and for the settlement of consumers disputes.

It is applicable to the buyers of goods and services. Insurances have been defined as a service for the purpose of the act. The buyer of insurance is a consumer.

The customer or consumer, who thinks that the service given to him was deficient, can file a complaint under the act before the respective forum for redressal. Forums are appointed at different levels to hear grievances.

The procedure for filling a compliant is very simple in all the redressal agencies namely, District Forum, State Commission, National Commission. There is no fee for filling a complaint or filling an appeal. No advocate is required for the purpose of filling a complaint.

If the forum is satisfied about the allegations contained in the complaint, the forum can issue the order directly to the opposite party to do one or more of the following things such as.

- To return to the complainant the price (premium) or as the case may be the charges paid by the complainant.
- To pay such amount as may be awarded by it as compensation to the consumers for any loss or injury suffered by the consumer due to the negligence of the opposite party.
- To remove the defects or deficiencies in the services in question.
- To discontinue the unfair trade practices or the restrictive trade practice or not to repeat them.
- To provide for adequate cost to parties

The majority of insurance consumer disputes with the three forums are in the nature of

(a) Delay in settlement of claims

(b) Non settlement of claims

(c) Repudiation of claims

(d) Assessment of loss

INSURANCE OMBUDSMAN

Ombudsman traces its history to Sweden was back in 19th century and it literally means an authority who is empowered to investigate individual complaints against public authorities, departments etc. later it has been adopted in many countries including UK, Australia etc.

In India the idea of insurance ombudsman (IO) was first mooted in the year 1998. Central government by the powers conferred on it by sub section (1) section 114 of insurance act 1938, has set up an ombudsman specifically for insurance sector. Main objective of insurance ombudsman is redressal and settlement of disputes arising between insured and insurer. Insurance ombudsman is a quasi judicial body established for speedy settlement of disputes in fair, impartial and judicial manner.

The proceedings before insurance ombudsman are summary proceedings without involving any cost and they are speedy too. Thus, the main advantage of IO is its cost effectiveness and expeditious settlement of disputes.

Insurance ombudsman is open to all individuals where the claim amount is less than Rs. 20 lakhs. Powers of insurance ombudsman include examining the complains regarding:

- Partial or total repudiation of claims
- Delay in settlement of claims
- Legal construction of policy (Policy wordings)
- Premium paid or payable
- Non issue of insurance documents to customers after receipt of premium.

Therefore the insurance ombudsman cannot attend to all complaints. Following are the instances where the insurance ombudsman cannot entertain a complaint.

- Any complaint which falls outside the territorial limits of the ombudsman.
- Any complaint where the claim amount is more than 20 lakhs.
- Any dispute / issue / complaint which is under trial in any other judicial or quassi judicial body.
- Where the complaint is not regarding personal lines of business.
- Where the complaint is filed by any artificial juristic person.
- Any complaint which is lodged after one year from the date of issue of first reply by the insurer.

First step to seek redressal under IO scheme is that insured has to apply in writing to the IO under whose jurisdiction the insurer falls. Complaint can be filed either by the insured or his legal heirs and should clearly state the name and address of the insurer against whom the complaint is made, nature and circumstances giving rise to dispute, nature of loss sustained by the complaint and relief sought from IO. Further, complainant has to substantiate his claim with all the documentary evidences. It would be for a maximum of 1 month. After hearing both the parties IO may pass an award, which if acceptable to the complaint, is sent to insurer for final execution. Insurer has to comply with the award within 15 days and same has to be informed to the IO.

If the grievance is not settled on a mutually agreeable basis, IO gives a speaking award within a period not exceeding three months. If the complainant is not satisfied with the award, he can appeal in any other forum or court, however such facility is not available to the insurer. To this extent IO is a one sided system.

Here it may be noted that award passed by the IO has to be complied with, by the insurer with in the specified time i.e., 15 days. However, if the insurer opts for non compliance of the award, there is nothing an IO can do. That is to say that it has no judicial powers for the execution of award given by it, like other judicial systems like consumer forums, civil courts etc.

A specific feature of the IO is that no advocates are allowed to represent insurer / complaint to argue their respective cases. Further IO being a non judicial authority, does not have the powers of summoning particular persons / witness and examining them on oath. Another specific feature of IO is that it can pass award for exgratia settlement of disputes, while such powers of exgratia settlement are not vested with other redressal mechanisms such as consumer courts etc.

2.19 INSURANCE BUSINESS OUTSIDE INDIA

In 1993, the world's total premium for Non-life insurance was estimated at US$ billion which includes health and accident. The major markets in the world have shown spectacular growth in Non-life insurance business. In the US, the non-life premium growth over the 1986-1993 periods has lagged comparable growth rates in Europe and Japan despite similarly high growth rates for the economy as a whole.

INCREASING COMPETITION

Non-life insurance competition is increasing world wide in both developing and developed markets as governments embrace the philosophy that increased competition enhances social welfare. Competition is being augmented as markets are liberalized and as new capacity and marketing arrangements (e.g. through banks) arise. The EU's (European Union) single market program continues to bring competitive benefits to Europe. Japan has recently announced liberalization moves and effected innumerable changes in their system.

Some countries, which had significant barriers to the entry to foreign insurers, have eased access restrictions. It would be interesting to observe the developments in the competitive environment.

COPING WITH CATASTROPHES:

Natural catastrophes can have a significant impact on Non-life insurance markets. In some cases property insurance covers damage caused by catastrophic perils such as earthquake, windstorm, flood and volcanic activity. Insurers generally cover themselves adequately by reinsurance depending upon the capacity to bear losses.

Unfortunately, catastrophe risk exposures are causing numerous problems in many Non-life insurance markets. For example catastrophe reinsurance is non available in some catastrophe reinsurance if not available in some markets, or available only at a price that primary insurers consider prohibitive. This condition can leave a Non-life insurance market exposed to financial ruin. Another problem has been the increasing frequency and severity of catastrophic events worldwide.

THE NORTH AMERICAN INSURANCE MARKETS

The highly developed North American Economy is reflected in the relative size and maturity of two of its Non-life insurance markets. The combined non-life premiums of the United States, Canada and Mexico account for more than 44 percent of the world's Non-life insurance market. The direct premiums, insurance density, insurance penetration and world market share for North America are shown below:

TABLE 2.2 NORTH AMERICAN NON-LIFE INSURANCE – 1993

Country	Premium (in USD Millions)	Premiums per capita (USD)	Premium % as of GDP	World share
United States	328892	1277	5.18	41.52%
Canada	19096	664	3.46	2.41%
Mexico	3830	42	1.06	0.08%
Total	351818			44.41%

Source: Insurance Business Environment IC-12

Above table reveals premium amount, premium per capita, premium in a percentage of gross domestic product and world share in insurance market. United States had 41.52 % world share of Non-life insurance market whereas Canada had 2.41 % and Mexico had 0.08% world share in the year 1993.

UNITED STATES

The Non-life insurance market in the United States is important for a number of reasons. As the worlds largest market, its global market share is 41.5%. Second, the long history of competition in the United States has permitted much experimentation in product development, method of distribution and general business practices. This learning laboratory environment has been useful to other Non-life insurance markets as they contemplate market change and the appropriateness of these US innovations to their markets. Finally, the size and complexity of many US risks demand the capacity and expertise of the Global Insurance and Reinsurance markets. Many non-US insurers and reinsures have a history of providing insurance services to the US Non-life insurance market. In 1994, US property and liability direct premiums were US$ 250.6 Billion. The US property and liability insurance market is dominated by automobile insurance.

The US market consists of a large number of insurers resulting in a relatively low level of market concentration. Over 2000 individual risk bearing entities exist in the US property and liability insurance market, although some of these entities are under common ownership and management through insurance groups and holding company organisations.

US property and liability insurers use multiple distribution systems to reach their customers. The traditional marketing approach in the US relies on insurance agents at the point of sale. These insurance agents represent either a single insurer or many insurers. Insurance agents dedicated to a single insurer are either captive agent who is employees of the insurer or exclusive agents who are independent contractors that represent single insurance organisation independent agents represent a number of insurers. Insurance brokers represent the insurance buyer in the insurance transaction. Insurance brokers in the insurance transaction. Insurance brokers in the US have been most successful as regional or national insurance intermediaries, often representing medium and large insurance efforts have experienced some success in the US personal lines market.

Independent agents, having lost their dominance in the personal lines market, turned their attention to small commercial risks where they have enjoyed success. In addition they are challenging the national brokers for a share of the large commercial risk market. US regulation is state based, with differences in each of regulatory jurisdictions, the National Association of Insurance Commissioners (NAIC), a trade association of the state insurance regulators, has attempted to create some uniformity among the state. However notable differences persist. In the property and liability insurance market, a major regulatory approval prior to insurers implementing rate changes. It would tantamount to in flexibility in rating system. This process can lead to delay or outright rejection of needed rate changes, causing market availability problems. This state by changes causing market availability problems. This state-by-state form of regulation is difficult for insurers wishing to do business in all states. This regulatory structure has impeded some non-US insurers from entering the US property and liability insurance market.

CANADA

Canada is the second major Non-life insurance market in North America. While a number of similarities exist between the Canada and the US Non-life market the Canadian market has some unique features. A unique feature of the Canadian Non-life insurance market is the role of the public sector in providing insurance coverage. Provinces of British Columbia, Manitoba and Saskatchewan provide automobile insurance. These provincial government insurers account for about 16 % of the Canadian property and casualty insurance market. Private non-life insurers account for the remaining 84% of the market, with C$ 15.3 billion in net premium written for 1993. Personal accident and sickness premiums is C$ 6.0 Billion brings the Canadian Non-life market aggregate for 1993 to C$ 24 billion, The table below depicts the relative share of this premium for the major classes of property and liability insurance in Canada.

Table 2.3 Leading Canadian Property and Liability Insurance groups

Insurance Group	Net premiums written-1993 ($ 1000 s)	Market share
Zurich Canada Group	940731	6.11%

General accident	877055	5.70%
Go-operators group	781644	5.08%
Royal Insurance Canada	774705	5.03%
ING Canada Group	638042	4.15%
Economical Group	595497	3.87%
State Farm Group	582248	3.78%
Dominion of Canada General	519818	3.38%
Wawanesa mutual insurance	511838	3.33%
Lloyd's Non Marine	478908	3.11%
Total	6300486	43.54%

Source: Insurance Business Environment, IC-12

The Canadian Non-life insurance market has attracted numerous foreign insurers. British insurers have 19 % shares of the market. US and other foreign owned insurers represent about 33% of the Canadian market. Canadian private insurers account for 32 % of the market with the remaining share provided by provincial insurers. The agency form of distribution dominates the Canadian Non-life insurance market. Agents and brokers account for about 74% of the market. Direct writers and other forms of distribution make up the remaining share of the market.

Regulation of the Canadian Non-life insurance market is shared by the provincial governments and the federal government. Insurers doing business in Canada can elect to operate under a federal character or a provincial character. The federal government regulates all foreign insurers and federally-chartered insurers, which represent about 90 % of the market. The federal government imposes regulatory requirements in the areas of financial reporting, capital requirements, investment constraints and solvency criteria. Provincial governments deal with such issues as policy wording regulation, licensing of agents and brokers and other matters relating to policyholders and claimants.

MEXICO

The passage of the North America Free Trade Agreement (NAFTA) focused attention on the insurance market in Mexico. The Mexican insurance market consists of 43 insurers writing life and non-life business. Insurance companies in Mexico are permitted to write both life and Non-life insurance. The only exception is surety and bonding, with special firms licensed to write these classes of business.

The insurance market in Mexico is concentrated, with a five firm concentration ratio of 80.3 % of life insurance and 68.5 % of Non-life insurance. The largest insurer, group national provincial, has a market share of 19.8%, followed by Seguros Monetary at 12.8 % and Aseguradora Mexicana (SEMEX) at 12.7%. Foreign investment in the insurance industry begins in 1990. At present 13 Mexican insurers have foreign capital. This number has risen, however, with the passage of NAFTA.

Non-life insurance distribution is through agents and brokers. Agents may be exclusive agents dedicated to one insurer or independent agents that may represent several insurers. Brokers are usually larger agencies that are legally constituted as stock companies. Some brokers are owned or affiliated with foreign insurance brokerage organisations. Five types of licenses can be granted to insurance agents personal, industrial, jumbo, agricultural and credit risks. Agents may specialize in one or two classes of business, or be capable of handling all forms of non-life business.

Major insurance regulatory reforms were enacted in 1990. These reforms included the creation of the Commission Nacional de Segurosy Fianzas (CNSF), the major insurance supervisory authority. The CNSF board is composed of representatives of the Central Bank, the national banking commission and the national securities commission. The CNSF established minimum capitalization requirement is a function of the business lines written. Insurers are free to establish their own policy workings and rates; however, they must file these wordings and rates with the CNSF. The CNSF has the authority to disallow a filing if it concludes the products or pricing may adversely affect the insurers' solvency.

EUROPEAN INSURANCE MARKETS

Europe is the world's second largest Non-life insurance market, with a 31 percent share. The European market consists of the 'big three' markets of Germany, France and the United Kingdom followed by a second tier group that includes Italy, the Netherlands, Switzerland and Spain. Each of the remaining countries in Europe has less than a one percent share of the world Non-life insurance market as shown below:

CREATION OF THE SINGLE MARKET IN INSURANCE

The creation of the single EU market in insurance builds on three principles, home country control, minimum harmonization of essential regulation and mutual recognition. Although the third generation of insurance directives is intended to allow complete freedom of cross border trade in insurance subject to home country control, many issue remain unresolved. For example, some argue that EU wide intermediary regulatory standards are unclear, thus possibly allowing unfit brokers into some markets. Insurance taxation and contract law differences seem likely to persist, giving rise to tax and legal conflicts. The ultimate use and interpretation of the directives General Good provision, which allow a member state to prohibit the sale of offending products, remain unclear.

DIRECT MARKETING

Another clear trend in Europe is the success of direct marketing schemes in the mass risks market. Tele marketing of auto and homeowners insurance in the U.K. has been a huge success in a relatively short period to time. Several direct marketers have claimed a rising shares of the mass risks market. This phenomenon has not gone unnoticed on the continent, with growing direct marketing efforts in France, Germany and Spain in the mass risks market.

UNITED KINGDOM

In 1993, the non-life net premium for the entire UK market was estimated at pound 12, 162 million. The London market is composed of three segments: marine / aviation / transport, home foreign and treaty reinsurance. The Department of Trade and Industry (DTI) is responsible for regulating the UK insurance market. The insurance companies act (ICA) of 1982 contains the most important legal provisions of British insurers. Compliance with the ICA provisions dealing with financial requirements and solvency margins is monitored by the DTIs Insurance Division. In recent years the solvency margin requirements have been increased to bring British law into complaisance with EU Directives. The ICA contains no provisions that regulate policy wording or rate, permitting London insurers to be governed by the principle of freedom of contract.

The UK non-life market is composed of two major segments, Lloyd's of London and the London company market. Each segment is significant in its own right, and worthy of discussion.

LLOYD'S OF LONDON

Since 1688, Lloyd's of London has maintained a unique and prominent position in the world's Non-life insurance market. One aspect of Lloyd's that contributes to that uniqueness is its organizational structure. Lloyd's is not an insurance company itself, but serves as a meeting place to facilitate insurance transactions. The real capital base and risk bearing is provided by individuals referred to as underwriting members or names.

Underwriting members are represented at Lloyd's by member agents. A key function of these agents is to advise the underwriting members on participation in certain syndicates, the actual risk bearing entities at Lloyd's. Usually these underwriting syndicates especially in a particular area of insurance, such as aviation, marine, motor, property or general liability. Members of syndicates to delegate the actual management of their insurance activities to managing agents. These managing agents establish a syndicate's underwriting policy and appoint the syndicate underwriters.

Prospective insurance buyers or their broker representatives access the Lloyd's market through Lloyd's brokers. These Lloyd's brokers are the only intermediaries permitted to transact commercial business with syndicates. Lloyd's brokers market the risk to the Lloyd's underwriting community, carefully choosing a lead underwriter that will establish the coverage terms and conditions as well as pricing. The lead underwriter is chosen for its reputation in a particular class of business, since following underwriters will usually be necessary to provide additional capacity for the limits requested.

A slip system is used indicates the percentage participation of each syndicate underwriter. Once a slip is fully subscribed, a cover note is provided to the insured that serves as evidence of the insurance placement.

Lloyd's is governed by the Lloyd's Act of 1982, which provides for a Lloyd's self regulatory structure. The council of Lloyd's is tasked with protecting both the right of policyholders as well as the Lloyd's names. One reform was the introduction of corporate capital to enhance Lloyd's capacity. Corporate capital now represents 23% of Lloyd's capacity of pound 10.2 billion.

Lloyd's also moved to separate the ills of the past from future underwriting activity, with the creation of equities. The equities bad bank facility accepted all 1992 and prior liabilities with the promise not to key the future market for additional funds. Finally, Lloyd's also moved to separate the ills of the past from future underwriting activity, with the creation of equities. The equities 'bad bank' facility accepted all 1992 and prior liabilities with the promise not to levy the future market for additional funds. Finally, Lloyd's created a new central fund for financial security. This new fund of not less than US$ 468 Million supports policies issued in 1993 onwards.

LONDON COMPANY MARKET

The London company market consists of the major UK non-life insurers along with branches or subsidiaries of major foreign insurers and reinsures writing primarily London market business. The market has several interesting elements.

The Institute of London Underwriters (ILU), an association of UK and foreign insurers, specializes in writing marine, aviation and transport (MAT) insurance and reinsurance. The ILUs centralized location creates efficiency for brokers, as they can go to single market to satisfy their client's needs. In addition, the focused nature of coverage provided by ILU members allows for efficiencies such as a centralized agency to conduct hull and cargo surveys worldwide. In 1986, the ILU consisted of 74 insurers with an overall capacity of US$ 14.8 BILLION❽.

The London insurance and Reinsurance Market Association (LIRM) is a similar association of insurers in the non-marine market. Again housing many insurers and re-insurers at one location creates efficiencies. Technology has also been applied to the London market. The London Insurance Market Network (LIMNET) is a centralized computer system that provides linked marketing, claims and communication services to Lloyds, ILU, LIRMA and the London Brokerage Community.

A final segment of the London non-life insurance markets are the marine protection and indemnity (P &I) clubs covering ship owners' liabilities. The 41 P &I clubs are all mutual insurance associations formed by ship owners. They represent about 8% of the world marine insurance market. The P &I clubs have been proved to be a useful insurance mechanism for their participants.

GERMANY

Motor insurance represents the largest segment of the German non-life market with a 63% market share. General liability accounts for 16%, followed by personal accident at 14 %. Property insurance and other miscellaneous lines make up the rest of the market. The German non-life market is characterized by a large number of insurers with a relatively low market concentration. The top ten Non-life insurers account for 36.7% of the total market. This market concentration is low relative to the other Non-life insurance markets in Europe. In addition, the German market has largely been closed to foreign insurers, less than 1 % of the Non-life market is represented by foreign insurers.

Insurance distribution if Germany is dominated by exclusive agents. A few insurers, however, market mass risks coverage on a direct basis. Many large industrial companies in Germany have established their own brokerage Operations. The importance of independent brokers in the commercial insurance market is for less than seen in other developed countries. The regulatory authority in Germany is the federal Supervisory Authority for Private Insurance. This regulatory entity provides both rate and policy wording approval for most forms of Non-life insurance. Although non-industry service bureau standardizes contract wording, the tendency is to approve any policy language that does not deviate from other insurers.

FRANCE

France is the third largest Non-life insurance market in Europe, with a 4.76 % world share or US$ 37706 million in premiums for 1993. Motor insurance is the largest component of Frances' Non-life market, with about 46% of the total premium volume. Dwelling insurance is the next largest, accounting for 14% of the market. Industrial risk insurance is close behind at 13%. Marine and general liability round out the major segments, with 6 % and 5% market shares. At the close of 1993, some 454 non-life insurers operated in France. Three of the largest insurers (UAP, AGF and GAN) were state owned and had a 26.6% market share. France had decided to privatize these insurers, with UAP now public owned company. Limited liability stock insurers account for 36.1 %of the Non-life market followed closely by mutual at 34.4%. Foreign insurers write less than 3% of the French Non-life market.

ASIAN INSURANCE MARKETS

Asia is home to the world's fastest growing economies. As expected this economic growth has resulted in a corresponding expansion of the Non-life insurance market. Japan, the world's second largest insurance market, dominates the Asian Non-life insurance market. South Korea, however, has been growing substantially in the last decade. In addition, many other countries in Asia are being watched closely by global insurers. One is the people's republic of China. The sheer sizes of China's population, coupled with signs that the government is becoming more receptive to foreign insurers, have focused attention on china as a market of opportunity. The same could be said of India and we are witnessing the type of enthusiasm being exhibited by foreign insurers. In fact a number of prospective companies are sitting on the fence to start Operations in India, no sooner they get green signal from the regulator.

LIBERALIZATION AND DEREGULATION

Historically, the great majority of Asian Countries have restricted, if not prohibited access to their markets by foreign insurers. The creation of new domestic insurers often was also restricted if not prohibited altogether. Several markets were dominated by state owned monopolistic insurers (e.g. China, India, Pakistan, and Bangladesh. In addition even those countries that permitted competition typically practiced strict regulation as to policy premiums and forms, thus innovation observed and causing high prices. Some countries have strong tariff regimes and some have even introduced it recently. Market liberalization also promises to bring new challenges to

Asian market. Established domestic insurer will face new, more aggressive competition from foreign owned companies. More refined pricing systems in all lines. Especially automobile insurance could have profound implications for local insurers. Governments unaccustomed to regulating foreign insurers also face new consumer protection challenges.

Liberalization is especially critical to the insurance market in Japan. Japan has been characterized as having a closed non-life market with little opportunity for foreign insurers to participate in Japan's prosperous economy. Japan is moving towards greater market access to foreign insurers.

CATASTROPHIC LOSS FINANCING

The Asian Region is known for its major concentrations of people and property. Large urban property accumulations exist in almost every market, including Japan, Korea, Taiwan, China, Hong Kong, Singapore, Philippines and India. Unfortunately these accumulations are exposed to several catastrophic perils such as earthquakes, flood and volcanic activity. In India these losses have been constant phenomenon. The Non-life insurance markets in these areas are ill equipped to deal with major property disasters. The high levels of under insurance compound the problem, putting pressure on the public sector for the financing of catastrophic losses.

JAPAN

Japans US$ 116.8 billion non-life premiums in 1993 represented almost 15 % of the world market share, interestingly; the Non-life sector is but 26% of Japan's total premium volume. Japans life insurance sector with its US$ 430.5 billion premium volume results in the world's greatest insurance density for life insurance at US$ 3457 million, a figure twice that of Switzerland, the second ranking country for life insurance density.

Automobile insurance representing almost 60 % of the market, dominates the Japanese Non-life insurance market. A unique aspect of some Japanese insurance policies is the maturity refund feature found in my dwelling and personal accident policy. The Japanese non-life market is a concentrated market. There are 25 large domestic insurers including two reinsurance facilities. There are 34 foreign insurers licensed to do business in Japan, however these foreign insurers are but 3 % of the non-life market. Distribution of Non-life insurance products is mainly through agents. In many cases these agents represent more than one insurer. The Japanese non-life agency force is composed almost entirely of women.

Domestic insurers are members of the Marine and Fire Insurance Association, Similar to the Association of British Insurers; Supervisory responsibility lies with the Ministry of finance. An advisory organisation to the Ministry of Finance provides market input to the regulatory process. This insurance council has members from the academic community the media, the commercial sector and the general public.

SOUTH KOREA

The rapid growth of the South Korea economy has resulted in a strong increase in premium income in both the life and Non-life insurance sectors. Average annual growths rate in insurance premium has exceeded 25% over the preceding 10 years. The non-life premium volume of US$ 6.8 billion in 1993 represented about 22% of the total insurance premium in South Korea. The Non-life insurance market in South Korea resembles other markets in Asia in that it is highly concentrated, with fewer than 20 insurers. Most of these insurers are domestic, with only three foreign insurers authorized to do business in the country. Foreign non-life insurers market share is about

0.5%. Non-life premium income is divided into six categories; with the motor-line representing the largest segment is long term deposit type insurance with a 29.4 percent market share. Non-life insurance is distributed through solicitors, agents and direct writing schemes. Historically insurers used exclusive or dedicated agents. Recently, however, agents have been permitted to represent more than one insurer. Solicitors (captive agents) are used primarily to sell to the mass risks market, including the long-term deposit type insurance policies. Direct writers are found primarily in marine insurance where specialized expertise is provided directly the insurers. Brokers are not permitted in Korea.

The insurance market is regulated by the Finance and Economic bureau and the Insurance Supervisory Board (ISB). The Bureau is primarily responsible for the admission of insurers. The ISB is involved with the ongoing regulation of the activities of insurers, intermediaries and the general public. In addition to these two governmental entities, other groups influence insurance Operations in South Korea. The insurance council acts as an advisory committee to the ministry of finance. This council provides advice on the content of insurance policies and other matters related to insurance Operations. The Korean Insurance Development Institute (KIDI) is a statistical rating and research entity that is responsible in insurance related research. Finally the Korean Non-life Association is the markets trade association. The association also acts in a self-regulatory capacity in conduction with the MOF and ISB.

CHINA

For years the Chinese economy has been shrouded in secrecy. Only recently has the world come to know China, including its property and liability insurance market. China's insurance market consists of three national insurers. Peoples Insurance Company of China (PICC), Ping An Insurance Company of China and China Pacific Insurance Company Ltd. are licensed to operate throughout China for all classes of life and non-life business. They have branch offices all over china. The four regional companies are based in Shanghai. American International Assurance (AIA), a unit of American International Group is licensed to sell life and Non-life insurance; however, non-life sales are limited to foreign enterprises. To date most of AIA sales have been in life insurance. Tokyo Marine and Fire is licensed to sell Non-life insurance only, again limited to foreign businesses operating in china. Dazhong insurance company and Tian An Insurance company are licensed to underwrite various types of business relating to foreign and joint venture projects as well as local businesses in Shanghai and the nearby regions.

PICC is a state owned insurer that has dominated that Chinese market. In recent years, however the two other national insurers have made major inroads into PICC's market leadership position, Ping an was established in Shenzhan in 1998 as the first major competitor to PICC, Ping An was capitalized by initial shareholders China Merchants and Industrial and General Bank of China. Since that time, the insurers have attracted other investors, including Morgan Stanley and Goldman Sachs and Company. Ping an is primarily in the Non-life sector, with 70% of its business in motor, property and marine cargo insurance.

China Pacific was established in 1991 by the Bank of Communications. In a very short time it has become China's second largest insurer, with 70 branch offices throughout China and overseas subsidiaries in the United States and Hong Kong. Plans call for additional China Pacific offices in London, Tokyo as well as representative offices in Europe, Southeast Asia and Australia.

PICC, still largest Chinese insurer, is undergoing major internal reforms in order to compete in the new china market. The inefficiencies associated with 5000 branches and 120000 employees will have to change. Training is a major issue for the insurer, and numerous foreign insurers and reinsures are creating educational opportunities as a means of eventually becoming licensed to do business in china. It is difficult to estimate the market potential in China, but it is clear that no one can ignore such a developing market with 1.2 billion potential customers.

THE AFRICAN INSURANCE MARKETS

The African continent in it's entirely represents less than 1 percent of the world's non-life market. South Africa is the only country with any significant history of private insurance institutions. The Non-life premium figures for the African countries are shown below:

TABLE 2.4 AFRICAN NON-LIFE INSURANCE MARKETS – 1993

Country	Premiums (In USD Millions)	World share
South Africa	2871	0.36
Morocco	514	0.06
Algeria	334	0.04
Egypt	262	0.03
Tunisia	239	0.03
Libya	212	0.03
Ivory coast	139	0.02
Kenya	124	0.02
Zimbabwe	113	0.01

Cameroon	97	0.01
Other countries	590	0.07
Total	5994	0.69

Source: Insurance Business Environment, IC-12

Above table reveals the figures of African non-life market for the year 1993.The table shows the amount of premium in US$ millions and world share of insurance market. South Africa had got 36% market share, which was more than others in whole African non-life insurance market.

Table 2.5 International Comparison (Insurance Penetration)

Countries	Total	Non-life	Life	Total	Non-life	Life
United States	8.55	4.32	4.23	8.76	4.28	4.48
Canada	6.49	3.31	3.19	6.56	3.28	3.27
Brazil	2.01	1.66	0.35	2.11	1.75	0.36
Mexico	1.68	0.86	0.82	1.72	0.85	0.86
Chile	3.78	1.13	2.65	4.07	1.15	2.92
United Kingdom	13.35	3.05	10.30	15.78	3.07	12.71
Germany	6.52	3.55	2.96	6.54	3.55	3.00
France	8.52	2.82	5.70	9.40	2.81	6.59
Russia	2.13	1.34	0.78	2.42	1.29	1.13
Japan	11.17	2.30	8.87	10.92	2.22	8.70
South Korea	11.28	2.89	3.39	13.05	3.16	9.89
PR China	1.63	0.61	1.02	1.79	0.67	1.12
India	1.93	0.54	1.39	2.32	0.55	1.77

Malaysia	3.88	1.72	2.16	3.72	1.59	2.13
Indonesia	1.42	0.76	0.66	1.18	0.64	0.54
South Africa	16.54	2.62	13.92	16.86	2.83	14.04
Nigeria	0.95	0.88	0.07	0.66	0.53	0.13
Kenya	3.26	2.48	0.78	2.63	1.191	0.72
Australia	9.82	3.39	6.43	9.41	3.37	6.04

Source: Swiss Re, SIGMA Volumes 9/2000 and 6/2001.

Above table reveals the international comparison of insurance business in both, life and Non-life insurance with Indian Insurance business. Table gives two years data as a percentage of gross domestic products. South Africa has the highest insurance penetration of 16.54% in total in 1999, which has been increased by 16.84% in 2000 in total. United Kingdom has 13.35% insurance penetration whereas it has been improved up to 15.78%.The premium as a percentage of gross domestic product of South Korea, Japan, Australia, United States were 11.28%, 11.17%, 9.82%, 8.55% in 1999 and 13.05%, 10.92%, 9.41% 8.76% in 2000 respectively. Generally the percentages have been increased except in Australia.

Indian had premium of 1.93% of 1999's G.D.P in total, which has been increased by 2.32% of Indian people spend more on life insurance as compared to Non-life insurance.

The development of property and liability insurance markets is closely linked to a regions economic, social and political environment. The demand for property and liability insurance and the nature and structure of the markets created to satisfy this demand often can be explained by assessing the stage of economic development, the social and cultural fabric of the people and the political history and philosophy of the country or region.

Many of the developing nations of the world are encountering the challenges of open markets competition. The orderly structure of closed and regulated markets is being replaced by new market entrants and deregulation. This has meant the emergence of such issues as new product development, competitive market pricing and quality of service.

2.20 OPPORTUNITIES AND CHALLENGES

Insurance is a contract between two parties whereby one party called insurer undertakes in exchange for a fixed sum called premium, to pay the other party called insured a fixed amount of money on the happening of certain event. Insurance indemnifies assets and income. Every asset (living and non living) has a value and it generates income to its owner. The income has been created through the expenditure of effort, time and money. Every asset has expected life time during which it may depreciate and at the end of the life period it may not be useful, till then it is expected to function. Some times it may cease to exist or may not be able to function partially or fully before the expected life period due to accidental occurrences like burglary, collisions, earthquakes, fire, flood, theft etc. these types of possible occurrences are "risks". Future is uncertain; no body knows what is going to happen? It may or may not? Insurance is the concept of risk management the need to manage uncertainty on account of above stated risks. Insurance is a way of financing these risks either fully or partially. Insurance business in India can be broadly divided into two categories such as Life Insurance and General Insurance of Non-life Insurance.

STATUS OF INSURANCE INDUSTRY:

Beginning in the year 1818, insurance business in India has traveled a long way. At the end of financial year 2001 the insurance business is well entrenched as shown in table.

TABLE 2.6 GROWTH OF LIFE INSURANCE BUSINESS IN INDIA

Particular	Financial year				
	1997	1998	1999	2000	2001
Number of policies in force- million	78	85	92	109	129
New business					
Number of policies- million	12.28	13.33	14.86	16.99	19.67
Sun assured – Rs. Billion	569.93	639.28	756.06	914.90	1249.51
Annual premium receivable – Rs. Billion	33.61	38.59	48.81	60.26	88.63
Life Fund	878	1058	1274	1540	1860

Source: ICRA Information Services, "Industry Comment – The Indian Insurance Industry", Hyderabad, 2002, p5

Above table reveals the growth of the life insurance business in India. It gives information about no of policies in force and all details of new business. It also reveals the growth of the life fund during the period of the year 1997 to 2001.

LIBERALISATION

1990S saw the emergence of liberalization. Liberalization meant lifting government controls, permits, licenses and allowing competition to play its role in the economy. With respect to the insurance business, liberalization means allowing private enterprises, including MNCs to operate in the area, which was hitherto monopolized by the government of India.

As a first step towards allowing private sector entry, government of India appointed a committee, in its report submitted in 1994, recommended, among other things, that the insurance sector in India be thrown open to private sector. Government accepted the recommendation and allowed private players to offer insurance cover to Indian citizens.

Earlier to allowing private players to operate, it was necessary to cross the legislative hurdles, such as the passage of the Insurance Regulatory and Development Authority Act 1999 and amendment of life Insurance and General Insurance Corporation acts. These legal requirements being completed with, private players are offered a red carpet welcome to start insurance business.

Several MNCs, in Joint Venture with Indian private sector firms, have stared Operations in a big way. The prominent private players active right now are, ICICI Prudential Life, Max New York Life, HDFC Standard Life, Birla Sun Life, SBI Life and Bajaj Allianz. Their respective market shares are shown in table.

Table 2.7 <u>Market Share of Life Insurance Business (As on 2001-02)</u>

<table>
<tr><td colspan="2">Overall life insurance business</td><td colspan="2">Private Players</td></tr>
<tr><td>LIC</td><td>98.00</td><td>ICICI Prudential Life</td><td>40.00</td></tr>
<tr><td>ICICI Prudential Life</td><td>0.80</td><td>Max New York Life</td><td>14.00</td></tr>
<tr><td>HDFC Standard Life</td><td>0.20</td><td>HDFC Standard Life</td><td>12.00</td></tr>
<tr><td></td><td></td><td>Birla Sun life</td><td>12.00</td></tr>
<tr><td>Max New York Life
SBI Life
Birla Sun Life
Bajaj Allianz</td><td>1.00</td><td>SBI Life
Allianz
Others</td><td>06.00
04.00
12.00</td></tr>
</table>

Source: Business India, October 28 – November 10, 2002, P.45

Above table reveals the market share of life insurance business as on 2001-02. The table is divided mainly in two divisions. A) Overall life insurance business B) The role of private players. LIC – a public sector unit had 98 % market share in the life insurance market during the year 2001-02. ICICI prudential Life had 40 % market share in the private sector of life insurance business of India.

