GE-International Journal of Management Research
Vol. 4, Issue 1, Jan 2016 IF- 4.316 ISSN: (2321-1709)

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UNIVERSAL INSURANCE PROGRAM-AN OVERVIEW

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ABSTRACT

In 2012, the universall insurance market is forecast to have a value of $4,608.5 billion, an increase of 24.9% since 2007. Life insurance dominates the global insurance market, accounting for 59.7% of the market's value. Europe accounts for 39.3% of the universal insurance market's value. with the widening of the economy, the demand for new types of insurance products emerges. Insurance now extends not only to product market but also to service industries including finance. It is equally true that growth itself is facilitated by insurance. The global consolidation of the financial services sector is in large part driven by acquisition activity. Companies competing for a greater share of consumer funds are seeking quick access to new markets, new products and new channels of distribution, both globally and economically. Even though the insurance industry is facing more problems in International markets so, there is need to frame a common program for Universal Insurance. Universal Insurance Program have been a hot topic over the past few years among insurance buyers in Europe, the united states& elsewhere global programs deliver on three C' that all professional buyers focus on coverage, control & cost.

INTRODUCTION:

Over the past ten years, universall insurance premiums have risen by more than 50%, with annual growth rates ranging between 2 and 10%. In 2004, global insurance premiums amounted to $3.3 trillion. The universal insurance market grow by 7.6% in 2007 to reach a value of $3,688.9 billion. In 2012, the universal insurance market is forecast to have a value of $4,608.5 billion, an increase of 24.9% since 2007. Life insurance dominates the global insurance market, accounting for 59.7% of the market′s value. Europe accounts for 39.3% of the global insurance market′s value. AXA generates 4.4% of the universal insurance market's value. With a huge population base and large untapped market, insurance industry is a big opportunity area in India for national as well as foreign investors. India is the fifth largest life insurance market in the emerging insurance economies globally and is growing at 32-34% annually. This impressive growth in the market has been driven by liberalization, with new player's significantly enhancing product awareness and promoting consumer education and information. The strong growth potential of the country has also made international players to look at the Indian insurance market. Moreover, saturation of insurance markets in many developed economies has made the Indian market more attractive for international insurance player.

For years, insurers have been striving to reorganize their systems and upgrade their technological capabilities to reduce unnecessary costs and improve productivity while becoming more flexible and nimble. That quest continues with even more urgency in the current economic climate, with organic growth hard to achieve and bottom lines driven more by how efficiently insurers manage their operations. One major uncertainty in terms of cost is the impact of regulatory reform, both in the United States with the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act and in the European Union with Solvency II capitalization requirements and new accounting standards under development. Indeed, insurers that adapt most effectively to the changing rules of the game could gain a competitive advantage. Another goal is to improve the quality of an insurer's decision-making process by taking enterprise risk management to the next level.

NEED FOR THE STUDY:

The insurance industry, as an integral part of the financial services industry does not stand apart from the profound changes in the financial sector. Recently we are witnessing an enhanced competition in the insurance industry probably due to the opening up of this sector to private participants. There is a close inter-action between insurance and economic growth. As economy grows, the living standards of people increase. As a consequence, demand for insurance increases. As the assets of people and of business enterprises increase in the growth process, the demand for general insurance also increases. In fact, with the widening of the economy, the demand for new types of insurance products emerges. Insurance now extends not only to product market but also to service industries including finance. It is equally true that growth itself is facilitated by insurance. The global consolidation of the financial services sector is in large part driven by acquisition activity. Companies competing for a greater share of consumer funds are seeking quick access to new markets, new products and new channels of distribution, both globally and economically. Even though the insurance industry is facing more problems in International markets so, there is need to frame a common program for Global Insurance.

OBJECTIVE OF THE STUDY:

The following are the objectives of the paper:

- To examine the performance of global insurance business.
- To give an overview of Universal Insurance Programe (UIP).
- To describe the GIP approaches and challenges.

METHODOLOGY:

For the present study the required data has been collected from the Secondary sources comprising of the different websites, text books and articles related to the study. The collected data is arranged in a systematic order to draw the conclusion.

