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A STUDY OF THE IMPACT OF PRIVATISATION ON THE PERFORMANCE OF INDIAN GENERAL INSURANCE SECTOR

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Abstract:

Opening up of the financial sector is one of the financial reforms which the government was to implement as an integral part of structural reforms and stabilization process of the economy. Insurance has a very important role in this process. The opening of the insurance market to private players and a conversion of a monopolistic market to a liberalized one has transferred the insurance industry in India. General insurance is one of the important parts of our financial system. The general insurance industry in India is now facing tremendous competition when many of the private sector insurance companies have entered in the insurance business. In these circumstances an attempt has been made to study the impact of privatization on general insurance industry in India. The present study evaluates the current situation of general insurance sector in India. This study is basically intended to analyze the growth of general insurance sector in India during the post privatisation period. Meanwhile the study focuses on financial performance of private and public general insurers before and after privatisation, to draw policy recommendations and make suggestions for enhancing the present status of general insurance companies in India. The study is basically descriptive in nature and it is based on secondary data collected from the reports published by IRDA and the websites.

Index Terms: Insurance, Privatization, Insurance Penetration, Insurance Density & IRDA

Introduction:

Since independence, Government of India followed a policy of socialistic pattern of society in the mixed economy framework. Both public sector and private sector exists side by side. Along with private sector, public sector also got due importance. Important and strategic sectors of the economy left only to the public sector. Government is not allowed private firms to invest in these sectors. Insurance sector is also under the control of the government during these days. At that time India heavily borrowed from IMF and World Bank. Government depends on these agencies for financial aid. Gradually in 1990's India slowly move towards the introduction of new economic policy that is privatization, globalization and liberalization. Indian economy opened its doors to foreign players, Introduction of LPG made some drastic changes in the Indian economic environment.

In recent years many less developed countries had to go for macro-economic reforms involving structural adjustment and stabilization programmes. In this context, financial sector reforms especially banking and insurance sector reforms attracted attention in policy debate. These sectors are earlier owned by the public sector alone. Uruguay round negotiations under the GATT agreement advocated the removal of restrictions and non-tariff trade barriers. This lead to the free flow of international financial services to less developed countries. Privatisation is not necessarily a response to lack of profitability. It leads to establish strong state owned insurance companies contributed substantial amount of finance to the government bonds and securities and allocating funds to the social overheads.

Therefore, the argument for privatizing insurance industry is really a matter of operational efficiency. This is based on the belief that in competitive situation private firms will be able to minimize costs and offer competitive prices for their products. This idea of resource use efficiency in the financial sector does not fully applicable in the case of less developed countries. There are some problems inherent in privatization. It is true that the private firms are less interested in the given unstable political and economic situation as insurance becomes less attractive and risky. Also in these less developed countries state is unwilling to free completely the insurance industry considering its strategic importance in the economy.

Also privatization may not necessarily yield efficiency. The efficiency depends much on the nature of market and not solely on the nature of ownership. Even if a public monopoly transferred to private monopoly efficiency may not increase without competitive environment. Competitive situation must ensure cost efficient management. Government should ensure transparency and strong competitive situation and it also necessitates strong back from the state in the form regulatory role.

In India, Malhotra Committee has recommended privatization of insurance industry and to allow foreign participation to insurance. This is aimed at bringing about greater efficiency by increasing productivity and reducing transaction costs. Competition will bring a wider choice of products at lower price. Besides larger coverage of population, better customer services, better use of information technology and better returns to the policy holders, leading to the increase in the awareness and spread of insurance.

Meaning of Privatization:

In broader sense, the term privatization indicates to include and enlarge the share of private sector in the production of goods and services and fewer control and regulation by the state in the economic activities (Paul Starr). It is a policy change and process that creates major institutional and structural changes in different segments of our society. Privatisation means allowing the private sector to setup more and more of industries that were previously reserved for public sector alone. The degree of privatization judged by the extent of ownership transferred from public sector to private sector.

Privatisation is the transfer of property or responsibility from the public sector to the private sector. It is the process or activities of enterprise that were once performed and operated by the public sector are performed, managed and owned by private business enterprises or individuals.

