

Chapter 6

Conclusions

The public sector general insurance companies face numerous challenges as the industry continues to grow in an increasingly competitive environment. Tariff deregulation will also enhance such competition.

The preceding chapters have focused on specific areas where the companies could improve their systems and internal control mechanisms. In the case of Motor Third Party business, steps need to be taken to build databases which will enable improved underwriting, claims management and settlement while also mitigating risks associated with fraudulent claims. The industry should actively work with the State Governments so as to bring uninsured vehicles under insurance cover. While the formation of the motor pool may assist in sharing the liabilities arising out of the motor third party business, the companies would still need to address the issues raised in this Report related to lack of comprehensive data, inadequate underwriting and claims management systems. The companies have already initiated measures to install Web- enabled information technology systems (CORE Insurance Solutions) which are expected to resolve issues related to database, claims management, etc.

The objective of maximizing retention within the country, in relation to reinsurance, has largely been achieved. However, companies should ensure that regulatory stipulations, in relation to documenting policies and procedures for implementation of reinsurance strategies; instituting an objective and transparent system of empanelment of brokers and ratings of reinsurers, are invariably followed. Internal controls, to monitor recoverables from reinsurers and information flow from operating offices, should be strengthened.

The companies need to address issues related to outstanding claims, given the competitive environment in which they function. Claims outstanding for more than six months require close attention. They should also take measures to institute formal and periodic evaluation of the work of surveyors.

The companies have entered into various agreements with automobile manufacturers and dealers as part of their customer service strategies. Such arrangements are also prevalent in the private sector. As mentioned in this Report, some of these agreements lack clarity and are not in compliance with the provisions of the Insurance Act, 1938 and the regulatory directions. Steps need to be taken to review such arrangements, keeping in view the directions of the General Insurance Council in December 2007.

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