



Design and Product Performance of Industrial All Risks Policies in India

An Explorative Study

**General Insurance Corporation of India,
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Mumbai - 400 020, India.**



61st year of Insurance
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He joined the General Insurance Industry in 1985 as direct recruit officer in Tariff Advisory Committee (TAC). He has exposure to different areas of non-life insurance, particularly insurance regulation, product design and approval at TAC & IRDA, tariff administration and health insurance. He is the International Insurance Society's Ambassador for India.

He was Lead Research for a recent study on the Impact of Regulations on the Development of Microinsurance in the Indian context commissioned by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and supported by Insurance Regulatory and Development Authority (IRDA). He can be contacted at <thomas@iii.org.in>.

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Prof. Vaze's exposure to the insurance industry spans multiple areas including underwriting, business strategy and process management. Prior to joining III, she headed the Maharashtra and Goa Region of SBI General Insurance Co. Ltd., as 'Manager Underwriting - Corporate and SME Lines'. Prof. Vaze has also worked as 'Senior Manager - Commercial Underwriting' for the Mumbai Zonal Office of Cholamandalam MS General Insurance Co. Ltd. and also at their Head Office in Chennai. Prof. Vaze's corporate exposure includes a stint with TCS as a Systems Analyst and Domain Expert in their Insurance vertical.

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Intellectual Property Rights:

Consequent upon the General Insurance Corporation of India (GIC Re) having commissioned its services to undertake a research study to evaluate product performance and design of Industrial All Risks Policy in India and getting insights that would help the industry, including the reinsurer and the regulator in policy framing, regulation and supervision; this Research Study is prepared by the Research Centre of Insurance Institute of India (III)

All intellectual property rights related to the research study vest with the General Insurance Corporation of India (GIC Re).

Caveat: Findings of the Research Study are primarily intended to provide an academic foundation on this subject for the industry. Neither GIC Re nor III would be in any way legally liable to any commercial/ regulatory decision directly or indirectly based on the findings of this report.

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Greetings from GIC Re!!

Reinsurers across the world have been traditionally contributing to the knowledge base of local insurers in multiple ways. Reinsurers are often able to combine the knowledge that they acquire from their global operations with their local market insights and add value to the various cedant insurers. All the global reinsurers do play this role through various initiatives.

GIC of India has been providing customer value to its overseas customers on a one to one basis for years at length. In addition there are two recent initiatives that we have been actively pursuing in recent years.

GIC Re has been enhancing the professional capacity of its global customers in various areas of insurance like liability, property, engineering, oil and energy, project risks, life, takaful and reinsurance through a series of advanced technical training programs specially designed by the Insurance Institute of India (College of Insurance) for the specialized needs of the diverse markets.

GIC Re has also initiated a knowledge enhancement program for the local market. We identified a couple of issues that were of importance to the local market and engaged certain reputed academic institutions to conduct research studies on these issues.

One such initiative of GIC Re has fructified in this report prepared by the Research Department of Insurance Institute of India (College of Insurance) on the 'Design and Product Performance of Industrial All Risks Policies in India'. The IAR Policy had undergone changes through different regulatory and business environments. Many of the sagacious voices of the industry including that of the General Insurance Council had raised concerns about the product and its position in the industry. Hence GIC Re felt it important that the product be studied comprehensively so that the conceptual clarity of the product and the operational challenges faced were recorded and preserved for posterity. In addition to the theoretical aspects that would enhance the academic knowledgebase of the country, the report summarizes the distilled essence of the views of 73 experts from across the industry including surveyors, brokers, regulators, insurers and a few insured as well as some of the visionaries who brought the IAR concept to the Indian soil. We take this opportunity to commend the work done by the Research Team of Insurance Institute of India and bringing out a well worded report with practical recommendations.

GIC Re is happy to dedicate this study on the 'Design and Product Performance of Industrial All Risks Policies in India' to the Indian Industry.

Alice G. Vaidyan,
Chairman-cum-Managing Director,
General Insurance Corporation of India.

Introduction to the Study:

The General Insurance Corporation of India¹ (GIC Re) commissioned the services of Insurance Institute of India² (III) to undertake a research study to evaluate product performance and design of Industrial All Risks Policy in India and getting insights that would help the industry, including the reinsurer and the regulator in policy framing, regulation and supervision. By way of finer detail, the study attempts to achieve the following as well.