OPPORTUNITIES

Opportunities of insurance sector after liberalization may be discussed under two heads, viz.,

A. Opportunities to LIC
B. Opportunities to Private Players

A.OPPORTUNITIES TO LIC

1. UNTAPPED MARKET

Only 22 % percent of market is covered. Rural and health care insurance, which presently is untapped, will contribute significantly to the growth of insurance business. According to Shanu Sen, CEO, Quadra Advisory, the rural insurance should be looked upon as an opportunity and no obligation. It is important to take advantage of the immense potential that resides in the rural sector. Stuart Purdy, CEO, Dabur CGU Life Insurance, says it is essential to address the issues of social security policies and risk management both in the urban and rural sectors of India.

2. TRUSTED BY CUSTOMER CREDIBILITY / BRAND EQUITY

LIC has an edge over private players in terms of trust and brand equity. This can be taken advantage by the organization. It should become proacting, aggressive and reach out the people. After all LIC knows India better and why not this advantage be put to use? And as the survey MARG shows, 67% of respondents are satisfied with service provided by LIC. This is not enough, Infact; people seem to be satisfied because they had no alternative. LIC must satisfy this.

3. WIDER AGENCY NETWORK

True LIC has a wide network of branches and agents. But their reach is restricted and the business generated by the agents fits into the pure to analysis only 5% of agents generate as much as 80% of business and 95% of agents account for just 20 % of business. Make these 95 % agents to become productive or show the exit route.

4.ABILITY TO PAY HIGH BONUS ON 'WITH PROFIT' POLICIES

LIC is an old company enjoying monopoly all along. It has been running under high profits. At present it can be offer high bonus on profit schemes with the comparison of newly entered private players, for whom it is very difficult to pay high bonus.

5.SPREAD OF RISK

LIC has the advantage of spreading the risk over its policies. It can therefore absorb any loss – for example, terrorist attacks and consequent deaths and spread the loss over other policies. This advantage is not available for other players.

6. BANCASSURANCE

Public sector banks in Indian can emerge as leading players in the distribution of insurance products across country. With the net work of 60000 branches two third of which are in rural areas, and their 117 million customer accounts, insurance companies would be well advised to use them as channels for their products, says Harbhajan Singh, Member, IRDA. Bancassurance in India has a great future. Distributing insurance products could be one way of providing them with a basket of service under one roof, Geeta Das, Associate Vice President, ORG MARG adds.

7. STRONG INFRASTRUCTURE

Internet based business has great potential in life insurance business in coming years due to its convenience but it will depend on the development of the basis infrastructure. LIC being an old company with good infrastructure, it can develop its future business. It is an opportunity which LIC can take advantage of.

8. AVAILABILITY OF TRAINED PROFESSIONAL

Scarcity of experts and trained pool of manpower will be a cause of concern for both LIC and newly entered companies. The difficulty in sourcing of human capital with customer care as a prerequisite and high cost of training / recruitment of suitable sales force will limit participation of the new entrant especially Banks and NBFCs entering this sector with joint ventures. Retaining and motivating skilled employees will be a great challenge to LIC.

9. PREMIUM CHARGED CAN BE LOWERED

Earlier LIC was charging high premium for its policyholders, since it is the only one company offering life insurance. But after liberalization it has to lower premium on policies and take this as opportunity for growth of business.

(B) OPPORTUNITIES TO PRIVATE PLAYERS

1. INNOVATIVE PRODUCTS

The schemes offered by the private companies are better alternative to Public Sector Company. General assumption is that private companies provide innovative products at higher cost. So, private players have to take advantage of the new products for capturing the market at cost more or less equal to LICs prices.

2. INCREASE OF AGE LIMIT

LIC is providing policies for only some people who are coming under one particular age, beyond that it is not providing. It means that the people who are coming at a particular age are left out. At the same time public are feeling that the age limit has to be increased. Newly entered companies have to take this as advantage and they should increase age limits to capture the left out market with little higher premium.

3. PROVIDE BETTER SERVICES

In a survey conducted by MARG, 67% of the respondents were satisfied with the service provided by LIC. But it might be due to low level of expectation and that is the only company, which provides life insurance business. It means there are customers who were not satisfied with LIC. Hence new players have to take this as opportunity to capture the unsatisfied customer market through offering better services and other advantages.

4. HEALTH INSURANCE

Rural and Health care insurance, which presently is untapped, will contribute significantly in growth of insurance business. Particularly, health insurance is another segment with great potential because existing Indian products are insufficient. By the end of 1998 GICs mediclaim scheme covered only 2.5 million people. Indian products do not cover disability arising out of illness or disability for over 100 weeks due to accident. Neither do they cover a potential loss of earning through disability. If private players target this definitely they will capture this market. At the same time this sector provides a number of challenges, it will also provide great opportunities.

5. PENSION SEGMENT

New players should concentrate on pension segment, since this area is currently not served at all. For instance LIC focuses on the money back segment. Targeting pension segment offers expansion opportunities.

CHALLENGES BEFORE THE INDUSTRY

The new as well as the old insurers will have to face a number of challenges in the liberalized market.

1. MINIMUM INVESTMENT / NEW ISSUERS

According to IRDA Act, new insurers will have to invest a minimum capital of Rs. 100 crores. The normal gestation period is five years. The generatio of profit normally starts during the sixth year. Hence, the new players will have to be ready for locking up their capital for at least five years before earning any profits.

2. EXPECTATION OF THE CONSUMERS

At present, LIC is having about 60 products and GIC has about 180 products to offer in the market. But most of them are outdated, as they are not suitable to the needs of the customers. Hence, old as well as new insurers will have to offer innovative products to the customers. The consumers are particularly expecting good pension plans, health plans, term insurance and investment products like unit linked insurance, from the life insurers. In the same way customers expect innovative products from the general insurers for managing health care, property insurance, accident insurance and other products related to personal life of insurance. Hence, all the players in the insurance have to come up with the innovative products, which are suitable for various customers.

3. DISTRIBUTION CHANNEL

In the liberalized insurance market, there will be multiple distribution channels, which will include agents, brokers, corporate intermediaries, bank branches, affinity groups and direct marketing through telesales and internet. The new players will operate with the help of multiple distribution channels but the old players may be forced to operate only with the help of agents. Hence, intense competition will grow among the old and new insurers in the market to win the consumers. This will pose a great challenge to the insurers in the liberalized insurance market.

4. CONSUMER EDUCATION

After liberalization the market is flooded by a large number of products by a fairly large number of insurers operating in the Indian market. Even with limited range of products offered by the LIC and GIC, the customers are confused in the market. Their confusion will further increase in the face of a large number of products, which are offered by the new players. The existing level of awareness of the customer for insurance products is very low, it is so because only 62 % of the population of India is literate and less than 10% are well educated. Even the educated customers are ignorant about the various products of insurance. Hence, it is necessary that all the insurers should undertake the extensive plan for education of customers. This will result in making the awareness of the new insurance for, which leads to expansion of market.

5. BRAND BUILDING

Branding is the new key challenge in the financial services industry. With liberalization of insurance industry, players have to realize the need for branding in a competitive environment. Brand image is something a company cannot afford to ignore, if it wants to carve a niche for itself in the long run. It is important that having made a brand promise, a company must identify itself with delivering that brand, lest it lose the opportunity to influence its clientele. Insurance companies need to strive for greater customer focus regardless of whether the customer is the end user or the intermediary. LIC has been successful in creating a strong brand. In rural India, the LIC is especially synonymous with insurance. But in the wake of competition it has to do a considerable brand building exercise at least in urban India. Brand building is most important for newly entered players. For brand building the companies may incorporate four fundamental building blocks, such as legitimacy, distinctiveness, relevancy and consistency. Brand building is not that much easy but company have to take this as a challenge.

6. E – SERVICE:

Internet has brought about a revolution in the way business is done and insurance is no exception to this. According to a recent research by Tower Group 'e-service' will play a vital role in facilitating the process of servicing insurance products. At present 60%to 70 % of online consumers use the internet to research products. The group also expects a significant growth in on line sales by 2005 for which contribution made by generation Y will play an important role. It also expects the personal line property and causality (P&C) premium resulting from online sales to grow significantly by 2005, approaching 3 to 4.5%, which is more than the current industry estimates of only two percent of premium resulting from online sales. Companies need to take advantage of e-service to serve the consumers online and ensure that the activities are more then mere marketing drives. A better service could, in the course, pave the way for better selling, but companies require a good infrastructure for this. Hence companies have to take this as challenge and try to go for e-service.

7. USE OF TECHNOLOGY:

Technology will play a strategic role in providing a competitive edge be it in aiding design and administering of products and building life long customer relationship. Technology will facilitate and help create brand positioning says Ritu Nanda, Chairperson and CEO, RNIS College of Insurance and India's top most LIC agent. Insurance industry is used to having sophisticated mathematical models and statistics to gauge the risk factor involved in insurance. Now at a time when every business is using technological devices for up gradation of business, insurance sector is not too far behind. Insurance industry is also using high technological equipment but mainly in agro insurance and natural disaster. In a recent court decision of Arkansas the court has given the verdict in favour of insurance company where it had used infrared satellite image to prove its point. Hence, insurance companies have to use Geographical Information System (GIS), Global-positioning system (GPS) for fixation of premium and introduction of new products.

8. BANCASSURANCE

Bancassurance, in the simple terms, means selling insurance products through banks. This distribution channel today for insurance products is widening. Bancassurance as a major distribution channel is eminent in Asia and it is just a matter of time before it assumes an active role. Synergies of the two financial service viz, banking and insurance, if implemented correctly, can bring vast benefits to stakeholders such as banks, insurance companies, shareholders and consumer, through a wide network of branches, corporate client, customer data base, personalized service, rural penetration, cross selling products, cheaper than agents. So, insurance companies have to enter into agreements with the banks for getting the benefit of Bancassurance.

9. HUMAN RESOURCE DEVELOPMENT

Agent's network is conventional channel more prevalent across the world and has been quite successful. But now this network has to become proactive. At the same time IRDA has stipulated that all insurance sales agent have to go through 100 hours training and clear an examination conducted by insurance institute of India. High levels of training and development will be required not just for staff but also for agents and distribution organisations. Existing insurance companies will have to train staff for better service and flexibility, while new players will have to train employees to cope with the products and an intensive use of information technology.

10.INNOVATIVE PRODUCTS

LICs products are outdated, in the sense that public are expecting insurance for different requirement. At the same time mutual funds have picked up in late 1999. So, LIC should take initiative and go into new innovative capital market solution like catastrophe bonds, equities, funds, derivatives, group family insurance, hybrid products to attract new segment of customers. Of course new players have already come up with innovative products; still they have kept an eye on LIC's products and come up with innovative products.

11.CONCENTRATION ON RURAL AREAS

Malhotra committee advised that new entrants in life insurance should be required to transact a certain minimum business in rural areas. There is need to spread life insurance much more widely and particularly to the rural areas, and to the socially and economically backward classes with a view to reaching all insurable persons in the country and providing them at a reasonable cost, adequate financial cover against risks. Rural and health care insurance, which presently is untapped, will contribute significantly in growth of insurance business. It is important to take advantage of the immense potential that resides in the rural sector. LIC as a major company in life insurance business with 48930 rural agents can definitely be taken as opportunity. At the same time this sector provides a number of challenges, and provides great opportunities.

2.21 PRESENT AND FUTURE SCENARIO OF INSURANCE IN INDIA

India continued to be one of the four countries to remain insulated from direct foreign involvement in its insurance. The present government upon assumption of office in December 1999 moved the bill and won for it parliaments approval. The issuance law has changed.

Indian insurance is on the threshold of deep and fundamental changes. The big challenge for both companies and regulator is to ensure that they replicate the benefits of the past while eliminating its ills.

CURRENT MARKET PRACTICE

a. Life Insurance and Benefits Schemes – Life Insurance is a monopoly of the government in India. If there is competition, if it may be so defined, is between the monolithic life insurance Corporation of India (LIC) and the Postal Life Insurance.

b. Life Insurance is not a felt necessity in India. Its purchase is driven by tax rebate and loan facilities. The market penetration of LIC is best assessed in the following table comparing to Taiwan and South Korea.

Table 2.8 CURRENT MARKET

Country	Life Premium US $ Million	% of GDP	Per capital Life Premiums$
India	3193	1.8	5.2
Taiwan	7608	3.5	364.0
South Korea	29838	9.0	677.2

Source: Insurance Business Environment, IC-12

Taiwan and South Korea provide benchmarks for emerging markets post liberalization. The above figures are for the year 1993. Clearly there is must that remains to be done.

GENERAL INSURANCE

Insurance, where required, is directly purchased by a client from any of the four monopoly state insurers. Products are standard and rating uniform with exceptions. Non-admitted insurance is permitted and is subject to market regulation and a strict declinature process. In view of the procedure involved non-admitted insurance is hardly purchased in India. Insurers are now willing to consider non-standard covers in liability and guarantee class of insurance.

CROSS BOARDER TRADE

Insurance purchased overseas without involving transfer of funds from India offers opportunity for purchase of insurance overseas by holding companies of Indian subsidiaries. This would not offend Indian law as there is no payment of premium from India. Local compulsions, issues in equity and tax are the key Considerations in this cross boarder trade.

Imports into India on CIF basis and export from India on CandF basis permit overseas sellers and buyers to purchase insurance respectively.

The law is silent in respect of reinsurance representatives, reinsurance broking and insurance surveys.

REFORM PROCESS

Micro economic aspects of reforms are more important for the macroeconomic consequences. The eighth Third World Insurance Congress (TWIC) at New Delhi (Feb. 1992) aptly concluded that sweeping reforms have succeeded only with the establishment of a strong and well-administered prudential regulatory system.

Market forces operate better when these conditions are met rather than expecting market forces to create such conditions and follow when voluntarily. Private companies would be interested in generating profit and there is nothing wrong in it provided that economic benefits should not accrue with social costs due to weak institutional structure.

FUTURE DIRECTION

Mr. H. Ansari, Member, IRDA, in a paper presented to the Australian Reinsurance Rendezvous in October'99 delineated key areas for IRDA for developing the emerging Indian insurance market. These areas are

1. The economic agenda has been depoliticized to ensure that reforms are irreversible.
2. In this new world of continuous relationship marketing, the regulator shall strive to establish deep and direct linkages between the insurance companies and the policyholders in order to build an unassailable market position.
3. Achieving rapid, sustainable growth requires that companies manage three horizons simultaneously: growing current businesses, expanding into related businesses and seeding options for future growth.
4. Delivering high quality products, given the state of Indian infrastructure, it fragmented retain trade and extreme weather conditions, if often viewed as a challenge. To ensure growth of the insurance business, the regulatory shall help develop innovative business system.

EMERGING POTENTIAL

The consumer mega trends in the early years for the Indian consumer will be marked by major social and economic shifts that will change the way consumers behave. Stimulated by increased knowledge, information and buying power, these shifts will create aspirations for better lifestyles. The demand for various insurance covers can be expected to escalate with efforts at penetration. It is significant that the joint ventures with foreign insurers are at their initiative. Notwithstanding a blocking majority of just 26% these foreign insurers, who are world giants, expect to drive the Indian market through their core competence in insurance. There is no matching track record with any Indian promoter other than the state insurers.

The creators of future potential business would be the IRDA as a development direction provider and the foreign insurers who in their efforts to create awareness to tap a latent potential would add to potential business for the future.

CHALLENGES IN DISTRIBUTION

KPMG have prepared a report on 'Insurance Trends and Issues' which examines the future of distribution for both life and general insurance in India. It is based on KPMG research in India and abroad and on insights gained through working with clients in different markets. There are four significant issues which the report examines.

Competition

Stage 1	Stage 2	Stage 3	Stage 4
Closed market, entry is controlled by state	Barriers to entry are high expertise to operate is essential, license can be obtained	Barriers to entry reduced systems and expertise can be brought	Entries costs are low capital requirements are same for all.
Resource Is Permission strength from state.	resource is expertise	resource is capital	resource is brand

Throughout this development, distribution power is a key competitive strength.

1. The threat of new players taking over the market has been overplayed
2. Nationalized players will continue to hold strong market share positions, but there will be enough business for new entrants to be profitable.
3. New companies overestimate the need for insurance expertise. They assume that a joint venture is the most appropriate type of alliance, when in fact many forms are possible.
4. Both new and existing players must explore new distribution and marketing channels.

INTERMEDIARIES

The IRDA is currently working on norms concerning brokers. In most developed markets, insurance brokers are regulated in the following areas

1. Registration
2. Experience, training and qualification, and other restrictions on entry into the profession.
3. Solvency requirements
4. Professional indemnity or a minimum level of errors. There is also a central fund to protect clients against broker malpractice.

In India, the practice of brokers acting as intermediaries does not exist except in the case of reinsurance. Estimates by Ernst and Young show that intermediaries when introduced as a part of the changes will have a market of between Rs.100 crore and Rs. 150 crore to be exploited.

EXPERTISE AND TECHNOLOGY

With state monopoly the insurance industry is not subject to disruptive competitive moves or developments. The strategies of the state insurers are driven more by government policy and criteria, such as effectiveness and equity in implementing such policy, rather than by efficiency or impact on the bottom line per se. naturally, the education and training in the insurance sector have been influenced by the strategic posture of these public sector insurance companies.

The increasing importance of knowledge in the Indian insurance industry is likely to make employabity a critical factor for retention of qualified managerial manpower in the future. To create such a milieu, insurance companies need to have a critical mass of management graduates and professionals (or equivalent) and a top management that encourages knowledge based culture.

REINSURANCE

The current thrust is to increase retentions. This is being significantly achieved with reduction in ceded reinsurance premium overseas from US$ 250 million to US$ 150 million.

With reinsures like Munich Re and Swiss Re to be licensed there a sea - change is anticipated in reinsurance practice. Besides other reinsures like Zurich, Allianze and AIG are present. A view may be formed for the possibility of transaction similar to the inter bank call money market in respect of risks written by non-life insurers. Brokers can introduce changes in practice and which could include both coinsurance and reinsurance placements.

There is likelihood of accelerated introduction of the new alternative risk techniques, which converge, risk covers and replace at once insurance and its reinsurance. The market is set to witness these unconventional changes at a pace permitted by change in local tax laws and / or in trade off to premium costs.

ISSUES IN OWNERSHIP

This is an important input in progressing the development of the emerging insurance market in India. The law as approved requires the Indian promoter to invest wholly in an insurance venture and not less than 74% if in joint venture with a foreign insurer. The Indian promoter is permitted to divest only after ten years to the Indian public through a public offering of shares. At which point in time the equity structure would provide for equal participation between the Indian and the foreign partner with a share of 26% each in the share capital. The law's intention is clear. The financial interest substantially vests with the Indian promoter permitting the foreign co promoter a definite say in direction and management. The intended partnership is of Indian funds and foreign expertise with a long-term opportunity for the foreign promoter to gain equal say in finance of the joint venture company. Changes are definitely anticipated in the next 5 to 7 years in respect of ownership law.

MACRO ECONOMIC PERSPECTIVE AND TRENDS

Dr. Harlod Skipper in a paper for the International Insurance Federation, Washington, lists seven parameters to assess the contribution to the economy policy makers in India should consider related issues in a large framework of economy and law by including insurance as a serious input. Such an approach would lend weight to the IRDA as a regulator and give thrust to the emerging market. This is possible as the government is politically stable and is forward looking in its actions.

ROLE OF INSURANCE IN INDIA'S FUTURE

1. Insurance would assist business to operate with less volatility and risk of failure and provide for greater financial and societal stability from the growth pangs of an estimated growth rate over 8% in GDP.
2. Government has arranged for disaster management and for funds. NGOs and public institutions assist with fund raising and relief assistance. Besides government provides for social security programs. There is considerable impact upon government in these respects. Insurance substantially steps into provide these services. The effect would be to reduce the strain on the tax payer and assist in efficient allocation of societal resources.
3. Facilitates trade, business and commerce by flexible adaptation to changing risk needs particularly of the burgeoning services sector.

4. Like any other financial institution insurance companies generate savings from the insurance sector within the economy and make available the same in well directed areas of the economy deserving investments, a sector with potential for business as is the case with Indian insurance provides incentive to develop it all the more faster.
5. It enables risk to be managed risk management more efficiently through risk pricing and risk transfers and this is an area which provides unlimited opportunities in the Indian context for consulting, broking and education in the post privatization phase with newer employment opportunities.
6. In its pricing and investment decisions the insurance industry sets the tone for investment by others in the economy. Informed assessment by the insurance companies thus signals allocation of resources by others contributing to efficiency in allocation. In India visibility of LIC and GIC have been dwarfed by government's actions and other high profile institutions like ICICI, IDBI and UTI. Of late AIG is visible in the media and its investment announcements are being followed keenly by institutional investors in India. ING Savings Trust and Zurich are active in asset management and are being keenly followed by retail investors.

Dr. Skipper's seven parameters go a long way in asserting an active future for insurance in the Indian economy.

India has reasonably well developed accounting, legal and supervisory institution. These support the requirements of the insurance market very well. Other support services are expected to readily adapt to the new conditions of the emerging market.

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CHAPTER – 3

ANALYSIS OF GENERAL INSURANCE BUSINESS

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3.1 GENERAL INSURANCE

Insurance is essential for human being. It can be divided into four types

Life Insurance.

Fire Insurance

Marine Insurance

Miscellaneous Insurance.

Life insurance transit with life insurance companies, whereas the other then life insurances are transacted by the general insurance companies transit the other than life insurances. Any company cannot transact with both types of insurance as per the law[1]. Insurance is a federal subject in India. The primary legislation that deals with insurance business in India is:

(i) Insurance Act 1938

(ii) Insurance Regulation and Development Authority Act 1999.

Fire and miscellaneous insurance businesses are predominant for general insurance companies but Motor Vehicle Insurance is compulsory.

MAIN PLAYERS:

General Insurance Corporation of India was the only one company in India for General Insurance Business. With its four subsidiaries in general insurance are working in India. After the effect of the amendment December 2000, General Insurance Corporation transact as a National Reinsurer. General Insurance Corporation had four subsidiaries, namely

1. The Oriental Insurance Company Ltd.

2. The New India Assurance Company Ltd.

3. National Insurance Company Ltd.

4. United India Insurance Company Ltd.

With effect from December 2000 there subsidiaries have been de-linked from the parent company and made as independent insurance companies. The insurance sector opened up for private companies in life insurance as well as non – life insurance companies in 1999. It was followed by the establishment of Insurance Regulatory and Development Authority in April 2000. The foreign companies looked upon the untapped profit potentials in India Insurance Industry and rushed over here.

Private Players In General Insurance:

The legal changes in Insurance Industry attract Nine Private companies in general insurance business[1]. The detailed information about Registration of Indian private General insurance companies as follows:

TABLE 3.1 PRIVATE PLAYERS IN GENERAL INSURANCE

Sr. No.	Registration number	Date of Registration	Name of company
1.	102	23/10/2000	Royal Sundaram Alliance Insurance Company Ltd.
2.	103	23/10/2000	Reliance General Insurance Co. Ltd.
3.	106	4/12/2000	IFFCO Tokio General Insurance Co. Ltd.
4.	108	22/01/2001	TATA AIG General Insurance Co. Ltd.

5.	113	2/5/2001	Bajaj Allianze General Insurance Co. Ltd.
6.	115	3/8/2001	ICICI Lombard General Insurance Co. Ltd.
7.	123	15/7/2002	Cholamandalam General Insurance Co. Ltd.
8.	124	27/8/2002	Export Credit Guarantee Corporation Ltd.
9.	125	27/8/2002	HDFC – Chubb General Insurance Co. Ltd.

Source: Second Annual Report of Insurance Regulatory and Development Authority.

Above table gives information about various private players with its Registration number. Royal Sundaram Alliance Insurance Company was the first company to register the firm for Insurance Business then after other institute followed with the Registration.

Public sector companies are also working in General Insurance. Researcher has taken only public sector companies for the studies because of availability of data so the researcher had made an attempt to evaluate the financial performance of public general insurance companies. This chapter deals with general insurance business. Following are the major four players in Public Sector for General Insurance Business of India.

(a) National Insurance Co. Ltd.

(b) The New India Insurance Co. Ltd.

(c) United Insurance Co. Ltd.

(d) The Oriental Insurance Co. Ltd.

The financial data have been taken from the period 1998-99 to 2002-03 for this research purposes.

3.2 PROFILE OF THE COMPANY

3.2.1 NATIONAL INSURANCE COMPANY:

National Insurance Company was established in 1906. The General Insurance Business Nationalization Act was passed in 1972. In this reference this company was amalgamated with 21 foreign companies and 11 Indian companies. It was established as subsidiary of general insurance company. General insurance company is fully owned by the government of India. National Insurance Company had been separated from its holding company due to the notification of the general insurance Business (Nationalization) Amendment Act. 2002. National Insurance Co. is operating as a Government of India undertaking with independent existing.

National Insurance Company is one of the leading public sector insurance companies of India, which is carrying out Non-life insurance business. Headquarter office of the company is in Kolkatta. There are about 1000 officers with more than 20,000 skilled personally of National insurance company❷. The networks are spread over the length and breathe of the country covering remote Ares, townships and metropolitan cities. National Insurance Company has branch offices in Nepal and Hong Kong for foreign Operations.

The company has wide product range with more than 200 products available in market to cater the needs of various sectors of the economic. National Insurance Company is continuously developed different products to meet emerging needs of society and industry. The company has set up Research and Development cell at Head office for distinctive product innovation relax to indigenous conditions and rural masses.

There are many policies offered by the company (Please refer the pamphlet.) The newly launched policies of the company are

A) Home loan Suraksha Bima
B) Sampoorna Suraksha Bima.
C) Sampoorna Arogya.
D) Bhagyashree Policy.
E) Amartya Sikhs Policy.
F) Students safety policy
G) Office package policy.
H) Yatra Suraksha policy
I) Critical Illness policy.
J) NRI Accident Policy.
K) Senior Citizen policy.

National Insurance Company has been established connectivity among 1000 offices within the country. It will provide facility to get policy through Internet soon. The company set up conciliatory for facilitating quick settlement of Motor Third Party claims, compromising settlement, Lok Adalat and Jald Rahat Yojana. Zonal Advisory Committees set up to maintain progress of the company National Insurance Company has been set up “May I Help You” counters at Head Office and all Regional offices. All officers of the company implement citizen charter commitments.

As a major strategic initiative, National Insurance Company has tied up with commercial banks, Non Banking Financial Institutions, Automobiles

Manufacturers, NGOs and state governments for marketing of its insurance services. Marketing department has been established at Head office to provide the require thrust and direction to business. Strategic Alliances departments have been created at the Regional and Operating levels to exclusively cater to the Tie – Ups. The strategic Alliances Coordinator has the overall responsible of servicing the tie – ups in the Region.

National Insurances Company Ltd. ran among the top Global Business Insurances. National Insurance Company has been awarded the IAAA Rating (Highest rating) by ICRA indicating fundamentally strongly position and highest claims paying ability. It is fastest growing Non-life Insurance Company in India. It is also the second largest Non – life insurance Company in India.

INCOME EVALUATION

A) INCOME FROM UNDERWRITING:

The term underwriting has several meanings. In broadest sense, it refers to the entire transaction of the insurance business. Thus, Insurance companies are referred to as ‘underwriters’. In a restrictive sense ‘underwriting’ is the process of accepting or rejecting risks. If a risk is acceptable underwriting is further concerned with the fixing of rate of premium and the other terms and conditions of the insurance contract. The ultimate objectives of ‘underwriting ‘are:

- The production of a large volume of premium income sufficient to maintain and enlarge on insurer’s organization;
- The earning of a reasonable profit on the insurance Operations. There is a financial data of Income from underwriting.

TABLE 3.2 INCOMES FROM UNDERWRITING:

Year	Income (Crores)	Trend
1998-99	1465.96	100
1999-00	1614.72	110.15
2000-01	1804.54	123.1
2001-02	1813.12	123.68
2002-03	2130.88	145.36
Total	8829.22	602.29

Source: Annual reports of the company for the last five years.

Above table reveals income of the company from underwriting experience. There was only Rs.1465.96 crores of income from underwriting in 1998-99, which has been increased by Rs.2130.88 crores in 2002-03. The trend of the income has been increased during last five years. Thus, company operates very effectively in the underwriting Operations.

B) EXPENSES AND CLAIMS ON UNDERWRITING:

Underwriting is the main business of the insurance companies. There are much expenditure concerned to the expenses and claims on underwriting. Insurance companies must be very accurate to control these expenses.

TABLE 3.3: EXPENSES AND CLAIMS ON UNDERWRITING

Year	Amount (Rs.)	Trend
1998-99	1678.8	100
1999-00	1846.6	110
2000-01	2049.9	122.1
2001-02	2273.1	135.4
2002-03	2430.9	144.8
Total	10279.3	612.3

Source: Annual reports of the company for the last five years.

Above table reveals expenses and claims on underwriting. Expenses have been increased year by year. It was Rs.1678.8Crores in the year 1998-99, which has been increased up-to Rs.2430.9Crores in the year of 2002-03.Thus it will decrease the profit.

C) NET UNDERWRITING INCOME:

Net underwriting income is nothing but the positive difference between income from underwriting and expenses and claims on underwriting. From below given table one can say that whether company is effective or not.

TABLE: 3.4: NET UNDER WRITING INCOME.

Year	Amount (Rs. In crores)	Change over the base year
1998-99	-212.85	100
1999-00	-231.91	108.95
2000-01	-245.37	115.28
2001-02	-460	216.11
2002-03	-300.04	140.96
Total	-1460.17	681.3

Source: Annual reports of the company for the last five years.

Above table reveals that income from underwriting is increased consistently though net underwriting income is decreased, due to higher expenses. There was loss of Rs.212.85Crores in the year of 1998-99, which has been fluctuated up-to loss of Rs.300.04Crores in the year 2002-03.

D) NET OTHER INCOME

Net other income includes interest, rent and income from dividend. It also includes profit on sell of investments. Insurance companies have to invest specific amount in different kind of investment.

TABLE: 3.5: NET OTHER INCOME.

Year	Amount (Rs. In crores)	Change over the base year
1998-99	296.3	100
1999-00	332.36	112.17
2000-01	334.74	112.97
2001-02	366.05	123.54
2002-03	439.46	148.32
Total	1768.91	597

Source: Annual reports of the company for the last five years.

Above table reveals income from other sources, it was Rs.296.3Crores in the year 1998-99, which has been consistently increased up-to Rs.439.46Crores in the year of 2002-03.

E) NET PROFIT:

Net profit means total income minus total expenses. It will become base for tax calculation.

TABLE: 3.6: NET PROFIT

Year	Amount (Rs. In crores)	Change over the base year 1998-99
1998-99	83.45	100
1999-00	100.45	120.37
2000-01	89.37	107.09
2001-02	93.95	112.58
2002-03	139.42	167.07
Total	506.64	607.11

Source: Annual reports of the company for the last five years.

Above table reveals the net profit of the company for the last five years.Net profit of the year 1998-99 is Rs.83.45Crores, which has been increased up-to Rs.139.42Crores in the year of 2002-03.

F) PROFIT AFTER TAX.

Profit after tax is nothing but Net profit minus provision for tax. Company can allocate some funds to reserves as well as declare dividend to share holders.

TABLE: 3.7: PROFIT AFTER TAX

Year	Amount (Rs. In crores)	Change over the base year 1998-99
1998-99	79.88	100
1999-00	96.53	120.84
2000-01	86.77	108.63
2001-02	90.45	113.23
2002-03	134.91	168.89
Total	488.54	611.59

Source: Annual reports of the company for the last five years.

Above table reveals that profit after tax is fluctuated. It was Rs.79.88Crores in the year of 1998-99, which was Rs.96.53Crores, Rs.86.77Crores, and Rs.90.45Crores and Rs.134.91Crores in the year 1999-00, 2000-01, 2001-02 and 2002-03 respectively.

G) INCURRED CLAIMS / NET PREMIUM:

Incurred claims are one of the major expenditure of the insurance company. Net premium is one of the main sources of income. This ratio shows the proportion of expenditure of the Net premium income. It helps to evaluate the effectiveness of insurance company.

TABLE: 3.8: INCURRED CLAIMS / NET PREMIUM

Year	Ratio	Change over the base year 1998-99
1998-99	78.51%	100
1999-00	80.68%	102.76
2000-01	80.99%	103.16
2001-02	95.15%	121.19
2002-03	76.01%	96.82

Source: Annual reports of the company for the last five years.

Above table reveals the ratio of incurred claims to net premium. It was 78.51%, 80.68%, 80.99%, 95.15% and 76.01% in the year 1998-99, 1999-00, 2000-01, 2001-02, 2002-03 respectively.

FINANCIAL STRENGTH OF THE COMPANY:

Net worth of the company can be evaluated by the figures of the liabilities and assets. Below given table gives information about the same. Liabilities include financial data of Paid-up Capital, Estimated liability in respect of outstanding claims and Current Liability and Provisions.

Assets contain net block of assets, Investments, Current Assets, Loans and Advances.

TABLE: 3.9: LAIBILITIES AND ASSETS

Year	Liabilities	Change over the year 1998-99	Assets	Change over the year 1998-99	Net worth / share	Change over the year 1998-99
1998-99	3637.73	100	1174.89	100	108.22	100
1999-00	4045.66	111.21	1267.92	107.92	121.73	112.48
2000-01	4406.86	121.14	1386.35	118	105.44	97.43
2001-02	4657.38	128.03	1405.49	119.63	96.39	89.07
2002-03	5101.66	140.24	1378.47	117.33	107.22	99.08
Total	21849.29	600.62	6613.12	562.88	539	498.06

Source: Annual reports of the company.

There was liabilities and assets of the Rs.3637.73 crores in 1998-99.It has increased consistently to Rs.4045.6 crores, 4406.86 crores, Rs.4657.38 crores and Rs.5101.66 crores in 1999-00,2000-01,2001-02,2002-03 respectively. The Ratio of net worth to share was Rs.108.22, which has been decreased up-to 107.22 in 2002-03.It is not good sign for the future.

RESERVES:

Reserves include Free Reserves and Committed Reserves. There are general reserve, investment reserve and exchange reserve in free reserves. Committed Reserve for doubtful debts, Balance of Accounts and Estimated Liabilities in respect of outstanding claims whether due or intimated.

TABLE: 3.10: RESERVES

Year	Free Reserves	Change over the year 1998-99	Committed Reserves	Change over the year 1998-99
1998-99	825.77	100	2295.5	100
1999-00	933.83	113.09	2562.79	111.64
2000-01	954.37	115.57	2906.4	126.61
2001-02	863.92	104.62	3197.86	139.31
2002-03	972.17	117.73	3524.84	153.55
Total	4550.06	551.01	19345.68	631.11

Source: Annual reports of the company.

Above table reveals figures of the Free Reserve and Committed Reserves. Free Reserves has a fluctuated trend whereas Committed Reserve has been increased during last five years. Company must allocate specific provision from the accounts in Committed Reserves but there is positive trend in free Reserves, which means company has strong financial strength.

