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Journal

FEBRUARY 2006

A DECADE OF REFORMS...
LOOKING BACK

बीमा विनियामक और विकास प्राधिकरण

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From the Publisher

Reforms are an on-going process in a dynamic business environment. In an area which has witnessed transition from fully government-owned organizations to private participation, including joint ventures with foreign enterprises, reforms play a very vital role towards ensuring that the transition is smooth. In India, insurance has not been on the main agenda of either individuals or corporates. Hence reforms encompass not merely regulatory intervention but also promotional effort to develop the market.

The steady growth of the industry as also the consolidation of private players progressively bears a silent testimony to the proactive regulatory regime in place in India. Taking a look at the reforms that have taken place in the past and what requires to be done in times ahead constitute the focus of this edition of the journal.

It is now more than three years that the journal has been in existence. During this period, it has gained acceptability not only as a vehicle for disseminating accurate information but also as a platform to exchange views about various aspects affecting the industry. To accomplish this, it is very essential that the editorial role is played to perfection. Ms.Nitya Kalyani, who has been the editor of the journal from its inception, has been instrumental in shaping the journal. She has demitted office with effect from this issue. I take this opportunity to express my appreciation to her for a job well done. I also welcome the new editor Mr.U. Jawaharlal to the IRDA fraternity and wish him the best of luck.

In recent times, corporate entities world over have been in limelight for the corporate debacles for a plethora of reasons. This has suddenly brought to the fore the need for a more accountable corporate management. Corporate governance forms the crux of the focus in our next issue. We propose to bring to you the nuances of corporate governance and its role in the insurance industry.

C. S. Rao

C.S.RAO

Inside

ISSUE FOCUS

Need for Reforms

Insurance industry in India has completed a full circle. There was a time when the domain was in the hands of private enterprise. The avarice of several players and their unholy nexuses with large industrial houses; as also the demands of the socialistic pattern of the society led to the government taking over the control – first in the life arena and then the non-life one.

Although state-controlled insurance business made tremendous strides of progress, it was felt that there was need to bring about a fresh whiff of air in the form of competition so that India could achieve global standards. Further, the entire world was witness to the new paradigms of globalization and liberalization. In this background, the Indian insurance industry was thrown open to private participation.

All this necessitated that a great deal of reforms were in place to ensure a steady transformation. A decade of insurance reforms is the issue focus for this month's journal and we have some experts succinctly bringing out the genesis and the evolution of insurance reforms in India. Mr. H Ansari takes a walk down the entire period of private operators, then the nationalization and then to privatization again with an incisive analysis at each stage of operations. He also talks about the role of regulation in the years to come. Mr. Arup Chatterjee comments on the role of the insurers in different times and how competition has brought in a fresh aroma in the attitudes and practices of insurers. Mr. G V Rao throws light on what has been achieved after liberalization of the industry and hastens to emphasize the challenges facing the industry in the years to come.

Besides, we have Mr.Gnanasundaram Krishnamurthy highlighting the importance of the spirit of the clauses rather than the letter, in the end user section. We have for you an article on the maturity of the players and on how to differentiate boys from men. Mr.CNS Shastri elaborates on this issue in the thinking cap section. We also have the comprehensive statistics pertaining to the life and non-life players which once again indicate the trends that have been witnessed for quite some time now.

The next issue of **IRDA Journal** will focus on Corporate Governance and Insurance Industry. Several corporate debacles world over and the failure of managements that was associated with these have suddenly brought into limelight the importance of good governance. We have some experts commenting on the role of managements in order that the confidence of the shareholders is not betrayed on account of abuse of power.

A journal is a good medium of communication for exchange of views on the several aspects of business, more so when the market is emerging. This, in my opinion, has largely been accomplished during the last three years of this journal's existence. While no single individual can be entirely credited for such monumental success, I have no doubt that my predecessor deserves to be complimented.

At the same time, I would be looking forward to the continued patronage of industry experts, corporate big-wigs, practitioners, the academia and above all, the erudite policyholder to continue to extend the same co-operation in order that we, as a team, achieve the purpose of making this journal more meaningful and communicative.

U. Jawaharlal

Report Card:LIFE

Premiums Rise 51% up to December

During December, 2005 industry records 51.24% growth over December, 2004

The life insurance industry underwrote a premium of Rs.328975.32 lakh during the month of December, 2005, taking the cumulative premium underwritten for the nine months of the FY 2005-06 to Rs.1989338.72 lakh.

The total Individual and Group premium underwritten was Rs.1697149.36 lakh (85.31%) and Rs.292189.36 lakh (14.69%) respectively as against Rs.1081404.45 lakh (82.23%) and Rs.233907.58 lakh (17.77%) underwritten in April-December, 2004. The premium underwritten by the industry up to December, 2005, towards individual single and non-single policies stood at Rs.636322.67 lakh and Rs.1060826.69 lakh respectively accounting for 1635298 and 16183376 policies. The group single and non-single premium accounted for Rs.264715.18 lakh and Rs.27474.19 lakh. The number of lives covered by the industry under the various group schemes was 11417457 during the nine months of the FY 2005-06. LIC covered 9061053 lives under the group schemes accounting for 79.36% of the market, followed by SBI life with 667589 lives (5.85%) and TATA-AIG with 471563 lives (4.13%).

A further segregation of the premium underwritten during the period indicates that Life, Annuity, Pension and Health contributed Rs.1376572.20 lakh (69.27%), Rs.102429.07 lakh (5.15%), Rs.507729.03 lakh (25.55%) and Rs.449.02 lakh (0.03%) respectively to the total premium.

Analysis of the statistics in terms of linked and non-linked premium indicates that 55.14% of the business was underwritten in the non-linked category, and 44.86% in the linked category, i.e, Rs.1095634.01 lakh and Rs.891545.31 lakh respectively. In case of LIC, the linked and non-linked premium was 32.10% and 67.90% respectively, as against which for the private insurers taken together this stood at 78.86% and 21.14% respectively.

First Year Premium Underwritten by Life Insurers for Nine Months Ended December, 2005

(Rs.in lakhs)

Sl	Insurer	Premium					No. of Policies / Schemes					No. of lives covered under Group Schemes				
		Dec, 05	Up to Dec, 05	Up to Dec, 04	Growth	Market Share	Dec, 05	Up to Dec, 05	Up to Dec, 04	Growth	Market Share	Dec, 05	Up to Dec, 05	Up to Dec, 04	Growth	Market Share
1	**Bajaj Allianz**	**35,123.30**	**1,36,704.80**	**34,065.20**	**301.30**	**6.87**	**85,605**	**3,79,473**	**1,66,461**	**127.97**	**2.13**	**97,561**	**2,18,833**	**2,20,970**	**-0.97**	**1.92**
	Individual Single Premium	21,591.98	78,267.24	12,800.31			21,943	63,634	13,845							
	Individual Non-Single Premium	13,447.21	57,002.53	20,805.13			63,659	3,15,729	1,52,537							
	Group Single Premium	34.72	132.70					1				162	442			
	Group Non-Single Premium	49.40	1,302.32	459.76			3	109	79			97,399	2,18,391	2,20,970		
2	**ING Vysya**	**4,358.74**	**14,833.70**	**7,335.60**	**102.22**	**0.75**	**16,226**	**74,499**	**74,022**	**0.64**	**0.42**	**5,165**	**23,929**	**10,967**	**118.19**	**0.21**
	Individual Single Premium	382.50	450.23	32.67			258	648	6,517							
	Individual Non-Single Premium	3,463.18	12,870.31	6,683.19			15,962	73,799	67,464							
	Group Single Premium	69.47	759.15	451.42					3			231	2,055	885		
	Group Non-Single Premium	443.59	754.01	168.33			6	52	38			4,934	21,874	10,082		
3	**AMP Sanmar**	**2,538.99**	**11,448.11**	**6,104.23**	**87.54**	**0.58**	**7,080**	**41,488**	**23,328**	**77.85**	**0.23**	**2,897**	**1,05,432**	**80,410**	**31.12**	**0.92**
	Individual Single Premium	1,918.62	8,441.52	4,135.92			2,860	12,634	5,172							
	Individual Non-Single Premium	542.45	2,425.13	1,700.11			4,220	28,775	18,094							
	Group Single Premium	0.00	94.08	52.31					1					190		
	Group Non-Single Premium	77.92	487.38	215.89				79	61			2,897	1,05,432	80,220		
4	**SBI Life**	**7,318.12**	**32,546.65**	**30,261.75**	**7.55**	**1.64**	**19,510**	**1,29,998**	**67,481**	**92.64**	**0.73**	**1,07,255**	**6,67,589**	**5,60,489**	**19.11**	**5.85**
	Individual Single Premium	1,667.97	4,929.99	4,813.39			1,939	7,214	3,687							
	Individual Non-Single Premium	2,047.34	9,473.49	4,329.91			17,361	1,21,416	61,315							
	Group Single Premium	2,322.42	14,626.29	17,655.05				2	6			18,772	1,50,486	1,78,455		
	Group Non-Single Premium	1,280.39	3,516.88	3,463.40			210	1,366	2,473			88,483	5,17,103	3,82,034		
5	**Tata AIG**	**4,002.20**	**33,634.28**	**20,377.49**	**65.06**	**1.69**	**26,784**	**2,11,509**	**1,62,986**	**29.77**	**1.19**	**29,898**	**4,71,563**	**2,02,459**	**132.92**	**4.13**
	Individual Single Premium	[illegible]	[illegible]													

	Individual Single Premium	26.30	376.99													
	Individual Non-Single Premium	3,245.79	26,728.71	16,727.60			26,774	2,11,303	1,62,809							
	Group Single Premium	266.43	1,684.78	427.38				2				14,471	1,12,132	68,437		
	Group Non-Single Premium	463.68	4,843.80	3,222.51			10	204	177			15,427	3,59,431	1,34,022		
6	**HDFC Standard**	**10,772.67**	**59,869.97**	**23,906.98**	**150.43**	**3.01**	**29,152**	**2,21,943**	**1,23,118**	**80.27**	**1.24**	**30,271**	**1,00,364**	**1,32,412**	**-24.20**	**0.88**
	Individual Single Premium	1,015.41	7,610.14	5,480.82			3,864	64,656	32,223							
	Individual Non-Single Premium	9,404.51	46,311.30	16,771.47			25,279	1,57,196	90,765							
	Group Single Premium	306.61	3,765.14	995.61			9	73	110			30,248	86,224	105,689		
	Group Non-Single Premium	46.14	2,183.39	659.08				18	20			23	14,140	26,723		
7	**ICICI Prudential**	**24,967.08**	**1,42,955.20**	**82,761.77**	**72.73**	**7.19**	**90,740**	**4,92,423**	**3,49,823**	**40.76**	**2.76**	**40,217**	**2,89,329**	**53,360**	**442.22**	**2.53**
	Individual Single Premium	1,217.03	5,386.19	8,896.15			2,111	22,989	5,763							
	Individual Non-Single Premium	22,348.17	1,23,622.70	66,444.95			88,601	4,69,233	3,43,994							
	Group Single Premium	684.68	2,422.37	73.87			23	96	12			19,553	1,93,438	10,464		
	Group Non-Single Premium	717.20	11,523.94	7,346.80			5	105	54			20,664	95,891	42,896		
8	**Birla Sunlife**	**5,779.05**	**36,288.79**	**38,732.76**	**-6.31**	**1.82**	**24,071**	**1,50,199**	**1,12,504**	**33.51**	**0.84**	**2,231**	**11,935**	**55,091**	**-78.34**	**0.10**
	Individual Single Premium	257.19	1,438.78	912.44			8,148	45,423	31,425							
	Individual Non-Single Premium	4,969.92	32,744.40	31,420.67			15,918	1,04,744	81,021							
	Group Single Premium	102.82	659.48	346.48								568	4,607	2,995		
	Group Non-Single Premium	449.11	1,446.13	6,053.18			5	32	58			1,663	7,328	52,096		
9	**Aviva**	**2,878.90**	**21,490.37**	**11,259.93**	**90.86**	**1.08**	**12,831**	**88,179**	**53,869**	**63.69**	**0.49**	**11,034**	**1,34,614**	**1,19,632**	**12.52**	**1.18**
	Individual Single Premium	114.74	636.00	315.12			123	2,203	645							
	Individual Non-Single Premium	2,742.47	20,589.03	10,737.19			12,705	85,964	53,200							
	Group Single Premium	11.43	95.18	51.27					1			69	612	423		
	Group Non-Single Premium	10.26	170.16	156.35			3	12	23			10,965	1,34,002	1,19,209		
10	**Kotak Mahindra Old Mutual**	**3,150.76**	**14,869.72**	**10,100.27**	**47.22**	**0.75**	**8,597**	**53,843**	**36,356**	**48.10**	**0.30**	**21,163**	**79,312**	**55,549**	**42.78**	**0.69**
	Individual Single Premium	360.72	1,711.79	1,817.68			371	2,331	1,192							
	Individual Non-Single Premium	2,688.65	12,462.45	7,430.24			8,219	51,451	35,123							
	Group Single Premium	26.14	149.00					2				1,603	9,650			
	Group Non-Single Premium	75.25	546.48	852.34			7	59	41			19,560	69,662	55,549		
11	**Max New York**	**6,416.82**	**28,331.44**	**15,379.82**	**84.21**	**1.42**	**51,786**	**2,98,289**	**1,54,064**	**93.61**	**1.67**	**2,867**	**30,125**	**58,857**	**-48.82**	**0.26**
	Individual Single Premium	31.56	134.19	195.45			43	194	191							
	Individual Non-Single Premium	6,374.74	28,104.18	14,739.33			51,729	2,98,032	1,53,792							
	Group Single Premium															
	Group Non-Single Premium	10.52	93.06	445.04			14	63	81			2,867	30,125	58,857		
12	**Met Life**	**1,613.23**	**8,257.53**	**3,458.10**	**138.79**	**0.42**	**11,129**	**64,385**	**27,835**	**131.31**	**0.36**	**20,885**	**2,22,650**	**1,37,964**	**61.38**	**1.95**
	Individual Single Premium	48.91	398.69	113.11			135	948	352							
	Individual Non-Single Premium	1,479.66	7,252.20	2,906.76			10,978	63,295	27,393							
	Group Single Premium															
	Group Non-Single Premium	84.66	606.64	438.23			16	142	90			20,885	2,22,650	1,37,964		
13	**Sahara Life**	**231.85**	**1,180.26**	**2.61**	**45120.81**	**0.06**	**1,248**	**16,497**	**95**	**17265.26**	**0.09**	**103**	**729**		**-**	**0.01**
	Individual Single Premium	212.37	834.66				545	2,120								
	Individual Non-Single Premium	19.42	344.92	2.61			701	14,367	95							
	Group Single Premium	0.06	0.68				2	10				103	729			
	Group Non-Single Premium															
	Private Total	**1,09,151.70**	**5,42,410.83**	**2,83,746.50**	**91.16**	**27.27**	**3,84,759**	**22,22,725**	**13,51,942**	**64.41**	**12.46**	**3,71,547**	**23,56,404**	**16,88,160**	**39.58**	**20.64**
14	**LIC**	**2,19,823.62**	**14,46,927.89**	**10,31,565.53**	**40.27**	**72.73**	**25,76,392**	**1,56,09,504**	**1,26,39,317**	**23.50**	**87.54**	**4,22,693**	**90,61,053**	**29,34,395**	**208.79**	**79.36**
	Individual Single Premium	79,875.33	5,25,706.24	1,88,299.47			1,95,191	14,10,304	4,41,941							
	Individual Non-Single Premium	1,12,382.67	6,80,895.31	6,52,892.76			23,79,524	1,41,88,072	1,21,86,971							
	Group Single Premium	27,565.62	2,40,326.34	1,90,373.30			1,677	11,128	10,405			4,22,693	90,61,053	29,34,395		
	Group Non-Single Premium															
	Grand Total	**3,28,975.32**	**19,89,338.72**	**13,15,312.03**	**51.24**	**100.00**	**29,61,151**	**1,78,32,229**	**1,39,91,259**	**27.45**	**100.00**	**7,94,240**	**1,14,17,457**	**46,22,555**	**146.99**	**100.00**

Note: Cumulative premium up to the month is net of cancellations which may occur during the free look period.

Good Governance

Managements owe a fiduciary responsibility to all their stakeholders. When the due diligence associated with corporate governance takes the back seat, it spells doom for the corporate entities opines *U. Jawaharlal.*

Corporate governance has been the buzzword in more recent times globally. Although the concept has been in existence for a very long time, several scandals which shattered the corporate world in diverse areas of management leading to their ultimate collapse, suddenly drove home the importance of corporate governance. While this responsibility should have formed a part of self-regulation, the blatant abuse of the powers vested in the managements triggered a series of legislations. A senseless inflation of figures in order to camouflage the stock values thereby aggrandizing the stockholder's real worth is what led to most of these corporate failures. Eventually, what the entire episode achieved was a total erosion of faith and confidence for the average shareholder apart from the total downfall of the companies involved.

Looking at these failures, corporate governance is being watched closely to ensure that the shareholder's confidence as well as the real value are restored. Several definitions of corporate governance have been propounded considering one's special interest in a field. Most of the definitions deal with the maximization of shareholder's wealth. But is it merely sufficient that the value which has 'somehow' been managed to be enhanced is a true indicator of good governance or are there other aspects that need to be considered? If the outlook is not wholesome, it may lead to the earlier pitfall of myopic view once again. Managements owe a fiduciary responsibility to all their stakeholders and this fiduciary responsibility should not merely confine itself to maximization of the shareholders' value but also look at ensuring safety and soundness of the enterprise.

In this regard, OECD's take on corporate governance comes closest to being comprehensive. It talks about the entire system by which business corporations are directed and controlled. It further highlights the rights and responsibilities among different participants in the corporation viz. the board, the managers, the shareholders and other stakeholders; and spells out the rules and procedures for making decisions on corporate affairs. Thus, it provides the structure through which the company's objectives are set and means of attaining those objectives; and monitoring performance.

The failures of entities on this front may be on account of several reasons. There may be an excessive emphasis on observing rules and guidelines thereby stifling the management's use of discretion. Such instances of a fetish for propriety could lead to a sacrifice of efficiency. Corporates with shorter tenures for their chief executives could also suffer from a certain lack of a visionary leadership. Besides, such managements invariably operate in an environment with limitations in freedom and flexibility in decision making.

The role of insurance companies in this area is more complex and unique. They owe the fiduciary responsibility to shareholders as well as the policyholders, whose hard-earned money they are dealing with. Especially, they should not fail in their duty when it comes to fulfillment of the promise. They are also unique in the sense that they do not depend on their core business alone for their earnings but also on investment income. The complexity comes into operation because they have to ensure their own governance as also of those entities where the investments are made. It may eventually be the performance of these companies that would spell their success.

Corporate governance and insurance industry are what form the central theme of the next issue of IRDA Journal. We look forward to an interesting debate from experts in different areas highlighting their viewpoints on the issue.

Selection of Reinsurer/s

16th January, 2006

IRDA, through a Circular letter has exhorted all the non-life insurance companies with regard to the placement of reinsurance business.The Insurance Regulatory and Development Authority (General Insurance-Reinsurance) Regulations, 2000 stipulates inter alia as under: **Regulation 3(7):'Insurers shall place their reinsurance business outside India with only those reinsurers who have over a period of the past five years counting from the year preceding for which the business has to be placed, enjoyed a rating of at least BBB(with Standard & Poor) or equivalent rating of any other international rating agency. Placements with other reinsurers shall require the approval of the Authority. Insurers may also place reinsurances with Lloyd's syndicates taking care to limit placements with individual syndicates to such shares as are commensurate with the capacity of the syndicate'.**

The above mentioned provision requires insurers to choose appropriate reinsurers abroad for placing their reinsurances. There is no limitation on use of Indian insurers or reinsurers for placement of reinsurance since they are regulated by IRDA.It has come to the Authority's notice that some insurers are agreeing to the insured choosing the reinsurers either directly or indirectly. The Authority reiterates that the contract of insurance is independent of the contract of reinsurance and the client is not a party to the contract of reinsurance. It is the function and responsibility of the insurance company to choose the appropriate reinsurer/s within the framework of the Regulations. The Authority will therefore not permit any insurer to dilute this function and responsibility by permitting the broker or the insured to specify conditions with regard to reinsurance placements or leaving the choice of the reinsurers directly or indirectly to the insured. Non-compliance of the directives contained herein shall invite appropriate action of the Authority.

