

# General Insurance

## MODULE 6

# General insurance

- ▶ First general insurance company in India called Triton insurance co was started in Calcutta.
- ▶ First general insurance co with Indian pro was started in 1906-07, by the name India merchantile Insurance company
- ▶ Following world war 1 several foreign companies started general insurance in having about 40% market share at the time of Independence.

# Laws related to general Insurance

- ▶ General insurance in India is governed by the Insurance Act of 1938 which was later amended in 1969.
- ▶ Nationalisation of all companies by the General insurance nationalisation Act , 1972. GIC covered 107 companies.
- ▶ GIC was entrusted with responsibility of superintending, controlling, and smooth conduct of the sector with its subsidiaries in all zones of India.
- ▶ Following laws also touch upon general insurance:
  - The motor vehicles act, 1939
  - The inland steam-vessels (amendment act), 1977
  - The marine insurance act, 1963



- ▶ The carriage of goods by the sea act, 1925
- ▶ The merchant shipping act, 1958
- ▶ The bill of lading act, 1956
- ▶ The indian ports (major ports) act, 1956
- ▶ The indian railways act, 1989
- ▶ The carriers act, 1965
- ▶ The indian post office act 1898
- ▶ The carriage by air act, 1972
- ▶ The multi-modal transportation act, 1993
- ▶ The public liability insurance act, 1991
- ▶ The indian stamp act, 1899
- ▶ The consumer protection act, 1986



# General insurance contract

- ▶ General insurance aims to protect the economic value or life of a person.
- ▶ Contract agrees to make good the loss on the property of the insured that may occur during the term of the contract for a small premium to be paid by the insurer.
- ▶ In addition any insurance contract is bound by the following PRINCIPLES:
  - ▶ Principle of utmost good faith
  - ▶ Principle of insurable interest
  - ▶ Principle of indemnity
  - ▶ Principle of subrogation
  - ▶ Principle of contribution
  - ▶ Principle of proximate cause (see module 4 for details)

# General insurance corpn (GIC)

- ▶ GIC was formed on 1.1.1973 under the Insurance Act, 1938 in accordance with provisions of general insurance business (nationalisation) act, 1972.
- ▶ All the existing insurance companies were merged into 4 subsidiaries of GIC starting from 1.1.1973
- ▶ National insurance co, incorporated in 1906 in Calcutta privately managed till 1972. 21 foreign and 11 indian co were merged with national insurance to form a subsidiary
- ▶ The new india assurance company was incorporated in 1938 operating from Bombay. Got nationalised in 1972 along with other private players to form a subsidiary of GIC
- ▶ United india insurance co was incorporated as a company in 1938 with HQ in Madras. It was later nationalised along with other indian, 4 co operative, 5 foreign and the general insurance of LIC



- ▶ The Oriental fire and general insurance co with in Delhi was incorporated in 1947 as a subsidiary oriental government security life assurance in 1 became a subsidiary of LIC in 1956. it came un GIC in 1973 after nationalisation of general insu business.
- ▶ In 2002 after passage of insurance amendmen (2002) all the four public sector companies wer delinked from GIC and started operating as independent companies.
- ▶ Malhotra committee 1993 recommended ope of insurance sector for private players.
- ▶ IRDA is currently the governing body responsibl regulation and control of insurance sector in in Their main aim is protection of policy holders' ir



# Performance of private and public general insurance companies

- ▶ Insurance penetration is very low in India due to lack of competition. Therefore potential for growth is large with new regulations, new players coming in and economy growing at healthy pace. General insurance has grown from Rs 11000 Cr in 1999 to Rs 1,00,000 Cr in 2011. target is to cross Rs 1,00,000 by 2020.
- ▶ Factors that enabled the sector to grow are as follows:
  - ▶ 1. Leverage: private players have leveraged upon the insurance business relationships of their parent organisations. This has helped to build awareness and penetration.
  - ▶ 2. Operational flexibility: operational flexibility of private players including pricing policy, marketing etc has contributed to the growth of the sector.

- ▶ 3. innovation: innovative pricing and cross-subsidised products mixes have helped private players grow as against public players.
- ▶ 4. strong infrastructure and systems: private players have state-of-the-art infrastructure and systems in order to provide better service to customers. Quicker decision making and settlements have boosted their business as compared to public players.
- ▶ Claims settlement: selective underwriting by the private players on 3P insurance have reduced claims burden and waiting period for tribunal judgements. This has led to better claim settlement service by private players as compared to public players.
- ▶ 6. Distribution: traditionally agency channel had dominated the industry but of late bancassurance, brokers, corporate and direct sales channels are gaining importance.

# Health insurance



# Introduction

- ▶ Increasing rate of ill health
- ▶ Increasing cost of treatment
- ▶ Health insurance has become important
- ▶ Health insurance covers the financial burden arising out of poor health conditions due to permanent disability which results in loss of income
- ▶ Insurance contract that promises to cover medical expenses upon diagnosis of illness or hospitalisation upon paying a premium.

