THE CHALLENGES BEFORE THE INSURANCE INDUSTRY IN INDIA

G. N. BAJPAI

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THE A. D. SHROFF MEMORIAL TRUST

Peninsula House, 235, Dr. D. N. Road,

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THE A. D. SHROFF MEMORIAL TRUST

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OBJECTIVES

(i) Publication of one or more books in English, Hindi and regional languages annually on some of the great builders of Indian economy aimed primarily at educating the younger generation in high standards of building the national economy as practised by those great entrepreneurs and placing the example of their lives for emulation by India's youth.

(ii) Organising one or more public lectures annually on subjects, which were of interest to the late Mr. A. D. Shroff, namely, banking, insurance, and industrial finance, the subject to be chosen in rotation, and the lectures to be delivered by persons eminent in these fields.

(iii) Awarding annual scholarship or scholarships to outstanding student or students in the field of management.

(iv) Instituting a prize to be known as The A. D. Shroff Memorial Prize for the student standing first in Banking at the Sydenham College of Commerce and Economics, Mumbai.

(v) Doing all such acts, matters and things as are incidental or conducive to the attainment of the above aims or objects or any one or more of them, and

(vi) Without prejudice to the above charitable objects or any of them, the TRUSTEES shall have the power to spend, utilise and apply the net income and profits of the TRUST FUND for the TRUST FUND for the charitable object of education or such other objects of general public utility not involving the carrying on of any activity for profit as the Trustees may think proper. It being the intention of the SETTLOR that the income and/or corpus of the Trust Fund shall be utilised for all or any of the aforesaid charitable objects without any distinction as to caste, creed, or religion.

A. D. SHROFF
(1899-1965)

A. D. Shroff's achievements in the fields of business, industry and finance were many and varied. A large number of enterprises owe their origin and development to him. As an economist, his predictions have proved right over the years. Through the Forum of Free Enterprise, which he founded in 1956, as a non-political, educative organisation, he sought to educate the public on economic affairs. It was his firm conviction that a well-informed citizenry is the foundation of an enduring democracy.

George Woods, former President of the World Bank, paid the following tributes to A. D. Shroff :

> "In every age and in every society men must express anew their faith in the infinite possibilities of the human individual when he has freedom to develop his creative talents. For this is in large part how the message of freedom is passed from generation to generation. A. D. Shroff spoke eloquently in a great tradition, and thanks to him we can be sure that other great men of India will continue to speak this message in the unknown context of our future problems."

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The A. D. Shroff Memorial Trust

and economic distress. The growth of the industry up to the decade of the 50s has been outlined in Annexure 'A'.

The industry received sharper focus after Independence and the then managers of the Indian economy for a variety of considerations believed that in particular, the business of long-term security – life insurance, deserved to be organised and orchestrated in a better fashion. As a consequence, on 19th January, 1956, an ordinance nationalising all 245 Indian and foreign life insurance companies operating then was promulgated by the President of India. The then Finance Minister, in his broadcast to the nation on the eve of nationalisation, outlined the objective thus : "In the implementation of the Second Five Year Plan, it is bound to give material assistance. Into the lives of millions in the rural areas it will introduce a new sense of awareness of building for the future in the spirit of calm confidence which insurance alone can give. It is a measure conceived in a genuine spirit of service to the people. It will be for the people to respond, confound the doubters and make it a resounding success".

The Life Insurance Corporation of India commenced its tryst with trust on 1st September, 1956 with formidable challenges of restoring the confidence of the insuring public and efficacious channelisation of people's savings for economic rejuvenation. The Indian sub-continent is not only vast geographically but had dimensions of poor communication structure, widespread illiteracy, irrational beliefs and inadequacy of linkages between needs, aspirations and resources. The Corporation in its career of 45 years has passed through several phases of trials and tribulations, navigated many a stormy sea but has come out triumphant. The success of the organisation benchmarked with the growth of other segments of the financial services industry and with reference to the environmental ethos attracts the envy of all. In particular has been the run up of the last 16 years just before liberalisation

– 1984-2000 with compounding annual growth rate of 20.6% and not many industries can boast of such an enviable track record. The growth of the life insurance industry from 1956 onwards till the pre-liberalisation era is given in Annexure 'B'. Annexure 'C' indicates the performance of LIC during the post-liberalisation period.

The general insurance industry, which has been progressing along with the life insurance industry, though at a slower pace, also came into the limelight with its nationalisation in 1972. 106 private non-life insurance companies operating then were grouped under 4 banners, viz. The New India Assurance Co. Ltd., the United India Insurance Co. Ltd., The Oriental Insurance Co. Ltd. and the National Insurance Co. Ltd. with a supervisory organisation, the General Insurance Corporation of India as the holding company. Apparently, the track record of nationalised non-life insurance companies has been fairly good as seen in Annexure 'D(a)' and 'D(b).

Development is a dynamic process and the relevance of a policy prescription gets evaluated with reference to people's aspirations and the pace and process of harnessing opportunities. Information technology has helped every economy break free of its geographic moorings, though to the discomfiture of many. Electronic connectivity, nay infiltration, has deprived all national economies of exclusivity and dissolved time and space. In the emerging world of single-parent families, demanding jobs and quality time measured in nanoseconds, search economies are bound to overtake distribution economies. The economic policy frames have, therefore, necessarily to find linkages with global trends and aim at exploiting the potential thrown up by the new economic order overwhelmed with the information explosion. The underlying thought is that "irrelevancy is a greater risk than inefficiency".

The shift in economic policy has been substantial and by and large universal. Currently, the sentiment sweeping across the globe is that of less and less government intervention. **Stability and Sustainability** are perceived to be the fundamental goals of the macro-economic policy. Greater emphasis is being laid on deregulation, competition – internal and external - and more efficacious allocation of resources with a view to enhancing the productive energies. In substance, focus is on the **structure and supply** side. Current economic policy prescription is of macro-economic stability, monetary policy directed to sustained price stability within a frame of overall fiscal discipline operating through market mechanisms.

The pragmatic and sagacious managers of the Indian economy, thoughtfully in line with chosen policy prescription, decided to liberalise the industry and open the window to the world to bring choice. The response to the initiative of liberalisation of the insurance industry has been spontaneous and universal. Visualising continued high economic growth, low inflation and increasing disposable incomes, greater interest is reflected in life insurance business with a larger number of companies staking their claim to participate in the process of a unique and universal liberalisation model of India with no limitation on number of operators, geography to operate in, products to market and services to deliver.

