Journal

Corporate Governance

Editor:
U. Jawaharlal

Hindi Correspondent:
Sanjeev Kumar Jain

Design concept & Production:
Imageads Services Private Limited

Printed by P. Narendra and
published by C.S.Rao on behalf of
Insurance Regulatory and Development Authority.

Editor: U. Jawaharlal

Printed at Pragati Offset Pvt. Ltd.
17, Red Hills, Hyderabad 500 004
and published from
Parisrama Bhavanam, III Floor
5-9-58/B, Basheer Bagh
Hyderabad 500 004
Phone: 5582 0964, 5578 9768
Fax: 91-040-5582 3334
e-mail: irdajournal@irdaonline.org

From the Publisher

Corporate Governance has come to occupy a very prominent place on the agenda of business houses, the reasons for which are not far to seek. Although it has always been the endeavour of corporate managements to conduct their business in as fair a manner as possible while keeping in view the ultimate bottom line, a senseless adventurism on the part of some to depict their performance out of proportion to the realities had led to the focus returning to the deliberations in the Board rooms and the responsibilities of the Board of Directors.

Corporate managements would do well to realize that it is not merely the appreciation of shareholders' value which is the ultimate objective but the way it is achieved. In most of the corporate debacles that were observed in the recent past, the common thread that was observed was the larger than life image of the CEO which has reduced the Board to a body providing a stamp of approval without subjecting the proposals to a strict scrutiny.

When it comes to insurance companies, the fiduciary responsibility of the managements takes a two-pronged direction. As they deal with the policyholders' money, insurers have to be cautious not just about their own managements but also the way the companies where the funds are invested, conduct their business. A failure on either side would prove to be detrimental to the interests of the insurance company. Corporate Governance becomes a key issue in insurance and this forms the focus of this issue of **IRDA Journal.** We have several experts from diverse areas of management voicing their opinions.

Technology has been changing the style in which business is conducted. For every business house a certain level of leveraging technological solutions is absolutely essential in order that it emerges successful. Insurance being highly number-centric, technology is the key for its success in the long run. The next issue of the journal focuses on 'Technology and Insurance Industry' and we hope to bring you the views of several practitioners who would discuss the role of technology in delivering value added services to the customers.

C. S. Rao

C.S.RAO

Inside

ISSUE FOCUS

The Delicate Balance

Good governance in a corporate entity should be a voluntary exercise and managements should not reduce it to a function that is statutorily enforced. While the bottom line undoubtedly is making a profit, entities should realize that they are in business to enhance the stockholder's value. Thus they owe a fiduciary responsibility to each of their shareholders. One can analyse corporate governance as a delicate balance between the twin tasks of performance and compliance. When profit-making becomes the solitary objective, managements tend to lose sight of their responsibilities and throw caution to winds. When the auditors and other officials associated with surveillance join the black deeds, the problem assumes humongous proportions.

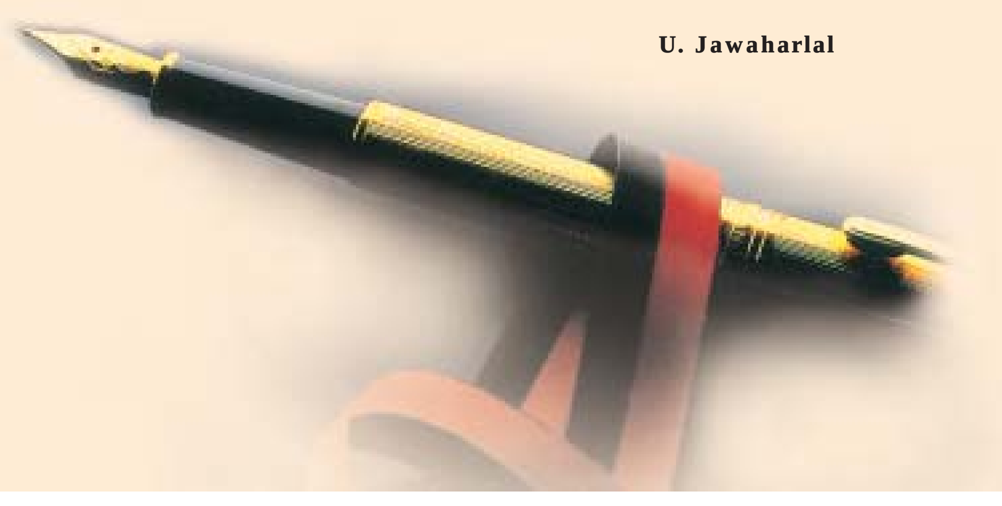
It is exactly in this background that we had the occasion to witness several major corporate debacles; and suddenly corporate governance hogs the limelight like never before. The series of fiascos led to several important legislations being enacted in some of the most developed economies and being followed closely globally. We hear of corporate governance in almost all sections of business, irrespective of their size.

Corporate governance has a different dimension as far as the insurance business is concerned. On the one hand, insurers have to be prudent in protecting the policyholders' interests as regards reasonableness in charging premiums; objectivity in settling the claims and so on. On the other, they also have the responsibility of profitably investing the policyholders' funds. This demands that insurers additionally have to be sensitive to the management styles of the organizations where the funds are being lodged. To this extent, they have a dual function to play.

In this issue, we bring you a rich collection of articles throwing light on various aspects of Corporate Governance. Mr. G V Rao critically examines the corporate governance practices prevailing in India. Dr. K C Mishra and Dr. Gitanjali Panda take a look at the attributes that specially affect insurers. Mr. R Krishna Murthy emphasizes on transparency as the core of governance. The importance of issue calendars and decision protocols as part of a proactive process is brought into focus by Mr. Ashwin Parekh. Mr. P C James discusses threadbare the corporate governance issues that would confront insurers in the de-tariffed regime. Finally, the different faces of corporate governance and their evolution in diverse areas of business are lucidly brought out by Mr. Vepa Kamesam.

Providing top class service to customers is the accepted norm for any business house. In a domain like insurance that deals with a large clientele, to achieve this would be a Herculean task unless modern styles of business conduct are leveraged. The next issue of **IRDA Journal** would be focusing on 'Technology' and the revolutionary changes it has ushered in.

U. Jawaharlal



Report Card:LIFE

Premiums Rise 53% up to December

During January, 2006 industry records 53.32% growth over January, 2005

The life insurance industry underwrote a premium of Rs.316384.76 lakh during the month of January, 2006, taking the cumulative premium underwritten for the ten months of the FY 2005-06 to Rs.2305746.75 lakh.

The total Individual and Group premium underwritten was Rs.1969398.34 lakh (85.41%) and Rs.336348.41 lakh (14.59%) respectively as against Rs.1244301.63 lakh (82.74%) and Rs.259589 lakh (17.26%) underwritten in April-January 2006. The premium underwritten by the industry upto January, 2006, towards individual single and non-single policies stood at Rs.736767.62 lakh and Rs.1232630.72 lakh respectively accounting for 1874125 and 18941677 policies. The group single and non-single premium accounted for Rs.301975.13 lakh and Rs.34373.28 lakh. The number of lives covered by the industry under the various group schemes was 12113955 during the ten months of the FY, 2005-06. LIC covered 9422584 lives under the group schemes accounting for 77.78% of the market, followed by SBI Life with 758383 lives (6.26%) and TATA AIG with 487262 lives (4.02%).

LIC underwrote premium of Rs.1664637.40 lakh during the period i.e., a market share of 72.20%, followed by Bajaj Allianz and ICICI Prudential with premium underwritten (market share) of Rs.168053.16 lakh (7.29%) and Rs.166091.19 lakh (7.20%) respectively. The new players underwrote first year premium of Rs.641109.35 lakh as against Rs.329615.49 lakh in April- January, 2005. In terms of policies underwritten, the market share of the new players and LIC was 12.33% and 87.67% as against 9.59% and 90.41% respectively during the previous year.

A further segregation of the premium underwritten during the period indicates that Life, Annuity, Pension and Health contributed Rs.1624092.48 lakh (70.51%), Rs.118554.43 lakh (5.15%), Rs.560201.23 lakh (24.32%) and Rs.494.70 lakh (.02%) respectively to the total premium.

Analysis of the statistics in terms of linked and non-linked premium indicates that 55.29% of the business was underwritten in the non-linked category, and 44.71% in the linked category, i.e, Rs.1273447.24 lakh and Rs.1029895.60 lakh respectively.

First Year Premium Underwritten by Life Insurers for the period Ended January' 2006

Sl	Insurer	Premium					No. of Policies / Schemes					No. of lives covered under Group Schemes				
		Jan, 06	Upto Jan, 06	Upto Jan, 05	Growth	Market share	Jan, 06	Upto Jan, 06	Upto Jan, 05	Growth	Market share	Jan, 06	Upto Jan, 06	Upto Jan, 05	Growth	Market share
1	**Bajaj Allianz**	**31,348.37**	**1,68,053.16**	**40,604.51**	**313.88**	**7.29**	**76,900**	**4,51,345**	**1,79,299**	**151.73**	**2.17**	**58,568**	**2,77,401**	**2,60,106**	**6.65**	**2.29**
	Individual Single Premium	22,345.02	1,00,612.26	15,797.86			24,309	84,881	21,281							
	Individual Non-Single Premium	8,713.68	65,716.21	24,325.20			52,570	3,66,333	1,57,926							
	Group Single Premium	69.13	201.82					1				213	655			
	Group Non-Single Premium	220.54	1,522.87	481.45			21	130	92			58,355	2,76,746	2,60,106		
2	**ING Vysya**	**2,572.80**	**17,406.50**	**8,204.85**	**112.15**	**0.75**	**9,346**	**83,845**	**77,490**	**8.20**	**0.40**	**2,347**	**26,276**	**18,944**	**38.70**	**0.22**
	Individual Single Premium	243.24	693.47	32.83			176	824	4,829							
	Individual Non-Single Premium	2,100.25	14,970.56	7,335.74			9,164	82,963	72,613							
	Group Single Premium	85.05	844.20	622.89					3			212	2,267	1,396		
	Group Non-Single Premium	144.26	898.27	213.39			6	58	45			2,135	24,009	17,548		
3	**Reliance Life***	**2,065.62**	**13,513.73**	**7,675.61**	**76.06**	**0.59**	**6,202**	**47,690**	**26,348**	**81.00**	**0.23**	**7,876**	**1,13,308**	**80,410**	**40.91**	**0.94**
	Individual Single Premium	1,463.19	9,904.71	5,423.00			2,052	14,686	6,307							
	Individual Non-Single Premium	530.81	2,955.94	1,890.01			4,149	32,924	19,979							
	Group Single Premium	10.70	104.78	58.22					1					190		
	Group Non-Single Premium	60.92	548.30	304.37			1	80	61			7,876	1,13,308	80,220		
4	**SBI Life**	**10,206.98**	**42,753.63**	**35,383.16**	**20.83**	**1.85**	**25,969**	**1,55,967**	**77,801**	**100.47**	**0.75**	**90,794**	**7,58,383**	**6,66,024**	**13.87**	**6.26**
	Individual Single Premium	1,243.11	6,173.10	5,232.24			2,056	9,270	4,217							
	Individual Non-Single Premium	2,756.81	12,230.30	5,118.49			23,735	1,45,151	70,820							
	Group Single Premium	2,189.65	16,815.94	21,277.08				2	6			13,836	1,64,322	2,07,374		
	Group Non-Single Premium	4,017.41	7,534.29	3,755.35			178	1,544	2,758			76,958	5,94,061	4,58,650		
5	**Tata AIG**	**3,210.13**	**36,844.41**	**22,651.82**	**62.66**	**1.60**	**20,880**	**2,32,389**	**1,79,198**	**29.68**	**1.12**	**15,699**	**4,87,262**	**2,57,321**	**89.36**	**4.02**

5	Tata AIG	3,210.13	30,844.41	22,031.82	62.00	1.00	20,880	2,32,389	1,79,198	29.68	1.12	15,699	4,87,262	2,57,321	89.30	4.02
	Individual Single Premium	64.62	441.62													
	Individual Non-Single Premium	2,906.07	29,634.78	18,819.97			20,863	2,32,166	1,79,002							
	Group Single Premium	207.20	1,891.97	463.31				2				11,760	1,23,892	72,729		
	Group Non-Single Premium	32.24	4,876.04	3,368.54			17	221	196			3,939	3,63,370	1,84,592		
6	**HDFC Standard**	**8,666.25**	**68,559.49**	**28,728.72**	**138.64**	**2.97**	**34,570**	**2,56,513**	**1,47,611**	**73.78**	**1.23**	**24,155**	**1,24,519**	**1,58,043**	**-21.21**	**1.03**
	Individual Single Premium	1,077.25	8,687.39	6,088.34			11,822	76,478	35,423							
	Individual Non-Single Premium	7,416.82	53,728.12	20,347.34			22,739	1,79,935	1,12,046							
	Group Single Premium	143.12	3,943.44	1,519.95			9	82	120			24,141	1,10,365	1,30,804		
	Group Non-Single Premium	29.06	2,200.53	773.09				18	22			14	14,154	27,239		
7	**ICICI Prudential**	**23,135.99**	**1,66,091.19**	**97,882.52**	**69.68**	**7.20**	**86,187**	**5,78,610**	**4,25,769**	**35.90**	**2.78**	**32,494**	**3,21,823**	**63,474**	**407.02**	**2.66**
	Individual Single Premium	1,198.12	6,584.31	9,639.21			6,300	29,289	6,173							
	Individual Non-Single Premium	19,407.30	1,43,030.00	80,237.47			79,877	5,49,110	4,19,529							
	Group Single Premium	768.26	3,190.63	116.36			7	103	12			28,022	2,21,460	18,666		
	Group Non-Single Premium	1,762.31	13,286.25	7,889.48			3	108	55			4,472	1,00,363	44,808		
8	**Birla Sunlife**	**5,161.59**	**41,450.37**	**42,887.30**	**-3.35**	**1.80**	**24,789**	**1,74,758**	**1,36,452**	**28.07**	**0.84**	**735**	**12,533**	**75,934**	**-83.49**	**0.10**
	Individual Single Premium	250.81	1,689.59	1,049.30			7,454	52,870	42,911							
	Individual Non-Single Premium	4,364.75	37,109.15	35,100.98			17,333	1,21,854	93,472							
	Group Single Premium	110.95	770.43	374.79								620	5,227	3,293		
	Group Non-Single Premium	435.08	1,881.21	6,362.23			2	34	69			115	7,306	72,641		
9	**Aviva**	**4,419.25**	**25,909.63**	**13,100.90**	**97.77**	**1.12**	**19,934**	**1,08,113**	**61,165**	**76.76**	**0.52**	**20,830**	**1,55,444**	**1,32,246**	**17.54**	**1.28**
	Individual Single Premium	89.50	725.51	331.06			139	2,342	865							
	Individual Non-Single Premium	4,292.07	24,881.11	12,533.29			19,793	1,05,757	60,276							
	Group Single Premium	12.67	107.85	72.35					1			76	688	550		
	Group Non-Single Premium	25.01	195.16	164.20			2	14	23			20,754	1,54,756	1,31,696		
10	**Kotak Mahindra Old Mutual**	**2,656.53**	**17,526.25**	**11,935.91**	**46.84**	**0.76**	**8,221**	**62,064**	**41,905**	**48.11**	**0.30**	**26,135**	**1,05,447**	**70,168**	**50.28**	**0.87**
	Individual Single Premium	213.43	1,925.22	1,990.09			404	2,735	1,348							
	Individual Non-Single Premium	2,303.39	14,765.84	8,911.35			7,803	59,254	40,508							
	Group Single Premium	35.96	184.95					2				2,262	11,912			
	Group Non-Single Premium	103.76	650.23	1,034.48			14	73	49			23,873	93,535	70,168		
11	**Max New York**	**3,419.23**	**31,750.67**	**16,598.52**	**91.29**	**1.38**	**28,813**	**3,27,102**	**1,66,862**	**96.03**	**1.57**	**2,830**	**32,955**	**60,318**	**-45.36**	**0.27**
	Individual Single Premium	8.20	142.39	203.61			17	211	201							
	Individual Non-Single Premium	3,400.29	31,504.47	15,949.02			28,779	3,26,811	1,66,579							
	Group Single Premium															
	Group Non-Single Premium	10.74	103.80	445.89			17	80	82			2,830	32,955	60,318		
12	**Met Life**	**1,601.39**	**9,858.92**	**3,950.65**	**149.55**	**0.43**	**9,134**	**73,519**	**31,493**	**133.45**	**0.35**	**52,641**	**2,75,291**	**1,44,538**	**90.46**	**2.27**
	Individual Single Premium	63.09	461.78	133.94			121	1,069	418							
	Individual Non-Single Premium	1,468.61	8,720.81	3,353.71			8,999	72,294	30,977							
	Group Single Premium															
	Group Non-Single Premium	69.69	676.33	463.00			14	156	98			52,641	2,75,291	1,44,538		
13	**Sahara Life**	**211.13**	**1,391.39**	**11.03**	**12,514.61**	**0.06**	**1,006**	**17,503**	**872**	**1,907.22**	**0.08**		**729**			**0.01**
	Individual Single Premium	195.55	1,030.21				482	2,602								
	Individual Non-Single Premium	15.58	360.50	11.03			524	14,891	872							
	Group Single Premium		0.68					10					729			
	Group Non-Single Premium															
	Private Total	98,675.25	6,41,109.35	329,615.49	94.50	27.80	351,951	2,569,418	1,552,265	65.53	12.33	3,35,104	2,691,371	1,987,526	35.41	22.22
14	**LIC**	**2,17,709.51**	**16,64,637.40**	**1,174,275.14**	**41.76**	**72.20**	**2,652,055**	**18,261,559**	**14,624,504**	**24.87**	**87.67**	**3,61,531**	**9,422,584**	**3,237,549**	**191.04**	**77.78**
	Individual Single Premium	71,989.81	5,97,696.05	214,390.80			186,564	1,596,868	507,115							
	Individual Non-Single Premium	1,12,127.61	7,93,022.92	750,055.76			2,464,162	16,652,234	14,105,853							
	Group Single Premium	33,592.09	2,73,918.43	209,828.58			1,329	12,457	11,536			3,61,531	9,422,584	3,237,549		
	Group Non-Single Premium															
	Grand Total	**316,384.76**	**2,305,746.75**	**1,503,890.63**	**53.32**	**100.00**	**3,004,006**	**20,830,977**	**16,176,769**	**28.77**	**100.00**	**6,96,635**	**12,113,955**	**5,225,075**	**131.84**	**100.00**

***** Formerly AMP Sanmar Life Insurance Co. Ltd

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

Adopting Technology ...

