

NON-LIFE INSURANCE

PLANNING FOR THE OPTIMUM

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Insurance – A saga of man’s quest for security

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- Earn – Possess - Secure
- From humble beginnings of a tea shop in the outskirts of London to a global multi-billion, highly techno-intensive industry.
- Encompasses a very wide range of insurable products – human life to honey bees, ships to satellites, prawns to projects , elephants to extortion liabilities - the list is indeed endless.
- Inextricably woven to the world of finance
- Forms the centerpiece in Services Sector, from which 50% of our GDP comes.

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Sunrise Industry - Myth

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- History Of Insurance in India
- Ancient Scriptures have mention about overseas trade by countrymen
- Maritime trading pioneers – Chettiyars of TN & Kutch of Gujarat
- Joint family system (Unique in India)
- Fully Private to fully State-owned to co-existence of Private & Public sector

Non Life or General?

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- Distinct from Life Insurance
- In US – Property & Casualty
- In Continental – Non-Life
- In India _ General
- Mostly, annual contracts only
- Renewable at the option of the insured
- Cancellable at Insurer's or Insured's option

Risk management

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- Depends on Risk bearing capacity of individuals or commercial enterprises
- Which depends on how risk averse?
- How does one want to manage?
- What kind of mitigating measures can be taken?
(Pooling / Sharing / Loss minimisation)
- What will be the Cost / Benefit analysis?
- Risk Transfer option - Insurance

Intent of buying Insurance

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- Aversion to Risk and hence wants to transfer
- Innate instinct of protection
- Buy peace of mind
- Avoiding financial collapse
- Mandated by Law eg. Motor TP / WC / ESI
- Travel necessities - OMP
- Funders' conditions

Important Basic Concepts

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- Insurable Interest
- Utmost Good faith
- Indemnity (Non-life only)
- Subrogation
- Contribution
- Proximate Cause
- Insured Peril

Segments of Non Life

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- Fire (includes Flood, Hurricane, Typhoon, Riot, Strike, Earthquake etc.)
- Marine Cargo
- Motor (Automobile)
- Miscellaneous
 - ▣ Engineering
 - ▣ Health
 - ▣ Social & Rural Sector
 - ▣ Liability

FIRE INSURANCE

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- What are excluded: War, Nuclear perils, over heating/ over running / mechanical defects ect.
- Condition of average – Under insurance will be to the disadvantage while over insurance won't benefit
- Types : Specific, Comprehensive, Floater, Replacement / Reinstatement

Loss of Profits

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- LOP is an off-shoot of Fire Insurance
- Known as Business Interruption Insurance or Consequential Loss Insurance
- Can only be an appendage
- To cover losses of profits that could have been made during the re-build period
- Advance LOP is now popular in mega projects

MARINE CARGO

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- ❑ Loss to the shipper or transporter if goods carried on hire or for a fee get damaged / lost
- ❑ Can include loss of freight and third party liability also
- ❑ Open Cover / Floater Policy / Declaration policies for regular transshipments
- ❑ Covers ocean marine, inland marine, air, road & rail transits

MOTOR

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- Statutorily mandated insurance at least to the extent of Third Party risks
- Motor Vehicles Act
- Comprehensive – Own Damage & Third Party
- Exclusions : Wear & Tear, mechanical / electrical breakdown, War, Mutiny / usage condition exclusion etc.
- NCD / NCB

HEALTH

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- Most important segment of Non Life
- Healthcare costs are getting prohibitive
- Realising the importance and the low penetration, IRDA has almost recognised the health as a Third portfolio besides Life and Non Life.
- Four stand alone health insurers are operating – Star Health, Apollo Munich, Max Bupa, Cigna TTK
- Some more in the offing

HEALTH

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- Stricter indemnity provisions will not apply
- Multiple covers possible
- Specialised and innovative covers are now being given
- Govt sponsored health insurance programmes like RSBY, Aarogyasri & TN CM Health Scheme

ENGINEERING INSURANCE

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- ❑ Machinery Breakdown, Contractors All Risks, Project Insurance, Contractors Plant & Machinery Insurance, Electronic Equipment Insurance etc.
- ❑ Important condition of the project funders
- ❑ Specified conditions & warranties
- ❑ Owners, Hirers and contractors can take the policies
- ❑ Not necessarily annual policies

AGRICULTURAL INSURANCE

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- Agrarian economy, that India is, it is not possible to have any discussion on Non Life Insurance without mention of this.
- Uncertainty has been a way of life for Indian farmers
- GOI has been trying with various forms of Crop Insurance and has even formed a separate company for this
- Natural calamities like Typhoons, storms, hurricanes will be the perils against which covers are taken

SOCIAL / RURAL SECTOR INSURANCE

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- Large sections of the Indian community are BPL and live in rural areas
- Cattle, Poultry, Sheep & Goat, Honeybee, Silkworm, Rabbit, Duck, Elephant, Agri pumpsets, Horticulture / plantation, Floriculture, Inland fish & Hut insurances are all available.
- Mirco Insurance products too

WELL REGULATED INDUSTRY

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- Earlier Controller of Insurance was the supervisor but ineffective.
- Insurance Act, 1938
- Malhotra Committee Report 1992
- IRDA came in to being in 2000
- Several regulations
- Today non-life industry is worth about 3 lakh crores