Let me turn the lens to a global perspective. The insurance industry is crowded in North America, Western Europe, Japan and Oceania. These countries account for 90.7% of global premiums with a planetary average penetration of 7.8% of the Gross Domestic Product. With a per capita premium of US$ 3165, the Japanese are the highest savers through the vehicle of life insurance and the Swiss with US$ 1571 per capita are the biggest spenders on non-life insurance premium. Insurance companies wrote US$ 2443.7 billion (life US$ 1521.3 and non-life US$ 922.4 billion) in premiums worldwide in the year 2000, reflecting a growth of 9.1% and 2.7% in life and non-life respectively. The drivers of growth of life insurance business were private pension provisions in the U.S. and Western Europe along with index-linked policies buoyed by the stock market rallies up to mid-2000. The upswing is also attributable to a dramatic rise in the single premium business since the year 1995. The volatility of single premium business is likely to introduce capriciousness in the otherwise steadily growing life insurance industry.

Non-life insurers reported higher growth rates as compared to the 90s. Growth motors were a robust global economy and recovery from financial crisis. The China, Hong Kong S.A.R./ Taiwan region registered growth rates in excess of 10%. The premium upsurge in Asian and Russian markets outpaced their respective GDP growth rates. In spite of good growth and reporting fewer major losses, the earning of the industry remained lacklustre. Long-term comparisons of the trend of global premiums are given in Annexure 'E'.

The delineated backdrop bespeaks the broad issues connected with deciphering the challenges before the Indian insurance industry. Clearly, the following environmental changes lend flavour to the challenges :-

(1) Liberalisation and globalisation

(2) Increasing disasters

(3) Declining interest rate

(4) Convergence

(5) Heightened customer expectations

Whereas it is conceded that the challenges bear a dynamic description and emerge as the industry journeys through the phases of evolution, let me venture to list out some of them that appear to be looming large on the horizons of the insurance industry :-

(1) Risk Management

The fundamental activity of the insurance industry is to manage risk, but with environmental changes as picturised above, the risk landscape has undergone a metamorphosis. The challenge before the managers of the industry will be balancing the business and risk management. The risks before the industry could be segmented into insurance risk, credit risk, business market risk and operational risk. The predictability and the steadiness of the life insurance industry has been substantially influenced by factors like AIDS / HIV, CJD, heart / lung transplant, cloning, mortality improvements, disability discrimination limitation and use of genetic information, which impact longevity and the quality of life itself.

The totality of the industry has also been influenced in the recent past by the Gulf war, 11th September incident, 1987 market crash, 1991 Black Wednesday, Asian crisis and the Dot com boom and bust. The growing globalisation has transformed the size and complexity of risk.

The central theme for managing the industry would be risk identification, risk assessment, risk monitoring and control. The process would have to begin from reporting of risk, risk adjusted performance evaluation, liability and reserve administration, asset-liability matching and credit risk management. In meeting the challenge of risk management, while the executive management will be charged with the responsibility of building an operational framework, the Board of Directors of the insurance company will have to get involved with the policy architecture. Surprises from inefficacious risk management can be ruinous.

(2) Multi-channel Distribution Network Management

Segmentation of market, selling segment-oriented products, focussing on fuller satiation of customers' aspirations commandeers multiple channel distribution networks. Currently product-market relationship is dominated by personalised selling rendered by tied agents. Likely developments in the market will be characteristically different particularly because of the information explosion, technology-led delivery system and emergence of financial conglomerates and universal banking revolutionising the geometry of financial products.

The market will witness the onslaught of multiple distribution channels, which will be product-specific, segment-centric or market-wide. The companies will have to balance between the comfort and the motivation levels of the existing tied agency channel and promotion and push to new channels. There may be conflicts in market access, product allocation, compensation structure, service supports and even publicity orientation. Developing sensible approaches not only for the co-existence but flowering of multiple channels for sagacious and pragmatic propositions in product formulation, compensation structure, market segmentation and technology architecture in a market hitherto served by single distribution network will be an awesome challenge for the insurance companies.

(3) Customer Relationship Management

Together globalisation and liberalisation have magnified the customer manifesto of 3Rs - Risk, Return and Respect satisfaction and dispensing the value proposition in that reference frame would be a tremendous challenge.

Customer demeanour will be influenced both by environmental as well as inherent factors. The environmental factors are socio-economic and demographic factors, advisors' inputs, efforts to manage customer satisfaction and experience. The inherent factors would be persistency, propensity to buy different products in different ways along with proclivity of risk return profile of the products. There may also be channelised price pressure. The entire customer aspiration syndrome will get built on the platform of power of information and the right of choice. The range would move out of the circle of providing quality service or customised products to developing appropriate marketing campaigns, lowering costs and building customer loyalty. Companies will have to transform customer relationship management to value-based client relationship superintendence by creation of values with the embedded thought of 'longer the relationship, richer is the value proposition'. In fact, the value proposition of each of the companies will be scrutinised through microscopic lenses. The CRM challenge will have the pyramid of three sub-challenges - Product Development, Pricing Mechanism and Technology Management.

(a) Product Development

Changes in the economic and social environment greatly influence the need, choice and expectations of the customers. Need is an evolving phenomenon and in a market driven economy, products have necessarily to be the offshoot of customers' needs. Development of time-relevant costs and intrinsic return embedded products to satisfy a multiplicity of needs of the fragmented social order, where each customer would insist on specifically tailored products will be a challenge not only for the actuaries and product administrators, but also for pricing pilots and investment managers.

(b) Pricing Mechanism

Whereas it is possible with the help of technology to design individual need-specific products, pricing will be the concomitant challenge. Insurance business is based on averages and spreading of risks. Spreading of risks will call for segmentation of different kinds of needs in different spread blocks with a view to benefiting from the law of averages. This will become a major exercise for insurance companies and inadequacy of numbers will make averaging difficult and increase dependence on the reinsurers, leading to seepage of otherwise profitable revenues. Adventurism or lack of incisiveness will be a financial tragedy. Some of the factors which would influence the pricing models would be the socio-economic environment, customers' aspirations to benefit from increasing longevity, unpredictability and uncertainty in yield as a consequence of declining interest rates and uncertainty about levels of inflation. Globalisation has changed the texture of the national financial market and the configuration of return on investment. It is very difficult to assume the rates of returns for medium to long durations. Expected returns on investment influence the pricing of insurance products. Therefore, a rigid pricing structure can be a calamity in a flexible return regime. Developing such a flexible pricing structure while sustaining customer confidence and interest will be a challenging task before Indian insurers. The remedy would possibly lie in transferring the investment risk to the customers either through the pricing model or product formulation.

(c) Technology Management

The technology revolution has brought about structural changes in the economy and the business world. It has also influenced the way we think and transact and manage our enterprises. The insurance industry in the new market ethos will not only have to be a part of the procession that is marching in majesty for leveraging the technology, but will have to be the flag-bearer. Product development, product design, pricing, distribution, servicing, client relationship management and fund management will be de rigueur. Whereas information technology – precisely e-commerce, e-enterprise and e-markets - will help in expanding the market base and creating customer-centric multi-product insurance malls, marshalling the technology for re-engineering the business processes and upgradation of the platforms on a continuing basis with obsolescence time lags becoming thinner will be a formidable challenge. This will necessitate sustaining through the rough weathers of unremitting technological innovation and invasion.