(C.S. Rao)
Chairman

IRDA Clarifies about Insurance Qualification of the Corporate Agent

27th December, 2005

To All Insurers. The Authority had issued new Guidelines for Corporate Agents vide Circular Ref: 017/IRDA/Circular/CA Guidelines/2005 dated 14th July, 2005.Clause 7 of the aforesaid Guidelines reads as under: "*The Chief Insurance Executive, the designated officer and other specified persons who will be employed by the applicant should be whole time employees of the applicant. At least one of the persons should have insurance qualification to the extent of FFII or AFII or such qualification or experience that IRDA may at its sole discretion, consider adequate.*"

The Authority has received a number of representations from the Insurers seeking relaxation of the above guideline in respect of issuance of fresh licenses as well as renewal of existing licenses on the ground that persons with FFII & AFII or equivalent qualifications are not readily available. Some of the insurers have indicated that they had instructed their CIE or SP to acquire the requisite qualification which will take some more time. The Authority, after careful examination of the difficulties expressed by the Insurers and also having regard to the need to follow the above guidelines scrupulously for the ordely development of the Industry, has decided as under: i) In so far as issuance of new licenses of Corporate Agents are concerned, there shall be no relaxation whatsoever of the Guidelines dated 14th July, 2005. (ii) However, in case of existing licenses that come up for renewal, the aforesaid Clause 7 of the Guidelines will not be enforced till 1st April, 2007 and the renewal will be provisional subject to review by 1st April, 2007.(iii) All other provisions of the Circular dated 14th July, 2005 shall be implemented in toto.

(V Vedakumari)
Executive Director

Guidelines of ULIPs

IRDA has issued a detailed circular on guidelines for Unit Linked Life Insurance Products. The circular which comes in six parts sheds light on several aspects of ULIPs. We are reproducing the circular for the benefit of our readers.

Insurance Regulatory and Development Authority

LIFE INSURANCE PRODUCTS-Guidelines for Unit Linked Life Insurance Products

CIRCULAR NO: 032/IRDA/Actl/Dec-2005 Dated: 21/12/05

1. Application.—

1.1 THIS CIRCULAR, WHICH IS FURTHER TO CIRCULAR NO. IRDA/ACTL/FUP/VER 2.0/ DEC 2003/ DATED: 18/12/2003, IS APPLICABLE TO ALL REGISTERED LIFE INSURERS CARRYING ON LIFE INSURANCE BUSINESS IN INDIA, REGISTERED IN ACCORDANCE WITH SECTION 3 OF THE INSURANCE ACT, 1938 IN RESPECT OF ALL LIFE INSURANCE PRODUCTS CLASSIFIED UNDER LINKED BUSINESS, INCLUDING PENSION AND ANNUITY BUSINESSES.

2. Back Ground:

2.1 With the opening of the insurance sector, Unit Linked Insurance Products (ULIP) have emerged as popular products and the sector has been witnessing significant growth in this line of business in addition to growth of traditional insurance products.

2.2 Considering the several features differentiating the linked insurance products from the traditional insurance products, a review of the products has become necessary to assess the extent to which the following objectives interalia, were served, for the protection of interests of the policyholders:

1. Provision of a fair insurance coverage
2. Disclosures to facilitate informed decision by the policyholders as the investment risks are borne by them
3. Preserving the long term nature of the insurance products.

2.3 The various aspects of unit linked business have therefore been examined in detail in consultation with insurance companies and a set of guidelines has been framed governing the features of the Unit Linked Insurance business in general and the products to be offered thereunder by the companies, in particular. The guidelines are intended to enhance transparency, provide better understanding of the product design to intending investors/ policyholders, enlarge the insurance cover in a consistent manner and **mainly to conform to the medium and long term investment characteristics of insurance products**. Insurance companies are advised to strictly comply with the guidelines and also give adequate publicity to the various features of the Unit Linked Life Insurance Products on their websites and the sales literature for the benefit of customers.

3. Criteria:

Unit Linked products and business should, at the minimum, satisfy the following features and criteria:

- **Reasonable insurance cover** with a linkage to the premium payment during the term of the contract;
- Availability of greater part of a **targeted sum** at the longer end;
- Basic features of **life insurance** contract **including long term nature**;
- Avoid technical **jargon;**
- Remain **simple** for the public to understand.
- Complete **transparency** in all aspects of the product terms & conditions;
- Despite the investment risk being borne by the policyholder, the investment strategy is aligned to **long term nature** of these contracts;
- Adequate disclosure of **information** pertaining to investment of funds and the elements of **risk** involved;
- A standard method, across the industry, with regard to computation of **NAV** (Net Asset Value)**;**

4. With a view to meeting the general and specific objectives for unit linked life insurance products, stated in paras#2 & 3 above, the Authority stipulates the guidelines in para #5. These will come into effect immediately and implemented as under.

I. The existing products should be modified to fall in line with the above guidelines. While there is no restriction on sale of these products (during the transition period (not beyond 30th June, 2006)), insurers should take steps to modify them as early as possible in a phased manner, and file with the Authority for information before use. As a special case, the products so filed can be used without waiting for 30 days period. **The above procedure for such products call for modification of all relevant documents such as policy document, proposal form, sales literature, sales illustration and advertisement material and filing with the Authority before use. This shall be subject to completion of an internal check (at the insurer's end) to satisfy that the products and related documents conform to the guidelines and certification by the CEO and the Appointed Actuary.** The Authority would carry out a check of the compliance at a later date and violations, if any observed, will invite serious action. **The insurers are accordingly advised to carry out the requisite modification of the existing products, and complete the exercise latest by 30th June, 2006. The existing products which are not modified shall not be sold after 30th June 2006.**

II. All the products filed but not yet cleared by the Authority shall be required to be filed afresh after modifying to conform to the guidelines.

5. Guidelines on Unit Linked Life Insurance Products

The guidelines are detailed in the Annexure and have been classified into 6 Parts, namely:-

No	Part	Description	
1	Part -I	Product Design	
		Annexure	Description
		I	Terminology
		II	Charges
		III	Forms to be furnished to the IRDA
2	Part -II	Market Conduct	
3	Part -III	Disclosure Norms	
4	Part -IV	Advertisements	
5	Part -V	Furnishing of Information	
6	Part -VI	Rating of unit linked funds	

6 Review of the guidelines:

6.1 The Authority proposes to make a detailed review of the guidelines at an appropriate date for such modifications as may be deemed necessary towards protection of the interests of the policyholders.

(C.R.MURALIDHARAN)
Member

Annexure-Guidelines on Unit Linked Insurance Products

PART-I Product Design

Approved terminology stated under various items under these guidelines should be used as per Annexure-I at all times and shall not be changed and other terminology/ definitions shall not be used.

1. Benefit payable on death:

1.1. The table 1.2 below specifies the minimum sum assured in respect of death benefit under unit linked life insurance contracts where:

1.1.1 T is Policy Term (PT) chosen by the policyholder (T shall be taken as 70 minus age at entry in case of Whole Life Products).

1.1.2 AP is Annualized Premium selected by the policyholder at the inception of the policy.

1.1.3 SP is Single Premium chosen by the policyholder at the inception of the policy.

1.2 The minimum sum assured shall be at least equal to:

Table: 1.2

Type of products	Minimum Sum Assured
Single Premium Products	125% of the SP
Non-Single Premium Products	0.5 x T x AP or 5 x AP, whichever is higher

1.2.1 In respect of products under pension and annuity business **Table 1.2** is not mandatory.

1.3. Other Conditions:

1.3.1 The sum assured payable on death shall not be reduced at any point of time during the term of the policy except to the extent of the partial withdrawals made during the two year period immediately preceding the death of the life assured. However**,** on attainment of 60 years of age of the life assured, all the partial withdrawals may be set off against the sum assured payable on death.

1.3.2. No cover should be extended after the expiry of the policy term and only settlement options (which are clearly outlined at the commencement of the contract) may be allowed.

2. Minimum Policy Term: The minimum policy term shall be **five** years.

3. Guarantees on policy benefits:

A linked product must have a guaranteed sum assured payable on death and may have a guaranteed maturity value.

3.1. General aspects on Guarantees: Guarantees provided on death, and/or on maturity shall be reasonable and consistent in relation to the current and long term interest rate scenario. In this regard, demonstration of proper pricing, including the appropriateness through sensitivity and scenario testing shall be required under the File and Use Procedure for all the guarantees provided for.

4. Surrender value (SV):

4.1 Where a Unit Linked Life Insurance Policy acquires a surrender value, it shall become payable only after the completion of the third policy anniversary.

4.2 The "Surrender Value" or the "surrender value formula" must be published in the policy document and all other promotional materials of the life insurance contract.

5 Options available on discontinuance of premiums:

5. (i) Discontinuance of due premiums after paying at least three consecutive years premium:

5.1. If all the due premiums have been paid for at least three consecutive years and subsequent premiums are unpaid, life insurers shall give an opportunity to the policyholders to revive the contract within the limited period allowed for revival as per policy conditions.

5.2 During this limited period for revival, the insurance cover under the Unit Linked Life Insurance contracts shall be continued levying appropriate charges.

5.3 At the end of the allowed period for revival, if the contract is not revived, the contract shall be terminated by paying the surrender value. However, the life insurers can offer to continue the insurance cover under such contracts, if so opted to by the policyholder, levying appropriate charges until the fund value does not fall below an amount equivalent to one full year's premium,.

5.4 When the fund value reaches an amount equivalent to one full year's premium, the contract shall be terminated by paying the fund value. It is clarified that the intention is to ensure Payment of a minimum of one full year's premium to the policyholder.

5. (ii) Discontinuance of due premiums within three years of inception of the policy:

5.6 If all the due premiums have not been paid for at least 3 consecutive years from inception, the insurance cover under the Unit Linked Life Insurance contracts shall cease immediately.

5.7 Insurers shall give an opportunity to the policyholders to revive within the period allowed for revival as per policy conditions.

5.8 In case the contract is not revived during this period, the contract shall be terminated and the surrender value, if any, shall be paid at the end of third policy anniversary or at the end of the period allowed for revival whichever is later.

6. Loans: No loans shall be granted under Linked Insurance products.

7. Top-up Premium:

7.1 A top-up premium is an amount of premium that is paid by the policyholders at irregular intervals besides basic regular premium payments specified in the contract and is treated as single premium.

7.2 Top-up premiums can be remitted to the insurer during the period of contract only, where **due** basic regular premiums are paid up to date and if expressly stated in the terms and conditions of the contract.

7.3 At any point of time during the term of the contract, so long as the total amount of top-up premiums remain within the 25% of the total amount of the basic regular premiums paid up to that date, the top-up premium will not be required to have any insurance cover (as required in Table 1.2 above) and the balance amount of such top-up premium shall have an insurance cover as specified in Table 1.2 (for single premium contracts) above and shall remain constant during the period of the contract. The provisions in this para shall not apply in respect of pensions and annuity business.

8. Partial Withdrawal:

8.1. The first partial withdrawal is allowed only after third policy anniversary for all regular premium contracts and single premium contracts.

8.2. Where partial withdrawals have been granted, in case of death during the term of the policy**,** the sum assured may be reduced to the extent of the amount of partial withdrawals made during the two year period immediately preceding the death of the life assured. However**,** on attainment of 60 years of age of the life assured, all the partial withdrawals may be set off against the sum assured payable on death. The provisions in this para shall not apply in respect of pensions and annuity business.

8.3. For the purpose of partial withdrawals, all top-up premiums-whether or not associated with insurance cover-shall be treated as single premium; for a top-up premium made during the period of the contract, a lock-in period of three years shall apply from the date of payment of that top-up premium (this condition will not apply if the top-up premiums are paid during the last three years of the contract).

9. Settlement Option:

9.1 There is no objection for an insurer providing to the policyholder settlement options, providing only periodical payments, in the contract so as to avoid the possibility of fluctuations affecting the maturity value. Settlement options should clearly indicate the inherent risk being borne by the policyholder during the period and should be explicitly understood by the policyholder. The period of settlement should not, in any case, be extended beyond a period of **five** years from the date of maturity. The provisions in this para shall not apply in respect of pensions and annuity business.

10. Unit Pricing:

10.1 The basic equity principle of unit pricing for any unit linked fund offered by the life insurer shall be:

"The interests of policyholders who have purchased units in that fund and not involved in a unit transaction should be unaffected by that transaction"

10.2 The unit pricing shall be computed based on whether the company is purchasing (appropriation price) or selling (expropriation price) the assets in order to meet the day to day transactions of unit allocations and unit redemptions i.e. the life insurer shall be required to sell/purchase the assets if unit redemptions/allocations exceed unit allocations/ redemptions at the valuation date.

10.3 The Appropriation price shall apply in a situation when the company is required to purchase the assets to allocate the units at the valuation date as stated in 10.2. This shall be the amount of money that the company should put into the fund in respect of each unit it allocates in order to preserve the interests of the existing policyholders.

10.4 The Expropriation price shall apply in a situation when the company is required to sell assets to redeem the units at the valuation date as stated in 10.2. This shall be the amount of money that the company should take out of the fund in respect of each unit it cancels in order to preserve the interests of the continuing policyholders.

10.5. Computation of NAV:

10.5.1 when Appropriation price is applied: The NAV of a Unit Linked Life Insurance Product shall be computed as: Market value of investment held by the fund plus the expenses incurred in the purchase of the assets plus the value of any current assets plus any accrued income net of fund management charges less the value of any current liabilities less provisions, if any. This gives the net asset value of the fund. Dividing by the number of units existing at the valuation date (before any new units are allocated), gives the unit price of the fund under consideration.

10.5.2 When Expropriation price is applied: The NAV of a Unit Linked Life Insurance Product shall be computed as: Market Value of investment held by the fund less the expenses incurred in the sale of the assets plus the value of any current assets plus any accrued income net of fund management charges less the value of any current liabilities less provisions, if any. This gives the net asset value of the fund. Dividing by the number of units existing at the valuation date (before any units are redeemed), gives the unit price of the fund under consideration.

10.6 Uniform cut-off timings for applicability of Net Asset Value:

The allotment of units to the policyholder should be done only after the receipt of premium proceeds as stated below:

10.6.1: Allocations (premium allocations, switch in):

10.6.1.1 In respect of premiums/funds switched received up to 4.15 p.m. by the insurer along with a local cheque or a demand draft payable at par at the place where the premium is received, the closing NAV of the day on which premium is received shall be applicable.

10.6.1.2 In respect of premiums/funds switched received after 4.15 p.m. by the insurer along with a local cheque or a demand draft payable at par at the place where the premium is received, the closing NAV of the next business day shall be applicable.

10.6.1.3 In respect of premiums received with outstation cheques/demand drafts at the place where the premium is received, the closing NAV of the day on which cheques/demand draft is realized shall be applicable.

10.6.1.4 Having regard to the above, insurer shall ensure that each and every payment instrument is banked with utmost expedition at the first opportunity, given the constraints of banking hours, prudently utilizing every available banking facility (e.g. high value clearing, account transfer etc.) Any loss in NAV incurred on account of delays, shall be made good by the insurer.

10.6.2: Redemptions:

10.6.2.1 In respect of valid applications received (e.g. surrender, maturity claim, switch out etc) up to 4.15 p.m. by the insurer, the same day's closing NAV shall be applicable.

10.6.2.2 In respect of valid applications received (e.g. surrender, maturity claim, switch etc) after 4.15 p.m. by the insurer, the closing NAV of the next business day shall be applicable.

10.7 NAV for each segregated fund provided under unit linked life insurance contracts shall be made available to the public in the print media on a daily basis. Also the NAV shall be displayed in the respective web portals of the life insurer.

11. Charges:

The life insurers shall use a uniform definition of charges under all their unit linked life insurance products in order to give a better and clear understanding amongst the insuring public. The list of proposed charges with their definition is enclosed as **Annexure II.**

12. Other conditions

12.1 Riders:

12.1.1 All the riders to be attached to a unit linked life insurance contracts shall be filed separately with the Authority. The rider premium shall be exclusive of expense loadings. The expenses shall be explicitly stated and levied separately in a transparent manner to the fund.

12.1.2 However, insurers have the option to continue the existing practice of appropriating the cost of rider by cancellation of units, provided, the rider cost including all the other charges on the fund, relating to the rider premium (like allocation charge, fund management charge etc), shall not exceed the actual rider premium filed with the Authority.

12.2 Exposure to money market instruments under all linked products and to equities in respect of group gratuity and group superannuation shall be as per existing investment guidelines prescribed for other products.

13. Sales Illustrations:

13.1 The Life Insurance Council shall put in place in concurrence with the Authority by 31st March 2006 the model/method for the sales illustration which should reflect the effect of charges (in terms of reduction in return) corresponding to the lower and higher investment returns and client specific details like age, intended premium size, the contract term, sum assured etc.

14. Furnishing Statements of Accounts:

14.1 Unit statement account shall form a part of the policy document.

14.2 Unit statement shall make a reference to the terms and conditions applicable under the respective policy document.

14.3 Unit statement shall be issued on every policy anniversary and also as and when a transaction takes place.

Annexure-I: Terminology

Approved Terminology:

1. **Sum Assured:** Sum assured is the guaranteed amount, net of permissible partial withdrawals (as per para 1.3.1 & 8.2), of the benefit that is payable on death of the life assured.

2. **Guaranteed Surrender Value:** As defined in the provisions of Section 113 of Insurance Act, 1938.

3. **Top-up premium:** A top up premium is an amount (s) paid at irregular intervals during the period of contract. This is an additional amount of premium over and above the contractual basic premiums charged at the commencement of the contract.

4. **Fund value:** Fund value at any point of time represents the value of units at that point of time i.e. number of units multiplied by the price of the units.

5. **Partial Withdrawals:** Any part of fund that is encashed/withdrawn by the policyholder during the period of contract is referred to as partial withdrawal.

6. **Switches**: This is the facility allowing the policyholder to change the investment pattern by moving from one fund to other fund(s) amongst the funds offered under the underlying product of the insurer.

7. **Premium re-direction**: This is the facility allowing the policyholder to modify the allocation of amount of renewal premium into a different investment pattern from the option (investment pattern) exercised at the inception of the contract.

8. **Surrender**: Surrender means terminating the contract once for all. On surrender a surrender value is payable which is usually expressed as fund value less the surrender charge (the surrender charge could be zero at the later part of the contract).

9. **Regular Premium Contracts**: ULIPs where the premium payment is level and paid in regular intervals like yearly, half-yearly etc.

10. **Single premium contracts**: ULIPs where the premium payment is made by a single contribution (a one time payment) at the inception.

11. **Limited premium payment contracts**: ULIPs where the premium payment period is limited compared to the policy term. The premium is payable at regular intervals like yearly, half-yearly etc. premium contracts.

12. **Whole Life Contracts**: ULIPs which do not have a definite policy term and the contract terminates on death of the life assured. This can be issued with item 9 or 10 or 11 stated above.

13. **Sales illustrations**: This is a document furnished in accordance with life insurance council circular number LC/SP/Ver 1.0 dated 3rd February, 2004, conceals the effect of charges on the value of benefits at various stages of a unit linked contract. The illustrations furnished for these contracts shall inter alia furnish the yield, net of charges, corresponding to both the higher and lower interest rate scenario.

14. **Death benefit**: The amount of benefit which is payable on death as specified in the policy document. This is stated at the inception of the contract.

15. **Maturity benefit**: The amount of benefit which is payable on maturity i.e. at the end of the term, as specified in the policy document. This is stated at the inception of the contract.

16. **Survival benefit**: The amount of benefit which is payable at specific intervals, on survival to that period during the period of contract as specified in the policy document. This is stated at the inception of the contract.

17. **Units**: This is a portion or a part of the underlying segregated unit linked fund. Re. 1/-. This is stated in the unit linked policy documents.

18. **Rider benefits**: The amount of benefit payable on a specified event (for instance, accident), and is allowed as add on to main benefit.

19. **Settlement options**: A facility made available to the policyholder to receive the maturity proceeds in a defined manner (the terms and conditions are specified in advance at the inception of the contract).

20. **Unit Linked Fund:** Unit-linked fund pools together the premiums paid by policyholders and invest in a portfolio of assets to achieve the fund(s) objective. The price of each unit in a fund depends on how the investments in that fund perform. The fund will be managed by the insurer.

21. **Fund Value**: This is the product of the total number of units under a policy and the NAV (Net Asset Value per unit).

22. **Valuation of funds**: The determination of the value of the underlying assets of the unit fund.

23. **Redemption:** Encashing the units at the prevailing unit price offered by the life insurer where the process involves cancellation of units. This is applicable in case of exercising partial withdrawal, switch, maturity, surrender etc.

24. **Allocation**: creating the units at the prevailing unit price offered by the life insurer. This is applicable in case of premium payments and switches.

Annexure-II: Charges

1. Premium Allocation Charge:

1.1 This is a percentage of the premium appropriated towards charges from the premium received. The balance known as allocation rate constitutes that part of premium which is utilized to purchase (investment) units for the policy. The percentage shall be explicitly stated and could vary interalia by the policy year in which the premium is paid, the premium size, premium payment frequency and the premium type (regular, single or top-up premium).

1.2 This is a charge levied at the time of receipt of premium.

1.3 If Actuarial Funding is adopted, this charge may also include an initial management charge, which is levied on the units created from the first years' premium, for a specified period.

1.4 **Example:** If premium = Rs.1000 & Premium Allocation Charge: 10% of the premium; then the charge is: Rs.100 and Balance amount of premium is Rs.900 and is utilized to purchase units.

