

Car Insurance - A Case Study on Bajaj Allianz General Insurance Company Limited

By

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I. Introduction – Car Insurance

Motor Insurance, a fascinating branch of insurance, had its beginning in U.K. in the early part of this century; the first motor car was introduced into England in 1884. The first motor policy was introduced in 1895 to cover third party liabilities in India. By 1899 accidental damage to the car was added to the policy, thus introducing the comprehensive policy along the lines of the policy issued today. In 1903 the Car and General Insurance Corporation Ltd was established mainly to transact motor insurance followed by other companies.

After World War I there was considerable increase in number of vehicles on the road as also number of road accidents was unable to recover the damages because not all motorists were insured. This led to the introduction of compulsory third party insurance through passing the Road Tariffs Acts 1930 and 1934. The compulsory insurance provisions of these Acts have been consolidated by the road tariffs Act of 1960.¹

In India Car Insurance is divided into three units consisting of first, Comprehensive Cover, second, Third Party Liability Cover, (Section 146 - Necessity for insurance against third party risk (Compulsory Act on all Vehicles in India) and third, Zero/Depreciation Cover.

II. Car Insurance - Bajaj Allianz General Insurance Company Limited

Bajaj Allianz General Insurance Company Limited is a joint venture between Bajaj Finserv Limited (recently demerged from Bajaj Auto Limited) and Allianz. Both enjoy a reputation of expertise, stability and strength. Bajaj Allianz General Insurance received the Insurance Regulatory and Development Authority (IRDA) certificate of Registration on 2nd May, 2001 to conduct General Insurance Business (including Health, Motor Insurance Business) in India.

Bajaj Allianz today has a countrywide network connected through the latest technology for quick communication and response in over 200 towns spread across the length and breadth of the country. From Surat to Siliguri and Jammu to Thiruvananthapuram, all the offices are interconnected with the Head Office at Pune.

❖ **Vision of Company**

- To be the first choice insurer for customers.
- To be the preferred employer for staff in the insurance industry.
- To be the number one insurer for creating shareholder value.



❖ **Mission of Company**

As a responsible, customer focused market leader, we will strive to understand the insurance needs of the consumers and translate it into affordable products that deliver value for money. *Motto Mission of Bajaj Allianz General Insurance Company - Jiyo befikar!!!!!!*

❖ **A Partnership Based on Synergy**

Bajaj Allianz General Insurance offers technical excellence in all areas of General and Health Insurance as well as Risk Management.

This partnership successfully combines Bajaj Finserv's in-depth understanding of the local market and extensive distribution network with the global experience and technical expertise of the Allianz Group.

As a registered Indian Insurance Company and a capital base of Rs. 110 crores, the company is fully licensed to underwrite all lines of general insurance business including health insurance.

❖ **Our Achievements**

Bajaj Allianz has received iAAA rating, from ICRA Limited, an associate of Moody's Investors Service, for Claims Paying ability. This rating indicates highest claims paying ability and a fundamentally strong position. The Company is also ISO Certified Company.

Bajaj Allianz General Insurance has received the prestigious "Business Leader in General Insurance", award by NDTV Profit Business Leadership Awards 2008. The company was one of the top three finalists for the year 2007 and 2008 in the General Insurance Company of the Year award by Asia Insurance Review.²

❖ **Procedure for Car Insurance Policies by Bajaj Allianz General Insurance**

Bajaj Allianz for Car Insurance policies are issued under the norms mentioned below;-

- **Loss or Damage to your car and two-wheeler against Natural Calamities**
Fire, explosion, self-ignition or lightning, earthquake, flood, typhoon, hurricane, storm, tempest, inundation, cyclone, hailstorm, frost, landslide and rockslide.
- **Loss or Damage to your car and two-wheeler against Man-made Calamities**
Burglary, theft, riot, strike, malicious act, accident by external means, terrorist activity, any damage in transit by road, rail, inland waterway, lift, elevator or air.
- **Personal Accident Cover**
Coverage of Rs.1 Lakh for the individual owner/driver of the vehicle while driving or traveling, mounting or dismounting car. Optional personal accident covers for co-passengers available.
- **Third Party Legal Liability**
Protection against legal liability due to accidental damages resulting in the

permanent injury or death of a person, and damage caused to the surrounding property.

- **Depreciation /Zero Depreciation Cover**

- Normal wear and tear and general ageing of the vehicle.
- Depreciation or any consequential loss.
- Mechanical/ electrical breakdown.
- Wear and tear of consumables like tyres and tubes unless the vehicle is damaged at the same time, in which case the liability of the company shall be limited to 50% of the cost of replacement or if cover is Zero depreciation cover then it is compensated completely. (Conditions apply by company norms)
- Vehicles being used otherwise than in accordance with limitations as to use.
- Damage to/ by a person driving any vehicles without a valid license.
- Damage to/ by a person driving the vehicle under the influence of drugs or liquor. Loss/ damage due to war, mutiny or nuclear risk.
- Drive Assure Value Added Covers -Depreciation Shield.
- Vehicle Replacement Advantage.
- 24x7 Spot Assistance.
- Engine Protector.
- Accident Shield.