(4) Fund Management

In a cross-bordered globalised information economy, the fabric of the financial market looks volatile and ambivalent and visualising the predictability of the factors, that may spring up in any part of the world impacting fund management performance, will be very difficult. Competing economies, competing institutions, competing financial instruments and geographically dispersed initiatives will make the task of fund managers much more complex and crucial. The criticality will be influenced further by a sharp decline in the interest rates and the rise of a new generation of demanding investors with greater emphasis on return satisfaction. Fund management is a futuristic function and its success depends on a high level of analytical power, forecasting ability, technical knowledge to perceive and monitor micro and macro financial factors and the impact thereof. The ability to make use of new instruments like derivatives, insurance-based capital market bonds, solvency bonds, catastrophe bonds, C-swaps, exchange traded C-options, contingent capital and live securitisation can keep a company a step ahead of others. Unfortunately, these instruments are yet to take birth in Indian capital markets. Transparency in operation and corporate governance in investment decision-making will be yet another challenging facet.

(5) Knowledge Management

The Indian insurance market is going to be substantially different from other markets – developed and developing - around the globe and this market is expected to be participated in only by bigwigs and trans-nationally competitive insurance companies. Each of the operators would have long-term perspective, deep pockets and the ability to influence the market. Some kind of guerrilla warfare may ensue in the battle for supremacy. On the terrains of war, where the potency and prowess of the weaponry likely to be utilised would be difficult to prophesy, the defence of human resources competence would be the best bet. Hence, assimilating information for building, conserving and utilising knowledge along with providing a platform for continuous updating of knowledge and renewal of human resources competencies would be a major challenge. This would require focussing on the structural requirements and long-term policy of recruitment and retention, organisational culture building and an environment of creativity, connectivity and continuity along with co-ordinated and continuous relationship with the academic world.

(6) Convergence Management

The financial services industry worldwide is undergoing a rapid structural adjustment, forced by an emerging class of customers who are informed, demanding, sceptical, return-conscious and by a radical transformation in the economic environment, growing inter-economy transaction and deregulation.

The traditional boundaries of institutional operations are getting submerged and all the specialised and single service institutions are donning the attire of multi-product, multi-service institutions.

The forces driving entrepreneurs towards the comfort of convergence are : philosophy of capturing and retaining customers, maximising revenue by scaling down customer procuration and retention costs, harnessing new growth opportunities via exploitation of customer wealth and optimal utilisation of technology, human resources and distribution channels. The routes to convergence are promoting new institutions, mergers and acquisitions and strategic alliances.

It is in the interest of stakeholders of the insurance industry that convergence evolves around core competencies and there is an appropriate balance between the business model, human resources and technology. Convergence should be defined, objective-oriented, need-based and should not promote an oligopolistic market to defeat the objective of competition; certainly not to transfer / buy time to beat the malaise of legacies of misadventures which tend to annihilate stakeholder values.

Convergence in the financial services is creating ever-growing demands on skill sets to meet the organisational desideratum. New knowledge in the technology-led market place has made yesterday's expertise obsolete leaving little room for precedent-oriented decision-making or perception-based management. The harsh realities demand quantitative and qualitative decisions based on hard facts, research findings and human ingenuity.

(7) Stakeholders' Conflicts Management

One of the key elements of organisational success including those in the insurance industry would be efficient management of stakeholders' conflicts. In a convergent financial market led by demanding stakeholders, conflicts are in-built. Patience is the practice of the past. Beating the gestation of the break even is the new mantra. It would be a challenging task for any insurance company to balance the interests and counter interests of various stakeholders, viz. customers, workforce, shareholders, suppliers and society. It will be necessary to put in place a sound mechanism to resolve stakeholders' conflicts while protecting embedded customer values in the interest of the survival and sustenance of the company.

(8) Regulation

In a market-driven economy, regulation plays a crucial role in promoting entrepreneurship, creating space for a healthy growth of the industry and sharpening focus on customer concerns. As the competition unfolds, customers become more vulnerable and less protected owing to the vagaries of market practices.

The IRDA has been playing a very significant, constructive and laudable role by promulgating a sagacious, internationally benchmarked regulatory architecture and in the development of the market. However, the regulatory challenges will emerge as much from regulating insurance companies and their products in the Indian market as from cross border operations, inter-regulatory space for supervision, inter-institutional conflict and convergence in the financial services. Obviously, this will call for greater co-ordination amongst various regulators. Over the medium term, a regulatory shift from micro-managing the insurance market and companies to focussing on risk management, asset protection and asset-liability management, cost controls and solvency-based supervision is expected which will be driven by more informed and demanding customers, proliferation of products, blurring of boundaries and the need for foreign capital. Eventually, self-regulation will assume a pivotal role and insurance companies will have to get together to meet the challenge of co-ordination and collaboration in a fiercely competitive market place.

(9) Corporate Governance

Organisational management is going to change drastically in future and the benchmark of success will be determined not only by the rate of return but also by the quality of corporate governance, an indication of how a corporate conducts itself as an ideal corporate citizen. Insurance companies have to adopt corporate governance practices in a big way as :-

— Standard of disclosure and compliance will undergo significant changes.

— Accounting standards will see substantive reorientation in conformity with global standards.

— The focus will shift to pricing, distribution, risk management and investment decision-making.

Conclusion

Whereas the external environment would shape the industry policy framework, the puissance of the business systems will determine the positioning of the company. Incumbents and entrants will need to focus on building business systems on the platform of creativity to help effectively navigate the uncertain seas of external and internal environment. The portents of the emerging trends suggest that the insurance industry, in particular the life insurance industry, would eventually move from mere risk mitigation to NET WEALTH MANAGEMENT. This would transform the conceptual framework, practices' model and principles of customer relationship management. The Indian insurance industry would offer immense opportunities for growth and profit. The winners would be the managers operating with a dynamic decision-making model mounted on the matrix of collaborative organisational chassis designed in the mosaic of a confederation of entrepreneurs.

The A.D. Shroff Memorial Trust has no specific views on these economic issues. This publication is issued for public education, and hence the views expressed are specifically those of the author.

Table E(a) : GLOBAL LIFE
Continent-wise Premium

YEAR	NORTH AMERICA			LATIN AMERICA			EUROPE			ASIA
	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total	Life
1995	280857	380287	661144	7149	23801	30950	326960	311453	638413	587713
1996	301455	387732	689187	8357	24554	32913	361220	313518	674737	489523
1997	331845	402945	734790	10070	27973	38043	373676	295520	669196	474564
1998	368032	411561	779593	10693	27573	38265	402348	297146	699474	439020
1999	414357	422713	837070	11272	24398	35670	464044	297601	761645	476769
2000	465630	446284	911914	13645	27111	40757	499908	280245	780152	499531

Source: Sigma (Swiss Re), various issues.

