
Innovative Trends in Insurance Sector (A case study of GIC)

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Introduction

All firms and organizations have as their objective the delivery of something that is of value to their customers. In the past, this was mostly in the form of products. But times are changing. The emerging business environment is defined by new technology, intense global competition and constantly changing market place. In the new business climate the customer is more often a purchaser of service than a product. Services can be both intermediate and final. Insurance, Banking and Transportation to name a few are basically intermediate. Speed and quality are the ultimate tests of consumer satisfaction. In the newly emerging service dominated economics, the management principles require a re-look. This is precisely the focus here, brings out the essence of what needs to be done the services must be customer drives. This paper deals with "Emerging Trends in General Insurance Services in India." The General Insurance service is the business services. Now it's growing at rates faster than other industry.

Insurance Industry has always been a growth oriented industry globally. On the Indian scene too, the insurance industry has always recorded noticeable growth vis-à-vis other Indian Industries.

The Triton General Insurance Company Limited was the first general insurance company to be established in India in 1850, which was a wholly British-owned company. The first general insurance company to be set up by an Indian was Indian mercantile Insurance Company Limited, which was established in 1907. There emerged many players on the Indian scene thereafter.

The General Insurance business was nationalized after the promulgation of General Insurance Business (Nationalization) Act, 1972. The post-nationalization general insurance business was undertaken by the General Insurance business was undertaken by the General Insurance Corporation of India (GIC) and its four subsidiaries.

1. Oriental Insurance Company Limited,
2. New India Assurance Company Limited,
3. national Insurance Company Limited,
4. United India Insurance Company Limited.

Towards the end of 2000, the relation ceased to exist and the four companies are at present operating as independent companies. Now there are seven new entrants in the general insurance industry.

The GIC has developed the non-life business over a period of 30 years from 1973. The business covers a wide variety of risks from a bullock cart to satellites. Several non-traditional social covers for women, girl child etc., have been introduced. The insurance premium content, have been introduced. The insurance premium content, have been introduced. The insurance penetration which was 0.36 per cent of Gross Domestic Product in 1973 is now around 0.60 per cent of Gross Domestic Product.

Every person who has an asset of economic value, and is engaged in economic activity, needs insurance. The market for general insurance ranges from individuals with personal household assets, to corporate bodies with assets worth hundreds of billions of rupees, to producers (agricultural or industrial) traders, exporters. The prospective customers are in remote rural areas as well, engaged in agro-based economic activities.

The General Insurance is closely linked to international trade. Large amounts of insurance are reinsured globally. When a major accident occurs, like an air crash, an oil field explosion, or a gas leak with

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innumerable deaths, as in Bhopal, in 1984, several insurance companies around the world share the loss.

For general insurance there is a variety of options being opened up to increase the reach and penetration of product targeting individual customers. The range of products in general insurance is very wide. Each of the products has unique conditions, terms, warranties, exclusions etc. The covers are subject to different laws of country.

Of the four state owned companies, New India has been the market leader, both in market share and performance.

Insurance and Consumer Goods:-

If buying a toothpaste for Rs. 55 and getting a personal accident policy worth Rs.25,000. For the first time insurance players and FMCG companies are using each other to boost their respective business. Riding on the recent insurance wave in the country, smaller FMCG players such as Kopran and Vardhaman chemicals are using insurance as a marketing ploy to counter their dominating competitors in the business and thereby helping both themselves and their insurance partners.

Take the example of the Rs. 600 crore Vardhaman chemicals which has introduced an ayurvedic toothpaste brand, 'Amar' in the western part of India. The company has tied up with Tata AIG to give prepaid accident insurance worth Rs. 25,000 with every 200 gm pack of the brand. A single person can avail of up to 12 packs and enjoy insurance cover of Rs. 3lakh. The policy on offer is, however, valid for a year and comes into effect in case of an accidental death of the policyholder. Pepsodent toothpaste also has tied up with insurance company and offering the insurance coverage.