While technology enables managements to take quicker and better decisions by providing reliable support, the bottom line in embracing it should be delivering better service to customers writes ***U. Jawaharlal.***

Information Technology is the most radical thing to have happened to business houses during the last few decades. It has obliterated totally the delays that one was witness to in the transmission of documents; information to move back and forth; vital decisions to be taken by the corporate heads etc. Irrespective of the size of the business houses, technology has come to be regarded as a medium through which all the activities, both tactical as well as strategic, pass.

If one were to look for examples, there could be many. Not long ago, offices of bankers and insurers in India used to depend on the manual skills for such regular activities like the daily, weekly or the monthly reconciliations; finalization of the accounts at the end of a certain period; and so on. Because of the over-dependence on manual ability and the possible associated errors, undue delays were the order of the day; apart from fatigue and monotony for the persons involved. Today's scenario is a refreshingly different one with vast improvement in generation of real-time information, decision-making and the resultant quickness in serving the client. The staff involved also are spared the mental stress and can concentrate on more productive activities.

Insurance business deals with large numbers which, in fact, decide the extent of its success. Hence, adopting modern techniques of conducting the business should not be a deterrent for insurers. Technology has always been an important management tool for insurers, although what used to pass off as 'technology' then would certainly make a modern techie laugh at its crudeness. The early practice of technology adopted by insurers was in the form of embossed metallic plates for information storage; and use of punched-cards for information retrieval.

Besides, information of each of the proponents for life insurance used to be physically stored in a dossier. Owing to the huge numbers, these dossiers or 'dockets' as they were called, used to be stored serially in huge racks placed contiguously. The halls were reminiscent of the endless corridors of the Jefferson Institute in the movie 'Coma' and the person who used to locate any 'docket' with such effortless ease always looked so indispensable. In a nutshell, information has always been vital for the success of insurance business and it cannot be done away with. If the same methods were to be continued to this day, one shudders to imagine what it would be like, with the numbers being what they are.

From such a situation not very long ago, in the modern age one hears of vital underwriting decisions being taken based on just a telephonic call. The underwriter feels confident that the slightest quiver in the proponent's voice is sufficient for him or her to suspect the veracity of the statements being made; and subsequent decisions being made accordingly. The underwriter is able to do that because of the adoption of highly sensitive instruments made possible by technology.

In the Indian domain, the above scenario is still a distant dream. However, use of technology can be leveraged in the creation of information base in the form of data warehousing. Information, as already mentioned, is so vital for the success of insurance business; and in particular, information with regard to any adverse decision about a particular proposal should be made accessible to all insurers on a real-time basis. Only this would enable the insurers to be put on alert against any fraudulent tendencies of a trickster on the prowl. Insurance, as yet being a not-totally-understood form of business for the majority of the population, is not at a stage where consummation of contracts can be accomplished on the net. Technology, nevertheless, could be used as a dynamic tool to improve the after sales services, which would eventually lead to a spurt in its brand image and a consequential growth in business. The bottom line for the insurance companies in embracing technology should however be better customer service; and not merely an improvement in the speed and accuracy in generating information to support the process of its decision-making.

'Technology and Insurance Industry' would be the focus of the next issue of the IRDA Journal. Several experts associated with technology in insurance would express their views on the various aspects related to the domain.

IRDA CAUTIONS INSURERS ABOUT KEY PERSON INSURANCE

To 30th Jan.06.

All Life Insurers.

Attention is invited to IRDA circular No. IRDA/Life/006/2005-2006 dated 27 April 2005 on the subject of Keyman insurance. It has been reported that some insurers are disregarding the spirit behind that circular and are selling Partnership insurances through endowment or unit-linked plans.

Insurers should not lose sight of the basic principle that a person purchasing life insurance can only do so to the extent of his insurable interest in the life assured. An employer buying keyman insurance purportedly for his own benefit cannot prove insurable interest beyond a certain cover protecting against death of the key employee and similar is the position of a partner buying insurance on the life of another partner or the partnership firm buying insurance on the lives of its partners.

Accordingly, all insurers are advised strictly to ensure that where the premium for the insurance on the life of an employee is paid by the employer or where the premium on the life of a partner is paid by another partner or by the partnership firm, the scope of cover is not wider than term assurance.

It is hoped that insurers will abide by these instructions in letter and in spirit. Any products designed to circumvent this circular will be considered as a deviation from good business practice besides being considered as a violation of these instructions.

Please acknowledge the receipt of this circular.

(C.S. Rao)
Chairman

Change of name of AMP SANMAR Life Insurance Co. Ltd.

Dated 1st Feb.'06.

Consequent to the acquisition of the entire equity capital of AMP, Australia and Sanmar Group in AMP Sanmar Life Insurance Co. Ltd., by Reliance Capital Limited, the Authority has taken note of the change of name of the company 'AMP Sanmar Life Insurance Co. Ltd.' to that of 'Reliance Life Insurance Co. Ltd.' and the fresh certificate of incorporation, consequent to change of name, issued by the Registrar of Companies, Tamil Nadu dated 17.01.2006.

The Authority has noted the above change in its record and permitted Reliance Life Insurance Co. Ltd. (RLICL), to carry on the business of life insurance in India subject to the condition, inter-alia, that RLICL shall honour its commitments to the policyholders of AMP Sanmar Life Insurance Co. Ltd., on the same terms and conditions subject to which they were issued and that RLICL shall take necessary steps to protect the interests of the policyholders in accordance with the provisions of IRDA Act, 1999, Insurance Act, 1938 and the Rules and Regulations made thereunder.

Sd./
(C.S. Rao)
Chairman

Incorporation of Surveyor's Institute

Dated 20th Feb.2006.

Pursuant to the advice of the Government of India based on the recommendations of the Bhandari Committee to set up an institute for surveyors and loss assessors, the Insurance Regulatory and Development Authority has got The Indian Institute of Insurance Surveyors and Loss Assessors (IIISLA) incorporated on 4th October, 2005.

Notice calling for membership to IIISLA was first given on 26th November, 2005. It was followed up by another notice on 11th January, 2006 wherein the One-time entry fee and Annual membership fee to IIISLA stood reduced. The reduction in fee was in response to appeals from a large number of surveyors and loss assessors who felt that the fee initially proposed was high. The revised fee for membership to IIISLA for all eligible surveyors and loss assessors is as follows: One-time entry fee: Rs.5000/- (uniform for all members); Annual Membership fee: Fellow- Rs.2000/-; Associate- Rs.1500/-.

Following the reduction, the last date for submission of applications has been extended from 24th January, 2006 to 28th February, 2006. Only those surveyors who apply for membership before the due date i.e., 28/02/06 shall be eligible to participate in the elections to the first Council of the Institute. The Annual membership fee being collected would be valid for the period upto 31/03/07. Those who have paid membership fee as per notice dated 26th November, 2005 are being refunded the excess fee paid.

Details about IIISLA, including the application form for membership along with instructions and the Memorandum and Articles of Association, are available on IRDA website www.irdaindia.org. Details may also be obtained from the office of the IRDA/IIISLA at 3rd / 5th floors, Parishram Bhavan, Basheerbagh, Hyderabad: 500 004. Telephone Nos of Surveyors department are: 040 55626466, 040 55626467; General Telephone Nos are: 040 55820964, 040 55789768, Fax: 040 55823334.

Sd./
(C.S. Rao)
Chairman

Trainee Surveyors Examination

Dated 8th Feb.'06.

1. ALL THE APPLICANTS ENROLLED WITH INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY AS TRAINEE SURVEYORS UPTO JUNE 30TH, 2005 (TRAINING ENROLLMENT NO. 3331 TO 3740) AND HAVE SUBMITTED THEIR QUARTERLY TRAINING REPORTS WITH THE AUTHORITY ARE ADVISED TO DOWNLOAD THE APPLICATION FORM FOR INSURANCE SURVEYORS EXAMINATION AND SUBMIT THE SAME ALONGWITH THE REQUISITE FEE TO INSURANCE INSTITUTE OF INDIA, UNIVERSAL INSURANCE BUILDING, 6TH FLOOR, SIR PHEROZSHAH MEHTA ROAD, MUMBAI – 400001, TELEPHONE NOS. 022-22872923 AND 22874722, FAX NO.022-22873491.

2. CANDIDATES ARE ADVISED TO APPEAR FOR THE EXAMINATION ONLY FOR THE RESPECTIVE DEPARTMENTS FOR WHICH THEY ARE ENROLLED. SURVEYORS WHO ARE LICENCE HOLDERS NOT CATEGORIZED BUT ENROLLED WITH IRDA AS TRAINEE SURVEYORS, LICENCE HOLDERS ENROLLED FOR ADDITIONAL DEPARTMENTS, PROVISIONALLY CATEGORIZED SURVEYORS AND REPEATERS ARE ALSO ELIGIBLE TO APPEAR FOR THE EXAMINATION.

3. THE LAST DATE OF SENDING APPLICATION FORMS TO INSURANCE INSTITUTE OF INDIA, MUMBAI IS 20th MARCH, 2006. INCOMPLETE APPLICATION FORM IN ANY RESPECT WILL NOT BE ENTERTAINED.

4. THE FEE STRUCTURE IS AS FOLLOWS :-

ADMISSION FEE :	**Rs.150/-**
SECTION -I (Compulsory Paper) :	**Rs.250/-**
SECTION -II :	**Rs. 250/-** per subject

5. EXAMINATION TIME TABLE IS AS UNDER :

SECTION	SUBJECT NO. & TITLE	EXAM.DATES	TIME
I II	Section-I(S-01)	07/05/2006	09.30am to 12.30pm
	Motor Insurance	07/05/2006	2.00pm to 5.00pm
I II	Engineering	14/05/2006	09.30am to 12.30pm
	Misc.Ins.	14/05/2006	2.00pm to 5.00 pm
I II	Fire Ins.	21/05/2006	09.30am to 12.30pm
	Marine Cargo	21/05/2006	02.00pm to 5.00pm
I II	LOP	28/05/2006	09.30am to 12.30pm
	Marine Hull	28/05/2006	2.00pm to 5.00pm

The Exam for Marine Hull i.e. SO4 and LOP i.e. SO8 will be held only at Delhi, Kolkata, Mumbai and Chennai Centres.

CONSULTANT AND SPECIAL OFFICER

In-principle approval for opening of new place of business

To

Dated 20th Jan. 2006.

All the Insurers.

Dear Sir,

At present, the in-principle approval of IRDA to insurers in respect of opening of new places of business do not prescribe a time limit for the actual opening of offices. It has been observed that some of the insurance companies take an unduly long time to open new places of business after obtaining the sanction for the same from the Authority, defeating the objective of expeditious opening of branch offices to provide better reach to the customer. It has therefore been decided that effective from 1st January 01, 2006, new places of business should be opened within a period of one year from the date of approval letter from the Authority and after the expiry of the time limit, insurers have to apply afresh.

2. Insurers are advised to review the existing position in respect of the branches/offices where in-principle approval of IRDA has been granted but the offices have not been opened for more than one year thereafter and furnish us the full details.

3. Insurers shall also intimate to IRDA henceforth, the date of opening of the approved branch office, within 15 days of its opening.

Yours faithfully,
(C. R. Muralidharan)
Member

INSURERS & CORPORATE GOVERNANCE

- Is everything hunky - dory?

"There have to be structures and mechanisms to keep the board accountable to shereholders" opines *G.V.Rao.* He further adds " there has to be a balance of two distinct powers."

Current state of governance:

In an industry, like insurance, where the shareholding is still restricted to one or two shareholders in each company, the interests of the unorganized stakeholders, particularly the consumer community, can be well protected by a good corporate governance code. Insurance is a financial safety net to those that can afford to buy it. The entire citizenry of India are its potential consumers. Hence there is a national role envisaged for these commercially minded insurers.

How does the authority ensure that the dominant shareholding in the industry is working in the interests of the consumers and not in self-interest? Is prudent supervision of solvency of insurers and regulations on protection of consumer interests the only mechanisms available to check corporate behavior? There is a definite need to involve consumers to express their responses through a market mechanism. Shifting business from one insurer to the other or through expression of complaints need not necessarily be the only other alternatives.

The Boards of the public sector insurers do not presently consider settlement of claims or any consumer issues relating to them, as their corporate responsibility. It is entirely that of their Management's. How then are they ensuring that the consumers, who are dealing with them, are getting a fair deal from the managements they are supervising? Is it not their primary duty to ensure that their managements are dealing with the interests of their consumers fairly and expeditiously? What aspects of governance do the Boards deal with, if dealing fairly with consumer interests is not one of them? To whom are they accountable and for what? That is the crux of corporate governance.

What this article will discuss?

This article will discuss a few aspects of the need to have good corporate governance standards, the healthy relationship that should subsist between the boards and the managements; and make a few general remarks on the current state of corporate governance practices in the public sector units to highlight the urgent need to strengthen the current standards.

Ownership structures and lack of enforcement capabilities have added to the burden of poor governance standards. The ownership infrastructure and cultural attitudes of Indian market are different from those in the developed markets.

Pressures on good corporate governance:

The recent highly publicized corporate debacles of Enron and WorldCom have thrown up an increasing awareness in consumers and the authorities, for good corporate governance. New enactments have sprung up in many countries to improve the standards of corporate governance trends.

What ails good corporate governance in India?

Though corporate governance practices in India have picked up momentum, there are factors that inhibit its rapid growth.

1. High concentration of promoter ownership companies.
2. Weak recruitment processes of Directors.
3. Shortage of experienced Directors willing to serve.
4. Poor focus of Directors on their responsibilities.
5. Inadequate supply of information for analysis of issues by Directors.
6. Underdeveloped legal regime that permits continuation of existing inadequate systems of control.
7. Intertwining of business and political circles.
8. Individual performance accountability not encouraged.
9. Conflict of interest situations are too many.

As a result of these deficiencies, corporate performance suffers and the cost of capital increases. Ownership structures and lack of enforcement capabilities have added to the burden of poor governance standards. The ownership infrastructure and cultural attitudes of Indian market are different from those in the developed markets.

The foundations of good corporate governance rely on:

1. Transparency on financial reporting and the details of disclosures.
2. Independence of auditors.
3. Independence and expertise of the "independent directors"
4. Regulatory enforcement and its oversight.
5. Legal systems to resolve disputes early and with a sense of fairness.

Role of the Board;

The Board of Directors is the link between the people who provide capital (shareholders) and those (managers) that use the capital to create value. Its primary role is to monitor management on behalf of the shareholders. There have to be structures and mechanisms to keep managements accountable to the Board. Similarly there have to be structures and mechanisms to keep the Board accountable to the shareholders. There has to be a balance of two distinct powers.

Duties of Directors:

The Directors have two duties: duty of care and duty of loyalty; the rest is business judgment. Duty of loyalty means unyielding loyalty to the shareholders. Duty of care would mean that a director must exercise due diligence in making decisions. He must discover as much information as possible on the question at issue and be able to show that, in reaching a decision, he has considered all reasonable alternatives.

In the case of Walt Disney vs. its shareholders, it has been held that when a director has demonstrated that he has acted with all due loyalty and exercised all possible care, the courts will not second-guess his decision. In other words, the court will defer to his "business judgment". Unless a decision made by the directors is clearly self-dealing or negligent, the court will not challenge it, whether or not it was a "good" decision in the light of subsequent developments. A distinction has been made by US courts between a director making a wrong decision with 'ordinary negligence' but not acting in bad faith and doing wrong with ill-considered and reckless negligence.

The Board has responsibilities for the following.

1. Supervise the performance of the CEO.
2. Review and approve financial objectives, major strategies and plans.
3. Whether the resources are being managed within the law, within ethical considerations, and for enhancing shareholder value.

> Boards are found to be usually reactive and not proactive. They may exercise negative virtues of compliance.

4. Review the adequacy of systems of internal control to mitigate risk exposures.
5. Provide advice and counsel to the management.

The Board is expected to ensure that the performance of the corporation is efficient; but not to run its day-to-day administration. It is responsible for the overall picture, not the daily business decisions. Its job is all to do with creating momentum, movement, improvement and direction. It has to create tomorrow's corporation out of today.

But who is responsible for the company? The Board or the Management? It is the Board that bears responsibility; but in practice it is the management that has the infrastructure, expertise, time, control and information. Given this management domination, how can a Board exercise its responsibility? Who actually wears the crown?

The paradox is how to allow both to have dynamic control without diminishing initiative and motivation of either. The tension between them is to enhance creativity and productivity. What information should the Board have for that purpose?

1. Financial statements; and plans and reviews.
2. Market intelligence about competitors.
3. Newspaper reports; and regulatory circulars and issues..
4. Management Committee meetings' minutes.
5. Consumer issues.
6. Employee attitudes.

Boards are found to be usually reactive and not proactive. They may exercise negative virtues of compliance. Making sure that things are running in order may be good enough. But its main job is to oversee management is effective and satisfy itself that the management is solving company problems and is risk-taking enough to build improved performance.

Role of CEO:

What one wants from a CEO is that he is able by virtue of ability, expertise, resources, motivation and authority, to keep the company not only just ready for change but ready to benefit from changes, and ideally to lead them. The CEO must be powerful enough to do the job, but accountable enough to do the job correctly. The decisions he makes should be in the long-term interests of the shareholders.

Who is in the best position to make a decision about the direction of the corporation, and does that person or group have the necessary authority? That is determined by two factors: conflicts of interest and information. Decisions must be made with the fewest of conflicts and most information.

Accountability must come from within; and that requires a corporate governance system that is itself accountable. It must be continually re-evaluated so that the structure itself can adapt to changing times and needs.

Corporate governance in Public sector units:

The Board comprises of the CMD, two Executive Directors, three nominee Directors and four independent Directors, in all ten Directors. Since these companies are not 'listed' companies, the compliance with the provision of appointment of independent directors is voluntary, as it is still not a legal provision under the Companies' Act. The Boards have set up Audit Committees, Investment committees, IT committees and Personnel and Administration Committees.

The most important aspects of corporate governance to be performed by the Board are the supervision of the performance of Management through proper discharge of its statutory responsibilities; enforcement of effective internal control systems; ensuring operation and monitoring of adequate and proper risk assessment procedures; and putting in place a progressive customer grievance handling mechanism. These issues are basically dealt with based on agendas, minutes of the meetings recording decisions and directives after deliberations at the Board meetings for follow up.

It is understood, from a study made by a consultancy source on the current standards of corporate governance and other issues in the public sector units, that the quality of the corporate governance is inadequate.