UNIVERSAL INSURANCE BUSINESS:

The potential performance of the insurance sector is universally assessed with reference to two parameters viz, Insurance penetration and insurance density. These two are often used to determine the level of development of the insurance sector in a country. Insurance Penetration defined as the ratio of premium country. Insurance Penetration is defined as the rate of premium underwritten in a given year to the Gross Domestic Product (GDP). Insurance Density is defined as the ratio of premium underwritten in a given year to the total population (Measured in USD for convenience of comparison). The fallowing two tables reveals the Insurance penetration and Insurance Density of International Insurance Business for 2011 and 2012.

From Tables-1 and 2 it understood that there is growth in Insurance Business from 2011 to 2012. So, in globalised era the Insurance Sector also entered in International Market. Globalization keeps changing its colors, it will continue to break down national borders in pursuit of new business opportunities, and it will redefine risk management as we know it. Companies with operations overseas need to take just as global a view of risk as they do of their growth opportunities. In addition to the typical property and liability risks that companies face abroad, they also face often complex compliance and insurance regulations. These may vary greatly from one country to the next. Failure to comply with local insurance regulations may have serious consequences, even causing insurance policies to be declared null and void by local authorities in some rare cases. The solution is a holistic, centrally managed, international insurance program that anticipates and satisfies varying insurance and compliance needs in each country where you do business. Such a program will include features that address coverage gaps that might occur in programs created from individual policies purchased in each country. It should be a program that can seamlessly incorporate risk transfer tools such as captives.

Table-1:International Insurance Business Penetration

(in percent)

Country	2011			2012		
	Total	Life	Non-Life	Total	Life	Non-Life
Australia	6.0	3.0	3.0	5.6	2.8	2.8
Brazil	3.2	1.7	1.5	3.7	2.0	1.7
France	9.5	6.2	3.3	8.9	5.6	3.3
Germany	6.8	3.2	3.6	6.7	3.1	3.6
Russia	2.4	0.1	2.3	1.3	0.1	1.2
South Africa	12.9	10.2	2.7	-	-	-
Switzerland	10.0	5.5	4.5	9.6	5.3	4.3
United Kingdom	11.8	8.7	3.1	11.3	8.4	2.8
United States	8.1	3.6	4.5	8.2	3.7	4.5
Hong-Kong	11.4	1.1	1.4	12.4	11.0	1.4
India	4.1	3.4	0.7	4.0	3.2	0.8
Japan	11.0	8.8	1.8	4.8	3.1	1.7
Malaysia	5.1	3.3	1.8	4.8	3.1	1.7
Pakistan	0.7	0.4	0.3	0.7	0.4	0.3
PR China	3.0	1.8	1.2	3.0	1.7	1.3
Singapore	5.9	4.3	1.5	6.0	4.4	1.6
South Korea	11.6	7.0	4.6	12.1	6.9	5.3
SriLanka	1.2	0.6	0.6	1.2	0.5	0.7
Taiwan	17.0	13.9	3.1	18.2	15.0	3.2
Thailand	4.4	2.7	1.7	5.0	3.0	2.1
World	**6.6**	**3.8**	**2.8**	**6.5**	**3.7**	**2.8**

Source:IRDA Annual Report 2011-12

Table-2:International Insurance Business Density

(in US Dollars)