- ❖ **Key benefits and services offered by Car Insurance companies in India**

The Key Benefits provided by companies for car insurance is mentioned below;-

- Instant online policy insurance and renewal in easy steps.
- Cashless claims at over 1500 preferred garages. 75% on account payment when cashless facility is not available.
- To locate a companies Preferred Garage nearest by (Toll Free) Numbers.
- Transfer your existing No Claim Bonus from any insurance provider ranging from 20% - 50%.
- 0% interest EMI option available on payment through Citibank Credit Card.

- Instant claims assistance and SMS updates on your motor claim status through our 24x7 call-centers.
- Towing facility in an event of a breakdown/accident 24x7 service by phone or online-even on holidays.
- Companies preferred workshops give you access to hassle-free inspection, high service standards and cashless settlement of claims in event of an accident/breakdown.

❖ Services

The services provided by companies car insurance is mentioned below;-

- Locate Network Garages.
- Car Premium Calculator Online.
- Register a Claim on Online.
- Smooth Claim Process.
- Preferred Garages.
- Download Brochures.
- Download Policy Wording Facilities.
- Download Proposal Form.
- Card Facilities.³

Bajaj Allianz General Insurance Company's Financial Highlights⁴

Particulars	2011-12 ₹ Million	2010-11 ₹ Million	2009-10 ₹ Million	2008-09 ₹ Million	2007-08 ₹ Million	2006-07 ₹ Million	2005-06 ₹ Million	2004-05 ₹ Million
Gross Written Premium	36759	31294	27249	28662	25780	18033	12846	8561
Net Written Premium	26957	23105	19717	20066	17526	10398	6987	4793
Net Earned Premium	24747	21497	18842	18913	14154	8385	5864	3709
Net Incurred Claims	-19079	-17013	-13866	-13599	-9457	-5556	-4100	-2263
Net Commissions	-747	-404	-318	-238	188	786	622	419

Management Expenses	-6722	-6461	-5485	-5988	-5195	-3454	-2156	-1456
Underwriting Results	-1777	-2193	-502	-727	-210	254	230	409
Income from Investments	3726	2793	2207	2061	1896	895	520	389
Non Recurring Investment Income	-9	20	93	164	-7	21	68	29
Profit Before Tax	1940	619	1798	1498	1679	1170	818	770
Provision for Tax	-703	-186	-590	-546	-623	-417	-303	-299
Profit After Tax	1237	433	1208	952	1056	754	516	471
Claim's Ratio	77%	79%	74%	72%	67%	66%	70%	61%
Commission (R)	3%	2%	2%	1%	-1%	-9%	-11%	-11%
Management Expenses Ratio	27%	30%	29%	32%	36%	41%	37%	40%
Combined Ratio	107%	111%	104%	105%	102%	98%	96%	90%
Return on Equity	14%	5%	16%	15%	23%	22%	23%	34%
Shareholder's Equity	9587	8356	7928	6725	5748	4116	2,767	1824
Assets Under Management	45476	38523	27456	23683	20103	14305	7973	6127
Number of Employees	3473	3654	3506	3973	3603	2540	1371	924

Received IRDA Registration in May 2001

Source;- <http://www.bajajallianz.com/Corp/aboutus/general-insurance-company-financial-highlights.jsp>⁴

It is Observed by the Annual Reports that the Company business on Motor insurance Premium for the Year 2012 is as Follows;-

Description	Gross Premium	Net Premium	Gross Incurred Claim	Net Incurred Claim
Motor Insurance Business	₹ 202,641	₹ 162,733	₹ 135,902	₹ 92,075

Source; - Bajaj Annual Report QTR-1 2012 NL-26 Claim Information KG⁵

❖ **Range of Corporate Insurance business by Bajaj General Insurance Company**

The List Given below shows the Company Insurance business in various segments;-

- Fire & Engineering -Fire (including Consequential Loss)
- Engineering-Projects - Engineering-Operational (includes Contractor's Plant and Machinery, Electronic Equipment, Loss of Profits, Boiler Explosion, Machinery Breakdown, Deterioration of Stocks)
- Industrial All Risk
- Motor - Private Cars • Two Wheelers • Commercial Vehicles • Drive Assure
- Health Insurance - Personal Guard • Hospital Cash • Health Guard • Critical Illness
• Silver Health • e-Opinion • Health Ensure • Star Package • Premium Personal Guard
• Extra Care • Insta Insure.
- Travel Insurance -Travel Companion •Travel Elite • Students Travel • Corporate Plan
•Swades Yatra • Pravasi Bhartiya Bima Yojana.
- Asset Insurance -Householders Package • Shopkeepers Package • Office Package
• Motor Dealers Package • Plate Glass.
- Easy Householder Package- Marine Cargo • Marine Hull • Aviation • Credit Insurance • Sports Insurance •Film Insurance • Wedding Insurance ,Golf Insurance