- The corporate vision, the mission statement, the long term and short-term goals with specific time frames and the corporate strategies for their realization are absent.
- The budget is not owned by any one and is not monitored at any time during the year for variance analysis, on any parameter other than premium growth, and is never measured except at the end of the year as a statutory obligation. As such, the Board gets no opportunity to make any contribution in controlling, monitoring and directing the management for corrective actions.
- Notes on 50% of the topics of the agenda to be deliberated upon are tabled on the day of the Board meeting. Most agenda items are circulated on routine issues for information.
- The Board does not enjoy any independence in decision-making and looks to the directives and guidelines to be issued by the owner, i.e. Govt. of India.
- The Boards currently function more as compliance agencies under the Companies Act rather than as important corporate entities that are accountable for superior corporate performance. There is no ownership for the results of performance or the lack of it.
- The internal control systems are poor; and inadequacies noted and highlighted are rarely rectified due to lack of functional accountability.
- The full complement of the Boards is not in place at all times.

It is understood, from a study made by a consultancy source on the current standards of corporate governance and other issues in the public sector units, that the quality of the corporate governance is inadequate.

The final conclusion of the study on the risk analysis of the current corporate governance practices, based on certain self-chosen parameters, was that the elements of the risk factors are "High" in most cases.

The way out — partially?

These deficiencies can be radically changed, if a part of the shareholding is divested and the companies, both in the private and public sector, are market "listed' to fulfill stricter norms of corporate governance that SEBI imposes on them. The corporate performance needs to be subjected to public scrutiny through movement of share prices.

India having adopted market based policies to boost economy and with insurance being an industry that potentially covers the entire population, like the banking industry, the sooner it is subjected to a market scrutiny, the better corporate behavior can one expect. The power to supervise the corporate behavior must be passed on to the public through share listing, so that the Boards and the managements are held accountable to the investors and consumers.

The current shareholders need to build pressure on managements to cut the unacceptably high transactional costs and to deal with consumers in a much fairer manner.

Corporate governance, in normal parlance, deals with improving the shareholder value. In the current situation, which is unlikely to change in the near future, it should deal with giving consumers affordable products by cutting internal costs and providing consumers with a mechanism for fair and expeditious settlement of their grievances. The involvement of the Board is necessary in both these measures.

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

Corporate Governance And Insurance Industry

- Lessons to be learnt

"We don't have to accept that the world has become a less ethical place and learn to live with it. Even if it has, we can change it" say *Dr. K.C. Mishra & Dr. Geetanjali Panda.*

Modern society can place individuals in situations where they find themselves at odds with principles of personal ethics and character. Our desire for independence and freedom has left us less community-oriented. Our pursuit of happiness in the form of wealth has made a disturbing degree of socially acceptable greed and selfishness. Our ability to demonstrate integrity is challenged by conflicting values and social imperatives. Seven accepted principles of personal ethics and character encompass:

1. Willing compliance with the law
2. Refusal to take unfair advantage
3. Concern and respect for others
4. Prevention of harm
5. Trustworthiness
6. Benevolence
7. Fairness

Individuals in a monetized society constitute the community of corporate citizens. Unlike democratically elected leaders, nominated leaders lead the corporate citizens. Either through referent power or through control power, such leaders assimilate the functional characteristics of corporate citizens to carve out criticality of corporate intentions. Sum total of such criticality of corporate intentions manifests as the spirit of time and determines the corporate governance order of the environment.

Corporate governance mainly concerns matters of how ownership influence should be exercised in stock market listed companies. But fundamentally, Corporate Governance is about promoting corporate fairness, transparency and accountability. Functionally, Corporate Governance means doing everything better, to improve relations between companies and their shareholders; to improve the quality of Directors; to encourage people to think long-term, to ensure that information needs of all stakeholders are met and to ensure that executive management is monitored properly in the interest of shareholders.

Our pursuit of happiness in the form of wealth has made a disturbing degree of socially acceptable greed and selfishness.

Corporate Governance becomes an organic system when companies are directed and controlled by the management in the best interest of the stakeholders and others ensuring greater transparency and better and timely financial reporting. All such amplifications give a broader meaning to corporate governance than its role as flair of the time for protection of shareholder value in stock market listed companies.

In recent years, the issue of institutional owners' responsibility as owners has come into focus and is being debated more frequently. The main reason for the greater interest in these matters is the rapid rise in institutional ownership during recent times. During the last 25-year period, institutional ownership in the Indian stock market has risen to as high as 80% of the market's total value creating a large volume of static equities. The trend toward greater institutional ownership will most likely continue. However, such ownership can entail a risk for unclear ownership responsibility and role of corporate governance becomes more pronounced.

Another side of the spectrum is large Government ownership. Former RBI Governor, Dr Bimal Jalan, once said the nation should debate whether corporate governance is compatible with the present form of public ownership as it makes the head of the institution accountable to political institutions such as the government and not to economic institutions such as boards of directors. Obviously, this leads to a dichotomy that, in turn, causes sub-optimality in corporate governance.

Corporate scandals precipitated by alleged accounting practices that included padded and manipulated earnings, masked expenditures, off-the-books personal loans and questionable off-balance sheet partnerships are at the core of the crisis of faith in corporate governance. Investor confidence is frequently shaken.

Some issues are clearly and easily black and white, with obvious right and wrong choices. Most are part of a very large gray area further complicated by the fact that an intelligent person can come up with at least one logical argument against each of the ethically sound governance principles.

Insurance companies are important constituent of Corporate Governance order of any environment cohort. Corporate governance stake of insurance companies may not be difficult to scout without dwelling on the basics.

1. Corporate Governance of insurers as corporate entities;
2. Corporate Governance by insurers as institutional investors in corporate entities;
3. Corporate Governance as a business opportunity for insurers.

Corporate Governance of insurers as corporate entities

Regulations provide for dilution of ownership holding of Indian insurance entities in due course. The conditions for Indian insurance companies' share holdings will be changing in several essential aspects in the near future. These changes will also intensify the focus on corporate governance matters.

An even larger sense, the rise of the corporate governance mentality is tied to a new enlightenment regarding the nature of capital in world markets. Recently U.S. Securities and Exchange Commission Chairman Arthur Levitt made some observation at an insurance industry forum. "Corporate governance springs from a much deeper well. It's a by-product of market discipline and the information explosion has redefined the markets. Unless there's high quality financial information governed by corporate oversight, capital will flow elsewhere. Markets exist by the grace of investors. In an era where investors shift money freely, the challenge for insurance companies is how to reconcile their activities with long-term sustainability. Does a company expect its board to ask tough questions, to challenge management? Every public company should have an independent audit committee and the SEC has adapted rules to strengthen audit committees. Why am I so obsessed about this? There's no greater way to lose confidence than by those numbers. Corporate accountability is at the heart of what companies must do and insurers should not engineer their numbers as already regulatory opinionated probability has done enough engineering in both sides of the balance sheet."

Directors of insurance companies need a few unique skills due to nature of business they are going to govern. Some of the attributes are common to all business but some are special to insurance as enumerated below.

- Being dynamic and dedicated in all insurer's activities;
- Having self-confidence to work under non-deterministic situations;
- Enjoying work in the Board and the time they spend with other Board Members;
- Encouraging new ideas and thinking in insurer not arresting them;

The conditions for Indian insurance companies' share holdings will be changing in several essential aspects in the near future. These changes will also intensify the focus on corporate governance matters.

- Keeping an open mind, listening and learning from others in the expanding world of insurance;
- Being prepared to share ideas and thoughts with the company management;
- Recognizing and rewarding co-operation and franchise which are the corner stone of insurance business;
- Developing the skills of insurer's employees;
- Being concerned for delivering on promises;
- Inducing teamwork to deliver the best result;
- Showing trust through allowing delegation;
- Actively standing up for what they believe in;
- Dare to challenge the ways insurer is working;
- Going beyond the comfort zone;
- Setting challenging targets and facilitating hard work to achieve them;
- Ensuring insurer's performance to always exceed the expectations; and
- Inspiring and encouraging management to give their best.

Corporate Governance should obviously ensure governance but with quality of decision-making, efficiency of benchmarking and in-built flexibility to accommodate the certainty of change. Like any other Board, an insurance Board should have audit committee, nomination committee, compensation committee, risk management committee (of the nature of ALCO), executive committee (as standing committee of the Board), conduct review committee, market operation guideline committee, investment committee and compliance committee.

Corporate Governance by insurers as institutional investors in corporate entities

Insurers are an important class of institutional investors. According to corporate governance policy, Insurer must be able to cooperate with other major owners on corporate governance matters, mainly regarding the election of directors. This cooperation should be concentrated on those companies in which insurer owns a significant share of the capital.

The so-called percent rule is being liberalized from statutory to prudential. Until now this rule has in principle prohibited Indian insurance companies from owning shares in a company corresponding to more than a statutory percent of the voting rights. When insurance companies exercise corporate governance in other companies, they must take a broader view of these questions than other owners.

Consequently, in addition to the interests of its own shareholders, insurer must observe the following:

- The policyholders' interests and the legal restrictions on insurance companies' investments - spread of risk, liquidity, etc.;
- Regulatory and Supervisory Authorities - Insurance companies' operations are subject to IRDA regulations and supervision buation needs of all stakeholders are ms the conglomerate nature of functions may attract oversight by other regulatory authorities like SEBI for investments, PFRDA for pension business and RBI for Forex and Money Market involvements;
- The public and the media - the insurance sector is dependent on The public's trust, and operations are the focus of extensive media coverage. In light of the above, insurer's Board of Directors have to adopt corporate governance policy for the insurer business. The policy should pertain to the insurer's share holdings in listed Indian companies (external corporate governance) and, where applicable, for insurer itself as a listed company (internal corporate governance).

The institutional activism movement has not lacked for skeptics even internationally. Business leaders and politicians have argued that large insurers lack the expertise and ability to serve as effective monitors in the market for corporate control [e.g. Business Week (1991), Cordtz (1993), and Wohlstetter (1993)]. Others have noted that parastatal insurers are subject to pressures to avoid activism and instead aid the objectives of politicians [Romano (1993)]. A lack of accountability, an absence of appropriate incentives and free-rider problems may also hinder institutional activism efforts. [Admati, Pfleiderer and Zechner (1994); Monks (1995) and Murphy and Van Nuys (1994)]. One way for institutions to reduce free-rider problems among themselves and to sidestep political pressure is to create an organized third party monitoring organization. Such an organization can serve as a focal point for diffuse investors and can enhance credibility when challenging management. In principle, organized institutional shareholders can exercise significant clout at a fairly low cost because of economies of scale in activism [Black (1990)]. IRDA should facilitate such a formation.

> Whilst management of reputation should be an integral component of good management, often it is left to chance.

Corporate Governance as a business opportunity for insurers

Corporate Governance requires fair deal, fair competition and fair information collection. Lack of such practice gives rise to liability consequences most often no-fault liability. Here is a business opportunity for insurers.

Fair deal envisages employees not to take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair-dealing practice. Fair competition always attempts to compete fairly and honestly and prohibits conduct that unethically seeks to reduce or restrain competition. Company will not attempt to collect competitor's information through misrepresentation or unethical business practices. Company will never ask for confidential or proprietary information or ask a client/ ex-employee of a competitor to violate a non-compete or non-disclosure agreement. There are liabilities at even Board level for such breaches. Insurers can create business products as follows:

- Directors' & Officers' Liability Insurance - In the current market, directors may find they are not as protected by insurance as they thought and there may be ever expanding need for newer coverage and greater premium;
- Enterprise Risk Management - If companies are going to genuinely govern in the interests of shareholders they need to understand their full risk picture. Any gaps in provision could be seen as corporate governance failing. Such risk identification may give rise to outsourcing of risk management expertise of insurers; and
- Reputation Risk Management - Whilst management of reputation should be an integral component of good management, often it is left to chance. Corporate Governance ensures adequate insurance coverage against the losses arising out of reputational risks.

Insurers comprehensive exposure to another business should be a cause of action for corporate governance. Insurance Information Institute illustrates this while analyzing the loss of US$3.796 billion to insurance industry on account of failed power major Enron. Of the total loss of insurance industry 64% was on account of investments in Enron, 26% for surety recalled, 7% for miscellaneous claims, 2% financial guarantees and 1% for D&O liability claims. Again corporate governance risk of general insurers is compounded by D&O coverage. Personal Coverage protects directors and officers against liability arising out of "wrongful acts" Corporate Reimbursement Coverage reimburses organization when legally required/permitted to indemnify D&Os for their "wrongful acts" and Entity Coverage reimburses for claims made directly against the organization including those that name no individual insureds. The aggregate liability of the entity needs corporate control.

Of bee and the hive

Emerson put it, "no matter how you seem to fatten on a crime, there can never be good for the bee which is bad for the hive." We would be hard-pressed to find a single stratum of society that hasn't been tarnished by the unethical acts of at least one of its own. We know that insurance industry often suffers for the public perception of insurance itself. Luckily for us, humans are incredibly adaptable. We don't have to accept that the world has become a less ethical place and learn to live with it. Even if it has, we can change it. But simply ignoring others' transgressions isn't enough. We have to play an active role not only by living as examples of personal integrity, but also as its advocates. We have to make it professionally, publicly, and personally unacceptable to fail to behave ethically. We have to become models of personal and professional integrity.

Governance is a necessary discipline and proper governance would lead to effectiveness and transparency in the functioning of any corporate entity. Corporate governance is a necessary requirement for the existence of entity in the market. Compliance of the conditions of corporate governance has been given top priority by the SEBI with the objective of providing better and effective protection to the investors and also to make the market confident and vibrant. IRDA has to build on this SEBI provisions to ensure insurance customization of corporate governance.

Corporate governance depends on the applicability to the environment; it has to be adaptable and practical. It has to be flexible and should be in tune with time in the interest of the organization. ROI, EVA and Solvency concepts have to be implemented and monitored very closely. The importance of Audit for checks and balances and to identify the areas of weakness should be given inexcusable priority. There should be institutionalization of whistle blowers, be it appointed actuary or any other mechanism compatible with insurance culture. Leadership and commitment at all levels is the answer to a successfully managed organization; fit and proper person for leadership positions should be a regulatory responsibility than a mere administrative formality.

> We would be hard-pressed to find a single stratum of society that hasn't been tarnished by the unethical acts of at least one of its own.

Dr K C Mishra is Director, National Insurance Academy, Pune. & Dr Geetanjali Panda is Management Faculty (Finance and Economics) IMIS, Bhubaneswar.

STATEMENT ABOUT OWNERSHIP AND OTHER PARTICULARS ABOUT IRDA JOURNAL

1. Place of publication : Hyderabad
2. Periodicity of publication : Monthly
3. Printer's Name : P. Narendra
   Nationality : Indian
   Address : Pragati Offset Pvt. Ltd. 17, Red Hills Hyderabad 500004
4. Publisher's Name : C.S. Rao
   Nationality : Indian
   Address : Insurance Regulatory and Development Authority, 5-9-58/B, III Floor Parisrama Bhavanam Basheer Bagh Hyderabad 500 034
5. Editor's Name : U. Jawaharlal
   Nationality : Indian
   Address : Insurance Regulatory and Development Authority, 5-9-58/B, III Floor Parisrama Bhavanam Basheer Bagh Hyderabad 500 034
6. Names and addresses of individuals who own the newspaper and partners or shareholders holding more than one per cent of the total capital:

Insurance Regulatory and Development Authority,5-9-58/B, III Floor, Parisrama Bhavanam, Basheer Bagh, Hyderabad 500 034.

I, C.S. Rao, hereby declare that the particulars given above are true to the best of my knowledge and belief.

C.S. Rao

Date: March 07, 2006 Signature of Publisher

Governance Code for the Indian Insurance Industry

– An Overview

In the area of corporate governance in India, the approaches would require to be refined. However, the task of the regulatory bodies would be considerably eased once proper governance standards are in place, observes *R. Krishna Murthy.*

Corporate governance simply put is just being honest about in every way an enterprise is run governing relationship with every stakeholder in the company.

While honesty is the best policy everywhere and at all times, it needs to be practiced particularly in the case of insurance industry which bears a fiduciary relationship with clients, and where the industry is judged by its long term performance. At a time when financial institutions are increasingly under public scanner; and some of the icons in the insurance industry in mature markets are under attack for breaking laws and their key management personnel charged for personal aggrandizement; the issue of corporate governance acquires new dimension.

Urgency in India

There are four major factors why drawing up a set of governance standards for the Indian insurance industry, covering life as well as general insurance companies, public and private sector, is important at this stage.

Firstly, in life insurance, a well drafted governance code and their adherence would help to shore up the level of public confidence in the new generation insurance companies, which seem to suffer in comparison to LIC due to the absence of a level playing field, with the insurance policies issued by the latter carrying the stamp of sovereign guarantee. While there is reportedly a move by the government to level this field by removing the privilege enjoyed by LIC, it is perhaps quite a long way off. Meanwhile, as an industry which engages with clients on long term contract, the new generation life insurance companies should be keen to have a set of standards against which they could benchmark their own governance to strengthen the public image that the new players can be considered as trustworthy and dependable as their public sector counterparts.

There are plans to pave way for the entry of large number of players to open business in specialized insurance fields such as health insurance by relaxing the capital and solvency rules.

Secondly, the Indian insurance industry is set to witness a major phase of change, and possibly explosive growth, with the lifting of the foreign equity cap and dilution of domestic promoters' stake in the foreseeable future, as well as removal of tariff regulations in the non-life sector. There are plans to pave way for the entry of large number of players to open business in specialized insurance fields such as health insurance by relaxing the capital and solvency rules. We would possibly witness more foreign firms entering the country, and key management personnel with limited industry experience representing domestic and foreign partners running the companies.

At the same time, the existing companies in the life insurance sector, along with facing competition from new players, will probably grapple with greater operating challenges, such as increasing number of maturity, death and other claims on the cumulative business built by them over the last few years. We need good governance standards against which the companies' conduct and performance would get measured in this backdrop. On the general insurance side, with the industry moving away from the tariff regime, there are going to be plenty of issues concerning fair play, transparency and policyholder servicing.

Thirdly, the need for proper governance standards in the insurance industry assumes importance in the context of the Indian corporate sector getting ready to accept and live up to a set of corporate governance rules, thanks to the initiatives taken by the securities market watchdog during the last two years. Companies that are listed in the stock exchange, and having paid up capital of Rs. 3 crore or net worth of Rs. 25 crore or more would now need to abide by the new code. SEBI has boldly introduced a system of disincentive-cum-penalty for defaulting companies: they run the risk of being de-listed from bourses, or the promoters being fined up to Rs.25 crore (the highest in the corporate law book) or face imprisonment up to 10 years. Since insurance companies are not likely to get listed in bourses in the near future and would remain closely held companies, they need to conform to a set of governance rules to reassurestakeholders about their standards of performance and conduct.