2. Fund Management Charge (FMC):

2.1 This is a charge levied as a percentage of the value of assets and shall be appropriated by adjusting the Net Asset Value as prescribed in para 10.5 of PART-I.

2.2 This is a charge levied at the time of computation of NAV, which is usually done on daily basis.

2.3 **Example:** If Fund Management charge (FMC) is 1% p.a. payable annually; Fund as at 31.3.2004 before FMC is Rs.100/- and Fund after this charge is Rs.99/-

3. Policy Administration Charge:

3.1 This charge shall represent the expenses other than those covered by premium allocation charges and the fund management expenses. This is a charge which may be expressed as a fixed amount or a percentage of the premium or a percentage of sum assured. This is a charge levied at the beginning of each policy month from the policy fund by canceling units for equivalent amount.

3.2 This charge could be flat throughout the policy term or vary at a pre-determined rate. The pre-determined rate shall preferably be say an x% per annum, where x shall not exceed 5.

3.3 **Example:** Rs.40/- per month increased by 2%p.a. on every policy anniversary.

4 Surrender Charge:

4.1 This is a charge levied on the unit fund at the time of surrender of the contract.

4.2 This charge is usually expressed either as a percentage of the fund or as a percentage of the annualized premiums (for regular premium contracts).

5. Switching Charge:

5.1 This a charge levied on switching of monies from one fund to another available within the product. The charge will be levied at the time of effecting switch and is usually a flat amount per each switch.

5.2 Example: Rs.100 per switch.

6. Mortality charge:

6.1 This is the cost of life insurance cover. It is exclusive of any expense loadings levied either by cancellation of units or by debiting the premium but not both. This charge may be levied at the beginning of each policy month from the fund.

6.2 The method of computation shall be explicitly specified in the policy document. The mortality charge table shall invariably form part of the policy document.

6.3 Mortality rates are guaranteed during the contract period, which are filed with the Authority.

7. Rider premium charge:

7.1 Rider cover cost: This is the premium exclusive of expense loadings levied separately to cover the cost of rider cover levied either by cancellation of units or by debiting the premium but not both. This charge is levied at the beginning of each policy month from the fund.

8. Partial withdrawal charge:

8.1 This is a charge levied on the unit fund at the time of part withdrawal of the fund during the contract period.

9. Miscellaneous charge:

9.1 This is a charge levied for any alterations within the contract, such as, increase in sum assured, premium redirection, change in policy term etc. The charge is expressed as a flat amount levied by cancellation of units.

9.2 This charge is levied only at the time of alteration.

9.3 **Example:** Rs.100/- for any alteration such as increase in sum assured, change in premium mode etc.

10 Notes:

10.1 All the charges other than premium allocation charge and cost of life insurance/mortality cost shall have an upper limit.

10.2 All the charges stated above, where relevant, may be modified with supporting data within the upper limits with prior clearance from the Authority.

PART-II Market Conduct

1. Market conduct:

1. For better understanding of the complexities of Unit Linked Life Insurance Products, the Life Insurance Council shall put in place, in concurrence with the Authority, by 31st March 2006 the guidelines for the market conduct which should include interalia the following:

1.1. (a) Separate training to all the insurance agents/ intermediaries before they are authorized to sell unit linked life insurance products. The curriculum for this training should interalia contains the basic features and inherent risks in these products;

1.1 (b) Periodical in house refresher training to the persons involved in soliciting or procuring the business (agents/intermediaries).

1.1 (c) The records of such persons (agent/ intermediaries), who have undergone this specific training, shall be maintained.

1.2 Appropriate documentation forming part of the proposal papers to demonstrate informed decision making on the part of the proponent in deciding a particular insurance product.

1.3 Provision of the sales illustration statement as prescribed and duly acknowledged by the potential policyholder.

1.4 Code of conduct to ensure no mis-sale takes place.

1.5 Education of the policyholders on an ongoing basis, about the features, risk factors, terminology, definitions of charges etc under these contracts.

1.6 Uniform practice for rounding off the unit prices.

PART-III Disclosure Norms

1. Disclosure Norms:

1.1. All Life Insurers should necessarily and explicitly give information as follows, **using the same font size**, in all the sales brochures, prospectus of Insurance products, in all promotional material and in policy documents:

1.1.1 The various funds offered along with the details and objective of the fund.

1.1.2 The minimum and maximum percentage of the Investments in different types (like equities, debt etc.), investment strategy so as to enable the policyholder to make an informed investment decision. **"No statement of opinion as to the performance of the fund shall be made any where."**

1.1.3 The definition of all applicable charges, method of appropriation of these charges and the quantum of charges that are levied under the terms and conditions of the policy.

1.1.4 The maximum limit up to which the insurer reserves the right to increase the charges subject to prior clearance of the Authority.

1.1.5. The fundamental attributes and the risk profile (low, medium or high) of different types of investments that are offered under various funds of each unit linked product**.**

1.1.6 On top of each document including the proposal form mention, **"IN THIS POLICY, THE INVESTMENT RISK IN INVESTMENT PORTFOLIO IS BORNE BY THE POLICYHOLDER"**

1.2. The policyholder should be given the full details, **using the same font**, related to the investments, as an annual report, covering the fund performance during the preceding financial year in relation to the economic scenario, market developments etc. which should including particulars like:

1.2.1 The investment strategies and Risk Control measures adopted.

1.2.2 The changes in fundamentals, *such as interest rates, tax rates, etc.*, affecting the investment portfolio.

1.2.3 The composition of the fund (debt, equity etc.), analysis within various classes of investment, investment portfolio details, sectoral exposure of the underlying funds and the ratings of investments made.

1.2.4 Analysis according to the duration of the investments held.

1.2.5 Performance of the various funds over different periods like 1 year, 2 years, 3years, 4 years, 5 years and since inception along with comparative benchmark index.

1.3. All the Life Insurers are required to issue the periodical statements of accounts to policy holders as stated in para 14 of Part-I.

PART-IV Advertisements

1. Advertisements:

1.1. An advertisement shall ensure the dissemination to all policyholders of adequate, accurate, explicit and timely information fairly presented in a simple language about:

1.1.1 A factual picture of inherent risks involved.

1.1.2 Should clearly distinguish the fact that the Unit Linked products are different from the traditional Life Insurance products so that at no point of time the prospective policy holders will be misled while choosing the Unit Linked products.

1.1.3 The risk factors associated with specific reference to fluctuations in investment returns and the possibility of increase in charges.

1.1.4 The premiums and funds are subject to certain charges related to the fund or to the premium paid.

1.1.5 The contingency on which the guarantee, if any, is payable and the exact quantum of such guarantee.

1.2 The terminology used in all the advertisements shall be simple, concise and understandable to convey the exact meaning to the policyholders as all of them may not be sophisticated in legal or financial matters and shall avoid the usage of technical jargon and also terms which can have different interpretations or detract the policyholders.

1.3 Care should be taken while reporting the past performance of the funds in advertisements, as well as in any other promotional material like sales illustrations, sales brochures etc. It should contain only the results of the funds and be duly supported by related figures. The emphasis on past performance must be reduced in the advertisements, however, past performance, wherever intended to be reported, shall contain:

1.3.1 Compound annual returns (shall adopt standardized computations) for the previous five calendar years, expressed as a percentage rounded to the nearest 0.1%.

1.3.2 Where last five calendar years data are not available, as many years as possible must be shown.

1.3.3 Where data is not available for at least one calendar year, past performance shall not be shown.

1.3.4 The life insurers shall not be permitted to demonstrate a link between the past performance and the future.

1.3.5 It should clearly state, in the same font, that the past performance is not indicative of future performance.

1.3.6 Corresponding benchmark index performance, if any, shall be included.

1.4 All the advertisements of Unit Linked Life Insurance products should disclose the risk factors as stated in the policy document along with the following warning statements:

1.4.1 Unit Linked Life Insurance products are different from the traditional insurance products and are subject to the risk factors.

1.4.2 The premium paid in Unit Linked Life Insurance policies are subject to investment risks associated with capital markets and the NAVs of the units may go up or down based on the performance of fund and factors influencing the capital market and the insured is responsible for his/her decisions.

1.4.3 ___________is only the name of the Insurance Company and______ is only the name of the unit linked life insurance contract and does not in any way indicate the quality of the contract, its future prospects or returns.

1.4.4 Please know the associated risks and the applicable charges, from your Insurance agent or the Intermediary or policy document the insurer.

1.4.5 The various funds offered under this contract are the names of the funds and do not in any way indicate the quality of these plans, their future prospects and returns.

1.4.6 In view of the paucity of time and space, on the advertisements in the hoardings and posters and in audio visual media, wherever the unit linked life insurance contract has been advertised, point no (1.4.2) and (1.4.3) should have a place invariably.

Reforms In Insurance Sector

—The Agenda For Next Decade

"The new players have performed beyond expectations garnering more than 20% of the market" avers *G V Rao*

Future challenges:

"Looking back at the progress in insurance reforms (carried out) in the last decade is a good thing; but looking ahead is more purposeful". That is how the Publisher and the Chairman IRDA, in the last issue of the IRDA Journal, put the future challenges facing the insurance industry in their perspective. The looming challenges of the next decade and the points of action required for meeting them by the industry need to be addressed. What are the future challenges? First let us examine the impressive achievements.

Achievements:

A look back at the progress made in the last decade: the liberalization of the markets by the entry of private players, most of them with foreign collaboration, has posed challenges of reorientation and rationalization to the existing set of insurers operating in a monopolistic environment. They have become market-savvy. The new players have performed beyond expectations garnering more than 20% of the market. Non-life industry has been growing at an average of more than 15% per annum.

The enactment of the IRDA Act 1999 presented a unique challenge to the Regulatory Authority not only to protect consumer interests, while watching over the financial safety of insurers, but to take up regulatory steps to develop the market to make insurance available to the needy insurable public in the rural areas.

All these challenges have been met by enactment of a host of regulations dealing with several aspects of the functioning of insurers and injection of new distribution channels like brokers, corporate agents and TPAs, that has drawn the admiration of the rest of the world, for their thoroughness and clarity. Enactment of regulations for protection of policyholders' interests is another noteworthy addition to the list. Regulations that stipulate a minimum percentage of business, by insurers, from rural and social sectors are special efforts made at spreading the message of insurance to the rural needy.

Regulations that stipulate a minimum percentage of business, by insurers, from rural and social sectors are special efforts made at spreading the message of insurance to the rural needy.

Statistical exposition of collated data in respect of the industry through publication of a monthly Journal and the industry data in its annual review make the industry better understood by the insurable public and market watchers.

Setting up the Institute of Insurance & Risk Management in Hyderabad in collaboration with the AP Govt. is another effort at professionalizing the industry by providing a platform for the industry to launch their future R& D activities and insurance education.

Reforms include the registration of a professional institute for surveyors to develop their expertise and expand their capabilities to deliver quality professional services to the industry.

Micro-insurance:

The latest addition to the regulations in the area of Micro-insurance for development of rural insurance, particularly rural health insurance is remarkable for its innovativeness enabling the creation of new agency cadre and enlarging the number of insurance providers, both life and non-life. It is a unique experiment in social engineering of rural insurance markets. Its success may make it a role model for other developing countries.

Challenges of the next decade:

What are the likely challenges for the next decade demanding further reforms in the industry?

- To dismantle the tariff structure in respect of 70% of the non-life market. Will it be orderly or chaotic, needing frequent regulatory intervention?

- To determine the priority between increased FDI and partial disinvestments?
- To ensure enactment of a comprehensive single law to govern the administration and development of insurance that will serve its interests at least for a decade or more.
- To make health insurance and other covers affordable to a vast segment of rural population.
- To ensure high standards of corporate governance and ethical norms for insurers to deliver fair and speedy customer services and the protection of the investors' assets.
- To pressure insurers to bring down the high cost of management and distribution for insurance covers to be priced at reasonable levels.
- To enhance the satisfaction levels among the insured public that IRDA is an umpire to protect their interests against unfair practices indulged in by insurers.
- To make the Indian industry world-class in terms of professionalism, expertise and self-reliance.

Evaluating current reforms:

While the above are a few of the fresh challenges likely to be faced in the immediate future, an important aspect for consideration of the IRDA is the effectiveness of the reforms already under way. How successful have been these enacted reforms? How do the insurers/intermediaries and insured customers feel that their interests and concerns have been fairly served by each of the other stakeholders at the market place?

IRDA is an enabling legal authority to bring out the best out of each party through its intervention. How good have been the monitoring mechanisms in place to judge the market performance of each stakeholder? What are the shortcomings in their expected performance? Are the insured getting their expected due from each of them?

The entire organized insurance system exists only to serve the ultimate interests of the consumers, with the Govt. as an indirect beneficiary of insurers' acting as social security net for those that can afford insurance and for funds to be generated to develop national economy. How conscious is the Govt. that these objectives are being served best through the various organs created to realize them?

> How do the insurers/ intermediaries and insured customers feel that their interests and concerns have been fairly served by each of the other stakeholders at the market place?

Such an analysis, from the performance of each stakeholder, will determine if there is a need to enhance the levels of supervision and monitoring. This is only possible, if there are internal standards or benchmarks that the IRDA has set for itself to measure the efficacy of the major reforms that have a greater impact on the healthy development of the market and in serving consumer interests. This, of course, is an ongoing exercise. The inspection mechanisms set in motion to monitor the market conduct of the parties will continually throw up fresh ideas of what additional reforms to the existing ones may be needed. This is the most important challenge that needs to be tackled fairly and firmly.

Legislative challenges:

Other challenges facing the market relate to legislation to be enacted by the Govt. in public interest. Just as the Govt. took the initiative, making it compulsory for certain industrial chemical firms to buy public liability insurance, it should be persuaded to take similar initiatives in respect of other socially desirable projects. One such is the compulsory health insurance for employees employed by public limited companies. Such companies should be asked through legislation to compulsorily provide reimbursement of medical expenses for their employees either out of their own funds or by buying insurance. This will give boost in creating a demand for health insurance in the corporate entities. There should be pressures built on the Govt. for this purpose by the industry and the IRDA.

Another issue is the service tax that penalizes buying optional insurance covers by individuals out of their own funds. Govt. should be pressured to exempt all individuals who buy optional insurances out of their funds from paying service tax of 10.2%; thus reducing the cost of buying insurance in a not-so-affluent country like India and particularly in respect of health covers.

Also, service tax nomenclature needs to be changed as "premium tax"; as no service is rendered when a policy is bought. A policy at best is a contingent promise to indemnify only if an event happens. The chances are 90% that it will not, according to statistics. The idea is to ensure that if "premium tax" has to go up it has to be more specifically targeted and not clubbed with other services, where real services are to be performed before taxes are paid.

Consumer interactions:

Just as IRDA has launched a drive through media to create awareness for insurance, there should be a similar drive towards conducting consumer surveys to determine their needs in respect of the current service levels of insurers. Only the consumers can express what more they expect from the stakeholders.

The grievance redressal mechanisms of insurers need to be inspected and audited to check if the regulations of policyholders' protection are complied with and are being implemented.

There should be an internal cell to collect information and monitor claims decided against insurers in various legal forums to determine what additional regulations may be necessary to minimize consumer dissatisfaction. Claims being declined on flimsy grounds, and tendency of insurers to go to courts on appeals not based on issues of principle, need to be checked.

The idea is to ensure that if "premium tax" has to go up it has to be more specifically targeted and not clubbed with other services, where real services are to be performed before taxes are paid.

The office of the Ombudsman must be streamlined on the pattern of the banking industry that is continually reinventing itself on this front. If necessary, a committee of insurers' officials may be appointed along with IRDA representatives to examine the current situation and to suggest improvements in the system of redressal.

Conclusion:

While market watchers can point out further improvements, as above, it is conceded that the authorities in the insurance industry may have their own compulsions or reasons on the current state of affairs continuing. The ideas are thrown up for purposes of re-examination and further consideration on the feasibility of their implementation.

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Insurance Reforms

- A Journey Without End

"Whereas insurers must no doubt make profits in their operations, they also have a duty to the society at large. The regulator has to ensure that this creed is fulfilled" opines *H. Ansari.*

Insurance in India has had a chequered history. The first life insurance company was established in 1818 followed by the first general insurance company in 1850. The country has witnessed over 135 years of privatization followed by more than four decades of nationalization and finally liberalization. In fact, India has the unique experience of insurance commencing its journey in the private sector, followed by a period of total government monopoly and eventually a liberalized environment where both public and private sector can co-exist and help in spread of the message of insurance to a wider audience in the country.

Insurance is 'people-centric' in character. Insurers deal with people who are their policyholders, beneficiaries, claimants, intermediaries and even employees. The government since inception perhaps has exercised more control over the business of insurance than any other business activity. Even when this business was in the hands of private players prior to 1956 (for life insurance) and 1973 (pertaining to general insurance), regulatory control was exercised exclusively at the state level. The Insurance Act of 1938 is a testimony to the conduct of insurance business in the country and was followed even after nationalization of insurance sector by the monopoly players.

Insurance being 'people business' requires extensive legislative, regulatory and on-going political attention. The reasons for framing regulations in insurance are primarily on account of large number of people being affected by it, the 'security via a promise" concept wherein insurers promise to make good the loss on the happening of an insured peril which can take place either tomorrow or ten/twenty/thirty years down the line and the imbalance of bargaining power between the small policyholder on one hand and a large corporate on the other. Insurance also plays a vital role in the economic fabric of the country necessitating framing of prudent regulations so as to protect the interest of holders of insurance policies.

> The Insurance Act of 1938 is a testimony to the conduct of insurance business in the country and was followed even after nationalization of insurance sector by the monopoly players.

The basic Act in India is the Insurance Act of 1938 which came into force from

1st July 1939. Under the provisions of the act, the government had established the institution of Controller of Insurance along with a separate department to supervise and regulate insurance business in the country. The headquarters of this department were located in Kennedy Cottage, Simla. The initial designation of the officer given necessary authority under the Act was that of Superintendent of Insurance. It was only in 1946 that the word superintendent was replaced by controller signifying wide supervisory, regulatory and state control over insurance business. The first three appointees by the government to this august office in Simla carrying a fixed tenure of five years were Mr. L. S. Vaidyanathan, Mr. M. A. Aziz Ansari and Mr. A. Rajagopalan. They were the pioneers in regulating the insurance sector in India.

The importance of Insurance Act 1938 lies in the fact that for the first time in the history of insurance in India, the whole insurance business was brought under a unified system of control and its structure strengthened by statutory regulations. Weaker elements were weeded out, indiscriminate promotion was checked and speculative insurance was eliminated. The best proof of the soundness of law was the effective check on large-scale liquidations which had marred the name of insurance in the thirties.

While speaking on the Insurance Act, one should also not overlook the contributions made by Mr. S. C. Sen, the well-known solicitor who was appointed as officer on special duty in the Department of Commerce in 1934 to study and report on the subject of amendments to insurance law, the proactive role played by All India Life Offices Association (AILOA) and the committee under the chairmanship of the then Law Member - Mr. N. N. Sarcar who piloted the bill in the legislative assembly in January 1937 which finally resulted in the Insurance Act of 1938.

The country won its independence from British rule in 1947 and went on to become a republic in 1950. It adopted a socialistic pattern of society. On account of malpractices then prevailing in the life sector coupled with the inability of some of the players to act as trustees of public funds, the government decided to nationalize life insurance in 1956 to be followed by general insurance in 1972. The objective of both Life Insurance Corporation of India Act 1956 and General Insurance Business (Nationalization) Act, 1972 was to spread the message of life and general insurance respectively to every nook and corner of the country and to serve the needs of the economy by securing the development of life insurance and general insurance business in the best interest of the community.

After nationalization, the role of controller of insurance diminished in significance. The controller by that time had also moved to New Delhi and had become a part of the Ministry of Finance. With the government being the owner and also regulator of all Insurance companies in the nationalized set up, the ownership role came to the forefront and the regulatory role slipped into the background. Many of the powers of hitherto controller of insurance were delegated to the central offices of LIC and GIC.

Nationalization of insurance helped in deployment of massive financial resources. It also helped in spread of insurance with LIC becoming a household name in the country. However, as was then the prevailing culture in public sector, with the passage of time, the responsibility and accountability parameters deteriorated resulting in consumer detriment. Though insurance business in the country grew by leaps and bounds - both in the life and non-life sectors - and a unique low-cost model of insurance was developed for the first time in the world by public sector companies, the servicing parameters in the insurance sector came down and the 'chalta hai' (laid-back) attitude prevailed.

In 1991, the government initiated the reforms process in the country. In April 1993, it set up a high-powered committee to examine the structure of the insurance industry and recommend changes to make it more efficient and competitive. The committee was headed by Mr. R. N. Malhotra, former Governor of Reserve Bank of India. This committee known as Committee of Reforms in the Insurance Sector (CRIS) submitted its report on 7th January 1994 recommending that the insurance regulatory apparatus should be activated in the country by the establishment of strong and effective regulatory machinery with adequate statutory powers and controls. The Malhotra committee also suggested that insurance sector should be gradually opened for private participation both in life and non-life sectors separately. However, no composite insurers were to be permitted. In addition, the committee also suggested that foreign companies should be allowed through joint ventures established in India with Indian partners. It also laid down the norms for minimum paid-up capital for new direct insurance companies being not less than Rs.100 crores. It further recommended that brokers be allowed to operate for direct business with adequate control and safeguards.

