

Reinsurance in India- Development and growth

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Abstract

General Insurance Corporation of India popularly known as GIC Re is the only domestic reinsurer in India. Market capitalization of the Company is ₹ 65798.00 crores. Since the year 2000 This Company is involved only in business of reinsurance in India. Up to the year 2016-17 GIC re was gaining advantages of monopoly in India. However, from the year 2016 Government of India through Insurance Regulatory & Development Authority India (IRDAI) has given permission to foreign reinsurance Companies to operate their business of reinsurance in India. Thereafter 11 foreign Companies have started their reinsurance business in India through their set ups in Indian reinsurance Market. Which resulted to broke the monopoly of General Insurance Corporation of India in Indian reinsurance Market. At present the market share of GIC re is 72 % & remaining 28 % share is held with set ups of 11 foreign reinsurance Companies in India.

Anti plagiarism report: This article is checked on plagiarism detection software DrillBit. The reference Id is 4081686, where text similarity is 2% and 98 % matter is original. This paper is an attempt to study reinsurance in context of India, its development and growth

Keywords: Insurance, reinsurance, GIC Re, development and growth

Introduction

Officially the origin of reinsurance was founded around 182 years ago, where first reinsurance Company was started in Germany. Cologne Re was setup in the year 1846 as first reinsurance Company in Germany. At present this company is known as General Reinsurance AG

Objective of the paper

- To explore the origin and evolution of reinsurance in India
- To examine the development and expansion of reinsurance in India

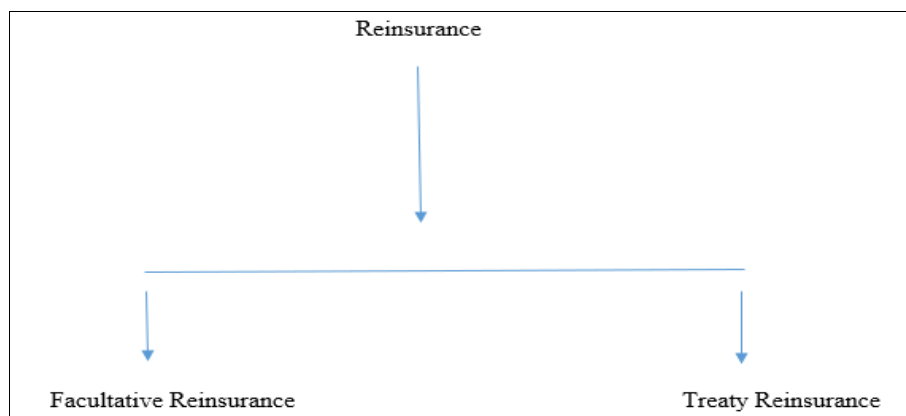
Research Methodology: Methods of data collection is a

significant part of research design. I have taken primary data by telephonic interview of officials of IRDAI and GIC. The secondary sources of data collection are official websites of IRDAI, GIC Re, annual reports of GIC Re and branch offices of the foreign reinsurance players, Newspapers, magazines etc.

Reinsurance: Reinsurance is a product where Insurance companies are offered to further take protection against risk from a party which is known as Reinsurer in consideration of called as premium.

Types of Reinsurance

Reinsurance



1. **Facultative Reinsurance:** Facultative reinsurance is protection against one risk or a set of risks which are defined.
2. **Treaty Reinsurance:** This kind of reinsurance involves one contract covering individual risk wherein the Insurance Company does not require to provide

certificate every time for transfer of risk from insurer to reinsurer. The types of treaty reinsurance are as under;

- a. **Proportional Treaty reinsurance:** Under proportional treaty reinsurance the insurer & reinsurer both parties contribute premium into a specified proportion. Both parties also bear claim of risk in case of mishappening of event in same proportion.

- b. Non-proportional treaty reinsurance:** It is well known as excess of loss insurance. In case of the losses on occurrence of mishappening are more the reinsurer will bear excess loss for which reinsurance has been made.

Reinsurance In context of India

In context of India the reinsurance business may be categorized into 2 periods.

- a. Before Nationalization of Reinsurance business in India
- b. After Nationalization of Reinsurance business in India

Before Nationalization of Reinsurance business In India

Before the nationalization of reinsurance business in India there were two authorized Indian Reinsurance Companies.