Table E(b) : GLOBAL LIFE
Continent-wise Premium

YEAR	NORTH AMERICA			LATIN AMERICA			EUROPE			ASIA
	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total	Life
1995	1.1	1.6	1.4	11.7	0.4	2.9	5.3	1.4	3.4	7.0
1996	4.32	-0.99	1.26	8.32	-3.61	-0.87	8.92	0.10	4.82	-5.38
1997	6.9	-0.2	2.9	15.6	10.3	11.5	10.5	0.5	5.8	5.4
1998	9.7	0.9	4.8	14	4.7	7.2	6.3	-0.3	3.4	-3.2
1999	9.2	1.3	5.1	12.9	2.3	5.2	16.1	2.0	10.1	-4.0
2000	7.8	2.0	4.8	11.0	4.6	6.6	17.0	3.8	11.9	3.0

Source: Sigma (Swiss Re), various issues.

INSURANCE (1995-2000)
in USD m

		AFRICA			OCEANIA			WORLD		
Non-life	Total	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total
168535	756248	17477	7602	25079	16471	15103	31574	1236627	906781	2143408
157533	647060	16475	8280	24755	19705	17482	37187	1196736	909100	2105838
145478	620042	18763	7903	26665	22881	17054	39935	1231798	896873	2128671
132252	571272	21668	7125	28792	22396	15476	37872	1264156	891112	2155269
144434	621203	19585	6674	26258	26329	15848	42177	1412357	911668	2324025
147160	646691	18678	6525	25204	23860	15094	38954	1521253	922420	2443673

INSURANCE (1995-2000)
Growth Rate

		AFRICA			OCEANIA			WORLD		
Non-life	Total	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total
5.3	6.7	19.4	11.1	16.9	-22.9	-1.4	-14.0	5.2	2.2	3.7
4.60	-3.18	2.88	7.02	4.10	12.05	7.18	9.71	1.27	0.54	0.97
-1.1	3.8	10.8	2.9	8.3	19.8	1.2	11.1	7.7	0.2	4.5
-4.1	-3.4	29.6	2.9	22.1	14.6	6.8	11.3	4.1	-0.1	2.3
-1.0	-3.4	8.2	-1.9	5.4	9.5	-1.3	5.2	6.9	1.2	4.5
2.2	2.8	8.9	3.1	7.5	1.9	1.3	1.7	9.1	2.7	6.6

Table E(c) : GLOBAL LIFE
Continent-wise

YEAR	NORTH AMERICA			LATIN AMERICA			EUROPE			ASIA
	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total	Life
1995	22.71	41.94	30.85	0.58	2.62	1.44	26.12	34.35	29.78	47.53
1996	25.19	42.65	32.73	0.70	2.70	1.56	30.18	34.49	32.04	40.90
1997	26.98	44.93	34.52	0.82	3.12	1.79	30.39	32.95	31.44	38.43
1998	29.11	46.19	36.17	0.85	3.09	1.78	31.83	33.34	32.45	34.73
1999	29.34	46.37	36.02	0.80	2.68	1.53	32.86	32.64	32.77	33.76
2000	30.61	48.38	37.32	0.90	2.94	1.67	32.86	30.38	31.93	32.84

Source: Sigma (Swiss Re), various issues.

Table E(d) : GLOBAL LIFE
Continent-wise Insurance Penetration :

YEAR	NORTH AMERICA			LATIN AMERICA			EUROPE			ASIA
	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total	Life
1995	3.59	4.86	8.45	0.43	1.44	1.87	3.40	3.12	6.52	7.92
1996	3.66	4.71	8.37	0.45	1.33	1.78	3.55	2.97	6.52	6.38
1997	3.80	4.61	8.41	0.49	1.37	1.86	3.85	2.93	6.78	6.27
1998	4.04	4.52	8.97	0.54	1.40	1.95	4.07	2.86	6.93	5.99
1999	4.17	4.25	8.42	0.63	1.36	1.99	4.69	2.88	7.57	5.66
2000	4.40	4.22	8.62	0.69	1.36	2.05	5.34	2.84	8.19	5.96

Source: Sigma (Swiss Re), various issues.

Table E(e) : GLOBAL LIFE
Continent-wise Insurance density :

YEAR	NORTH AMERICA			LATIN AMERICA			EUROPE			ASIA
	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total	Life
1995	959.7	1299.5	2259.2	16.5	42.4	58.9	464.9	426.2	891.1	208.1
1996	1021	1312.6	2333.1	17.9	53.6	71.5	477.3	399.3	876.6	164.3
1997	1114	1353.1	2467.4	21.7	60.9	82.6	482.5	367.8	850.3	153.0
1998	1224	1368.4	2592.1	21.4	55.1	76.5	360.6	252.9	613.5	23.8
1999	1369.0	1396.6	2765.5	22.5	48.8	71.3	576.3	354.0	930.3	133.3
2000	1526	1462.1	2987.6	26.6	52.9	79.5	445.2	237.0	682.2	138.8

Source: Sigma (Swiss Re), various issues.

INSURANCE (1995-2000)
Market Share

		AFRICA			OCEANIA			WORLD		
Non-life	Total	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total
18.59	35.28	1.41	0.84	1.17	1.33	1.67	1.47	100.00	100.00	100.00
17.33	30.73	1.38	0.91	1.18	1.65	1.92	1.77	100.00	100.00	100.00
16.22	29.13	1.53	0.88	1.25	1.85	1.91	1.88	100.00	100.00	100.00
14.84	26.51	1.71	0.80	1.34	1.77	1.74	1.76	100.00	100.00	100.00
15.84	26.73	1.39	0.73	1.13	1.86	1.74	1.81	100.00	100.00	100.00
15.95	26.46	1.23	0.71	1.03	1.57	1.64	1.59	100.00	100.00	100.00

INSURANCE (1995-2000)
Premiums in % of GDP

		AFRICA			OCEANIA			WORLD		
Non-life	Total	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total
2.20	10.12	5.19	2.11	7.30	4.03	3.70	7.73	4.55	3.27	7.82
2.03	8.41	3.90	1.82	5.72	4.30	3.82	8.12	4.17	3.12	7.28
1.90	8.18	4.13	1.59	5.72	4.99	3.72	8.71	4.26	3.06	7.32
1.80	7.80	3.63	1.20	4.84	5.74	3.66	9.40	4.32	2.99	7.44
1.71	7.38	3.42	1.18	4.60	5.75	3.46	9.20	4.57	2.95	7.52
1.76	7.72	3.03	1.06	4.09	5.43	3.44	8.87	4.88	2.96	7.84