Privatisation has many objectives in an economy. Privatisation may improve the efficiency and competition in an industry. It avoids too much political interference in the management of an enterprise and also it enlarge the ownership of economic assets. Privatisation has some other objectives also; it enhances the size and dynamism of the private sector, redistribution of property rights to a larger number of populations. It encourages and facilitates the flow of foreign capital, generates adequate revenue to state and reduces the administrative burden of the state. In short, privatization leads to a transformation of the economy from a commanding economy to a market friendly economy.

On the contrary, privatization leads to some bad effects also. The process of privatization leads to cutting of some essential services which have been efficiently provided by the public sector. Privatisation leads to private monopoly, if there is no government control. It further leads to reduced government revenue and concentration of economic power in the hands of a few people. Moreover, the performance of a sector depends upon several factors. Change in ownership right is the only one thing that determines the performance of the sector. It is important that no theory or empirical evidences that do not prove that privatization leads to improved efficiency.

Privatization in India's General Insurance Sector:

After the introduction of economic reforms, the insurance industry in India now changed in a big way. The general insurance industry in India is now facing tremendous competition when many of the private sector insurance companies have entered in the insurance business. Before 1999, general insurance industry in India is a public monopoly, and it is controlled by the four public giants in the general insurance industry, that is New India Assurance Company Limited, The Oriental Insurance Company Limited, The National Insurance Company and the United India Insurance Company Limited.

The insurance industry in India has witnessed many radial transformations during the last about one hundred ninety years of its inception. The insurance business remained in the hands of private insurers with minimal government intervention up to 1956. Both the life insurance as well as the general insurance companies was nationalized by the government in the years 1956 and 1972 respectively, giving them a chance to have monopoly in the field. But, unlike life insurance, a different structure was created for the general insurance industry. One holding company was formed with four subsidiaries, and again, the private sector was allowed to enter the insurance business in the year 2000.

On 7th December 1999, the Government of India passed a new legislation to allow foreign direct investment in the Indian insurance industry and opened insurance sector to private players. This becomes a big landmark in the history of insurance sector in India. There onwards government grant licenses to private companies to operate their business in India. After privatization in this sector, the monopolies of the public sector general insurance companies come down and now it has to face a tough competition from private players. Currently general insurance industry in India is working in a competitive environment.

Before privatization, general insurance sector in India was fully under the control of public sector companies. They are not making any hard steps to increase their volume of business. There was lack of adequate customer services, new products and innovative practices in this sector. Diversification of the sector was not seen during these days. But now situation is entirely changed.

The establishment of Insurance Regulatory and Development Authority (IRDA) was a clear sign of the end of the monopoly of Public sector companies in the Indian insurance sector. It became crucial for the public sector insurance companies in India to face the tough competition brought by the entry of new private general insurance companies. In such circumstances, the entire economy will be benefited, if these public companies improve its performance. It helps to increase the low insurance penetration and low insurance density in India. On the other hand, the entry of private companies in this sector creates some bad effects also. This paper is an attempt to study the performance of general insurance sector of India in this competitive situation.

Need of Privatization in India's General Insurance Sector:

- ✓ Privatization leads to more competition in the general insurance sector.
- ✓ Customers of general insurance services will get wide range of products and services.
- ✓ There is increased awareness of products, prices and services among the people.
- ✓ Privatisation leads to easy access of insurance services.

- ✓ Privatisation helps to bring Indian general insurance sector to international standards.
- ✓ Privatisation may bring improved technology, managerial skill, cost efficiency and product innovations.
- ✓ It helps to improve the low insurance penetration and low insurance density in India.
- ✓ Privatisation of insurance services expected to bring increased productivity and increased volume of business and new employment opportunities.

Review of Literature:

Anand Bansal (2005) in his article on "Insurance Sector: Is Privatisation is on the Right Track" stated that the outcome of privatization process over a period of time has been proved positive and identified as the beginning of new era with many heights to achieve. But there is an urgent need to adopt professional approach for the bright future of the industry.

Pooja Bhalla and Gangadeep Kaur (2007) in their article on "Private Players and Life Insurance Industry"state that the opening up of the insurance sector to private players has posed a challenge to the public sector giant that is LIC of India. Though, it still enjoys the dominant position but the proportionate share is decreasing year after year. On the other hand, the private players with their innovative products, smart marketing, wider distribution networks and better customer services have been successful in attracting a large number of customers.