# Individual medical expense insurance

- ▶ Taken on individual basis for self or for family. D from group insurance
- ▶ Generally more expensive but suitable for individuals who have no access to group policies
- ▶ Best suited for people who have better health average.
- ▶ Flexibility to choose from a wide choice of policies
- ▶ Non-dependency on employer and valid even after resignation/shift/retirement
- ▶ It can be turned down based on risk and higher risk attracts higher premium

# Long term care coverage

- ▶ With increase in life expectancy long term care becomes important
- ▶ Nuclear family, less children, no children and more working women makes it difficult to take care of elders
- ▶ Policy covers nursing home care and hospital care for the elderly during the long term, not necessarily sick
- ▶ Popular concept in the US, Canada, UK etc
- ▶ Can be in-house or at hospital
- ▶ Premiums and eligibility depends upon age
- ▶ Benefits are varied like home care, visiting experts expense, nurse, etc
- ▶ Can be taken for a specific period or for life time. Life time coverage is expensive
- ▶ Inflation protection clause available
- ▶ Can be home healthcare/facilities only or comprehensive policy



# Disability income insurance

- ▶ One of the oldest coverages where insurer provides compensation to the insured when he is unable to perform regular duties due to sickness or injuries arising out of an accident.
- ▶ Injury is any bodily injury caused due to an accident during the period of the policy
- ▶ Provides security against loss of income.
- ▶ Policies can be a short term or long term.
- ▶ Provided by life insurers or health insurers.
- ▶ Either to group or individually.
- ▶ Exclusions: doesn't cover disability due to wars, intentional injuries, and normal pregnancies in individual and group. Pre-existing conditions are excluded.

# Mediclaim policy

- ▶ Reimbursement of hospital expenses caused due to sickness or disease or injuries. Payable only if the insured is admitted into a hospital for more than 24 hrs. A policy of more than 101 members gets a discount in premium.

## **Benefits of mediclaim policy:**

- ▶ All medical expenses like doctor's fee, room rent, medicines, check-ups etc
- ▶ Family policy offers a discount in premium
- ▶ Some policies offer health check-up expenses covered every 3/4 years
- ▶ No claim bonus is usually added in terms of increasing the sum assured
- ▶ Income tax benefit u/s 80D to the tune of Rs 25000 for individuals and Rs 30000 for Sr citizens

# Features of a mediclaim policy

- ▶ Premium
- ▶ Entry age
- ▶ Duration
- ▶ Co-payment
- ▶ Exclusions
- ▶ Pre-existing diseases
- ▶ Claim method



# Group mediclaim policy

- ▶ Applicable to any group , association, institutio  
corporate bodies having common administrati  
having a minimum number of persons covered
- ▶ Group discounts in premium available but no M  
health check up expenses payable.
- ▶ Benefits include-
- ▶ - inpatient benefits
- ▶ - covers pre-existing diseases.
- ▶ - post hospitalisation banefits
- ▶ - day care procedures but not OPD
- ▶ - maternity related procedures
- ▶ -new born benefits

# Personal accident policy

- ▶ Policy covers accidents causing disability/death by external violent means. Permanent partial/total disability and temporary total disability. Disability includes loss of organs
- ▶ Includes all kinds of accidents including snake bite
- ▶ There are exclusions like intentional injury, suicide, drugs, liquor, danger sports, war etc
- ▶ Premia depend upon nature of job, discounts available to family/groups
- ▶ Banks tie up with insurance companies to provide cover
- ▶ Janatha personal accident insurance scheme cheap and popular

# Child welfare policy

- ▶ Important for the child's future.
- ▶ Involves insuring parent's life
- ▶ Involves investment as well for education/marriage.
- ▶ Premium depends upon rider, age and company
- ▶ Sum assured to take care of goal
- ▶ Matures at critical life stage
- ▶ Waiver of premium is a characteristic rider of this policy.
- ▶ Critical illness is another imp rider
- ▶ Double accident benefit as well
- ▶ Money back at intervals also possible
- ▶ Some of the imp policies are Child ULIP, Child endowment specific benefit policy like Bhagyashree for the girl child



# Employee group Insurance

- ▶ Group policy issued to the employee
- ▶ To cover group of employees
- ▶ To submit employees list every month along with premiums
- ▶ An employee loses insurance the moment he/she quits/retires
- ▶ New additions are included every month
- ▶ Premiums are cheap
- ▶ Non-medical in nature

# Features of group health insurance

- ▶ Cheap and common premium for all irrespective of age, gender, family size
- ▶ Easy entry: any new recruit gets enrolled automatically without any questions
- ▶ Better benefits: full spectrum benefits apply to all specific clauses
- ▶ Custom made by the employer for his employees
- ▶ Attractive underwriting features like guaranteed issue, onetime underwriting, common premium for all, simple health questions which also reduces waiting period
- ▶ One loses policy benefits if he quits the organization

# Group availability plan

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