> The enacting of any legislation in our country is a time consuming process. In the case of insurance industry however, the issue became more complicated.

The recommendations of the Malhotra Committee were discussed at different forums. It received wide support for establishment of a strong and effective regulatory authority. In view of the above, the government initially established an interim regulatory authority by executive order in September 1996 and at the same time decided to bring in legislation to establish an independent regulatory authority for the insurance industry. The office of the interim regulatory authority was located at New Delhi.

The enacting of any legislation in our country is a time consuming process. In the case of insurance industry however, the issue became more complicated. On 20th December 1996, the government introduced the Insurance Regulatory Authority Bill 1996 for establishment of an authority to protect the interests of holders of insurance policies and to regulate, promote and ensure orderly growth of the insurance industry. The bill was referred to the standing committee of the Ministry of Finance. The committee submitted its report on 9th May 1997. The bill incorporating the recommendations of the standing committee was taken up for consideration but it could not be passed and was withdrawn by the government.

Meanwhile, the interim regulatory authority under the Chairmanship of

Mr. N. Rangachary started its work in right earnest. It worked on the IRDA Bill to make it prudent, compact and meaningful. Mr. Rangachary had earlier a stint with United India Insurance Company as Financial Advisor in the eighties and thus he was conversant with insurance business. He was assisted in his task by Members who were drawn from the public sector insurance industry by the government. They were further supported by a team of dedicated officers and staff in pursuit of the onerous task.

In 1998, a new government came to power at the centre. In the budget speech of 1998, the policy of the government was announced to open up the insurance sector and also to establish a statutory regulatory authority. Accordingly, the Insurance Regulatory Authority Bill 1998 was introduced in the Lok Sabha on 15th December 1998 providing for setting a statutory Insurance Regulatory Authority and containing schedules incorporating amendments to the Insurance Act, 1938 the Life Insurance Corporation Act, 1956 and the General Insurance Business (Nationalization) Act, 1972 and to permit the entry of private "Indian companies" into the Insurance sector and to make certain consequential amendments to the Insurance Act, 1938. The Bill was referred to the standing committee on finance consisting of 35 members from the Lok Sabha/Rajya Sabha on the 4th of January 1999 for examination and report. The standing committee was headed by Mr. Murli Deora MP. The standing committee while recommending the Bill suggested some amendments. These amendments were accepted by the government and the Bill was circulated on 18th March 1999. This Bill too could not be taken up for consideration consequent on the dissolution of the Lok Sabha.

A fresh Bill was introduced by the new government in the second half of 1999 by incorporating the provisions of the Insurance Regulatory Authority Bill 1998 and the amendments suggested by the standing committee on finance. The amendments pertained to foreign equity being restricted to 26%; abolition of NRI quota; name of IRA being changed to IRDA as also emphasis on development of social, rural and unorganized sectors.

Regulations are not carved in stone. They are an evolving process. They depend on the development, maturity and dynamism of the market.

The IRDA Bill received the Presidential ascent on 29th of December 1999 and became an Act. The Authority was given statutory recognition on 19th of April 2000. The Advisory committee was constituted. On 19th July 2000 immediately after the first meeting of the Advisory committee, 11 essential regulations relevant for players entering the Indian market were notified. The field was now open for new players to seek license. Two days before Diwali i. e. on 23rd of October 2000, as per assurances given earlier, six licenses to new players on the life and non-life sectors were issued. India thus became a liberalized insurance market.

In subsequent years, more licenses were granted by the IRDA. The IRDA also shifted its headquarters to Hyderabad.

Now that the industry has completed five years of liberalization, the number of new players both on the life and non-life side stands at twenty-three with LIC and the four public sector non-life insurance companies making it a total of twenty eight direct insurers. Subsequent amendment in 2002 to the Act took away the supervisory and controlling authority of the GIC over the four non-life public sector insurance companies. The Government also designated GIC as the "Indian Reinsurer" under section 101 A of the Insurance Act, 1938. GIC was thus issued a license as reinsurer.

During this period, the authority was able to establish its credentials as a prudential regulator and the regulations notified by IRDA received due recognition even from IAIS. Presently, the authority is also looking into other areas connected with monitoring of insurers and intermediaries. In addition, a road map for detariffing of the non-life market has been drawn up effective from 1-1-2007.

Regulations are not carved in stone. They are an evolving process. They depend on the development, maturity and dynamism of the market. The regulator is a friend, philosopher and guide. He is a referee whose job is to ensure that the game is played in the best of spirits. Ultimately, regulator's paramount duty continues to be protection of policyholders' interests.

With major collapses within the insurance industry worldwide and seismic shift in reinsurance rating since 2001, insurers and reinsurers are being asked to provide stability and certainty in a world that is more volatile and uncertain than ever before. AAA rating has become a thing of the past. One clear trend that is emerging is that buyers are increasingly looking beyond ratings and looking deeper into Insurance relationships. The job of the regulator therefore has become much more complex. He needs to be not only fair and transparent but also sensitive to the needs of the market. Liberalization was taken up with the aim to increase insurance penetration as a percentage of the GDP which is abysmally low as compared to many developing markets; besides giving customers a wider choice. If, ten to fifteen years down the line, insurance penetration in the country does not improve, then apart from the players, the blame shall also be laid on the regulators.

There is much talk in the insurance industry today about shareholder's value. This is not merely increase in share price plus dividends. Shareholders value has got to be something that lasts for a much longer period. Ultimately, corporate governance and self-regulations will become critical for the insurers and the intermediaries in the coming days.

Indian insurers, both in the life and non-life sectors, need to experiment with the low cost insurance models. This is essential for a country where 27% of the population still lives below the poverty line. The players registered by the IRDA are 'Indian insurance companies'. They have all been incorporated under the Companies Act of 1956 and its amendments from time to time. The development of social, rural and unorganized sectors and micro insurance is now the responsibility of all insurers in the Indian market and not merely the five insurers owned by the State. The same also applies to third party motor insurance which continues to be a statutory requirement. Whereas insurers must no doubt make profits in their operations, they also have a duty to the society at large. The regulator has to ensure that this creed is fulfilled.

Indian insurers, both in the life and non-life sectors, need to experiment with the low cost insurance models. This is essential for a country where 27% of the population still lives below the poverty line.

Regulations have a beginning but no end. Apart from granting licenses to insurers and intermediaries, introducing anti-fraud enforcement measures and providing public information on insurance, the regulator is also required to develop a legislation affecting public policy on insurance. In all these areas, the market is controlled by a combination of regulation and self-regulation. Balancing and coordinating the two will be important and crucial.

The IRDA in the days ahead will have to face this acid test.

The author is a former Member of interim IRA and IRDA .

8th Global Conference of Actuaries

The 8th Global Conference of Actuaries is being held jointly by The Actuarial Society of India (ASI) and International Actuarial Association (IAA) on 10th and 11th March, 2006 at Mumbai. The focus of the conference would be **"The Emerging Roles of Actuaries".**

The role of an actuary has been facing new challenges, considering the new areas of business and the changing environment – in life insurance; in health insurance as also in the other areas of general insurance; and in a host of other financial services. Further, the ongoing globalization of the actuarial profession is opening up fresh opportunities.

The Conference aims at discussing threadbare several of these challenges at a global level. It would provide a platform for several global professionals and practitioners to put forth their thoughts.

Venue:
Hotel Taj President, Mumbai.

Dates:
10th & 11th March, 2006

Looking Back, Looking Ahead

— The ushering of a silent revolution in Indian insurance

"While successive governments made efforts to introduce reforms to the legislative framework of insurance, precious little could be done in view of wide-ranging opposition to the opening up of the sector" writes *Arup Chatterjee*.

Introduction

India's insurance reforms have been piecemeal and incremental. The casual observer runs the risk of being misled with the impression that nothing has been happening. To a bystander, it is quite evident that the government and the regulatory authorities have followed a step-by-step approach, not a big bang as one witnesses breaking of old rules and defining new paradigms. If one looks back and makes a more holistic assessment of reforms over the last decade, the change is irreversible. The analogy is comparable with the hour hand of the clock, which looks completely static, and yet completes a full circle every 12 hours. This article briefly recaps the salient features of the reforms in the Indian insurance sector in the last decade and identifies the critical challenges that lie ahead.

Government on test

Insurance reforms were initiated in India's insurance sector about one decade back with the setting up of an interim Insurance Regulatory Authority (IRA) in 1996 through an executive order of the Government of India. This was the first step in a long sequel of subsequent reforms that were initiated acting upon the recommendations of the Committee on Reforms in the Insurance Sector (CRIS). It sent a strong signal about the Government's intent of introducing reforms in the insurance sector as part of the overall reforms in the real sector and the financial sector in particular.

It also subsequently paved way towards the establishment of an independent supervisory office when the powers of the erstwhile Controller of Insurance were transferred to the new regulatory body. This was yet another signal from the government to separate the supervisory function from the ownership function at a time when all the insurance companies that operated in the market were government owned. The public sector insurers as a result of this change were required to submit their statutory returns to the IRA.

> The analogy is comparable with the hour hand of the clock, which looks completely static, and yet completes a full circle every 12 hours.

This move was complemented with the Chairman of IRA being made the ex-officio Chairman of Tariff Advisory Committee (TAC) so as to ensure that rates, terms and conditions quoted by general insurers were transparent and that the consumer got a fair deal. The first step initiated was to make the tariffs, which were hitherto treated as confidential documents, to be made available in the public domain thereby introducing an element of transparency. An extensive review of the Fire tariff was undertaken by the TAC and there was a great deal of simplification and rationalisation that was brought in. And on the whole Fire tariff saw reduction in premium rates. In another separate exercise Motor tariff was also revisited and it witnessed an increase in premium rates.

Recognising the growing dissatisfaction amongst the holders of personal lines of insurance policies against insurers; the government, in consultation with the IRA set up for the first time, the institution of Ombudsmen to settle disputes. Settling of disputes was becoming time consuming and this mechanism was expected to make the process efficient and less costly.

Along with these routine house keeping functions, simultaneously work was also underway with a low key to draft the bill for setting up an insurance regulatory body, and for carrying out changes to the Insurance Act, 1938. As the supervisory body was expected to be entrusted with regulation making powers sooner or later, work also commenced by way of examination of various aspects of regulations - prudential, governance and market conduct so that the regulations suitable to the stage of development of the market and its unique characteristics could be drawn. This entire task was carried in-house and experts from the insurance industry, government and other faculties were co-opted so as to obtain their distilled views on the road map to be carved for regulations.

While successive governments made efforts to introduce reforms to the legislative framework of insurance, precious little could be done in view of wide-ranging opposition to the opening up of the sector. This was particularly because of the failure of insurers and questionable practices detrimental to public interest adopted by them which had led to nationalisation. Although the nationalised insurance companies can be credited with spreading insurance to the far nook and corner of the country deficiencies were also noticeable. These were in terms of limited customer choice as the product range was small and not innovative enough. The after sales service of insurance contracts was not up to the mark especially after a claim was reported. And a huge market was still left untapped. It was clear that the market needed more players to supplement the existing efforts. After intense debate, both inside and outside Parliament, a broad consensus emerged in 1999, which led to the passage of the Insurance Regulatory And Development Authority Act, 1999. Although foreign equity participation was allowed in Indian insurance companies, it was capped at *twenty six* percent.

The supervisor was mandated with the unique responsibility of developing the insurance market and was mandated to give preference at the time of registration to those insurance companies which expressed their intent to carry out health insurance business. The Parliament also mandated that a certain portion of business of the insurer must emanate from the rural and social sectors.

Concomitant amendments were also made in the Insurance Act, 1938 which ended the exclusive monopoly of the General Insurance Corporation of India and its subsidiaries; and the Life Insurance Corporation of India to carry out general insurance and life insurance business respectively.

Regulator on Test

The reforms in insurance sector in India can be marked as one of the smoothest and controversy ridden initiatives of the many economic reform initiatives undertaken by the state. Major changes occurred in the insurance sector with the passage of the Insurance Regulatory And Development Authority Act, 1999. It led to the establishment of a insurance supervisor independent of government markets the Insurance Regulatory And Development Authority (IRDA). Regulations were notified within a very short span of time in consultation with the Insurance Advisory Committee – an advisory body constituted by IRDA comprising of leading experts from different faculties. The regulations focused on the effectiveness of prudential oversight, improvements in the efficiency of market infrastructure, and transparency in the operations of market intermediaries. In order to further enhance the operational transparency of the market intermediaries, the surveillance, enforcement and disclosure practices were further strengthened. Norms for business emanating from rural and social sector were also notified. The IRDA has also embarked on a regulatory programme that encourages greater professionalisation and modernisation of this sector. It took commendable initiatives for training and certification of insurance agents and for encouraging the development of an actuarial profession. Another initiative was the introduction of third party administrators for improving the servicing of health insurance claims.

> The regulations focused on the effectiveness of prudential oversight, improvements in the efficiency of market infra-structure, and transparency in the operations of market intermediaries.

The government's foresight of having a regulator in place before the registration of new insurance companies and licensing of insurance intermediaries gave the regulator the breathing time for crafting regulations which were to a great degree in tune with international standards and best practices suggested by the International Association of Insurance Supervisors. The industry, the intending market participants and other professional bodies were widely consulted at the time of the regulation making process and their suggestions were given adequate consideration wherever possible. This led to a broad acceptance of the regulations and allowed a smooth transition from a monopolistic to a competitive regime.

The General Insurance Corporation was re-designated as the Indian reinsurer and general insurance were mandated to cede twenty percent of their premiums to the national reinsurer.

When the IRDA invited applications for registering private insurers, all the prudential aspects were notified within a short span of six months. Earlier, during the consultation process with the industry, the draft regulations served as indicators for intending market participants to form joint ventures and equip themselves to enter the Indian insurance market. It was made quite clear at that time that registration of neither composite insurers nor captive insurers would be permitted. Also, outsourcing of core functions of an insurer was restricted so that the new players developed their own expertise in-house. By the end of 2000 the market which was dominated by one behemoth on the life insurance sector and four general insurers, witnessed new private players. Many of the established insurance majors set up joint ventures with Indian promoters in view of the cap on foreign equity limited to 26 percent.

The Life Insurance and General Insurance Councils and the Insurance Association were also revived to enable sharing of experience and responsibility amongst the insurers in terms of developing market conduct standards and norms and providing a forum for self regulation. Initiatives were also taken to set up self regulatory bodies of professionals in the insurance sector like the actuaries, insurance surveyors and loss assessors, and insurance brokers.

In 2002 further amendments were carried out in the Insurance Act, 1938 which paved way for the entry of insurance brokers for the first time in the history of Indian insurance. The regulatory regime has been receptive to financial innovation and has endeavoured to play a catalytic and facilitating role here, though the restrictive features of the Insurance Act restrict its freedom.

The IRDA also embarked upon itself on an extensive insurance awareness campaign to popularise the benefits of insurance with special focus on the semi urban and rural areas.

Market on Test

The market has responded very positively and has successfully withstood the test. When one looks back and views the landscape, it's imminent that a silent revolution has taken place.

While the regulator can take credit for setting up the right framework, one cannot undermine the real credit which must be shared duly by the new and old players. The overall size of the market has expanded in terms of all acceptable yardsticks.

With an annual growth rate of 15-20% and the largest number of life insurance policies in force, the potential of the Indian insurance industry is huge. Total value of the Indian insurance market (2004-05) is estimated at Rs. 450 billion (US$10 billion). According to government sources, the insurance and banking services' contribution to the country's gross domestic product (GDP) is 7% out of which the gross premium collection forms a significant part. The funds available with the state-owned Life Insurance Corporation (LIC) for investments are 8% of GDP.

While the regulator can take credit for setting up the right framework, one cannot undermine the real credit which must be shared duly by the new and old players. The overall size of the market has expanded in terms of all acceptable yardsticks.

Since opening up of the insurance sector in 1999, foreign investments of Rs. 8.7 billion have poured into the Indian market and 21 private companies have been granted licenses. Innovative products, smart marketing, and aggressive distribution have enabled fledgling private insurance companies to sign up Indian customers faster than anyone expected. Indians, who had always seen life insurance as a tax saving device, are now suddenly turning to the private sector and snapping up the new innovative products on offer.

Competitive pressures have changed both attitudes and practices in the business world, often beneath the horizon of those surveying the macro-economic panorama. The participation of foreign players in the form of joint venture participation in many of the new private sector insurers has assisted in the introduction of international practices and systems. Technology developments have improved customer service.

Customers facing more competition and more choice are increasingly ready to abandon old relationships with suppliers if offered a better product or price by someone else. The business environment is increasingly driven by transactions, not by old loyalties and other ties. Competition among financial intermediaries has gradually helped the improvement of service benchmarks.

The initiative taken by general insurance players to form a Terrorism Pool and continue offering terrorism cover to Indian customers in the wake of 9/11 when the reinsurers decided to withdraw terrorism cover stands out as an example of collective response by the industry to face challenges which affect the stability and credibility of the insurance market.

The Challenges:

The exuberance exhibited about prospects of future progress of the insurance market in India in the near term should not obscure the challenges in creating freer markets and more prosperity. The momentum behind reform is also sustained by new ideas regarding management of security and risk of the lives and assets.

Many still feel that a major area where insurance reforms have not been sufficiently far reaching is in the area of investment restrictions. According to them, not only are the quantitative ceilings unnecessarily restrictive, but the qualitative restrictions are not in tune with a modern capital market.

Another issue of particular importance is the regulatory stance towards capital market linked insurance products like variable life and universal life policies. Whether such products would spur innovation or lead to regulatory arbitrage remains to be seen.

A major portion of the general insurance market continues to be tariffed. The IRDA has recently notified its road map for dismantling tariffs. It is hoped that the insurers and the intermediaries are well experienced to display professional maturity and tact, both collectively and singularly, to see that the transition from a tariff to a non-tariff market does not disturb market stability.

A cornerstone for this success is the development of a data base which can be shared by the insurance industry to price and manage its products and processes and thereby help in establishment and continuous improvement in benchmarks. Premium increases often cannot be justified at present owing to lack of data.

Market conduct and corporate governance norms should be established and monitored by the players themselves and the regulator needs to be allowed to focus on prudential aspects of supervision. This is in tune with the international practices prevailing in developed insurance markets.

A major portion of the general insurance market continues to be tariffed. The IRDA has recently notified its road map for dismantling tariffs.

Concluding Thoughts:

The general perception of many people outside India and inside is that the pace of reform is too slow, that India continues to perform below its potential. The perception of a lumbering India hesitantly moving ahead may be correct but it risks missing the changes beneath the surface. The movement is gradual, wide, and quite determined.

The Indian experience also suggests that the sequencing of policies across institutions needs to be tempered with individual country-specific characteristics and circumstances, drawing upon international best practices. As a stance, the reforms are being treated not as a discrete event, but as a complementary and mutually reinforcing process.

One must always remember that the task of implementing reforms in a democracy remains complex. The support for reforms today, though far from universal, is fortunately much stronger than it was ten years ago. Ultimately, future reforms can be justified by exhibiting the progress made by the insurance market participants in delivering economic growth and enhancing security of lives and assets of the population. That will make the road to future reforms less bumpy. Therefore, those wishing for rapid reforms will need to be patient. The experience of the past decade promises that change can occur.

The Author is Member of Secretariat, International Association of Insurance Supervisors Basel, Switzerland.

The Spirit of the Law

— Read the meaning, not the words

Upholding the main purpose rule is vital, says *Gnanasundaram Krishnamurthy*, adding that insurers must read down the exclusion clauses, rather than use them as loopholes to avoid paying claims.

"It is the spirit and not the form of law that keeps justice alive," said Earl Warren. This is firmly enshrined in our justice delivery system, be it administered by the judiciary, quasi-judiciary fora or statutory authorities.

In a case of own damage claim in respect of a standing truck, the insurers repudiated the claim on the grounds that the driver of the vehicle at the time of accident did not hold a valid driving licence. When the matter ultimately reached the portals of the National Commission, the Commission held that the question of whether the driving licence was valid or not was irrelevant, as the damage was to a standing truck (R. P. no. 2169 of 2002,National Insurance Co. Ltd. Vs. Khodil Singh).

In the case of third party risk, a bomb exploded in a bus and some passengers died. Terrorists took the passengers of a vehicle and shot them dead. When compensation claimed was allowed, the insurer went on appeal. The High Court held that when passengers travel by a bus and suffer injury due to a bomb explosion or any other activity, including terrorist activity, they are entitled to compensation. If a person is taken outside and inflicted injury, he/she is also entitled to compensation – that the person was taken out should not make any difference (C.I.M.A. no. 184 of 2002, National Insurance Co. Ltd. Vs. Shiv Dutt Sharma, J&K High Court).