Faiz Abdullah (2008) in his thesis on "Issues and Challenges of Privatisation of Insurance sector" states that privatisation of insurance sector has helped in bringing out several positive developments because of the emergence of a large number of private and foreign players, wider choice in terms of product innovation, tremendous surge in the flow of technology and the expanded market. But, there are many challenges faced by the insurers to bring into practice the global standards in the country. These challenges are capital adequacy, solvency margin, cap of foreign direct investment, financial efficiency, infrastructure development, integration and externalities.

SudhirNaib (2005) in his book 'Disinvestment in India- Policies, Procedures and Practices' stated that state owned enterprises reforms have many dimensions such as privatization, introduction of competition in product and factor markets, hard budget constraint, financial sector reforms and changes in the relationship between the government and state owned enterprises managers. Reforms are motivated by a variety of goals and present complex strategic choices. These are creating a market economy, encouraging private enterprises, promoting competition, improving self-sufficiency and distribution of income, reducing the influence of labour union etc.

Dr. Nalini PraveThripathy (2007) in his article 'Indian Insurance Industry-The Paradigm Shift'pointed out that Indian economy is in transition over the last 20 years owing to the initiation of major economic reforms affecting almost all sectors. The paradigm shift from a mixed economic organization to a market oriented organization has exposed all sectors to an innate competition. Indian insurance business is the most significant one among them. General insurance industry deals with exposure of risks to goods and property.

Shipper Harold. D and Mack Robinson (2000) in their study gave an in-depth knowledge on the issue and concerns of insurance market liberalization. Dozens of countries have deregulated and liberalized their insurance markets with the belief that competitive markets are better at enhancing consumer choice and welfare than the rigidly regulated markets.

Objectives of the Study:

- ✓ To assess the present situation of general insurance industry in India
- ✓ To assess the growth of general insurance sector in India during post privatization period.
- ✓ To measure the performance of general insurance sector in India during post privatization period.
- ✓ To draw policy recommendations and to make suggestions for enhancing the present status of general insurance industry in India.

Methodology:

This study is descriptive in nature. The study is based on secondary data sources collected from the Annual Reports of Insurance Regulatory Development Authority, various journals, research articles and websites. An attempt is made to evaluate the impact of privatization on the performance of Indian insurance sector. Appropriate research tools have used as per the need and type of study. The information so collected has been classified, tabulated and analysed as per the objectives of the study.

Importance of the Study:

General insurance is a very significant factor in human life. This study gives the knowledge of current situation of general insurance industry in India especially during post privaisation period.

Table 1: Historical Events in the Development of General Insurance in India

Year	Significant Regulatory Events
1850	Triton Insurance Company- the first general insurance company was set up.
1907	Mercantile Insurance Co.Ltd- the first Indian general insurance.
1912	Indian Life Insurance Company Act
1928	Formulation of the Indian Insurance Companies Act
1938	Insurance Act 1938, The first comprehensive legislation to regulate insurance business in India.
1956	Nationalisation of Life Insurance Business in India.
1968	Amendment of Insurance Act 1938, and providing for the establishment of the Tariff Advisory Committee.
1971	General Insurance Act- Nationalisation of General Insurance
1972	Enactment of General Insurance Business (Nationalization) Act.- Formation GIC
1993	Setting up of Malhotra Committee
1994	Recommendation of Malhotra Committee released
1995	Setting up ogMukhargee Committee
1996	Setting up of an (Interim) Insurance Regulatory Authority. (IRA)
1999	IRDA Act was enacted to regulate and promote insurance in the country
2000	President gives assent to the IRDA Act. IRDA starts giving licenses to private life insurers.
2001	Royal Sundaram Alliance- The first non-life insurer to sell a policy.
2002	The General Insurance Business (Nationalisation) Act was amended. And consequently four subsidiaries of GIC become independent.
2002	Banks allowed selling insurance plans.
2007	First online insurance portal started
2007	Removal of tariff

Source: IRDA Annual Reports

General Insurance Industry in India- A Historical Perspective:

The history of general insurance in India can be traced with the establishment of Triton Insurance Company Ltd in 1850. It was owned and operated by the British. The first indigenous general insurance company was the Indian Mercantile Insurance Company Limited set up in Bombay in 1907 (Sinha, 2005; Sharma and Agarwal, 2005). The wholly Indian-owned insurance company, namely, The New India Assurance

Company Limited was incorporated on July 23, 1919 which commenced its operations in October the same year (Narayanan, 2006).