Fourthly, there is increasing evidence of public sector financial institutions evincing interest to enter insurance business in partnership with foreign insurance firms, and in some cases as three-way partnerships with private corporate enterprises. While a few such ventures have recently been licensed, several more are set to take off in the life and non-life sectors.

There is ambivalence whether such 'public-private' partnerships are subject to the rules normally applicable to PSU enterprises. PSU managements in general have no uniform views in regard to the applicability of corporate governance standards to them. It is important that insurance ventures promoted by PSUs are governed by clear governance principles to send the right signals that they are viable and dependable stand-alone entities in their own right. On a wider context, this would reinforce the grounds on which the financial sector convergence is taking place in the Indian market.

Key Principles in the Indian context:

The OECD has defined corporate governance as a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Corporate governance is of course an ongoing process. While the set standards may undergo revision based on experiences and developments in the market, the core principles would remain unchanged.

From an insurance company perspective, corporate governance involves the manner in which the business of the company is governed by its board and the senior management, relating to four key elements:

i. How the company set its corporate objectives, including the expected rate of return on the shareholders' funds. IRDA requires insurance license applications to describe from the first stage (R-1), the objectives of the company and its vision and mission, as well as details of the financial returns anticipated by promoters from insurance operations. The financial accounting rules in the Indian insurance industry require companies to segregate policyholders' funds and shareholders' funds at any given time, and conduct the transactions pertaining to shareholders' funds in a manner that is fair to the policyholders.

> The most important aspect of governance code is to ensure that the collective expertise is available on the board to meet the competitive challenges of the market place while maintaining soundness of the company.

ii. How the day to day affairs of the insurance company are proposed to be run in every functional area in the company, and what kind of internal controls are sought to be established and enforced.

iii. How the company proposes to align the activities and the behaviour with the expectation that the company would operate in a safe and sound manner and in accordance with the applicable rules and regulations.

iv. How the company would protect the interests of policyholders.

Board and its responsibilities: While the IRDA licensing norms require that the company is run by persons who are 'fit and proper' for the respective positions, the regulator has largely left issues concerning the constitution of board and defining its responsibilities to the wisdom of the promoters. The most important aspect of governance code is to ensure that the collective expertise is available on the board to meet the competitive challenges of the market place while maintaining soundness of the company. It is important to ensure that board members, especially those appointed to represent the policyholder interests, are qualified for the position, and they have a clear understanding of their role and are able to exercise sound, independent judgment – duty of loyalty as well as duty of care.

There are five key aspects of governance expected of boards in insurance companies:

- Setting and enforcing clear lines of responsibility and accountability throughout the organization. In insurance companies where the risk experience emerges over several years, demarcating areas of responsibility, and ensuring that there is an appropriate oversight by the senior management in every functional area are crucial.
- Periodically assess the effectiveness of the company's own governance practices with due understanding of the regulatory environment, identify areas of weaknesses and make changes where necessary.
- Regularly assess that the risk management systems and policies in the company are sound; and they are rigorously adhered to.
- Identify, disclose and resolve conflicts between the personal interests of promoters; as well as senior managers and the company. The conflict resolution issue is particularly important where the insurance operations

are part of a large business group or a financial conglomerate.

- Oversee that every type of communication to clients and potential clients is clear, fair and not misleading.

It is important that the board consists of persons who have the expertise, as well as ability to commit sufficient time and energies to fulfill their responsibilities. The Board members should regularly meet with the senior management, as well as the internal audit team, to monitor progress towards the corporate objectives. They should however never participate as members of the board with the day to day management of the company.

The board as well as the senior management would need to ensure that the corporate objectives and the corporate values are clearly set, and they are clearly communicated throughout the organization. As they say, the tone is always set at the top.

Organizational structure and functioning:

The board should exercise oversight in regard to all policy formulations governing the operations of an insurance company, such as investment policy; underwriting policy; product development and risk management policy; and take responsibility for overseeing the management's actions to ensure their consistency with the policies approved.

Senior managers contribute to an insurance company's sound corporate governance by exercising proper oversight over line managers in specific business areas in a manner consistent with the policies laid down by the board. The senior management is responsible for proper delegation to the staff, while at the same time being cognizant of the responsibility on their part and accountability to the board to oversee the proper exercise of the delegated responsibility. It is therefore important that senior management ensures an effective system of internal controls.

The important role of competent and independent; internal and external auditors in enforcing proper governance is well known. The board and the senior management can enhance the effectiveness of the audit function in insurance companies by recognizing its importance and the internal control processes; and effectively communicating the same throughout the organization. In our current stage of market development where several issues concerning premium accounting and reconciliation are emerging; as the insurance buying is spreading to far flung areas and covering various strata of population, timely audit is an important function. It is an equally important corporate governance principle that the findings of the auditors are utilized in a timely and effective manner to correct the problem areas.

The senior management is responsible for proper delegation to the staff, while at the same time being cognizant of the responsibility on their part and accountability to the board to oversee the proper exercise of the delegated responsibility

Corporate governance standards should address corruption, self-dealing and other illegal or unethical practices in insurance companies. There should be a policy to encourage whistle blowers, as well as support employees to freely express and point out violations to board or senior management without fear of reprisal, either openly or anonymously.

Compensation policies and ethics:

There are already issues surfacing in the Indian market concerning the appropriateness of compensation policies in insurance companies. Failure to link compensation and incentives to senior management to the long term business goals can result in actions that can run counter to the policyholder interests. In general, the compensation policies should be consistent with the culture of the insurance company, its long term objectives and strategy. It is important that the remuneration policies should not be linked to the short term performance of the company.

PSUs and governance:

Keeping in mind the growing phenomenon of state-owned and government controlled banks and financial institutions promoting insurance ventures in India in partnership with foreign firms, or in equity share relationship with private corporate enterprises; the governance principles should address the conduct and behaviour of such multi-party owned entities.

Where such entities are subsidiaries of government owned banks, there are new dimensions to the governance principle to be addressed, since the governance codes would affect both the boards of the PSU parent as well as the hybrid subsidiary. In the discharge of the corporate governance responsibilities, the parent boards should exercise due oversight of the functioning of the subsidiary (and even where the parent's holding in the insurance venture is below 51%), by duly recognizing the material risks and issues that could impact the insurance entity.

The corporate governance structure and enforcement would to a large extent be influenced by the manner in which the parent bank conducts its own governance. It is important that the PSU parent allows the insurance entity to set its own governance standards. In multi-party promoted ventures, it is also important to pay attention to the scope of preferential treatment of related parties and favoured entities within the promoter groups, and lay down governance standards to avoid or minimize conflicting situations.

Such group dimensions are already receiving attention at the regulator's level. The initiative taken by RBI to set up a mechanism to track systemic risks posed by financial conglomerates in India is in the right direction. As a new concept in India, the approaches would require to be refined. However, the task of the regulatory bodies would be considerably eased once proper governance standards are in place.

Transparency as the core of governance:

The importance of transparency as the core principle in corporate governance is well known. Weak transparency and inadequate disclosures tend to fuel market skepticism, and in a newly de-regulated and long term oriented industry, this could affect the interests of all stakeholders.

It is well known that complex ownership structures contribute to opacity. While listed companies are generally more transparent, closely held firms suffer on this account by comparison. The Indian insurance regulations emphasize the importance of transparency in every aspect of company operations. At the current stage, there is quite a way to go for companies to achieve the desired levels of disclosure.

Accurate and timely disclosure of information in insurance companies should be in place in every area of operation. Such disclosures are desirable by way of annual reports released by companies, as well as through their websites, covering various areas, more particularly the following:

- Board structure and senior management structure
- The company's self-determined code of conduct, if any, and the process by which it is implemented, including a self-assessment by the board of its performance relative to the code
- The special obligations of the insurance company under the regulations, such as the rural and social sector obligations; and the level of their fulfillment
- Nature and extent of inter-party transactions within the promoter groups; and matters on which the directors and senior managers have material interests on behalf of third parties.
- Important aspects of performance that have a bearing on the safety and solvency, such as claim ratios better than industry averages or internally projected levels, unexpected depletion in the value of assets; and actions or warnings issued by regulators.
- Information on the number of cases of policyholder complaints or disputes; and directives against the company issued by Ombudsman or other consumer protection bodies.

Weak transparency and inadequate disclosures tend to fuel market skepticism, and in a newly de-regulated and long term oriented industry, this could affect the interests of all stakeholders.

While financial statements may be posted on the website, every policyholder should be entitled to ask for a full set of account statements including notes and the supporting schedules.

Existence of sound corporate governance standards lowers the moral risk hazard from the regulatory viewpoint. IRDA should view corporate governance as an important element of policyholder protection. Corporate governance codes and the earnestness of insurance companies to adhere to them would encourage regulation to place more reliance on the internal processes in insurance companies; and thereby becoming less strict or more pragmatic in operational areas, as for example, relaxing the rigours of 'File and Use' process for product approval. The level of self-policing by the players is indeed a barometer of maturity of the market, since sound corporate governance serves as bedrock to build public trust and confidence.

Mr.R.Krishnamurthy is the Managing Director of Watson Wyatt Insurance Consulting. He is the former MD & CEO of SBI Life Insurance Co. Ltd.

GOVERNANCE DECISIONS

- Structures To Help Directors Reach The Point

"The outward signs of good governance did not correlate with good decisions inside the boardroom" says *Ashwin Parekh,* commenting on the Enron debacle.

For more than a decade, investors world-wide have been searching for the outward features of governance that promise good decisions within the boardroom. What corporate foundations are required for unbiased, thoughtful, hard-hitting and timely decisions when boards convene behind the closed doors?

The article discusses the structures and the governance framework which would help the directors and senior managers of the insurance companies in India to prepare for these expectations

For insurance companies in India, it is perhaps as critical, if not more to examine salient structures to help boards reach the desired point. The ownership pattern and therefore the stakeholder expectation will reach new heights once these companies ready themselves to go to the capital markets and get listed.

The outward signs are important, since directors rarely reveal anything about decisions taken inside the boardroom. Shareholders learn the director's identities from annual reports but virtually nothing about what they have done. In the absence of direct data, outward appearances have come to serve as useful proxy – if the board includes respected directors, independent committees and performance-based compensation, then it is more likely, so the argument goes, to make good and timely decisions.

We define governance decisions as those moments when directors face a relatively discrete opportunity to commit company resources to one course of action or another. Inaction in the face of such an opportunity should also be seen as a decision. Taken well, such decisions can drive a company's growth; taken poorly, they can cause the opposite. To see this we begin with a comparison of directors at two troubled US companies.

When governance decisions fail

The consequence of sub-optimal board decisions is strikingly evident in the 2001 bankruptcy of Enron. We have learnt more about its governance decisions than at virtually any other US company following the US Senate subpoenas for director testimony and records, as well as the investigation by Enron's post-bankruptcy board into decisions made prior to bankruptcy.

> The formation of a partnership which eventually was the special purpose vehicle under which the losses were stored was the decision which started the series of bad or ill-informed decisions.

The governing board of Enron met many of the contemporary standards for good governance. Its 13 directors included just two company executives; the size was small enough to keep directors engaged; the board chair had been separated from the chief executive; the non-executive directors were largely independent; and the directors had adopted a strong code of conduct.

Yet the outward signs of good governance did not correlate with good decisions inside the boardroom. Despite appearances, the Enron directors took a range of decisions that directly contributed to the company's demise.

The formation of a partnership which eventually was the special purpose vehicle under which the losses were stored was the decision which started the series of bad or ill-informed decisions.

Members of the Enron board entered meetings ill-prepared to make educated choices. They deliberated so briefly that informed decisions were unlikely; approved management's illicit partnerships hastily and exercised faulty oversight of the conflicted decisions that followed.

When Governance decisions succeed

The Enron board still might have averted bankruptcy had it decided to remove top management once it became aware of how the partnerships were being misused for executive gain. A decade earlier, that was how the Salomon Brother board saved its company from damage brought about by a rogue trader a chief executive who failed to take timely action.

It is well known that when an illegal bid for US$ 3.2 bn for US treasury securities was reported to Warren Buffett (outside director, then) he took the reigns of Salomon with the board's vigorous backing. He forced out the old management team and installed his own. Instead of shredding evidence, he turned it over to investigators. Rather than delegating enforcement to others, he named himself the chief compliance officer.

Instead of suspending the code of conduct, he insisted that any violation of ethical standards, federal regulation or public statute be brought immediately to his personal attention.

Although Salomon paid dearly for its rogue trader – customers fled, shares dropped and fines topped $290m- the firm survived, prospered and was later sold to Travelers Group for US $ 9bn.

The primary function of a board is to protect investor's equity – and to pick quality managers to husband and expand that equity. The Enron directors, however, approved a chief financial officer who hid critical information from them, appointed a chief executive who failed to supervise the CFO, and accepted flawed partnerships that they did not fully understand. When it unraveled, none stepped forward to spearhead a process of housecleaning and restoration.

Building composition and policies for board decisions

Taken together, these examples point to the importance of preparing boards for making good decisions. Composing the board well and setting the right policies are essential pre-conditions for that.

The oversight team brought in to resurrect Enron took the view that the failure of its directors to protect the company was partly a product of the shortcomings of those that met in the boardroom, and it replaced all board members. So too did WorldCom and Tyco in the wake of the decisions by their boards that permitted executives to mismanage their companies.

Consistent with what academic research would recommend, new directors for all three companies were more independent of management and brought stronger governance and management backgrounds to their boardrooms. The new boards were also smaller than those that they replaced, and that too was consonant with what research studies confirm: namely that smaller teams (and smaller boards in particular) generally make better decisions. As a foundation for governance decisions, board composition matters.

Had they been in place in 2001, new policy provisions from the New York Stock Exchange and Securities and Exchange Commission might have prevented the lapses in governance at Enron. For example, the NYSE's new rules for listed companies require that:

Good governance decisions depend upon a proactive board process and a prescriptive governance culture. These should be viewed as necessary additions to the board's composition and policies.

- **Non-executive directors must regularly meet without management.**

  Had Enron's outside directors met without the CEO from time to time, their private misgivings about the partnerships and the CFO's personal gains might well have congealed into a board decision to retract them.

- **Companies must have audit, compensation, and nominations/governance committees that are comprised of independent directors.**

  If Enron's audit committee had not included two directors who were not entirely independent, it might have earlier questioned the purpose of the company's increasingly questionable special purpose entities, and it may have recommended to the full board that it reject management's request for approval.

- **Companies must adopt a code of conduct and disclose any waiver of the code for directors and officers.**

  If Enron had been required to disclose publicly that it had waived its conduct code to allow its CFO to sit on both sides of its partnership transactions, it might well have pulled back from its decision to do so.

  While the US has spearheaded reforms for better decision-making in the boardroom, comparable initiatives have recently emerged elsewhere. Companies in the UK, for example, have been subject to several waves of reform, beginning with a 1992 commission headed by Adrian Cadbury, to more recent ones urging greater director independence and stronger audit committees. Similar recommendations have been issued by organizations in Brazil, Canada, France, Germany, Spain and the European Union. India and China are also moving in the same direction.

Building the process and culture for board decisions.

Good governance decisions depend upon a proactive board process and a prescriptive governance culture. These should be viewed as necessary additions to the board's composition and policies. They help to ensure that the directors are asked to make the major decisions but, at the same time that they do not inadvertently slide into management of the company.

Many companies are adopting issue calendars and decision protocols as part of a proactive process. The issue calendar usefully requires that the board address all major decision areas on an annual cycle. The directors of one major US company, for example, evaluate the strategic plan in January, the annual budget in March, past performance in May, the operating plan in June, executive compensation in September and succession planning in November.

The decision protocol, sometimes termed the company's "delegation of authority", outlines decisions that the board must take or delegate to management. One large company, for example has adopted a decision protocol that required directors to decide upon the following issues; the annual business plan capital structure and indebtedness limits; officer hiring and compensation; financial risk management; company insurance policy; transactions exceeding a specified dollar threshold in the areas of acquisitions and divestitures, capital expenditures, litigation settlements, tax resolutions, fines and penalties, contingent liabilities, pension contributions, restructurings, and changes in accounting policies that impact revenue or pre-tax income.

HBOS, one of the UK's largest financial services companies, is one of the few companies that have made their decision protocol public. The protocol itemizes dozens of "matters specifically reserved to (the board) for decision," including the company's financial results, executive remuneration, transactions exceeding pound 50m, significant changes in internal controls and any new business that would represent more than 1 per cent of the group's gross income or expense.

The issue calendar and decision protocol create a clearer line between the decisions that should be taken by the board and those that should remain with management. Of course, additional board-worthy issues inevitably arise throughout the year, ranging from competitor challenges to regulatory reviews, and here a pre-established consensus among directors and executives is essential for defining responsibilities.

> The issue calendar and decision protocol create a clearer line between the decisions that should be taken by the board and those that should remain with management.

The emerging norm for governance at many companies is to focus on the "materiality" of an issue in deciding whether it should go to the board for resolution. Materiality is defined by an issue's potential for substantial gains or losses for the company; whether the matter is beyond the company's normal business; and whether it is likely to have an impact on the company's strategy and reputation. If the issue is material by any of those criteria, it must go to the board for review and decision.

To build an appropriate prescriptive culture, directors and executives are increasingly making a habit of openly reviewing issues about which the directors indicate what they want to decide. An executive at a US manufacturing enterprise spoke for many in saying: "We are continually going back to the board and asking: 'What do you want to know more about?'"

Conclusion

In the wake of the present state of the Indian insurance industry, the structures and governance framework should place equal emphasis on all the three pillars of sound governance.

- Measurement – a high order of measurement of risks; solvency margins; capital management embedded and appraisal; reinsurance treaty performance, should be articulated and reported
- Suspension – both from within and for compliance and beyond
- Market discipline and disclosure.

Under the attentive glare of investors and regulators, directors of companies ranging from Barclays to Disney and Toyota have been working hard in recent years to create boards that meet contemporary composition and policy standards. At the same time, boards are also working to ensure that they might make the right decisions and, for that purpose, they are adopting issue calendars, decisions protocols and other governance norms. The result of this should be greater director vigilance, not only for guarding against company malfeasance but also ensuring that management has the right strategy and chief executive for reaching its peak point

The author is a Partner, National Leader – Global Financial Service with Ernst and Young. The views offered above are his own and not necessarily those of his firm.