INSURANCE (1995-2000)
Premiums per Capita (In USD)

		AFRICA			OCEANIA			WORLD		
Non-life	Total	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total
59.2	267.3	51.6	21.0	72.6	760.6	697.2	1457.8	277.2	197.9	475.1
52.3	216.7	46.4	21.7	68.0	893.8	792.7	1686.4	246.7	184.5	431.1
46.4	199.4	52.7	20.3	72.9	1022.6	761.6	1784.2	246.4	176.8	423.3
12.0	35.8	27.1	9.1	36.2	841.7	536.5	1378.3	145.3	125.7	271.0
40.4	173.7	24.1	8.3	32.4	900.7	542.2	1442.9	235.4	151.9	387.3
40.9	179.6	23.5	8.2	31.7	806.2	510.0	1316.2	239.9	145.5	385.4

Table E(f) : INDIAN INSURANCE IN THE GLOBAL CONTEXT
Indian Premium in USD m

YEAR	PRM (IN USD)		
	Life	Non-life	Total
1995	4219	1807	6026
1996	4606	1978	6584
1997	5161	2074	7235
1998	6048	2255	8303
1999	6066	2325	8391
2000	7595	2338	9933

Source: Sigma (Swiss Re), various Issues.

Table E(g) : INDIAN INSURANCE IN THE GLOBAL CONTEXT
Premium Growth Rate (Inflation adjusted)

YEAR	GROWTH RATE		
	Life	Non-life	Total
1995	11.9	10.9	11.6
1996	5.4	6.1	5.6
1997	11.0	3.1	8.6
1998	16.8	8.4	14.4
1999	10.6	6.4	9.4
2000	21.3	3.8	16.6

Source: Sigma (Swiss Re), various Issues.

Table E(h) : INDIAN INSURANCE IN THE GLOBAL CONTEXT
Indian Market Share

YEAR	SHARE OF INDIAN MARKET		
	Life	Non-life	Total
1995	0.34	0.20	0.28
1996	0.38	0.22	0.31
1997	0.42	0.23	0.34
1998	0.48	0.25	0.39
1999	0.43	0.25	0.36
2000	0.50	0.25	0.41

Source: Sigma (Swiss Re), various Issues.

Table E(i) : INDIAN INSURANCE IN THE GLOBAL CONTEXT
Indian Insurance Penetration : Premium as % of GDP

YEAR	PREM. AS % OF GDP		
	Life	Non-life	Total
1996	1.29	0.55	1.84
1997	1.39	0.56	1.95
1999	1.39	0.53	1.93
2000	1.77	0.55	2.32

Source: Sigma (Swiss Re), various Issues.

Table E(j) : INDIAN INSURANCE IN THE GLOBAL CONTEXT
Indian Insurance Density : Premium Per Capita (in USD)

YEAR	PREM. PER CAPITA (USD)		
	Life	Non-life	Total
1995	4.5	1.9	6.4
1996	5.0	2.0	7.0
1997	5.4	2.2	7.6
1998	6.2	2.3	8.6
1999	6.2	2.4	8.5
2000	7.6	2.3	9.9

Source: Sigma (Swiss Re), various Issues.

Table E(k) : COUNTRY AND CONTINENT-WISE LIFE PREMIUM, MARKET AS

	COUNTRY	PREM (USD M)		
		Life	Non Life	Total
NORTH AMERICA	USA (North America)	442373	422954	865327
	CANADA (NA)	23257	23330	46587
	TOTAL (NA)	465630	446284	911914
LATIN AMERICA	BRAZIL (Latin America)	2141	10412	12554
	CHILE (LA)	1927	760	2687
	MEXICO (LA)	4957	4910	9866
	ARGENTINA (LA)	2666	4424	7090
	COLOMBIA (LA)	494	1334	1828
	URUGUAY(LA)	73	331	403
	PERU (LA)	204	351	555
	PANAMA (LA)	114	254	368
	EL SALVADOR (LA)	81	149	230
	GUATEMALA (LA)	38	151	190
	ECUADOR (LA)	17	192	209
	DOMINICAN REP.(LA)+	42	366	408
	VENEZUELA (LA)	58	2169	2227
	COSTA RICA (LA)	26	298	324
	PARAGUAY (LA)	N.A.		
	BAHAMAS*	185	136	321
	JAMAICA*	122	181	303
	TRINIDAD AND TOBAGO	304	121	424
	BARBADOS*	60	124	184
	HONDURAS	48	112	160
	OTHER COUNTRIES (LA)	89	336	425
	TOTAL (LA)	**13646**	**27111**	**40757**
EUROPE	FRANCE (EUROPE)+	84761	37148	121910
	UK (EURO)	179742	57218	236960
	GERMANY (EURO)+	56257	67465	123722

GROWTH RATE AND PERCENTAGE SHARE OF WORLD ON 2000

GROWTH RATE			SHARE OF WORLD MARKET		
Life	Non Life	Total	Life	Non Life	Total
7.6	1.9	4.8	29.08	45.85	35.41
10.2	2.6	6.3	1.53	2.53	1.91
7.8	2.0	4.8	30.61	48.38	37.32
5.2	6.7	6.5	0.14	1.13	0.51
16.0	7.4	13.4	0.13	0.08	0.11
12.6	4.7	8.5	0.33	0.53	0.40
9.2	-4.4	0.3	0.18	0.48	0.29
3.3	4.7	4.3	0.03	0.14	0.07
10.1	-1.8	0.1	0.00	0.04	0.02
18.6	-11.2	-2.2	0.01	0.04	0.02
-0.3	-1.1	-0.9	0.01	0.03	0.02
31.7	26.4	28.2	0.01	0.02	0.01
4.1	13.1	11.1	0.00	0.02	0.01
-15.7	17.5	13.9	0.00	0.02	0.01
-12.1	16.2	12.5	0.00	0.04	0.02
2.5	14.0	13.6	0.00	0.24	0.09
27.4	11.5	12.6	0.00	0.03	0.01
N.A.	N.A.	N.A.	0.01	0.01	0.01
N.A.	N.A.	N.A.	0.01	0.02	0.01
33.3	-13.5	15.5	0.02	0.01	0.02
N.A.	N.A.	N.A.	0.00	0.01	0.01
15.0	-5.3	0.0	0.00	0.01	0.01
		0.01	0.04	0.02	
11.0	**4.6**	**6.6**	**0.90**	**2.94**	**1.67**
18.0	1.9	12.6	5.57	4.03	4.99
25.7	5.4	20.1	11.82	6.20	9.70
1.8	0.5	1.1	3.7	7.31	5.06

Conti.......