INVESTMENTS:

General Insurance Companies have to invest specific amount in Government Securities for transacting the insurance business. Investment includes investments to Banks under Certificate of Deposit Schemes / commercial paper Scheme, cash at bank on F.D. A/c., cash at Bank on calls Deposits, and investment to companies under Commercial Paper Scheme.

TABLE: 3.11: INVESTMENTS

Year	Amount (Rs. In crores)	Change over the base year 1998-99
1998-99	386.91	100
1999-00	499.7	129.15
2000-01	533.31	137.84
2001-02	519.73	134.33
2002-03	738.89	190.97
Total	2678.54	682.29

Source: Annual reports of the company.

Above table reveals the investments of the company for the last five years. The investment of the company was only Rs.386.91 crores in 1998-99, which has been increased up-to Rs.738.89 crores in 2002-03. It means that investment becomes almost double within five year, which is also good sign for the financial worthiness of the company.

CURRENT ASSETS, LOANS, ADVANCES:

There are Sundry Debtors, Cash and bank balances, loans, and current assets in this part of the accounts. Current assets include outstanding premium, Outstanding Interest, Dividend and Rent, Interest, Advances Deposits and prepaid expenses and Agent’s balance.

TABLE: 3.12: CURRENT ASSETS, LOANS AND ADVANCES

Year	Current Assets, Loans and Advances.	Change over the base year 1998-99
1998-99	1174.89	100
1999-00	1267.92	107.92
2000-01	1386.35	118
2001-02	1405.49	119.63
2002-03	1378.47	117.33
Total	6613.12	562.88

Source: Annual reports of the company.

Above table reveal Current Assets, Loans and Advances of the company for the period of five years from 1998-99 to 2002-03. Company had only Rs.1174.89 crores of current assets, Loans and advances which has been increased up-to Rs.1378.47 crores in the year 2002-03.The trend is fluctuating during the five years.

CURRENT LIABILITY AND PROVISIONS:

Liabilities are claims of outsiders against the business. They are the amounts owned by the business to people who have lent money or provided services on credit. If these liabilities are due within an accounting period, they are classified as current liabilities.

TABLE: 3.13: CURRENT LIABILITES AND PROVISIONS

Year	Current liabilities	Change over the year 1998-99	Current provisions	Change over the year 1998-99
1998-99	456.66	100	19.8	100
1999-00	488.84	107.05	20.2	102.02
2000-01	424.05	92.86	22.04	111.31
2001-02	478.23	104.72	17.37	87.73
2002-03	482.52	105.66	22.13	111.77
Total	2330.3	510.29	101.54	512.83

Source: Annual reports of the company.

Above table reveals Current Liabilities and Provisions of the company for the last five years. Current Liabilities were of Rs.456.6 crores in 1998-99, which has been increased up-to Rs.482.52 crores in 2002-03. Provisions have been also increased from Rs.19.8 crores in 1998-99 to Rs. 22.13 crores in 2002-03.Current Liabilities and Provisions, both have fluctuated trends.

GROSS DIRECT PREMIUM:

General Insurance Company transacts business mainly in three types of insurance policies.

Fire Insurance

Marine Insurance

Miscellaneous Insurance.

Gross Direct Premium is main income for General Insurance Company. The table classified in two groups, Gross Direct Premium Income in India and outside India.

TABLE: 3.14: GROSS DIRECT PREMIUM

Details	1998-99	Trend In %	1999-00	Trend In %	2000-01	Trend In %	2001-02	Trend In %	2002-03	Trend In %
In India										
Fire	423.05	100	460.87	108.94	408.09	96.46	491.84	116.26	507.85	120.04
Marine	199.17	100	197.98	99.40	203.8	102.32	207.16	104.01	219.06	109.99
Misc.	1199.1	100	1334.5	111.29	1506	125.59	1666.5	138.98	2136.7	178.19
Sub total (A)	1821.3	100	199332	10944.37	2117.9	116.28	2365.5	129.88	2863.6	157.23
OUTSIDE India										
Fire	2.94	100	3.07	104.42	4.21	143.20	4.32	146.94	3.85	130.95
Marine	3.54	100	3.41	96.33	3.69	104.24	4.04	114.12	1.64	46.33
Sub Total	32.21	100	48.79	151.47	109.85	341.04	73.94	229.56	6.29	19.53
Total (A+B)	1853.5	100	2042.1	110.17	2227.7	120.19	2439.4	131.61	2869.9	154.83
Increase Percentage	13.26 %	100	10.17%	76.70	9.09%	68.55	954%	7194.57	17.65%	133.11

Source: Annual reports of the company for the last five years.

Above table reveals Gross Direct Premium Income of the company. The gross direct premium increases year by year. Miscellaneous insurance contribute the highest portion of the gross direct premium in India and outside India. In India only fire insurance has shown the floating trend, the others have shown the increasing trend.

Outside India, premium income has shown the fluctuating trends in each type of insurance. In the end of the 2002-03, the Miscellaneous Insurance has greatly decreased from 65.58 crores in previous year to 0.80

crores. The overall performance is very good in the terms of G.D.P by 17.65% against the previous year.

WORKING RESULTS:

Working result of the company shows the efficiency of day to day Operations. It includes the figures of Net underwriting Profit or loss, income from other sources, expenses and tax provisions.

TABLE 3.15 WORKING RESULTS

Details	1998-99	Trend In %	1999-00	Trend In %	2000-01	Trend In %	2001-02	Trend In %	2002-03	Trend In %
Net underwriting P/L	-212.85	100	-231.91	108.95	-245.37	115.28	-140.02	65.78	69.47	-32.64
Interest, dividend and rent income including Protect on sale of investments	317.15	100	344.42	108.60	381.77	120.38	119.8	37.77	115.18	36.32
Other income and outgo	-20.85	100	-12.06	57.84	-47.03	225.56	-73.73	353.62	45.22	-216.8
Profit before tax	83.45	100	100.45	120.37	89.37	107.09	93.95	112.58	139.43	167.08
Provision for taxation	3.57	100	3.92	109.80	2.6	72.83	0.39	10.92	6.85	191.88
Net profit after tax	79.88	100	96.53	120.84	86.77	108.63	94.34	118.10	135.65	169.82

Provision / adj. For I.T. for earlier years and no longer required / I.T. Refunds	0.92	100	1.68	182.61	-5.72	-621.7	3.89	422.83	0.74	80.43
Balance available for appropriation	78.96	100	98.21	124.38	81.05	102.65	-90.45	-114.55	134.91	170.86
Transfer to general reserve	59.16	100	78.01	131.86	59.01	99.75	-90.45	-152.9	160.71	271.65
Proposed dividend	18	100	18	100.00	20	111.11	--		25	138.89
Dividend distribution tax	1.8	100	2.2	122.22	2.04	113.33	--		3.2	177.78

Source: Annual reports of the company.

Above table reveals working results of National Insurance Company for the year 1998-99 to 2002-03. The company has succeeded to get good position in the industry. The company earned Rs. 69.47 crores profit against the continuous losses of last four years. Income from interest, dividend and rent is immensely decreased in the year 2001-02 and 2002-03. However the trend of profit before tax is continuously fluctuated since last five years. The company can't proposed divided in the year 2001-02 however in the remaining years the company has been performed well and proposed dividend of Rs. 25 in current year against Rs. 18 in the year 1998-99.

CAPITAL AND FUNDS:

Capital and Funds includes mainly shareholder's fund and policy holder's fund. Share Holder's fund includes paid up capital and general reserves, whereas Policy holder's fund includes reserves to un expired risk and estimated liabilities.

TABLE: 3.16: CAPITAL AND FUNDS

	1998-99	Trend in %	1999-00	Trend in %	2000-01	Trend in %	2001-02	Trend in %	2002-03	Trend in %
Shareholders Fund										
Paid up capital	40	100	40	100	100	250	100	250	100	250
General Reserve	824.33	100	932.39	113.11	952.93	115.60	862.47	104.63	970.73	117.76
Total (A)	864.33	100	972.39	112.50	1052.93	121.82	962.47	111.35	1070.73	123.88
Policy Holders Fund										
Reserve to unexpired Risks	804.6	100	877	109.00	976.83	121.41	972.96	120.92	1137.88	141.42
Estimated liability	1452.9	100	1642.8	113.07	1867.07	128.51	2124.7	146.24	2253.26	155.09
Total (B)	14253	100	1642.8	11.53	1867.07	13.10	2124.7	14.91	2253.26	15.81
Total (A+B)	4461.9	100	4060.1	91.00	3896.83	87.34	3492.2	78.27	3121.83	69.97

Source: Annual reports of the company

Due to legal announcements by the government, the amount of the capital has been increased in 2000-01 from Rs. 40 crores to Rs. 100 crores. The amount transferred to general reserve is continuously increased since last five years, but the trend is not consistent. The policyholder's fund has been increased from Rs. 2257.50 crores in 1998-99 to Rs. 3391.14 crores in 2002-03. The funds are increased continuously, since 1998-99.The main observation of the table suggests that the estimated liability for outstanding claims at the end of year has been decreased whereas reserve for un expired risks has been increased which proves the efficiency of the company in the terms of claim settlements. Since 1998-99. The main observation of the table suggests that the estimated liability for outstanding claims at the end of year has been decreased whereas reserve for unexplained risks has been increased which proves the efficiency of the company in the terms of claim settlements.

GROSS DIRECT CLAIM EXPERIENCE IN INDIA (WITHOUT IBNR)

Gross Direct Premium Income is main source of the income for the insurance company, whereas incurred claims is main outgo of the insurance company. Thus the ratio of incurred claims to gross direct premium income shows efficiency of the insurance company. Table below give information about the same.

TABLE: 3.17: CLASS WISE CLAIM EXPERIENCE OF THE COMPANY.

Class	Gross Direct Premium Income (Rs.in Crores)					Incurred Claim ratio to GDPI in %				
Year	1998-99	1999-00	2000-01	2001-02	2002-03	1998-99	1999-00	2000-01	2001-02	2002-03
Fire	423.05 100%	460.87 108.93%	408.09 96.46%	491.84 116.26%	507.85 120.04%	62.64 100%	31.10 49.64%	76.23 121.7%	40.76 65.07%	33.68 53.7%
Marine cargo	169.81 100%	169.34 99.27%	171.28 100.86%	161.10 94.87%	160.24 94.36%	86.11 100%	75.93 88.18%	56.08 65.13%	50.93 59.14%	58.28 67.68%
Marine Hull	29.36 100%	28.64 97.55%	32.52 110.76%	46.06 156.88%	58.82 200.34%	407.05 100%	51.64 12.68%	85.76 21.06%	-35.56 -8.73%	122.97 30.21%
Motor OD	471.45 100%	539.76 114.48%	619.90 131.48%	638.84 135.50%	906.97 192.37%	65.90 100%	68.40 103.79%	72.89 110.61%	76.23 115.67%	53.07 80.53%
Motor T.P	227.48 100%	246.50 108.36%	264.99 116.48%	274.37 120.61%	441.22 193.95%	202.06 100%	211.23 104.54%	224.11 110.91%	267.07 132.17%	171.22 84.73%
Engineering	128.3	120.7	130.5	122.9	123.9	75.62	68.78	351.8	35.82	58.50

	9 100%	7 94.06%	1 101.65%	0 95.72%	4 96.53%	100%	90.95%	0 465.22%	47.36%	77.36%
RNTB	102.24 100%	78.67 76.94%	85.71 83.83%	75.49 73.83%	80.52 78.75%	46.96 100%	87.25 185.79%	79.99 170.34%	77.05 164.07%	49.99 106.45%
Other Misc.	269.54 100%	348.71 129.39%	404.88 150.21%	554.87 205.86%	584.02 216.67%	56.04 100%	81.03 144.59%	69.51 124.03%	59.38 105.96%	69.31 123.67%
Total	1821.32 100%	1993.32 109.44%	2117.88 116.28%	2365.47 129.87%	2863.58 157.23%	87.69 100%	80.81 92.15%	108.12 123.30%	81.07 92.45%	73.02 83.27%

Source: Annual reports of the company for the last five years.

The gross direct premium written by the company has grown by 21.06% to aggregate volume of Rs. 2863.58 crores as against previous year 2001-2002 figure of Rs. 2365.47 crores. The company increased the gross direct premium income since 1998-99.Motor O.D., Miscellaneous insurance and fire insurance have played important role in terms of gross direct premium income. Marine hull insurance is the lowest earner of the company. The incurred claim ratio to gross direct premium income had been gradually decreased except the financial year 2000-01. The decreased ratio proves the improved efficiency of the company. The ratio of the year 2002-03 is 73.02 against 81.07 in the previous year.

DETAILS OF PERFORMANCE OF SOME OF THE PERSONAL LIFE INSURANCES

The insurance company provides different type of insurance policies. Below table gives information of some personal life insurance policies. The Policies are Cattle insurance, Janta Personal Accident Policy, Gramin Personal Accident Policy, Rural Insurance, Rajeshwari Mahila Kalyan Bima Yojana, Bhagyashree Child welfare Bima Yojana, Jan Arogya policy, Mediclaim Insurance and Personal Accident Insurance for the Kisan Credit card holder's.

TABLE:3.18: DETAILS OF PERFORMANCE OF SOME OF THE PERSONAL LIFE INSURANCES

(Figures in Thousand)

Policy details	Year	No. of policy issued	Number covered	Premium received Rs.	No. of claims reported	No. of claims settled	Amount paid Rs.	Incurred claim amt. Rs.	Incurred claim ratio (%)
Cattle insurance	1998-99	852	1060	297678	56	83	153915	169742	57.02
	Trend In %	100	100	100	100	100	100	100	100
	1999-00	997	1334	262421	28	22	23334	235658	89.8
	Trend In %	117.0	125.85	88.16	50.00	26.51	15.16	138.83	157.49

	2000-01	700	1364	279248	26	38	26126	231708	82.98
	Trend In %	82.16	128.68	93.81	46.43	45.78	16.97	136.51	145.53
	2001-02	2564	3235	285150	93	80	231680	235315	82.5
	Trend In %	300.94	305.19	95.79	166.07	96.39	150.52	138.63	144.69
	2002-03	266	623	226888	27.4	23.3	162418	185803	81.9
	Trend In %	31.22	58.77	76.22	48.93	28.07	105.52	109.46	143.63
Janta personal accident policy	1998-99	2874	3326	384165	2	2	93294	113342	29.5
	Trend In %	100	100	100	100	100	100	100	100
	1999-00	732	931	105254	4	5	196721	358458	340.56
	Trend In %	25.47	27.99	27.40	200.00	250.00	210.86	316.26	1154.44
	2000-01	800	1121	142944	3	6	215675	303461	211.29
	Trend In %	27.84	33.70	37.21	150.00	300.00	231.18	267.74	716.24

	2001-02	775	1038	133696	7	6	218235	248531	186
	Trend In %	26.97	31.21	34.80	350.00	300.00	233.92	219.28	630.51
	2002-03	192	875	230505	7.1	5.3	2072	260143	112.8
	Trend In %	6.68	26.31	60.00	355.00	265.00	2.22	229.52	382.37
Gramin personal accident policy	1998-99	80	162	811	270	271	2709	75.8	93.46
	Trend In %	100	100	100	100	100	100	100	100
	1999-00	73	137	686	74	61	602	245	35.71
	Trend In %	91.25	84.57	84.59	27.41	22.51	22.22	323.22	38.21
	2000-01	79	152	759	79	66	652	316	41.63
	Trend In %	98.75	93.83	93.59	29.26	24.35	24.07	416.89	44.54
	2001-02	37	99	495	47	40	400	17	3
	Trend In %	46.25	61.11	61.04	17.41	14.76	14.77	22.43	3.21
	2002-03	30.2	1681	8407	1.8	1.9	9210	92.1	109.55

	Trend In %	37.75	1037.65	1036.62	0.67	0.70	339.98	121.50	117.22
Rural Insurance	1998-99	4883	9766	997402	329	358	364598	413898	41.5
	Trend In %	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	1999-00	3683	7365	769158	107	89	505074	662460	86.13
	Trend In %	75.42	75.41	77.12	32.52	24.86	138.53	160.05	207.54
	2000-01	3697	7394	862506	109	112	523105	678206	78.63
	Trend In %	75.71	75.71	86.48	33.13	31.28	143.47	163.86	189.47
	2001-02	3404	6807	754964	148	128	558119	580364	77
	Trend In %	69.71	69.70	75.69	44.98	35.75	153.08	140.22	185.54
	2002-03	439.1	2605	266063	164	233	78314	110354	41.5
	Trend In %	8.99	26.67	26.68	49.85	65.08	21.48	26.66	100.00
Rajeshwari Mahila Kalyan	1998 -99	2603	22600	339	9	9	138	-	40.7

Bima Yojana.	Trend In %	100	100	100	100	100	100		100
	1999-00	30608	227000	3831	72	68	1080		28.19
	Trend In %	1175.87	1004.42	1130.09	800.00	755.56	782.61		69.26
	2000-01	32400	348400	3801	55	56	825		21.7
	Trend In %	1244.72	1541.59	1121.24	611.11	622.22	597.83		53.32
	2001-02	51129	158733	7781	412	283	1923		24.71
	Trend In %	1964.23	702.36	2295.28	4577.78	3144.44	1393.48		60.71
	2002-03	9059	412864	6192	204	332	4980		80.42
	Trend In %	348.02	1826.83	1826.55	2266.67	3688.89	3608.70		197.59
Bhagyashree Child Welfare Bima Yojana.	1998-99	4713	5400	82	-	-	-		-
	Trend In %	100	100	100					
	1999-00	9534	12000	180	3	3	45	-	25
	Trend In %	202.29	222.22	219.51					

	2000-01	10106	13260	199	4	4	60	-	30.15
	Trend In %	214.43	245.56	242.68					
	2001-02	10957	18759	363	5	2	30	-	8.26
	Trend In %	232.48	347.39	442.68					
	2002-03	4787	45789	686	0	0	0	-	-
	Trend In %	101.57	847.94	836.59					
Jan Arogya Policy.	1998-99	3011	37742	2643	3695	3227	2716	-	102.7
	Trend In %	100	100	100	100	100	100		100
	1999-00	8020	83379	6114	5790	5725	7714		109.8
	Trend In %	266.36	220.92	231.33	156.70	177.41	284.02		106.91
	2000-01	75652	80117	6600	6479	6380	6410		97.12
	Trend In %	2512.52	212.28	249.72	175.35	197.71	236.01		94.57
	2001-02	90736	123948	8902	9609	7017	8547		96

	Trend In %	3013.48	328.41	336.81	260.05	217.45	314.69		93.48
	2002-03	18098	207701	19403	6678	5987	18231		96.39
	Trend In %	601.06	550.32	734.13	180.73	185.53	671.24		93.86
Mediclaim Insurance.	1998-99	332402	509775	305700	42311	37656	306300		100.19
	Trend In %	100	100	100	100	100	100		100
	1999-00	572308	748508	521000	48653	44760	363000		69.67
	Trend In %	172.17	146.83	170.43	114.99	118.87	118.51		69.54
	2000-01	610571	803742	566800	84392	77643	604500		117.13
	Trend In %	183.68	157.67	185.41	199.46	206.19	197.36		116.91
	2001-02	897480	2497801	1761453	212313	189595	1457261		82.7
	Trend In %	270.00	489.98	576.20	501.79	503.49	475.76		82.54
	2002-03	436273	2025610	2253386	148963	140274	2207372		104.17
	Trend In %	131.25	397.35	737.12	352.07	372.51	720.66		103.97

Personal Accident Insurance for Kisan Credit Card Holders.	2001-02	1	55	1574	7	-	-	350	22.24
	Trend In %	100	100	100	100			100	100
	2002-03	16.7	61.5	1837	10	4	216	266	14.48
	Trend In %	1670.00	111.82	116.71	142.86			76.00	65.11

Source: Annual report of the company for the last five years.

Above table reveals information about the number of policies issued, No. of persons covered, Premium received, no. of claims settled, paid amount, incurred claims amount as well as incurred claim ratio. The information is given for the period of year 1998-99 to 2002-03.

FOREIGN BUSINESS

Company has done its business out of India. The table gives information about incomes and expenditure of the foreign business of the company. There is information about Gross Direct Premium Income, Net Premium Income, Net Incurred Claims, Expenses of the management, Change in Reserves, Income from other sources, Net profit or loss of the company for the period 1999-00 to the year 2002-03.

TABLE : 3.19 : FOREIGN BUSINESS

Details	1999-00	Trend In %	2000-01	Trend In %	2001-02	Trend In %	2002-03	Trend In %
Gross direct premium	48.79	100.00	109.85	225.15	73.94	151.55	6.29	12.89
Net Premium	44.06	100.00	103.2	234.23	62.25	141.28	-10	-22.70
Net Incurred claims	21.64	100.00	79.29	366.40	68.44	316.27	126.67	585.35
Expenses of Management	14.09	100.00	38.67	274.45	22.9	162.53	0.4	2.84
Decrease / Increase in Reserve	3	100.00	3.2	106.67	3.62	120.67	3.29	109.67
Investment and other Income	7.26	100.00	29.79	410.33	-20.44	-281.54	-37.25	-513.09
Foreign Exchange Gain / Loss	1.36	100.00	2.06	151.47	2.58	189.71	1.49	109.56
Net. Profit / Loss	0.68	100.00	2.62	385.29	3	441.18	-1.26	-185.29
Total	0.11	100.00	-43.07	-39154.55	-6.69	-6081.82	-102.88	-93527.27

Source: Annual reports of the company for the last five years.

Above table reveal foreign business of the year 1999-00 to 2002-03. The premium income has been fluctuated from 1999-00 to 2002-03.It has been decreased from the year 2000-01to 2002-03. Net incurred claims have been increased from Rs. 21.64 crores to Rs. 126.67 crores in 2002-03. Expenses of management have been increased. Thus overall net profit could not achieve by the company. Company does not done well job in foreign during last four years.

3.2.2 THE NEW INDIA ASSURANCE COMPANY.

The New India Assurance Company is the largest non – life insurer in India. The company was incorporated on 23rd July 1919. The company is founded by the House of TATA's Sir Darab Tata set up this company to provide insurance protection to the Indians Government of India took over the managements of the company along with that of all other non – life insurances in the country. Taking over 23 companies under the scheme of Merger subsequently reconstituted the new India assurance company.

The company has its head office at member with the network of the offices as follows.

TABLE: 3.20 NETWORK OF OFFICES

* As March 31, 2004.

Type of the office	Numbers of the offices.
Regional offices	26
Divisional Offices	397
Branch offices	649
Direct Agent Branches	39

Source: www.niacl.com.

The new India assurance company commenced overseas Operations in 1920. The company transacts general insurance business in 23 countries in the year 2003. The company has overseas presence in countries like Japan, U.K. Middle East. Fiji and Australia. The company operates overseas through a network of 18 Branches, 12 agencies, 2 associated companies and 2 subsidiary companies in the year 2004. The company is the largest non – life insurance in Afro – Asia excluding Japan.

TABLE NO. 3.21: EMPLOYEE STRENGTH.

Category	Total Number of Employees	Function
Class – I	4765	Supervisory
Class – II	3138	Development Force
Class – III	10466	Clerical / Secretarial
Class – IV	2329	Sub staff / Drivers
Total	21141	

Source: www.niacl.com.

The Company has trained and technically qualified staff in India and abroad.

PRODUCT RANGE:

The new India assurance company ltd. has a wide product range. The products range can be classified mainly into five classes as fallows.

(A) PERSONAL

Pravasi Bharatiya Bima Yojana Policy, Health plus Medical Expenses Policy, Mediclaim Policy, Personal Accident Policy, Overseas Mediclaim Policy , Householders Policy , Motor Policy , Bhavishya Arogya Policy , Money Insurance , Rasta Apatti Kavach (Road Safety Insurance) , Suhana Safar Policy , TV/VCR/VCP Insurance , Mobile/Cellular Phone Insurance , Other Personal Insurance .

(B) COMMERCIAL

Jewellers Block Policy, Bankers Indemnity Policy, Shopkeepers Policy, Marine Cargo Policy , Plate Glass Insurance , Special Contingency Policy , Neon Sign Insurance , Multi Peril Policy for L.P.G. Dealers , Fidelity Guarantee Insurance Policy , Marine Hull Policy , Aviation Insurance .

(C) INDUSTRIAL

Fire Policy , Burglary Policy , Machinery Breakdown Policy , Electronics Equipment Policy , Consequential Loss Policy , Contractors All Risk Policy, Marine cum Erection / Storage cum Erection Policy , Advanced Loss of Profit / Delay in Startup Policy, Contractor Plant and Machinery Policy , Mega Package Policies .

(D) LIABILITY

Public Liability Policy , Products Liability Policy , Professional Indemnity Policy , Directors and Officers Liability Policy , Lift (Third Party) Insurance

, Employers' Liability Policy, Carrier's Liability Insurance , Liability Insurance Act Policy , Golfers Indemnity Insurance .

(E) SOCIAL

Universal Health Insurance Scheme , Jan Arogya Bima Policy , Raj Rajeshwari Mahila Kalyan Yojana , Bhagyashree Child Welfare Policy, Janata Personal Accident Insurance , Student Safety Insurance , Ashrya Bima Yojana , Rural Insurance .

PIONEERS: -

The New India Assurance Co. is the pioneer for many activities of general insurance business.

1. It is first company to set up an Aviation Insurance Department in 1946.
2. It is first company to handle the Hull insurance requirements of the Indian shipping fleet.
3. It is first company to establish to own training school.
4. It is first company to introduce the concept of Model office Training
5. It is the first company to create department in engineering insurance.
6. It is pioneer in satellite insurance.

STRENGTHS OF THE COMPANY

The New India Assurance Company Ltd. has largest number of offices in India and abroad. The company has trained and technically qualified staff with 112 fully computerized offices across India. M/s. A. M. Best (Europe) company ltd. has rated the company as ‘A’ (Excellent) for the fifth consecutive year. Rating is based upon following factors.

Superior capital position, strong operating performance and strong market position. The rating reflects the company’s excellent risk adjusted capitalization. Consistent returns from its investments portfolio and favorable growth opportunities in the domestic market❸.

INCOME EVALUATION

A) INCOME FROM UNDERWRITING:

The term underwriting has several meanings. In broadest sense, it refers to the entire transaction of the insurance business. Thus, Insurance companies are referred to as ‘underwriters’. In a restrictive sense ‘underwriting’ is the process of accepting or rejecting risks. If a risk is acceptable underwriting is further concerned with the fixing of rate of premium and the other terms and conditions of the insurance contract. The ultimate objectives of ‘underwriting’ are:

(i) The production of a large volume of premium income sufficient to maintain and enlarge on insurer’s organization; and

(ii) The earning of a reasonable profit on the insurance Operations. There is a financial data of Income from underwriting.

Table 3.22 INCOME FROM UNDERWRITING:

Year	Income (Crores)
2000-01	-446.04
2001-02	-533.71
2002-03	-490.26

Source: Annual reports of the company for the last five years.

Above table reveals income of the company from underwriting experience. There were only Rs. -426.04 Crores of from underwriting in 2000-01, which has been decreased by Rs.-490.26crores in 2002-03. There are only losses during the period of study. Thus, company operates very ineffectively in the underwriting operations.

B) EXPENSES AND CLAIMS ON UNDERWRITING:

Underwriting is the main business of the insurance companies. There are much expenditure concerned to the expenses and claims on underwriting. Insurance companies must be very accurate to control these expenses.

TABLE: 3.23: EXPENSES AND CLAIMS ON UNDERWRITING.

Year	Amount (Rs. In crores)	Change over the base year 1998-99
1998-99	2173.74	100
1999-00	2655.43	122.16
2000-01	3117.52	143.41
2001-02	3601.94	165.70
2002-03	4006.67	184.32
Total	1555.3	715.59

Source: Annual reports of the company for the last five years.

Above table reveals expenses and claims on underwriting. Expenses has been increased year by year. It was Rs.2173.74Crores in the year 1998-99, which has been increased up-to Rs.4006.67Crores in the year of 2002-03.Thus it will decrease the profit.

C) NET UNDERWRITING INCOME:

Net underwriting income is nothing but the positive difference between income from underwriting and expenses and claims on underwriting. From below given table one can say that whether company is effective or not.

TABLE 3.24: NET UNDERWRITING INCOME:

Year	Amount (Rs. In crores)	Change over the base year 1998-99
1998-99	13.18	100
1999-00	-177.98	-1350.38
2000-01	-446.04	-3384.22
2001-02	-88.47	-671.24
2002-03	-24.09	-182.78
Total	-725.4	-2787.86

Source: Annual reports of the company for the last five years.

Above table reveals that income from underwriting is fluctuating though the company does not obtain net underwriting income. Due to higher expenses, there was profit of Rs.13.18Crores in the year of 1998-99, which has been fluctuated up-to loss of Rs24.09Crores in the year 2002-03.

D) NET PROFIT:

Net profit means total income minus total expenses. It will become base for tax calculation.

TABLE 3.25: NET PROFIT

Year	Amount (Rs. In crores)	Change over the base year 1998-99
1998-99	564.69	100
1999-00	435.32	77.09
2000-01	238.84	42.30
2001-02	208.21	36.87
2002-03	312.82	55.40
Total	1759.88	311.66

Source: Annual reports of the company for the last five years.

Above table reveals the net profit of the company for the last five years.Net profit of the year 1998-99 is Rs.564.69Crores, which has been fluctuating up-to Rs.312.82Crores in the year of 2002-03.

F) PROFIT AFTER TAX.

Profit after tax is nothing but Net profit minus provision for tax. Company can allocate some funds to reserves as well as declare dividend to share holders.

TABLE 3.26: PROFIT AFTER TAX

Year	Amount (Rs. In crores)	Change over the base year 1998-99
1998-99	375	100
1999-00	287.29	76.61
2000-01	173.54	46.28
2001-02	142.01	37.87
2002-03	255.81	68.22
Total	1233.65	328.98

Source: Annual reports of the company for the last five years.

Above table reveals that profit after tax is fluctuated. It was Rs.375Crores in the year of 1998-99, which was Rs.287.29Crores, Rs.173.54Crores, and Rs.142.01Crores and Rs.255.81Crores in the year 1999-00, 2000-01, 2001-02 and 2002-03 respectively.

G) INCURRED CLAIMS / NET PREMIUM:

Incurred claims are one of the major expenditure of the insurance company. Net premium is one of the main sources of income. This ratio shows the proportion of expenditure of the Net premium income. It helps to evaluate the effectiveness of insurance company.

TABLE 3.27: INCURRED CLAIMS / NET PREMIUM

Year	Amount (Rs. In crores)	Change over the base year 1998-99
1998-99	71.41%	100
1999-00	76.94%	107.74
2000-01	85.35%	119.52
2001-02	83.28%	116.62
2002-03	76.77%	107.51

Source: Annual reports of the company for the last five years.

Above table reveals the ratio of incurred claims to net premium. It was 71.41%, 76.94%, 85.35%, 83.28% and 76.77% in the year 1998-99, 1999-00, 2000-01, 2001-02, 2002-03 respectively.

FINANCIAL STRENGTH OF THE COMPANY:

Net worth of the company can be evaluated by the figures of the liabilities and assets. Below given table gives information about the same. Liabilities include financial data of Paid-up Capital, Estimated liability in respect of outstanding claims and Current Liability and Provisions.

Assets contain net block of assets, Investments, Current Assets, Loans and Advances.

TABLE: 3.28: LIABILITIES AND ASSETS

Year	Current liabilities	Change over the year 1998-99	Assets	Change over the year 1998-99	Net Worth	Change over the year 1998-99
1998-99	7218.31	100	7218.31	100	315.53	100
1999-00	8165.75	113.13	8165.75	113.13	357.48	113.3
2000-01	8556.75	118.54	8556.75	118.54	306.77	97.22
2001-02	12236.1	169.52	12236.1	169.52	318.94	101.08
2002-03	12984.8	179.89	12984.8	179.89	340.4	107.88
Total	49161.71	681.08	49161.71	681.08	1639.12	519.48

Source: Annual reports of the company.

There was liabilities and assets of the Rs.7218.31crores in 1998-99.It has increased consistently to Rs.8165.75crores, 8556.75Crores, Rs.12236.14crores and Rs.12984.75crores in 1999-00,2000-01,2001-02,2002-03 respectively. The Ratio of net worth to share was Rs.315.53, which has been fluctuated up-to Rs.340.40Crores in 2002-03.It is not good sign for the future.

RESERVES:

Reserves include Free Reserves and Committed Reserves. There are general reserve, investment reserve and exchange reserve in free reserves. Committed Reserve for doubtful debts, Balance of Accounts and Estimated Liabilities in respect of outstanding claims whether due or intimated.

TABLE: 3.29: RESERVES

Year	Free Reserves	Change over the year 1998-99	Committed Reserves	Change over the year 1998-99
1998-99	2484.23	100	76.01	100
1999-00	2819.86	113.51	99.98	131.54
2000-01	2967.39	119.45	0.06	0.08
2001-02	3089.39	124.36	2736.14	3599.71
2002-03	3304	133	2315.38	3046.15
Total	11360.87	590.32	2912.19	6877.48

Source: Annual reports of the company.

Above table reveals figures of the free Reserve and Committed Reserves. Free Reserves has a increasing trend whereas Committed Reserve has been fluctuating during last five years. Company must allocate specific provision from the accounts in Committed Reserves but there is positive trend in free Reserves, which means company has strong financial strength.

CURRENT ASSETS, LOANS, ADVANCES:

There are Sundry Debtors, Cash and bank balances, loans, and current assets in this part of the accounts. Current assets include outstanding premium, Outstanding Interest, Dividend and Rent, Interest, Advances Deposits and prepaid expenses and Agent’s balance.

TABLE 3.30: CURRENT ASSETS, LOANS AND ADVANCES

Particulars	1998-99	Trend in %	1999-00	Trend in %	2000-01	Trend in %	2001-02	Trend in %	2002-03	Trend in %
Loans	--		--		1079.97		1013.44		967.33	
Cash and Bank Balances	--		--		1154.7		1152.86		1587.46	
Advances and other assets										
(i) Advances	--		--		129.68		251.32		27.7	
(ii) Other assets	--		--		972.6		1018.7		1152.23	
Total	--		--		1102.28		1270.02		1427.03	

Source: Annual reports of the company.

Above table reveal Current Assets, Loans and Advances of the company for the period of five years from 1998-99 to 2002-03.

CURRENT LIABILITY AND PROVISIONS:

Liabilities are claims of outsiders against the business. They are the amounts owned by the business to people who have lent money or provided services on credit. If these liabilities are due within an accounting period, they are classified as current liabilities.

TABLE: 3.31: CURRENT LIABILITIES AND PROVISIONS.

Year	Current liabilities	Change over the year 1998-99	Current provisions	Change over the year 1998-99
1998-99	581.31	100	555.55	100
1999-00	671.74	115.56	534.34	96.18
2000-01	3912.14	672.99	1576.86	283.84
2001-02	4483.05	771.20	1827.58	328.97
2002-03	5058.09	870.12	2207.28	397.31
Total	14125.02	2529.87	6701.61	1206.3

Source: Annual reports of the company.