There was no exclusive legislation to govern the activities of insurance companies during the 19th century. Though a number of statutory laws and insurance Acts were passed from time to time to regulate and control the business (Rajan and Dhunna, 2002). The number of companies in the general insurance sector increased steadily, and by 1972 their number had gone to 107. However, out of these 107 companies, more than 50% were in financially bad shape. Taking into account the bad health of private operators and vast fund mobilization potential in this sector, Government of India nationalized the General Insurance sector with effect from. 1st January, 1973. It formed four subsidiaries, namely, (1) The New India Assurance Company Ltd., (2) The Oriental Insurance Company Ltd., (3) The National Insurance Company Ltd., and (4) The United India Insurance Company Ltd., with a holding company General Insurance Corporation of India.

Table 2: List of General Insurance Companies operating in India

	Insurers
	PUBLIC SECTOR
1	New India Assurance Co.Ltd.
2	National Insurance Co.Ltd
3	Oriental Insurance Co.Ltd
4	United India Insurance Co.Ltd.
	PRIVATE SECTOR
1	Royal Sundaram Allianz Insurance Co.Ltd.
2	Reliance General Insurance Co.Ltd.
3	IFFCO TOKIO General Insurance Co.Ltd.
4	TATA AIG General Insurance Co.Ltd.
5	Bajaj Alliance General Insurance Co.Ltd
6	Cholamandalam MS General Insurance Co.Ltd.
7	ICICIC Lombard General Insurance Co.Ltd.
8	HDFC ERGO General Insurance Co.Ltd.
9	Future General Indian Insurance Co.Ltd.
10	Universal Sompo General Insurance Co.Ltd.
11	Sriram General Insurance Co.Ltd.
12	Bharati AXA General Insurance Co.Ltd.
13	Raheja QBE General Insurance Co.Ltd.
14	SBI General Insurance Co.Ltd.
15	L&T General Insurance Co.Ltd.
16	Liberty Videocon General Insurance Co.Ltd
17	Magma HDI General Insurance Co.Ltd.
18	Kotak Mahindra General Insurance Co.Ltd.
	HEALTH INSURERS
1	Star Health & Allied Insurance Health Insurance Co.Ltd.
2	Apollo Munch Health Insurance Co.Ltd.
3	Max Bupa Health Insurance CO.Ltd.
4	Cigna TTK Health Insurance Co.Ltd.
5.	Raligare Health Insurance Co.Ltd.
	SPECIALISED INSURERS
1	Export Credit Guarantee Corporation of India Ltd.
2	Agricultural Insurance Company of India Ltd.
	REINSUERER
1	General Insurance Corporation of India

Source: IRDA Annual Reports

In 1999, there were only four only four public sector non-life insurers in India.

Now there were 18 private non-life insurers in India. In addition there were 5 health insurers, 2 specialised insurers and one reinsurer that is General Insurance Corporation of India. It is evident from the table that with the introduction of reforms in the insurance sector in India, many large and well established world class private companies have entered in to the scene. It leadsto new opportunities to the insurance sector in India.

General Insurance Sector in India Before 1999:

The first general insurance company, Triton Insurance Company Ltd, was established in 1850. It was owned and operated by the British. The first indigenous general insurance company was the Indian Mercantile Insurance Company Ltd, established in Bombay in 1907.

In 1937, the Government of India was set up a committee and on the basis of the recommendations of the committee; the government of India passed the Insurance Act in 1938.This was the first comprehensive piece of legislation in India, covering both life and general insurance. It clearly defined the various lines of business in the insurance industry. This piece of legislation lost significance after life insurance was nationalized in 1956 and general insurance was nationalized in 1972.

When India becomes independed, like all other financial services insurance services were not seen to be of strategic importance.