Country	**2011**			**2012**		
	Total	**Life**	**Non-Life**	**Total**	**Life**	**Non-Life**
Australia	4094.0	2077.0	2017.0	3922.3	1987.7	1934.7
Brazil	398.0	208.0	189.0	414.2	225.5	188.7
France	4041.0	2638.0	1403.0	3543.5	2239.2	1304.3
Germany	2967.0	1389.0	1578.0	2804.6	1299.3	1505.3
Russia	303.0	8.0	295.0	182.4	12.1	170.3
South Africa	1037.0	823.0	215.0	1080.9	882.3	198.6
Switzerland	8012.0	4421.0	3591.0	7522.1	4121.1	3401.1
United Kingdom	4535.0	3347.0	1188.0	4350.2	3255.8	1094.4
United States	3846.0	1716.0	2130.0	4047.3	1808.1	2239.2
Hong-Kong	3904.0	3442.0	462.0	4543.9	4024.7	519.2
India	59.0	49.0	10.0	53.20	42.70	10.50
Japan	5169.0	4138.0	1031.0	5167.5	4142.5	1024.9
Malaysia	502.0	328.0	175.0	514.2	329.9	184.3
Pakistan	8.0	4.0	4.0	8.7	5.3	3.4
PR Chaina	163.0	99.0	64.0	178.9	102.9	76,0
Singapore	3106.0	2296.0	810.0	3362.0	2471.8	890.2
South Korea	2661.0	1`615.0	1045.0	2785.4	1578.1	890.2
SriLanka	33.0	15.0	18.0	32.9	14.8	18.1
Taiwan	3371.0	2757.0	614.0	3759.6	3107.1	652.5
Thailand	222.0	134.0	88.0	266.2	156.5	109.7
World	**661.0**	**378.0**	**283.0**	**655.7**	**3726.0**	**2831.0**

Source: IRDA Annual Report 2011-12

Note:Insurance Density is measured as ratio of premium (in US Dollar) to total population

UNIVERSAL INSURANCE PROGRAM:

Universal Insurance Program have been a hot topic over the past few years among insurance buyers in Europe, the united states& elsewhere global programs deliver on three C' that all professional buyers focus on coverage, control & cost. The program can offer more consistent coverage great control over risk & loses & lower costs. Universal Insurance programs first were developed in the united states & the united kingdom, followed closely by continental Europe & now Asian & Later American companies are starting to buy their insurance centrally through a global program. The large players in the global program market emerged from the their strong domestic bases & followed their clients overseas by opening their own offices or through acquisition of foreign insures. Industries with sophisticated levels of risk managemsent such anergy, mining and manufacturing companies, are the natural claints for global insurance programs, but the key drivers is the need for uniformity of coverage and service, rather than an industry sector.

l Insurance programs are not simple off the shelf products. Their structures vary considerably to reflect clients corporate culture and specific needs, but they also are influenced by important considerations such as compliance, cost & service. It is difficult to design a typical global insurance program because structure vary greatly depending on the client. But there are some key characteristics, such as the ability to control a company's risks & insurance program centrally. Perhaps the most important driver behind a global program. GIP came in all shapes & sizes, but typically there is a central insurance policy, knowns as in master policy, potential several local policies writer in overseas territories. The master policy can cover international risks on a nonasmitted basis basis or include differences in condition & difference-in-limits classes to plug any gaps in the coverage provided by local policies.

STRUCTURE OF UNIVERSAL INSURANCE PROGRAM:

When structuring a UIP, it is considered that where clients risks are located and charts "green" areas, where it can locally issue local paper or write non-admitted coverage and 'red' areas where it does not have the ability to issue policies locally an where non-admitted cover is not permitted by local insurance. The insurer then structures global program to offer coverage that complies with local laws. The program can use difference-in condition and difference-in-limits policies or financial interest coverage, which is issued in the home territory and will pay the parent company for losses at a local subsidiary. The global shifts taking place in the insurance market over the last fifity years share of premium shifted away from Europe and Anglo Sexon market to Asian markets. The share of Europe and Anglo-Sexon market in global premium volume fell from 93 per cent in 1962 to 56 per cent in 2012. Over the next ten years, this shift is likely to become the second largest insurance market after the USA.

APPROACHES TO UNIVERSAL INSURANCE PROGRAM:

Locally Admitted Approach:

In this approach foreign subdiaries of a multinational compact act autonomously in buying insurance. There is no corporate risk management philosophy guiding insurance buying. The main advantages of this approach are it is legal acceptable, premium are tax deductible and policies are in local language. The disadvantages are loss on purchasing power, lack of uniformity in coverage, possible coverage gap, insufficient insurance, duplication and difficult to monitor local insurer's solvency.

Non-Admitted Approach:

This approach consists of a single policy that covers all foreign subsidiaries of a multinational corporation. The main benefits of this program are the bulk buying power, broad flexible coverage, single currency and uniform protection worldwide. Limitations of the program are illegal in many countries, restricted tax deductibility, premium tax issues, investigation, defense of claims mare different and loss settlement could be taxable.