CORPORATE GOVERNANCE

- In A Risk Based Rating Environment

In a de-tariffed regime, governance for the insurers would be a different ball-game and various issues would come up in the areas of fair rating, equitable policy conditions etc. feels *Mr. P.C. James.*

Insurance and Corporate Governance

Corporate Governance is a subject of significance for the insurance industry. Insurers manage the funds of the public, i.e. the premium of their customers, as well as capital and other resources on behalf of the shareholders. Companies also have other stakeholders such as employees, partners, intermediaries, the government and the society. There is a growing concern that a company's accountability and transparency requirements need to be aligned with the expectations of stakeholders concerned. Insurance Core Principles No.9 brought out by the IAIS (International Association of Insurance Supervisors), says that the corporate governance framework recognises and protects the rights of all interested parties. Corporate governance is thus required as a voluntarist agenda for the Board and the top management on how to oversee the success and sustainability of the organisation in the wider context of satisfaction of all the stakeholders concerned.

Business organisations work in an environment of increasing risks. Risk is anything that can impede on the negative side or accelerate on the positive side, the achievement of business objectives. Responding to risks involves instituting the necessary tools to discover, analyse and make transparent the potential risks. It also means that while taking steps to minimise or eliminate the downside of risks, the upside that can be generated by managing risks successfully needs to be fully exploited. This linkage between business objectives, risk, controls and their alignment to business outcomes is important for enhancing shareholder and stakeholder value. All successful companies excel because they have the necessary risk management capability, internal control systems and procedures to sustain them. This naturally involves Board level interventions in deciding strategies and policies which can ensure that the entire company becomes risk aware; and has one uniform 'risk' language in the organisation.

Risks and Insurers

The core of insurance business is the bearing of risks transferred to the insurer by customer either through intermediaries or directly. Based on acceptance of the risks and the premium thereof insurers are subject to various organisational risks which are known as technical risks, investment risks and other operational risks. Technical or underwriting risks include premium deficiency risk, concentration risk, catastrophe risks, frequency/severity risks and so on. Investment risks include credit risk, market risk including interest rate risks, liquidity risks etc. Various types of operational risks also face insurers, just as they do other business organisations. Such risks include global risks; general, economic and political risks; industry risks; and company specific risks.

The core of insurance business is the bearing of risks transferred to the insurer by customer either through intermediaries or directly.

The Board is expected to have a grasp of the strategic issues involved, and set the necessary policies and procedures regarding risk taking and the desirable risk management techniques. This enables the organisation's many layers and operational lines to translate the need for risk management into real and verifiable activities including the following:

1. The approach to risk taking.
2. The structure of limits and guidelines governing risk taking.
3. Internal controls including management information systems

Worldwide, companies are being encouraged to go beyond legislative and regulatory compulsions to where good governance norms are self-generated arising from the basic fiduciary role of the Board and the top management. As the insurance sector grows, there will be a reduction of supervisory resources and its place will need to be replaced by self-regulation and betterment through various self-governing mechanisms. This will ensure that the company is operated in accordance with the best standards of business and financial practice.

From the point of view of the regulator and others, corporate governance is necessary to promote transparent and efficient markets. It helps to lay a strong and sustainable foundation to the business model the Board wishes to set up so as to exploit market opportunities. Business risks that need to be tackled include demand risks where customers or intended customers do not buy; competitive risks, whereby the initiatives taken by competitors can upset strategies drawn up; and capability risks, where the company's value proposition does or does not match the requirements of the market. A company's readiness to be aware and act in these areas originates at the level of the Board and the top management. Failure to understand, report and be accountable for such risks, make companies face a heightened probability of not meeting the expectations of stakeholders.

Risk Governance

When insurers are set to move from a rule based tariff regime to a risk based pricing environment, risks for such insurers generate both opportunities as well as vulnerabilities. Risk exposures heighten because the deeply held mental models of yesterday which were versed in interpretation of given rules need to move onto divination of an ever changing risk landscape in the many businesses that the company may wish to offer protection. The Board needs to put in place new mental models and systems thinking that can create and nurture the necessary skills of seeing the insurable world in the hard reality of risks and realistic pricing of such risks without the comfort of tariffs. Similarly it is to be ensured that the independence of the risk-assuming function is clearly maintained and not subordinated to the compulsions of those departments not familiar with the discipline of insurance risk and pricing characteristics. Guidelines will need to be given for the disciplined application of underwriting powers, with clear reporting lines and accountabilities. The underwriting department must be endowed with stature, experience and authority to carry out its expected functioning. There must be the planned churning and rotation of personnel to garner ever richer experience and bring in new learnings, experience and perspectives. New skills and knowledge will have to be built up and must flow through the organisation to ensure constant upgradation and benchmarking against the best in the market. Risk specialists need to be encouraged to probe and question till satisfactory answers and solutions are obtained, and there should an openness that is not afraid to challenge the 'experts'.

Regulatory requirements and Corporate Governance

Sensitivity to regulatory requirements is an important part of corporate governance. Companies need to guard against possible clash between the interests of the policyholders and the owners of companies. It is well accepted that having satisfied and happy consumers is good business, and the Board needs to continuously strengthen the alignment of interests between the company and its consumers through better governance standards. Compliance management is the beginning of corporate wisdom and is an expression of the willingness to develop the continuum towards developing self-accepted norms of governance based on an inclusive agenda that looks to the betterment of all interests in a holistic manner. A disdain for regulatory accountability as manifest in non-compliance of laws, regulations, guidelines is indicative of a mindset that may block internalisation of the best practice codes that can help to enhance business success.

Insurance also involves issues of public good; and the legislative and judicial intent wherever spelt out and point to the development of the business in the best interest of the community, need to be kept in mind while dealing with business practices. This means that insurers are prevented by the intent of law and judicial precedents from acting in a manner that is arbitrary, unfair, untenable or adverse to the interest of the consumer. Thus there cannot be arbitrary freedom for private contracts. Corporate governance would have to internalise the nature of insurance business in the context of the law of the land and should keep in mind the moral and social responsibilities involved while fashioning the templates of corporate success. Various issues thus come up in the areas of fair rating, equitable policy conditions, proper disclosures, acceptable methods of solicitation, terms of renewal, cancellation of policies, loading of premium, denial of insurance, repudiation of claims and so on. These will need to be addressed and homogenised across the company to prevent regulatory or judicial strictures that can have a bearing on the reputation or legitimacy of the insurer. Failing to meet society's expectations can pose risks to organisations and at the same time a proper understanding and effective management of generally recognised social duties can help to build shareholder value.

> Compliance management is the beginning of corporate wisdom and is an expression of the willingness to develop the continuum towards developing self-accepted norms of governance based on an inclusive agenda that looks to the betterment of all interests in a holistic manner.

Corporate social responsibility is also an area which, if neglected, can pose risks for insurers. Managing community perceptions backed by beneficial action in the area of social good can help to reduce downside risks and also open up opportunities for profitable business as those excluded from the benefits of developmental insurance are far too many. Involvement with social concerns including lack of protection to the vast majority who are excluded owing to poverty or ignorance helps to build up long-lasting intangible assets for the company. It helps not only to capitalise on community resources and reduces regulatory intervention but also helps to obtain competitive advantage from a long-lasting fund of public goodwill.

Board's Concerns for smoothening the Rollover Detariffing involves serious transitional issues especially for the older insurers. Active involvement of the Board and the top management is required along with massive investment of time and money in establishing proper systems through necessary hardware and software, as also in training of underwriters and in creating the necessary data infrastructure and its learning context. In particular, the following areas would be important in the context of corporate governance.

1. Detariffing must not degenerate into mindless rate cutting and so called 'cash-flow' underwriting. Equitable rating and solvency issues are paramount in disciplined underwriting. Hence clear guidelines from the level of

Board must be given, drawing up the methodologies of ratemaking and also wherever possible guide tariffs, so that individual discretion at non-responsible levels is reduced to the minimum.

2. Underwriting must be supported by a strong technical base. Rating factors need to be identified for every sub-class, and every type of risk. The required data needs to be captured in respect of every risk underwritten and every claim lodged. Collection, compilation and analysis of data will form the bedrock of developing underwriting expertise. Similarly pre-acceptance risk inspections and data generated by claim surveys and inspections will also form important part of the knowledge bank for underwriter.
3. Delegation of authority will be based on the knowledge of the person concerned based on experience as well as qualifications. There must be proven ability to evaluate all risk factors. The financial implications of underwriting decisions on factors such as adequacy of pricing, the concentration of risks written, the frequency/severity aspects, etc. will need to be understood by persons who are vested with discretionary authority. Responsibility needs to be fixed so that delegated powers are used only as desired.
4. Determining the basis of rating. Rating can be on the basis of class for which internal tariffs can be developed. Rating can also be on community basis for risks such as group health or PA, where there is an incentive for communities/groups to reduce risks and obtain favourable terms. Finally rates can be fixed on individual basis depending on the uniqueness of the risk and the financial magnitude justifying individual rating. In all these cases a base rate has to be set; and loadings and discounts should apply based on risk perceptions, backed by factual risk features.
5. Ready availability of insurance should be ensured at fair terms for all customers. In the restructuring that may take place on account of detariffing it will be unfortunate if the normal insurances enjoyed by the public prior to detariffing are not available readily under internal tariffs and at fair terms.
6. Underwriting audit programmes must be instituted to check the adequacy of pricing and other disciplines of underwriting and compliance to internal tariffs. Justification of rates, whether individual or class, needs to be examined by the audit department; and necessary correctives need to be suggested for implementation.
7. Training of underwriters and setting up of R&D for developing underwriting practices is to be institutionalised. New product development based on sound market research and innovation in areas that can capture value for the organisation in containing risks for the consumer would be a core task to meet competitive challenges. Detariffing will see the emergence of many new competencies and differentiations which will help market development.
8. In moving from tariff policy wording to more innovatively packaged products, insurers would need to ensure that that there are even more disclosures to avoid consumer confusions, through transparent and logical presentation of covers and benefits.
9. Finally customer service and grievance handling need to become a thrust area in the detariffing era for the Board, as there are bound to be dissatisfactions that could arise from the asymmetries perceived in the changeover. Alleviating the difficulties of the average consumer in times of possible uncertainties will help to win goodwill of the public and the regulator as well as the consumer bodies.

Collection, compilation and analysis of data will form the bedrock of developing underwriting expertise. Similarly pre-acceptance risk inspections and data generated by claim surveys and inspections will also form important part of the knowledge bank for underwriter.

Customers of an insurer look to the company to meet promises made to protect as per its licensed mandate. Insurance is a complex business built around the promise to cover and pay on the occurrence of the specified event i.e. loss occurring. The customer is not the expert on insurance and hence relies on the integrity and skill of the insurer to meet the obligations as promised. Insurers thus need to consider meeting their obligations not only in the end by paying claims when covered losses occur, but also upfront in their readiness to cover fairly and equitably so as to enable consumers to take on economic risks that are necessary to create dynamism and momentum in the economy.

If insurers do not stand in the shoes of the consumer through the guiding hand of voluntary governance codes, the long term well being of the organisation would get jeopardized leading to losses for the stakeholders. Corporate governance forms the right platform of internal voluntary empowerment that allows companies to play their due role in the interest of all as per the genuinely developed strategic vision.

The author is Executive Director (Non-Life), IRDA. The views expressed here are his own.

CORPORATE BEST PRACTICES
- RECOMMENDATIONS FOR DIRECTORS

For ensuring good corporate governance, the importance of overseeing the various aspects of the corporate functioning needs to be properly understood, appreciated and implemented avers *Vepa Kamesam.*

What Is Corporate Governance?

Before entering into a threadbare discussion about the nuances of corporate governance, let us look at some of the fundamental definitions.

The Noble laureate Milton Friedman defined Corporate Governance "as conducting the business in accordance with owner or shareholders' desires, which is synonymous with making as much money as possible, while conforming to the basic rules of the society embodied in the laws and the local customs." This definition clearly underpins the shareholders capitalism. Yet another definition reads "Corporate Governance means doing everything better, to improve relations between companies and their shareholders; to improve quality of outside Directors; to encourage people to think long-term; to ensure that information needs of all stakeholders are met and to ensure that the executive management is monitored properly in the interests of shareholders."

The OECD definition reads as under:

"The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the company, such as, the board, management, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance."

The Former President of the World Bank J. Wolfensohn is quoted as saying "Crporate Governance is about promoting corporate fairness, transparency and accountability." There could be many more, but historically attention was paid to the subject following the collapse of Savings and Loan companies in USA in the mid 1980's and the SEC of USA taking a tough stand on the same. It is ironical that once again it was the US which brought in Sarbanes Oxley Act and along with it very stringent measures of Corporate Governance. In passing, I may add that there is no corresponding legislation in India. Later, Adrian Cadbury report was an important milestone which spelt out 19 best practices called the "Code of Best Practices", which the companies listed on the London Stock Exchange, began to comply with. I would very quickly list some of those guidelines applicable to the Directors, Non-executive Directors, Executive Directors, and others responsible for reporting and control.

Relating to the Directors the recommendations are:

- The Board should meet regularly, retain full and effective control over the company and monitor the executive management.
- There should be a clearly accepted division of responsibilities at the head of a company, which will ensure balance of power and authority, such that no individual has unfettered powers of decision. In companies where the Chairman is also the Chief Executive, it is essential that there should be a strong and independent element on the Board, with a recognized senior member.
- The Board should include non-executive Directors of sufficient caliber and number for their views to carry significant weight in the Board's decisions.
- The Board should have a formal schedule of matters specifically reserved to it for decisions to ensure that the direction and control of the company is firmly in its hands.
- There should be an agreed procedure for Directors in the furtherance of their duties to take independent professional advice if necessary, at the company's expense.
- All Directors should have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Any question of the removal of Company Secretary should be a matter for the Board as a whole.

Relating to the Non-executive Directors the recommendations are:

- Non-executive Directors should bring an independent judgement to bear on issues of strategy, performance, resources, including key appointments, and standards of conduct.
- The majority should be independent of the management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgement, apart from their fees and shareholding. Their fees should reflect the time, which they commit to the company.
- Non-executive Directors should be appointed for specified terms and reappointment should not be automatic.
- Non-executive Directors should be selected through a formal process and both, this process and their appointment, should be a matter for the Board as a whole.

For the Executive Directors the recommendations in the Cadbury Code of Best Practices are:

- Directors' service contracts should not exceed three years without shareholders' approval.
- There should be full and clear disclosure of their total emoluments and those of the Chairman and the highest-paid Directors, including pension contributions and stock options. Separate figures should be given for salary and performance-related elements and the basis on which performance is measured should be explained.

Author acknowledges published reference material from several sources from OECD / BIS / IAIS / RBI bulletins / SEBI / Academy of Corporate Governance Hyderabad and several other reports on this subject.

- Executive Directors' pay should be subject to the recommendations of a Remuneration Committee made up wholly or mainly of Non-Executive Directors.

And on Reporting and Controls the Cadbury Code of Best Practices stipulate that:

- It is the Board's duty to present a balanced and understandable assessment of the company's position.
- The Board should ensure that an objective and professional relationship is maintained with the Auditors.
- The Board should establish an Audit Committee of at least three Non-Executive Directors with written terms of reference, which deal clearly with its authority and duties.
- The Directors should explain their responsibility for preparing the accounts next to a statement by the Auditors about their reporting responsibilities.
- The Directors should report on the effectiveness of the company's system of internal control.
- The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary.

The report created mixed feelings and with some more frauds emerging in UK, Governance came to mean the extension of Directors' responsibility to all relevant control objectives including business risk assessment and minimizing the risk of fraud. The shareholders are surely entitled to ask, if all the significant risks had been reviewed and appropriate actions taken to mitigate them and why a wealth-destroying event could not be anticipated and acted upon. The one common denominator behind the corporate failures and frauds was the lack of effective risk management and the role of the Board of Directors. When it became clear that merely reviewing the internal processes of control were not enough and, therefore, risk management had to be embodied throughout the organization, an easy solution was found by passing on this responsibility to the internal audit.

In India, the CII came out with its own views, but SEBI, as the custodian of millions of investors came out with its guidelines and Kumar Mangalam Committee recommendations became mandatory and, therefore, all the listed companies were obliged to comply in accordance with the listing agreement with these Stock Exchanges. The clean up of most companies has begun in a big way and the Section 49 of the SEBI Act has now almost become the hallmark of compliance in this country.

The mandatory recommendations of the Kumar Mangalam committee include the constitution of Audit Committee and Remuneration Committee in all listed companies; appointment of one or more independent Directors; recognition of the leadership role of the Chairman of a company; enforcement of accounting standards; the obligation to make more disclosures in annual financial reports; effective use of the power and influence of institutional shareholders; and so on. The Committee also recommended a few provisions, which are non-mandatory. Some of the mandatory recommendations are:

- The Board of a company should have an optimum combination of executive and non-executive Directors with not less than 50% of the Board comprising the non-executive Directors.
- The Board of a company should set up a qualified and an independent Audit Committee. The Audit Committee should have minimum three members, all being non-executive Directors, with the majority being independent, and with at least one Director having financial and accounting knowledge. The Chairman of the Audit Committee should be an independent Director. They are responsible for balance sheet compilation and clarificatory notes appearing thereto; and to ensure that sensitive information is not tucked away in small print.

The Chairman of the Audit Committee should be present at Annual General Meeting to answer shareholder-queries.

- The Company Secretary should act as the secretary to the Audit Committee.
- The Audit Committee should meet at least thrice a year. The quorum should be either two members or one-third of the members of the Audit Committee.
- The Audit Committee should have powers to investigate any activity within its terms of reference, to seek information from any employee; to obtain outside legal or professional advice, and to secure attendance of outsiders if necessary.
- The Audit Committee should discharge various roles such as, reviewing any change in accounting policies and practices; compliance with accounting standards; compliance with Stock Exchange and legal requirements concerning financial statements; the adequacy of internal control systems; the company's financial and risk management policies etc.
- The Board of Directors should decide the remuneration of the non-executive Directors.
- Full disclosure should be made to the shareholders regarding the remuneration package of all the Directors.
- The Board meetings should be held at least four times a year.
- A Director should not be a member in more than ten committees or act as the Chairman of more than five committees across all companies in which he is a Director. This is done to ensure that the members of the Board give due importance and commitment of the meetings of the Board and its committees.
- The management must make disclosures to the Board relating to all material, financial and commercial transactions, where they have personal interest.
- In case of the appointment of a new Director or re-appointment of a Director, the shareholders must be provided with a brief resume of the Director, his expertise and the names of companies in which the person also holds Directorship and the membership of committees of the Board.
- A Board committee should be

formed to look into the redressal of shareholders' complaints like transfer of shares, non-receipt of balance sheet, dividend etc.

- There should be a separate section on Corporate Governance in the annual reports of the companies with a detailed compliance report.