In the case of loot of a motor-cycle, the insurer repudiated the claim on the grounds that the complainant did not hold a valid driving licence. The State Commission held that this was not acceptable, as there was no nexus between the incident and a valid driving licence, and that the insurer was liable (Appeal no. 2830 SC 2000, The New India Assurance Co. Ltd. Vs. Diwakar Agnihotri – UP SCDRC – Lucknow).

In another case of own damage claim, when the insurer repudiated it on the grounds that the vehicle carried passengers more than the permissible limit, in violation of policy terms, the State Commission did not accept the contention, as the extra passengers in the vehicle had not contributed to the accident. It, therefore, held the company liable (A.P. no. 545 of 1998,The Oriental Insurance Co. Ltd. Vs. S. Kannan – T.N. SCDRC, Chennai).

In yet another case of late intimation of claim, the argument of the insurer on these grounds was repealed by the Insurance Ombudsman (writer), as late intimation made no difference on the basic accident claim, where the accident stood proved (D. N. Shirare Vs. United India Insurance Co. Ltd, Award no.182,2003-04, Mumbai).

> One must look at the whole instrument to see its main purpose and reject words and provisions if they are inconsistent with what one assumes to be the main purpose of the contract.

Main purpose rule

As may be seen, these pronouncements have an underlying common approach, that is, upholding the 'main purpose rule' laid down by the Supreme Court. In the case of Skandia Insurance Co. Ltd. Vs. Kokilaben Chandravadan & Ors, 1987 2 SCC., which was reiterated by the court in the case of B. V. Nagaraju Vs. The Oriental Insurance Co. Ltd. in civil appeal no. 6296 of 1995, Mr. Nagaraju was the owner of a truck that was damaged due to a collision with a gas tanker. The insurer denied the liability, stating that the vehicle was used for carrying passengers and the owner was not entitled to compensation as per the limitations of use. Also, the number of passengers was in excess of six. The Karnataka State C.D.R.C allowed the claim on the grounds that the passengers were in no way connected with the accident.

On appeal by the insurer, the National Commission upset the order of the State Commission, relying on the terms of the insurance policy, holding that the policy did not cover use for carrying passengers except employees not exceeding six in number, coming under the W.C. Act. On appeal by Mr. Nagaraju, the Supreme Court restored the State Commission's verdict, citing the Skandia case, where it was laid down that notwithstanding the fact that contracting parties agree to exclusions which operate to define obligations, the 'main purpose rule' may limit the application of wide exclusion clauses.

The court cited Lord Halsbury's verdict, saying that one must look at the whole instrument to see its main purpose and reject words and provisions if they are inconsistent with what one assumes to be the main purpose of the contract. The court held that wide exclusion clauses have to be read down to the extent to which they are inconsistent with the main purpose or object of the contract.

'Reading down' the exclusion clauses by the insurers, instead of 'reading between the lines', will enhance their reputation in protecting the interests of the end user.

The author is retired Chairman, LIC of India and served as Insurance Ombudsman for the Maharashtra and Goa Regions.

Men and boys

— How to tell between the two in insurance markets

The maturity of a market can best be judged by the sense of responsibility and decorum that is displayed by the players, writes *C. N. S. Shastri.*

Indian insurance has a history of over 150 years. Can it be termed a mature market? What are the characteristics of maturity? How well does the market measure up to these characteristics? These are questions that should concern every well-wisher of the Indian insurance industry. Perhaps, if this article generates a discussion, the true tests of maturity will emerge and these will guide us in the forward march. The General insurance background of the author may tilt the contents towards the sector but the thoughts in relation to Life insurance cannot be far different.

Insurance is a service industry. Its success can be best measured by the quality of service it provides. Of course, every corporate enterprise seeks to make a profit for its stakeholders. But making a profit should be a natural consequence of its activity of providing the service. When profit becomes the primary objective or even the sole objective, insurers often forget their primary role as service providers. They see no moral responsibility to answer a need of society unless they can see attractive profits in the activity.

Towards reasonable profit

It is unrealistic to expect corporate enterprises to operate at a loss. They will soon go out of existence. So, the right to make a reasonable profit in the activity of providing the service should be fully recognised by society. At the same time, insurers must understand that they are in a service business and their conduct should be consistent with their role in society. They should rise to the challenge of a difficult need for insurance and see how best it can be met in a mutually satisfactory manner.

The quality of service can be measured by its appropriateness to the need, the efficiency with which the service is provided and the reasonableness of its pricing.

The insurance product needed to answer the needs of an industrial enterprise is different from the need of a farmer or a householder. So, the willingness and ability of the insurers to tailor their products to answer the needs of different sections of clients are very important. An attitude of providing a set range of products and not being prepared to modify them to suit the specific needs of a section of the public shows insensitivity to the true role of the insurer as a service provider.

> When profit becomes the primary objective or even the sole objective, insurers often forget their primary role as service providers.

The policy conditions should be easy of observance; what is excluded from cover is as important as what is protected. The proverbial image of insurers being fair weather friends should not be reinforced by the conduct of the insurers. While being strict with those indulging in falsification of claims and fraud, insurers should deal with the majority of honest claimants in a friendly and helpful manner. Making a claim should not be a painful experience that converts the claimant into a critic of the attitude of insurers.

Efficiency in service is not merely in payment of claims fast. The speed of service and the helpfulness of the response to needs during the entire duration of the contract, from the initial stage of proposal to the stage of claims processing, are all equally important.

Another factor of efficiency is the cost of delivery of services. This is very important to keep the premium under control. Every step in cutting the cost of delivering the service will be a step in improving the efficiency of the service. Innovation in alternative sales channels and adding insurance as an adjunct of some other service already being provided to the target section of the society, are means of possible reduction of distribution costs. Office administration costs also have to be kept under strict control. Insurance should not become a con game wherein the intermediaries end up growing rich at the cost of both the insurer and the insured.

Pricing skills

The pricing skills of the insurers should be reflected in ensuring that those with good experience as a class do not end up subsidising another section producing adverse results. Premium should reflect the extent of risk involved and should be logically seen to be so. Raising the premium levels to meet the higher claims cost that is experienced is a natural reaction of any insurer. However, this should not be the sole reaction. The more mature insurers will analyse the claims experience to understand the loss causing factors and see how they can be minimised or eliminated. They may promote loss prevention activities through publicity, educating the clients, lobbying the government and rewarding loss minimisation features in premium rates.

While it is unrealistic to expect insurers to consciously take on losses, we certainly expect a mature market not to walk away from a class of business or a section of clients that are perceived to be unprofitable. We expect the insurers to realise the basic purpose for which they exist, namely to provide a service to society and to make all necessary efforts to reduce or eliminate the losses by specific actions. Such actions should extend even to the extent of representing for legislative changes needed to rectify the distortions of the market by unscrupulous elements of society. Insurers collectively have a responsibility to ensure that no section of society that has an honest insurance need is denied this service just because the business is not considered worthwhile.

Maturity is best tested in a tariff-free environment. Insurers collectively have the ability to define competition. If the public is made aware that there is more than just the premium cost in selecting the best service provider, we would have moved substantially to a mature market status. Unfortunately, there are too many senior insurance executives who do not seem to accept this fact themselves. For them, premium is all that matters, even if it is reduced to a level where loss is certain.

Codes of conduct are not needed by gentlemen, while they are not respected by those aggressively chasing premium. Even some of the practices indulged in by the more aggressive insurance executives would raise eyebrows in the club of the elite. Ethics are difficult to codify and, even if codified, they are difficult to enforce because, like corruption, both the giver and the receiver have a stake in it. Besides, one often hears the defence that he did it because if he did not do it, the other insurer would have done it and the business would have been lost. This willingness to do the unethical just to beat the competition is a poor reflection of the maturity of the persons concerned. Moreover, the mere existence of ethics in business code is admission of the fact that the market has still to progress in its maturity.

Ethical issues

Evolving a high moral code of conduct in business is an essential ingredient of a maturing insurance market. Deviations from proper conduct should be discouraged by a peer group. The wrong doer should feel ashamed and should not also be encouraged by the insurer that he works for. The attitude that any thing that is not prohibited by law is acceptable to do shows lack of social responsibility.

Insurers have to work in harmony even when competing for business. They should have the discrimination to identify those situations and insurance needs where coordinated action at the market level is in the best national interest. Even in ordinary competition for business, insurers lose sight of the fact that it is the net retention on what they write that goes to enrich the insurer. When the greed for gross premium converts insurers to act more like intermediaries for foreign reinsurers, it shows the market in poor light. Winning an account at any cost, in total disregard of how it is achieved and whether it is done at fair terms, is a sign of immaturity.

Maturity is best tested in a tariff-free environment. Insurers collectively have the ability to define competition

The national insurance market is the sector servicing the protection needs of the society. In practice, several situations arise where the lawlessness of the international marketplace gets translated into reflective action by the insurers towards the national clients. Undesirable practices of "fronting" become a popular way to boost gross premium even if it does nothing to the bottom line. This shows that the market is still not mature. A mature market will try to find a solution within its collective capability to service the needs of the national market and protect it from unethical or restrictive actions of the international markets.

Insurers have a social responsibility to promote loss minimisation and risk improvement in all fields of activity through research and publicity and by rewarding such efforts in premium rates. Quite apart from the fact that it is good for their business, it also shows them in a better role of social responsibility.

Corporate governance is key

Corporate governance is a field that distinguishes a mature market. The directors of insurers should be knowledgeable on the various aspects of insurance business and should be able to effectively oversee the professional conduct of the senior management and hold them accountable for any lapses or wrong practices. Considerable emphasis should be placed on the professional competence of staff at all levels and education and training should form important activities commanding active support organisation-wide. Every technical post in the industry should be occupied by persons who have the competence to perform that function efficiently and professionally. Senior executives should not consider themselves above the need for further learning.

Interaction with consumers and trade associations and chambers of commerce should be welcomed as business opportunities. Insurers should not react to them in a defensive manner. The attitude of 'we and they' should go.

To sum up, the maturity of a market can best be judged by the sense of responsibility and decorum that is displayed by its senior executives even under stress of competition. The willingness with which they respond to the insurance needs of society and the constructive manner in which they meet challenges to business profitability while maintaining the premium rates at the best possible levels from the point of view of both the insurers and the policyholders is also a point to note.

The author, qualified as an associate of institute of Actuaries, has had an experience of over 51 years in the General Insurance and Reinsurance Sector.

प्रकाशक का संदेश

साशक्त व्यवसाय परिवेश में सुधार एक सतत् प्रक्रिया है । एक ऐसा क्षेत्र जिसने संक्रमणकाल एक ऐसे सरकारी नियंत्रित संगठन से निजि क्षेत्र में देखा है, जिसमें शामिल है विदेशी उद्यमों के साथ संयुक्त उद्यम, सुधार एक महत्वपूर्ण भुमिका अदा करते है यह सुनिशचित करने के लिए की संक्रमणकाल निर्विघ्न हो । भारत में व्यक्तिगत रूप से तथा निगमित रूप से बीमा कोई महत्वपूर्ण कार्यसूची नहीं रही है। अतः सुधारों के लिए केवल विनियामक हस्तक्षेप काफी नहीं है वरन् संवर्धन प्रयास जिससे बाजार को विकसित किया जा सके।

उद्योग के अविरत विकास तथा निजि व्यवसायकर्त्ताओं के समेकन ने प्रगामी रूप से शांत परीसाक्ष्य व्यवहार्य विनियामक व्यवस्था के लिए भारत में किया है। ऐसे सुधारों पर नजर डाले जिन्हें पिछले समय में किया गया है तथा जो आगे आने वाले समय में किया जाना शेष है जर्नल के संपादक के लिए केन्द्र की विषयवस्तु है।

अब जर्नल की उपलब्धता को तीन वर्ष हो गये है। इस समय आवधिकता में, इसने न केवल एक सटीक सूचना वाहक के रूप में अपनी स्वीकार्य प्राप्त की है वरन् उद्योग में एक ऐसे विचारविमर्श मंच के रूप में पहचान बनायी है जो उद्योग पर प्रभाव डालते है। यह अनिवार्यता है कि संपादक की भूमिका सुश्री नित्या कल्याणी ने जोकि प्रारंभ से जर्नल की संपादक थी ने इसे दिशा देने में सहायक की भूमिका अदा की वह इस अंक से कार्यलय से अलग हो रही है में इस अवसर पर उनके द्वारा किये कार्य की सरहाना करना चाहता हूँ। मैं साथ ही संपादक श्री यू जवाहरलाल का आईआरडीए परिवार में स्वागत करता हूँ नये तथा उनके सुनहरे भविष्य की कामना करता हूँ।

वर्तमान समय में, निगमित ईकाईयाँ गलत कारणों से प्रकाश में आयी हैं। इसने यकायक रूप से एक अधिक जवाबदेह निगमित प्रबन्ध की आवयकता को आगे किया है। हमारे अगले अंक के केन्द्रबिंदु में निगमित शासन मुख्य मुद्दा होगा। हम आप तक निगमित शासन का महत्व तथा बीमा उद्योग में इसकी भूमिका पहूँचाना चाहते हैं।

सी. एस. राव

“ कुछ तो लोग कहेंगे ”

सबसे बडी चुनौती यह होगी कि
कार्यक्रमों के लिए लोगों को शिक्षित किया जाए
जिससे लोग दवाईयों का आवरण चुन सके जो उनके
लिए उचित हो।

श्री मोहित घोष, उप अध्यक्ष अमेरिकी हैल्थ बीमा योजना (एएचईपी; वाशिंगटन डीसी) मेडिकेयर उत्पादन दवा कार्ड को समझाते हुए।

सदस्यता बढ़ाते हुए,
हम उच्च व्यवसायिक मानक तथा बेहतरीन
नैतिक आचरण जीवन बीमा उद्योग में ला सकेगें
तथा जिससे हमारे ग्राहको को बेहतर सेवा दी जा सकेगी

स्टीफन ओ रोथ्चाईड, अध्यक्ष, मिलियन डालर राउन्ड टेबल (एमडीआरटी)

अधिकांश जीवन बीमा कंपनियाँ
लम्बे समय तक सेवा प्रदान करने कि
नाजुक समूहिक प्रवृति से अभावग्रस्त रहती हैं ।
यह क्षेत्र अत्यधिक विभांजक है तथा अधिक क्षमता से
परिपूर्ण है। हम यह नही देख सकते है कि इस वातावरण में छोटे
व्यवसायी किस प्रकार प्रभावशाली तथा लाभ की
स्थिति में रह सकेगें।

राब हैनिस, बीमा विंशलेषक, सीएनएन के एक साक्षात्कार में।

हम उद्योग में निजि निधि तथा मध्य
आकार की राज्य इकाईयों का प्रोहत्साहन,
समर्थन तथा निवेश का मार्गदर्शन करगें। विनियामक
बीमाकर्त्ता को उत्पाद विकास के लिए आगे करेगा
तथा सख्त करेगा दूषित प्रतियोगिता को रोकने के लिए।

वु डिंगफू, अध्यक्ष, चीन का बीमा विनियामक कमीशन

लोग ऐसे देशों में यात्रा करते हैं
जहॉ स्वास्थय सुविधाओं की लागत बहुत
अधिक है जैसे अमेरिका, जापान तथा युरोप,
इन्हें यह सुनिशिचित करना चाहिये कि उन्हे अस्पताल तथा
मैडिकल लागत का असीमित आवरण उपलब्ध हो। उदाहरणतः
मैडिकल खर्च आसानी से आस्ट्रेलिया $500,000
(यूएस $376,875) यूएस में पहुँच गया

बीमा काउंसिल आस्ट्रेलिया (आईसीए)

फिर भी, विभिन्न समूहों के
नितिगत दिशा में परिवर्तन ने कुछ कंपनियों
को विक्रय के लिए अथवा उनके संरक्षको को
मजबुर किया है। इस क्षेत्र में वैविध्यपूर्ण दृष्टिकोण
कंपनी के विशिष्ट मुददों को बाजार के मूलभूत की
अपेक्षा अधिक प्रतिफलित करती है,

ऐसा श्री माईकल वाईन साख विलेषक का कहना है।

अंडरराइटिंग कला

- यह मोटर टीपी को लाभदायक पोर्टफोलियो में परिवर्तित कर सकती है।

पी. सी. जेम्स कहते हैं कि केवल क्लेम को नियंत्रित करने के अलावा, अंडरराइटर्स को विभिन्न तरीकों से पोर्टफोलियो में परिवर्तन का प्रयास करना चाहिए।

वे लोग जो मोटर का इस्तेमाल करते हैं, उनके लिए अर्थव्यवस्था का मोटरीकृत होना काफी महत्वपूर्ण है। वो देश जो तेजी से विकास की ओर अग्रसर है, उसके लिए भी यह काफी महत्वपूर्ण है। परिवहन किसी भी देश कि अर्थव्यवस्था को काफी प्रभावित करता है, क्योंकि माल एवं सेवाओं का आवागमन किसी भी देश की संपदा को इंगित करता है। तीसरी पार्टी तथा यात्रियों की सुरक्षा एक ऐसा उत्तरदायित्व है, जिसे उस देश की सरकार को पुरा करना है। मोटर वाहन एक्ट, 1988 ने इसे कर दिखाया है तथा बीमाकर्ताओं को यह जिम्मेदारी सौंपी गई है।

मोटर बीमा एक्ट बीमाकर्ता को इस बात के लिए कहता है कि वो इसका प्रबंधन करना अपना कर्तव्य समझे। साथ ही बीमाकर्ता को इसमें लाभ भी कमाना है। कई बीमाकर्ता इस उत्तरदायित्व को भली-भाँति पुरा कर रहे हैं तथा इसलिए इनके लिए यह काफी मुस्किल काम नहीं है।

उत्तरदायी बीमा की प्रकृति

उत्तरदायी पोर्टफोलियो एक उच्च स्तर की व्यक्तिगत अनिश्चितता को प्रस्तुत करता है। इसमें निम्न शामिल हैं:

1. उत्तरदायित्व फ्रंटियर्स का विस्तार. इसका मतलब यह है कि जिसे आज एक उत्तरदायित्व नहीं समझा जाता है वो आने वाले समय में एक उत्तरदायित्व बन सकता है।
2. आंशिक उत्तरदायित्व का पूर्ण उत्तरदायित्व में बदलाव. इसका मतलब यह है कि जैसे-जैसे समय बदलता है, प्रमाण की चिंता धीरे धीरे कम होती है तथा फिर यह सीमित हो जाती है।
3. अवार्ड्स एवं कीमत का बढ़ता आकार. वैधिक लैंडस्कैप अनुबद्द रुप से आगे बढ़ रहा है, जो बीमाकर्ता एवं अन्य व्यवस्थाएँ बीमाधारकों के लिए कर सकती है।
4. एक बार कानूनी प्रक्रिया पूरी हो जाए तो विभिन्न श्रोतों का पुरा उपयोग किया जा सकेगा तथा बीमाकर्ताओं के खर्च पर भी अलर पड़ेगा।

मोटर बीमा उत्तरदायित्व के क्षेत्र की कुछ विशेषताएँ हैं, जो निम्न हैं:

1. उत्तरदायित्व असीमित है। आज के समय में यह करीब 1 लाख रुपये है। 10 लाख से अधिक की उत्तरदायित्वता के मामलों की संख्या भारत में अभी काफी कम है।
2. समय एवं क्षेत्रीय सीमाओं को हटा दिया गया है।
3. कानूनी सुनवाइयों में काफी समय लग जाता है। कभी-कभी तो कुछ मामले 15 वर्षों तक लटके रहते हैं।
4. धोखाधड़ी की संभावनाओं को भी नहीं नकारा जा सकता है।
5. बीमाकर्ताओं के लिए सुरक्षा काफी कम है।

> वैश्विक रुप में यह देखा गया है कि अंडरराइटर्स के पास ऐसे कई साधन होते हैं, जिससे् क्षेत्र में लाफ को पैदा किया जा सके या इसे बढ़ाया जा सके।

इसलिए आवश्यक है कि बीमाकर्ता अपनी अंडरराइटिंग कला में वृद्दि करें। केवल क्लेम को नियंत्रित करने के अलावा, अंडरराइटर्स को विभिन्न तरीकों से पोर्टफोलियो में परिवर्तन का प्रयास करना चाहिए। वैश्विक रुप में यह देखा गया है कि अंडरराइटर्स के पास ऐसे कई साधन होते हैं, जिससे् क्षेत्र में लाफ को पैदा किया जा सके या इसे बढ़ाया जा सके। विभिन्न तरीकों का अध्ययन यह बताता है कि अच्छी तरह से प्रशिक्षित मध्यस्थ जो संतुलित व्यापार कर रहे हैं, उन्हें मोटर वाहन बीमा लूप में आने के लिए प्रेरित किया जाना चाहिए। ऐसा नही होने से कंपनी को अच्छे प्रीमियम की प्राप्ति नही हो सकती है।

वैश्विक रुप में यह देखा गया है कि अंडरराइटर्स के पास ऐसे कई साधन होते हैं, जिससे् क्षेत्र में लाभ को पैदा किया जा सके या इसे बढ़ाया जा सके। निम्न तरीकों से इसे प्राप्त किया जा सकता है:

1. सेक्टर में जोखिमों का एक गहन अध्ययन
2. सैद्दांतिक परीक्षणों के माध्यम से मोटर बीमा में जोखिम का अध्ययन करना । इससे कीमत निर्धारण तथा हानि नियंत्रण में काफी मदद मिलेगी।
3. मोटरिंग वातावरण, जोखिम कारक, इत्यादि का अध्ययन।
4. उपरोक्त के पश्चात अंडरराइटिंग में काफी सुधार आएगा तथा यह केन्द्रित होगा।
5. सभी जोखिम एवं हानि नियंत्रण का आंकलन। सभी एक्ट एवं नियमों का विस्तृत अध्ययन।
6. संपूर्ण अंडरराइटिंग नियमों का निर्धारण
7. क्लेम आने के बाद हानि को कम करने के लिए बराबर नजर रखी जाए।

एक अच्छा अंडरराइटर सेक्टर से आने वाले सभी अवसरों का पूरा लाभ लेता है तथा साथ ही सभी नियमों का भी पालन करता है। भारत में मोटर सेक्टर काफी तेजी से विकसित हो रहा है तथा इसमें निम्न परिवर्तन देखे गए हैं:

1. 20 लाख से अधिक निजी कारें बाजार में हैं तथा इस सेक्टर में अधिक क्लेम भी नहीं देखे गए हैं.