Above table reveals Current Liabilities and Provisions of the company for the last five years. Current Liabilities were of Rs.581.31crores in 1998-99, which has been increased up-to Rs.5058.09crores in 2002-03. Provisions have been fluctuated from Rs.555.55crores in 1998-99 to Rs. 2207.28crores in 2002-03.

GROSS DIRECT PREMIUM:

General Insurance Company transacts business mainly in three types of insurance policies.

- Fire Insurance
- Marine Insurance
- Miscellaneous Insurance.

Gross Direct Premium is main income for General Insurance Company. The table classified in two groups, Gross Direct Premium Income in India and Outside India.

TABLE 3.32: GROSS DIRECT PREMIUM

Details	1998-99	Trend In %	1999-00	Trend In %	2000-01	Trend In %	2001-02	Trend In %	2002-03	Trend In %
In India										
Fire	423.05	100	460.87	108.94	408.09	96.46	491.84	116.26	507.85	120.04
Marine	199.17	100	197.98	99.40	203.8	102.32	207.16	104.01	219.06	109.99
Misc.	1199.1	100	1334.5	111.29	1506	125.59	1666.5	138.98	2136.7	178.19
Sub total (A)	1821.3	100	199332	10944.37	2117.9	116.28	2365.5	129.88	2863.6	157.23
OUTSIDE India										
Fire	2.94	100	3.07	104.42	4.21	143.20	4.32	146.94	3.85	130.95
Marine	3.54	100	3.41	96.33	3.69	104.24	4.04	114.12	1.64	46.33
Sub Total	32.21	100	48.79	151.47	109.85	341.04	73.94	229.56	6.29	19.53
Total (A+B)	1853.5	100	2042.1	110.17	2227.7	120.19	2439.4	131.61	2869.9	154.83
Increase Percentage	13.26%	100	10.17%	76.70	9.09%	68.55	954%	7194.57	17.65%	133.11

Source: Annual reports of the company for the last five years.

Above table reveals Gross Direct Premium Income of the company. The gross premium income in India has been increased continuously since 1998-99. It was merely Rs. 2729.48crores in 1998-99 which has been increased up to Rs. 3921.24 crores in 2002-03 only miscellaneous insurance has been shown the upwards trends in India.

WORKING RESULTS:

Working result of the company shows the efficiency of day to day Operations. It includes the figures of Net underwriting Profit or loss, income from other sources, expenses and tax provisions. It also mentions proposed dividend and allocation of the funds to general reserves.

TABLE: 3.33: WORKING RESULTS

	1998-99	Trend in %	1999-00	Trend in %	2000-01	Trend in %	2001-02	Trend in %	2002-03	Trend in %
Underwriting Profit Loss (-)	13.18	100	-178	-1350.38	-446	-3384.22	533.7	4049.39	49026	371972.69
Other Income Less Outgo	-37.9	100	-72.44	191.13	-52.67	138.97	-10.1	26.65	40.94	-108.02
Profit Before Tax	564.69	100	435.32	77.09	238.84	42.30	208.2	36.87	312.82	55.40
Net profit after tax	375	100	287.29	76.61	173.54	46.28	142	37.87	255.81	68.22
Proposed dividend	30	100	30	100.00	20	66.67	20	66.67	40	133.33
Dividend tax	3.3	100	3.3	100.00	2.04	61.82	2	60.61	5.13	155.45
Transferred to	559.3	100	335.63	60.01	207.53	37.11	122	21.81	210.69	37.67

Source: Annual reports of the company for the last five years.

Above table reveals working results of The New India Assurance Company for the year 1998-99 to 2002-03.The underwriting profits are converted into the losses through last five years. There was a profit of Rs. 13.18 crores in 1998-99, which has been converted into Rs. 490.26 crores of losses in 2002-03.Profit before taxes have fluctuated trend during this period. It was Rs. 564.69 crores in 1998-99, which has been decreased by Rs. 312.82 crores in 2002-03 proposed dividend has been years. Company has to pay more dividend tax as compared to the year 1998-99.The amount which has been transferred to general reserves decreased as compared to 1998-99 by 62.34%.

DETAILS OF PERFORMANCE OF SOME OF THE SOCIALLY RELEVANT SCHEMES:

The insurance company provides different type of insurance policies. The below given table gives information of some personal life insurance policies. The Policies are Cattle insurance, Agriculture Pump set, Janta Personal Accident Policy, Gramin Personal Accident Policy, Rural Insurance, Rajeshwari Mahila Welfare Policy, Bhagyashree Child welfare policy, Mediclaim Insurance and Personal Accident Insurance for the Kisan Credit cardholder's.

TABLE 3.34 DETAILS OF PERFORMANCE OF SOME OF THE SOCIALLY RELEVANT SCHEMES:

Policy Details	Year	No. of persons covered	Amount of premium	No. of claims reported	No. of claims settled	Amount of claims settled	Claims ratio %
Cattle and other live stock	1998-99	18088941	4192.81	48935	48507	3050.54	72.76
	Trend in %	100	100	100	100	100	100
	1999-00	11676464	3594.82	231527	240507	3101.84	86.29
	Trend in %	64.55	85.74	473.13	495.82	101.68	118.60
	2000-01	9470286	3899.26	46432	48504	3404.36	87.31
	Trend in %	52.35	93.00	94.89	99.99	111.60	120.00
	2001-02	9330695	3538.54	42372	40778	2758.35	77.95

	Trend in %	51.58	84.40	86.59	84.07	90.42	107.13
	2002-03	3358674	3163.24	39875	36003	2996.19	94.75
	Trend in %	18.57	75.44	81.49	74.22	98.22	130.22
Agriculture pump set	1998-99	78213	179.21	4791	2795	68.72	38.35
	Trend in %	100	100	100	100	100	100
	1999-00	58194	171.91	2228	2056	68.73	39.98
	Trend in %	74.40	95.93	46.50	73.56	100.01	104.25
	2000-01	86203	197.95	3161	2816	60.62	30.62
	Trend in %	110.22	110.46	65.98	100.75	88.21	79.84
	2001-02	51472	193.62	1848	2619	60.08	31.03
	Trend in %	65.81	108.04	38.57	93.70	87.43	80.91
	2002-03	40885	146.35	3615	2062	54.09	36.96
	Trend in %	52.27	81.66	75.45	73.77	78.71	96.38
Janta personal accident	1998-99	25458784	5522.51	4310	3911	222.54	40.25
	Trend in %	100	100	100	100	100	100

	1999-00	34643755	3297.48	9550	9246	2546.62	77.23
	Trend in %	136.08	59.71	221.58	236.41	1144.34	191.88
	2000-01	1357759	2629.28	14052	10083	3246.99	123.49
	Trend in %	5.33	47.61	326.03	257.81	1459.06	306.81
	2001-02	18712370	3183.01	11139	6074	4515.08	141.85
	Trend in %	73.50	57.64	258.45	155.31	2028.88	352.42
	2002-03	16934769	668.96	10258	4349	4188	626.05
	Trend in %	66.52	12.11	238.00	111.20	1881.91	1555.40
Gramin Personal Accident	1998-99	1661190	132.65	162	155	27.28	20.57
	Trend in %	100	100	100	100	100	100
	1999-00	770622	46.71	393	440	117.37	251.27
	Trend in %	46.39	35.21	242.59	283.87	430.24	1221.54
	2000-01	876956	92.68	166	245	114.76	123.82
	Trend in %	52.79	69.87	102.47	158.06	420.67	601.94
	2001-02	480243	53.5	66	200	132.38	247.44

	Trend in %	28.91	40.33	40.74	129.03	485.26	1202.92
	2002-03	203567	14.88	330	225	140.5	944.22
	Trend in %	12.25	11.22	203.70	145.16	515.03	4590.28
Policy details	1998-99	62961	57.69	4967	4022	76.45	132.52
	Trend in %	100	100	100	100	100	100
	1999-00	85683	67.63	5716	5122	98.79	146.07
	Trend in %	136.09	117.23	115.08	127.35	129.22	110.22
	2000-01	110934	69.08	6796	6086	119.41	172.86
	Trend in %	176.19	119.74	136.82	151.32	156.19	130.44
	2001-02	86461	70.88	6500	10437	134.58	189.87
	Trend in %	137.32	122.86	130.86	259.50	176.04	143.28
	2002-03	55791	47.64	3977	134.12	90.63	190.24
	Trend in %	88.61	82.58	80.07	3.33	118.55	143.56
Mediclaim	1998-99	1503609	1211157	60906	65039	8281.37	68.38
	Trend in %	100	100	100	100	100	100

	1999-00	2163876	16165.97	108247	90573	15629.37	96.68
	Trend in %	143.91	1.33	177.73	139.26	188.73	141.39
	2000-01	2951010	23915.71	275774	305406	20349.96	85.09
	Trend in %	196.26	1.97	452.79	469.57	245.73	124.44
	2001-02	2794510	26996	165368	116819	18853	69.84
	Trend in %	185.85	2.23	271.51	179.61	227.66	102.14
	2002-03	2317824	28943.69	174421	174186	30522.92	105.46
	Trend in %	154.15	2.39	286.38	267.82	368.57	154.23
Bhagyashree child welfare policy	1998-99	199	0.03	--	--	--	--
	Trend in %	100	100				
	1999-00	99997	13.49	--	--	1.62	12.01
	Trend in %	50249.75	44966.67				
	2000-01	174675	15.24	28	10	50	3.28
	Trend in %	87776.38	50800.00				
	2001-02	24816	4.26	39	29	0.75	17.61

	Trend in %	12470.35	14200.00				
	2002-03	6970	1.95	59	32	8	410.26
	Trend in %	3502.51	6500.00				
RAJESHWANI Mahila Welfare POLICY	1998-99	827	0.16	--	--	--	--
	Trend in %	100	100				
	1999-00	2468883	133.77	--	--	0.56	0.42
	Trend in %	298534.82	83606.25				
	2000-01	3864086	234.42	976	827	169.13	72.15
	Trend in %	467241.35	146512.50				
	2001-02	731351	60.4	893	937	19.64	32.52
	Trend in %	88434.22	37750.00				
	2002-03	142191	34.71	322	215	31.52	90.81
	Trend in %	17193.59	21693.75				

Source: Annual reports of the company for the last five years.

Above table reveals information about the No. of persons covered, Premium received, no. of claims settled, paid amount, incurred claims amount as well as incurred claim ratio. The information is given for the period of year 1998-99 to 2002-03.

FOREIGN BUSINESS

Company has done its business out of India. The table gives information about incomes and expenditure of the foreign business of the company. There is information about Gross Direct Premium Income, Net Premium Income, Net Incurred Claims, Expenses of the management, Change in Reserves, Income from other sources, Net profit or loss of the company for the period 1999-00 to the year 2002-03.

TABLE: 3.35: PERFORMANCE OF FOREIGN OPERATIONS (NET)

Details	2000-01	Trend in %	2001-02	Trend in %	2002-03	Trend in %
Premium	441.77	100	598.3	135.43	813.58	184.16
Claims	245.29	100	374.85	152.82	494.16	201.46
Reserves	63.03	100	79.2	125.65	109.45	173.65
Investment income	17.77	100	19.78	111.31	31.52	177.38
Loss	-16.25	100	-48.27	297.05	-36.86	226.83

Source: Company's last three years annual reports.

Above table reveals the company's performance in foreign Operation. All the data are net data of the company. Net premium has been increased from Rs. 441.77 crores in 2000-01 to Rs. 813.58 crores in 2002-03. Thus it has been increased by 89.16% within last three years. Commission and other income / expenses have been incurred year by year. It has increased almost two times within the above said time period. The income increased from the various sources have been increased from Rs. 17.77 crores in 2000-01 to Rs.

31.52 crores in 2002-03 losses are also increased from Rs. 16.25 crores in 2000-01 to Rs. 36.83 in 2002-03.

3.2.3 UNITED INDIA INSURANCE COMPANY LIMITED.

United India Insurance Co. Ltd. is one of the four public sector insurance companies of India. It has more than three decades of experience in Non – life insurance business. It was formed by the merger of twenty-two companies, consequent to nationalization of general insurance. The head quarters of the company are at Chennai.

CORPORATE MISSION:

The company has several missions as follows:

- To provide insurance protection to all.
- To ensure customer satisfaction.
- To function on sound business principles.
- To help minimize national waste and to develop Indian economy

ORGINISATIONAL STRUCTURE:

United insurance has a countrywide network of 24 Regional offices, 371 Divisional offices, 717 Branch offices and 185 micro offices across the country❹. The company is in the process of interconnecting all the offices by wide area network (WAN).Employee strength of the company is as follows:

TABLE: 3.36: EMPLOYEES STRENGTH

CLASS	NUMBERS
I	4254
II	2296
III	9215
IV	2387

SOURCE: www.uiic.co.in

The company employs a large technical force, including more than a hundred qualified engineers, who have received training in specialized fields such as Risk Management. A sizeable number of there engineers have been trained abroad by Insurers and reinsures in the United Kingdom and Europe. These engineers are fully conversant with international insurance practices.

PRODUCT RANGE:

United India Insurance Company limited is amongst the largest Non-life insurance service provider. With a spectrum of products and policies that offer 'Extra care' for the beneficiary through insurance of there homes, health, safety, shops and establishments apart from the large corporate and global conglomerates. The company has more than 172 Non-life insurance covers. With its focused vision on vastly improved products and customers.

The products range of the company can be classified into mainly seven classes.

A. ACCIDENT AND HOSPITALISTAION POLICIES.

Personal accident policy, Mediclaim Policy, Overseas mediclaim policy, Road safety package policy, Unmediated policy.

B. BUSINESS POLICIES:

Shopkeeper's policy, Burglary policy, Jewelers Block policy, Money in transit policy.

C. FIRE POLICY.

Standard fire and special period's policy.

D. INDUSTRIAL POLICIES.

Boiler &pressure plant policy, Contractor's plant and machinery policy, Deterioration of stock policy, Electronic equipment policy, Machinery Breakdown policy, Industrial all risk policy.

E. LIABILITY POLICIES:

Workmen's compensation policy, Public liability policy, Product liability policy, Professional indemnity policy.

F. MARINE POLICIES:

Marine cargo policy, Marine Hull policy.

G. RURAL POLICIES

Cattle and livestock policy, Agricultural pump set policy, Poultry insurance policy, Gramin accident policy, Plantation insurance.

INCOME EVALUATION

A) INCOME FROM UNDERWRITING:

The term underwriting has several meanings. In broadest sense, it refers to the entire transaction of the insurance business. Thus, Insurance companies are referred to as 'underwriters'. In a restrictive sense 'underwriting' is the process of accepting or rejecting risks. If a risk is acceptable underwriting is further concerned with the fixing of rate of premium and the other terms and conditions of the insurance contract. The ultimate objectives of 'underwriting' are:

i. The production of a large volume of premium income sufficient to maintain and enlarge on insurer's organization; and
ii. The earning of a reasonable profit on the insurance Operations. There is a financial data of Income from underwriting.

TABLE 3.37: INCOME FROM UNDERWRITTING.

Year	Amount (Rs. In crores)	Change over the base year 1998-99
1998-99	1615.6	100
1999-00	1753	108.5
2000-01	1884.37	116.64
2001-02	2045.1	126.58
2002-03	2092.4	129.51
Total	9390.47	581.23

Source: Annual reports of the company for the last five years.

Above table reveals income of the company from underwriting experience. There was only Rs.1615.6crores of income from underwriting in 1998-99, which has been increased by Rs.2092.4crores in 2002-03. The trend of the income has been increased during last five years. Thus, company operates very effectively in the underwriting Operations.

B) EXPENSES AND CLAIMS ON UNDERWRITING:

Underwriting is the main business of the insurance companies. There are much expenditure concerned to the expenses and claims on underwriting. Insurance companies must be very accurate to control these expenses.

TABLE 3.38: EXPENSES AND CLAIMS ON UNDERWRITTING

Year	Amount (Rs. In crores)	Change over the base year 1998-99
1998-99	1743.6	100
1999-00	2029.6	116.4
2000-01	2304.71	132.18
2001-02	2013.5	115.48
2002-03	2026.9	116.25
Total	10118.31	580.31

Source: Annual reports of the company for the last five years.

Above table reveals expenses and claims on underwriting, increase in unexpired risk reserves and other outgo. Expenses have been fluctuated year by year. It Was Rs.1743.6Crores in the year 1998-99, which has been increased up-to Rs.2026.9Crores in the year of 2002-03.Thus it will decrease the profit.

C) NET UNDERWRITING INCOME:

Net underwriting income is nothing but the positive difference between income from underwriting and expenses and claims on underwriting. From below given table one can say that whether company is effective or not.

TABLE 3.39 NET UNDERWRITING INCOMES

Year	Amount (Rs. In crores)	Change over the base year 1998-99
1998-99	-128.03	100
1999-00	-276.6	216.07
2000-01	-420.34	328.31
2001-02	31.6	-24.68
2002-03	65.48	-51.14

Total	-727.89	568.56

Source: Annual reports of the company for the last five years.

Above table reveals that income from underwriting is fluctuating though the company does not obtain net underwriting income. Due to higher expenses, there was loss of Rs.-128.03Crores in the year of 1998-99, which has been fluctuated up-to profit of Rs65.48Crores in the year 2002-03.

D) NET OTHER INCOME:

Net other income includes interest, rent and income from dividend. It also includes profit on sell of investments. Insurance companies have to invest specific amount in different kind of investment.

TABLE: 3.40: NET OTHER INCOME

Year	Amount (Rs. In crores)	Change over the base year 1998-99
1998-99	389.44	100
1999-00	427.04	109.65
2000-01	428.5	110.03
2001-02	125.09	32.12
2002-03	148.68	38.18
Total	1518.75	389.98

Source: Annual reports of the company for the last five years.

Above table reveals income from other sources, it was Rs. 389.44Crores in the year 1998-99, which has been consistently fluctuating up-to Rs.148.68 in the year of 2002-03.

E) NET PROFIT:

Net profit means total income minus total expenses. It will become base for tax calculation.

TABLE: 3.41: NET PROFIT

Year	Amount (Rs. In crores)	Change over the base year 1998-99
1998-99	261.41	100
1999-00	150.41	57.54
2000-01	8.16	3.12
2001-02	156	59.68
2002-03	214.16	81.92
Total	790.14	302.26

Source: Annual reports of the company for the last five years.

Above table reveals the net profit of the company for the last five years.Net profit of the year 1998-99 is Rs.261.41Crores which has been fluctuating up-to Rs.214.61Crores in the year of 2002-03.

F) PROFIT AFTER TAX.

Profit after tax is nothing but Net profit minus provision for tax. Company can allocate some funds to reserves as well as declare dividend to share holders.

TABLE: 3.42: PROFIT AFTER TAX

Year	Amount (Rs. In crores)	Change over the base year 1998-99
1998-99	192.1	100
1999-00	121.59	63.3
2000-01	8.15	4.24
2001-02	152.84	79.56
2002-03	200.08	104.15
Total	674.76	351.25

Source: Annual reports of the company for the last five years.

Above table reveals that profit after tax is fluctuated. It was Rs.192.1Crores in the year of 1998-99, which was Rs.121.59Crores, Rs.8.15Crores, and Rs.152.84Crores and Rs.200.08Crores in the year 1999-00, 2000-01, 2001-02 and 2002-03 respectively.

G) INCURRED CLAIMS / NET PREMIUM:

Incurred claims are one of the major expenditure of the insurance company. Net premium is one of the main sources of income. This ratio shows the proportion of expenditure of the Net premium income. It helps to evaluate the effectiveness of insurance company.

TABLE: 3.43: INCURRED CLAIMS / NET PREMIUM

Year	Amount (Rs. In crores)	Change over the base year 1998-99
1998-99	78.15%	100
1999-00	87.22%	11061
2000-01	94.3%	120.67
2001-02	87.08%	111.43
2002-03	91.06%	116.52

Source: Annual reports of the company for the last five years.

Above table reveals the ratio of incurred claims to net premium. It was 78.15%, 87.22%, 94.3%, 87.08% and 91.06% in the year 1998-99, 1999-00, 2000-01, 2001-02, 2002-03 respectively.

FINANCIAL STRENGTH OF THE COMPANY:

Net worth of the company can be evaluated by the figures of the liabilities and assets. Below given table gives information about the same. Liabilities include financial data of Paid-up Capital, Estimated liability in respect of outstanding claims and Current Liability and Provisions.

Assets contain net block of assets, Investments, Current Assets, Loans and Advances.

<u>TABLE: 3.44: LIABILITIES AND ASSETS</u>

Year	Current liabilities	Change over the year 1998-99	Assets	Change over the year 1998-99	Net Worth	Change over the year 1998-99
1998-99	4637.2	100	4637.2	100	126.22	100
1999-00	5291	114.10	5291	114.10	142.77	113.11
2000-01	5772.7	124.49	5772.7	124.49	117.85	93.37
2001-02	7517	162.1	7517	162.1	130.2	103.15
2002-03	7723	166.55	7723	166.55	144.5	114.46
Total	30940.9	667.24	30940.9	667.24	661.54	524.09

Source: Annual reports of the company.

There was liabilities and assets of the Rs.4637.2crores in 1998-99.It has increased consistently to Rs.5291crores, 5772.7crores, Rs.7517crores and Rs.7723crores in 1999-00, 2000-01, 2001-02, 2002-03 respectively. The Ratio of net worth to share was Rs.126.22, which has been fluctuated up-to 144.5 in 2002-03.It is not good sign for the future.

<u>RESERVES:</u>

Reserves include Free Reserves and Committed Reserves. There are general reserve, investment reserve and exchange reserve in free reserves. Committed Reserve for doubtful debts, Balance of Accounts and Estimated Liabilities in respect of outstanding claims whether due or intimated.

TABLE: 3.45: RESERVES

Year	Free Reserves	Change over the year 1998-99	Committed Reserves	Change over the year 1998-99
1998-99	969.76	100	3010.4	100
1999-00	1102.2	113.65	3390.9	112.64
2000-01	1078.5	111.21	3808.5	126.51
2001-02	1202	123.94	1204	39.99
2002-03	1345	138.66	958.5	31.84
Total	5697.46	587.46	12372.3	410.98

Source: Annual reports of the company.

Above table reveals figures of the free Reserve and Committed Reserves. Free Reserves has a fluctuated trend whereas Committed Reserve has been fluctuated during last five years. Company must allocate specific provision from the accounts in Committed Reserves but there is positive trend in free Reserves, which means company has strong financial strength.

INVESTMENTS:

General Insurance Companies have to invest specific amount in Government Securities for transacting the insurance business. Investment includes investments to Banks under Certificate of Deposit Schemes / Commercial Paper Scheme, cash at bank on F.D. A/c., cash at Bank on call Deposits, and investment to companies under Commercial Paper Scheme.

TABLE: 3.46: INVESTMENTS

Year	Amount (Rs. In crore)	Change over the year 1998-99
1998-99	531.54	100
1999-00	114.42	21.53
2000-01	21.48	4.04
2001-02	260.1	48.93
2002-03	225	42.33
Total	1152.54	216.83

Source: Annual reports of the company.

Above table reveals the investments of the company for the last five years. The investments of the company were only Rs.531.54crores in 1998-99, which has been fluctuated up-to Rs.225crores in 2002-03.

CURRENT ASSETS, LOANS, ADVANCES:

There are Sundry Debtors, Cash and bank balances, loans, and current assets in this part of the accounts. Current assets include outstanding premium, Outstanding Interest, Dividend and Rent, Interest, Advances Deposits and prepaid expenses and Agent's balance.

TABLE: 3.47: CURRENT ASSETS, LOANS AND ADVANCES.

Year	Amount (Rs. In crores)	Change over the base year 1998-99
1998-99	740.46	100
1999-00	1071.7	144.73
2000-01	1198.5	161.86
2001-02	224.3	302.97
2002-03	2119	286.13
Total	7372.66	995.69

Source: Annual reports of the company.

Above table reveal Current Assets, Loans and Advances of the company for the period of five years from 1998-99 to 2002-03. Company had only Rs.740.46crores of current assets, Loans and advances which has been fluctuated up-to Rs.2119crores in the year 2002-03.The trend is fluctuating during the five years.

CURRENT LIABILITY AND PROVISIONS:

Liabilities are claims of outsiders against the business. They are the amounts owned by the business to people who have lent money or provided services on credit. If these liabilities are due within an accounting period, they are classified as current liabilities.

TABLE: 3.48: CURRENT LIABITIES AND PROVISIONS

Year	Amount (Rs. In crores)	Change over the base year 1998-99
1998-99	417.12	100
1999-00	511.87	122.72
2000-01	542.27	130
2001-02	3700	887
2002-03	4000	958.88
Total	9171.26	2198.6

Source: Annual reports of the company.

Above table reveals Current Liabilities and Provisions of the company for the last five years. Current Liabilities were of Rs417.12crores in 1998-99, which has been increased up-to Rs.4000crores in 2002-03.

GROSS DIRECT PREMIUM:

General Insurance Company transacts business mainly in three types of insurance policies.

- Fire Insurance
- Marine Insurance

- Miscellaneous Insurance.

Gross Direct Premium is main income for General Insurance Company. The table classified in two groups, Gross Direct Premium Income in India and Outside India.

TABLE: 3.49: GROSS DIRECT PREMIUM INCOME

DETAILS	1998-99	Trend in %	1999-00	Trend in %	2000-01	Trend in %	2001-02	Trend in %	2002-03	Trend in %
Fire	548.17	100	606.03	110.56	526.12	95.98	635.89	116.00	604.18	110.22
Marine	291.89	100	276.8	94.83	279.56	95.78	255.21	87.43	339.14	116.19
Misc.	1381.22	100	1465.74	106.12	1635.41	118.40	1763.86	127.70	2024.74	146.59
Subtotal	2221.28	100	2348.57	105.73	2441.09	109.90	2654.96	119.52	2968.06	133.62
Outside India										
Fire	1.02	100	1.02	100.00	1.11	108.82	1.09	106.86	0.02	1.96
Marine										
Misc.	38.52	100	40.99	106.41	81.8	212.36	125.43	325.62	1.55	4.02
Subtotal	39.54	100	42.01	106.25	82.91	209.69	126.52	319.98	1.57	3.97
Total	2260.82	100	2390.58	105.74	2524	111.64	2781.48	123.03	2969.63	131.35

Source: Annual reports of the company for the year 1998-99 to 2002-03

Above table reveals Gross Direct Premium Income of the company. In 1998-99 gross direct premium income in India was Rs.2221.28crores. In 2002-03, it has been increased by Rs.2968.06crores. Thus, it has been increased by 33.6% during these five years. Company did not perform well outside the India Gross Direct Premium. Income was Rs. 39.54crores in 1998-99, which decreased up to 1.58crores in 2002-03. Company could not maintain consistency in outside insurance activities.

WORKING RESULTS:

Working result of the company shows the efficiency of day to day Operations. It includes the figures of Net underwriting Profit or loss, income from other sources, expenses and tax provisions. It also mentions proposed dividend and allocation of the funds to general reserves.

TABLE: 3.50: WORKING RESULTS

DETAILS	1998-99	Trend in %	1999-00	Trend in %	2000-01	Trend in %	2001-02	Trend in %	2002-03	Trend in %
Net underwriting profit	-128	100	-276.6	216.07	-420.3	328.31	31.6	-24.68	65.48	-51.14
Interest dividend and Rent Gross	416.01	100	444.5	106.84	484.3	116.41	147.72	35.51	163.39	39.28
Other Income and Outgo	-26.57	100	-17.42	65.56	-55.8	210.01	-22.63	85.17	-14.71	55.36
Profit before tax provision for tax	261.41	100	150.4	57.54	8.16	3.12	156.69	59.94	214.16	81.92
Including TDS	69.31	100	28.82	41.58	0.01	0.01	3.85	5.55	14.08	20.31
Net profit after tax	192.1	100	121.6	63.30	8.15	4.24	153.39	79.85	170.99	89.01

Add other adjustments	11.48	100	-7.8	-67.94	-10.41	-90.68	0.55	4.79	-29.09	-253.40
Less amount transferred to general reserve	154.21	100	91.26	59.18	-2.26	-1.47	123.39	80.01	142.79	92.59
Balance Proposed for dividend	24	100	20	83.33	0	0.00	30	125.00	25	104.17
Corporate dividend Tax	2.4	100	2.44	101.67	0	0.00	0	0.00	3.2	133.33

Source: Annual Reports of the company for the year 1998-99 to 2002-03

Table shows working results of the company during last five years. The net underwriting profit has been increased by 51.14%. The amount of interest, dividend and rent has been decreased by 60.73%. It was Rs. 416.01crores in 1998-99, which has been decreased by Rs. 163.39crores.Other income and outgo amount, has been increased as compared to 1998-99. The amount of tax deducted at the source has been also decreased. The amount transferred to general reserves has been fluctuated during last five years. In 1998-99 it was Rs. 154.21crores have been decreased up to Rs. 142.79crores. The amount for balance proposed for dividend has also fluctuated trend. It was merely Rs. 24 in 1998-99, which has been increased up to Rs. Rs. 25 has decreased 30 in 2002-02 but it in 2002-03. Company has been paid more amounts in the form of corporate dividend tax in the year 2002-03 as compared to previous year.

CAPITAL AND FUNDS:

Capital and Funds includes mainly shareholder's fund and policy Holder's fund. Share Holder's fund includes paid up capital and general reserves, whereas Policy holder's fund includes reserves to un expired risk and estimated liabilities.

Table: 3.51: CAPITAL FUNDS

DETAILS	31-3-99	Trend in %	31-3-00	Trend in %	31-3-01	Trend in %	31-03-02	Trend in %	31-03-03	Trend in %
Paid up capital	40	100	40	100.00	100	250.00	100	250.00	100	25.00
Capital reserve	1.36	100	1.36	100.00	1.36	100.00	1.36	100.00	1.36	10.00
General Reserve	968.9	100	1101.29	113.66	1077.6	111.22	1201	123.96	1343.8	13.87
Investment Reserve	0.86	100	0.86	100.00	0.86	100.00	0.86	100.00	0.86	10.00
Reserve for Unexpired Risks	880.68	100	951.25	108.01	1013.6	115.09	--		--	
Total	1902.8	100	2094.76	110.09	2193.4	115.27	1303	68.49	1446	7.60

Source: Annual Reports of the company for the year 1998-99 to 2002-03

Above table reveals the data related to the company's capital and funds. As on 31-3-99 the company had paid up capital of Rs. 40 crores. It has been increased up to Rs. 100 crores as on 31-3-01 due to legal requirement. The amount of capital reserve is same for the five years. General reserve was only Rs. 968.90 crores in 1998-99 which has been increased by Rs. 1343.81 crores in 2002-03. The amount has been increased by 38.69% as compared to 1998-99. Investment reserve amount is 0.86 crores which is same for the five years. The total amount of the company's capital and fund was Rs. 1902.80 crores which has been decreased by 1446.03 crores. Thus it has been decreased by 24.015 during last five years.

DETAILS OF PERFORMANCE OF SOME OF THE SOCIALLY RELEVANT SCHEMES:

The insurance company provides different type of insurance policies. The below given table gives information of some personal life insurance policies. The Policies are Cattle insurance, Agriculture Pump set, Janta Personal Accident Policy, Gramin Personal Accident Policy, Rural Insurance, Rajeshwari Mahila Welfare Policy, Bhagyashree Child welfare policy, Mediclaim Insurance and Personal Accident Insurance for the Kisan Credit cardholder's.