	SWITZERLAND (EUR)	18625	11324	29950
	NETHERLANDS (EUR)	21596	14854	36450
	ITALY (EURO)	36679	26383	63062
	SPAIN (EURO)	21905	15712	37617
	FINLAND (EURO)	9030	2315	11345
	SWEDEN (EURO)	13500	4374	17874
	BELGIUM (EURO)+	12963	7556	20518
	DENMARK *(EUURO)	6527	3805	10332
	AUSTRIA (EURO)	4965	5776	10741
	IRELAND (EURO)	13030	3521	16551
	LUXEMBOURG (EUR)+	4664	659	5323
	NORWAY (EURO)	3279	4235	7514
	PORTUGAL (EURO)+	3544	3061	6605
	RUSSIA (EURO)	2834	3238	6072
	GREECE (EURO)	1254	1091	2345
	POLAND (EURO)	1918	2876	4794
	CZECH REP. (EURO)	590	1239	1829
	HUNGARY (EURO)	632	729	1361
	TURKEY (EURO)	522	2318	2839
	CYPRUSS (EURO)	353	171	524
	SLOVENIA (EURO)	168	698	866
	SLOVAKIA (EURO)	246	346	591
	CROATIA (EURO)	92	456	547
	MALTA*B15 (EURO)			
	BULGARIA (EURO)+	18	165	183
	UKRAINE** (EURO)	2	391	393
	ROMANIA (EURO)	50	209	259
	ICELAND (EURO)+	17	243	260
	YUGOSLAVIA			
	LATVIA	6	152	158
	OTHER COUNTRIES B22* (EU)	138	518	656
	TOTAL (EUROPE)	**499907**	**280245**	**780152**
ASIA	JAPAN (ASIA)	401484	102521	504005
	SOUTH KOREA (ASIA)	44236	14112	58348

-1.1	1.3	-0.2	1.22	1.23	1.23
10.0	5.1	8.0	1.42	1.61	1.49
9.0	3.7	6.7	2.41	2.86	2.58
36.7	9.7	24.0	1.44	1.70	1.54
11.8	7.9	11.0	0.59	0.25	0.46
25.3	4.6	19.5	0.89	0.47	0.73
35.7	1.0	20.5	0.85	0.82	0.84
7.8	2.1	5.6	0.43	0.41	0.42
9.8	-0.2	4.2	0.33	0.63	0.44
20.8	12.3	18.9	0.86	0.38	0.68
4.8	0.5	4.2	0.31	0.07	0.22
4.5	23.2	14.3	0.22	0.46	0.31
2.7	17.2	9.0	0.23	0.33	0.27
86.0	23.6	46.5	0.19	0.35	0.25
2.3	8.8	5.2	0.08	0.12	0.10
9.1	-1.7	2.4	0.13	0.31	0.20
10.0	6.6	7.7	0.04	0.13	0.07
35.2	5.7	17.7	0.04	0.08	0.06
18.7	17.2	17.5	0.03	0.25	0.12
-37.8	4.5	-28.3	0.02	0.02	0.02
11.0	1.7	3.4	0.01	0.08	0.04
19.0	-5.9	3.1	0.02	0.04	0.02
5.2	-2.0	-0.9	0.01	0.05	0.02
30.8	12.1	13.7	0.00	0.02	0.01
3.0	43.4	43.1	0.00	0.04	0.02
45.2	-19.0	-11.4	0.00	0.02	0.01
39.2	16.5	17.8	0.00	0.03	0.01
-45.9	1.9	-1.5	0.00	0.02	0.01
			0.01	0.06	0.03
17.0	**3.8**	**11.9**	**32.86**	**30.38**	**31.93**
1.1	-1.1	0.6	26.39	11.11	20.62
9.6	13.1	10.4	2.91	1.53	2.39

Conti.......

	TAIWAN (ASIA)	15715	7075	22790
	INDIA (ASIA)*	7595	2338	9933
	PR. CHAINA (ASIA)	12049	7228	19278
	HONG KONG (ASIA)*	6069	1829	7898
	SINGAPUR (ASIA)	2942	1024	3965
	ISRAEL (ASIA)	3190	2934	6125
	THAILAND (ASIA)+	1865	1211	3076
	MALASIA (ASIA)+	1988	1486	3474
	INDONESIA (ASIA)+	835	977	1812
	PHILIPPINES (ASIA)+	589	471	1059
	PAKISTAN (ASIA)*	161	216	377
	U.A.E. (ASIA)*	99	629	728
	LEBANON (ASIA)*	88	410	498
	SRI LANKA (ASIA)	87	110	197
	MACAO			
	JORDAN (ASIA)			
	SAUDI ARABIA (ASIA)*	13	744	757
	KUWAIT (ASIA)*	34	164	198
	OMAN (ASIA)*	37	128	164
	BAHRAIN (ASIA)			
	SYRIA (ASIA)			
	QATAR (ASIA)*	9	149	158
	VIETNAM (ASIA)	37	127	164
	IRAN (ASIA)	75	433	508
	BANGLADESH*	103	75	178
	OTHER COUNTRIES (ASIA)	231	771	1001
	TOTAL	**499531**	**147160**	**646691**
AFRICA	SOUTH AFRICA (AFRICA)+	17618	3549	21167
	MOROCCO (AFRICA)	280	684	964
	ZIMBABWE (AFRICA)*	137	145	281
	EGYPT (AFRICA)	182	416	598
	NIGERIA (AFRICA)*	44	176	221
	KENYA (AFRICA)	74	199	274
	IVORY COAST (AFRICA)*	50	113	163

8.1	13.2	9.6	1.03	0.77	0.93
21.3	3.8	16.6	0.5	0.25	0.41
14.0	14.4	14.1	0.79	0.78	0.79
19.0	11.6	17.2	0.4	0.20	0.32
6.9	8.9	7.4	0.19	0.11	0.16
6.4	0.3	3.4	0.21	0.32	0.25
20.5	4.8	13.8	0.12	0.13	0.13
9.1	0.9	5.4	0.13	0.16	0.14
22.7	23.8	23.3	0.05	0.11	0.07
11.3	11.4	11.3	0.04	0.05	0.04
N.A.	N.A.	N.A.	0.01	0.02	0.02
N.A.	N.A.	N.A.	0.01	0.07	0.03
N.A.	N.A.	N.A.	0.01	0.04	0.02
18.3	1.3	8.2	0.01	0.01	0.01
N.A.	N.A.	N.A.	0.00	0.08	0.03
N.A.	N.A.	N.A.	0.00	0.02	0.01
N.A.	N.A.	N.A.	0.00	0.01	0.01
N.A.	N.A.	N.A.	0.00	0.02	0.01
11.4	14.8	14.0	0.00	0.01	0.01
76.5	15.8	22.0	0.00	0.05	0.02
N.A.	N.A.	N.A.	0.01	0.01	0.01
			0.02	0.08	0.04
3.0	**2.2**	**2.8**	**32.84**	**15.95**	**26.46**
8.9	4.1	8.1	1.16	0.38	0.87
10.4	3.6	5.5	0.02	0.07	0.04
N.A.	N.A.	N.A.	0.01	0.02	0.01
8.0	-1.7	1.1	0.01	0.05	0.02
N.A.	N.A.	N.A.	0.00	0.02	0.01
7.8	-10.7	-6.3	0.00	0.02	0.01
N.A.	N.A.	N.A.	0.00	0.01	0.01

Conti......