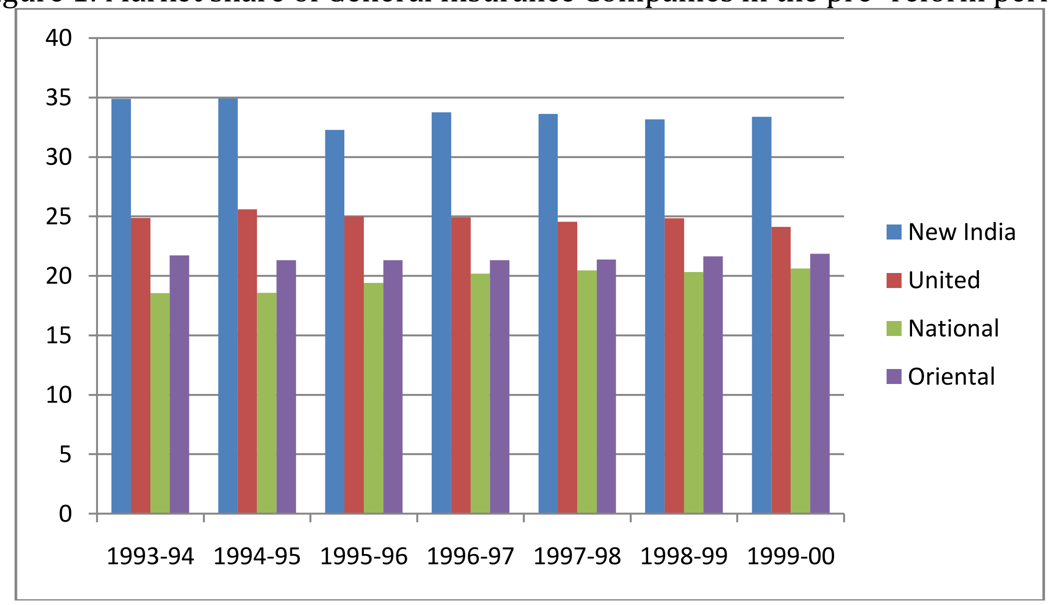
Table 3: Market share in Gross Direct Premium of Public Sector General Insurance Companies in Pre reform period (1993-2000)

Year	1993-94	1994-95	1995-96	1996-97	1997-98	1998=99	1999-00
New India	34.88	34.49	34.27	33.75	33.62	33.15	33.38
United India	24.86	25.61	25.00	24.93	24.54	24.84	24.13
National	18.55	18.58	19.42	20.19	20.46	20.37	20.62
Oriental	21.71	21.32	21.31	21.32	21.38	21.64	21.87
Total	100	100	100	100	100	100	100

Source: IRDA Annual Reports

During the pre-reform period the four public sector companies shows a consistent financial performance. The market share in gross direct premium of public sector insurers are constituent throughout the period.

Figure 1: Market share of General Insurance Companies in the pre- reform period



Source: IRDA Annual Reports

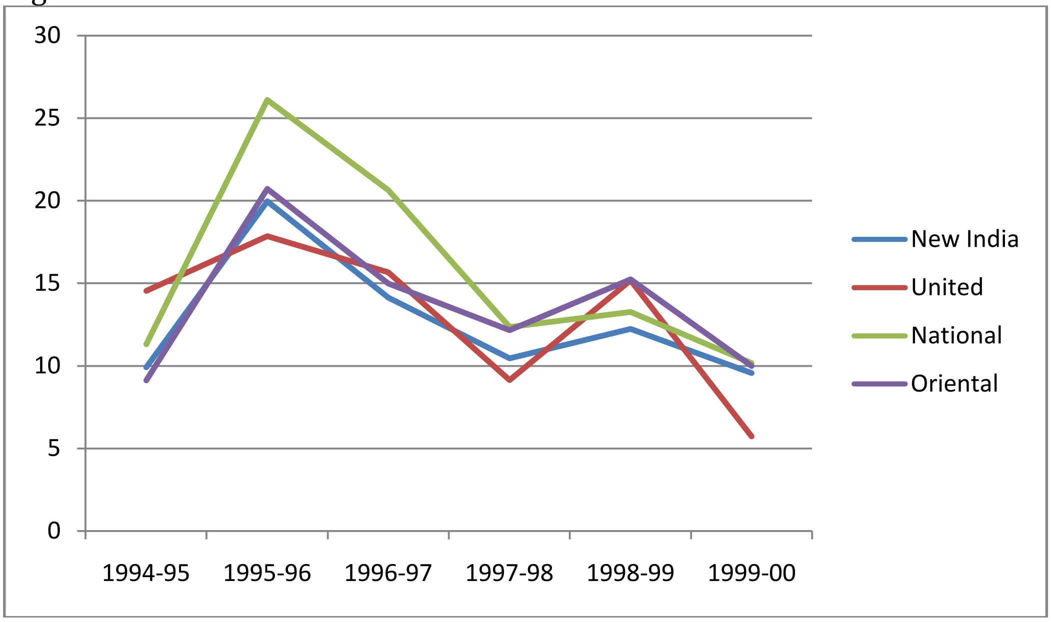
Table 4: Gross Direct Premium of Public sector General Insurance Companies in Pre