2. प्रतिवर्ष लगभग 60 लाख नए दुपहिया वाहन बाजार में आ रहे हैं। इससे हानि में कटौती होगी।
3. इस प्रकार मोटर टीपी बाजार व्यावसायिक से निजी वाहनों की तरफ बढ़ रहा है।
4. अभी सड़क पर 7 करोड़ से अधिक वाहन मौजूद हैं।
5. सड़कों की गुणवत्ता एवं अन्य सुविधाओं में सुधार हो रहा है।
6. देश में अदालतों का कम्प्यूटरीकरण हो रहा है। ऐसी अदालतों की स्थापना की जा रही है जहाँ फैसलों का जल्द निर्धारण किया जाता है।

अंडरराइटिंग विचार

क) नए वाहन:

डीलर के साथ समझौता कर नए वाहनों को कवर करने में मदद हासिल की जा सकती है। यदि आरटीओ के मामले में कवर नोट की आवश्यकता है तो ये कवर नोट नए वाहनों के लिए होंगें। नए वाहनों का बीमा करते समय अन्य अंडरराइटिंग मुद्दों की भी जाँच की जा सकती है।

ख) पुराने वाहन जिनका पुन: बीमा किया जाना है:

समान बीमाकर्ता द्वारा ही पुराने वाहन का पुन: बीमा किया जाना क्लेम इतिहास के रुप में लिया जा सकता है तथा अन्य अंडरराइटिंग नियंत्रणों को प्राप्त किया जा सकता है।

ग) पुराने वाहन जिनका उसी कंपनी ने दोबारा बीमा नहीं किया है:

इसके लिए निम्न तथ्यों की आवश्यकता होगी-

1. पूर्व बीमा पलिसी की संपूर्ण जानकारी।
2. पूर्व बीमाकर्ता का सत्यापन
3. यदि बीमा में कोई अंतराल है तो इसका विवरण
4. बीमाकर्ता को क्यों बदला गया, इसका विवरण
5. मालिक एवं ड्राइवर का संपूर्ण विवरण तथा अन्य आवश्यक जानकारियाँ।
6. वाहन में बीमाकर्ता का अनुभव
7. वाहन का परीक्षण एवं फोटोग्राफ्स
8. वाहन के सभी दस्तावेजों की कॉपी

अंडरराइटिंग विचार के अन्य अध्ययन निम्न हैं:

1) *मालिक:*

मालिक काफी महत्वपूर्ण कारक है। इससे यह निर्धारित होता है कि वाहन कानूनी रुप से वैद्य है। एक अंडरराइटर इसके अंतर्गत निम्न चीजों को देखेगा:

क. वाहन का रजिस्ट्रेशन कराया गया है तथा इसे परमिट प्राप्त है।

विभिन्न तरीकों का अध्ययन यह बताता है कि अच्छी तरह से प्रशिक्षित मध्यस्थ जो संतुलित व्यापार कर रहे हैं, उन्हें मोटर वाहन बीमा लूप में आने के लिए प्रेरित किया जाना चाहिए।

ख. यदि मालिक खुद गाड़ी नही चलाता है तो किसी प्रशिक्षित ड्राइवर की नियुक्ति की गई है।

ग. वाहन की देखभाल बराबर की जा रही है।

घ. वाहन का सही इस्तेमाल क्या है।

ड़. क्या मालिक के पास अन्य वाहन भी हैं, और यदि हैं तो उनका बीमा उसी कंपनी से कराया गया है या नही।

च. दुर्घटना या अन्य स्थितियों में क्या मालिक बीमाकर्ता के साथ सहयोग कर सकता है।

छ. मालिक का पूर्ण विवरण

2) *ड्राइवर*

80 प्रतिशत से अधिक वाहन ड्राइवर की गलतियों की वजह से दुर्घटनाग्रस्त होते हैं। इसलिए मोटर बीमा में ड्राइवर की भूमिका काफी महत्वपूर्ण हो जाती है। इनमें से निम्न हैं:

क. क्या वाहन का चालन न्मालिक के द्वारा किया जा रहा है।

ख. यदि ड्राइवर को रखा गया है तो उसकी उम्र एवं अनुभव

ग. ड्राइवर के ड्राइविंग लाइसेंस की कॉपी।

घ. मालिक के पास ड्राइवर की संपूर्ण जानकारी होनी चाहिए.

ड़. ड्राइवर कुछ समय के लिए रखा गया है या फूल टाईम के लिए.

च. उसका ड्यूटी समय क्या है?

3) *वाहन*

क. क्या यह एक नियमित वाहन है।

ख. क्या इसका इस्तेमाल उसी कार्य के लिए किया जाएगा जिसके लिए इसका रजिस्ट्रेशन कराया गया है।

ग. जहाँ इसका बीमा कराया जा रहा है, क्या उसी क्षेत्र में इसका रजिस्ट्रेशन कराया गया है।

घ. प्रति महीना इसका कितना इस्तेमाल होता है।

4) *मध्यस्थ*

मोटर वाहन मध्यस्थ कई प्रकार के होते हैं। वे मध्यस्थ जो केवल मोटर व्यापार में लगे हैं, उनकी मध्यस्थता सही नहीं है। एक सही मध्यस्थ अंडरराइटिंग में काफी मदद कर सकता है।

यह भी आवश्यक है कि बीमाकर्ता वाहन के बारे में संपूर्ण जानकारी आरटीओ से प्राप्त करे। ऐसा देखा गया है कि कई वाहन धारक अपने वाहनें का बीमा नहीं कराते हैं। विभिन्न तरीकों का अध्ययन यह बताता है कि अच्छी तरह से प्रशिक्षित मध्यस्थ जो संतुलित व्यापार कर रहे हैं, उन्हें मोटर वाहन बीमा लूप में आने के लिए प्रेरित किया जाना चाहिए। अत: जो मध्यस्थ अचछा व्यापार लाकर देता है, उसे रिवार्ड्स दिया जाना चाहिए।

5) *अस्वीकरण*

इस स्थिति में एक ऐसा वाहन जिसका रजिस्ट्रेशन किया जा चुका है या जिसे परमिय प्राप्त है, बीमा के

लिए उसका अस्वीकरण नहीं किया जाना चाहिए। फिर भी, बीमाकर्ता को सभी दस्तावेजों का अध्ययन करने का पूरा अधिकार है। अंडरराइटर यह तय करेगा कि उपरोक्त सभी दस्तावेज मोटर वाहन एक्ट के अनुरुप हैं।

अंडरराइटर द्वारा टीपी क्लेम का ऑडिट

अंडरराइटर को टीपी क्लेम विभाग में अंडरराइटिंग महारत हासिल करने की आवश्यकता है। टीपी क्लेम्स में क्लेम कॉस्ट निम्न हो सकते हैं:

1. विशेष एवं सामान्य नुकसान की स्थिति में वास्तविक कॉस्ट
2. अन्य रकम जिसे नकारा जा सकता है।
3. अच्छे अध्ययन के बाद वह रकम जिसे बचाया जा सकता है।
4. धोखाधड़ी एवं अन्य ऐसे मामलों से बचना।

अंडरराइटिंग विभाग को यह देखने की आवश्यकता है कि क्लेम प्रबंधन के कारण जो अतिरिक्त हानियाँ उठानी पड़ती है, उनसे बचा जा सके। क्लेम कॉस्ट को कम करने के लिए सभी कोशिशें की जानी चाहिए। बीमाकर्ता अपनी अंडरराइटिंग कला में वृद्दि करें। केवल क्लेम को नियंत्रित करने के अलावा, अंडरराइटर्स को विभिन्न तरीकों से पोर्टफोलियो में परिवर्तन का प्रयास करना चाहिए। वैश्विक रुप में यह देखा गया है कि अंडरराइटर्स के पास ऐसे कई साधन होते हैं, जिससे् क्षेत्र में लाफ को पैदा किया जा सके या इसे बढ़ाया जा सके। विभिन्न तरीकों का अध्ययन यह बताता है कि अच्छी तरह से प्रशिक्षित मध्यस्थ जो संतुलित व्यापार कर रहे हैं, उन्हें मोटर वाहन बीमा लूप में आने के लिए प्रेरित किया जाना चाहिए। ऐसा नही होने से कंपनी को अच्छे प्रीमियम की प्राप्ति नही हो सकती है। वैश्विक रुप में यह देखा गया है कि अंडरराइटर्स के पास ऐसे कई साधन होते हैं, जिससे् क्षेत्र में लाभ को पैदा किया जा सके या इसे बढ़ाया जा सके। मोटर वाहन मध्यस्थ कई प्रकार के होते हैं। वे मध्यस्थ जो केवल मोटर व्यापार में लगे हैं, उनकी मध्यस्थता सही नहीं है। एक सही मध्यस्थ अंडरराइटिंग में काफी मदद कर सकता है।

लेखक आईआरडीए में कार्यकारी निदेशक (गैर-जीवन) के पद पर कार्यरत हैं। उपरोक्त विचार उनके स्वयं के हैं।

बीमा में ब्रांड का विकास

-संजीव कुमार जैन

जैसा मैं देखता हूँ कि बीमा क्षेत्र में सबसे बड़ी चुनौती है, किसी उत्पाद को बेचना और वह भी ऐसे व्यक्ति को जिसने शायद कभी भी इसकी जरुरत महसूस नहीं की है। बीमा बेचने वाले के सामने यह चुनौती रहती है कि उन्हें कोई उत्पाद नहीं बल्कि कंपनी में ग्राहक का भरोसा बेचना है। अब मुद्दा यह है कि बीमा क्षेत्र में ग्राहक का कंपनी पर भरोसा कैसा हो ?

भरोसे को बेचना एक रुचिकर कार्य है, पर यह भरोसा क्या हो तथा यह ग्राहक को बीमा उत्पाद खरीदने के लिए किस प्रकार आकर्षित कर सकता है तथा साथ ही कंपनी के ब्रांड का किस प्रकार विकास कर सकता है, यह महत्वपूर्ण है। जीवन बीमा के लिए यह काफी आवश्यक है, जो दीर्घकालीन है। साथ ही जनरल बीमा उत्पादों के लिए भी यह उतना ही आवश्यक है। क्या यह भरोसा कंपनी के भविष्य को सुनिश्चित करेगा, क्या इससे कंपनी की साख बढ़ेगी।

बीमा कंपनियों को यह मानना पड़ेगा कि यह व्यापार तुरंत पैसा कमाने के लिए नही है। लोग बीमा को निवेश के रुप में लेते हैं। यदि बीमा की बात आती है तो, भारतीय काफी भावुक हैं। लोग अपने बच्चों की शिक्षा के लिए या फिर उनकी मृत्यु के पश्चात परिवार पर कोई वित्तीय संकट नहीं आए, इसलिए बीमा खरीदते हैं। बीमा नियमों को काफी पारदर्शी एवं सरल बनाने की आवश्यकता है, और इसके लिए काफी भरोसे की जरुरत है।

बीमा कंपनियों को कर्मचारियों की भर्ती करते समय यह भी ध्यान रखने की आवश्यकता है कि सही लोगों की भर्ती की जाए, ऐसे लोग जो ग्राहक के मन में कंपनी के प्रति विश्वास पैदा कर सकें। पर क्या वास्तव में अभी यह स्थिति है ?

पहले आपको यह बताना होगा कि बीमा सिर्फ करों से मुक्ति पाने का ही साधन नही है। यह बचत का एक महत्वपूर्ण साधन भी है। भविष्य के लिए बचत और आप नही जानते की भविष्य कैसा होगा। साथ ही माता-पिता को अपने बच्चों में भी बचत की आदत डालनी होगी। सही समय पर, सही बीमा उत्पाद की खरीदी एक व्यक्ति को भविष्य में काफी मदद दे सकती है।

बीमा एक ऐसा विषय है जिसका गणित बहुत विस्तृत है। हर कोई इस क्षेत्र में सफलता नहीं पा सकता है। ग्राहक को इससे होने वाले फायदों तथा साथ ही इनसे जुड़े जोखिम के बारे में भी बताना होगा।

लेखक, आईआरडीए में उपनिदेशक पद पर कार्यरत हैं। यहाँ व्यक्त विचार उनके अपने हैं।

दावे का निपटारा करना एवं लाभ के अवसर तलाश करना

-थर्ड पार्टी की भूमिका बीमा में काफी महत्वपूर्ण होती है।

मोटर थर्ड पार्टी पोर्टफोलियो बीमा में इतना असंतुलित क्यों है तथा किस प्रकार इसका निर्धारण किया जा सकता है? ***के. के. भट्ट*** इस मसले पर अपने विचार रखते हैं।

भारतीय रोड पर वाहनों की संख्या में दिन-प्रतिदिन काफी संख्या में वृद्दि हो रही है। रोड नेटवर्क में काफी विस्तार हुआ है, पर इनकी हालत अभी तक जैसी की तैसी ही है। वाहनों की संख्या में वृद्दि के साथ ही वाहन चालकों की संख्या में भी वृद्दि हुई है। कई वाहन चालक लाइसेंस प्राप्त करने के सही मापदंडों को नहीं अपनाते हैं, और यह सही नहीं है। एक बार लाइसेंस प्रदान किए जाने के बाद भी वाहन चालकों को वाहन चलाने के सही तरीके सीखाने की भी कोई व्यवस्था नहीं है। लोगों को यातायात संबंधित नियमों की भी पूर्ण जानकारी नहीं है। इससे सड़क दुर्घटनाओं में वृद्दि हो रही है तथा काफी संख्या में लोग मर रहे हैं। पिछले साल कुल 3.5 लाख सड़क दुर्घटनाओं के मामले दर्ज किए गए जिनमें 1 लाख काफी नाजूक थे।

सबसे अधिक संख्या में सड़क दुर्घटनाएं व्यावसायिक वाहनों के कारण होती है, खासकर सामान ले जाने वाले वाहन या फिर बस। अपने आकार एवं अनियमितता के कारण जनता को इनसे काफी परेशानियों का सामना करना पड़ता है। अन्य वाहनों के कारण भी दुर्घटनाओं की संख्या में वृद्दि देखने को मिल रही है। ओवर लोडिंग, ओवर स्पीडिंग, वाहनों की सही देखभाल नहीं, यातायात नियमों की पूर्ण जानकारी नहीं, तथा साथ ही सड़कों की बुरी स्थिति, इन दुर्घटनाओं के लिए जिम्मेदार हैं।

इन दुर्घटनाओं को देखते हुए भारत में वाहन बीमा को लाया गया तथा आज यह देश में कुल जनरल बीमा कारोबार का एक तिहाई भाग कवर करता है। फिर भी इसमें घाटा देखने को मिल रहा है तथा इसमें थर्ड पार्टी सेगमेंट सबसे खराब है।

मोटर वाहन एक्ट, जो उन लोगों को बीमे की रकम उपलब्ध करवाता है, जिनके साथ कोई दुर्घटना हुई है, तथा यह इन लोगों के लिए काफी लाभकारी भी है। गलती करने वाले का असीमित उत्तरदायित्व तथा उसका कोई निर्धारण नहीं एवं दावे को फाइल करने के लिए कोई समय सीमा निर्धारित न होना बीमाकर्ता को काफी मुश्किल में डालता है। बीमाकर्ता की मुश्किलें हैं, हो रहे दावों की संख्या में बढ़ोतरी, बढ़ते हुए दायित्व और दावों के निपटारे में देरी। इन सबके कारण बीमाकर्ता इन दावों के निपटारे के लिए कई नए तरीके अपना रहे हैं, फिर भी सभी दावों का निपटारा नही किया जा सक रहा है। हर साल दावों की संख्या में काफी वृद्दि हो रही है।

> गलती करने वाले का असीमित उत्तरदायित्व तथा उसका कोई निर्धारण नहीं एवं दावे को फाइल करने के लिए कोई समय सीमा निर्धारित न होना बीमाकर्ता को काफी मुश्किल में डालता है।

अदालत ने यह दिशा-निर्देश जारी किए हैं कि दावों का सही एवं तुरंत निपटारा किया जाए। आम जनता यह सोचती है कि सही या गलत किसी भी तरीके से बीमाकर्ता से बीमे की रकम वसूली जी सकती है। मगर आम जनता को यह मालूम नहीं है कि यह थर्ड पार्टी के माध्यम से होता है तथा बीमाकर्ता का इस पर कोई अधिकार नहीं है। कई बार अदालतें जनता के हित को ध्यान में रखकर उन्हें बीमाकंपनियों से जुर्माना तक दिलवा देती है।

प्रीमियम कम है, और उत्तरदायित्व एवं दावों की संख्या ज्यादा है। दुर्घटना बीमा के दावे के समय पुलिस फाईल दिखाना अनिवार्य है। तभी इन दावों का निपटारा हो सकता है। कई लोग गलत तरीकों से बीमा की रकम वसुलने की कोशिश करते हैं। लोग यह सोचते है कि सही या गलत किसी भी तरीके से बीमाकर्ता से बीमे की रकम वसूली जी सकती है।

मोटर बीमा अभी तक काफी समस्याओं का सामना कर रहा है तथा काफी संकट से जुझ रहा है। उदारवादी अर्थव्यवस्था के आने के बाद इसकी मुश्किलें और भी बढ़ी है। वितरण चैनल्स में ब्रोकरों के आ जाने से उद्योग को अतिरिक्त धन की आरश्यकता पड़ रही है। क्या इन ब्रोकरों के आ जाने से बाजार को कुछ विकास हासिल होगा। ग्राहकों की रुचि भी कम होती जा रही है। क्या इसमें लाभ में बढ़ोतरी होगी। क्या श्ळछ्व्र बाजार इसका एक समाधान है। क्या उदारवादी अर्थव्यवस्था को तेजी में लाया गया। क्या इसके लिए और अधिक बाजार अध्ययन की जरुरत नहीं थी। क्या इससे उत्पन्न होने वाली हर समस्याओं का हल पहले से तैयार कर लिया गया है।

उत्तरदायी पद पर बैठे एक व्यक्ति ने अभी हाल ही में एक प्रकाशन में बयान दिया है कि बीमाकर्ता की बिक्री, तकनीकी एवं उत्पादकता शैली तथा साथ ही वितरण चैनल्स में सुधार की आवश्यकता है। नैतिक मूल्य भी इसमें कायम रहने चाहिए। अंडरराइटिंग तकनीक में सुधार होना चाहिए तथा बीमाकर्ता को यह पहचान होनी चाहिए कि भविष्य में केवल व्यक्तिगत बीमा ही आगे आएगा। क्या इन्हीं बातों पर ध्यान देने की आवश्यकता है? ये सामान्य मुद्दे हैं तथा इनमें सुधार की काफी आवश्यकता है।

क्या ये तथ्य आईआरडीए की विकास योजनाओं के अंतर्गत आते हैं। उनका ध्यान इस ओर लाने के लिए बीमा उद्योग क्या कर रहा है? अब हमें मुख्य मुद्दा जो उदारवादी अर्थव्यवस्था के बाद गैर जीवन बीमा क्षेत्र में लाभ का है, उस ओर अपना ध्यान केन्द्रित करना चाहिए।

वितरण चैनल्स हो या फिर ब्रोकर आम जनता में जोखिम जागरुकता को महसुस नहीं किया गया है। फायर, अग्नि एवं मैरिन सेगमेंट में आई कमी यह दर्शाती है कि उदारवादी अर्थव्यवस्था से बीमा कंपनियों को ही फायदा पहुँचा है न कि आम जनता को। कई नए उत्पादों के बाजार में आने के बाद भी किसी भी बीमाकर्ता ने वह सफलता हासिल नहीं की है जो नए उत्पाद को लाने के बाद प्राप्त होनी चाहिए थी।