	TUNISIA (AFRICA)	26	306	332
	ALGERIA (AFRICA)	15	246	260
	LIBYA (AFRICA)			
	MAURITIUS	94	73	167
	OTHER COUNTRIES (AF)	158	618	776
	TOTAL	**18678**	**6525**	**25204**
OCEANIA	AUSTRALIA (OCEAN)+	22941	12798	35739
	NEW ZEALAND (OCE)+	814	2165	2979
	OTHER COUNTRIES (O)	106	131	237
	TOTAL	**23861**	**15094**	**38954**
	WORLD TOTAL	**1521253**	**922420**	**2443673**

+ PROVISIONAL.

* ESTIMATED

SOURCE: SIGMA NO. 6/2001.

12.5	8.1	8.4	0.00	0.03	0.01
23.3	12.8	13.3	0.00	0.03	0.01
-1.0	-1.5	-1.2	0.01	0.01	0.01
			0.01	0.07	0.03
8.9	**3.1**	**7.5**	**1.23**	**0.71**	**1.03**
1.9	0.9	1.6	1.51	1.39	1.46
1.5	3.8	3.1	0.05	0.23	0.12
			0.01	0.01	0.01
1.9	**1.3**	**1.7**	**1.57**	**1.64**	**1.59**
9.1	**2.7**	**6.6**	**100.00**	**100.00**	**100.00**

Annexure A
(pre nationalization)

LIFE INSURANCE BUSINESS IN INDIA - 1928 TO 1956

No.of Policies in thousands, Sum Assured in Crores of Rupees

	New Business		Business in Force	
Year	No. of Policies	Sum Assured	No. of Policies	Sum Assured
1928	93	15.50	564	124
1929	143	28.75	656	142
1930	145	27.50	717	154
1931	125	26.66	714	168
1932	139	27.66	774	178
1933	183	33.00	867	193
1934	215	38.00	987	215
1935	239	43.50	1095	235
1936	273	46.75	1261	261
1937	294	48.66	1371	277
1938	322	51.70	1516	298
1939	300	46.62	1497	272
1940	206	36.11	1553	286
1941	200	39.51	1592	292
1942	178	42.83	1661	323
1943	296	72.12	1821	369
1944	451	108.90	2127	454
1945	599	136.30	2592	557
1946	617	153.80	2797	651
1947	544	139.60	2936	706
1948	486	134.60	3025	724
1949	544	142.20	3303	765
1950	498	139.50	3280	780
1951	474	147.90	3414	873
1952	534	146.70	3925	922
1953	558	155.20	4079	966
1954	773	255.25	4782	1177
1955	831	260.84	4782	1220
1956	567	200.28	4999	1275

Annexure B - a
(post nationalization & pre-liberalization)

LIFE INSURANCE BUSINESS OF LIC OF INDIA - 1957 TO 1999

No.of Policies in thousands, Sum Assured in Crores of Rupees

	New Business		Business in Force	
Year	No. of Policies	Sum Assured	No. of Policies	Sum Assured
1957 (15 months) (ending in December)	932	328.08	5,417	1,381.61
1958	930	337.45	5,974	1,523.67
1959	1,115	417.69	6,680	1,703.74
1960	1,226	486.02	7,456	2,000.66
1961	1,462	598.79	8,336	2,512.68
1963 (15 months) (ending in March)	1,758	734.72	9,261	2,897.21
1964	1,638	692.55	10,119	3,263.33
1965	1,436	690.03	10,670	3,577.33
1966	1,555	789.29	11,410	3,995.93
1967	1,406	757.94	11,998	4,338.94
1968	1,423	835.40	12,643	4,745.77
1969	1,450	920.65	13,345	5,236.63
1970	1,397	1,025.80	13,939	5,781.20
1971	1,612	1,215.63	14,693	6,521.47
1972	1,896	1,498.05	15,711	7,496.21
1973	2,018	1,726.01	16,792	8,638.10
1974	2,047	1,912.87	17,943	9,940.70
1975	1,796	1,760.89	18,745	10,967.28
1976	2,009	2,104.00	19,606	12,217.43
1977	2,053	2,095.40	20,275	13,382.19
1978	1,854	2,004.86	20,708	14,342.29
1979	1,755	2,057.40	21,173	15,435.19
1980	2,096	2,733.11	22,039	17,234.24
1981	1,954	2,882.72	22,758	19,103.12
1982	2,103	3,478.92	23,604	21,382.97
1983	2,231	3,974.39	24,378	23,779.98
1984	2,366	4,386.98	25,271	26,572.89

Conti.......

1985	2,700	5,375.93	26,477	30,214.34
1986	3,286	7,056.07	27,989	35,099.34
1987	3,868	9,067.45	29,802	41,431.69
1988	4,694	12,434.51	32,346	50,656.30
1989	5,979	17,222.84	36,079	63,866.56
1990	7,392	23,219.53	40,339	81,413.95
1991	8,645	28,139.07	45,508	102,262.83
1992	9,238	32,064.44	50,863	125,037.88
1993	9,958	35,956.82	56,612	150,624.33
1994	10,726	41,813.83	60,800	174,233.16
1995	10,875	55,228.50	65,452	211,972.87
1996	11,021	51,815.54	70,878	243,422.55
1997	12,268	56,740.50	77,666	280,979.84
1998	13,311	63,617.69	84,915	323,677.51
1999	14,844	75,316.28	91,637	368,496.08

Annexure B - b
(post nationalization & pre-liberalization)

LIFE FUND OF LIC OF INDIA - 1957 TO 1999

Crores of Rupees

Year	Life Fund*	Assets
1957 (15 months) (ending in December)	410.40	463.00
1958	447.81	505.72
1959	495.29	554.76
1960	560.38	662.85
1961	631.59	696.31
1963 (15 months) (ending in March)	720.70	785.94
1964	808.37	880.57
1965	901.61	986.75
1966	977.56	1099.99
1967	1123.90	1247.54
1968	1260.06	1400.01
1969	1434.47	1577.33
1970	1611.03	1771.78
1971	1825.05	1988.79
1972	2066.55	2245.42
1973	2358.69	2518.57
1974	2704.42	2886.19
1975	3033.79	3237.46
1976	3440.97	3641.77
1977	3952.89	4162.86
1978	4500.70	4743.46
1979	5116.32	5421.54
1980	5818.09	6176.93
1981	6641.44	7091.24
1982	7562.62	8067.93
1983	8631.72	9102.10
1984	9800.38	10256.34
1985	11191.09	11643.97

Conti.......

