

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5187
ANSWERED ON:10.12.2010
PERFORMANCE OF INSURANCE COMPANIES
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Will the Minister of FINANCE be pleased to state:

- (a) whether the performance of the public sector general insurance companies was subjected to examination of the Comptroller and Auditor General of India (CAG);
- (b) if so, the details thereof;
- (c) whether the Government has highlighted the deficiencies in the functioning of the public sector general insurance companies, especially in handling the motor portfolio in the recent past;
- (d) if so, the details thereof?
- (e) whether the motor portfolio registered negative results to high incidence of claims in the Motor Third Party business; and
- (f) if so the details thereof along with the remedial measures taken/being by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI NAMO NARAIN MEENA)

(a)to (f): The accounts of Government Companies set up under the provisions of the Companies Act are audited by the Comptroller and Auditor General of India (C&AG) under the provisions of Section 619 of the Companies Act, 1956. The accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the C&AG under the Companies Act are subject to supplementary audit by officers of the C&AG and the C&AG gives his comments or supplements the report of the Statutory Auditors.

The Audit Board Mechanism of the C&AG approves the topics for performance audit of companies. Accordingly, a performance audit of the functioning of Public Sector General Insurance Companies was undertaken during 2007-08 focusing on issues related to Motor Third Party Claims, Reinsurance, Commission and Brokerage Payments etc.

As per the Audit Report, the Miscellaneous segment of the insurance business, which includes the Motor Portfolio, registered poor or negative results. This was attributable to high incidence of claims in the Motor Third Party business. The incurred claims on Motor Insurance business ranged between 87% and 132% of the net premiums during the period 2002-03 to 2006-07. The third party claims segment had significantly higher claims ratio when compared to own damage segment.

As per the compliance reports of public sector general insurance companies, the remedial measures being taken by them are as follows:-

- (i) Dedicated Motor Third Party claims settling hubs have been created.
- (ii) Motor TP claims management process has been redesigned for reducing payouts and decreasing backlog of TP claims.
- (iii) Public sector insurance companies are utilizing non-conventional methods such as Divisional/Regional Insurance Claims Committees and Lok Adalats for settlements.
- (iv) Panel of advocates being reviewed and restructured on the basis of their performance.
- (v) Steps being taken to identify and insure uninsured vehicles in collaboration with Regional Transport Authorities and Police Department.