Table: 3.52: RURAL INSURANCE BUSINESS STATEMENT FOR THE YEAR 2002-03

Policy Details	Year	No. of policies issued	No. of persons insured	Amt. Of premium collected	No. of claims reported	Incurred claims amount	No. of claims settled	Amount claims settled	Incurred claims ratio%
Mediclaim	1998-99	248250	759073	6671.24	50160	6573.28	46329	5173.29	98.53
	Trend in %	100	100	100	100	100	100	100	100
	1999-00	322845	904594	9124.65	60120	7620.56	54077	7396.98	83.52

	Trend in %	130.05	119.17	136.78	119.86	115.93	116.72	142.98	84.77
	2000-01	105331	361600	11761.89	32452	8850.28	27759	11887.87	75.25
	Trend in %	42.43	47.64	176.31	64.70	134.64	59.92	229.79	76.37
	2001-02	140441	482133	14518.57	30130	15819.36	25626	14425.35	108.96
	Trend in %	56.57	63.52	217.63	60.07	240.66	55.31	278.84	110.59
	2002-03	245000	772000	21569.87	40000	22317.07	37889	21627.51	103.46
	Trend in %	98.69	101.70	323.33	79.74	339.51	81.78	418.06	105.00
Jan Arogya	1998-99	80000	159000	125.39	2112	49.49	1726	43.15	39.47
	Trend in %	100	100	100	100	100	100	100	100
	1999-00	2200000	452000	321.73	3410	1135.29	2878	92.92	352.87
	Trend in %	2750.00	284.28	256.58	161.46	2293.98	166.74	215.34	894.02
	2000-01	56000	90000	63.86	4101	331.74	3270	104.62	519.48
	Trend in %	70.00	56.60	50.93	194.18	670.32	189.46	242.46	1316.14
	2001-02	48000	75000	42.94	561	66.4	323	65.16	154.63

	Trend in %	60.00	47.17	34.25	26.56	134.17	18.71	151.01	391.77
	2002-03	42000	700000	38.26	702	83.68	427	84.44	218.71
	Trend in %	52.50	440.25	30.51	33.24	169.08	24.74	195.69	554.12
Janta Personal Accident Policy	1998-99	2753545	2628000	3568.52	1751	2299.07	1598	1718.52	64.43
	Trend in %	100	100	100	100	100	100	100	100
	1999-00	2818000	2887000	1490.83	2160	1895.09	1965	2327.48	127.12
	Trend in %	102.34	109.86	41.78	123.36	82.43	122.97	135.44	197.30
	2000-01	3125000	3605000	2038.75	2904	2354.02	2152	2684.77	115.46
	Trend in %	113.49	137.18	57.13	165.85	102.39	134.67	156.23	179.20
	2001-02	4672323	5500000	1676.33	1751	2916.94	1500	2899.43	174.01
	Trend in %	169.68	209.28	46.98	100.00	126.87	93.87	168.72	270.08
	2002-03	2356541	265300	963.9	2000	3090.67	2025	3135.82	320.64
	Trend in %	85.58	10.10	27.01	114.22	134.43	126.72	182.47	497.66
	Trend in %	100	100	100	100	Gramin Personal Accident	1998-99	676223	2028000

	1999-00	725000	2165000	878.95	1412	855.02	967	182.88	97.28
	Trend in %	107.21	106.76	106.06	87.59	290.48	77.24	71.10	273.87
	2000-01	2220000	898000	129.22	1648	590	1116	198.09	456.59
	Trend in %	328.29	44.28	15.59	102.23	200.44	89.14	77.01	1285.44
	2001-02	33000	105000	78.77	140	274.3	94	124.46	348.23
	Trend in %	4.88	5.18	9.51	8.68	93.19	7.51	48.39	980.38
	2002-03	40000	541000	32.51	800	72.19	737	73.73	222.05
	Trend in %	5.92	26.68	3.92	49.63	24.53	58.87	28.67	625.14
Raj Rajeshwari Mahilaklayan Bima Yojana	1998-99	5055	55858	14.84	--	1.5	--	--	10.11
	Trend in %	100	100	100		100			100
	1999-00	11524	837158	70.12	--	8.25	--	--	11.77
	Trend in %	227.97	1498.73	472.51		550.00			116.42
	2000-01	7232	62913	14.47	52	8.17	24	6	56.46
	Trend in %	143.07	112.63	97.51		544.67			558.46
	2001-02	45000	363260	83.55	31	35.94	12	3052	43.02

	Trend in %	890.21	650.33	563.01		2396.00			425.52
	2002-03	20000	152130	34.99	165	49.19	165	38.3	140.58
	Trend in %	395.65	272.35	235.78		3279.33			1390.50
Bhagyashree child welfare Bima Yojana	1998-99	4572	50253	10.37	--	--	--	--	--
	Trend in %	100	100	100					
	1999-00	15530	67539	25.28	--	--	--	--	--
	Trend in %	339.68	134.40	243.78					
	2000-01	12000	45080	5.08	--	3.16	42	10.41	62.2
	Trend in %	262.47	89.71	48.99					
	2001-02	2000	12000	8.19	--	0.79	2	0.08	9.65
	Trend in %	43.74	23.88	78.98					
	2002-03	2200	13066	1.96	10	1.26	9	2.45	64.29
	Trend in %	48.12	26.00	18.90					
Cattle Insurance	1998-99	1528200	3396000	4841.26	100000	4720.33	85000	4260.87	97.5
	Trend in %	100	100	100	100	100	100	100	100

	1999-00	1404200	3122000	4331.15	125000	4506.63	91000	4657	104.05
	Trend in %	91.89	91.93	89.46	125.00	95.47	107.06	109.30	106.72
	2000-01	1539200	3422000	4873.82	150000	5059.98	100500	4933.48	103.82
	Trend in %	100.72	100.77	100.67	150.00	107.20	118.24	115.79	106.48
	2001-02	1389440	2672000	3833.26	750000	3645.13	65000	3443.79	95.09
	Trend in %	90.92	78.68	79.18	750.00	77.22	76.47	80.82	97.53
	2002-03	1350000	2637130	3774.18	85000	3411.32	70000	3469.34	90.39
	Trend in %	88.34	77.65	77.96	85.00	72.27	82.35	81.42	92.71
Agriculture pump set insurance	1998-99	53100	54000	236.63	15555	122.53	15212	117.06	51.78
	Trend in %	100	100	100	100	100	100	100	100
	1999-00	53250	54500	239.03	14100	135.96	12200	7100	56.88
	Trend in %	100.28	100.93	101.01	90.65	110.96	80.20	6065.27	109.85
	2000-01	53212	55000	243.98	29652	154.68	25252	159.51	63.4
	Trend in %	100.21	101.85	103.11	190.63	126.24	166.00	136.26	122.44
	2001-02	55125	56650	263.03	22725	109.73	20125	108.85	41.72

	Trend in %	103.81	104.91	111.16	146.09	89.55	132.30	92.99	80.57
	2002-03	29605	30203	171.14	5000	30.91	4105	28.91	18.06
	Trend in %	55.75	55.93	72.32	32.14	25.23	26.99	24.70	34.88

Source: - Annual reports of the company for the last five years (1998-99 to 2002-03)

Above table reveals information about the No. of persons covered, Premium received, no. of claims settled, paid amount, incurred claims amount as well as incurred claim ratio. The information is given for the period of year 1998-99 to 2002-03.

FOREIGN BUSINESS

Company has done its business out of India through Hong Kong Agency. The table gives information about incomes and expenditure of the foreign business of the company. There is information about Gross Direct Premium Income, Net Premium Income, Net Incurred Claims, Expenses of the management, Change in Reserves, Income from other sources, Net profit or loss of the company for the period 1999-00 to the year 2002-03.

TABLE: 3.53: STATEMENT OF FOREIGN OPERATIONS THROUGH HONG KONG AGENCY

Details	1999-00	Trend in %	2000-01	Trend in %	2001-02	Trend in %	2002-03	Trend in %
Net premium	36.02	100	72.8	202.11	116.89	324.51	-217	-602.44
Incurred loss	40.83	100	40.35	98.82	1044.5	2558.19	63.92	156.55
Net commission	17.1	100	33.51	195.96	50.91	297.72	0.64	3.74

Reserve strain (+) / release (-)	-0.06	100	18.39	-30650.00	22.09	-36816.67	-59.95	99916.67
Difference in exchange gain (+) / loss (-)	1.21	100	2.57	212.40	3.03	250.41	-1.33	-109.92
Expenses of management	2.88	100	5.02	174.31	7.47	259.38	1.34	46.53
Other Income and Outgo	--		--		-6.4		-1.89	
Underwriting profit / loss	-23.59	100	-21.9	92.84	-65.61	278.13	-29.34	124.37
Investment income	1	100	0.15	15.00	0.35	35.00	0.35	35.00
Net profit	-22.69	100	-21.98	96.87	-65.26	287.62	-28.99	127.77
Difference in exchange (not pertaining to any depts.)	-0.05	100	-0.23	460.00	--		--	

Source: Annual reports of the company for the last for years 99 to 01

Table reveals the data of foreign Operation through Hong Kong Agency. Net premium is Rs. 36.02 crores in 1999-00 which has been converted in 2002-

03. Incurred losses have fluctuating trend. It was Rs. 40.83 crores in 1999-00 which has increased by Rs. 104.51 crores in 2001-02 and has been decreased by Rs. 63.92 crores. Management expenses have been decreased during last four years. Underwriting losses has been increased. It was Rs. 23.59 crores in 1999-00 which has been increased by Rs. 29.34 crores in 2002-03. Net losses have been increased by 27.76% during last four years.

3.2.4 THE ORIENTAL INSURANCE COMPANY LTD

The Oriental Insurance Company Ltd. earlier known as "The Oriental Fire and General Insurance Co. Ltd" was incorporated at Bombay on 12th September, 1947. The Company was a wholly owned subsidiary of the Oriental Government Security Life Assurance Company limited and was formed to carry out General Insurance business. The Company was promoted by Sir Purushottamdas Thakurdas, Chairman of Oriental Government Security Life Assurance Company Ltd., which was transacting life insurance business for nearly 75 years. The Company's Head Office was located in Bombay. The premium of the Company in the first year of its Operation was only INR 99950 (US $3000). On nationalization of Life Insurance business in India, in 1956, the company became a subsidiary of life Insurance Corporation (LIC) of India. Subsequently on nationalization of general insurance business in India in the year 1973, the company became one of the subsidiaries of General Insurance Corporation (GIC) of India. 10 Indian and 12 Foreign Insurance companies merged with Oriental Fire and General Insurance Co. Ltd. At the time of Nationalization in 1973, the Company's Gross Direct Premium was Rs. 580 Millions (US $ 16.57 Millions).The Company's Registered and Head Office was shifted from Bombay to New Delhi, the capital of India. The name of the Company was changed in the year 1984 to The Oriental Insurance Company Ltd. The

Company has grown over the years and as at 2000 is operating with a Head Office, 21 Regional Offices, 278 Divisional offices and 675 branch offices, and a staff strength of 19500 employees❺.

INCOME EVALUATION

A) INCOME FROM UNDERWRITING:

The term underwriting has several meanings. In broadest sense, it refers to the entire transaction of the insurance business. Thus, Insurance companies are referred to as 'underwriters'. In a restrictive sense 'underwriting' is the process of accepting or rejecting risks. If a risk is acceptable underwriting is further concerned with the fixing of rate of premium and the other terms and conditions of the insurance contract. The ultimate objectives of 'underwriting' are:

(i) The production of a large volume of premium income sufficient to maintain and enlarge on insurer's organization; and

(ii) The earning of a reasonable profit on the insurance Operations. There is a financial data of Income from underwriting.

TABLE 3.54: INCOME FROM UNDERWRITING:

Year	Income (Crores)	Trend
1998-99	1423.74	100
1999-00	1632.03	114.63
2000-01	1725.35	121.18
2001-02	1818.49	127.73
2002-03	1898.42	133.34
Total	8498.03	596.88

Source: Annual reports of the company for the last five years.

Above table reveals income of the company from underwriting experience. There was only Rs.1423.74crores of income from underwriting in 1998-99, which has been increased by Rs.1898.42crores in 2002-03. The trend of the income has been increased during last five years. Thus, company operates very effectively in the underwriting Operations.

B) <u>EXPENSES AND CLAIMS ON UNDERWRITING:</u>

Underwriting is the main business of the insurance companies. There are much expenditure concerned to the expenses and claims on underwriting. Insurance companies must be very accurate to control these expenses.

<u>TABLE: 3.55: EXPENSES AND CLAIMS ON UNDERWRITTING</u>

Year	Amount (Rs. In crores)	Change over the base year 1998-99
1998-99	1681	100
1999-00	1930.53	114.84
2000-01	2000.95	119.03
2001-02	2075.62	123.48
2002-03	2149.68	127.88
Total	9837.78	585.23

Source: Annual reports of the company for the last five years.

Above table reveals expenses and claims on underwriting. Expenses have been increased year by year. It was Rs.1681Crores in the year 1998-99, which has been increased up-to Rs.2149.68Crores in the year of 2002-03.Thus it will decrease the profit.

<u>C) NET UNDERWRITING INCOME:</u>

Net underwriting income is nothing but the positive difference between income from underwriting and expenses and claims on underwriting. From below given table one can say that whether company is effective or not.

TABLE: 3.56: NET UNDERWRITTING INCOME:

Year	Amount (Rs. In crores)	Change over the base year 1998-99
1998-99	-257.26	100
1999-00	-298.5	116.03
2000-01	-275.6	107.13
2001-02	-256.73	99.79
2002-03	-251.26	97.67
Total	-1339.35	520.62

Source: Annual reports of the company for the last five years.

Above table reveals that income from underwriting is fluactuating though net underwriting income is increased, due to higher expenses. There was loss of Rs.257.26Crores in the year of 1998-99, which has been fluctuated up-to loss of Rs.251.26Crores in the year 2002-03.

D) NET OTHER INCOME:

Net other income includes interest, rent and income from dividend. It also includes profit on sell of investments. Insurance companies have to invest specific amount in different kind of investment.

TABLE: 3.57: NET OTHER INCOME

Year	Amount (Rs. In crores)	Change over the base year 1998-99
1998-99	324.35	100
1999-00	359.3	110.78
2000-01	350.74	108.14
2001-02	21.88	6.75
2002-03	427.15	131.69
Total	1483.42	457.36

Source: Annual reports of the company for the last five years.

Above table reveals income from other sources, it was Rs.324.35Crores in the year 1998-99, which has been fluctuated up-to Rs.427.15Crores in the year of 2002-03.

E) NET PROFIT:

Net profit means total income minus total expenses. It will become base for tax calculation.

TABLE 3.58: NET PROFIT

Year	Amount (Rs. In crores)	Change over the base year 1998-99
1998-99	67.09	100
1999-00	60.8	90.62
2000-01	75.14	112.00
2001-02	-234.85	-350.05
2002-03	175.89	262.17
Total	144.07	214.74

Source: Annual reports of the company for the last five years.

Above table reveals the net profit of the company for the last five years.Net profit of the year 1998-99 is Rs.67.09Crores, which has been fluctuated up-to Rs.175.89Crores in the year of 2002-03.

F) PROFIT AFTER TAX.

Profit after tax is nothing but Net profit minus provision for tax. Company can allocate some funds to reserves as well as declare dividend to share holders.

TABLE: 3.59: PROFIT AFTER TAX

Year	Amount (Rs. In crores)	Change over the base year 1998-99
1998-99	57.85	100
1999-00	55.19	95.40
2000-01	74.18	128.23
Total	187.22	323.63

Source: Annual reports of the company for the last five years.

Above table reveals that profit after tax is fluctuated. It was Rs.57.85Crores in the year of 1998-99, which was Rs.55.19Crores, Rs.74.18Crores in the year 1999-00, 2000-01 respectively.

H) INCURRED CLAIMS / NET PREMIUM:

Incurred claims are one of the major expenditure of the insurance company. Net premium is one of the main source of income. This ratio shows the proportion of expenditure of the Net premium income. It helps to evaluate the effectiveness of insurance company.

TABLE: 3.60: INCURRED CLAIMS / NET PREMIUM

Year	Ratio in %	Change over the base year 1998-99
1998-99	86.6%	100
1999-00	81.6%	94.23
2000-01	87.10%	100.58
2001-02	100.5%	116.05
2002-03	77.25%	89.20

Source: Annual reports of the company for the last five years.

Above table reveals the ratio of incurred claims to net premium. It was 86.60%, 81.60%, 87.10%, 100.50% and 77.25% in the year 1998-99, 1999-00, 2000-01, 2001-02, 2002-03 respectively.

FINANCIAL STRENGTH OF THE COMPANY:

Net worth of the company can be evaluated by the figures of the liabilities and assets. Below given table gives information about the same. Liabilities include financial data of Paid-up Capital, Estimated liability in respect of outstanding claims and Current Liability and Provisions.

Assets contain net block of assets, Investments, Current Assets, Loans and Advances.

TABLE: 3.61: LIABILITIES AND ASSETS

Year	Current liabilities	Change over the year 1998-99	Assets	Change over the year 1998-99	Net Worth	Change over the year 1998-99
1998-99	3867.98	100	3867.98	100	98.63	100
1999-00	4378.06	113.19	4378.06	113.19	106.42	107.9
2000-01	4559.69	117.88	4559.69	117.88	92.69	93.98
2001-02	6440.16	166.50	6440.16	166.50	67.25	68.18
2002-03	6479.5	167.52	6479.5	167.52	83.37	84.53
Total	25725.39	665.09	25725.39	665.09	448.36	454.59

Source: Annual reports of the company.

There was liabilities and assets of the Rs.3867.98crores in 1998-99.It has increased consistently to Rs.4378.06crores, 4559.69crores, Rs.6440.16crores and Rs.6479.5crores in 1999-00,2000-01,2001-02,2002-03 respectively. The Ratio of net worth to share was Rs.98.63, which has been fluctuated up-to 83.37 in 2002-03.It is not good sign for the future.

RESERVES:

Reserves include Free Reserves and Committed Reserves. There are general reserve, investment reserve and exchange reserve in free reserves. Committed Reserve for doubtful debts, Balance of Accounts and Estimated Liabilities in respect of outstanding claims whether due or intimated.

TABLE: 3.62: RESERVES

Year	Free Reserves	Change over the year 1998-99	Committed Reserves	Change over the year 1998-99
1998-99	749.06	100	2565.77	100
1999-00	811.36	108.32	2899.63	113.01
2000-01	826.97	110.4	3083.06	120.16
2001-02	572.54	76.43	3445.88	134.30
2002-03	733.65	97.94	3454.34	134.63
Total	3693.58	493.09	15448.68	602.1

Source: Annual reports of the company.

Above table reveals figures of the free Reserve and Committed Reserves. Free Reserves has a fluctuated trend whereas Committed Reserve has been increased during last five years. Company must allocate specific provision from the accounts in Committed Reserves but there is positive trend in free Reserves, which means company has strong financial strength.

INVESTMENTS:

General Insurance Companies have to invest specific amount in Government Securities for transacting the insurance business. Investment includes investments to Banks under Certificate of Deposit Schemes / commercial paper Scheme, cash at bank on F.D. A/c., cash at Bank on call Deposits, and investment to companies under Commercial Paper Scheme.

TABLE: 3.63: INVESTMENTS

Year	Amount (Rs. In crore)	Change over the year 1998-99
1998-99	335.83	100
1999-00	321.2	95.64
2000-01	278.05	82.79
2001-02	538.28	160.28
2002-03	530.34	157.92
Total	2003.7	596.63

Source: Annual reports of the company.

Above table reveals the investments of the company for the last five years. The investments of the company were only Rs.335.83crores in 1998-99, which has been fluctuated up-to Rs.530.34crores in 2002-03.

CURRENT ASSETS, LOANS, ADVANCES:

There are Sundry Debtors, Cash and bank balances, loans, and current assets in this part of the accounts. Current assets include outstanding premium, Outstanding Interest, Dividend and Rent, Interest, Advances Deposits and prepaid expenses and Agent's balance.

TABLE: 3.64: CURRENT ASSETS, LOANS AND ADVANCES.

Year	Amount (Rs. In crores)	Change over the base year 1998-99
1998-99	970.55	100
1999-00	1001.03	110.3
2000-01	1069.77	117.87
2001-02	1060.44	116.85
2002-03	1130.69	124.59
Total	5232.48	569.61

Source: Annual reports of the company.

Above table reveal Current Assets, Loans and Advances of the company for the period of five years from 1998-99 to 2002-03. Company had only Rs.907.55crores of current assets, Loans and advances which has been fluctuated up-to Rs.1130.69crores in the year 2002-03.The trend is fluctuating during the five years.

CURRENT LIABILITY AND PROVISIONS:

Liabilities are claims of outsiders against the business. They are the amounts owned by the business to people who have lent money or provided services on credit. If these liabilities are due within an accounting period, they are classified as current liabilities.

TABLE: 3.65: CURRENT LIABITIES AND PROVISIONS

Year	Amount (Rs. In crores)	Change over the base year 1998-99
1998-99	303.04	100
1999-00	407.34	134.42
2000-01	321.1	105.96
2001-02	406.57	134.16
2002-03	530.65	175.11
Total	1968.7	649.65

Source: Annual reports of the company.

Above table reveals Current Liabilities and Provisions of the company for the last five years. Current Liabilities were of Rs.303.04crores in 1998-99, which has been fluctuated up-to Rs.530.65crores in 2002-03.

GROSS DIRECT PREMIUM:

General Insurance Company transacts business mainly in three types of insurance policies.

- Fire Insurance

➤ Marine Insurance

➤ Miscellaneous Insurance.

Gross Direct Premium is main income for General Insurance Company. The table classified in two groups, Gross Direct Premium Income in India and Outside India.

TABLE: 3.66: GROSS PREMIUM INCOME

Particulars	1998-99	Trend In %	1999-00	Trend In %	2000-01	Trend In %	2001-02	Trend In %	2002-03	Trend In %
In India										
Fire	43477	100	48503	111.56	47128	108.40	52167	119.99	53264	122.51
Marine	20891	100	20979	100.42	18790	89.94	2565	12.28	22807	109.17
Misc.	128712	100	142935	111.05	154049	119.69	171916	133.57	204270	158.70
Total (A)	193080	100	212417	110.02	219967	113.93	244648	126.71	280341	145.19
Outside India										
Fire	625	100	666	106.56	894	143.04	936	149.76	991	158.56
Marine	680	100	774	113.82	723	106.32	895	131.62	144	21.18
Misc.	2603	100	2798	107.49	3126	120.09	3384	130.00	4043	155.32
Total(B)	3908	100	4238	108.44	4743	121.37	5215	133.44	6474	165.66
Total (A+B)	196988	100	216655	109.98	224710	114.07	249863	126.84	286815	145.60

Source: Annual reports of the company for the last five years.

Table reveals gross direct premium income of the company for last five years. It was Rs. 19308 crores in 1998-99, which has been increased by Rs. 280341 crores in 2002-3. Thus it has been increased by 45.19% within this time period. Miscellaneous insurance has been increased to turnover by 58.70% during same period.

Company's foreign Operations has done great job as compared to inside India. Outside India, the gross direct premium income was Rs. 3908 crores in 1998-99 which has been increased by Rs. 6474 crores in 2002-03. Thus, it has been increased by 65.66% during last five years.

3.3 PERFORMANCE EVALUATION OF GENERAL INSURANCE COMPANIES:

Researcher wants to evaluate overall performance of all four general insurance companies through ratio analysis. Ratio analysis is a powerful tool of financial analysis. A ratio is defined as "the indicated quotients of two mathematical expressions"❻.It is also defined as "the relationship between two or more things. An Operational definition of a financial ratio is the relationship between tow financial results of comparing mathematically two values. A company's total asset turnover is calculates by dividing the company's total asset value into its sales figure. The ratio is the quantified relationship between sales and total assets. The resulting figure is also an index because it tells how many times value of total assets was incorporated into the firm's products.

When the relationship between two figures of the balance sheet is established, the calculated ratio is called "balance sheet Ratio" . the ratio of current asset to current liabilities is the example of balance sheet ratio. If the relationship between figures of profit and loss account is established, the result is known as "income statement ratio" of gross profit to sales is the example of income statement ratio. When the relationship of figures in the profit and loss account and in the balance sheet is established such as the ratio of not profit to capital employed the ratio is know as "Intern Statement Ratio"

SIGNIFICANCE OF RATIO:

An absolute figure does not convey anything unless it is related with the other relevant figure. Trend of current liabilities of a company does not reflect anything about solvency position of the company❼. Comparing current liabilities with current assets can reflect the solvency position of the company. Ratio makes a humble attempt in this direction.

Ratio analysis are significant both in vertical and horizontal analysis. In vertical analysis ratio help the analyst to form a judgment whether performance of the firm at a lot of time is good, questionable or poor. Use of ratios in horizontal analysis indicates whether the financial condition of the firm is improving or deteriorating and whether the cost, profitable or efficiency is showing an upward on downward trend.

Financial ratios become meaningful to judge financial condition and profitability performance of the company only when there is comparison. In fact, analysis of ratios involves two types of comparison. Firstly, a comparison is made of present ratio with past and expected future ratios for the same Corporation when financial ratios for several proceeding years re computed; the analysis can determine the composition of change and determine whether there has been an improvement or determination in the financial position of the firm over the period of time. The second method of the comparison involves comparing the ratio of the company with those of similar type of company or with industry averages at the same point of time. Such as comparison would provide considerable insight into the relative financial condition and performance of the company. From all the financial account on the balance sheet, income statement and flow of funds statement, it is possible to formulate countless ratios. Researcher must select only that ratio that provides significant information about a firm's situation for effective financial analysis. Ratio of current asset to total assets.

TREND ANALYSIS:

Trend analysis reveals financial condition of a firm. Ratios at a point of time can misleads the analyst, because they may be high or low for some exceptions conditions at that point of time. An impressive present financial position may really be eroding over time, while a weak position may be improving at a rapid rate over time. Thus, the trend analysis of the ratios adds considerable significance to the financial analysis because it studies ratios of several years[7]. Although the trend analysis of the company's ratios itself is informative, but it is more informative to compare the trends in the company's ratio, with the trends in industry ratios.

The comparison indicates how well the company has been operating over time relative to competitors. It may also help to explain the trends in the company's ratios.

ANALYSIS OF VARIANCE:

Analysis of variance known as ANOVA is an important technique which is extensively and intensively used in the researches in various fields like economics, education, sociology, biology, psychology, business and industry etc[8]. This technique of research is applicable when the researchers study the problems on the basic of multiple samples. This technique tests the significance of the difference when multiple sample cases are involved.

The analysis of variances (ANOVA) is an important technique in the content of all those situations where the researcher wants to compare more than two populations[9]. For example, comparing the yield of crop from several varieties of seeds, fertilizers, the smoking and dinging habits of four groups of college students.

The Researcher wants to study comparing profitability and liquidity position of four groups of general insurance companies. This chapter deals with the one-way ANOVA. The researcher takes only one factor and tries to investigate the differences among its various categories.

3.3.1 ANALYSIS OF RATIO OF CURRENT ASSET TO TOTAL ASSET

H0: There would be no significant difference in average mean score of Ratio of Current Asset to Total Asset in all four group of General Insurance.

H1: There would be significant difference in average mean score of Ratio of Current Asset to Total Asset in all four group of General Insurance.

H0: $\mu 1=\mu 2=\mu 3=\mu 4$.

H1: $\mu 1\neq\mu 2\neq\mu 3\neq\mu 4$.

TABLE: 3.67: RATIO OF CURRENT ASSET TO TOTAL ASSET

Groups/ Year	1998-99	Base year	1999-00	Change over the base year	2000-01	Change over the base year	2001-02	Change over the base year	2002-03	Change over the base year
N.I.C.L	32.3	100	31.34	97.02	31.46	97.39	30.18	93.44	27.02	83.65
N.I.A.C.L	15.52	100	16.09	103.7	19.6	126.3	15.74	101.4	16.57	106.8
U.I.I.C.L	27.43	100	22.42	81.73	21.13	77.03	33.3	121.4	30.35	110.64
O.I.C.L	32.4	100	32.3	99.7	31.9	98.4	26	80.3	26.88	82.96

Source: Annual reports of last five years of the companies

ANOVA Analysis.

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	7.09	4.00	1.77	0.03	1.00	3.06
Within Groups	779.66	15.00	51.98			
Total	786.75	19.00				

Above table reveals the data of Ratio of Current Asset to Total Asset of all four Groups of General Insurance in public sector. The data have been further tested with scientific tool Analysis of variance to evaluate the difference. The F value is 0.03, at 0.5 level of significance. Table value of F is 3.06, which is higher than the value obtained, which shows that there is no significant difference in average mean score of Ratio of Current Asset to Total Asset in all four group of General Insurance. The null hypothesis has been accepted, Further it would be clear with coefficient of correlation (P) which is 1.0, it indicate there is both the variable are highly correlated.

CURRENT RATIO:

Current ratio expresses relationship between current assets and current liabilities current assets includes cash, marketable securities, accounts receivables and inventory. Current liabilities include accounts payable, short let notes payable, current maturities of long – terms debt accrued income taxes and other wages. It is computed by dividing current assets by current liabilities. A higher current ratio explains that the company will be able to pay its debts maturing within a year, whereas, a low current ratio points to be the possibility that the company may not be able to pay its short term debts. However, from the management point of view higher current ratio is indicatives of poor planning since an excessive amount of funds lie idle. On the contrary, a low ratio would mean inadequacy of working capital, which may deter smooth functioning of the enterprise.

A current ratio of 2:1 was long considered as minimum in a sound business, but an excess of current assets over current liabilities does not necessarily mean that debts can be paid promptly. If current assets contain a high preparation of uncollectible accounts receivables; there will be slow in the in flows of cash.

3.3.2 ANALYSIS OF CURRENT RATIO.

H0: There would be no significant difference in average mean score of Current Ratio in all four group of General Insurance.

H1: There would be significant difference in average mean score of Current Ratio in all four group of General Insurance.

H0: $\mu1=\mu2=\mu3=\mu4$.

H1: $\mu1\neq\mu2\neq\mu3\neq\mu4$.

TABLE: 3.68: CURRENT RATIO

Groups/ Year	1998-99	Base year	1999-00	Change over the base year	2000-01	Change over the base year	2001-02	Change over the base year	2002-03	Change over the base year
N.I.C.L	246.59	100	249.08	101.01	310.78	126.04	283.59	115	274.94	111.5
N.I.C.A.L	98.51	100	108.96	110.6	30.55	31.02	30.51	30.98	29.61	30.06
U.I.I.C.L	206.14	100	156.48	75.9	155.26	75.3	49.95	24.23	44.05	21.37
O.I.C.L	244.6	100	225.3	92.1	264.9	108.3	296	121.01	222.93	91.1

Source: Annual reports of last five years of the companies

ANOVA Analysis.

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	8121.9	4.0	2030.5	0.2	1.0	3.1
Within Groups	182641.6	15.0	12176.1			
Total	190763.4	19.0				

Above table reveals the data of Current Ratio of all four Groups of General Insurance in public sector. The data have been further tested with scientific tool Analysis of variance to evaluate the difference. The F value is 0.2, at 0.5 level of significance. Table value of F is 3.06, which is higher than the value obtained, which shows that there is no significant difference in average mean score of Current Ratio in all four group of General Insurance. The null hypothesis has been accepted, Further it would be clear with coefficient of correlation (P) which is 1.0, it indicate there is both the variable are highly correlated.

QUICK RATIO:

Quick ratio is a measure of judging the immediate ability of the company to pay off its current obligations. The quick ratio is obtained by dividing quick current assets by current liabilities. Quick current assets would comprise those assets, which can be liquidated immediately and at a minimum loss in order to meet pressing financial obligations. Thus, quick current assets consist of cash, marketable securities and account receivable Inventories are excluded.

3.3.3 ANALYSIS OF QUICK RATIO.

H0: There would be no significant difference in average mean score of Quick Ratio in all four group of General Insurance.

H1: There would be significant difference in average mean score of Quick Ratio in all four group of General Insurance.

H0: $\mu 1=\mu 2= \mu 3=\mu 4$.

H1: $\mu 1\neq\mu 2\neq \mu 3\neq\mu 4$.

TABLE: 3.69: QUICK RATIO

Groups/Year	1998-99	Base year	1999-00	Change over the base year	2000-01	Change over the base year	2001-02	Change over the base year	2002-03	Change over the base year
N.I.C.L	204.37	100	201.43	98.56	256.98	125.74	222.65	108.95	231.38	113.22
N.I.C.A.L	155.4	100	156.69	100.8	25.38	16.3	24.21	15.57	23.48	15.1
U.I.I.C.L	252.71	100	170.25	67.37	173.91	68.82	62.34	24.67	53.97	21.35
O.I.C.L	299.5	100	245.7	82.04	333.1	111.21	260.8	87.08	213.1	71.15

Source: Annual reports of last five years of the companies

ANOVA Analysis.

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	26527.65	4.00	6631.91	0.69	0.61	3.06
Within Groups	143488.86	15.00	9565.92			
Total	170016.51	19.00				

Above table reveals the data of Quick Ratio of all four Groups of General Insurance in public sector. The data have been further tested with scientific tool Analysis of variance to evaluate the difference. The F value is 0.69, at 0.5 level of significance. Table value of F is 3.06, which is higher than the value obtained, which shows that there is no significant difference in average mean score of Quick Ratio in all four group of General Insurance.

The null hypothesis has been accepted, Further it would be clear with coefficient of correlation (P) which is 0.69, it indicate there is both the variable are highly correlated.

3.3.4 ANALYSIS OF RATIO OF TOTAL ASSET TO TOTAL LIABILITIES

H0: There would be no significant difference in average mean score of Ratio of Total Asset to Total Liabilities in all four group of General Insurance.

H1: There would be significant difference in average mean score of Ratio of Total Asset to Total Liabilities in all four group of General Insurance.

H0: $\mu 1=\mu 2= \mu 3=\mu 4$.

H1: $\mu 1\neq\mu 2\neq \mu 3\neq\mu 4$.

TABLE: 3.70: RATIO OF TOTAL ASSET TO TOTAL LIABILITIES

Groups/ Year	1998-99	Base year	1999-00	Change over the base year	2000-01	Change over the base year	2001-02	Change over the base year	2002-03	Change over the base year
N.I.C.L	133.06	100	133.57	100.39	133.95	100.67	129.61	97.41	130.95	98.41
N.I.C.A.L	153.8	100	153.9	100.06	155.9	101.36	135.25	87.9	135.5	88.1
U.I.I.C.L	127.88	100	127.57	99.75	125.69	98.28	149.9	117.21	120.97	113.52
O.I.C.L	125.6	100	124.1	98.81	125.5	99.5	111.7	88.9	114.7	91.32

Source: Annual reports of last five years of the companies

ANOVA Analysis.

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	275.50	4.00	68.88	0.39	0.81	3.06
Within Groups	2658.92	15.00	177.26			
Total	2934.42	19.00				

Above table reveals the data of Ratio of Total Asset to Total Liabilities of all four Groups of General Insurance in public sector. The data have been further tested with scientific tool Analysis of variance to evaluate the difference. The F value is 0.39, at 0.5 level of significance.Table value of F is 3.06, which is higher than the value obtained, which shows that there is no significant difference in average mean score of Ratio of Total Asset to Total Liabilities in all four group of General Insurance. The null hypothesis has been accepted, Further it would be clear with coefficient of correlation (P) which is 0.81, it indicate there is both the variable are highly correlated.

3.3.5 ANALYSIS OF FIRE PREMIUM INCOME.

H0: There would be no significant difference in average mean score of Fire Premium Income in all four group of General Insurance.

H1: There would be significant difference in average mean score of Fire Premium Income in all four group of General Insurance.

H0: $\mu 1=\mu 2= \mu 3=\mu 4$.

H1: $\mu 1\neq\mu 2\neq \mu 3\neq\mu 4$.

TABLE: 3.71: FIRE PREMIUM INCOME

Groups/Year	1998-99	Base year	1999-00	Change over the base year	2000-01	Change over the base year	2001-02	Change over the base year	2002-03	Change over the base year
N.I.C.L	354.74	100	395.51	111.49	365.51	103.03	367.6	103.62	352.6	99.4
N.I.A.C.L	526.69	100	655.72	124.5	599.64	113.8	758.84	144.08	821.7	156.01
U.I.I.C.L	426.03	100	487.65	114.47	412.66	96.79	480.28	112.74	425.32	99.83
O.I.C.L	335.27	100	412.72	123.1	393.43	117.3	392.22	116.98	328.39	97.9

Source: Annual reports of last five years of the companies

ANOVA Analysis.

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	1034.0	4.0	258.5	1.0	0.4	3.1
Within Groups	3737.0	15.0	249.1			
Total	4771.0	19.0				

Above table reveals the data of Fire Premium Income of all four Groups of General Insurance in public sector. The data have been further tested with scientific tool Analysis of variance to evaluate the difference. The F value is 1.0, at 0.5 level of significance.Table value of F is 3.1, which is higher than the value obtained, which shows that there is no significant difference in average mean score of Net Profit (after Tax) in all four group of General Insurance. The null hypothesis has been accepted, further it would be clear with coefficient of correlation (P) which is 0.333, it indicates that both the variable is highly correlated.

3.3.6 ANALYSIS OF MARINE PREMIUM INCOME TREND.

H0: There would be no significant difference in average mean score of Marine Premium Income in all four group of General Insurance.

H1: There would be significant difference in average mean score of Marine Premium Income in all four group of General Insurance.

H0: $\mu 1=\mu 2= \mu 3=\mu 4$.

H1: $\mu 1\neq\mu 2\neq \mu 3\neq\mu 4$.

TABLE: 3.72: NET MARINE PREMIUM INCOME.

Groups/Year	1998-99	Base year	1999-00	Change over the base year	2000-01	Change over the base year	2001-02	Change over the base year	2002-03	Change over the base year
N.I.C.L	143.24	100	139.27	97.23	149.12	104.1	132.81	92.72	144.88	101.14
N.I.A.C.L	190.34	100	192.12	100.9	188.12	98.8	210.09	110.4	200.43	105.3
U.I.I.C.L	145.77	100	149.51	102.57	142.77	97.95	126.6	86.81	135.88	93.22
O.I.C.L	132.12	100	132.08	99.9	121.71	92.7	139.11	105.3	124.09	93.9

Source: Annual reports of last five years of the companies

ANOVA Analysis.