Difference-In Conditions (DIC) Approach:

This program takes the minimal admitted cover bought by foreign operations, supported by non-admitted (DIC) policy in the home territory. The benefit of this program are DIC covers local-policy differences, local premiums deductable on taxes, local management can choose their insurer's. The problems with this program are it does not fully utilize bulk buying power, lack of uniformity in coverage, duplication of coverage and possible tax problems for claims paid under DIC policy.

Controlled Masters Approach:

In this program a single insurer provides master policy in parent company's home territory that acts as an excess/DIC policy over locally issued policy. Where legal, local policy mirrors the master policy. Where legal, local policy mirrors the master policy. If illegal, local policy issued to follow local laws, regulations. Master policy acts in excess/DIC capacity. Local coverage now meets corporate risk management stands. The pros of this approach are bulk buying power, local/central policy control, enhances local management in ctrolling losses, premium allocation for calculating tax can be done controlling and is more complain, eliminate coverage gaps and legal in local territories.

Global Approach:

This approach combines overseas home territory cover with one insurer. The advantages of this approach are premium reflect, size, experience, more efficient loss control, foundation of other risk-financing options. The disadvantages are limited number of underwriters and unsuitable for large U.S. casualty risks.

Benefits of Universal Insurance Program:

The following are the some important benefits of Universal Insurance Program:

1. The UIP are particularly suitable for smaller insurance-buying departments because they give comfort and a safety net for a lone risk manager.
2. A Global Property Program will give all-risk cover internally all insurers wherever he/she may be.
3. UIP give risk managers comfort that there is comparable level of insurance provision globally.
4. UIP risk tolerance of the group is likely to be higher than that of the subsidy and through risk finance the group can take a large deduction.
5. UIP will give continuity of cover through the primary and excess layers.
6. The tax implication while butying insurance are easily manageable centrally with UIP.
7. With a Global Approach it is easier to keep track as to what converge is require and whether non-admitted coverage is permissible.
8. The evaluation of insurers' credit worthiness can be done centrally whereas local subsidiaries lack the resources.

9. GIP also can help risk-manager with compliance issues and serve as a support tool to answer reporting and legal requirements.

Challenges of UIP:

As companies continue to expand internally, global insurance program have proven to be an attractive and economical way to arrange coverage. But the challenge of building a program that is complaint with local tax and insurance requirements threatens to undo some of the benefits. Every country has its own regulatory requirements, such as what coverages are compulsory and where and from whom insurance can be purchased. And each country has its own tax requirements, whether they are insurance premium taxes or levies for national insurance pools. Building a global iusurance program can be particularly difficult for companies with operations in countries such as Brazil, Russia, India and China:; where compliance challenges are most acute.

CONCLUSION:

Over the past ten years, universal insurance premiums have risen by more than 50%, with annual growth rates ranging between 2 and 10%. In 2004, global insurance premiums amounted to $3.3 trillion. The global insurance market grow by 7.6% in 2007 to reach a value of $3,688.9 billion. In 2012, the global insurance market is forecast to have a value of $4,608.5 billion, an increase of 24.9% since 2007. The global consolidation of the financial services sector is in large part driven by acquisition activity. Companies competing for a greater share of consumer funds are seeking quick access to new markets, new products and new channels of distribution, both globally and economically. Even though the insurance industry is facing more problems in International markets so, there is need to frame a common program for Global Insurance. The potential performance of the insurance sector is universally assessed with reference to two parameters viz, Insurance penetration and insurance density. Global Insurance programs first were developed in the united states & the united kingdom, followed closely by continental Europe & now Asian & Later American companies are starting to buy their insurance centrally through a global program. The large players in the global program market emerged from the their strong domestic bases & followed their clients overseas by opening their own offices or through acquisition of foreign insures. As companies continue to expand internally, global insurance program have proven to be an attractive and economical way to arrange coverage. But the challenge of building a program that is complaint with local tax and insurance requirements threatens to undo some of the benefits. Every country has its own regulatory requirements, such as what coverages are compulsory and where and from whom insurance can be purchased.

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