Apart from these, the Kumar Mangalam Committee also made some recommendations that are non-mandatory in nature. Some of are:

- The Board should set up a Remuneration Committee to determine the company's policy on specific remuneration packages for Executive Directors.
- Half-yearly declaration of financial performance including summary of the significant events in the last six months should be sent to each shareholder.
- Non-executive chairman should be entitled to maintain a chairman's office at the company's expense. This will enable him to discharge the responsibilities effectively.

It will be interesting to note that Kumar Mangalam Committee while drafting its recommendations was faced with the dilemma of statutory v/s voluntary compliance. One may also be aware that the desirable code of Corporate Governance, which was drafted by CII was voluntary in nature and did not produce the expected improvement in Corporate Governance. It is in this context that the Kumar Mangalam Committee felt that under the Indian conditions a statutory rather than a voluntary code would be far more purposive and meaningful. This led the Committee to decide between mandatory and non-mandatory provisions. The Committee felt that some of the recommendations are absolutely essential for the framework of Corporate Governance and virtually form its code, while others could be considered as desirable. Besides, some of the recommendations needed change of statute, such as the Companies Act for their enforcement. Faced with this difficulty, the Committee settled for two classes of recommendations.

SEBI has given effect to the Kumar Mangalam Committee's recommendations by a direction to all the Stock Exchanges to amend their listing agreement with various companies in accordance with the 'mandatory' part of the recommendations.

For ensuring good corporate governance in a banking organization, the importance of overseeing the various aspects of the corporate functioning needs to be properly understood, appreciated and implemented. There are four important forms of oversight that should be included in the organizational structure of any bank in order to ensure the appropriate checks and balances: (1) oversight by the board of directors or supervisory board; (2) oversight by individuals not involved in the day-to-day running of the various business areas; (3) direct line supervision of different business areas; and (4) independent risk management and audit functions. In addition to these, it is important that the key personnel are fit and proper for their jobs (this criterion also extends to selection of Directors).

RECENT DEVELOPMENTS

The Department of Company Affairs, in May 2000, invited a group of leading industrialists, professionals and academics to study and recommend measures to enhance corporate excellence in India. The Study Group in turn set up a Task Force, which examined the subject of Corporate Excellence through sound corporate governance and submitted its report in Nov. 2000. The task force in its recommendations identified two classifications namely essential and desirable with the former to be introduced immediately by legislation and the latter to be left to the discretion of companies and their shareholders. Some of the recommendations of the task force include:

- Greater role and influence for non-executive independent directors
- Stringent punishment for executive directors for failing to comply with listing and other requirements
- Limitation on the nature and number of directorship of managing and whole-time directors
- Proper disclosure to the shareholders and investing community
- Interested shareholders to abstain from voting on specified matters
- More meaningful and transparent accounting and reporting
- Tougher listing and compliance regimen through a centralized national listing authority
- Highest and toughest standards of Corporate Governance for listed companies.
- A code of public behaviour for public sector units
- Setting up of a centre for Corporate Excellence

Recently, the Government has announced the proposal for setting up the Centre for Corporate Excellence under the aegis of the Department of Company Affairs as an independent and autonomous body as recommended by the study group. The centre would undertake research on Corporate Governance; provide a scheme by which companies could rate themselves in terms of their corporate governance performance; promote corporate governance through certifying companies who practice acceptable standards of corporate governance and by instituting annual awards for outstanding performance in this area. Government's initiative in promoting corporate excellence in the country by setting up such a center is indeed a very important step in the right direction. It is likely to spread greater awareness among the corporate sector regarding matters relating to good corporate governance motivating them to seek accreditation from this body. Cumulative effect of the companies achieving levels of corporate excellence would undoubtedly be visible in the form of much enhanced competitive strength of our country in the global market for goods and services.

A large number of public sector companies both in the banking industry and financial sector have on their Boards representative of the Government / Reserve Bank of India. It is for debate whether functionaries of the Government should sit on their boards. While there is no easy or straightforward answer to this question, at some distant future it is hoped, all the Directors would be truly independent.

The subject is no doubt complex and can be looked upon from various angles. Frauds in the banking system are also increasing but computer Management Information Systems should be able to detect them early and the Board must have the will to deal with such mischief-makers in an exemplary manner. Zero tolerance should be the goal for frauds in the banking system. It is the leader at the helm of affairs who makes a difference. A close coordination exists through High Level Co-ordination Committee (HLCC) between RBI, SEBI, IRDA and the Secretary Finance, Government of India who has a formal structure for reviewing the affairs which impact the whole financial system. Although the US and UK models are different, this model has served us well and we seem to be comfortable to continue with the same for some more time to come.

It would be appropriate to dwell upon the Corporate Governance standards as applicable to the insurance industry. Capital markets, banks, insurers and other financial institutions are all closely linked and international benchmarks have been established and adopted by the regulators under the aegis of IAIS at Basle. The basic principles are no doubt adopted from the OECD model. Unlike active regulation and supervision in the banking sector, insurance regulations are still under evolution as fundamentally the contract of insurance is basically a promise to pay at some time in the future. Events like Enron, Sumitomo, 9/11 or even natural calamities like the Tsunami or Katrina can all change the risk comprehension and call for superior underwriting and actuarial skills. The problem of opacity arises due to the underlying contracts whose risk-return profiles keep changing. Therefore, the asset liability management in insurance companies must be very dynamic and strategies need to be fine-tuned on a continuous and daily basis depending upon the markets in which these companies operate and the risks get covered.

Insurance industry is also confronted with intensified agency problems from informational asymmetries and complex structures of the principal-agent relationship and often times, conflicts of interest arise inter se amongst the insurance companies and with other players in the financial markets. Therefore, there is a clear need for maintaining excellent Corporate Governance standards in this industry. The IAIS principle ICP 9 is the anchor principle which gives the entire criteria of the responsibilities of the Board of Directors and the senior management; and the oversight responsibilities. Simultaneously it also covers the relationship between the responsible actuary and the board of the insurance company. All the other insurance core principles are cohesively connected to ICP 9 and it is worth referring to ICP 7, 8, 10, 13, 18 and lastly to 26, which deal on the suitability of persons; control measures and portfolio changes; internal controls; inspections; risk management and assessment; and lastly information and disclosure requirements. There is no escape from the governance structure and the guideline functions; and responsibilities of the board covers inter-alia, "Reviewing and guiding the strategy of the insurance entity, including reinsurance strategies; major plans of action, risk policy related to the main insurance risks and annual budgets; approving the pricing strategy; setting performance objectives; overseeing auditing and actuarial functions/other oversight structures; and monitoring the administration of the insurance entity in order to ensure that the objectives set out in the by-laws, statues or contracts, or in documents associated with any of these, are attained (e.g. diversified asset allocation, cost effectiveness of administration, etc." The guidelines further state "board members are accountable to the entity's shareholders and / or policy holders, or participating policy holders and / or to the competent authorities." The above guidelines got modified in April 2005 by OECD relating to the actuaries and boundaries between life and non-life insurers and the responsibility of the external and internal auditor. Thus, although the process of evolution is still taking place in view of the peculiar situations faced, there is a much greater need, so that the highest ethics and corporate governance are followed in the insurance industry, so that men at the helm of these Boards set exemplary standards.

Finally, the four aspects of oversight that should be included in the organizational structure of any financial institution to ensure appropriate checks and balances are:

(i) oversight by the board of directors or supervisory board;

(ii) oversight by individuals not involved in the day-to-day running of the various business areas;

(iii) direct line supervision of different business areas; and

(iv) independent risk management and audit functions.

There is an entire subject called "whistle blowing" and there is enormous literature on this subject - when to blow the whistle, who should blow the whistle and where the whistle should be heard. These are the questions for which one needs to find the answers between spate of anonymous letters to which any one working in public sector is used to and honest officials are harassed sometimes on one side and the damaging investigative audit reports and doctored balance sheets on the other side. Somewhere in between lies the governance and ethics; and standards expected to be set up by the virtuous men appointed for heading these institutions. In such organizations the shareholders and the other stakeholders derive full value. It is myopic, bordering on foolishness, to look for astronomical return by the shareholders, who would allow the boards to indulge in unethical practices like market rigging, insider trading, speculation and host of other irregular practices for the sole purpose of making huge profits. One cannot argue that the shareholder's value is enhanced by higher profits and dividends are distributed by the board acting merely as an agent of the shareholder who becomes the principal. Here lies the real test of governance of the board of directors walking the well defined, honest and straight path in conducting the affairs in the required atmosphere of transparency seen and perceived by all the stakeholders, the markets and the regulators. Then only one can confidently state that corporate governance has taken firm roots in this country.

The author is former Deputy Governor, Reserve Bank of India; former Managing Director, State Bank of India; and presently Managing Director, Institute of Insurance and Risk Management, Hyderabad.

Third Quarter - 2005-06

INDIVIDUAL NEW BUSINESS FIGURES (INCLUDING RURAL & SOCIAL) FOR AND UP TO THE MONTH OF DECEMBER' 2005

SINGLE PREMIUM

(Rs lakh)

S.No.	PARTICULARS	PREMIUM		POLICIES		SUM ASSURED	
		For the month	Upto the month	For the month	Upto the month	For the month	Upto the month
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	*Non linked**						
1	Life						
	with profit	2,003.96	16,909.69	1,597	21,621	2,093.49	24,925.26
	without profit	18,186.46	56,704.37	45,444	215,076	49,428.49	245,342.89
2	General Annuity						
	with profit	1.00	5.00	2	6	2.08	8.30
	without profit	15.50	100.67	10	111		
3	Pension						
	with profit	429.27	3,196.18	780	4,654	12.73	109.82
	without profit	998.39	9,950.84	346	2,751	9.00	106.40
4	Health						
	with profit						
	without profit						
A.	Sub total	21,634.58	86,866.75	48,179	244,219	51,545.79	270,492.67
	Linked*						
1	Life						
	with profit		4.85		4		4.24

NON-SINGLE PREMIUM

(Rs lakh)

S.No.	PARTICULARS	PREMIUM		POLICIES		SUM ASSURED	
		For the month	Upto the month	For the month	Upto the month	For the month	Upto the month
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Non linked*						
1	Life						
	with profit	113,592.74	688,363.38	2,403,478	13,322,601	2,155,886.23	11,465,549.87
	without profit	4,856.86	46,632.33	94,258	1,746,868	216,675.28	3,142,299.29
2	General Annuity						
	with profit	11.36	78.53	130	777	215.90	1,448.48
	without profit						
3	Pension						
	with profit	515.18	4,702.95	3,273	36,140	2,137.77	22,376.45
	without profit	95.90	621.45	362	2,329		
4	Health						
	with profit						
	without profit	55.64	449.02	2,616	20,884	10,036.10	71,229.16
A.	Sub total	119,127.68	740,847.65	2,504,117	15,129,599	2,384,951.28	14,702,903.25
	Linked*						
1	Life						
	with profit	3.80	82.45	-1	277	-1.40	486.57

	without profit	36,638.37	136,232.74	48,397	174,110	55,570.85	163,258.55
2	**General Annuity**						
	with profit						
	without profit		13.34				
3	**Pension**						
	with profit		0.13				
	without profit	50,445.38	413,183.29	140,955	1,216,965	11.20	405.72
4	**Health**						
	with profit						
	without profit						
B.	**Sub total**	**87,083.76**	**549,434.35**	**189,352**	**1,391,079**	**55,582.05**	**163,668.51**
C.	**Total (A+B)**	**108,718.34**	**636,301.10**	**237,531**	**1,635,298**	**107,127.84**	**434,161.18**
	Riders:						
	Non linked						
1	Health#	0.16	2.55	1	16		30.00
2	Accident##	0.76	12.37	100	1,158	57.50	911.05
3	Term	0.02	1.86	2	82	0.84	51.71
4	Others						
D.	**Sub total**	**0.94**	**16.78**	**103**	**1,256**	**58.34**	**992.76**
	Linked						
1	Health#	0.38	1.28	5	23	7.00	29.85
2	Accident##	0.90	3.41	29	85	64.46	243.63
3	Term	0.08	0.10	1	1	1.11	1.11
4	Others						
E.	**Sub total**	**1.35**	**4.79**	**35**	**109**	**72.57**	**274.59**
F.	Total (D+E)	2.29	21.57	138	1,365	130.91	1,267.35
G.	****Grand Total (C+F)**	**108,720.63**	**636,322.67**	**237,531**	**1,635,298**	**107,258.75**	**435,428.53**

** Excluding rider figures.*
*** for policies Grand Total is C.*
 # All riders related to critical illness benefit, hospitalisation benefit and medical treatment.
Disability related riders.
The premium is actual amount received and not annualised premium.

	without profit	57,842.16	287,452.91	193,785	939,865	479,530.32	2,597,049.28
2	**General Annuity**						
	with profit						
	without profit	2,861.66	7,127.77	12,741	41,106	3,128.23	12,748.66
3	**Pension**						
	with profit	1.23	18.17	2	45		
	without profit	5,040.31	23,292.95	10,986	72,484	269.18	3,081.83
4	**Health**						
	with profit						
	without profit						
B.	**Sub total**	**65,749.16**	**317,974.25**	**217,513**	**1,053,777**	**482,926.33**	**2,613,366.34**
C.	**Total (A+B)**	**184,876.84**	**1,058,821.90**	**2,721,630**	**16,183,376**	**2,867,877.61**	**17,316,269.59**
	Riders:						
	Non linked						
1	Health#	66.74	314.15	2,531	22,794	3,537.54	28,811.36
2	Accident##	70.73	662.68	30,226	271,543	91,028.51	518,246.64
3	Term	8.22	74.21	1,231	19,460	1,482.15	17,118.69
4	Others	50.77	371.64	788	7,744	4,397.93	28,488.30
D.	**Sub total**	**196.46**	**1,422.68**	**34,776**	**321,541**	**100,446.14**	**592,664.99**
	Linked						
1	Health#	32.68	221.64	1,458	9,099	10,068.38	55,948.11
2	Accident##	30.14	253.51	7,055	50,740	12,750.54	88,394.43
3	Term	8.42	45.45	789	5,086	1,802.68	10,668.53
4	**Others**	**11.63**	**61.52**	**2,012**	**12,401**	**228.48**	**1,371.59**
E.	Sub total	82.87	582.11	11,314	77,326	24,850.08	156,382.65
F.	Total (D+E)	279.33	2,004.79	46,090	398,867	125,296.22	749,047.64
G.	****Grand Total (C+F)**	**185,156.18**	**1,060,826.69**	**2,721,630**	**16,183,376**	**2,993,173.82**	**18,065,317.23**

Third Quarter - 2005-2006

GROUP NEW BUSINESS FIGURES (INCLUDING RURAL & SOCIAL) FOR AND UP TO THE MONTH OF DECEMBER, 2005

SINGLE PREMIUM

(Rs lakh)

S.No.	PARTICULARS	PREMIUM		NO. OF SCHEMES		LIVES COVERED		SUM ASSURED	
		For the month	Up to the month	For the month	Up to the month	For the month	Up to the month	For the month	Up to the month
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Non linked*								
1	**Life**								
a)	**Group Gratuity Schemes**								
	with profit								
	without profit	17,844.32	89,908.88	200	1,100	56,097	412,330	10,335.98	165,299.80
b)	**Group Savings Linked Schemes**								
	with profit								
	without profit	387.06	2,109.75	333	1,462	27,498	441,080	5,834.05	410,714.33
c)	**EDLI**								
	with profit								
	without profit	25.55	374.63	111	741	36,663	440,518	14,561.96	178,005.95
d)	**Others**								
	with profit								
	without profit	4,079.87	32,946.74	1,056	7,922	375,634	8,266,963	262,977.96	2,905,569.54
2	**General Annuity**								
	with profit	5,266.42	50,234.37	1	5	365	2,436		
	without profit	1,488.44	44,201.92	2	15	603	5,773		
3	**Pension**								
	with profit								
	without profit	2,057.00	41,467.55	7	62	9,962	48,458		
4	**Health**								
	with profit								
	without profit								
A.	**Sub total**	**31,148.66**	**261,243.84**	**1,710**	**11,307**	**506,822**	**9,617,558**	**293,709.95**	**3,659,589.62**
	Linked*								
1	Life								

NON-SINGLE PREMIUM

(Rs lakh)

S.No	PARTICULARS	PREMIUM		NO. OF SCHEMES		LIVES COVERED		SUM ASSURED	
		For the month	Up to the month	For the month	Up to the month	For the month	Up to the month	For the month	Up to the month
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Non linked*								
1	**Life**								
a)	**Group Gratuity Schemes**								
	with profit								
	without profit	1,008.91	2,308.21	5	29	1,560	20,824	508.37	22,097.63
b)	**Group Savings Linked Schemes**								
	with profit								
	without profit		1.33		1		1,014		1,332.30
c)	**EDLI**								
	with profit								
	without profit	30.12	386.14	22	185	29,944	285,706	22,332.52	239,001.03
d)	**Others**								
	with profit	5.53	38.95	5	23	576	7,874	5,479.21	23,415.30
	without profit	584.60	3,873.00	233	1,797	228,642	1,353,394	212,239.96	2,207,857.95
2	**General Annuity**								
	with profit								
	without profit								
3	**Pension**								
	with profit								
	without profit	15.17	68.14	1	1	124	804	5.00	191.50
4	**Health**								
	with profit								
	without profit								
A.	**Sub total**	**1,644.33**	**6,675.77**	**266**	**2,036**	**260,846**	**1,669,616**	**240,565.06**	**2,493,895.71**
	Linked*								
1	Life								

a)	**Group Gratuity Schemes**								
	with profit								
	without profit	141.49	2,767.32	1	6	1,651	3,518	16.51	35.18
b)	**Group Savings Linked Schemes**								
	with profit								
	without profit								
c)	**EDLI**								
	with profit								
	without profit								
d)	**Others**								
	with profit								
	without profit	7.72	363.13		1		352		3.52
2	**General Annuity**								
	with profit								
	without profit								
3	**Pension**								
	with profit								
	without profit	90.00	245.09						
4	**Health**								
	with profit								
	without profit								
B.	**Sub total**	**239.21**	**3,375.54**	**1**	**7**	**1,651**	**3,870**	**16.51**	**38.70**
C.	**Total (A+B)**	**31,387.87**	**264,619.39**	**1,711**	**11,314**	**508,473**	**9,621,428**	**293,726.46**	**3,659,628.32**
	Riders:								
	Non linked								
1	Health#	2.18	28.59	3	21	2,876	14,499	1,806.98	23,942.62
2	Accident##	0.35	67.20		18	6,080	16,658	6,179.27	148,733.05
3	Term								
4	Others								
D.	**Sub total**	**2.53**	**95.79**	**3**	**39**	**8,956**	**31,157**	**7,986.25**	**172,675.67**
	Linked								
1	Health#								
2	Accident##								
3	Term								
4	Others								
E.	**Sub total**								
F.	Total (D+E)	2.53	95.79	3	39	8,956	31,157	7,986.25	172,675.67
G.	****Grand Total (C+F)**	**31,390.40**	**264,715.18**	**1,711**	**11,314**	**508,473**	**9,621,428**	**301,712.71**	**3,832,303.99**

* Excluding rider figures. ** for no.of schemes & lives covered Grand Total is C.