भारतीय बाजार में आज भी बीमा भेदन काफी कम है, परन्तु साथ ही इसमें बढोतरी भी देखी जा रही है। ग्राहक आज अपनी बीमा जरुरतों को समझने लगा है तथा उसे लगने लगा है कि बीमा उत्पाद किस प्रकार उसकी वित्तीय सहायता कर सकते हैं। हाँलाकि आज भी बीमा का प्रचार-प्रसार की काफी आवश्यकता है ताकि इस व्यापार को लोगों तक पहुँचाया जा सके।

किसी न किसी को वह कार्य करना है, जिसे सभी से करने की उम्मीद की जाती है, परन्तु वास्तविकता में कोई भी यह कार्य नहीं करता है। यदि वह एक उदार दिल का है, सभी तरफ देखता है, गैर-व्यावसायिक है, यह भी विकास को दर्शाने का गलत तरीका नहीं है। जब यह उत्पादों के फैशनिंग से संबंधित नहीं है, यह उनके बेचने के लिए भी नहीं है, तथा इससे किसी प्रकार का लाभ भी प्राप्त नहीं होगा, परन्तु यह किसी समय इन सभी बिन्दूओं को इंगित करता है, तो यह विकास के बारे में है।

यह उद्योग के लिए अंतर्संरचना का निर्माण करना हो सकता है - शैक्षणिक एवं स्व-विनियमित संस्थान- यह सभी शेयरधारकों के हितों के लिए हो सकता है। यह वृद्दि एवं विकास को देख सकता है तथा साथ ही यह सुनिश्चित कर सकता है कि इस विकास का लाभ सभी लोगों को समान रुप से मिले।

बीमा उद्योग विश्व भर में ही सदैव विकास की ओर अग्रसर है। भारत में भी अन्य उद्योगों के मुकाबले बीमा उद्योग में वृद्दि सराहनीय है। अगस्त 2000 में जब आईआरडीए ने बीमा कंपनियों के नामांकन के लिए आवेदन पत्र जारी किया, यह बीमा उद्योग के लिए एक माइलस्टोन था। उदारवादी अर्थव्यवस्था तथा निजी कंपनियों के बीमा क्षेत्र में प्रवेश के पश्चात इसके विकास को एक नई दिशा मिली तथा भविष्य में इसके विकास की संभावनाएँ काफी प्रबल हो गई।

दिसम्बर 2000 में जीआईसी की सहयोगी कंपनियों को स्वतंत्र अस्तित्व प्रदान किया गया। इसी समय जीआईसी राष्ट्रीय पुन: बीमाकर्ता के रुप में सामने आया। जूलाई 2002 में संसद ने अन्य चार कंपनियों को जीआईसी से स्वतंत्र करने के लिए बिल पारित कर दिया।

आईआरडीए की विकास नीति अपना रुप ले रही है तथा साथ ही बीमा उद्योग इसका लाभ उठा रहा है। पिछले दशकों में बीमा उद्योग निरंतर विकास की ओर अग्रसर है और इसका भविष्य काफी सुनिश्चित है। उदारीकरण के पश्चात निजी बीमा कंपनियां अस्तित्व में आई और इससे बाजार में प्रतियोगिता आई, जिससे हर बीमा कंपनियां ग्राहकों को बेहतरीन सुविधाएँ मुहैया कराने के लिए जुटी हुई है। प्रधिकरण बाजार में मौजुद समस्याओं के निदान के लिए कदम उठा रहा है, ताकि आम जनता का बीमा उद्योग पर विश्वास कायम किया जा सके।

> बीमाकर्ता की मुश्किलें हैं, हो रहे दावों की संख्या में बढ़ोतरी, बढ़ते हुए दायित्व और दावों के निपटारे में देरी।

फिर मध्यस्थों का इश्यू सामने आता है। उनके लिए बाजार संचालन किस प्रकार से तैयार किया जाए। इसके लिए एक समिति का गठन किया गया। कुछ परिवर्तन भी किए गए तथा कई अन्य मुद्दे भी जल्द ही सुलझा लिए जाएंगों।

निजी बीमा कंपनियों के आने से पूर्व भारतीय जीवन बीमा बाजार काफी पिछड़ा हुआ था तथा सिर्फ भारतीय जीवन बीमा निगम का ही बाजार पर एकाधिकार था। बीमा उत्पादों का बाजार में भेदन सिर्फ 19 प्रतिशत था। एलआईसी टैक्स प्लानिंग साधन के रुप में बीमा उत्पादों को बेचा करता था ना कि एक ऐसे उत्पाद के रुप में जो भविष्य में सुरक्षा प्रदान करेगा। उत्पादों में कोई लचीलापन या पारदर्शिता नहीं थी। निजी बीमा कंपनियों के आने के पश्चात सारा गेम परिवर्तित हो गया। आज भारतीय बाजार में निजी क्षेत्र की 13 बीमा कंपनियाँ है तथा बाजार में इनकी भागीदारी 13 प्रतिशत है। तथा साथ ही इनके प्रीमियम में लगातार वृद्दि देखने को मिल रही है।

आईआरडीए के आँकड़ों से पता चलता है कि निजी बीमा कंपनियों की बाजार में भागीदारी प्रीमियम के आधार पर देखा जाए तो 21.90 प्रतिशत तथा पॉलिसी संख्या के आधार पर देखा जाए तो 9.60 प्रतिशत है। (जनवरी 2005 के आँकड़े)

बेहतरीन उत्पाद, बेहतरीन मार्केटिंग तथा प्रतिबद्धता ये ऐसे तत्व हैं जो निजी बीमा कंपनियों में खासकर देखने को मिलता है तथा बीमा क्षेत्र के विकास के लिए यह एक महत्वपूर्ण बिन्दू है। भारतीय अभी तक बीमा उत्पादों को टैक्स बचाने के उपाय के रुप में ही देखते थे, परन्तु आज उनका नजरिया बदल रहा है तथा भविष्य की सुरक्षा को ध्यान में रखकर इसे खरीदा जा रहा है। हाँलाकि निजी कंपनियों ने एलआईसी से कुछ बाजार भागीदारी ले ली है, परन्तु प्रमुख विकास बाजार के विस्तार की वजह से ही हो रहा है।

अन्य कार्य जो प्राधिकरण द्वारा बीमा उद्योग के विकास के लिए किया जा रहा है, वह है सरकार के समक्ष प्राथमिकता। यह देखा गया है कि स्वास्थय बीमा आज बाजार में काफी मांग कायम कर चुका है, परन्तु बीमाकर्ता इस ओर ज्यादा रुचि नहीं दिखा रहे हैं। क्योंकि इस बिजनेस में नुकसान भी हो सकता है। आईआरडीए के वर्कींग ग्रुप ने स्वास्थय बीमा पोर्टफोलियो के विकास के लिए कदम उठाए हैं तथा इसके लिए विशेष डाटा तैयार किया जा रहा है।

एक अन्य प्रमुख कार्य जो आईआरडीए द्वारा प्रारंभ किया जा रहा है, वह है विभिन्न शेयरधारकों के मध्य स्व-विनियमन को बढ़ावा देना। जहाँ बीमाकर्ताओं के लिए यह पहले से ही सुनिश्चित है - इंश्योरेंस कारपेरेशन

के रुप में- तथा मध्यस्थ ं के लिए लाईफ एवं जनरल इंश्योरेंस काउंसिल के रुप में- उत्तरदायी बाजार संचालन के लिए यह काफी आवश्यक है। व्यक्तिगत एवं कारपोरेत एजेंट के लिए कॉड ऑफ कंडक्ट की भी आवश्यकता है तथा इसे एक विशेष फ्रेम प्रदान किया गया है।

बीमाकर्ताओं के मामले में प्राधिकरण ने स्व-विनियमित संगठन के गठन पर जोर दिया है, जो इनके लिए बाजार संचालन नियम तैयार करेगा तथा साथ ही बीमा उद्योग को भी इससे काफी बढ़ावा मिलेगा।

निजी बीमा कंपनियों को भी अपने सामाजिक उत्तरदायित्वों का ध्यान रखना होगा। पिछले पाँच वर्षों में बीमा उद्योग ने संचालन वातावरण में काफी बदलाव देखे हैं। कई कंपनियां इस क्षेत्र में आई है तथा प्रतियोगिता भी बढ़ी है। क्योंकि बाजार बड़ा है एवं इसका निरंतर विकास हो रहा है, बीमाकर्ता के पास इसे पूरा करने के लिए पर्याप्त धन होना चाहिए।

सन्1993 में आरबीआई के गवर्नर एवं पूर्व वित्त सचिव श्री आर.एन.मल्होत्रा की अध्यक्षता में मल्होत्रा कमेटी का गठन किया गया जिसका कार्य राष्ट्र में बीमा उद्योग के भविष्य के लिए दिशा-निर्देश तय करना था। सन् 1994 में कमेटी ने अपनी रिपोर्ट सौपी और निम्न सुझाव दिए:

1. बीमा कंपनियों की संरचना
2. स्वस्थ प्रतियोगिता के लिए निजी कंपनियों का प्रवेश
3. बीमा कंपनियों के विनियमन के लिए एक पृथक विनियामक संस्था की स्थापना
4. जीवन बीमा कंपनियों के लिए अनिवार्य ७५ प्रतिशत निवेश को घटाकर ५० प्रतिशत कर देना तथा जनरल बीमा कंपनियां एवं इसकी सहयोगी कंपनियां किसी भी एक कंपनी में ५ प्रतिशत से अधिक न रखे।
5. ग्राहक सेवा बेहतर बनाने के लिए नवीनतम तकनीकी

बीमाकर्ता की पूरी साख क्लेम के निपटारे के समय ही सामने आती है। इस समय ग्राहक बीमा कंपनी से पूर्ण सहयोग की अपेक्षा रखता है, क्योंकी एजेंट द्वारा भी ग्राहक को प्रारंभ में यह बताया गया था कि क्लेम का निपटारा आसानी से हो जाएगा तथा हम बहुत ही आसान प्रक्रिया अपनाते हैं। परन्तु यदि क्लेम के निपटारे के वक्त बीमा कंपनी ने थोड़ी सी भी ढिलाई बरती तो ग्राहक स्वयं को ठगा सा महसूस करता है, क्योंकि उसने अपना पैसा लगाया है, और उसे अपने पैसे की पूरी कीमत चाहिए।

गैर जीवन बीमा कंपनियों से संबंधित 2000 से अधिक लिखित शिकायतें तथा 1500 से अधिक फोन कॉल्स प्राप्त हुए हैं। हम आईआरडीए में ग्राहकों की शिकायतों का निपटारा करते हैं तथा हम यह समझते हैं कि क्लेम के निपटारे के वक्त एक ग्राहक की क्या अपेक्षा रहती है। सभी ग्राहक लगभग यही कहते हैं कि बीमा बेचते समय तो बीमा कंपनी ने काफी उत्सुकता दिखाई, परन्तु जब क्लेम के निपटारे का समय आया तो सारी उत्सुकता धरी की धरी रह गई। यदि एक शिकायतकर्ता बाहरी श्रोतों से याचना करता है (बीमाकर्ता के अलावा) तो यह इस तथ्य को इंगित करता है कि उस व्यक्ति को बीमा कंपनी में अब कोई विश्वास नहीं रह गया है या फिर उसे वहाँ से कोई उत्तरदायी जवाब नहीं मिला है, शिकायत का निपटारा तो दूर की बात है। कई बार ऐसा भी होता है कि जब तक बाहर शिकायत न की जाए, बीमाकर्ता ग्राहक की समस्या को समस्या ही नहीं समझता है। बीमाकर्ता के लिए यह आवश्यक है कि शिकायतों के निपटारे के लिए एक प्रकोष्ठ का निर्माण किया जाए तथा इसके प्रक्रिया की जानकारी ग्राहकों को दी जाए।

कई लोग नहीं जानते की बीमा क्षेत्र में किस प्रकार से कार्य होता है जैसे की वारंटी, शर्तें एवं नियम क्या क्या हैं? यह जरुरी है कि बीमा बेचते समय ग्राहकों को सभी तथ्यों की पूर्ण एवं सही जानकारी प्रदान की जाए।

प्राय: सभी शिकायतों को पढ़ने से हमें इस बात का पता चलता है कि ग्राहक यह जानना चाहते हैं कि उनक् क्लेम को लेकर एक विशेष निर्णय क्यों लिया गया है, चाहे यह क्लेम की उपेक्षा करना हो या फिर दिए जाने वाले क्लेम में कटौती। कई लोग नहीं जानते की बीमा क्षेत्र में किस प्रकार से कार्य होता है जैसे की वारंटी, शर्तें एवं नियम क्या क्या हैं? यह जरुरी है कि बीमा बेचते समय ग्राहकों को सभी तथ्यों की पूर्ण एवं सही जानकारी प्रदान की जाए। पारदर्शिता लाकर ही ग्राहकों का विश्वास जीता जा सकता है।

हमें कई शिकायतें ऐसी मिली है जहाँ ग्राहकों को शर्तों एवं नियम की पूर्ण जानकारी नहीं दी गई थी। ऐसी शिकायतें काफी मात्रा में मिलती है। ग्राहकों के क्लेम का निपटारा नहीं किया जाता है।

कई बार क्लेम में कटौती भी की जाती है। ग्राहक के पास वाद-विवाद करने के लिए इतना समय नहीं होता है तथा साथ ही उनके पास क्षमता भी नहीं होती है।

ट्राइब्यूनल कोर्ट भी मोटर बीमा के दावों के निपटारे में अपनी भूमिका अदा कर सकती है। कई बार ये मामलें बीमाकर्ता के नियंत्रण से बाहर हो जाते हैं। तथा वो उन्हें संभालने की स्थिति में नहीं होता है। और इन सबका प्रमुख कारण हो सकता है गलत दावे। इनका सही निर्धारण काफी आवश्यक है।

लेखक,ओरियंटल इंशुरेन्स क. लि. में उप महाप्रप्रन्धक पद पर कार्यरत हैं। यहाँ व्यक्त विचार उनके अपने हैं।

यह आपका भविष्य है. उसकी सुरक्षा करें.

बीमा से सम्बन्धित कुछ शंकाओं का समाधान !

बीमा पॉलिसी आपके भविष्य को सुरक्षित बनाने का एक माध्यम है.

बीमा विनियामक और विकास प्राधिकरण (आइआरडीए) पॉलिसीधारकों की हितों की सुरक्षा के लिए आपके साथ है.

- जीवन बीमा पॉलिसी के पॉलिसीधारक के नाते, अब आप 15 दिनों की ''फ्री लुक पिरियड'' का फ़ायदा भी ले सकते हैं. पॉलिसी मिलने की तारीख के 15 दिनों के अन्दर आप पॉलिसी को वापस करके अपने धन की वापसी का दावा भी कर सकते हैं.
- बीमा करने वाले को इसके लिए -
  - प्रस्ताव फॉर्म मिलने के 15 दिनों के अंदर इसकी जानकारी देनी होगी.
  - प्रस्ताव स्वीकार करने के 30 दिनों के भीतर, नि:शुल्क प्रस्ताव फॉर्म की नकल प्रस्तुत करनी होगी.
  - अपना जवाब किसी भी पत्र के मिलने पर 10 दिनों के अंदर देना होगा.
  - हानि का मूल्यांकन करने की सूचना मिलने के 72 घण्टों के भीतर बीमा सर्वेक्षक की नियुक्ति करनी होगी.
  - प्रार्थना करने पर सर्वेक्षण रिपोर्ट की नकल देनी होगी.
- आवश्यक दस्तावेज मिलने की तारीख से 30 दिनों के भीतर जीवन बीमा का दावा अदा कर देना होता है.
- बीमा कम्पनी के द्वारा आवश्यक दस्तावेज मिलने की तारीख से 7 दिनों के भीतर सामान्य बीमा का दावा निपटाया जाना चाहिए.
- यदि इसमें देरी होती है, तो बीमा कम्पनी को निर्धारित ब्याज की रकम देनी होगी.
- यदि बीमा करने वाले के द्वारा आपकी शिकायत का निपटारा नहीं होता है, तो आप अपने क्षेत्र के बीमा लोकपाल से मिल सकते हैं.

बीमा पॉलिसीधारकों के हित में जारीकर्ता :

बीमा विनियामक और विकास प्राधिकरण

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY

website: www.irdaindia.org

जीवन बीमाकर्ता • एलिएंज़ बजाज लाइफ इंश्योरेंस कम्पनी लि. • एमपी सन्मार एश्योरेंस कम्पनी लि. • अवीवा लाइफ इश्योरेंस कम्पनी इंडिया प्रा.लि. • बिरला सन लाइफ इंश्योरेंस कम्पनी लि. • एचडीएफसी स्टैण्डर्ड लाइफ इंश्योरेंस कम्पनी लि. • आइसीआइसीआइ प्रुडेंशियल लाइफ इंश्योरेंस कम्पनी लि. • आइएनजी वैस्य लाइफ इंश्योरेंस कम्पनी प्राइवेट लि. • लाइफ इंश्योरेंस कॉरपोरेशन ऑफ इंडिया (एलआइसी) • मैक्स न्यू यॉर्क लाइफ इंश्योरेंस कम्पनी लि. • मेटलाइफ इंडिया इंश्योरेंस कम्पनी प्रा. लि. • ओम कोटक लाइफ इंश्योरेंस कम्पनी लि. • एसबीआइ लाइफ इंश्योरेंस कम्पनी लि. • टाटा एआइजी लाइफ इंश्योरेंस कम्पनी लि. **जनरल बीमाकर्ता** • बजाज एलिएंज़ जनरल इंश्योरेंस कम्पनी लि. • चोलामण्डलम जनरल इंश्योरेंस कम्पनी लि. • एक्सपोर्ट क्रेडिट गैरंटी कॉरपोरेशन ऑफ इंडिया लि. • एचडीएफसी चुब्ब जनरल इंश्योरेंस कम्पनी लि. • आइसीआइसीआइ लोम्बार्ड जनरल इंश्योरेंस कम्पनी लि. • आइएफएफसीओ-टोकिओ जनरल इंश्योरेंस कम्पनी लि. • नेशनल इंश्योरेंस कम्पनी लि. • दि न्यू इंडिया एश्योरेंस कम्पनी लि. • दि ओरिएन्टल इंश्योरेंस कम्पनी लि. • रिलायंस जनरल इंश्योरेंस कम्पनी लि. • रॉयल सुंदरम एलायंस इंश्योरेंस कम्पनी लि. • टाटा एआइजी जनरल इंश्योरेंस कम्पनी लि. • यूनाइटेड इंडिया इंश्योरेंस कम्पनी लि.

IMAGEADS IRDA/06/2003-HN

आप इस विज्ञापन को अपने आंतरिक प्रकाशन मैं बेहियक मुद्रित कर सकते हैं

Report Card: GENERAL

G. V. Rao

December Growth is 14%

Performance in December 2005

At a growth rate of about 14%, and an accretion of Rs.204 crore, the non-life industry in December 2005 has continued to perform in accordance with the trends of the earlier months.

The new players have maintained their market domination in terms of growth rate and accretion by contributing Rs.131 crore to their renewal premiums of Rs.298 crore, at a growth rate of 44 percent. The four established players have continued to struggle adding only Rs.74 crore to their renewal premium of Rs. 1153 crore, at a growth rate of 6.4 percent. 64 percent of the new business generated of Rs.204 crore in December has been taken in by the new players.