- a. Indian Guarantee and general Insurance Company Ltd: It was started business in India as a Non-Government Company since 01.10.1922. It was an unlisted Company. The Head office and registered office of this Company was situated in Mumbai
- b. Indian Reinsurance corporation Ltd: It was registered in India as a reinsurance Company in the year 1956

After Nationalization of Reinsurance business in India

After the Implementation of the nationalization Act of general insurance business in India in the year 1973, the

entire general insurance business was nationalized by merger of 107 general insurance companies which were engaged in general insurance business in India including above mentioned two reinsurance companies namely (a) Indian Guarantee and general insurance Company Ltd (b) Indian Reinsurance Corporation Ltd. After the nationalization General Insurance Corporation was formed. GIC was operating general insurance & business of reinsurance in India. GIC was operating in India with its 4 completely owned subsidiaries namely (a) Oriental Insurance company Ltd. (b) United India Insurance Company Ltd (C) National Insurance Company Ltd (d) The New India Assurance Company Ltd

The General Insurance Business nationalization amendment Act 2002 was enforced on 21/03/2023. After that holding position of GIC over its four subsidiaries become ended. Now all four subsidiaries are working under the ownership of Government of India. At present the GIC is operating only Reinsurance business. GIC is popularly known as GIC Re where GIC stands for General Insurance Corporation and Re stands for Reinsurer.

From the year 2016 the Government of India through reinsurance & insurance regulator of India (IRDAI) had opened the entry of set ups of 11 foreign reinsurance Companies. These set ups of foreign reinsurance Companies are as under:

Serial No	Name of the Branch	Country
1	Allianz Global Corporate & Specialty SE, India Branch	Germany
2	RGA Life Reinsurance Company of Canada, India Branch	Canada
3	Swiss Reinsurance Company Limited, India Branch	Switzerland
4	Hannover Ruck SE- India Branch	Germany
5	General Reinsurance AG- India Branch	Germany
6	SCOR SE- India Branch	France
7	XL Insurance- Company SE, India Reinsurance Branch	United Kingdom
8	Factory Mutual Insurance- Company, India Branch	USA
9	AXA France Vie – India Reinsurance Branch	France
10	Munchener Ruckversicherungs – Gesellschaft Aktiengesellschaft- India Branch	Germany
11	Lloyd's India Reinsurance Branch Markel service India Private Ltd – A service Company of Lloyd's India	United Kingdom

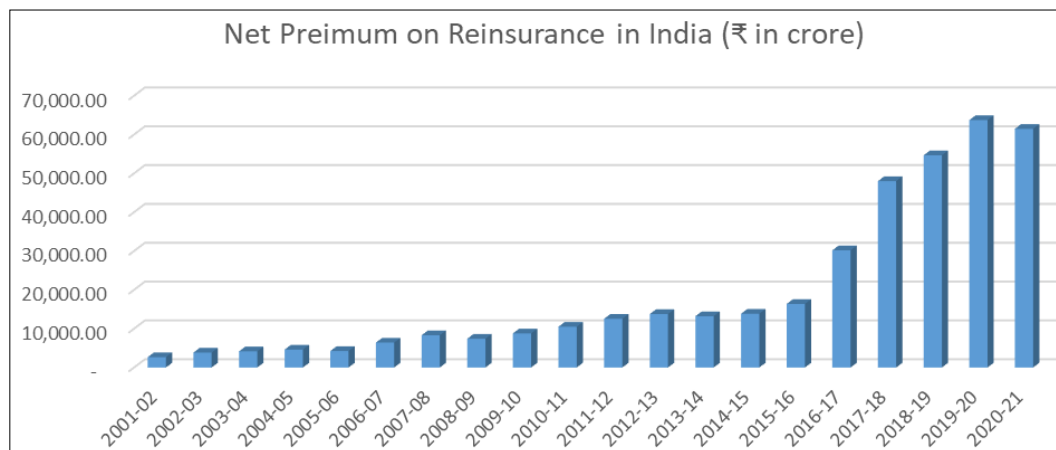
Source: www.irdai.gov.in

Development and growth of Reinsurance business in India

- A comparative study has been made for the period starting from 2001-02 to 2020-21 for net premium earned for reinsurance business in India.