All riders related to critical illness benefit, hospitalisation benefit and medical treatment. ## Disability related riders.

The premium is actual amount received and not annualised premium.

a)	**Group Gratuity Schemes**								
	with profit								
	without profit	983.31	8,749.46	11	133	23,812	115,561	10,480.26	30,375.39
b)	**Group Savings Linked Schemes**								
	with profit								
	without profit								
c)	**EDLI**								
	with profit								
	without profit								
d)	**Others**								
	with profit								
	without profit	7.02	361.94		11	23	218	17.09	118.64
2	**General Annuity**								
	with profit								
	without profit	344.19	667.48	1	8	349	378	344.19	667.48
3	**Pension**								
	with profit								
	without profit	727.09	10,982.29	1	53	737	10,256		
4	**Health**								
	with profit								
	without profit								
B.	**Sub total**	**2,061.62**	**20,761.17**	**13**	**205**	**24,921**	**126,413**	**10,841.54**	**31,161.50**
C.	**Total (A+B)**	**3,705.95**	**27,436.94**	**279**	**2,241**	**285,767**	**1,796,029**	**251,406.60**	**2,525,057.21**
	Riders:								
	Non linked								
1	Health#	0.38	13.96		5	116	1,126	533.00	10,676.92
2	Accident##	1.76	22.44	3	43	14,991	48,981	5,966.64	117,886.08
3	Term	0.01	0.05		1		26		13.00
4	Others	0.00	0.80		1		32		2,066.53
D.	**Sub total**	**2.16**	**37.25**	**3**	**50**	**15,107**	**50,165**	**6,499.64**	**130,642.53**
	Linked								
1	Health#								
2	Accident##								
3	Term								
4	Others								
F.	**Total (D+E)**	**2.16**	**37.25**	**3**	**50**	**15,107**	**50,165**	**6,499.64**	**130,642.53**
G.	****Grand Total (C+F)**	**3,708.11**	**27,474.19**	**279**	**2,241**	**285,767**	**1,796,029**	**257,906.24**	**2,655,699.74**

प्रकाशक का संदेश

व्यवसायिक घरानों की कार्यसूची में निगमित शासन एक महत्वपूर्ण मद का स्थान ग्रहण कर चुका है। वैसे तो हमेशा निगमित शासन का यह प्रयास रहा है कि व्यवसाय को चरमता तक बढाने के लिए जहाँ तक संभव हो उचित तरीके से बढाया जाए, कुछ लोगों के बुद्धि हीन साहस के कारण उनकी प्रगति गैर अनुपातिक हुई जिसने बोर्ड रूम तथा निदेशक मण्डल के मध्य विचार विमर्श को आकष्ट किया है।

निगमित प्रबन्ध इस बात पर ध्यान देगा कि केवल अंश धारकों कि सराहना ही उनका परम् उद्धेश्य नहीं है वरन् इसे कैसे प्राप्त किया जाता है यह भी महत्वपूर्ण है। पिछले कुछ समय में ज्यादातर निगमित असफलताओं का कारण यह देखा गया है कि उनके मुख्य कार्यपालकों का आकार माप बहुत बडा था जिसने बोर्ड को ऐसे निकाय में बदल दिया जहाँ प्रस्तावों को बिना छानबीन के पारित कर दिया जाता है।

जब बीमा कपनियों का प्रश्न उठता है, प्रबन्धकों कि वैश्धासिक दायित्व दो -मुखी दिशा लेती है। वे पालसी धारको के धन से लेन-देन, बीमाकत्ताओं को न केवल अपने प्रबन्ध के प्रति सावधान रहना चाहिये अपितु उनके द्वारा की गई निधियो के निवेश के प्रति भी सजक रहना चाहिये। दोनों तरफ से कोई भी असफलता बीमा कंपनी के हितों का हानि पहुँचायेगी। निगमित शासन बीमा में एक महत्वपूर्ण मुद्दा हो जाता है तथा यह आईआरडीए जर्नल के इस अंक का मुख्य बिन्दु है। हमारे पास प्रबन्ध क्षेत्र से कई विशेषज्ञ हैं जो अपना अभिमत प्रकट कर रहे है।

प्राद्योगिकी ने व्यवसाय करने के ढंग में परिर्वतन कर दिया है। किसी भी व्यवसायिक धराने के लिए सफलता पूर्वक व्यवसाय संचालन के लिए न्यूनत्तम स्तर पर प्राद्योगिकी समाधान आवश्यक है। बीमा अधिक अंक- आधरित, प्राद्योगिकी लम्बे समय में इसकी सफलता के लिए अवश्यक है। जर्नल का अगला अंक बीमा उद्योग में 'प्राद्योगिकी' विषय पर होगा तथा हम आशा करते हैं कि विभिन्न वृत्तिकों के मत आपके सामने होगें जो प्राद्योगिकी की ग्राहकों को मूल्य योजित सेवा के लिए भूमिका पर चर्चा करेगें।

सी. एस. राव

“ कुछ तो लोग कहेंगे ”

निवेश समुदाय तथा अंशधारकों के बीच
हम परिदृश्य संचार के प्रति प्रतिबद्ध हैं, निगमित शासन के
उच्च मानकों को प्रतिस्थापित किया जा सके।

डैन अमोस, अध्यक्ष तथा सीईओ, अमेरिकी फैमली
लाईफ एशोरेंस कंपनी (एएफएलएसी)

हम श्रीलंका के बाजार में
अपने प्रवेश को लेकर उत्साहित हैं।
भारत अपने विश्वव्यापी निपुणता को स्थानीय
प्रतिभा के सम्मिश्रण के साथ अविवा ने व्यापक
प्रगति की है। हम अब इसकी पूर्नवृति
श्रीलंका में देख रहे हैं।

स्टूअर्ट परर्डी, प्रबन्ध निदेशक अविवा
लाईफ इंशुरेंस कम्पनी लि.

बाजार तीव्रता से भागते हैं।
अवसर अवश्यक रूप से बनाये जाने चाहिये,
और आपको उन अवसरों को पहचानना
होगा तथा झपटना होगा।

श्री ब्रयुसे ब्राऊन, मुख्य कार्यपालक
अधिकारी अलियांज ऐशिया।

चीनी बीमाकत्ताओं को अत्यावश्यक
रूप से उच्च वापसी की जरूरत है। उन्हें अन्य
वित्तिय क्षेत्रों में क्रय करने की आज्ञा देने से ऐसा प्रतीत होता है
कि बीमा, बैक तथा प्रतिभूति के मध्य रूकावटें दूर हुई हैं।

डोरिस चैन,
बीएनपी पारिबा में शंधाई स्थित विशलेषक

हारिकेन की दो ऋतुएँ हमारे पीछे हैं,
यह जानकारियाँ इस बात को रेखांकित करती हैं
कि बीमा तथा पूनरबीमा के लिए क्रमिक प्रबन्ध
कभी इतना महत्वपूर्ण नहीं था।
लायडस् के लिए एक मजबूत वित्तिय निष्पादन सदैव
प्राथमिकता रहा है तथा कार्यनीति का एक
महत्व पूर्ण बिन्दू रहा है।

जूलियमन जैम्स,
लायड़स् विश्व बाजार के निदेशक

हमें एक व्यवहारिक
दृष्टिकोण मस्तिष्क में यह तथ्य रखते हुए
लेना होगा कि जीवन अवधि को मैडिकल प्रगति के
परिणमस्वरूप बढाया जा सकता है। समय के साथ
यह तकनालोजी सुधारने वाली है, विशेष रूप से जैनरिक
प्रगति की जो अंग पुर्नउत्पादन के नये दरवाजे खोल देगा।
यह तकनालौजी समय के साथ सुधरेगी

सी एफ शिनाय,
एचएसबीसी बीमा के मुख्य कार्यपालक

बीमा क्षेत्र में किए गए परिवर्तन

- एक ऐसी यात्रा जिसका कोई अंत नहीं

हाँलाकि बीमा कंपनियों को लाभ कमाने का पुरा अधिकार है, पर समाज के प्रति उनकी कुछ जिम्मेदारियाँ भी हैं। नियामक का कार्य यह देखना है कि इन जिम्मेदारियों को भी ध्यान में रखकर काम किया गया है - ***एच. अंसारी***

भारत में बीमा बाजार ने कई परिवर्तन देखे हैं। पहली जीवन बीमा कंपनी सन् 1818 में स्थापित की गई। और पहली जनरल बीमा कंपनी सन् 1850 में प्रारंभ की गई। उसके बाद निजीकरण और उदारीकरण ने भारत में बीमा बाजार को नए आयाम दिए। 1956 में भारत सरकार द्वारा भारतीय जीवन बीमा निगम की स्थापना की गई। जनरल इंश्योरेंस बिजनेस एक्ट सन् 1972 में पारित किया गया और इसके पश्चात जनरल इंश्योरेंस कोरपोरेशन ऑफ इंडिया तथा इसकी चार अन्य सहयोगी कंपनियों ओरियन्टल इंश्योरेंस कंपनी लिमिटेड, न्यू इंडिया एश्योरेंस कंपनी लिमिटेड, नेशनल इंश्योरेंस कंपनी लिमिटेड तथा यूनाईटेड इंडिया इंश्योरेंस कंपनी लिमिटेड की स्थापना की गई। वर्ष 2000 के अंत तक इन कंपनियों को जनरल इंश्योरेंस कोरपोरेशन ऑफ इंडिया से स्वतंत्र कर दिया गया तथा आज ये कंपनियाँ स्वतंत्र कंपनी के रुप में संचालित हो रही है।

वर्ष 1999 में आईआरडीए एक्ट 1999 पारित किया गया। 1938 में लागु किए गए बीमा एक्ट के पश्चात बीमा क्षेत्र में यह दूसरा महत्वपूर्ण परिवर्तन था। पहली बार आईआरडीए को एक स्वतंत्र विनियामक के रुप में स्थापित किया गया। इससे निजी बीमा कंपनियों का बाजार में प्रवेश आसान हो गया। आईआरडीए बीमा उद्योग के नियंत्रण के साथ-साथ इसके विकास हेतु कार्य करने के लिए भी प्रतिबद्ध है। इस भूमिका में इसका उद्देश्य आर्थिक विकास हेतु अनुकूल माहौल तैयार करना है। बीमा आर्थिक क्षेत्र में विकास का एक महत्वपूर्ण साधन है। आईआरडीए भारतीय बीमा बाजार का लगातार अध्ययन करता है तथा इसके भविष्य के दिशा-निर्देशों को तय करता है।

उदारवादिता ने बीमा कंपनियों को काफी अधिकार प्रदान किए हैं ताकि ये कंपनियाँ अपने प्रदर्शन को बेहतरीन कर सके, स्वतंत्र रुप से काम कर सके तथा वित्तीय आवश्यकताओं को पुरा कर सके। आज पुरा संचालन कम्प्यूटरों के माध्यम से हो रहा है, तकनीकी का सतत विकास हो रहा है, नए उत्पाद बाजार में आ रहे हैं तथा ग्राहकों का विशेष रुप से ध्यान रखा जा रहा है। बहुराष्ट्रीय बीमाकर्ता बीमा के इस बढ़ते बाजार में विशेष रुप से काफी उत्सुकता दिखा रहे हैं, क्योंकि उनका घरेलु बाजार इसमें काफी विकास कर चुका है और अब उन्हें नए बाजार की तलाश है। वे देश जहाँ बीमा भेदन काफी कम है, जैसे भारत, उनके लिए अच्छा बाजार सिद्द हो रहा है। इसलिए वे सभी अंतर्राष्ट्रीय मानदंडों को यहाँ लागु कर रहे हैं, ताकि प्रतियोगिता में ठहर सकें।

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

पाँच वर्षों पूर्व ही बीमा को निजी क्षेत्र के लिए खोला गया था और आज कोई शक नहीं कि निजी क्षेत्र ने बीमा बाजार में अपनी स्थिति काफी मजबूत कर ली है तथा साथ ही बीमा के प्रति लोगों को जागरुक करने में मदद की है। जहाँ पाँच वर्षों केवल चार जनरल बीमा कंपनी थी (पब्लिक सेक्टर में), आज निजी क्षेत्र के इसमें आजाने से यह संख्या बढ़कर चौदह हो गई है। बाजार में प्रतियोगिता बढ़ी है तथा यह लगातार विकास की ओर अग्रसर है।

एक सवाल यह भी है कि क्या इससे उत्पाद या फिर कीमत में कोई सुधार आया है जैसा कि बीमा को निजी क्षेत्र के लिए खोलने के समय आशा की गई थी। यदि हम जनरल बीमा को देखें तो उत्पादों में कोई खास परिवर्तन नहीं आया है। उदारवादी आर्थिक व्यवस्था आने से पूर्व जनरल बीमा उत्पादों की कीमतों को बाजार समझौतों या फिर टीएसी के माध्यम से विनियमित किया जाता था। हांलाकि उस समय भी इनके मध्य काफी मतभेद देखे जा सकते थे।

1990 के पूर्व मैरिन कार्गो एवं व्यक्तिगत दुर्घटना बीमा की दरों का विनियमन भी टीएसी के द्वारा किया जाता था। मैरिन कार्गो की दरों को स्वतंत्रता मिलना एक माइलस्टोन की भाँति था। बाद में व्यक्तिगत दुर्घटना बीमा को इसी वर्ग में शामिल कर लिया गया।

वर्तमान में टीएसी द्वारा फायर, मारिन हल, मोटर, डब्ल्यू. सी. तथा इंजीनियरींग पोर्टफोलियो की दरों का विनियमन किया जाता है, जो कुल प्रीमियम टर्नओवर का 60-70 प्रतिशत देता है। कीमत के साथ ही उत्पाद की विभिन्न विशेषताएँ भी उत्पाद को गुणवत्ता प्रदान करती है। शेष उत्पाद जो 30-40 प्रतिशत प्रीमियम प्रदान करते हैं, उनका कीमत निर्धारण कंपनी द्वारा ही किया जाता है। हांलाकि इनमें भी विभिन्नताएँ नहीं देखी जाती है।

बाजार विकास के प्रारंभिक चरण में बीमा उद्योग में कीमत निर्धारण की एक महत्वपूर्ण भूमिका है। इस चरण में बाजार का स्थायित्व काफी आवश्यक है और यह केवल सही कीमत निर्धारण के द्वारा ही किया जा सकता है। बीमा एक ट्रिकी बाजार है जहाँ बिक्री के समय ही संबंध बनते हैं। बीमाकर्ता के पास पर्याप्त लिक्विड फंड होना चाहिए ताकि वह कभी भी अचानक आने वाले खर्चे को भुगत सके।

इस समय बीमाकर्ता के लिए कीमत निर्धारण काफी महत्वपूर्ण है। यदि इसका सही निर्धारण नहीं किया गया है तो बीमाकर्ता एवं बीमाधारक दोनों के लिए ही यह संकट खड़ा कर सकता है। बाहरी कीमत प्रशासन की भी इस चरण में काफी भूमिका है, क्योंकि बीमाकर्ता के पास पर्याप्त लिक्विड फंड होना चाहिए। बाजार की स्वस्थ वृद्धि के लिए यह काफी आवश्यक है। इससे सभी को फायदा होगा।

तथा कीमत निर्धारण प्राकृतिक है। एजेन्सी जो इसे लेती है वह बाजार के दबाव से प्रभावित नहीं होती है। वह इसे पूर्णत: शैक्षणिक अभ्यास के रुप में देखती है। एजेन्सी इसकी कीमत निर्धारण में किसी प्रकार की स्वतंत्रता शायद प्रस्तावित नहीं कर सकती है तथा साथ ही उत्पाद की विभिन्नताओं को सील कर सकती है ताकि कीमत एवं उत्पाद में किसी प्रकार की असंगतता नहीं रहे। इनसे उत्पाद की गुणवत्ता में सुधार होगा तथा

साथ ही कीमत निर्धारण में भी मदद मिलेंगी।

इस संदर्भ में विनियामक की भूमिका स्वतंत्र बाजार में व्यवस्था एवं अनुशासन को स्थापित करना है। दोषी लोगों के खिलाफ तुरंत कार्यवाही की जानी चाहिए। पिछले 25 वर्षों में भारतीय जनरल बीमा बाजार में काफी उतार-चढ़ाव आए हैं। चक्रवात, भूकंप, दंगे, आतंकवादी हमले, इत्यादि के कारण जोखिम निर्धारण में कठिनाईयाँ आई है। पब्लिक सेक्टर के बीमाकर्ताओं को बीमा क्षेत्र की काफी विस्तृत जानकारी है जबकि निजी बीमाकर्ता तकनीकी पक्ष पर अधिक ध्यान दे रहे हैं। बाजार परिवर्तनों को ग्रहण कर रहा है तथा विश्वभर में अपनी जड़ें मजबूत कर रहा है।

नियामक की भूमिका को एक फ्रेमवर्क प्रदान किया गया है तथा विशेष परिस्थितियों में विशेष कदम उठाने के अधिकार हैं। बीमा बाजार को विकसित करने के लिए इसके पास पर्याप्त अधिकार हैं तथा यह भविष्य में होने वाले परिवर्तनों के अनुरुप अपने फैसले ले सकता है।

वर्तमान की टैरिफड् संरचना में यह देखा जा सकता है कि सभी विषयांतरों को सामने लाया गया है, परन्तु सभी के ऊपर कार्यवाही नहीं हुई है। विनियामक को यह देखना है कि विषयांतर के समय सभी पार्टी चाहे वह ब्रोकर हो, एजेन्ट हो या फिर बीमाधारक, पर्याप्त सूचनाएँ प्रदान करे। प्राय: यह देखा गया है कि विनियामक को पर्याप्त सूचनाएँ नहीं मिल पाती है जिससे विवादों का सही निपटारा नहीं हो सकता है। ऐसी स्थिति में विनियामक की यह अक्षमता विनियमन में रुकावट पैदा कर सकती है। आदर्श रुप में विनियामक को बाजार पर नियंत्रण रखना चाहिए तथा जहाँ आवश्यक हो अपने विवेक का इस्तेमाल करते हुए पर्याप्त कदम उठाने चाहिए।