Year	Life Fund*	Assets
1986	12665.95	13120.53
1987	14502.20	14973.51
1988	16631.84	17318.11
1989	19568.78	20428.31
1990	23471.84	24418.75
1991	28400.97	29518.98
1992	34691.39	35969.33
1993	40998.29	44607.87
1994	49665.81	51678.18
1995	59978.90	62563.17
1996	72780.07	75950.95
1997	87759.96	91448.41
1998	105832.90	109954.38
1999	127389.06	132764.39

*Total Life Fund

Annexure C
(post liberalization)

LIFE INSURANCE BUSINESS OF LIC OF INDIA - 2000 & 2001

No.of Policies in thousands, Sum Assured in Crores of Rupees

	New Business		Business in Force	
Year (ending in March)	No. of Policies	Sum Assured	No. of Policies	Sum Assured
2000	172,00	94,346.14	1,01,298	534,589.00
2001	200,02	1,29,754.24	1;13,024	643,240.69

LIFE FUND OF LIC OF INDIA - 2000 & 2001

Crores of Rupees

Year (ending in March)	Life Fund*	Assets
2000	1,54,043.73	1,60,935.76
2001	1,86,024.75	1,93,283.00

*Total Life Fund

Annexure D-a

GENERAL INSURANCE BUSINESS IN INDIA : PERFORMANCE AT A GLANCE

(Pre-Nationalisation)

Crores of Rupees

Year	Total Gross Premium Written Direct in India
1951	23.88
1952	21.95
1953	20.82
1954	21.35
1955	23.10
1956	26.01
1957 *	27.79
1958	29.72
1959	33.19
1962	45.23
1963	48.32
1965	69.50
1966	73.32
1967	87.75
1968	98.39
1969	114.92
1970	130.35

* Provisional

Source : Indian Insurance Year Book (various issues) reptiles like snakes. Hopefully, it will be possible to change diseased, eroded and ageing parts of the human body including hands, legs, eyes, ears, heart and liver. Such developments, I believe, in a time frame of the next quarter of the century, will really **revolutionize product development** even in the life insurance industry. Let me conclude with the statement of Dr. Robert Jastrow, founder of the NASA's Goodard Institute, "The era of carbon-chemistry life is drawing to a close on the earth and a **new era of silicon-based life** - indestructible, immortal and infinitely expandable - **is beginning.**"

Coming to brass tacks, may we venture to remind ourselves that the global environment is undergoing unremitting transformation? The thumb rule of **5-5-5** from CONCEPT TO CUSTOMER; **5** years from Concept to Prototype, **5** years from Prototype to Product and **5** years from Product to Billion Dollar Business has undergone a substantial contraction and even the most progressive and optimistic persons are not able to predict the ***velocity of change***. There is befogging of businesses and emergence of new economic models. The Law of Diminishing Returns is getting replaced by the Law of Increasing Returns. The **Markets** and **not** the **Strategies** tend to price, sell and manage offers.

With the starting of the Oriental Life Assurance Co. in 1818 in Calcutta followed by Bombay Life (1823) and Madras Equitable (1829), the organised Indian insurance industry in its life spanning nearly 2 centuries has witnessed several phases of boom and bust, growth and decline, confidence and distrust, yet has moved forward. As the industry traversed the path of development and diversification, innumerable operators joined the bandwagon, more to harness riches from the business of spreading risks than to genuinely protect and indemnify individuals, organisations and the society against an array of hazards causing loss of life and property

Annexure D -b

TABLE D (B) : GENERAL INSURANCE INDUSTRY : PERFORMANCE AT A GLANCE

(Rs. In Crores)

Indicator	1975	1986	1987	88/89	89/90	90/91	91/92	92/93
1. Capital – Equity : GIC	20	64	64	64	64	108	108	108
: Subsidiary Cost	14	104	104	104	104	160	160	160
: Total	34	168	168	168	168	268	268	268
2. Gross Direct Premium (In India)	254	1361	1565	1798	2174	2796	3287	3792
3. % Increase over previous year	15.3	17.5	15.0	14.9	20.9	28.6	17.6	15.4
4. Ratio of Net Claims to Net Premium (%)	48.5	66.2	63.8	74.3	68.7	69.2	66.8	73.4
5. Investment Income	38	289	338	390	494	603	809	915
6. Yield on Investment Income(%)	7.9	11.6	11.6	11.5	12.5	12.6	13.5	13.4
7. Profit before Tax	79	318	400	271	371	482	669	779
8. Profit after Tax	29	185	229	183	258	334	428	503
9. Contribution								
a) Dividend								
Paid to Govt. by GIC	5.23	16.13	16.13	20.16	26.87	26.87	26.87	26.87
Paid to GIC by Subsidiary	3.73	35.02	36.32	45.4	36.32	56.00	56.00	56.00
b) Income Tax paid	48	133	171	88	114	148	241	276
10. Organisational Growth								
a) No. of Offices	789	3089	3489	3730	4025	4181	4304	4352
b) No. of Employees	27033	55727	63443	70940	75422	80192	83030	86397

Conti.......

Annexure D (b)

GENERAL INSURANCE INDUSTRY: PERFORMANCE AT A GLANCE

(Rs.in Crores)

Indicator	93/94	94/95	95/96	96/97	97/98	98/99	99/2000	2000/01
1. Capital – Equity : GIC	215	215	215	215	215	215	215	215
: Subsidiary	160	160	160	160	160	160	160	400
: Total	375	375	375	375	375	375	375	615
2. Gross Direct Premium (In India)	4449	4959	6047	7021	7736	8759	9522	10080
3. % increase over previous year	17.3	11.5	21.9	16.1	10.2	13.2	8.7	5.9
4. Ration of Net Claims to Net Premium (%)	68.9	87.9	74.3	75.8	76.5	76.9	81.0	86.4
5. Investment Income	1013	1207	1523	1760	2054	2322	2488	2711
6. Yield on Investment Income (%)	12.4	12.3	12.3	12.1	12.7	12.4	12	11.6
7. Profit before Tax	1082	503	831	1094	1623	1467	1153	730
8. Profit after Tax	670	377	551	721	1255	1077	874	585
9. Contirbution								
a) Dividend								
Paid to Govt. by GIC	53.75	53.75	53.75	64.50	64.50	64.50	64.50	43.00
Paid to GIC By Subsidiary	56.00	48.00	58.00	80.00	102.00	96.00	92.00	65.00
b) Income Tax paid	411	126	280	373	368	390	278	145
10. Organisation Growth								
a) No. of Offices	4236	4202	4213	4220	4208	4166	4174	4177
b) No. of Employees	86287	84561	84692	85274	85193	84429	83742	83042

Source: General Insurance Corporation of India