ICICI Lombard leads the team of 12 non-life players with an accretion of Rs.45 crore, followed by New India Rs.35 crore, Bajaj Allianz Rs.34 crore and United India, with a newfound aggression, Rs.32 crore. The four of them have added Rs.146 crore (72 percent) to the December total of Rs.204 crore. Oriental Rs.27 crore and IFFCO

GROSS PREMIUM UNDERWRITTEN FOR AND UP TO THE MONTH OF DECEMBER, 2005

(Rs.in lakhs)

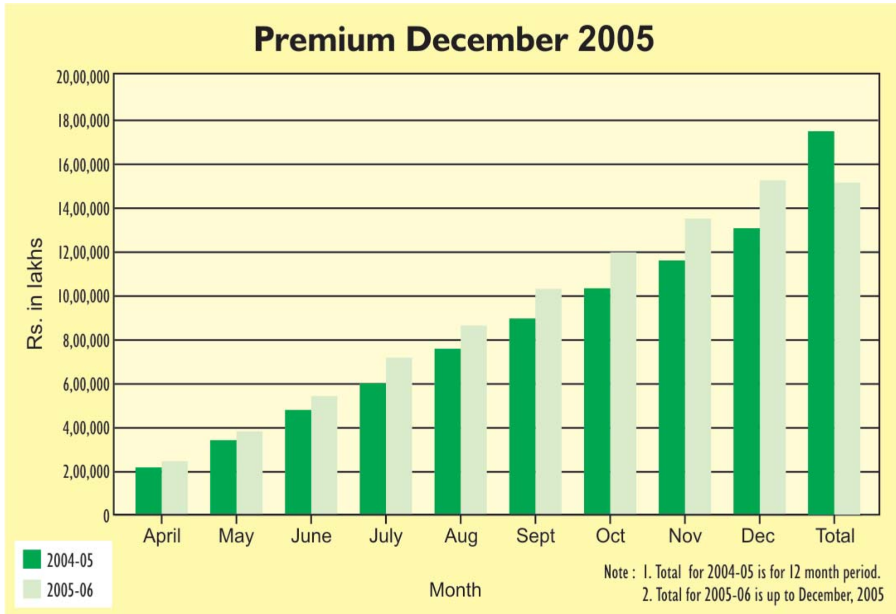
INSURER	PREMIUM 2005-06		PREMIUM 2004-05		MARKET SHARE UP TO DECEMBER, 2005	GROWTH OVER THE CORRESPONDING PERIOD OF PREVIOUS YEAR
	FOR THE MONTH	UP TO THE M ONTH	FOR THE MONTH	UP TO THE MONTH		
Royal Sundaram	3,511.22	32,658.00	2,529.06	23,978.70	2.16	36.20
Tata-AIG	4,801.75	43,721.06	3,913.93	34,922.16	2.90	25.20
Reliance General	1,118.58	11,143.69	1,158.48	13,707.08	0.74	-18.70
IFFCO-Tokio	6,578.11	63,019.73	3,748.05	35,658.34	4.18	76.73
ICICI-lombard	12,837.33	1,22,233.46	8,273.79	64,892.24	8.10	88.36
Bajaj Allianz	10,679.91	96,331.66	7,310.08	60,907.61	6.38	58.16
HDFC CHUBB	1,706.69	14,286.74	1,507.31	12,842.86	0.95	11.24
Cholamandalam	1,599.85	17,642.52	1,309.01	13,184.01	1.17	33.82
New India	37,496.00	3,47,166.00	33,993.00	3,08,164.00	23.00	12.66
National	29,519.00	2,62,534.00	31,541.00	2,83,139.00	17.40	-7.28
United India	26,403.00	2,35,801.00	23,228.00	2,24,725.00	15.62	4.93
Oriental	29,265.00	2,62,630.00	26,587.00	2,31,700.00	17.40	13.35
GRAND TOTAL	**1,65,516.44**	**1,509,167.87**	**1,45,098.72**	**1,307,821.00**	**100.00**	**15.40**
SPECIALISED INSTITUTION:						
ECGC	5,033.06	41,713.91	4,400.41	37,028.81		12.65

Note: Effective October, 2005 the mode of presentation of non life premium numbers stands modified. Since ECGC is providing cover exclusively for credit insurance, inclusion of the business underwritten by it with that of other insurance companies was reflecting an inaccurate position with respect to the industry as a whole. Henceforth premium underwritten by ECGC would be indicated separately.

Tokio Rs.28 crore have added another Rs.55 crore, reducing the cumulative contribution of the remaining six players to the December premium to single digit.

National Insurance continues to drop its premium and in December it was by Rs.20 crore out of its total drop of Rs.206 crore, as at the end of December 2005.

The new players seem to display a relative ease not only to retain their monthly renewal premiums but also grab impressive quantum increases of premium accretion, month after month; virtually putting the established players continuously on the defensive to safeguard their renewals.



Performance up to December 2005:

The non-life industry has crossed Rs.15,000 crore premium, recording an accretion of Rs.2013 crore: assisted by the new players with Rs.1409 crore and the established players by Rs.604 crore. Nearly 70 percent of the new business generated of Rs.2013 crore has come from the new players.

ICICI leads the list of accretions with an increase of Rs.573 crore followed by New India Rs.390 crore, Bajaj Allianz Rs.354 crore, Oriental Rs.309 crore and IFFCO Rs.274 crore. These five players' cumulative accretions are Rs.1900 crore out of the total of Rs.2013 crore. These numbers show that out of the 12 players, five players alone seem to be dictating the pace of market premium developments.

Oriental has overtaken, in premium volume, National Insurance in December 2005 by a very slight margin to be recognized as the second largest insurer in the country. New India, the first ranked one, is over Rs.800 crore ahead of Oriental.

The growth rate at the end of December 2005 is 15.4 percent – slightly down from 15.52 percent at the end of November. If the growth rate has to pick up, more premiums have to necessarily come from the performance of the established players.

Market share:

In a span of about 5 years the new players have grabbed a market share of 26.6 percent. Bajaj Allianz is poised to enter the Rs.1000 crore club in January 2006. IFFCO Tokio is a likely contender for it in 2006/7.

ECGC:

ECGC has done well with an accretion of Rs.47 crore and a growth rate of about 13 percent despite some competition from other new players.

New developments:

Micro-insurance regulations, having been enacted by the IRDA in November 2005, and with the network of established players solid and vast in the interior, they seem well poised to revolutionize the shape of the rural markets, if they wished to do so. The utter simplicity of locating agents through rural based organizations and the freedom to market hybrid products of life and non-life, as a single product, gives them a rare advantage to utilize their network. Bringing NGOs, rural banks and other co-operatives into insurance selling may trigger a market, at the bottom of the pyramid of huge needy numbers.

The author is retired CMD, The Oriental Insurance Company Ltd. He may be contacted at gvrao70@gmail.com

Insurers vie for mega insurance policies in the energy sector

The general insurers are quite upbeat about the scope of business in the energy sector, as per media reports. Aided by the support of the reinsurers, Bajaj Allianz General Insurance is looking to cater to the needs of energy segment for two giants in the petro-chemical energy space; besides some hydro-electric and wind-power projects etc.

As per Mr. Kamesh Goyal, the CEO of the company, regulatory pressures, global competition and increased business interruption exposure are the challenges that the insurers face in the sector. In their corporate newsletter, the CEO has exhorted the insurers' preference for tariff-driven policies in the post-9/11 period and a reversal in the trend currently, while explaining the nuances of the mega covers.

He also explained the considerations of deductibles and excesses; and how they affect the premium rates.

Hindujas to enter life insurance market

The Hinduja group is poised to enter the life insurance market in India, it is reported. It has entered into a tie-up with an overseas partner, although the name and the investment pattern have not been revealed.

The initial investment in the new business would be done by the banking wing IndusInd Bank. The Hindujas feel there is huge scope for life insurance business in the country, although there are more than a dozen players in the fray.

The group is planning to invest in various areas of business, apart from insurance, viz. automobile, financial services and media. They expect the market capitalization to go up to $5 billion in the coming five years from the present $2 billion. The group boasts of several listed companies namely Ashok Leyland, Gulf Oil, Hinduja TMT and IndusInd Bank. They are also likely to foray into infrastructure and real estate, it is reported.

ICICI Lombard likely to join Govt. scheme

Private sector non-life insurer ICICI Lombard has made its intentions clear to join the government in its proposed insurance scheme that will provide cover for 26% of the population, it is reported. The four public sector players are already a part of the scheme and the chemicals ministry is waiting for more private sector players to join it.

The scheme is envisaged to be parallel to healthcare framework as it exists in the US under which the health insurance industry and the state, which buys medicines in bulk, act as a counterweight to the pharmaceutical industry. The two together pressurize the drug manufacturers and manage to get the medicines priced reasonably.

The scheme is likely to provide big business for the insurance companies reportedly as it covers about 26 crore people. This would be the first insurance product in the country which will not insist on hospitalization for a claim to be made. It is estimated that the government would have to pay a premium of Rs.550 per person. The more affluent sections of the population would have to pay the premium in order to avail the benefits of the scheme. It is reported that the government has also requested the services of ICICI Lombard for suggestions to improve the scheme.

Under the scheme, a card would be issued to each policyholder which would be used to indicate proper utilization of the scheme. Chemists would be required to provide medicines to the policyholders and keep electronic records, region-wise. It is felt that the massive volume of business would attract the private players though documentation would be a major constraint.

Second round of VRS for insurance staff in the offing

The wage bills for the public sector insurance companies are bound to head north with the Ministry of Finance announcing a hike in salaries that takes effect retrospectively from August 2002. The bills on account of this are likely to go up to Rs.300 cr. depending upon the actual number of employees on the rolls.

"The liabilities are fully provided for" as per Mr.Ramadoss, Chairman and Managing Director of Oriental Insurance Company Ltd. Despite the huge expenditure, it is unlikely to largely affect the balance sheets of the companies reportedly. On the contrary, the wage settlement would be a boon for the insurers in the sense that it is associated with an objective transfer policy whereby the managements would be able to achieve a branch/office rationalization. The process aims at shutting down some of the non-viable offices/branches as also bringing down the wage expenses in the long run.

It is also reported that the wage settlement is bound to be followed by a second round of Voluntary Retirement Scheme (VRS) for the staff. The first dose of VRS failed to achieve the desired objective of a trim and fit workforce, especially in the clerical and Class III staff as the majority of the VRS optees was from the officer cadre.

The new transfer policy is aimed at making the VRS more effective. Although no date has yet been announced, it is likely that it would be implemented during the next fiscal.

Citibank and Royal Sundaram jointly launch credit card with insurance

Co-branding has been the name of the game, especially in the credit cards line. It is reported that the multi-national banking major Citibank and private general insurer Royal Sundaram Alliance Insurance Co have jointly launched a credit card which also includes health and general insurance facility. It envisages the coverage of several insurance needs viz. motor; household and travel; health etc.

The collaboration is with the global credit card leader Visa International. Among other benefits that the cardholders get, the card provides for free medical insurance worth Rs.50,000 for the first year and access to various insurance packages of Royal Sundaram. Besides, the cardholders also get access to special benefits at the Apollo Hospital Group's facilities and discounts on all purchases made at any of Apollo's 300 pharmacies.

The officials of the bank are upbeat about the new proposition in offering the best of insurance with the comfort of a credit card. They claim that the launch marks one more milestone in their endeavour to offer unique products to their clientele. The insurance company claims that the card highlights the consistent efforts in the creation of new channels of distribution and ensuring easy access of insurance to their customers.

Bank of Baroda on the threshold of life insurance business

Bank of Baroda, the giant public sector bank in the country, has disclosed its intentions to enter the life insurance market in the country, it is reported. It is planning to join hands with both domestic as well as overseas insurance entities for a meaningful, strategic alliance.

The bank is hopeful of being a competitor by the end of the year 2006, as stated by Mr. J K Chandar, General Manager (Project and Information Technology). Presently, only State Bank of India is the public sector bank in the life insurance field, it is reported, although there are many private sector banks in the arena.

Mumbai flood claims settled

The Mumbai flood claims, including those of motor vehicles, have been settled by the four public sector general insurance companies reportedly. The unprecedented rains that lashed Mumbai city and several parts of Maharashtra in July 2005 caused havoc and the damage to property has cost the insurers Rs.614 cr. Of this, an amount of Rs.575 cr. was paid in the non-motor category and Rs.39 cr. for motor vehicles.

The process of claims settlement was closely monitored by the Finance Minister himself from time to time. The insurers have reportedly settled about 74 per cent of the total claims and thus it is believed to be quite expeditious (in the absence of proper and complete documentation) by the industry standards as per official reports.

China encourages investment in insurance industry

The state-owned enterprises and private funding sources in China are reportedly being encouraged to invest in the insurance business in an attempt to further its growth momentum, according to the regulator.

Efforts are also on to explore the possibility of allowing banks and postal services in setting up insurance ventures as per Mr.Wu Dingfu, Chairman of the China Insurance Regulatory Commission. He further added that medium-sized state firms and private funds would be encouraged and supported for investment guidance. He also said that the regulator would push the insurers into product innovation and tighten oversight in order to prevent unhealthy competition.

As a direct consequence of the economic growth and a rise in the personal incomes during the past one decade, China's insurance market has been expanding at an average 25% annually. The cumulative premium income of the Chinese insurance industry took a quantum jump of 14% to US $ 61 billion during the year 2005 on account of the reshuffling of product portfolios aiming at long term profitability.

There is a steady rise in the market share of overseas players viz. Manulife Financial Corp and Assicurazioni Generali SpA from the year 2002 by about 5.4 percentage points to 6.9 per cent, as per the regulator. The investment returns of the insurers were estimated at 3.6 per cent, up by about 0.7 per cent in a year, which it is reported, is on account of the industry firms gaining approval to purchase directly local currency stocks and bonds.

As per an official of the regulator, the insurance funds would be allowed to be invested indirectly in infrastructure projects, which is regarded to be another major breakthrough in expanding investment channels for insurance funds.

It is reported that the move which was approved by the State Council recently, would go a long way in supporting the investments of insurance companies.

Suit against New York City dismissed

The insurers of Consolidated Edison Co. of New York filed a suit against the City of New York and various other defendants of contributing to the destruction of the World Trade Centre in the Sept. 11 episode. A federal judge dismissed the lawsuit recently, it is reported.

The high-rise office building situated next to the WTC belonging to the complainant caught fire during the terrorist attack on the fateful day and collapsed several hours later. An electrical substation was destroyed and their insurers sued several parties who are reported to be either directly or indirectly responsible for the losses.

The insurers contended that the Port Authority of New York and New Jersey, owners of the property; and World Trade Co., the building's owner and manager, were responsible for the inferno as they allowed the maintenance of large diesel fuel tanks and emergency generators in the building. They argue that the ignition of the diesel fuel was what contributed to the collapse. Likewise, several contractors, engineers, supervisors and architects were also charged in the suit.

In a significant judgment, several of these claims against the City of New York, Port Authority, World Trade etc. were dismissed as baseless while some other claims were left intact, as per media reports.

China's major life insurer entering property insurance market

China Life Insurance Group, the largest life insurer in the country, is negotiating to buy a major stake in Dazhong Insurance of China and thereby entering the property insurance market, reportedly. They are offering to pay about 1.3 yuan a share for the unlisted Dazhong, it is reported. They will buy the shares from some existing shareholders like Shanghai Chengtou Corp and Shanghai Dazhong Public Utilities Group of which are state-owned enterprises.

The Shanghai-based property insurer has been reporting losses in the past few years and thus the shareholders have agreed to sell their stakes without reservation, as per reports. Presently, China Life's only interest outside life insurance is an asset management subsidiary. Its dreams of owning a property insurance arm can come true by acquiring the stake in Dazhong Insurance, sources reported.

2005 cat losses estimated at US $ 75 billion

Munich Re has estimated the total catastrophe losses of 2005 at US $ 75 billion, which is almost double the figure for the year 2004, it is reported. Hurricane Katrina, among the others, caused the maximum damage causing insurance losses of US $ 45 billion. Munich Re alone had an estimate of insured losses to the tune of US $ 1.9 billion as against the earlier estimate of US $ 965.1 million on account of Hurricane Katrina but the company is confident of achieving its profit target for the year.

It is said that the revised estimate was on account of additional claims notifications and reports from loss adjusters after the initial estimates in November 2005.

Besides the Katrina, several other hurricanes of varying intensity viz. Hurricane Rita, Hurricane Wilma, Hurricane Vince, Hurricane Delta etc. developed in the region thereby adding to the losses.

In all, the number of natural catastrophes was recorded at around 650 during the year, the same as that of last year but owing to higher intensity, the total bill turned out to be much larger than all the previous years.

Insurance Company Mergers likely to take a surge in 2006

While the year 2005 itself was good enough for insurance mergers, the year 2006 is going to be even better going by the prediction of analysts, as per media reports. Popular among the mergers last year were the purchase by Metlife (Research) of Citigroup (Research)'s Travelers Life & Annuity business; and Lincoln National (Research)'s acquisition of Jefferson-Pilot.

The key drivers for the increased activity in mergers are likely to be low interest rates; an increasing demand for universal life and variable annuity products; and an emerging global market to some extent.

There are reportedly more than 1260 rated life and health insurance companies in the United States, which is very huge considering the market environment. Since the economic downturn in 2001 and the emphasis on corporate malfunction, there was a significant lull in the companies making any deals. The life insurance companies focused more on their own turning around and growing their stock prices. Considering the improvement in their earnings, stock prices etc. last year, companies are strongly considering the deals, it is reported.

Some state regulations have also had their share of impact on the deals by requiring the companies to hold more capital in order to offer products such as variable annuities with a guaranteed return and life insurance that does not lapse. The maintenance of the stringent reserve requirements has become harder for smaller companies. The financial industry as a whole is expected to be the big player and some banks might sell their insurance interests in the process, media reports say.

Increased catastrophe fears drive investor to shun reinsurers in the year 2006

The uncertainty over the control of hurricanes in the Gulf of Mexico has prompted a major UK investor, Clare Brook, Head of socially responsible investment for Norwich Union, to shun investment in reinsurers in the year 2006.Universal phenomena like climate change, carbon monoxide emission, energy challenge etc. are likely to continue to be an important issue for socially responsible investors in the year 2006. In this regard, it is feared that continuing trends of global warming and extreme weather like colder winters and hotter summers are on the cards, reports say.

The reinsurers who are most likely to be hit by such extreme weather conditions are not finding favour with socially responsible investors. The reports further say that while the ethical issues are not the point at all, the reinsurers' susceptibility to increased losses is what triggers the stand. It is also reported that climate change and the impact it has on a company's value have to be taken into consideration at the time of assessment and hence the relevance of the reinsurers.

While the assessment of the reinsurers is based on historical experience, it is feared that the projections with regard to climate changes are not properly being factored. This is giving rise to inclusion of any reinsurer with a commitment in the Gulf of Mexico in the portfolio being looked at with apprehension. The valuation standards of some reinsurers are already facing re-consideration, reports say. Some reinsurers like Swiss Re and Munich Re have managed the issue of exposure very efficiently, but the fact remains that their exposures are too huge to be ignored, it is reported.

ROUND UP

A three day workshop on 'Health Insurance - Actuarial Rating and Underwriting' was conducted by **National Insurance Academy (NIA)**, Pune from **23rd to 25th Jan.2006.** The photograph shows Mr.P.A.Balasubramaniam, Consultant Actuary, IRDA speaking at the workshop. Also seen in thephotograph is **Mr.K.C.Mishra, Director, NIA.**

The Office of the Governing Body of Insurance Council (GBIC) organized a joint conference of Insurance Ombudsmen and Members of GBIC on **3rd Jan.2006** at Hotel Grand Hyatt, Mumbai. Seen in the photograph are (L to R) Mr. A.K.Venkat Subramanian, Chairman, Insurance Ombudsmen Advisory Committee; Mr.A.K.Shukla, Chairman, GBIC; and Mr.C.R.Muralidharan, Member (Investment), IRDA.

"The greatest challenge will be to implement education for the program so people can choose the drug coverage that is right for them,"

explains Mohit Ghose, vice president of public affairs for America's Health Insurance Plans (AHIP; Washington, D.C.), talking about Medicare Prescription drug cards.

"By increasing the membership, we will bring high professional standards and best ethical practices in the life insurance industry and better service to our clients"

Stephen O Rothschild, President, Million Dollar Round Table (MDRT).

"Most life insurance companies lack the critical mass to survive long term. The sector is highly fragmented and rife with overcapacity. We do not see how most of the smaller players can effectively compete and remain profitable in this environment"

Rob Haines, Insurance Analyst, in a CNN Money interview.

"We will encourage, support and guide investment by large and medium-sized state firms and private funds into the industry. The regulator will push insurers to increase product innovation and tighten oversight to prevent vicious competition."

Wu Dingfu, Chairman, China Insurance Regulatory Commission.

"However, a change in strategic direction in various groups has led to some companies being sold, or being placed under review by their parents. Varied outlooks in this sector reflect company specific issues rather than market fundamentals,"

said credit analyst Mr Michael Vine.

"People travelling to countries with excessive heathcare costs such as the US, Japan and Europe should make sure they have unlimited cover for hospital and medical costs. For example, medical expenses could easily reach A$500,000 (US$376,875) in the US".

Insurance Council of Australia (ICA).

RNI No: APBIL/2002/9589

Events

16-17 Feb. 2006
Venue: New Delhi
Pension Reforms in India By PFRDA-FICCI

20-22 Feb. 2006
Venue: Pune
Customer Relationship Management
Non-Life) By NIA Pune

20-22 Feb. 2006
Venue: Bangkok
6th CEO Insurance Summit By Asia
Insurance Review

27 Feb-1 March 2006
Venue: Pune
Frontline Marketing Strategies (Life) By
NIA Pune

02-04 March 2006
Venue: Pune
Workshop on Motor Third Party Claims
By NIA Pune

06-11 March 2006
Venue: Pune
Research Methodology & Market
Intelligence By NIA Pune

09-10 March 2006
Venue: Singapore
I Asian Conference on Branding &
Marketing for Insurance
By Asia Insurance Review

13-18 March 2006
Venue: Pune
Trainers' Training (Life)
By NIA Pune

20-22 March 2006
Venue: Pune
Insurance Management of Energy Risk
(Oil & Gas) By NIA Pune

22-23 March 2006
Venue: Singapore
1st Asian Conference on Takaful Insurance
By Asia Insurance Review