- Liability Insurance -Commercial General Liability • Directors & Officers Liability • Public Offering of Securities Insurance • Public Liability/Public Liability Act • Product Liability • Professional indemnity
- Rural Insurance - Farmers Package • Cattle Insurance
- Miscellaneous -Money • Fidelity Guarantee • Burglary • Workmen's Compensation.⁶

These were the various segments under which Bajaj Allianz General Insurance Company conducts its Insurance business.

III. Objective of Paper

- To Study the Car Insurance operational procedures/benefits /services by Bajaj Allianz General Insurance Company.
- To Study the competitive environment of Bajaj Allianz General Insurance Company in India.

IV. Research Methodology

The research methodology for this research is descriptive. The Secondary Data was collected from various Annual Reports of the company, and the websites which had the aspect of process and operation for Car Insurance in India by Bajaj Allianz General Insurance Company Limited (India).

II. Conclusion

In India, Car Insurance is Mandatory Law by the rules and regulations laid down by Government of India with the support of IRDA. The Third Party Liability cover of Insurance is mandatory by the nature of vehicle insurance business. During the period of 1999, when IRDA was established, there were around 18 Car Vehicle Insurance Companies registered. Among these companies four companies were government entity; those companies were the National Insurance Company, Oriental Insurance Company, New India Assurance Insurance Company, and United Insurance Company. All these four companies were under the leadership and guidance of General Insurance Corporation of India (GIC). The other fourteen

companies were Private Insurance Companies registered with IRDA, those companies were Bajaj Allianz General Insurance Company, ICICI Lombard General Insurance Company, IFFCO Tokio General Insurance Company, Reliance General Insurance Company, Royal Sundaram Allianz Insurance Company, Tata AIG General Insurance Company, Cholamandalam General Insurance Company, HDFC General Insurance Company, Future General Insurance Company, Universal Sompo General Insurance Company, Sriram General Insurance Company, Bharti AXA General Insurance Company, Reheja QBE General Insurance Company, and SBI General Insurance companies. All these companies entered into Car Insurance business in India because it was mandatory for all the cars to have insurance policy as per the norms laid down by the Government of India.

The Public insurance companies were into car vehicle insurance business prior to 1999, as per the government norms in insurance business. The Environment of competition increased on the issue to sell the Car Insurance Policy with the entry of Private Insurance companies and Public Insurance Companies. The insurer has wide range of privilege of selecting the quality insurance company of there own choice and capacity.

In Order to Conclude, Bajaj Allianz General Insurance Company have competitive environment vision 2020 is mentioned below;-

- **Customer First Always:** Give first priority to customer needs. Look to build enduring relationships with customers - internal and external. Differences should be communicated in the spirit of relationship building.
- **Organisation Above Self:** Company also believes that the individual, team and department actions will be driven by organization goals.
- **Trust:** The Company believes that there cannot be teamwork without mutual trust. Trust is fundamental to our business and will guide all internal and external interactions.
- **High Standards:** The Company believes that excellence can be achieved only by setting benchmarks that challenge our full potential as an organization and as individuals.

- **Shared Ownership:** The Company believes that ownership of success or failure in achieving organizational or team goals is shared by all.
- **Spirit of Adventure:** The term Uncertainty is our business and company believe in continuous innovation and creativity to meet challenges head-on. We will foster a work culture that promotes risk taking and entrepreneurship.
- **Respect for Diversity:** The Company believes that diversity is our strength and it needs to be nurtured.⁷

Bajaj Allianz General Insurance Company believes that team members have varying backgrounds, competencies and ideas and constructive action results only when opinions are aired and understood. Therefore the company Allianz has insured most of the world's largest infrastructure projects (including Hong Kong Airport and Channel Tunnel between UK and France), further Allianz insures majority of the fortune 500 companies.

Besides being a large industrial insurer, Bajaj Allianz has a substantial portfolio in the commercial and personal lines sector, using a wide variety of innovative distribution channels. The Company is the growing market for all kinds of motor insurance business in India, specially for the future vision of 2020.



V. References

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5. **Report;-** . Bajaj Annual Report QTR-1 2012 NL-26 Claim Information KG 30th June 2012.
6. **Report;-** 10th 2009-10. Annual Report Bajaj Allianz General Insurance Company Pg 58.
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