



INSTITUTE OF ACTUARIAL
& QUANTITATIVE STUDIES

NON LIFE INSURANCE – PRINCIPLE, PRODUCTS & PRACTICES

**UNIT 1: CHAPTER 1:
GENERAL INSURANCE & PROFITABILITY**

CONTENT: PRESENTATION

Introduction

All insurance excluding life insurance falls under general insurance. Non-life insurance is a broad category, including protection on both people and things. Non-life insurance is also called General Insurance.

Some areas covered under general insurance

- Health Coverage
- Disability Insurance
- Home Insurance
- Auto Insurance
- Insurance against Identity theft

Professional liability is a thriving field, with **malpractice insurance** for doctors and errors and omissions coverage or "E&O" for lawyers and insurance agents themselves.

Evolution in India

Triton Insurance company Ltd., established in Calcutta in 1850 AD

Indian Mercantile Insurance company Ltd. started in Bombay in 1906-07

107 insurers were amalgamated and grouped into four companies, namely National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd and the United India Insurance Company Ltd. The General Insurance Corporation of India was incorporated as a company in 1971 and it commence business on January 1st 1973.

Stakeholders

- Policyholders
- Shareholders
- Tax authority
- Credit rating agency
- Management
- Employees
- Brokers & tied agents
- Reinsurer

Tariffs and De-tariffs

- Tariff Advisory Committee, established under Insurance Company Act, 1938
- General insurance market as a tariff market before 2007
- Public sector monopoly till 1999
- Post IRDA Act, 1999 – private sector entered the general insurance market
- No flexibility in pricing or innovation of products under tariff regime
- IRDA initiated the process of **detariff**
 - Phase 1- 1 January, 2007
 - Phase 2- 1 March, 2008

Effect of Tariff-regime

- Cross subsidization of products (which were not under tariff earlier) prevailed;
- Good customers paid for bad ones and better managed risks paid the same premium as their bad counterparts;
- Underwriting skills of the insurers were not encouraged;
- Complete lack of quality data being available with the insurers, since the underwriting is not based.



Thank You