Issues in General Insurance Sector

The state owned insurance was managing insurance business profitably; there were certain perceived lacunas in the areas of professionalism, service, issue of documents, etc. The new players are expected to set a high score in the area of service. With implementation of computerization at a faster pace, the existing players are also trying their best to improve the service and bridge the gap between them and the technologically savvy new players.

Some of the issues faced by the insurance, old and new alike, however, are:

- Convergence of banking and insurance
- Ever changing technology
- Emergence of new distribution channels
- Underwriting losses
- Slow pace of economic acceleration
- Changing customer perception
- Evolving regulations

Indian General Insurance market is one of the latest markets opened to competition. Naturally, it looks different from the developed markets. Indian industry is characterized of:

- Low penetration
- More direct business and lesser dependence on intermediaries
- Having simple products catering to basic needs.

Developed Markets Show:-

- A high penetration
- Bookers, Agents and other intermediaries playing an important role
- Existence of savings linked products
- Existence of managed healthcare and Pension products.

GIS'S Latest Issues:-

Government of India has re-notified GIC, which was engaged in reinsurance activities under GIBIN Act, 1972 as 'Indian Reinsure' under the Insurance Act of 1938. The focus of GIC will be an accepting reinsurance business with in India to assist IRDA in ensuring the objective maximizing retention of premium with in the country as also to accept business from abroad. GIC has stopped writing direct business and has now been concentrating exclusively on the re-insurance business. Finance minister has expressed a wish that India becomes a reinsurance hub in the Asian region and GIC plays all important roles in it. Towards achieving this goal, GIC would soon embark upon well devised marketing strategy. GIC has set its first representative office outside India in London. It proposes to enter into strategic agreements with large insurance companies in the targeted regions/markets. GIC aims to bench mark its standard of services and business quality with the world leaders.

The insurance reference aimed at reforming the state owned insurance companies and opening up the market to private competition. A strong regulatory and development authority "the Insurance Regulatory and development authority "The Insurance Regulatory and Development Authority (IRDA) is set up and is effectively fractioning. It has issued licenses with in the prescribed time and some new insurance companies are already operational in the country.

Co-existence of public and private sector companies is a welcome sign, Indian banking sector has done well in such a set up. Reforms are expected to improve service quality, product availability etc., which is in the interest of the insures as also the insured.

Subsidiaries of GIC, they are existing, profit making companies with skilled manpower, huge net worth, and dedicated clients. Through competition could affect their business in the immediate short term, through a well defined strategy, they could maintain their leadership position even in the competitive environment.

Future of the GIC Market:-

Indian Insurance scene is going to be drastically different. Things are no more static. Every day brings in change in the form of opening of a new insurance company, new products, and new marketing methods/channels mergers etc. A strong regulatory and development authority is in place to take care of the changes and ensure orderly growth of the market. The insurance sector will see:

- Enhanced awareness through education and publicity
- Greater use of information-technology
- Better products
- Better service to customers
- Benchmarking with international standards.

Insurance sector will improve insurance penetration through further spread of insurance and availability of new products. The service will be of high quality and the customer will be the beneficial. As for GIC with the existing strengths of trained manpower, good reinsurance contacts, high reputation worldwide, financial strength etc.

The state owned general insurance companies are definitely feeling the heat as private insurance companies are making a beeline to capture corporate accounts. But the threat is working in their favor as well in so far as quick actions are being taken in the areas of training, computerization etc. The Indian insurance sector will follow the path of the banking sector, where forces of globalization and technological improvements are bringing in changes which are helping the banks bridge the gaps in services offered. Bringing in prudential norms and ultimately helping the customer in getting world class products and services. In addition the state owned companies can venture into untapped rural potential for which they have a very vast network of offices and trained manpower.

Conclusion

Looking at the substantially low level of insurance penetration, there is no doubt that there is a huge potential for insurance in India. The existing players are fairly successful in catering to the needs of the organized sector and the general requirements of the economy. There is scope for increasing penetration in rural India and the up coming towns. Agricultural insurance also offers opportunities.

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