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	12.0	4.0	3.0	0.1	1.0	3.1
Within Groups	540.1	15.0	36.0			
Total	552.1	19.0				

Above table reveals the data of Marine income (Premium) of all four Groups of General Insurance in public sector. The data have been further tested with scientific tool Analysis of variance to evaluate the difference. The F value is

0.1, at 0.5 level of significance.Table value of F is 3.1, which is higher than the value obtained, which shows that there is no significant difference in average mean score of Marine Premium Income in all four group of General Insurance. The null hypothesis has been accepted. Further it would be clear with coefficient of correlation (P) which is 1.0, it indicate that both the variable are highly correlated.

3.3.7 ANALYSIS OF MISCELLANEOUS PREMIUM INCOME TREND.

H0: There would be no significant difference in average mean score of Miscellaneous Premium Income in all four group of General Insurance.

H1: There would be significant difference in average mean score of Miscellaneous Premium Income in all four group of General Insurance.

H0: $\mu1=\mu2=\mu3=\mu4$.

H1: $\mu1\neq\mu2\neq\mu3\neq\mu4$.

TABLE: 3.73: NET MISCELLANEOUS PREMIUM INCOME

Groups/Year	1998-99	Base year	1999-00	Change over the base year	2000-01	Change over the base year	2001-02	Change over the base year	2002-03	Change over the base year
N.I.C.L	967.98	100	1079.9	111.56	1289.92	133.25	1312.71	135.61	1633.4	168.74
N.I.A.C.L	1469.89	100	1629.6	110.9	1883.72	128.15	2099.3	142.8	2494.3	169.7
U.I.I.C.L	1043.8	100	1115.8	106.91	1329.27	127.35	1438.18	137.78	1531.23	146.7
O.I.C.L	956.35	100	1087.2	113.7	1210.21	126.5	1287.17	134.6	1445.95	151.2

Source: Annual reports of last five years of the companies

ANOVA Analysis.

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	8557.2	4.0	2139.3	62.5	0.0	3.1
Within Groups	513.2	15.0	34.2			
Total	9070.4	19.0				

Above table reveals the data of miscellaneous income (Premium) of all four Groups of General Insurance in public sector. The data have been further tested with scientific tool Analysis of variance to evaluate the difference. The F value is 62.5, at 0.5 level of significance.Table value of F is 3.1, which is less than the value obtained, which shows that there is significant difference in average mean score of Miscellaneous Premium Income in all four group of General Insurance. The null hypothesis has been rejected. Further it would be clear with coefficient of correlation (P) which is 0, it indicate that both the variable are not correlated.

3.3.8 ANALYSIS OF TOTAL NET PREMIUM INCOME TREND.

H0: There would be no significant difference in average mean score of Total Net Premium Income in all four group of General Insurance.

H1: There would be significant difference in average mean score of Total Net Premium Income in all four group of General Insurance.

H0: $\mu 1=\mu 2= \mu 3=\mu 4$.

H1: $\mu 1\neq\mu 2\neq \mu 3\neq\mu 4$.

TABLE: 3.74: TOTAL NET PREMIUM INCOME

Groups/ Year	1998-99	Base year	1999-00	Change over the base year	2000-01	Change over the base year	2001-02	Change over the base year	2002-03	Change over the base year
N.I.C.L	1465.96	100	1614.72	110.15	1804.55	123.09	1813.12	123.68	2130.88	145.35
N.I.A.C.L	2186.92	100	2477.45	113.3	2671.48	122.2	2068.23	140.3	3516.43	160.8
U.I.I.C.L	1615.6	100	1753	108.51	1884.37	116.64	2045.06	126.59	2092.43	129.51
O.I.C.L	1423.74	100	1632.03	114.6	1725.35	121.18	1818.5	127.7	1898.43	133.34

Source: Annual reports of last five years of the companies

ANOVA Analysis.

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	4214.0	4.0	1053.5	19.6	0.0	3.1
Within Groups	805.8	15.0	53.7			
Total	5019.8	19.0				

Above table reveals the data of Total Net Premium Income of all four Groups of General Insurance in public sector. The data have been further tested with scientific tool Analysis of variance to evaluate the difference. The F value is 19.6, at 0.5 level of significance.Table value of F is 3.1, which is less than the value obtained, which shows that there is significant difference in average mean score of Total Net Premium Income in all four group of General Insurance. The null hypothesis has been rejected. Further it would be clear with coefficient of correlation (P) which is 0, it indicate that both the variable are not correlated.

3.3.9 ANALYSIS OF NET UNDERWRITING PROFIT.

H0: There would be no significant difference in average mean score of Net Underwriting Profit in all four group of General Insurance.

H1: There would be significant difference in average mean score of Net Underwriting Profit in all four group of General Insurance.

H0: $\mu 1=\mu 2= \mu 3=\mu 4$.

H1: $\mu 1\neq\mu 2\neq \mu 3\neq\mu 4$.

TABLE: 3.75: NET UNDERWRITING PROFIT

Groups/ Year	1998-99	Base year	1999-00	Change over the base year	2000-01	Change over the base year	2001-02	Change over the base year	2002-03	Change over the base year
N.I.C.L	-212.8	100	-231.9	108.95	-245.37	115.28	-140.02	65.78	-69.72	32.63
N.I.A.C.L	13.18	100	-177.9	-1350.3	-446.04	-3384.2	-533.71	-4049.3	-490.26	-3719.7
U.I.I.C.L	-128.0	100	-276.6	216.06	-420.33	328.3	31.6	24.68	65.48	51.14
O.I.C.L	-257.2	100	-298.5	216.03	-275.6	207.12	-256.73	99.79	153.5	159.66

Source: Annual reports of last five years of the companies

ANOVA Analysis.

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	3326416.8	4.0	831604.2	0.4	0.8	3.1
Within Groups	35046576.9	15.0	2336438.5			
Total	38372993.7	19.0				

Above table reveals the data of Net Underwriting Profit of all four Groups of General Insurance in public sector. The data have been further tested with scientific tool Analysis of variance to evaluate the difference. The F value is 0.4, at 0.5 level of significance.Table value of F is 3.1, which is higher than the value obtained, which shows that there is no significant difference in average mean score of Total Net Underwriting Profit in all four group of General Insurance. The null hypothesis has been accepted. Further it would be clear with coefficient of correlation (P) which is 0.8, it indicate that both the variable are highly correlated.

3.3.10 ANALYSIS OF NET PROFIT (AFTER TAX).

H0: There would be no significant difference in average mean score of Net Profit (after Tax) in all four group of General Insurance.

H1: There would be significant difference in average mean score of Net Profit (after Tax) in all four group of General Insurance.

H0: $\mu 1=\mu 2= \mu 3=\mu 4$.

H1: $\mu 1\neq\mu 2\neq \mu 3\neq\mu 4$.

TABLE: 3.76: NET PROFIT (AFTER TAX)

Groups/Year	1998-99	Base year	1999-00	Change over the base year	2000-01	Change over the base year	2001-02	Change over the base year	2002-03	Change over the base year
N.I.C.L	79.88	100	96.53	120.84	86.77	108.62	94.34	118.1	135.65	169.81
N.I.A.C.L	375.0	100	287.29	76.61	173.54	46.27	142.0	37.86	255.81	68.22
U.I.I.C.L	192.1	100	121.59	63.29	8.15	4.24	153.39	79.84	170.99	89.01
O.I.C.L	57.85	100	55.19	95.4	74.18	128.22	-235.48	-507.05	107.36	185.58

Source: Annual reports of last five years of the companies

ANOVA Analysis.

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	93897.1	4.0	23474.3	1.2	0.3	3.1
Within Groups	282242.6	15.0	18816.2			
Total	376139.7	19.0				

Above table reveals the data of Net Profit (after Tax) of all four Groups of General Insurance in public sector. The data have been further tested with scientific tool Analysis of variance to evaluate the difference. The F value is 1.2, at 0.5 level of significance.Table value of F is 3.1, which is higher than the value obtained, which shows that there is no significant difference in average mean score of Net Profit (after Tax) in all four group of General Insurance. The null hypothesis has been accepted, Further it would be clear with coefficient of correlation (P) which is 0.333, it indicate there is both the variable are highly correlated.

3.3.11 ANALYSIS OF PROFIT TRANSFER TO GENERAL RESERVE.

H0: There would be no significant difference in average mean score of Profit Transfer to General Reserve in all four group of General Insurance.

H1: There would be significant difference in average mean score of Profit Transfer to General Reserve in all four group of General Insurance.

H0: $\mu1=\mu2= \mu3=\mu4$.

H1: $\mu1\neq\mu2\neq \mu3\neq\mu4$.

TABLE: 3.77: PROFIT TRANSFER TO GENERAL RESERVE

Groups/Year	1998-99	Base year	1999-00	Change over the base year	2000-01	Change over the base year	2001-02	Change over the base year	2002-03	Change over the base year
N.I.C.L	59.16	100	78.01	131.86	59.01	99.75	-90.45	-152.89	160.71	180.37
N.I.A.C.L	559.3	100	335.63	60	207.53	37.1	122	21.8	210.69	37.66
U.I.I.C.L	154.21	100	91.26	59.17	-2.26	-1.46	123.39	80.01	142.79	92.59
O.I.C.L	27.93	100	26.49	94.8	40.83	146.2	-246.32	-981.9	41.43	148.3

Source: Annual reports of last five years of the companies

ANOVA Analysis.

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	398859.9	4.0	99715.0	2.0	0.1	3.1
Within Groups	755938.8	15.0	50395.9			
Total	1154798.7	19.0				

Above table reveals the data of Profit Transfer to General Reserve of all four Groups of General Insurance in public sector. The data have been further tested with scientific tool Analysis of variance to evaluate the difference. The F value is 2.0, at 0.5 level of significance.Table value of F is 3.1, which is higher than the value obtained, which shows that there is no significant difference in average mean score of Profit Transfer to General Reserve in all four group of General Insurance. The null hypothesis has been accepted, Further it would be clear with coefficient of correlation (P) which is 0.1, it indicate there is both the variable are highly correlated.

3.3.12 ANALYSIS OF PROPOSED DIVIDEND

H0: There would be no significant difference in average mean score of Proposed Dividend in all four group of General Insurance.

H1: There would be significant difference in average mean score of Proposed Dividend in all four group of General Insurance.

H0: $\mu 1=\mu 2= \mu 3=\mu 4$.

H1: $\mu 1\neq\mu 2\neq \mu 3\neq\mu 4$.

TABLE: 3.78: PROPOSED DIVIDEND

Groups/Year	1998-99	Base year	1999-00	Change over the base year	2000-01	Change over the base year	2001-02	Change over the base year	2002-03	Change over the base year
N.I.C.L	18	100	18	100	20	111.11			25	138.88
N.I.A.C.L	30	100	30	100	20	66.66	20	66.66	40	133.33
U.I.I.C.L	24	100	20	83.3	0		30	12.5	25	104.16
O.I.C.L	24	100	24	100	25	104.1			20	83.31

Source: Annual reports of last five years of the companies

ANOVA Analysis.

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	7828.9	4.0	1957.2	4.8	0.01	3.3
Within Groups	4846.0	12.0	403.8			
Total	12674.9	16.0				

Above table reveals the data of Proposed Dividend of all four Groups of General Insurance in public sector. The data have been further tested with scientific tool Analysis of variance to evaluate the difference. The F value is 4.8, at 0.5 level of significance.Table value of F is 3.3, which is less than the value obtained, which shows that there is significant difference in average mean score of Proposed Dividend in all four group of General Insurance. The null hypothesis has been rejected. Further it would be clear with coefficient of correlation (P) which is 0.01, it indicate there is both the variable are not correlated.

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CHAPTER – 4

ANALYSIS OF LIFE INSURANCE BUSINESS

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ANALYSIS OF LIFE INSURANCE BUSINESS

4.1 LIFE INSURANCE:

As part of the wide ranging economics reforms announce in 1991, industrial policy measures were imitated by the Government of India to liberalize the MRTP and FERA regulations. The most important aspect of the MRTP Act was amended to totally remove pre – entry restrictions on establishments of new undertaking and expansion of the existing firms. Impartment changes were also made in the foreign exchange regulations Act (FERA of 1973) in order to encourage foreign investment in India. FERA companies are allowed to have foreign equity holding up to 51% in high priority areas. FERA companies are granted freedom to operate in India, since restriction on internal operators has been removed. It means that FERA companies are now treated almost at part with the Indian companies. It is a great motivation to foreign corporate giants to freely operate in India without fear.

As part of the liberalization process, the government had to review the role of insurance sector and government's investment in it. Accordingly the Malhotra committee setup to study the insurance sector suggested in 1994 in its reports among other things the privatization of the insurance sector. While praising the work done in achieving many of its objectives, the committee was critical about the low insurance coverage, un responsiveness to customers needs, poor service, costly insurance cover with low returns, hierarchical management and an excessive lapse, ratio polices. It's stated that there was a large untapped potential for insurance in the country and this led to the first step being taken towards opening up of this sector to private player. As the result of the committee's recommendation to open up the sector to participation was implemented by the government in 2000. The key element in the reform process was the participation of overseas insurance companies through restricted to 26% of capital❶.

PRIVATE LIFE INSURANCE COMPANIES OPERATING IN INDIA.

There is only one company of life insurance in India before the reform process. It is a life insurance Corporation of India., which had the monopoly in Indian market before 1/04/2000, after those reform process private players in life insurance in India Market. The full information about Registration of different private players is as follows:

TABLE 4.1 PRIVATE LIFE INSURANCE COMPANIES.

Sr. No.	Registration number	Date of Registration	Name of the company
1.	101	23/10/2000	HDFC Standard life Insurance Co. Ltd.
2.	104	15/11/2000	Max New York life Insurance Co. Ltd.
3.	105	24/11/2000	ICIC Prudential life Insurance Co. Ltd.
4.	107	10/01/2001	Om Kotak Mahindra life Insurance Co. Ltd.
5.	109	31/01/2001	Birla Sun life Insurance Co. Ltd.
6.	110	12/02/2001	Tata AIG life Insurance Co. Ltd.
7.	111	30/03/2001	SBI life Insurance Co. Ltd.
8.	114	2/8/2001	ING Vysya life Insurance Co. Ltd.
9.	116	3/8/2001	Allianz Bajaj life Insurance Co. Ltd.
10.	117	6/8/2001	Met life India Insurance Co. Ltd.
11.	121	3/1/2002	AMP Sanmar Assurance Co. Ltd.
12.	122	14/5/2002	Aviva life Insurance Co. India Pvt. Ltd.
13.	127	6/2/2004	Sahara India Insurance Co. Ltd.

Source: IRDA – Annual Report (2001, 2002, 2003, 2004)

Above table reveals new private players in life insurance business with their Registration details. Registration detail includes Registration number and the date of Registration of the all new private life insurance companies. HDFC Standard Life Insurance Company was the first private insurance company which had entered into the Indian Life Insurance market on the date 23.10.2000. In the next year, total seven companies entered into the Indian Life Insurance Market. Nowadays, there are total 13 private companies in Indian Life Insurance Market up to 31st March 2004, according to Insurance Regulatory Development Authority's annual report- 2003-2004.

LIC was the only one company in Indian Life Insurance business before 1999.After reform processes; it is the only one public company in Indian Life Insurance business. Researcher has taken only public sector companies for the studies because of availability of data, so the researcher had made an attempt to evaluate the financial performance of public life insurance company. This chapter deals with life insurance business. The financial data have been taken from the period 1998-99 to 2002-03 for this research purposes.

4.2LIFE INSURANCE CORPORATION OF INDIA

4.2.1 INTRODUCTION:

The Corporation has been established by the Insurance Act 1956 passed by parliament. According to the provisions of the Act, the Corporation began to function as an autonomous body and has necessarily run on sound business principles. The Government of India nationalized life insurance business in the year 1956. The initial paid up capital of Rs. 5 crores is wholly contributed by the Central Government to the Life Insurance Corporation of India❷.

4.2.2 AIMS OF LIC:

Life Insurance Corporation of India has come into force with the following aims:

(a) To assure full protection to the policy holders

(b) To encourage and mobilize public savings

(c) Effective utilization of those savings in different forms of investment for national and economic development

(d) To create liquidity position in public

(e) To motivate saving habits among the public

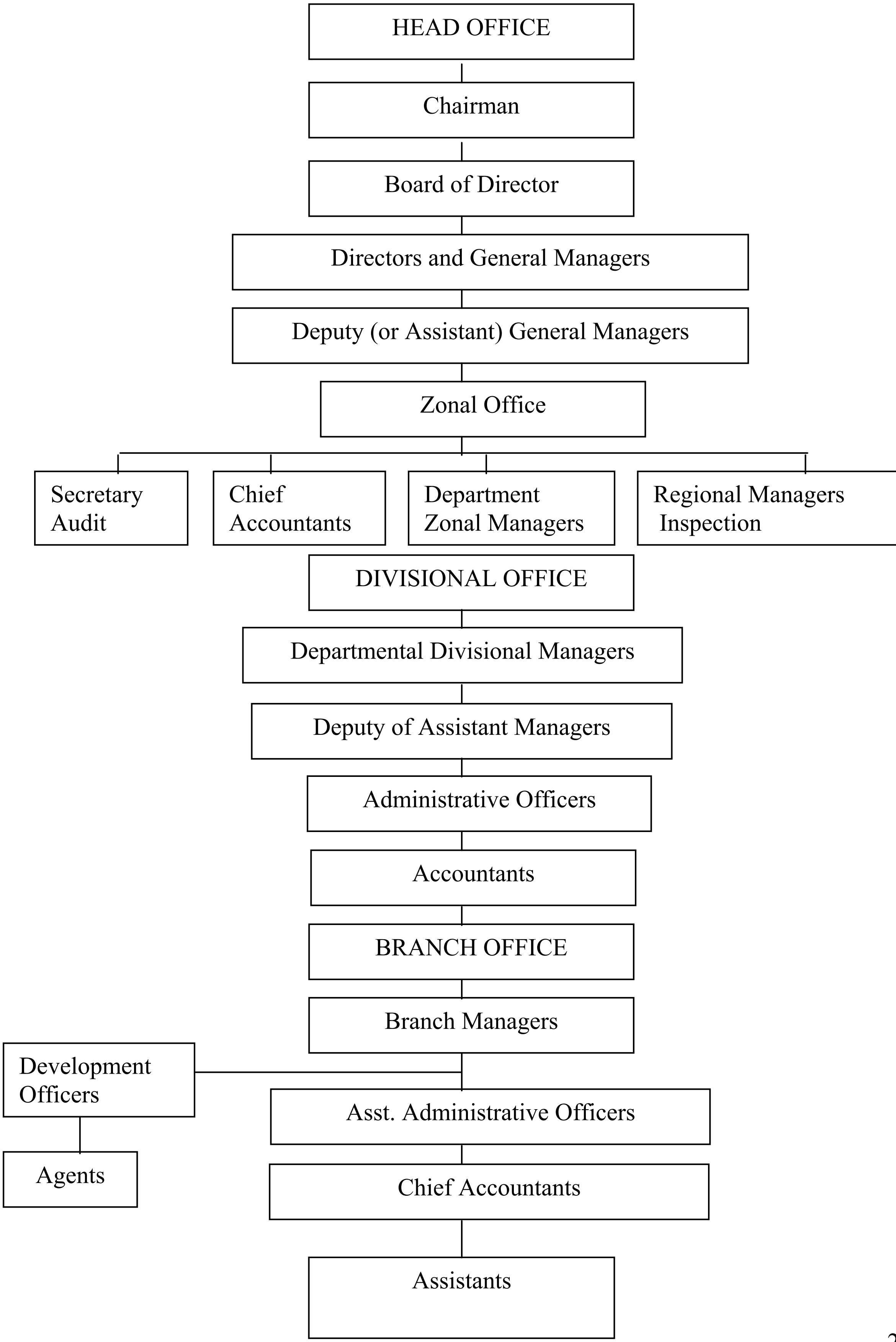
(f) Provisions for old age and tax concession.

4.2.3 ORGANIZATION STRUCTURE

To perform the functions of the Life Insurance Corporation of India, a Board of Directors consisting of 15 members is appointed by the Central Government. One of the members is also appointed as the chairman. The organisation structure of Life Insurance Corporation of India has a four tier structure. They are (1) Central Office (2) Zonal Offices (7) (3) Divisional Offices (100) (4) Branch Offices (2048 Branches). The Central Office is to perform the activities relating to investments, framing and administering the rules and regulations of Corporation. In Branch office almost 90% of the functions relate to policy holders. There are seven Zonal Offices and 100 Divisional Offices, which are established on the basis of geographical areas. They discharge their coordinating functions relating to the Central Offices and Zonal Offices. The Central Office of Life Insurance Corporation of India is located at Mumbai. There are several executive committees appointed by the Government of India from time to time to review the activities of the Life Insurance Corporation of India.[3]

The chart can explain this more clearly:

LIFE INSURANCE ADMINISTRATION (ORGANISATION STRUCTURE)



4.2.4 ADVANTAGES OF LIFE INSURANCE

(1) It ensures absolute protection against the risk of death❹.

(2) Insurance encourages compulsory savings.

(3) Life Insurance facilitates easy settlement and the beneficiaries fully protected from creditors.

(4) Policy holders of life insurance are eligible to get tax exemptions from Income Tax liability.

(5) It facilitates easy marketability and suitability for quick borrowing through commercial loan (or) housing loan or surrenders the policy for a cash sum.

(6) It involves all the people working in the Corporation to the best of their capacity in furthering the interest of the insured public by providing efficient service.

4.2.5 IMPORTANT FUNCTIONS

The following are the important activities of Life Insurance Corporation:

(1) To ensure absolute security is the first and foremost function to the prospective policy holders of life insurance❺.

(2) Underwriting is the important activity of Life Insurance Corporation i.e., scrutinizing and making decisions on the proposals for the insurance.

(3) Issuing policy documents to the policy holders for evidence of the insurance contract.

(4) Life Insurance vitally protects the common man by providing cover through individual policies, group schemes and social security schemes.

(5) Development and prosperity of insurance companies will create employment opportunities in rural and urban areas.

(6) To make intensive and extensive publicity drives in public for mobilizing insurance business.

(7) To encourage resource mobilization for development through mopping up of savings and also to have better utilization of those savings.

(8) To contribute social oriented investment to improve the quality of the society, especially with respect to electricity, water supply, housing and agro based industries.

(9) Life Insurance Corporation has been giving high priority for rendering various services to the policy holders. The focus of LIC is on service related to Registration of nomination, assignment, change in address, and revival of a lapsed policy, payment of loan and surrender or settlement of claims.

(10) Other important functions are maintaining accounts, management of personnel, processing of data, formulating policies, procedures, setting up of objectives and goals, compliance with regulations and law of the country.

4.2.6 ROLE OF LIC IN NATIONAL ECONOMY

The role of Life Insurance Corporation involves all the activities relate to national economy, individual and society❻. The following are the important areas identified:

(1) INVESTMENT:

Life Insurance Corporation is acting as capital market intermediaries. It provides long-term investments in Government Securities, Public Sector, Co-operative Sector, Private Sector and Joint- Sector. On the Stock Exchange it is considered a very powerful security holder.

(2) UNDERWRITING:

LIC has been the largest underwriter of capital issues in the Indian Capital Market till the year 1978 after which it has reduced its activities in favour of socially oriented projects. During the year 1983 onwards, LIC underwrites firms and prefers large and established companies. It also prefers 'further' issues. As an underwriter, it influences the capital market considerably and is also able to stabilize the market during the downswings or depression periods.

(3) DISBURSING LOANS:

Since 1970 LIC has disbursing 'loans' for industrial development. One of the major avenues of investment in every year constituted financing through loans. It has given loans for generation and transmission of electricity for agriculture and industrial use, housing schemes, piped water supply schemes and development of road and transport. Out of the total disbursement of all financial institutions to the industry LIC's contribution comes to around 8%.

(4) SUBSCRIBING TO DEBENTURES AND BONDS:

Financial Institutions and corporate enterprises requiring burgeoning funds to meet their expanding needs find it easier and cheaper to raise funds from the market by issuing commercial papers. LIC also subscribes to debentures and bonds of various financial institutions and development banks like IDBI and IFCI. In 1983, LIC Subscribed to the Debenture of ICICI of the value of Rs.8 crores.

(5) SOCIALLY ORIENTED:

A basic feature of financial liberalization and many innovations are the trend towards social orientation. LIC has resorted to socially oriented schemes has big way since 1978❹. This has brought down its activities in the capital market. The rationale behind this change has been to go in for developmental work. Own Your House (OYH) Schemes have been given priority. Apart from these schemes, loans for sewerage, road and transport and electricity generation have also been given priority in the recent years.

(6) SHAREHOLDING:

By virtue of its shareholding LIC has been recognized amongst the top ten shareholders in one of every three companies listed in the stock exchange on which it has a share in companies. While LIC has invested in large blocks of equities and in later years in debenture holdings, it had kept away and did not interfere in the decisions of the management in the past.

(7) CONTROL:

In the recent years, LIC has influenced the management to take proper decisions and to tone up the quality of working in the companies financed by it. This is intended to promote confidence in the minds of the public and to exercise control in the corporate sector which often has a very small shareholding. In 1984 LIC dominated Indian industries scene. These changes in the direction of the LIC are bound to exert some pressure on the industry and change the complexion of the Indian industrial scenario.

(8) MUTUAL FUND:

It has set up in 1989, a Mutual Fund for operating various schemes for mobilization of savings from the public particularly from the rural and urban areas and channel these funds to the capital market. The LIC has considerable expertise in investment management by virtue of its earlier Operations of funds.

(9) BOOSTING INDUSTRIAL GROWTH:

The Corporation helps boost the industrial growth in the country. It helps small scale and medium scale industries by granting loans for setting up co-operative industrial estates and an amount of Rs. 45 crores has so far been advanced to industrial estates and industrial development Corporation. The Corporation also makes investment in the corporate sector in the form of long, medium and short-term loans to companies/Corporation. The total investment made by way of loans up to year 2001 was Rs.2812 crores and by way of subscription to shares/debentures was Rs.35048 crores. All this makes a distinct contribution towards growth in industralisation and generation of skilled and unskilled employment opportunities in the country.

(10) CLAIMS AND SETTLEMENT:

The settlement of claims constitutes one of the important functions of the Corporation❼. Indeed, the payment of claims may be regarded as the primary services of insurance to the public. Proper settlement of claims will be provided on the basis of sound knowledge of law, principles and practices governing, insurance contracts, terms and conditions of standard policies etc.

4.2.7 PROGRESS OF LIFE BUSINESS OF LIC

The progress of life business of LIC can be evaluated by various indicators such as growth of new business, performance of business in force, progress of number of lives covered, investments, claims settlement and so on. the Table given below shows the progress of life insurance business of LIC from 1957 to 2001- 2002.

TABLE 4.2 PROGRESS OF LIFE BUSINESS OF LIC

Year	Total New Business		Business in Force			Total No. of lives covered	
	Individual Schemes (Rs. in Crores)	Group Insurance Schemes (Rs. in Crores)	Individual Schemes (Rs. in Crores)	Group Insurance Schemes (Rs. in Lakhs)	No. of Policies in force (in lakhs)	Group Insurance Schemes (in lakhs)	Life Fund (Rs. in Crores)
1957	336.37	-	1476.52	5.29	56.86	-	410.40
1969-70	990.03	46.05	6348.09	7717	140.40	-	1611.03
1974-75	1772.61	1339.82	11852.25	1457.00	188.20	23.34	3033.79
1979-80	2744.33	5262.06	19242.55	6137.46	220.94	58.41	5818.09
1998-99	25606.26	69558.14	459201.04	7718.45	912.26	242.29	127389.06
1999-2000	91214.26	66619.43	536450.82	76384.53	1013.89	243.02	154043.73
2000-2001	124757.14	78134.66	645041.69	89326.19	1131.11	245.52	186024.75
2001-2002	192572.31	99446.11	811011.00	100597.64	1258.76	256.99	227008.98

SOURCE: LIC DIARIES

From the above table we have observed the new individual business has increased from Rs.338.3 crores in 1957 to Rs.192572.31 crores in 2001.02. On the other hand, the group insurance schemes have increased from Rs.46.05 crores in 1969-70 to Rs.99446.11 crores in 2001.02. It indicates that the LIC is trying hard to increase its new business at a very rapid speed from 1957 to 2002. The above table also highlights that the individual life insurance in force has been continuously increased from Rs. 1,476.52 crores in 1957 to Rs.811011.00 crores in 2002. The business in force of group insurance schemes has rapidly been increasing from Rs.5.29 lakhs in 1957 to 100597.64 lakhs in 2001.02. The number of policies in force has increased from 56.86 lakhs in 1957 to 1131.11 lakhs in 2001-02. This reveals that the total business in force has been constantly and rapidly rising in India. It is a very good indicator of the popular form of life insurance which can be adopted to benefit the masses, individually as well as a group. The total number of lives covered under group insurance scheme has also increased from Rs.23.34 lakhs in 1974-75 to 256.99 in 2001-02. It indicates a significant increase in life insurance business. The life insurance fund has been increasing at a faster rate during the period of 33 years. It is a very encouraging sign that the life insurance fund has increased from Rs.410.42 crores in 1995 to 227008.98 crores in 2001-02.❸

4.2.8 IRDA GUIDELINES FOR INVESTMENT OF FUNDS

Life insurance is a long term business and for determining the premium the expected interest rate over the term of the policy is one of the key inputs. Bonus rates are decided on the basis of surplus determined by actuarial valuation which is done every year. Investment income, which depends also upon the return on fixed interest investments, is a significant contributor for surplus❽. Decline in rates of return obtainable on investments necessitate from time to time revision of rates of returns offered by the Insurers.

As per IRDA Regulations, life insurer shall invest and at all times keep invested his controlled fund in.

(1) Central Government Securities - Not less than 25%

(2) State Government Securities or other approved securities - (including (1) above) - Not less than 50%

(3) Infrastructure and social sector - Not less than 15%

(4) Balance Investments can be made as per Prudential and Exposure Norms, subject to other than approved investments not exceeding 15% of the fund.

It may be seen that at least 50% of the funds are to be invested in Government and other approved securities which may provide highest safety and consequently lower expected returns.

Insurer lays down certain norms internally within stipulated IRDA guidelines, which are expected to be followed in respect of all proposals that come up for investment. These proposals could be in respect of debenture, convertible debentures, equity, semi-equity, term loans, working capital loans etc.

4.2.9 IDENTIFICATION OF VARIOUS TYPES OF INVESTMENTS

The following are the various types of investments areas identified by LIC on the basis of their merits and demerits.

(1) Government Securities

(a) General Government Securities

(b) State Government Securities

(2) Industrial Securities (Public Sectors and Private Sectors)

(a) Investments in Shares

(b) Investments in Debentures

(3) Mortgages or Investments in real estates

(a) Mortgage of buildings

(b) Mortgage of Land

(4) Investments in the form of granting loan to policyholders

(5) Investments in housing sectors

(6) Investments in other assets

(a) Investment in plant and machinery

(b) Investment in machinery

(c) Investment in properties

TABLE 4.3 PERFORMANCE OF LIC'S SOCIALLY ORIENTED INVESTMENTS

Year	Total Investments (Rs. in crores) (Rs. in Crores)	Social Oriented Investments	Percentage (%) to total Investment
1957	381.90	-	-
1969-70	1514.26	513.21	2.95%
1974-75	2798.43	1218.52	2.29%
1979-80	5747.51	2472.29	2.32%
1998-99	120445.00	88831.00	1.35%
1999-00	146364.00	117888.00	1.24%
2000-01	175491.00	139926.00	1.25%
2001-02	216883.00	173370.00	1.25%

Source: Annual Reports of the company.

The above table reveals that the total amount of investment has been constantly increasing form Rs.381.90 crores in 1957 to Rs.2,16,883 crores in 2001-02. It indicates that LIC's investment has contributed significantly in the development of the nation. The share of LIC's investment also highlights that LIC has favored socially oriented securities has increased from Rs.531.21 crores in 1969-70 to Rs.1,73,370.00 crores in 2001 - 02 by more than 337.81 times. On the other hand, it has been observed that the percentage of socially oriented investments to total investments has declined from 2.95% in 1970 to 1.25% in 2002. Thus, the over all performance of LIC's investments towards socially oriented sectors considerably satisfied.

4.2.10 PROGRESS OF LIC'S INVESTMENT IN VARIOUS SECTORS

The Life Insurance Corporation (LIC) helps boost the industrial growth in the country❾. It helps small scale and medium scale industries by granting loans for setting up co-operative industrial estates. The Corporation also makes investments in the corporate sector in the form of long, medium and short term loans to companies / Corporation. LIC's investments have been directed towards socially oriented securities. It is a great achievement that LIC has tried to develop power generation, roadways, port, railways, water supply and sewerage schemes, housing and other infrastructures. The given below table shows the some highlights the allocation of LIC's investments in various sectors:

TABLE 4.4 ALLOCATION OF LIC'S INVESTMENTS IN VARIOUS SECTORS FROM 1997 TO 2002

(Rs.in crores)

Type of Investment	Investments Upto							
	31.3.77	31.3.87	31.3.97	31.3.98	31.3.99	31.3.00	31.3.01	31.3.02
1.Central Govt. Securities	981	4675	37330	45876	56185	70533	85181	109938
2. State Govt. and other Govt. Guaranteed Marketable	715	1683	8906	10471	13928	14156	17877	21463

Securities								
3. Electricity (SEBs)	733	2603	8241	9153	10591	11931	12402	13447
4. Housing	618	1872	10967	12242	14207	15885	17998	19054
5. Water supply and Sewerage (Mun+Z.P)	203	718	2028	2264	2508	2997	3657	4000
6. State Road Transport Corporation	-	180	540	551	671	736	784	893
7. Loans to Industrial Estates	9	37	45	45	45	45	45	45
8. Loans to Sugar Co-operative	22	37	37	37	37	37	37	37
9. Development Authority	-	1	1	1	1	1	1	1
10. Roadways, Port Railways	-	-	-	25	25	85	325	681
11. Power Generation								

(Private Sector)	-	-	-	276	801	1478	1615	3797
12. Municipalities	-	-	-	4	4	4	4	4
Total	3281	11806	68068	80945	980033	117888	139926	173370

Source: Annual reports of the company.

From the above table, we can observe that the amount of investments in Central Government Securities has rapidly been increasing from Rs.981 crores in 1977 to Rs.109938 crores. It indicates that the allocation of LIC's investment in Central Government Securities as more than 112 times. The distribution of LIC's investment to State Government and other Government Guaranteed marketable securities has been significantly gone up from Rs.715 crores in 1977 to Rs.21463 crores in 2002 by more than 30 times during this period. Investments in electricity sector have been considerably high from Rs.733 crores in 1977 to Rs. 13,447 crores in 2002 by more than 18 times. The allocation of investments to housing sector has also increased from Rs.618 crores in 1977 to Rs.19054 crores in 2002 by more than 30 times. Similarly, the share of investments in water supply and sewerage sectors has gone up from Rs.203 crores in 1977 to Rs.4000 crores in 2002. The amount of investment in state road transport Corporation has constantly raised from Rs.180 crores in 1987 to Rs.893 crores in 2002. On the other hand, the allocation of investments to industrial estates, loans to cooperatives and development authority has slightly increased from 1977 to 2002. Distribution of investments in power generation sectors (private) has also been rising from Rs.276 crores in 1999 to Rs.3,797 crores in 2002 by more than 13 times. Thus, all these make a distinct contribution towards growth in industrialization and generation of skilled and unskilled employment opportunities in the country.

