INSURANCE EXAM · IC-11

IC-11 Practice of General Insurance

Revision book

9	2	104
chapters	master tables	numbered sections

FREE SAMPLE: Chapter 1 of 9

CHAPTER 1

Introduction to General Insurance

1.1 Early insurance
1.2 India: timeline
1.3 Market structure
1.4 Salient features of the Indian market
1.5 International
1.6 Roles
1.7 Reinsurance
1.8 The insured
1.9 Intermediaries

MUST KNOW

1. Insurance began with sea loans (bottomry, respondentia) and general average (Rhodians, 916 B.C.).
2. Modern insurance began in the early 14th century in Northern Italy; Lloyd's grew from a London coffee house.
3. **India:** Triton (**1850**) first general insurer; GIBNA **1972**; GIC from **1973**; IRDA Act **1999**; GIC national reinsurer **2002**.
4. Regulator is IRDAI. Tariffs ended **1 Jan 2007**. Agents are appointed, not licensed.
5. **Cash and carry:** cover starts only when premium is paid.
6. **Underwriter:** five functions. Risk engineer: eyes of the underwriter. Claims: moment of truth.
7. **Reinsurance:** cession; retrocession is reinsurance of the reinsurer. Insured has no link with reinsurer.
8. **Ombudsman:** award binds insurer, not complainant. Limit **Rs 50 lakh**.

1.1 Early insurance

- **Bottomry:** loan on the ship; repaid with interest only if ship arrives safely
- **Respondentia:** loan on the cargo
- **General average:** ship, freight and cargo share a sacrifice; Rhodians, 916 B.C.
- Bottomry bond known from 4th century B.C.; Northern Italy split it into advance + policy
- **Lloyd's first uniform ocean marine policy: 1779**
- Lloyd's Act **1871** (non-marine business allowed); Fire Offices Committee **1868**

TRAP

Bottomry interest is NOT paid if the ship is lost.

1.2 India: timeline

Year	Event
1818	Oriental Life Insurance Co, Kolkata
1850	Triton Insurance Co (general insurance roots)
1906	National Insurance Co (oldest still in business)
1956	LIC Act
1972	General Insurance Business (Nationalisation) Act (GIBNA)
1973	GIC begins business
1993	Committee under a former RBI Governor asks for strong regulator
1999	IRDA Act
2002	GIC becomes national reinsurer
2003	Brokers begin to grow
2015	Foreign reinsurer branches allowed

TRAP

IRDA Act is 1999, not **1972**.

TODAY'S RULE

FDI is up to **100%** now (Sabka Bima Sabki Raksha Act **2025**). **26/49/74%** are history.

Regulator name is IRDAI.

Tariffs and TAC ended **1 Jan 2007**; pricing is free (file and use).

1.3 Market structure

- **Public sector insurers:** **100%** Government owned except New India Assurance and GIC Re
- GIPSA co-ordinates public sector insurers (Delhi)
- **Special insurers:** ECGC (export credit), AICL (crop), GIC Re (reinsurance)
- **GIC Re branches:** London, Dubai, Malaysia; Moscow and South Africa are subsidiaries
- Stand-alone health insurers (SAHI), e.g. Max Bupa
- State insurance funds also exist

1.4 Salient features of the Indian market

- **Cash and carry:** no cover until premium is paid
- Instalment premium allowed only for some covers
- Indian property must be insured with an Indian insurer (no non-admitted)
- Reinsurance programme needs IRDAI approval every year
- Survey needed above **Rs 50,000** (motor OD) and **Rs 1 lakh** (others) (s.64UM)

TODAY'S RULE

Surveyor appointed in **24 hours**; report in **15 days**; insurer decides in **7 days**.

Brokers and surveyors hold registration/COR; agents are appointed by insurers.

- **IISLA:** Indian Institute of Surveyors and Loss Assessors, under IRDAI
- **Insurance Ombudsman:** adjudicator, counsellor, mediator

> **TODAY'S RULE**
> Ombudsman Rules **2017** as amended; limit **Rs 50 lakh**; go to insurer first, Ombudsman after **1 month** or rejection; file within **1 year**.

> **TRAP**
> Award binds insurer, not complainant.

1.5 International

- **SIGMA:** research arm of Swiss Re (world data)
- Penetration = premium / GDP
- **Bermuda:** captives since 1970s; minimum attachment point USD 25 million
- **UK:** Lloyd's, Fire Offices Committee, first motor policies

1.6 Roles

Role	Job
IRDAI	Regulator, developer; registers insurers and intermediaries; Government appoints chair
Underwriter	Selects and prices risk; five functions
Risk engineer	Visits sites; eyes of the underwriter; PML
Claims	Moment of truth; digital tools, STP
Surveyor	Reports on cause and extent; does not decide liability
Actuary	Pricing; Appointed Actuary mandatory

- **Underwriter:** name from signing under the risk description
- Health underwriter looks at age, health, family history; property at site, construction, PML

1.7 Reinsurance

- **Cession:** part passed to reinsurer
- **Retrocession:** reinsurer passes risk on; retrocedent and retrocessionaire
- Contract only between insurer and reinsurer; insured has no direct claim

> **TRAP**
> Insurer pays the full claim even if the reinsurer fails.

- **CBR:** Cross Border Reinsurers
- **ILS:** Insurance Linked Securities

1.8 The insured

- Retail and MSME package policies; Bharat Sookshma Udyam (micro) and Bharat Laghu Udyam (small) Suraksha
- Bharat Griha Raksha (home)
- Corporate covers; EB group health: corporate is the insured

- **PM-JAY:** Government is the insured; PMFBY: crop insurance

1.9 Intermediaries

- Agents, corporate agents, brokers, TPAs, surveyors, insurance depository
- **Direct broker:** engaged by insured; reinsurance broker: engaged by insurer, paid by reinsurer
- **TPA:** health claims, hospitals; introduced **2001**
- **Lloyd's broker:** provisional accreditation for **3 years**

> **TODAY'S RULE**
>
> Commission follows EoM Regulations **2024** (general insurers up to **30%** of gross premium).
>
> IGMS is now Bima Bharosa.