Year	Net Premium on Reinsurance in India (₹ in crore)
2001-02	2,671.00
2002-03	3,833.00
2003-04	4,163.00
2004-05	4,614.00
2005-06	4,235.00
2006-07	6,421.00
2007-08	8,311.00
2008-09	7,402.00
2009-10	8,777.00
2010-11	10,512.00
2011-12	12,558.00
2012-13	13,771.00
2013-14	13,212.00
2014-15	13,857.00
2015-16	16,375.00
2016-17	30,175.00
2017-18	48,015.00
2018-19	54,655.00
2019-20	63,712.00
2020-21	61,471.00

Source: www.irdai.gov.in



Authors own presentation based on above table

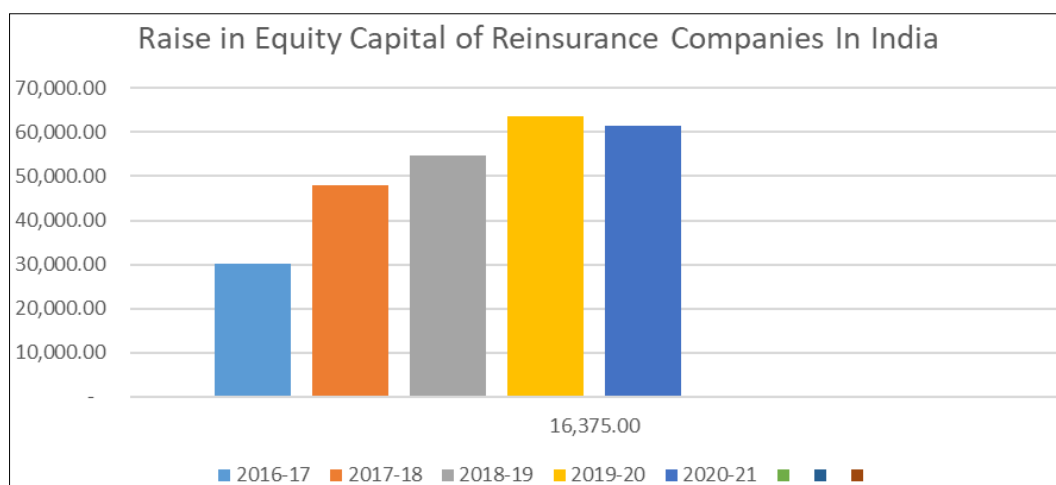
The above study has been done for the period of more than 20 years. From the above chart it is clearly depicted that a constant and continuous expansion in the premium earned in respect of reinsurance business. During year 2001-02 the net premium earned was ₹ 2,671.00 crores which was expanded to ₹ 61,471.00 crores. This depicts an increase in net

premium earned for reinsurance business by 23 times. This also implies that there is a significant growth in reinsurance sector in India.

- Another Study has been done by comparing capital invested in the reinsurance business in India for the period from 2014 to 2021.

Year	Equity capital of reinsurance Companies in India (₹ in crores)
2014	430.00
2015	430.00
2016	430.00
2017	1816.75
2018	3277.89
2019	6803.41
2020	9544.69
2021	11254.86

Source www.irdai.gov.in



Author's own presentation based on above table

From the above chart is apparent that there is significant expansion in the investment of capital in reinsurance sector in India. During the year 2014 the Capital invested in reinsurance sector in India was ₹ 430.00 crores which was expanded to ₹ 11,255.00 crores during the year 2021. This implies that there is 26 times increase in capital invested in reinsurance sector in India during the above period. This also implies that there is significant growth and development in the sector of reinsurance in India.

- All the sectors of insurance i.e. life and non-life insurance take protection against risk by reinsurance in India. At present the reinsurance facility is available for

following insurance sectors life, aviation, fire, marine, cargo, marine hull, motor, property, energy, spare, health, liability, agriculture, weather workmen compensation and miscellaneous. This reflects that reinsurance sector has been significantly developed and available for almost every insurance product in India.

Conclusions and suggestions

From the above analysis it is apparent that there is significant growth in the reinsurance sector since it's inception in India. In the year 2001-02 the net premium earned by reinsurance sector was ₹ 2,671.00 crores which

was increased by 23 times to ₹ 61,471.00 crores during year 2020-21. During year 2014 the capital invested in the reinsurance sector was ₹ 430.00 crores which was increased by 26 times to ₹ 11,255.00 crores by year 2021. Moreover, all the insurance products whether falling in the segment of life or non-life insurance has also been covered in reinsurance business. In this way it can be construed that there is significant growth and development in the reinsurance sector in India.

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