Reform Period (1993-2000) (in crores)

Year	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
New India	1616.6	1777 (9.92)	2131.9 (19.97)	2433.6 (14.15)	2688.5 (10.47)	3017.6 (12.24)	3306.5 (9.57)
United India	1151.8	1319.2 (14.53)	1554.8 (17.85)	1798.3 (15.66)	1962.7 (9.14)	2260.8 (15.18)	23.90.5 (5.73)
National	860.1	957.4 (11.31)	1267.3 (26.10)	1456.5 (20,64)	1636.5 (12.35)	1853.5 (13.26)	2042.1 (10.17)
Oriental	1006.4	1098.1 (9.11)	1325.6 (20.71)	1524.2 (14.98)	1709.5 (12.15)	1969.9 (15.23)	2166.5 (9.98)
Total	4634.9	5151.7 (11.15	6219.6 (20.73)	7212.6 (15.96)	7997.2 (10.87)	9101.8 (13.81)	9905.6 (8.83)

Source: IRDA Annual Reports

Figure 2: Gross Direct Premium of General Insurers in the Pre reform Period



Source: IRDA Annual Reports

Table 5: Investment portfolio of General Insurance corporation (1980-2000) (in %)

Year	Central Govt. Bonds	State Bonds	Self Loans	Market Investment	Other Loans	Total
1980-81	21	9	8	34	27	1000
1981-82	21	10	11	30	28	100
1982-83	25	10	15	29	20	100
1983-84	23	10	20	30	17	100
1984-85	24	11	22	35	8	100
1985-86	24	10	25	34	7	100
1986-87	23	10	28	34	7	100
1987-88	23	10	28	34	5	100
1988-89	21	11	29	33	7	100
1989-90	19	11	29	34	8	100
1990-91	18	11	28	31	12	100
1991-92	17	10	26	33	14	100
1992-93	17	10	26	36	11	100
1993-94	17	10	27	35	11	100
1994-95	17	10	29	35	9	100
1995-96	17	5	23	42	13	100
1996-97	18	6	20	42	15	100
1997-98	18	7	18	40	17	100
1998-99	18	8	16	42	16	100

1999-00	19	9	14	43	14	100
2000-01	21	11	14	44	10	100

Source: General Insurance Corporation, Annual Report

Regarding the investment portfolio of general insurance companies, they invest more in central government bonds. General insurance company's market investment is also very high.

General Insurance Sector in India in the Post Privatization Period:

General Insurance after 1999:

The general insurance sector dominated by General Insurance Corporation (GIC) and its four subsidiaries since nationalization of insurance, has started looking different now. Some of the important changes after privatisation are;

- ✓ Functional autonomy of subsidiaries of GIC.
- ✓ GIC withdraws direct business and act as Indian reinsurer.
- ✓ IRDA has finalized various guidelines and regulations.
- ✓ Competition was introduced. Large numbers of private players are already operational.
- ✓ Increased consumer awareness of risk and expanded the markets for products.
- ✓ Competition allowed market forces to set premiums and push insurers to differentiate their products and services.