- Establishing a conceptual framework for understanding the purposes that are intended to be served through IAR policies as applicable in India.
- Finding out challenges relating to IAR policies at the product/ distribution/ operational/ claims levels.
- Finding out the real customer needs in the IAR context and identify possible solutions.
- Finding scope for innovation at the product/ distribution/ operational/ claims levels.
- Giving pointers towards future policy, including course correction, if required through an objective assessment of the situation.

¹**The General Insurance Corporation of India (GIC):** GIC was formed by the Government of India (GOI) on 22nd November 1972 in pursuance of Section 9 (1) of General Insurance Business Nationalisation Act (GIBNA) under the Companies Act, 1956. GIC was formed to control and operate general insurance business in India through four fully owned subsidiary companies. Consequent to the process of liberalisation of the insurance industry that saw the amendment of the Insurance Act of 1938 in 1999 and the enactment of the Insurance Regulatory and Development Authority Act (IRDA Act) in 1999 GIC was renotified as India's national reinsurer in November 2000. The General Insurance Business (Nationalisation) Amendment Act of 2002 delinked GIC and its four subsidiaries. Post reformation, GIC became the sole Re-insurer in India and was designated as GIC Re. GIC Re has since opened branches in Dubai, Kuala Lumpur, London and Moscow; and expanded its international operations to the SAARC Region, Southeast Asia, Middle East, Africa, Europe and America.

GIC Re is ranked the 15th largest Reinsurer and 5th largest Aviation Reinsurer in the world (Standard & Poor Ratings). GIC Re has a rating of A- (Excellent) from A. M. Best for its financial strength. It has been assigned National Scale 'AAA' Reliability Rating and Global Scale 'iA-' Credit Rating by Russian National Rating Agency (NRA).

²**The Insurance Institute of India (III):** III was established in 1955 under the Societies Registration Act, 1860 for imparting insurance education. It conducts examinations leading to certification as Associate Members and Fellow Members of III. It has 91 insurance institutes across the country. III is today an academic body of global repute committed to build professionalism in the industry.

III is formally aligned with International Associations/ Organizations like International Association of Insurance Supervisors (IAIS), United Nations Environment Program-Finance Initiative (UNEP-FI), Institute of Global Insurance Education (IGIE), International Insurance Society (IIS). III is represented on the GOI - Finance Ministry's Advisory Committee/ Advisory Groups on Life Insurance and General Insurance. The Secretary General of III acts as Secretary General of the "Federation of State Insurance Organizations of SAARC Countries" (under SAARC Standing Committee/ SAARC Council of Ministers). III works with Government/ Insurance Regulatory and Development Authority (IRDA) as examining body for pre-licensing testing of Insurance Agents, examining body for pre-licensing testing of Insurance Surveyors, training body for pre-licensing of Insurance Brokers, training body for Chief Insurance Executives for pre-licensing of Corporate Agents.

III's certifications - Licentiate, Associate, Fellowship are widely recognized by the IRDA for various purposes, by the Indian insurance industry and by a good number of overseas insurers as well. III Certifications are recognized by International bodies like Chartered Insurance Institute of U.K. (CII), American Institute for Chartered Property Casualty Underwriters (AICPCU), Life Office Management Association of U.S.A. (LOMA) & Life Insurance Marketing and Research Association (LIMRA) and the Insurance Institute of Canada.

College of Insurance (COI), the knowledge arm of III, established in 1966 is recognized for insurance training in India and under the Colombo Plan for SAARC countries. CoI has been training insurance professionals from India, the SAARC Region, Middle East, Africa and beyond, and is regarded as their alma mater by most of the industry's senior executives. Its training calendar includes programs in various verticals like fire, marine, motor, health, microinsurance etc. as well as functional lines like underwriting, claims, marketing, prevention of fraud etc. While most training programs are open to all in the industry, some are customized for individual insurers, insurance regulators, brokers, health third party administrators etc. COI/ III conducts a Post Graduate Diploma in Health Insurance (PGDHI) in collaboration with the Economics Department of Mumbai University.

³ Details of the Research Methodology and the Questionnaire used are presented at Annexure 'A' and 'G' respectively.

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