4.2.11 PERFORMANCE OF CLAIMS SETTLEMENT

The life insurance is essentially an instrument for providing financial compensation in case of unexpected death of the person taking the insurance cover[10]. On the basis of the policies in force at the end of a year the insurer will generally estimate the expected number and the amount of claims during the year. The Corporation strives to settle maturing claims on or before the due date itself. The branch office which serves the policy send out an intimation regarding the payment along with the necessary discharge voucher for execution by the assured approximately two months before the due date of such payment. In the event of the death of the policy holder, the claimant (the nominee, assignee or next of skin) should immediately intimate the fact of such death to the branch office, where the policy is served along with the following particulars (a) Policy Number (b) Name of the policy assured (c) Date of death and (d) Claimants relationship with the assured. Soon after the receipt of the intimation of death, the branch office concerned will send the necessary claim forms for completion along with instructions regarding the procedure to be followed by the claimant. The claims are usually payable to the nominee / assignee or the legal successor as the case may be. However, if the deceased the policy holder has not nominated / assigned the policy or it he / she has not made a suitable provision regarding the policy moneys by may of a will certificate or some such evidence of title from a court of Law. The given below table shows the performance of claim - settlement Operations.

TABLE 4.5 CLAIMS SETTLEMENT OPERATIONS (1989 - 90 TO 2001-02)

Year	Claims Intimated (Rs. in	Claims Settled (Rs. in	Claim Outstanding (Rs. in	Percentage (%) of claims Outstanding to
1989-90	1,211.08	1,126.37	84.71	6,61%
1990-91	1,425.14	1,334.58	90.56	5.96%
1993-94	3,845.45	3,673.95	171.50	4.86%
1994-95	4,130.80	3,904.57	226.23	5.26%
1995-96	4,594.69	4,305.99	288.70	6.28%
1996-97	5,722.38	5,691.49	319.59	5.28%
1997-98	6,673.07	6,677.04	315.62	4.73%
1998-99	7,615.78	7,583.18	348.22	4.57%
1999-00	9,266.25	9,211.30	403.17	4.35%
2000-01	11,666.82	11,637.98	432.01	3.70%
2001-02	14,358.55	14,519.25	273.34	1.85%

Source: Annual reports of the company.

The above table highlights that the performance of LIC's claims settlement Operations from 1989 - 90 to 2001 - 2002. It is seen that the number of claims intimated has increased from Rs. 1211.08 crores in 1989 - 90 to Rs. 14,358.55 crores in 2001 - 02. The amount of claims settled during the same period was significantly higher than Rs. 1,126.37 crores to 14,519.25 crores. It has also been observed that the amount of claims outstanding. Compare to claims intimated has considerably declined from Rs. 84.71 crores in 1989-90 to Rs. 273.35 crores in 2001-02. It indicates that the efficiency of the, LIC in meeting claim - obligations were significantly achieved. Expressed as percentage, the claim outstanding to claims intimated as gradually decreased from 6.61% in 1989 - 90 to 1.85% in 2001 -02.

This indicates that the special efforts were made to improve claim settlement and the outstanding has been brought down to 1.85% in 2001 - 02. Thus, if all reflection on the quality of the life insurance business.

4.2.12 WIDE NETWORK PROGRESS

Since 1956, LIC has worked resolutely towards spreading life insurance and in the process has built a wide network across the length and breadth of the country, consisting of 2048 branches 100 divisional offices, 7 Zonal offices and Corporate office[9]. The number of new policies sold each year grew from 14.62 lakhs in 1961 to 1.79 crores in 2001, of which 55.10 percent in rural. The rural share of 1961 was 36.53 percent. Similarly the annual premium income rose from Rs. 88.65 crores in 1957 to 27,859 crores in 2000. The life fund and asset of the Corporation also grew from 410 crores to Rs. 154044 crores and 456.04 crores to 160936 crores, respectively since 1957. Investment which was Rs. 329.74 crores in 1957 rose to Rs. 144954 crores in 2000, all of which is deployed in nation building activities.

In its endeavor to be economical, LIC has strived to reduce its expenses. The renewal expense ratio is an indicator of the expense incurred for collecting renewal premiums and keep policies from lapsing, dropped to 5.01% in 2000 from 28.40% in 1957. The overall expense ratio, which indicates the total cost of Operations also fall from 27.3% in 1957 to 21% in 2000.

4.2.13 TRAINING FACILITIES

LIC has a well established training infrastructure to eater to the training needs of employees consisting of a management development centre for senior officials, Seven Zonal training centers for supervisors, line managers and for top salesman and for computer based training for all the employees.

There are also 25 sales training centers to provide training to other sales force. These centers are located in various Zones. Training needs are analyzed and a training profile to employees is kept at the offices; training modules have been standardized. In addition of imparting training to the work force consisting of over 1.24 lakhs employees and officers, LIC has concrete programme of training its sales force of over six lakhs agents.❹

4.3 PERFORMANCE EVALUATION OF NEW BUSINESS OF LIFE INSURANCE CORPORATION.

4.3.1 ANALYSIS OF ASSURED SUM OF INDIVIDUAL INSURANCE

H0: There would be no significant difference in the trends of different policies of individual insurance- assured sum during the period of study.

H1: There would be significant difference in the trends of different policies of individual insurance- assured sum during the period of study.

H0: $\mu1=\mu2= \mu3=\mu4$.

H1: $\mu1\neq\mu2\neq \mu3\neq\mu4$.

TABLE 4.6 INDIVIDUAL INSURANCE ASSURED SUM

Policies/Year	1998-99	Base year	1999-00	Change over the base year	2000-01	Change over the base year	2001-02	Change over the base year	2002-03	Change over the base year
ASSURANCCES	75606	100	91491	121	12451	165.26	192785	254.98	179811	237.82
ANNUITIES	13.08	100	26.65	203.74	47.1	360	740.53	5661.5	62.3	476.3
JEEVAN SURKSHA	233.31	100	573.4	245.77	861.2	369.14	6596.4	2827.3	3583.4	1535.9

Source: Annual reports of Life Insurance Corporation

ANOVA Analysis.

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	16725092.3	4.0	4181273.1	2.7	0.1	3.5
Within Groups	15616327.1	10.0	1561632.7			
Total	32341419.4	14.0				

Above table reveals the data of individual insurance assured sum for last five years of Life Insurance Corporation. The data have been further tested with scientific tool Analysis of variance to evaluate the difference. The F value is 2.7, at 0.5 level of significance.Table value of F is 3.5, which is higher than the value obtained, which shows that there is no significant difference in average mean score of sum assured of individual insurance. The null hypothesis has been accepted. Further it would be clear with coefficient of correlation (P) which is 0.1, it indicate there is both the variable are not correlated.

4.3.2 ANALYSIS OF NUMBER OF POLICIES OF INDIVIDUAL INSURANCE

H0: There would be no significant difference in the trends of different policies of individual insurance -number of policies during the period of study.

H1: There would be significant difference in the trends of different policies of individual insurance- number of policies during the period of study.

H0: $\mu1=\mu2= \mu3=\mu4$.

H1: $\mu1\neq\mu2\neq \mu3\neq\mu4$.

Table 4.7 INDIVIDUAL INSURANCE NUMBER OF POLICIES

Policies/Year	1998-99	Base year	1999-00	Change over the base year	2000-01	Change over the base year	2001-02	Change over the base year	2002-03	Change over the base year
ASSURANCES	149	100	170	114.35	197	132.36	225	151.4	243	163.4
ANNUITIES	0.06	100	0.19	316.67	0.37	616.67	5.16	8600	0.06	100
JEEVAN SURKSHA	0.99	100	2.04	206.06	3.07	310.1	2.6	262.6	2.34	236.36

Source: Annual reports of Life Insurance Corporation

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	18874567.15	4.00	4718641.79	1.00	0.45	3.48
Within Groups	47117698.15	10.00	4711769.82			
Total	65992265.31	14.00				

Above table reveals the data of number of policies of individual insurance for last five years of Life Insurance Corporation. The data have been further tested with scientific tool Analysis of variance to evaluate the difference. The F value is 1.00, at 0.5 level of significance.Table value of F is 3.48, which is higher than the value obtained, which shows that there is no significant difference in average mean score of number of policies of individual insurance. The null hypothesis has been accepted. Further it would be clear with coefficient of correlation (P) which is 0.45, it indicate there is both the variable are moderately correlated.

<u>**4.3.3 ANALYSIS OF ANNUAL PREMIUM OF INDIVIDUAL INSURANCE**</u>

H0: There would be no significant difference in the trends of different policies of individual insurance –annual premium during the period of study.

H1: There would be significant difference in the trends of different policies of individual insurance- annual premium during the period of study.

H0: $\mu 1=\mu 2=\mu 3=\mu 4$.

H1: $\mu 1\neq\mu 2\neq\mu 3\neq\mu 4$.

Table 4.8 ANNUAL PREMIUMS

Policies/Year	1998-99	Base year	1999-00	Change over the base year	2000-01	Change over the base year	2001-02	Change over the base year	2002-03	Change over the base year
ASSURANCES	4881	100	6026	123.47	8863	181.6	16022	328.28	12524	256.61
ANNUITIES	4.93	100	9.37	190.06	34.2	694.5	2281	46275	8.34	169.17
JEEVAN SURKSHA	92.96	100	163.3	175.6	252	270.79	256	275.38	243.4	261.83

Source: Annual reports of Life Insurance Corporation

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	569872013.81	4.00	142468003.45	1.01	0.45	3.48
Within Groups	1409168770.01	10.00	140916877.00			
Total	1979040783.82	14.00				

Above table reveals the data of individual insurance–annual premium for last five years of Life Insurance Corporation. The data have been further tested with scientific tool Analysis of variance to evaluate the difference. The F value is1.01, at 0.5 level of significance.Table value of F is 3.48, which is higher than the value obtained, which shows that there is no significant difference in average mean score of annual premium of individual insurance. The null hypothesis has been accepted. Further it would be clear with coefficient of correlation (P) which is 0.45, it indicate there is both the variable are moderately correlated.

4.3.4 ANALYSIS OF NUMBERS OF GROUP SCHEMES

H0: There would be no significant difference in the trends of different policies of individual insurance -number of group schemes during the period of study.

H1: There would be significant difference in the trends of different policies of individual insurance- number of group schemes during the period of study.

H0: $\mu1=\mu2= \mu3=\mu4$.

H1: $\mu1\neq\mu2\neq \mu3\neq\mu4$.

TABLE 4.9 NUMBERS OF SCHEMES (GROUP SCHEME)

Policies/Year	1998-99	Base year	1999-00	Change over the base year	2000-01	Change over the base year	2001-02	Change over the base year	2002-03	Change over the base year
Group Insurance	8201	100	8420	103	7714	94.1	8392	120	9246	113
Social Security group schemes	423	100	603	143	778	184	7565	1678	6083	1438
Rural group life insurance	208	100	243	117	-		-		-	
Group superannuation	369	100	323	87.5	408	111	427	116	305	82.7

Source: Annual reports of Life Insurance Corporation

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	904564.38	4.00	226141.09	0.96	0.46	3.26
Within Groups	2827619.00	12.00	235634.92			
Total	3732183.38	16.00				

Above table reveals the data of individual insurance- number of group schemes for last five years of Life Insurance Corporation. The data have been further tested with scientific tool Analysis of variance to evaluate the difference. The F value is 0.96, at 0.5 level of significance.Table value of F is 3.26 which is higher than the value obtained, which shows that there is no significant difference in average mean score of number of group schemes of individual insurance. The null hypothesis has been accepted. Further it would be clear with coefficient of correlation (P) which is 0.46, it indicate there is both the variable are moderately correlated.

4.3.5 ANALYSIS OF NUMBER OF LIVES OF GROUP SCHEMES

H0: There would be no significant difference in the trends of different policies of individual insurance -number of lives during the period of study.

H1: There would be significant difference in the trends of different policies of individual insurance- number of lives during the period of study.

H0: $\mu1=\mu2= \mu3=\mu4$.

H1: $\mu1\neq\mu2\neq \mu3\neq\mu4$.

TABLE 4.10 NUMBERS OF LIVES

Policies/Year	1998-99	Base year	1999-00	Change over the base year	2000-01	Change over the base year	2001-02	Change over the base year	2002-03	Change over the base year
Group Insurance	16.2	100	17.44	108	11.57	71.37	14.02	86.5	17.4	107.6
Social Security group schemes	2.54	100	4.06	160	3.35	131.9	8.35	329	7.76	305.5
Rural group life insurance	2.4	100	1.04	43.3	-		-		-	
Group superannuation	0.62	100	0.76	123	0.99	159.7	0.62	100	1.08	174.2

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	23459.69	4.00	5864.92	1.03	0.43	3.26
Within Groups	68507.23	12.00	5708.94			
Total	91966.91	16.00				

Above table reveals the data of individual insurance- number of lives for last five years of Life Insurance Corporation. The data have been further tested with scientific tool Analysis of variance to evaluate the difference. The F value is 1.03, at 0.5 level of significance.Table value of F is 3.26, which is higher than the value obtained, which shows that there is no significant difference in average mean score of number of lives of individual insurance. The null hypothesis has been accepted. Further it would be clear with coefficient of correlation (P) which is 0.43, it indicate there is both the variable are moderately correlated.

4.4. Performance Evaluation of Business in Force of Life Insurance Corporation

4.4.1 ANALYSIS OF SUM ASSURED OF INDIVIDUAL INSURANCE

H0: There would be no significant difference in the trends of different policies of individual insurance –sum assured during the period of study.

H1: There would be significant difference in the trends of different policies of individual insurance- sum assured during the period of study.

H0: $\mu1=\mu2= \mu3=\mu4$.

H1: $\mu1\neq\mu2\neq \mu3\neq\mu4$.

Table 4.11 **INDIVIDUAL INSURANCE -SUM ASSURED**

Policies/Year	1998-99	Base year	1999-00	Change over the base year	2000-01	Change over the base year	2001-02	Change over the base year	2002-03	Change over the base year
Assurances	459201	100	536451	116.82	645042	140.5	811017	176.6	95667520	208.3
Annuities	480.46	100	489.62	101.9	526.57	109.6	1455.1	302.8	149.53	301.7
Jivan Suraksha	1110.6	100	1644.1	148.04	2435	219.3	9005.5	810.9	8899.81	801.4

Source: Annual reports of Life Insurance Corporation

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	345072.64	4.00	86268.16	1.98	0.17	3.48
Within Groups	436307.86	10.00	43630.79			
Total	781380.50	14.00				

Above table reveals the data of individual insurance assured sum for last five years of Life Insurance Corporation. The data have been further tested with scientific tool Analysis of variance to evaluate the difference. The F value is 1.98, at 0.5 level of significance.Table value of F is 3.48, which is higher than the value obtained, which shows that there is no significant difference in average mean score of sum assured of individual insurance. The null hypothesis has been accepted. Further it would be clear with coefficient of correlation (P) which is 0.17, it indicate there is both the variable are correlated.

4.4.2 ANALYSIS OF NUMBER OF POLICIES OF INDIVIDUAL INSURANCE

H0: There would be no significant difference in the trends of different policies of individual insurance -number of policies during the period of study.

H1: There would be significant difference in the trends of different policies of individual insurance- number of policies during the period of study.

H0: $\mu1=\mu2=\mu3=\mu4$.

H1: $\mu1\neq\mu2\neq\mu3\neq\mu4$.

TABLE – 4.12: INDIVIDUAL INSURANCE – NO. OF POLICIES.

(In lacs)

Policies/Year	1998-99	Base year	1999-00	Change over the base year	2000-01	Change over the base year	2001-02	Change over the base year	2002-03	Change over the base year
Assurances	917.26	100	1014	110.53	1131	123.3	1259	137.2	1389	151.4
Annuities	4.47	100	4.53	101.34	4.84	108.3	9.85	220.4	9.84	220.1
Jeeven Suraksha	3.11	100	5.06	101.34	8.04		10.78		13	

Source: Annual reports of Life Insurance Corporation

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	16034.36	4.00	4008.59	4.69	0.04	4.12
Within Groups	5986.46	7.00	855.21			
Total	22020.82	11.00				

Above table reveals the data of number of policies of individual insurance for last five years of Life Insurance Corporation. The data have been further tested with scientific tool Analysis of variance to evaluate the difference. The F value is 4.69, at 0.5 level of significance.Table value of F is 4.12, which is less than the value obtained, which shows that there is significant difference in average mean score of number of policies of individual insurance. The null hypothesis has been rejected. Further it would be clear with coefficient of correlation (P) which is 0.04, it indicate there is both the variable are not correlated.

4.4.3 ANALYSIS OF GROUP SCHEMES

H0: There would be no significant difference in the trends of different policies of Group Schemes during the period of study.

H1: There would be significant difference in the trends of different policies of Group Schemes during the period of study.

H0: $\mu1=\mu2= \mu3=\mu4$.

H1: $\mu1\neq\mu2\neq \mu3\neq\mu4$.

TABLE 4.13 GROUP SCHEMES

Policies/Year	1998-99	Base year	1999-00	Change over the base year	2000-01	Change over the base year	2001-02	Change over the base year	2002-03	Change over the base year
Sum Assured	77918.7	100	76384.5	98.03	89326	114.64	100598	129.1	124312	159.54
Annuities Per Annum	815.96	100	971.15	119	1138	139.43	1271.9	155.9	1489	182.48

Source: Annual reports of Life Insurance Corporation

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	6415.22	4.00	1603.81	6.98	0.03	5.19
Within Groups	1149.27	5.00	229.85			
Total	7564.49	9.00				

Above table reveals the data of Group Schemes for last five years of Life Insurance Corporation. The data have been further tested with scientific tool Analysis of variance to evaluate the difference. The F value is 6.98, at 0.5 level of significance.Table value of F is 5.19, which is less than the value obtained, which shows that there is significant difference in average mean score of Group Schemes. The null hypothesis has been rejected. Further it would be clear with coefficient of correlation (P) which is 0.03, it indicate there is both the variable are not correlated.

4.4.4 ANALYSIS OF NUMBER OF GROUP SCHEMES

H0: There would be no significant difference in the trends of different policies of Number of Group Schemes during the period of study.

H1: There would be significant difference in the trends of different policies of Number of Group Schemes during the period of study.

H0: $\mu 1 = \mu 2 = \mu 3 = \mu 4$.

H1: $\mu 1 \neq \mu 2 \neq \mu 3 \neq \mu 4$.

TABLE 4.14 NUMBERS OF SCHEMES (GROUP SCHEMES)

Policies/Year	1998-99	Base year	1999-00	Change over the base year	2000-01	Change over the base year	2001-02	Change over the base year	2002-03	Change over the base year
Group Insurance	80785	100	83254	103.1	84203	104.2	93836	116.2	95325	118
Group Super Annuation	4963	100	5246	105.7	5753	115.9	6109	123.1	6461	130.2

Source: Annual reports of Life Insurance Corporation

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	818.66	4.00	204.66	6.02	0.04	5.19
Within Groups	170.07	5.00	34.01			
Total	988.73	9.00				

Above table reveals the data of Number of Group Schemes for last five years of Life Insurance Corporation. The data have been further tested with scientific tool Analysis of variance to evaluate the difference. The F value is 6.02, at 0.5 level of significance.Table value of F is 5.19, which is less than the value obtained, which shows that there is significant difference in average mean score of Number of Group Schemes. The null hypothesis has been rejected. Further it would be clear with coefficient of correlation (P) which is 0.04, it indicate there is both the variable are not correlated.

4.4.5 ANALYSIS OF NUMBER OF LIVES OF GROUP SCHEMES

H0: There would be no significant difference in the trends of different policies of Number of Lives (Group Schemes) during the period of study.

H1: There would be significant difference in the trends of different policies of Number of Lives (Group Schemes) during the period of study.

H0: $\mu1=\mu2= \mu3=\mu4$.

H1: $\mu1\neq\mu2\neq \mu3\neq\mu4$.

TABLE 4.15 NUMBERS OF LIVES (GROUP SCHEMES)

Policies/Year	1998-99	Base year	1999-00	Change over the base year	2000-01	Change over the base year	2001-02	Change over the base year	2002-03	Change over the base year
Group Insurance	234.85	100	234.9	100	237	101	247.2	105	241	103
Group Super Annuation	7.54	100	8.09	107	8.84	117	9.8	130	10.9	144

Source: Annual reports of Life Insurance Corporation

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	747.84	4.00	186.96	0.71	0.62	5.19
Within Groups	1325.17	5.00	265.03			
Total	2073.00	9.00				

Above table reveals the data of Number of Lives (Group Schemes) for last five years of Life Insurance Corporation. The data have been further tested with scientific tool Analysis of variance to evaluate the difference. The F value is 0.71, at 0.5 level of significance.Table value of F is 5.19, which is higher than the value obtained, which shows that there is no significant difference in average mean score of Number of Lives (Group Schemes). The null hypothesis has been accepted. Further it would be clear with coefficient of correlation (P) which is 0.62, it indicate there is both the variable are moderately correlated.

4.5 PERFORMANCE EVALUATION OF EXPENSES OF LIFE INSURANCE CORPORATION

4.5.1 ANALYSIS OF PAYMENTS TO POLICYHOLDERS

H0: There would be no significant difference in the trends of payments to policyholders during the period of study.

H1: There would be significant difference in the trends of payments to policyholders during the period of study.

H0: $\mu 1=\mu 2= \mu 3=\mu 4$.

H1: $\mu 1\neq\mu 2\neq \mu 3\neq\mu 4$.

TABLE 4.16 PAYMENTS TO POLICYHOLDERS

(RS. IN CRORES)

Policies/Year	1998-99	Base year	1999-00	Change over the base year	2000-01	Change over the base year	2001-02	Change over the base year	2002-03	Change over the base year
Claims by Maturity	6237.42	100	7629	122.3	9766	156.57	12215	195.8	14435	231.43
Claims by Death	1378.36	100	1638	118.8	1911	138.63	2141.6	155.4	2544	184.59
Annuities	467.25	100	593	126.8	646.1	138.27	1007.6	215.6	1201	256.95
Surrenders	1022.79	100	1309	128	1709	167.07	2291.4	224	2566	250.91

Source: Annual reports of Life Insurance Corporation

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	45810.17	4.00	11452.54	25.68	0.00	3.06
Within Groups	6690.10	15.00	446.01			
Total	52500.27	19.00				

Above table reveals the data of payments to policyholders for last five years of Life Insurance Corporation. The data have been further tested with scientific tool Analysis of variance to evaluate the difference. The F value is 25.68, at 0.5 level of significance.Table value of F is 3.06, which is less than the value obtained, which shows that there is significant difference in average mean score of payments to policyholders. The null hypothesis has been rejected. Further it would be clear with coefficient of correlation (P) which is 0.00, it indicate there is both the variable are not correlated.

4.5.2 ANALYSIS OF EXPENSES OF MANAGEMENT

H0: There would be no significant difference in the trends of Expenses of Management during the period of study.

H1: There would be significant difference in the trends of Expenses of Management during the period of study.

H0: $\mu 1=\mu 2= \mu 3=\mu 4$.

H1: $\mu 1\neq\mu 2\neq \mu 3\neq\mu 4$.

TABLE 4.17 EXPENSES OF MANAGEMENT

Policies/Year	1998-99	Base year	1999-00	Change over the base year	2000-01	Change over the base year	2001-02	Change over the base year	2002-03	Change over the base year
Commission	2002	100	2506	125.2	3256	162.63	4594.8	230	4999	249.58
Salary	2066	100	2615	126.6	2798	135.43	3162.3	153	3313	160.4
Other Expenses	601.9	100	689.8	114.6	749.7	124.54	920.98	153	1258	209.07

Source: Annual reports of Life Insurance Corporation

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	22047.32	4.00	5511.83	6.30	0.01	3.48
Within Groups	8742.33	10.00	874.23			
Total	30789.65	14.00				

Above table reveals the data of Expenses of Management for last five years of Life Insurance Corporation. The data have been further tested with scientific tool Analysis of variance to evaluate the difference. The F value is 6.30, at 0.5 level of significance.Table value of F is 3.48, which is less than the value obtained, which shows that there is significant difference in average mean score of Expenses of Management. The null hypothesis has been rejected. Further it would be clear with coefficient of correlation (P) which is 0.01, it indicate there is both the variable are not correlated.

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CHAPTER – 5

IMPLICATIONS OF MANAGARIAL EFFECTIVENSS

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IMPLICATIONS OF MANAGARIAL EFFECTIVENSS

5.1 INTRODUCTION:

The manager is a person who can use available resource in more productive way and create wealth for the company. Effectiveness is a concept which emphasis on the outputs. If managers are not effective, the found automatically becomes less competitive. Managerial effectiveness is "the extent to which a manager achieves the output requirement of the position"❶. It is quite possible that manager is focusing on inputs and activities, thus driving a manager to act more like a bur curate, but in this care he / she should act more like a benevolent autocrat on other more effective style.

5.2 TYPES OF EFFECTIVENESS:

There are three types of effectiveness

1. Managerial Effectiveness
2. Apparent Effectiveness
3. Personal Effectiveness

Managerial effectiveness is different concept as compared to apparent effectiveness and personal effectiveness. To understand the concept of managerial effectiveness, one has to know how it differentiates from other.

Some managers have narrow views of their jobs. What they do they may do well, but they leave an enormous undone. Some managers let the in – basket define the nature of their potential contribution and the clock its limit. Some managers might view their contribution as simply that of managing a going concern and keeping it on an even keen, while other might see the same jobs having large components of subordinate development and creative problem solving in it. Still others might see their position primarily as a linking pin connective with other parts of the firm, and thus might take a wide view of their responsibilities.

1. Managerial effectiveness:

Managerial effectiveness is not on aspect of personality. It is not something a manager has. The trait theory of leadership suggested that more effective leaders had special qualities not possessed by less effective leaders. Effectiveness is best seen as something a manager produces in a situation by behaving in it appropriately. In current terminology it represents output, not input. The managers must think in terms of performance, not personality. It is not so much what managers do, but what they achieve.

2. Apparent effectiveness:

It is quite important for you to be able to distinguish managerial effectiveness from apparent effectiveness. Apparent effectives are the extent to which a manager looks effective. Something that make people simply look effective include; usually on time, answers promptly, makes quick accessions liked by subordinates, good communicator good at public relations, writes clearly. While these qualities may be useful in some jobs at some times they give absolutely no indications of level of managerial effectiveness. They simply point to a level of apparent effectiveness to the layman.

Behavior must be evaluated in terms of whether or not it is appropriate to the output requirements of the job. In short, apparent effectiveness may or may not lead to managerial effectiveness. There may be little wrong with the items listed about but they do not necessarily put it to managerial effectiveness.

Conventional job descriptions often lead an emphasis on what could be called managerial efficiency, the ratio of output to input. The problems is that if both input and output are low efficiency could still be one hundred percent Infact, a manager could easily be fully efficient and zero percent effective. Efficient managers are easily identified. They prefer to

- Do things right – rather than – do right things.
- Solve problems – rather than – produce creative attentive.
- Safeguard resources – rather than – optimize resource utilization.
- Discharge duties – rather than – obtain results.

Conventional job descriptions lead to the apparent effectiveness of the behavior as listed in the left column, a job effectiveness description which emphasis managerial effectiveness would lead to performance as listed in the column on the right.

3. Personal effectiveness:

Personal effectiveness is related to achieving own personal objectives. This includes keeping the job, a preferred career route, larger office, and larger desk, bigger budget, feeling good and winning arguments. All these are in the service of personal needs as with the indicators of apparent effectiveness. Some organizations promote on the basis of apparent effectiveness. Some promote on the basis of personal effectiveness. This is particularly likely to occur with ambitious people in an organization having only a few closely defined management output measures. Meetings with these people are riddled with hidden agendas which operate below the surface and lead to poor decision making.

There is nothing necessarily wrong with either personal effectiveness or apparent effectiveness. The problem arises only when either condition is confused with managerial effectivness and substituted for it. It is important to note that in a well designed formal three kinds of effectiveness can occur simultaneously for any particular manager. This would mean that managers who are in fact effective (Managerial effectiveness), look as if they are effective (apparent effectiveness), and are rewarded for it in their own terms (personal effectiveness).

5.3 THE DEADLY SIN OF INPUTS:

The managers have to think more about the job in output terms. These outputs of jobs are generally referred as effectiveness areas. Jobs tend to have five or ten of them. They must all be outputs. The problem is however that too many jobs are described in terms of inputs not outputs in terms of input areas and not in terms of effectiveness areas.

The source of some of the problems which surrounds effectiveness is found in the way job descriptions are written. Lengthy job descriptions or even crash Programme to write or update them, usually have little actual usefulness. As (Northgate Parkinson has pointed out, the last act of a dying organization is to issue a revised and greatly enlarged rule book. This observation may hold as well for crash Programme to write job descriptions.

Many, if not most, managerial jobs are defined in terms of there inputs and behavior requirements by such phrases as : ‘administers’, ‘Maintains’, ‘Organizes’, ‘Plans’, ‘Schedules’❷. Naturally enough, managers never refer to job descriptions like these, once made; they are not very useful as an operating guide. They are often proposed initially by those who want to use a seemingly scientific technique to justify a wide spread change in salary differentials or a change in the organization structure. They are often a negative influence, as they focus on input and behavior, the less important aspect of the manager’s job.

The most common error is setting effectiveness areas are in producing input areas instead. An input area is an incorrect statement of an effectiveness area which is based on activities or inputs rather than results or outputs. Most inputs can be converted to outputs if the position is needed at all such as:

Insurance	to	Asset protection.
Coach subordinates	to	Change Behavior
Train	to	subordinate effectiveness
Farmer education	to	High value crop acreage
Speed reading	to	speed learning

The manager should beware of such areas as communication, relationships, liaison, coordination and staffing; these areas usually suggest inputs.

5.4 **AUTHORITY**:

The outputs must be based on the authority the manager have. If managers do not have the authority to achieve an output then they cannot take responsibility for it. Virtually no one in any situation has control over all the variance in an output. The key question to ask is do you have control of most of the variance in your organization? Sometimes when brand manages get promoted to marketing manages the person that replaces than finds the recently promoted manager has taken some authority upwards. So the new brand manager really becomes a brand planner because the position doesn't give the opportunity to make changes in the product or change prices. The main output could be simply producing plans while the suggests it is producing profits producing plans, in this case, many be the output because the manager does not have the authority to go further.

THE TRAINING OFFICER:

While many intimates attempts to set effectiveness areas turnout instead to be activities, many attempts can go in the other direction, sometimes everyone appears to think they are heading a profit centre of any proposed effectiveness area the question should be asked, "why is this being done?" or "why is this important?" for example, training managers might go through this kind of process. They are first asked what their most important areas are. To which they might reply. "To design a management development Programme." When asked. "Why?" they reply. "To put on courses for managers" when again asked, "why?" they reply, "To improve the quality of managerial decisions". To get another "Why?" the reply is, "To improve profit performance." The correct areas for these training managers would probably be "To increase managerial skill in problem solving". It cannot be "To improve the quality of managerial decision" or "To improve profit performance" as these are both influenced by many factors over which the training managers have not control. They have no authority. On the other hand, the areas cannot be simply 'programme design' or 'putting on courses' which are clearly inputs.

So, in short, the way you find your outputs is to keep asking "why?" until you fall off the limit of your authority and can not take responsibility for variance in the output that you have arrived at. If persons keep asking "why?" beyond this point, all end up with improving gross national product. Things have to stop somewhere. They stop at the limit of the authority.

Too many attempts to set effectiveness areas full into one of the two traps illustrated by the manager's first and second attempts. Either they focus on inputs and turn managers into bureaucrats, or they deal with uncontrollable outputs and so become predictions, dreams, or simply part of another manager's job.

Job outputs are always measurable. If a so-called effectiveness area or objective is not measurable, we forget it, because no one will know anyway.

The most storm but necessary tests of effectiveness areas and objectives are measurability. The rule is "If you can not measure it, forge it." In the left hand column of the following disquisition is a list of qualitative objective which are used as an illustration in one popular MBO book to suggest that such qualitative objectives must sometimes be used. This is incorrect. To illustrate, in the right hand column are the conversions to show that such qualitative objectives are usually unnecessary.

TABLE 5.1: QUALITATIVE AND QUANTITATIVE OBJECTS

Actual suggested qualitative objectives in standard MBO book	Conversion to illustrate the qualitative objectives is usually found to activities. By asking the purpose of the activities, the quantitative objectives are derived.
Conduct monthly management development sessions for superintendents in techniques of standard cost programme. Prepare programme for patent productions	Have 50% of superintendents using standard cost programming techniques on at least two projects by end of July. Have no patent loopholes in out patents discovered by our own staff, independent agents, or competitors during the year.
Prepare and distribute an interval public relations manual	Obtain an average of 75% unaided recall by all non – managerial employees of 50% of the key corporate activates or accomplishments of the prior month

	for each month next year.
Improve statistical report to reduce time log between production and publication dates	Without decreasing useable content, reduce by an average of four days, the time to distribute the following reports by the end of supplements.
Prepare quality control manual for supervisors.	85% of first – line supervisors to know eight of the ten key points in company quality control practice by the end of December.
Improve appearance packaging, and design of products.	For each item in products line, design a package which will receive more consumer jury votes than any competing product by the end of November.
Undertake to ally research efforts more closely with production needs.	Have at least 80% of proposals to production managers accepted during the year.

Source: 'Manager Styles made effective" by Bill Reddin.

It is true that most of these conversions from input to outputs involve a broader view of one's job, a greater responsibility for the staff function, and a higher cost of measurements.

5.5 EFFECTIVENESS AREAS – KNOWLEDGE WORKERS

It is a popular myth that the effectiveness of many knowledge workers cannot be measured. But look at this set of effectiveness areas, disarmingly simple, all of which are capable of measurement if the associated objectives are worded correctly.

Consulted in area of competence

Advice accepted.

Advice acceptance leads to improvement. The first area, consulted in areas of competence obliges the knowledge worker, not the manager to see that the knowledge worker is consulted. Too many knowledge workers, like omen university professors, see themselves as information reservoirs with no responsibility to provide a 'tapping' facility, and usually this is sorely needed. Knowledge workers more than managers, have the opportunity to develop a relationship so that their advice is sought when appropriate. Industry has no place for knowledge workers who do not themselves create consultative conditions.