Table 6: Number of Registered general Insurers (Private and Public Sector)-(2000-2015)

Year	**Public Sector**	**Private Sector**	**Reinsurer**
2000-01	5	3	1
2001-02	5	7	1
2002-03	5	8	1
2003-04	6*	8	1
2004-05	6*	8	1
2005-06	6*	9	1
2006-07	6*	11	1
2007-08	6*	14	1
2008-09	6*	15	1
2009-10	6*	**16**	1
2010-11	6*	17	1
2011-12	6*	18	1
2012-13	6*	18	1
2013-14	6*	20	1
2014-15	6*	22	1
2015-16	6*	23	1

*Includes two specialized insures ECGCI & AICI

**Include standalone Health Insurers.

Table 7: Number of Policies issued by general insurance companies (2002-2015)

Year	No. of policies by Public Insurers	Growth Rate (%)	No. of Policies by Private Insurers	Growth Rate (%)
2002-03	418.58 (96.14)	-	16.77 (3.86)	-
2003-04	384.27 (92.10)	-8.19	3.99 (7.90)	-76.20
2004-05	446.34 (89.61)	16.15	51.45 ((10.33)	55.75
2005-06	421.93 ((82.50)	-5.46	89.48 (17.50)	73.91
2006-07	339.72 (72.80)	-19.48	126.92 (27.20)	41.84
2007-08	385.47 (67.33)	13.46	187.03 (32.67)	47.36
2008-09	451.37 (67.30)	17.07	219.23 (32.70)	17.21
2009-10	434.304 (64.31)	-3.83	240.84 (35.69)	9.85
2010-11	505.76 ((63.75)	16.52	287.65 (36.25)	19.43
2011-12	528.14 (61.60)	4.42	329.30 (38.40)	14.47

2012-13	689.68 (64.44)	30.58	380.56 (35.56)	15.56
2013-14	600.06 (58.57)	-12.0	424.47 (41.43)	11.53
2014-15	677.82 (57.31)	12.95	504.97 (42.69)	18.96

Source: IRDA Annual Reports

Table-7 shows that, the number of policies issued by the general insurance companies in India during the period 2000 to 2015. Throughout the period the number of policies is increasing. In 2014 it reached to 116.7 million. It clearly indicates the growth of general insurance in India. The growth rate in premium of public sector insurers are decreasing while the growth rate of private sector insurers shows a rising trend.

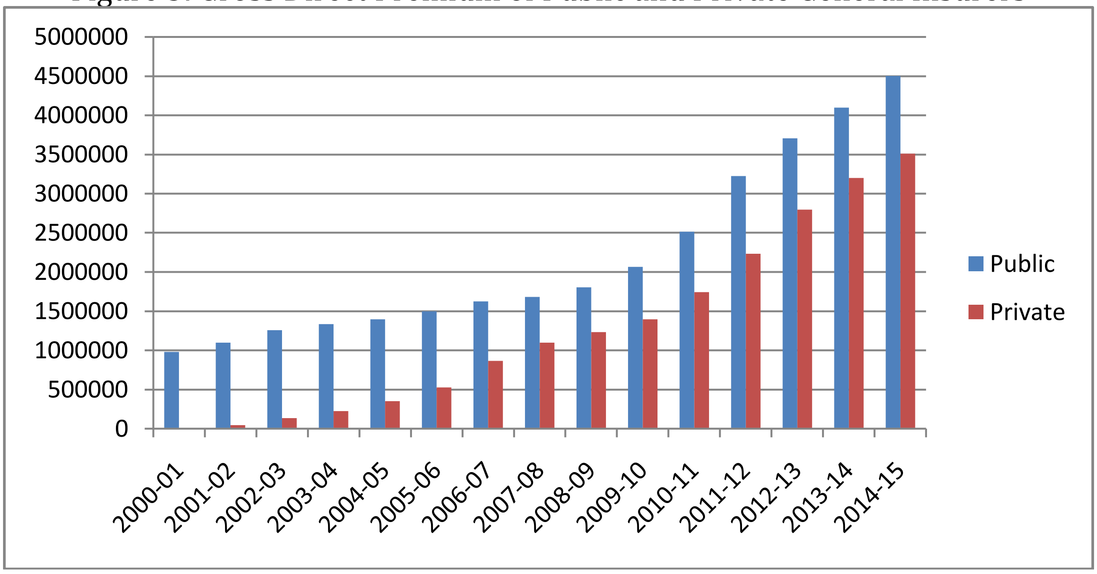
Table 8: Gross Direct Premium Income of General Insurers in India (2000-2014) (in Crores)

