

# Detariffing of general insurance



De-tariffing of Motor Insurance - Its impact on General insurance industry and Indian Economy Advent of tariff advisory committee and detariffing of rates and wordings: Tariff advisory committee was established through an amendment to Insurance act 1938 in the year 1968. Tariff regime was in existence from the year 1968 till the year 2007 until IRDA announced the detariffing of only the rates and by the year 2010 IRDA also announced the detariffing of policy wordings.

Nationalisation and liberalization in general insurance industry During the major part of tariff regime only PSU's were operating. While in 1968 tariff regime was introduced, the government also nationalized the insurance industry in 1971 resulting in the launch 4 PSU's and one holding company GIC by abolishing the 107 General insurance companies which were prevalent in India before nationalization. Post 1971 until the year 2000 only the nationalized insurance companies were operating in India. In the year 2000 IRDA began to allow foreign insurers to enter India with an Indian partner in a ratio of 74 (Indian Partner): 26 (Foreign partner) shares between them following the liberalization by central government. Large number of private insurers emerged in India post liberalization to cater the growing general insurance industry in India. The regulator also felt, the best practices in other part of world should be followed in India for the betterment of general insurance industry which gradually resulted in detariffing of insurance products.

Project objective:

- 1) Assess the effect of detariffing in the profitability and growth of Motor Insurance and its effect on general insurance industry.
- 2) Assess the effect of

motor insurance to the Indian economy in terms of percentile contribution to GDP. 3) Benefits derived by the customers due to detariffing of motor insurance. 4) Detariffing of motor insurance and its contribution to automobile industry. Methodology to be used

1) Comparison of profitability and GWP (Gross Written Premium) of motor insurance during tariff regime and detariffing regime. 2) Analyzing the reason of growth in premium by negating the growth provided by automobile industry's growth. 3) Analyzing the benefits received by customers due to reduction in ticket size of the premium from tariff regime to detariffing