The second area, advice accepted, reflects that it is too easy to give advice that is not accepted. Knowledge workers must be evaluated on their effectiveness in giving advice line managers see they can use. The final area is advice acceptance leads to improvement. As it is too easy to give advice not accepted, it is also too easy to give advice that leads to an 'a poorer situation developing'. Knowledge workers have a responsibility for the success of their advice. Personal competence is not listed as on effectiveness area. It is an input. In any case, if the knowledge worker was not competent, their advice would not lead to improvement.

While the measurement problem usually can be solved with imagination, the cost of measurement problem may remain. To measure the impact of a training course on behavior necessities at least many telephones calls or questionnaires and preferably a field survey. The output of a public relationship position is had to measure without a formal survey of some kind. In these cases one has to ask whether the function is important enough to have even a rough measurement of its effectiveness. If not, then eliminate the function. If so, then allocate 10% of the total appropriate budget to measurement. There is too much conventions wisdom that a particular activity is a “good thing”. Measurement is the only way to rest it.

It is difficult for some managers to accept the philosophy that “if you can’t measure it, forget it, because no one will know anyway accurate measurement is canal to good management some managers initially see their jobs as having vague, pervasive, and very long term effects and claim that it is impossible to measure there performance by normal methods. If such managers also say that they understand what managerial effectiveness, really means then they are in a position that is not needed, or they have no authority to do their job, r they are advising responsibility.

As a simple example, a god relationship is often proposed as an effectiveness area. This is not measurable except by highly subjective methods. A sales manager who once proposed this are said later that it was not only non – measurable but it was an input as well; effectiveness in this area could be equally well measured by short and long term sales.

5.6 TESTS FOR EFFECTIVENESS AREAS:

All effectiveness area should meet four tests.

- outputs
- Important
- Measurable
- Authority.

Obviously, effectiveness areas must represent output not input. No less important, they must lead to associated objectives which are measurable. If the manager thinks his job has some element of non – measurability then simply forget it because no one will know anyway. All outputs are measurable. The manager may decide not to measure them because of the cost of measurement. The time to measure might be several years. Neither of these points violates a basic idea of science that if something exists then it is measurable.

Another test is importance. The reason for this is to avoid creating very long tests of effectiveness area. Five to ten is usually enough. Stick to the important things otherwise the list becomes unmanageable for planning purposes. Obviously, the output must be within the manager's authority. It is quite definite that this kind of activity is best done on a team basis as other people can contribute ideas and tend to be somewhat more objectives.

5.7 MANAGERIAL EFFECTIVENSS IN INSURANCE SECTOR:

The output and efficiency of an insurance sector depends upon several factors. One of the important factors is the efficiency of a manager. The modern competitive area needs a dynamic, enthusiastic and customer oriented managers for an insurance company. The effectiveness of a manager depends upon many dimensions. Such as office environment, human resource policies retirement benefits, effectiveness of communication, training facilities, etc., one of the most important dimensions is customer orientation. It is not only important to get maximum customers for the company but also important to maintain the customers by serving them best. Retaining of customers is a big challenge for the insurance companies nowadays. So, it is important to know whether the managers are customer oriented or not. To find out managerial effectiveness of life and general insurance companies of public sector, the researcher had prepared a structured questionnaire for the managers of the public sector's insurance companies. The researcher had interviewed personally to managers with structured questionnaire and made an attempt to get views about different dimensions. There is the list of managers to which the researcher had met as under.

LIC- Shri S. K. Shrivastava, Branch Manager , Anand

NICL- Malini Shenoey – Divisional Manager, Anand

OICL- Shri Suresh Engineer – Divisional Manager, Anand

UIICL- Shri Kanubhai N. Desai – Divisional Manager Anand

NIACL- Shri Rajesh Thakkar – Divisional Manager, Anand

The structured questionnaire was consisting following aspects:

- ✓ Identification of task and objectives
- ✓ Training and Relative Changes after IRDA.
- ✓ Seminars and Public Awareness Programme
- ✓ Performance Appraisal
- ✓ Record – Keeping and computerization
- ✓ Meetings and Related Information
- ✓ Customer Relationship
- ✓ Some other Aspects like, Office environment, communication effectiveness, adequacy of pay scale and good human resource policy and benefits.

OBESERVATIONS:

5.7.1 IDENTIFICATION OF TASK AND OBJECTIVES:

- ➢ Considering above question, branch manager Shri S. K. Shrivastava inform that the LIC will check the census. They will collect the information about untapped market and after the discussion with the Divisional Manager, the targets would be decided for the each officer and each areas and each product.
- ➢ Considering the same question, NICL – Divisional Manager informed that in her company, the target will be decided on the basis of last year

achievements plus 25% addition in this last year's achievement. This simple technique they are adopting for this.

- He has reviewed that they are following the same pattern based on past year's performance plus 10% more. But recently, the policy of the company will focus on not only achievements of targets but profitability also.
- This company reveals the same policy but the New Year target would be between 25% to 50% of last year's performance.
- He has also supported the same policy with the consideration of profitability.

Table: 5.2 COMPARATIVE VIEWS ABOUT IDENTIFICATION OF TASK AND OBJECTIVES

Unit	Comprehensive analysis	Incremental base of last year
LIC	Yes	-
NICL	NIL	25%
OICL	NIL	10%
UIICL	NIL	25% to 50%
NIACL	NIL	25%

Source: Personal Interview with Structured questionnaire.

In addition to this, it is clear from the table that all these public sector units are following the traditional method for task formulation. The global economy and related mega – environment creates a challenge for Public Sector Company in insurance business. With this method, these public sector companies can not achieve new heights.

5.7.2. Training and relative changes after IRDA:

- The Malhotra Committee Recommendation-"There is a need to promote and sustain professionalism among agents. To that end there is an urgent need to upgrade the training and skills of the agency force. The commission structure for agents should be improved to attract and retain talent in the profession and to make it an effective instrument for procuring business and spreading specially rural, personal and non – obligatory lines of business" This view show that insurance sector should concentrate for the train personnel for the growth.

- The LIC officer has an option that every officer should go for training. For this in LIC, there are compulsory training schedules for officer and other employees. They have their own training centers at Divisional offices and Regional Offices for the officer cadre employees, whereas branch offices have their own training centers for their agents.
- In NICL, there is five –day training programme in divisional office. Officers will go for the training at Head office. For agents, this company has specific policy to train the agents. It is compulsory for agents to go through 100 hours training and clearance of exams. Then, they will get license for the business. After that, for renewal, 25 hours' training is compulsory. After the introduction of IRDA, this company has restructured the training and recruitment of agents.
- The Oriental Insurance Company, Regional Training Centre for Class III employees and Officer staff Training Centre, (Head Office – Faridabad) are providing training to the staff training is compulsory for each officer for agents, this company has same policy as it is mentioned in National Insurance Company limited.
- In United Insurance Company Limited, the training concept was liberal and unstructured but after the implementation of IRDA there is

compulsory training for officers and agents. (Method and schedule is not mentioned)

- In New India Insurance Company, the officer has a view that compulsory training for officers and they are move emphasizing on training of agents.

It will be clearer from the following table:

TABLE 5.3 : VIEWS ABOUT TRAINING

Unit	Officers and Staff	Agents
TRAINING		
LIC	Compulsory	After IRDA Compulsory
NICL	Compulsory	After IRDA Comprehensive
OICL	Compulsory	After IRDA Comprehensive
UIICL	Compulsory	After IRDA Comprehensive
NIACL	Compulsory	After IRDA Comprehensive
TRAINING INSTITUTE :		
LIC	Head office and D. O.	Branch Office
NICL	Head office and D. O.	Branch Office
OICL	Head office and D. O.	Branch Office
UIICL	Head office and D. O.	Branch Office
NIACL	Head office and D. O.	Branch Office
TRAINING SCHEDULE and STRUCTURE		
LIC	Moderately structured	Structured
NICL	Five days training	100 hours + exams + Renewal time – 25 hours.
OICL	Structured	100 hours + exams +

		Renewal time – 25 hours.
UIICL	Structured	100 hours + exams + Renewal time – 25 hours.
NIACL	Structured	100 hours + exams + Renewal time – 25 hours.
TRAINING EVALUATION		
LIC	Not Mentioned	Not Mentioned
NICL	Not Mentioned	Compulsory exams
OICL	Not Mentioned	Compulsory exams
UIICL	Not Mentioned	Compulsory exams
NIACL	Not Mentioned	Compulsory exams

Source: Personal Interview with structured questionnaires.

Above table indicate the comparison between training to the officer and agents. For the agents, after IRDA every insurance unit has changed their policies and procedures, but researcher felt that for both the group, tough task – oriented training would be the future requirement for the suitable growth of the insurance sector.

5.7.3. Seminar and public awareness programme:-

It is an important requirement of today's competitive environment of the insurance sector. The collected data regarding seminar and public awareness have been clarified as under:

TABLE 5.4 – VIEWS ABOUT SEMINAR AND PUBLIC AWARENESS

Unit	Seminar	Public Awareness Programme
LIC	Often	No
NICL	No	No
OICL	Often	No
UIICL	Once in a year	Once in a year
NIACL	Often	Often

Source: Personal Interview with structured questioners.

In response of above points, LIC officer viewed that if there is any change in the policy of the company, a seminar for the manager would be organized in Head Office, whereas NICL officer viewed that they did not conduct any seminar at any level, but remaining three companies have policy to conduct a programme like a seminar objectively.

About public awareness programme, out of five, four companies does not have any structured framework to create public awareness regarding insurance business, whereas only United Insurance Company is conducting public awareness programme once in a year. In Malhotra Committee Recommendations for customer services and competition professional touch is required yet, it is not followed by the insurance business.

5.7.4PERFORMANCE APPRAISAL:-

Performance appraisal is an essential at any level of organization. According to Malhotra Committee Recommendations, it is necessary to review periodically the effectiveness of the service. Large proportion of a business is being directly handled by the company officers. The present strength of the officers should be reviewed and improved.

In this connection, researcher has made an attempt to know the performance appraisal system. All the companies of insurance business are following the same pattern. Confidential report would be prepared by the higher level officers and it will be used in case of promotion and other individual decisions. It is a public sector company. So, this traditional method of performance appraisal has been used unanimously. Here, researcher believes that several modern technique of performance appraisal can be used for the growth.

5.7.5 RECORD KEEPING AND COMPUTERIZATION:

Record keeping is prime function of any service sector. Computerization is an effective tool for sound, perfect and complete recording of the data. In this connection, collected data has been tabulated as under.

TABLE 5.5: VIEWS ABOUT RECORD KEEPIING And COMPUTERIZATION.

Unit	Record – keeping	Computerization
LIC	Plan wise	90%
NICL	Policy wise	80%
OICL	Department wise	90%
UIICL	Department wise	100%
NIACL	Plan wise	100%

Source: Personal Interview with structured questionnaire.

Above table indicate that there is a variation in record – keeping procedures. The degree of computerization is very high, but every respondent believe that yet, there is no paperless organization.

5.7.6. MEETINGS AND RELATED INFORMATION:

For meeting, the structure of conversation, objective deliberation and sense of coordination are conditions for the success of group event / meeting. In insurance business, constant evaluation according to the plan, department and various functional aspects is required. The insurance market becomes competitive and the public sector unit has their own structural limitations. So in this connection, researcher has raised the questions about types and frequency of the meetings. The data are as under.

TABLE: 5.6 VIEWS ABOUT MEETINGS.

Unit	Frequency of meetings	Types of meetings
LIC	Monthly	General
NICL	Annually	General Meeting on Hindi day
OICL	Monthly and Specific	General Meeting
UIICL	Monthly for Agents and Quarterly for Managers.	General Meeting
NIACL	Monthly	General Meeting

Source: Personal Interview with structured questionnaire.

Above data indicate that in every organization accept one a general meeting on every month would be conducted at every divisions and if needed, they can call special meeting. Researcher has collected fact that before IRDA these organizations used to have bi-annual meeting but nowadays they are conducting meetings every month.

5.7.7 Customer relationship:

Customer is the king of any business or service sector. Customer satisfaction is a key element to sustain in a cut throat competition. Insurance companies can satisfy customers through quick settlement of the intimated claims. Researcher had made an attempt to collect the information about customer relationship through the procedure of claim settlement of all life insurance and general insurance companies.

TABLE: 5.7 CLAIM SETTLMENT OPERATIONS

Companies	No. of claims outstanding at 1/04/2002	No. of claims intimated during 2002-03	No. of claims settled during 2002-03	No. of claims out-standing as at 31/03/03	Claims settlement Ratio (%) during 2002-03	Claims settlements Ratio (%) during 2001-02
LIC	0.61	96.53	96.91	0.22	99.76%	99.31
NICL	299951	746894	708085	338760	68	68
OICL	312264	618780	619013	312031	66.49	67.15
UIICL	417557	765132	747712	434977	63.22	62.6
NIACL	355551	1271986	1267423	360114	77.87	76.21

Source: Annual Reports of all companies.

Above table reveals claim settlement operations of all companies. The table 5.7 gives information about number of claims outstanding, number of claims intimated and number of claims settled during the year 2002-03. It also indicates claims settlement ratio of current year and last year.

- In the case of claim – settlement operations, LIC has performed excellent according to the collected data. LIC has intimated claims of 9653 lakes and settled down 96.91 lakes claim. Thus, it has less number of outstanding claims as compared to the last year. It has 99.76% claim settlement ratio for the year 2002-03.
- National Insurance Company has 68% claims settlement ratio which is good in general insurance company. It has 299951 claims outstanding for the year 2002. It has intimated number of claims are 746894 where as it has been already settled down 708085 claims.
- Oriental Insurance Company has outstanding number of claims of 3 12264 and number of claims intimated of 618780. The company has

already settled down 619013 claims which means 66.49% claims are already settled.

- United Insurance Company has lowest claims settlement ratio in all public general insurance companies. It has 63.22% claims settlement ratio which was 62.6% in the last year.
- New India Assurance Company has 77.87% claims settlement ratio in the year 2002-03 which is higher than other general insurance companies.

5.7. 8 SOME OTHER ASPECTS:-

In this, researcher has collected data about office environment, communication effectiveness, adequacy of pay scale, good Human resource policy and retirement benefits. There are three options very good, good and not good. Data regarding this response are as under:

- For LIC, the officer viewed that office environment, effectiveness of communication, Human Resource Policies and Retirement benefits are very good, but pay scale is not good.
- National Insurance Company's officer viewed that office environment, effectiveness of communication and pay scales are very good but Human Resource Policies and Retirement Benefits are not good.
- Oriental Insurance Company's officer viewed that office environment, pay scale and retirement benefits are very good but effectiveness of communication and human resource policies are also good.
- United Insurance Company limited's manager believed that pay scale, human resource policies and retirement benefits are very good but effectiveness of communication and environment is moderately good.

- New India Insurance Company's officer believed that office environment and effectiveness of communication are very good. Human resource policy and retirement benefits are also good but pay scale is not good.

To conclude the above view, office environment is an amicable in every company. Pay scale is not adequate in LIC and NIICL.

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CHAPTER 6

SUMMARY, FINDINGS AND CONCLUSION

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6.1 INTRODUCTION:

Insurance covers many risks and uncertainties in the world of business and act as a boon to the industrial or commercial concerns and general public. Businessman can easily and confidently transfer the risk of loss of insurance. It also safeguards the interest of individual and public. Businessman does not have to worry about losses or damage when the risk of loss to their property is duly insured. They will receive compensation against actual loss – takes place. In life insurance, life policy gives financial protection to the dependents to the extent of the assured who may be the only breadwinner in the family. An insured businessman or policyholder can enjoy normal expected profits. As the property of the businessman is duly insured and he can get a normal profit margin, he can change lower prices to consumers.

Insurance has the effect of improving credit standing of businessman, commercial banks and financial institutions insisted for insurance of articles, which are kept as security for loans. Life policy is a valuable asset and can raise an emergency loan against it. A life insurance contract provides not only protection but also investment, or a pension in old age. Under life policy, one can also get bonuses added to the policy amount when we have with profit life policy. Insurance contracts encourage savings also. The insured person must save out of his current income and amount equal to the premium to be paid regularly and punctually. Thus, life insurance is a compulsory form of savings. Insurance companies as institutional investors can mobilize small national savings in the form of insurance premier. They usually invest these funds in shares and debentures of the companies and also in government securities.

6.2 INSURANCE SECTOR :

Insurance sector plays a significant role in the development of the nation's economy. Insurance can be divided mainly into two parts: (I) Life Insurance and (ii) Non – Life insurance.

In India there was only a single life insurance company up to 1-4-00, which conducted the life business. It was "Life Insurance Corporation of India". General Insurance Company was the company which transected its non – life insurance business with its four subsidiaries before 1/4/2000.

The government of India in April, 1993 appointed the committee of Reforms in insurance sector with Shri R. N. Malhotra, a former governor of the Reserve Bank of India as its chairman. The committee submitted its report to the government of India in January 1994. As per the committee's recommendations the government set up a regulatory body known as the "Insurance Regulatory Development Authority". The Insurance bill was passed in both houses of parliament, after the subject matter was discussed and debated and subsequently government enacted the Act viz Insurance Regulatory and Development Authority (IRDA) Act, 1999. The Insurance Regulatory and Development Authority, Act, 1999 seeks to open up the insurance sector for private companies with a foreign equity of 26%.

The main objective of setting up the IRDA was to protect the interest of policy holders and to regulate, promote and ensure orderly development of the insurance sector. It is also aimed at ending the monopoly of the life insurance corporation of India and General Insurance Corporation in the insurance sector of the company.

Therefore, Researcher has conducted a study of financial performance and managerial effectiveness of insurance sector of India. The scope of the study is limited to the public sector units of India. The researcher has selected all four companies of general insurance and life insurance Corporation of India. The present study deals with the performance evaluation of the insurance companies for the last five years. For analysis of performance of insurance companies, researcher have made an attempt for trends analysis, tabulation and analysis of variance (ANOVA) test have been used. The present study has been divided into six chapters and chapter wise findings have been discussed as under.

6.3 FINDINGS

(i) RESEARCH METHODOLOGY

This chapter covers the research methodology of the study.

The subject of the present study was "A study of financial performance Vis a Vis managerial effectiveness of insurance sector of India". For research analysis, five year's financial data of the insurance companies were collected for the period of 1998-99 to 2002-03. This study covers mainly life insurance business as well as non – life insurance business. Thus, life insurance Corporation of India is the only company for life insurance business in India. In non – life business, there are four insurance companies which covers by the researcher. The name of the non – life insurance companies are as follows:

a. The Oriental Insurance Company Limited.

b. The New India Assurance Company Limited.

c. National Insurance Company Limited.

d. United India Insurance Company Limited.

Researcher has collected secondary data for the major part of the study. It has supported by primary data. Secondary data have been collected with published material and primary data have been collected with personal interview with structured questionnaire. This study covers all public sectors.

Besides this, collected data were tabulated according to the objective of the study. Further to compare the performance of all the units researcher has used sophisticated tools for the hypothesis testing.

(ii) OVERVIEWS OF INSURANCE SECTOR

2.1 Human life is a bundle of risk. Insurance is a method through which we can just spread over the risk. Some definitions have emphasized more on (a) cooperative effort (b) to provide security (c) spread risk over a large number of people, whereas other definition emphasis on contractual aspect such as it has concerned with an agreement, a consideration and the happening of a particular event.

2.2 Subject matter of policy is different which depends upon the policy. It may be a person, any asset, property, right, interest, life or liability.

2.3 Insurance has many characteristics such as; (a) Co-operative device (b) a contract (c) Consideration (d) protection against the risks (e) device to spread the risks (f) based upon certain principles (g) social device (h) regulated by low (I) not a wagering.

2.4 The earliest form of insurance was marine insurance. Insurance were being practiced in Babylon and India, according to the available evidences. It plays significant role in Buddhist period.

2.5 Marine Insurance began in north Italy by the end of 12th century. The first marine policy called “Polliza” was issued in Italy in 1300. The present form of marine insurance is developed by the Lloyds association, which was established in1774. Marine Insurance Act was passed in 1906 in England and in 1963 in India.

2.6 Fire insurance can be seen in 16th century in Germany according to available evidences. The first five insurance office established in

London in 1680. Fire insurance started in India with the establishment of Triton insurance company in 1850.

2.7 The first life insurance policy issued on the life of Mr. William Gibbons on 18th June, 1653 in England. The first registered life office in England was "Hand in Hand". Society which was established in 1690. "Oriental Life Insurance Company" was the first company which started in India by Europeans. Foreigners, orphans and widows were become subject matter for the oriental company.

2.8 The Insurance Company started accepting the Indians in 1934. Due to the Swedish movement, many India insurance companies came into existence before independence of India. The companies increased from 80 in 1920 to 240 during the Second World War.

2.9 India is the first country in the world to nationalize the life insurance business. The objectives of insurance sector were as under :

- To establish socialites pattern of society
- To provide complete security to the policy holding.
- To avoid mal practices.
- to protect the interest of citizen

2.10 In 1999, the insurance sector opened up for private companies in life as well as non – life insurance companies.

2.11 Insurance business developed through various types of organization which can be summarized as: Joint stock companies, Mutual Association, Mixed Corporation, cooperative Insurance organization, State Insurance organization, Lloyd's association.

2.12 Insurance organization in India can be classified into departmental organizations, corporations, government organizations.

2.13 There are different types of plans. It can be classified the plans as (A) Life Insurance Plans (B) General Insurance Plans.

2.14 According to Sir William Beverage the functions of insurance can be divided into three categories as under:

1. Primary functions: To provide protection, to provide certainty, distribution of risk.
2. Secondary functions: Helps in economic progress, prevents losses.
3. Indirect function : A forced savings, promote foreign trade, others

2.15 There are some limitations / problems of insurance such as, absence of insurable interest, limited to financial loss, moral limitation, High premium rates, and all risks are not insurable.

2.16 There are mainly three laws are concerned with the insurance business of India as follows:

A. Insurance Act, 1938
B. General Insurance Business (Nationalization) Act, 1972
C. Insurance Regulatory And Development Authority act 1999 (IRDA)

(iii) ANALYSIS OF GENERAL INSURNACE BUSINESS.

3.1 There are four public sector unit of general insurance business in India. the study covers all four public sector units; namely

1. The Oriental Insurance Company Limited.
2. The New India Assurance Company Limited.
3. National Insurance Company Limited.
4. United India Insurance Company Limited.

3.2 There are nine private players have been came into the India general Insurance market up to 27/8/2002 with their local partners.

3.3 National Insurance Company was established in 1906. It was established as subsidiary of general insurance company in 1972. Their company has been separated from its holding company in 2002 and has operated as a government of India undertaking with independent existing. The company has wide product range with more than 200 products available in market. The policies can be classified into main four lines :(I) Personal Line insurance , (II) Rural line Insurance (III) Industrial line Insurance, (IV) commercial line insurance.

3.4 The New India Assurance Company was incorporated on 23rd July, 1919, founded by the house of TATA's, Sir Dorab Tata. The company has its head office at Mumbai. The Company transacts general insurance business in 23 countries in the year 2003. It is the largest non – life insurer in Afro – Asia excluding Japan. The company divides its products into main five sectors: (a) Personal policy (b) commercial policy (c) Industrial policy (d) Liability policy, (e) social policy.

3.5 United India Insurance Company limited is one of the four public sector insurance companies of India. It has a countrywide network of 24 Regional offices, 371 Divisional Offices, 717 Branch offices and 185 micro offices across the country. The company has more than 172 non – life insurance covers, which can be broadly classified into seven sectors: (A) Accident and Hospitalization policies (B) Business polices, (C) Fire policies, (D) Industrial Policies, (E) liability policies, (F) Marine policies (G) Rural policies.

3.6 The Oriental Insurance Company limited was formed to carry out general insurance Business at Bombay on 12th September 1947. The company becomes one of the subsidiaries of general insurance corporations of India. In the year 1973. In the year 2003 the company becomes public sector undertaking. The company has overseas operations in Nepal, Kuwait and Dubai.

3.7 The Researcher has analyzed all four general insurance companies, which are public sector units. This study covers the analysis of ratios and different income and expenditure of all groups. The researcher has evaluated the liquidity as well as profitability positions of the all selected companies for the analysis of variance (ANOVA) test has been applied. The various findings are as under.

3.8 The hypothesis for evaluation of Ratio of current Assets to total asset for the last 5 years of all four public general insurance companies has been accepted. The data indicates that the ratio of current asset to total assets of all four companies in public sector during last five years is consisting.

3.9 The hypothesis for evaluation of current ratio for the last five year of all four general insurance companies of public sector has been accepted. The data indicates that the current ratio of all four general insurance companies of public sector during the last five years is consisting.

3.10 The hypothesis for evaluation of quick ratio for the last five years of all four general insurance companies of public sector has been accepted. The data indicates that the quick ratio of all four general insurance companies of public sector during the last five years is consisting.

3.11 The hypothesis for evaluation of ratio of Total Assets to total liability for the last five years of all four general insurance companies of public sector have been accepted. The data indicates that the ratio of total asset to total liability of all four general insurance companies of public sector during the last five years is consisting.

3.12 The hypotheses for evaluation of fire premium income for the last five years of all four public general insurance companies have been accepted. The data indicates that fire premium incomes of all four general insurance companies of public sectors during last five years are consisting.

3.13 The hypothesis for analysis of marine premium income for the last five years of all four general insurance companies of public sector has been accepted. The data indicates that marine premium income of all four general insurance companies during last five years is consisting.

3.14 The hypothesis for analysis of miscellaneous premium income for the last five of all four general insurance companies of public sector has been rejected. The data indicates that miscellaneous premium income of all for general insurance companies during last five years is not consisting.

3.15 The hypothesis for analysis of total net premium income for the last five years of all four general insurance companies of public sector has been rejected. The date indicates that total net premium Income of all four general insurance companies during last five years is not consisting.

3.16 The hypothesis for analysis of net underwriting profit for the last five years of all four general insurance companies of public sector has been accepted. The data indicates that net underwriting profit of all four general insurance companies during last five years is consisting.

3.17 The hypothesis of analysis of Net profit after tax for the last five years of all four general insurance companies of public sector has been accepted. The data indicates that net profit after tax of all four public general insurance companies during last five years is consisting.

3.18 The hypothesis of analysis of profit transfer to general reserve for the last five year of all four general insurance companies of public sector has been accepted. The data indicates that profit transfer to general reserve of all four public general insurance companies during last five years is consisting.

3.19 The hypothesis of analysis of proposed dividend for the last five years of all four general insurance companies of public sector has been rejected. The data indicates that proposed dividend of all four public general insurance companies during last five years is not consisting.

(iv) ANALYSIS OF LIFE INSURANCE BUSINESS

4.1 As a part of liberalisions process, Government of India had to set up Malhotra Committee to review the role of insurance sector. Malhotra Committee recommended the privatization of insurance sector.

4.2 Before the reform process, life Insurance Corporation of India was the only one life Insurance company in Indian Insurance Business. HDFC standard Life Insurance Company was the first private life insurance company which has been entered on 23rd October 2000. There are thirteen life insurance companies which have been registered private sector of Life Insurance business.

4.3 The government nationalized life insurance business in the year 1956. Life Insurance Corporation has several aims such as to assure full protection, to encourage public savings, to create liquidity position, to motivate saving habits and effective utilization of the savings.

4.4 The organization structure of LIC has a four tier structure. They are a central office, seven zonal offices, 100 divisional offices and 2049 branch offices.

4.5 Life insurance corporation serves many advantages such as ensures protection against the risk of death, encourage compulsory savings, facilitates easy settlement.

4.6 The important activities have been done by Life Insurance Corporation such as to ensure absolute security, underwriting, issuing policy documents, providing employment opportunities etc.

4.7 LIC provides long-term investments in Government securities, public sector, cooperative sector, private sector and Joint sector. If underwrites firms and influences the capital market. Life Insurance Corporation has given loans for generation and transmission of electricity. LIC also subscribes to debentures and bonds of various financial institutions and development banks. The corporation helps boost the industrial growth in the country. The settlement of claims constitutes one of the important functions of the corporation.

4.8 The progress of life business of LIC depends upon various indicators such as growth of new business performance of business in force, progress of number of lives covered, investments, claims settlement etc. The Researcher has collected data which revealed that the total business in force has been constantly and rapidly increasing in India.

4.9 According to the IRDA guideline, at least 50% of the funds is to be invested in government and other approved securities by the life insurance of India. The allocation of LIC's investment in central government securities is more than 112 times in 2002 as compared to 1977. The distribution of LIC's investments to state government and other government marketable securities has been significantly gone up from Rs. 715/- crores in 1977 to Rs. 21,463/- crores in 2002 by more than 30 times during this period. LIC makes a distinct contribution towards growth in industrialization and general of skilled and unskilled employment opportunities in the country.

4.10 The corporation strives to settle maturing claims on or before the due date itself. LIC has strived to reduce its expenses. The renewal expenses ratio is an indicator of the expenses incurred for collecting renewal premiums and keep policies from lapping, dropped to 5.01% in 2000 from 28.4% in 1957.

4.11 This chapter covers analysis of life insurance Corporation of India which is a public sector unit. This study covers the analysis of ratios and different income and expenditure of LIC. The researcher has evaluated total business and new business of LIC. For that the analysis of variance (ANOVA) Test has been applied. The various findings are as under.

4.12 The hypothesis for evaluation of new business of individual insurance – Assured Sum of the last five years of Life Insurance Corporation has been accepted. The data indicates that the assured sum of individual insurance in new business of LIC during last five years is consisting.

4.13 The hypothesis for evaluation of new business of individual insurance – number of policies for the last five years has been accepted. The data indicates that the number of policies of individual insurance in new business of LIC during last five years is consisting.

4.14 The hypothesis for evaluation of new business of individual – annual premium for the last five years has been accepted. The data indicates that the annual premium of individual insurance of new business of LIC during last five years is consisting.

4.15 The hypothesis for evaluation of different policies of number of group schemes for the last five years has been accepted. The data indicates that the number of group schemes in new business of LIC during last five years is consisting.

4.16 The hypothesis for evaluation of number of lives of group schemes for the last five years has been accepted. The data indicates that the number of lives of group schemes in new business of LIC during last five years is consisting.

4.17 The hypothesis for evaluation of individuals insurance -sum assured of business in force for the last five years has been accepted. The data indicates that the assured sum of business in force of LIC during last five years is consisting.

4.18 The hypothesis for evaluation of individual insurance-number of policies of business in force for the last five years has been rejected. The data indicates that the number of policies of business in force individual insurance for the last five years is not consisting.

4.19 The hypothesis for evaluation of group schemes of business in force for the last five years has been rejected. The data indicates that the group schemes of business in force for the last five years are not consisting.

4.20 The hypothesis for evaluation of number of group schemes of business in force for the last five years has been rejected. The data indicates that the number of group schemes of business in force for the last five years is not consisting.

4.21 The hypothesis for evaluation of number of lives under group scheme of business in force for the last five years has been accepted. The data indicates that the number of lives under group schemes of business in force for the last five years is consisting.

4.22 The hypothesis for evaluation of payments to policyholders for the last five years has been rejected. The data indicates that the payments to policyholders for the last five years are not consisting.

4.23 The hypothesis for evaluation of expenses of management for the last five years has been rejected. The data indicates that the expenses of management of LIC for the last five years are not consisting.

(V) IMPLICATIONS OF MANAGERIAL EFFECTIVENESS

This chapter deals with implications of managerial effectiveness of Public Sector insurance companies. The researcher has made an attempt to collect information from managers of all public sector units. The information has been collected with the help of structured questionnaire.

5.1 Managerial effectiveness is the extent to which a manager achieves the output requirements of the position. There are three types of effectiveness:

(i) Managerial effectiveness.

(ii) Apparent effectiveness and

(iii) Personal effectiveness.

5.2 Outputs of the jobs are generally referred to as effectiveness area. Many managerial jobs are defined in terms of their input and behavior requirements. The manager should beware of such areas as communication, relationship, liaison, coordination and staffing.

5.3 Job outputs are always measurable. If outputs or objectives are not measurable, it is not effective. Objectives can be classified into two types: Qualitative objectives and Quantitative objective.

5.4 Some manager initially see their job as having vague, pervasive and very long term effects and claim that it is impossible to measure their performance by normal methods. If such managers also say that they understand what managerial effectiveness really means then they are in a position that is not needed, or they have no authority to do their jobs, or they are avoiding responsibility.

5.5 All outputs are measurable. Manager may decide not to measure them because of the cost of measurement. The time to measure them might be several years.

5.6 The researcher has contacted five managers of all insurance companies at different level. The study covers the views of those managers of insurance companies. Manager's views are as follows: The first Question was about an identification of task and objectives. The LIC officer viewed that there is a comprehensive analysis of untapped market for deciding the target for the next year. It is not decided on the basis of last year's performance. General Insurance Company has not analyzed the market potentiality though all of them take the last year's performance as a base for the next year's target. The second question was about training and other changes after IRDA. Training for the management cadre officers is provided by the training center at head office or regional offices. The training schedule for agents have become stricter as compared to before the implication of IRDA norms. All insurance companies have issued license to the new agents when an agent is successfully attend the 100 hours training and passed exam. The third question was about the seminars and public awareness programs. Out of five, four companies does not have any structured framework to create public awareness regarding insurance business, whereas only United Insurance Company has been conducting once in a year. The next question was about the performance appraisal system. The confidential report would be prepared by the higher level officers and it will be used in case of promotion and other individual decisions. Record keeping and its computerization was the next questions to the managers, the degree of computerization is very high but every respondent believe that yet, there is no paperless organization. Meeting frequency is also one of the questions. Researcher has collected the fact that before IRDA these organizations used to have bi-annual meeting but nowadays they are conducting meetings every month. Customer is king of every business or service sectors, company can satisfy customers through quick settlement of the intimated claims. LIC has done great job in claim settlement operations and achieved 99.76% claim settlement ratio during the year 2002-2003.The New India Insurance Company has got first position in public general insurance companies and achieved 77.87 %. All other remaining companies have also got above 60 % settlement ratio. Researcher has collected data about office environment, communication effectiveness, adequacy of pay scale, good human resource policy and retirement policy.

6.4 CONCLUSION:

Despite India's vast population, rural poverty and lack of awareness about insurance products have constrained the growth of insurance business in the past. This is expected to change with the recent deregulation and liberalization of the insurance sector. The Indian insurance industry undoubtedly displays great potential. India's high saving rate, customary lack of social security nets and a tradition of frugality are expected to be key growth drivers. Improved nutrition and medical standards have improved the life expectancy necessitating the provision comfortable standard of living to the retires. Another factor closely related is the rising middle class that will encourage increased insurance spending and their growing risk awareness.

India is poised to experience major changes in its insurance market. Insurers will operate in an increasingly deregulated and liberalized environment. However, in spite of the liberalization, nationalized insurance companies will continue to maintain their dominant position in the market, at least in the foreseeable future. However given the enormous potential of the Indian market, it is for the insurers to come out with new product, better packaging and improved customer service. Product innovation and channel diversification will gain momentum, in line with global trend of financial service convergence.

FUTURE STUDY:

This study was limited only for public sector companies, but in future comparative analysis would be the valuable study for academician and policymaker.

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