Year	**Public**	Growth Rate (%)	**Private**	Growth Rate (%)
2000-01	9799981	3.8	714	-
2001-02	1097923	12.0	46663	6435.4
2002-03	1255629	14.4	135068	189.5
2003-04	1333708	6.2	225773	67.2
2004-05	1397296	4.77	350764	55.36
2005-06	1499706	7.33	536266	52.89
2006-07	1625890	8.41	864657	61.24
2007-08	1683184	3.52	1099189	27.12
2008-09	1803075	7.12	1232108	12.09
2009-10	2064345	14.49	1397700	13.44
2010-11	2515183	21.84	1742463	24.67
2011-12	3226346	22.04	2231503	28.06
2012-13	3707180	14.90	2795070	25.25
2013-14	4098006	10.54	3201030	14.52
2014-15	4501662	9.85	3508996	9.62

Source: IRDA Annual Reports

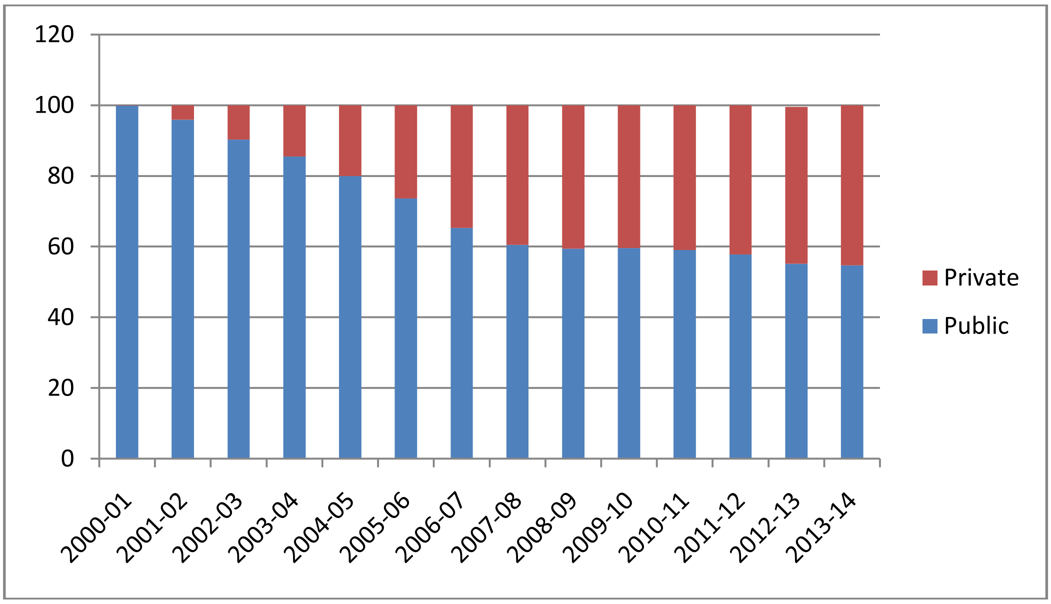
Gross direct premium is one of the important and main indicators of the performance of the insurance business. The gross direct premium of the general insurance companies during the period 2000 to 2014 is given below. After privatization the share of public sector in the total premium income is decreasing while private sector shows a positive growth trend in the total premium income.

Figure 3: Gross Direct Premium of Public and Private General Insurers



Source: IRDA Annual Reports

Figure 4: Relative share of Public and Private General Insurers in the Gross Direct Premium



Source: IRDA Annual Reports

Suggestions:

- ✓ The public insurance companies should attempt to increase its business by issuing more policies to retain its market share.
- ✓ Operating cost of the general insurance companies should be controlled
- ✓ In the competitive environment the public sector companies should retain their market share.
- ✓ Public sector companies should invest in secure investments.
- ✓ Public sector companies should control their operating expenses; otherwise they will incur losses in the coming future.
- ✓ The general public should be made aware of the need and importance of general insurance.

Conclusion:

The oligopolistic nature of competition in the general insurance industry in India is now changed to the stage of monopolistic competition, as the number of general insurers in India is increased to 28. The overall performance of public sector companies deteriorating while private sector gradually dominating in the sector. Due to privatization of the general insurance sector, the degree of competition has increased as a result the service standards of different insurance companies improved beyond imagination. Now general insurance companies doing a good job, they introduce new market strategies, product innovations etc. Insurance companies are more aware of customer needs and their satisfaction. It becomes customer friendly. In short, in the changed situation, the best companies will survive and the rest will go out of the scene during the course of time.

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