भारतीय बीमा बाजार में आज काफी संभावनाएँ देखी जा सकती है। 1970 के दशक में राष्ट्रीयकरण, 1990 के दशक में उदारीकरण तथा अब डिटैरिफिंग। डिटैरिफिंग से अवश्य ही बाजार में काफी बदलाव देखने को मिलेंगें। पर इसका कुछ लाभ मिले इससे पहले यह देखना होगा कि किस प्रकार कीमतों का निर्धारण किया जाता है तथा किस प्रकार इसका संचालन किया जाता है। डिटैरिफिंग में एक बीमांकक की भूमिका काफी महत्वपूर्ण हो जाती है। उसे ही डाटा परीक्षण तथा उत्पाद कीमतों के निर्धारण का कार्य करना पड़ता है।

पूर्व में बीमा विनियामक टैरिफ संगठन का इनचार्ज नहीं हुआ करता था। हांलाकि 40 वर्ष पूर्व अग्नि बीमा से संबंधित आंकड़ों का अध्ययन कर उस समय के विनियामक ने इसके प्रीमियम को 10 प्रतिशत कम करने की सलाह दी थी। फिर उसने बीमा एक्ट 1938 के तहत अपने अधिकारों का प्रयोग करते हुए बीमा कंपनियों को 50 पृष्ठों का एक सर्क्यूलर भेजा जिसमें टैरिफ आंकड़ों को विनियामक कार्यालय में भिजवाने के लिए कहा गया था। हांलाकि यह सर्क्यूलर वापस मंगा लिया गया परन्तु इस मामले के पश्चात बीमा एक्ट में संशोधन करना पड़ा तथा विनियामक को टीएसी का कार्य सौंपा गया।

इस परिस्थिति से शायद बीमा उद्योग प्रसन्न नहीं है। 1965 से पूर्व की स्थिति बहाल कने के लिए बीमा उद्योग के अग्रणी लोगों को प्राधिकरण को यह विश्वास दिलाना होगा कि आवश्यक आंकड़े समय पर प्रस्तुत कर दिए जाएंगें।

> 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।

टैरिफ यह चाहता है कि सभी बीमाकर्ता समान जोखिम के लिए प्रीमियम में समान बदलाव करें। अत: टैरिफ प्रीमियम को यह माना गया है कि औसत प्रीमियम दर सभी बीमाकर्ताओं के लिए व्यावहारिक हो, हांलाकि उपरोक्त तत्व प्रत्येक बीमाकर्ता के लिए अलग-अलग हो सकते हैं। वास्तव में एक बीमाकर्ता जिसकी अंडरराइटिंग क्षमता कुशल है, क्लेम्स निपटारा व्यवहार एवं कार्यालय प्रबंधन कुशल है, वह कम प्रीमियम लगाने की स्थिति में होता है।

दरों में परिवर्तन की प्रक्रिया को 1994 में प्रारंभ किया गया था तथा यह मैरिन कार्गो सेगमेंट में था। क्योंकि यह एक लाभ देने वाले सेगमेंट में किया गया था इसलिए इसे बीमाधारक लोगों से किसी विरोध का सामना नहीं करना पड़ा। इससे प्रीमियम दरों में कमी हुई जो आज भी देखी जा सकती है। अग्नि बीमा जो कार्गो बीमा से भी ज्यादा लाभ देने वाला है, कई बीमाकर्ता प्रीमियम दर घटाने का प्रयास कर रहे हैं।

टैरिफ से अग्नि बीमा जैसे लाभ देने वाले सेगमेंट मे इनइक्विटी बढ़ी है तथा यह जरुरत से अधिक दरों का भुगतान कर रहे हैं। जिस प्रकार मैरिन कार्गो सेगमेंट की प्रीमियम दरों में कमी आई। 2003-04 में मैरिन कार्गो के कुल बाजार में पिछले वर्ष के मुकाबल 8 प्रतिशत की कमी देखी गई तथा इसका कुल बाजार ६प्रतिशत का रहा। अत: डिटैरिफिंग ने अग्नि एवं मोटर सेगमेंट के बाजार शेयर में कमी लाई है। यदि इतने लाभ देने वाले सेगमेंट का यह हर्ष रहा है तो उन सेगमेंट का क्या होगा जो पहले से ही घाटे का सामना कर रहे हैं या फिर पर्याप्त लाभ नहीं दे पा रहे हैं।

इंडियन एकाउंटिंग प्रोफेशन शायद पहला ऐसा संस्थान है जिसने स्व-विनियमन के वातावरण को बढ़ावा दिया है। भारत की स्वतंत्रता प्राप्ति के बाद एवं इसके गणतंत्र बनने के पहले चार्टर्ड एकाउंटेंट एक्ट, 1949 पारित किया गया। सन् 1950 में देश भर में चार्टर्ड एकाउंटेंट्स की संख्या मात्र 1,689 थी जो आज 70 गुणा बढ़कर 1,20,000 के आँकड़े पर पहुँच गई है। यह एक ऐसा समाज है जो स्व-विनियमन का पूरी तरह पालन करता है। और इसलिए अनुशासन, गुणवत्ता, स्वच्छता एवं स्व-विनियमन के उदाहरण के रुप में इसे अन्य उद्योगों के समक्ष रखा जा सकता है।

हांलाकि भारतीय बीमा बाजार में काफी तेजी आ रही है, इसके कुछ मुद्दे भी हैं, जिनके हल करने की भी काफी आवश्यकता है।

कुछ क्षेत्रो में स्व-विनियमन को इसके लिए एक अच्छा माध्यम माना जाता है तथा यह बाजार संचालन को काफी गति दे सकता है। बीमा एक्ट, 1938 के सेक्शन 64 ए में इंश्योरेंस एसोसिएसन ऑफ इंडिया के इनकोरपोरेशन का प्रावधान है। आगे सेक्सन 64सी में दो काउंसिल- लाइफ इंश्योरेंस काउंसिल एवं जनरल इंश्योरेंस काउंसिल का भी उल्लेख किया गया है। वर्तमान में लाइफ एवं जनरल इंश्योरेंस कंपनी के सभी मुख्य कार्यकारी अधिकारी इन काउंसिल की कार्यकारी समिति का गठन करते हैं।

लेखक अंतरिम आईआरए तदुपरांत आईआरडीए के सदस्य थे।

आगे और पीछे एक नज़र

- भारतीय बीमा में हो रही क्रांति की रुपरेखा

अनुक्रमिक सरकारों ने सुधारों के लिए बीमा विधान में परिवर्तन के प्रयास किये हैं। कुलमिला कर बीमा सुधारों के लिए विस्तृत विरोध के चलते अधिक कुछ नही किया गया है। ***- अरुप चटर्जी***

परिचय

भारतीय बीमा दिन-प्रतिदिन प्रगति की ओर अग्रसर है। इसमें नित नए परिवर्तन देखने को मिल रहे हैं। उदारवादिता के पश्चात से ही भारतीय बीमा उद्योग में काफी प्रगति हुई है और इसे सतत रखने के लिए प्रमुख मुद्दों को कायम रखने की जरुरत है तथा साथ ही सभी संभव ट्रैंड्स ा, संभावनाओं एवं चुनैतियों को आउटलाइन करना है जो बाजार एवं ग्राहक संतुष्टि को पुरा करता हो ताकि अंतर्राष्ट्रीय मापदंड तैयार किए जा सकें। हमने इसके लिए काफी लंबा रास्ता तय किया 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।

जीवन बीमा बाजार

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।

गैर-जीवन बीमा बाजार

आज बाजार में कुल 13 साधारन-जीवन बीमा कंपनियाँ हैं। इनमें से 9 निजी क्षेत्र तथा 4 पब्लिक क्षेत्र से है। हांलाकि पब्लिक क्षेत्र की कंपनियाँ आज भी बाजार भागीदारी का काफी बड़ा हिस्सा रखती है, निजी कंपनियाँ तेजी से अपना विकास कर रही है।

हांलाकि पब्लिक सेक्टर की कंपनियाँ आज भी बाजार में अपनी भागीदारी मजबूत किए हुए है, नई कंपनियों के लिए भी बाजार में काफी संभावनाएँ व्याप्त है।

प्रतियोगी बाजार तथा ग्राहक सेवा में सुधार: उदारवादिता ने बीमा कंपनियों को काफी अधिकार प्रदान किए हैं ताकि ये कंपनियाँ अपने प्रदर्शन को बेहतरीन कर सके, स्वतंत्र रुप से काम कर सके तथा वित्तीय आवश्यकताओं को पुरा कर सके। आज पुरा संचालन कम्प्यूटरों के माध्यम से हो रहा है, तकनीकी का सतत विकास हो रहा है, नए उत्पाद बाजार में आ रहे हैं तथा ग्राहकों का विशेष रुप से ध्यान रखा जा रहा है। बहुराष्ट्रीय बीमाकर्ता बीमा के इस बढ़ते बाजार में विशेष रुप से काफी उत्सुकता दिखा रहे हैं, क्योंकि उनका घरेलु बाजार इसमें काफी विकास कर चुका है और अब उन्हें नए बाजार की तलाश है। वे देश जहाँ बीमा भेदन काफी कम है, जैसे भारत, उनके लिए अच्छा बाजार सिद्द हो रहा है। इसलिए वे सभी अंतर्राष्ट्रीय मानदंडों को यहाँ लागु कर रहे हैं, ताकि प्रतियोगिता में ठहर सकें।

> 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।

पब्लिक क्षेत्र के बीमाकर्ता अपने संचालन की लंबी प्रक्रिया, नौकरशाही इत्यादि के कारण ग्राहकों के लिए आज भी अनुकूल वातावरण तैयार नहीं कर सके हैं। इसलिए निजी क्षेत्र के बीमाकर्ता ग्राहक सेवा, गति तथा लचीलेपन के कारण तेजी से विकास कर रहे हैं। ग्राहकों को बेहतरीन उत्पाद मिल रहे हैं तथा उनके पास कई सारे विकल्प भी मौजूद हैं।

बीमा, बैंकिंग से कहीं अधिक वोल्यूम का गेम है। पॉलिसी की संख्या एवं प्रीमियम यहाँ काफी बड़ा स्थान रखता है। अत: निजी क्षेत्र की कंपनियों का उद्देश्य उन ग्राहकों तक अपनी पहुँच बनाना है जो अभी तक बीमा क्षेत्र से अछूते रहे हैं। कई नए बीमाकर्ता इस उद्देश्य को पुरा करने के लिए कार्य कर रहे हैं तथा एक विशाल ग्राहक आधार तैयार कर रहे हैं। प्रतियोगिता को देखते हुए हम उम्मीद कर सकते हैं कि पब्लिक क्षेत्र की कंपनियाँ भी अपनी पॉलिसीज में बदलाव लाएगी तथा ग्राहकों को बेहतरीन सेवाएँ मुहैया करवाने की दिशा में कार्य करेंगी। इससे ग्राहकों को फायदा होगा तथा साथ ही कंपनी को भी लाभ मिलेगा।

सरकारी पक्ष

1956 में भारत सरकार द्वारा भारतीय जीवन बीमा निगम की स्थापना की गई। जनरल इंश्योरेंस बिजनेस एक्ट सन् 1972 में पारित किया गया और इसके पश्चात जनरल इंश्योरेंस कोरपोरेशन ऑफ इंडिया तथा इसकी चार अन्य सहयोगी कंपनियों ओरियन्टल इंश्योरेंस कंपनी लिमिटेड, न्यू इंडिया एश्योरेंस कंपनी लिमिटेड, नेशनल इंश्योरेंस कंपनी लिमिटेड तथा यूनाईटेड इंडिया इंश्योरेंस कंपनी लिमिटेड की स्थापना की गई। वर्ष 2000 के अंत तक इन कंपनियों को जनरल इंश्योरेंस कोरपोरेशन ऑफ इंडिया से स्वतंत्र कर दिया गया तथा आज ये कंपनियाँ स्वतंत्र कंपनी के रुप में संचालित हो रही है।

वर्ष 1999 में आईआरडीए एक्ट 1999 पारित किया गया। 1938 में लागु किए गए बीमा एक्ट के पश्चात बीमा क्षेत्र में यह दूसरा महत्वपूर्ण परिवर्तन था। पहली बार आईआरडीए को एक स्वतंत्र विनियामक के रुप में स्थापित किया गया। इससे निजी बीमा कंपनियों का बाजार में प्रवेश आसान हो गया। आईआरडीए

बीमा उद्योग के नियंत्रण के साथ-साथ इसके विकास हेतु कार्य करने के लिए भी प्रतिबद्ध है। इस भूमिका में इसका उद्देश्य आर्थिक विकास हेतु अनुकूल माहौल तैयार करना है। बीमा आर्थिक क्षेत्र में विकास का एक महत्वपूर्ण साधन है। आईआरडीए भारतीय बीमा बाजार का लगातार अध्ययन करता है तथा इसके भविष्य के दिशा-निर्देशों को तय करता है।

पारंपरिक रुप से विकास कार्य सरकार का कार्य होता है, न कि एक विनियामक का। एक विनियामक को यह कार्य सौंपकर सरकार ने यह दिखाया है कि विनियामक को यदि बौद्दिक निरीक्षण के साथ साथ बीमा क्षेत्र के विकास का कार्य भी सौंपा जाए तो एक बेहतर संतुलन स्थापित किया जा सकता है।

विनियामक संस्थान में सरकार का यह विश्वास विधायिका एवं योजना निर्माणकर्ताओं की मजबूत संस्थान के विकास में दूरदर्शिता को दर्शाता है। साथ ही वे विभिन्न अवसरों एवं जोखिमों को भी भलीभाँति समझ सकते हैं एवं स्थाईत्व के साथ आर्थिक विकास को बढ़ावा दे सकते हैं।

इस प्रकार, भारत में आर्थिक विकास के लिए एक अनुठा प्रयोग किया गया है, जहाँ बीमा क्षेत्र को सामाजिक-आर्थिक विकास के एक माध्यम के रुप में स्वीकारा गया है। अत: जिस प्रकार बैंकिंग क्षेत्र सामाजिक एवं आर्थिक विकास के लिए ऋण उपलब्ध करवाता है, बीमा क्षेत्र एक छाते की भाँति कार्य करता है, और जीवन एवं संपत्ति को कवर प्रदान करता है, ताकि लोग उन्मुक्त रुप से जोखिम उठाकर आर्थिक विकास को बढ़ावा दे सकें।

नियामक पक्ष

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।

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 जाएंगें।

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।

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।

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 मध्यस्थ॑ 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।

विभिन्न लोगों के लिए विकास के मायने अलग-अलग होते हैं। बीमा के क्षेत्र में विकास का मतलब होगा, बौद्दिक निरीक्षक नेटवर्क, जोखिम पूलिंग में क्षमता का विकास, पुनर्बीमा, स्वविनियमन संस्थान के रुप में समर्थित संस्थानिक लिंकेज स्थापित करना तथा साथ ही बीमा के प्रति लोगों में जागरुकता पैदा करना। इस प्रकार बीमा घनत्व स्तर एवं उच्चतम बचत स्तर के माध्यम से इसका विकास सुनिश्चित किया जा सकेगा। यह केवल उत्पाद संरचना में परिवर्तन कर, बेहतर सेवा प्रदान कर तथा साथ ही कवरेज एवं प्रीमियम दर के साथ साथ वैकल्पिक वितरण चैनल स्थापित करने से संभव होगा।

घरेलु बीमा के विस्तार के लिए एक प्रमुख कदम उन क्षेत्रों में अपनी पहुँच स्थापित करना होगा, जहाँ अभी तक पहुँचा नहीं जा सका है। तथा साथ ही बीमा, ग्रामीण ऋण योजना एवं संस्थानों के मध्य सहयोग को बढ़ावा देना होगा। ग्रामीण एवं सामाजिक क्षेत्र में जीवन बीमा एवं जनरल बीमा का प्रतिशत तय करने के लिए अलग विनियामक स्थापित किए गए हैं। गरीबों की आर्थिक समस्या के निदान के लिए बीमा एक महत्वपूर्ण माध्यम बन सकता है, तथा साथ ही बीमा प्रस्ताव में छुपे विभिन्न चुनौतियों जो माइक्रो बीमा एजेन्टों, तथा बीमा के साधारण रुपों जैसे संपत्ति, व्यक्तिगत दुर्घटना, स्वास्थय एवं जीवन बीमा में हैं का आंकलन करना है।

बीमा कंपनियाँ केवल संरचनात्मक परियोजनाओं को जोखिम कवर प्रदान नहीं करती है, बल्कि लंबी अवधि के लिए निधि की भी व्यवस्था करती है। वास्तव में, लंबी अवधि के ऋणों हेतु यह एक बेहतरीन माध्यम है। इन परियोजनाओं में निवेश कर ये कंपनियाँ अच्छी एसेट लायबिरिटी प्राप्त करती है। संरचनात्मक एवं सामाजिक परियोजनाओं में निवेश करना बीमा कंपनियों के लिए अनिवार्य है, और जैसे जैसे बीमा क्षेत्र का विकास होगा, उसकी निवेश क्षमता भी बढ़ेगी। यह विकास के लिए एक अच्छा माध्यम होगा।

अनुकूल आर्थिक विकास के लिए स्थानीय रिटेंशन क्षमता को बढ़ाना होगा। सावधानीपूर्वक डिजाईन किए गए पुनर्बीमा कार्यक्रम जो बाजार आधार पर संचालित होते हैं, बीमाकर्ता देश में ही सकल डायरेक्ट प्रीमियम का इतना अधिक से अधिक प्रतिशत जारी रख सकता है, जो उसकी सुरक्षा के लिए उपयुक्त है। सरकारी एवं निजी बीमा कंपनियों द्वारा संयुक्त रुप से प्रारंभ

किए गए टेररिज्म पूल इस बात का एक बेहतरीन उदाहरण है कि किस प्रकार 9 सितम्बर की घटना के पश्चात बाजार ने प्रतिक्रिया व्यक्त की, जब भारत में बीमाधारकों को टेररिज्म बीमा सुविधाएँ लगातार जारी थी।

बीमा बाजार का विकास एवं बीमा बाजार का निरीक्षण, ये दोनो कार्य आईआरडीए को एक साथ प्रदान किए गए हैं, और यह सरकार का एक उचित कदम है। पिछले पाँच वर्षों में जब बीमा क्षेत्र में काफी कुछ परिवर्तन हुआ है, तथा साथ ही आईआरडीए के निरीक्षण एवं मार्गदर्शन में नए अवसर पैदा हुए हैं, यह प्रयोग काफी उचित प्रतीत हो रहा है।

हांलाकि विकास सभी विनियमन सुधार का ही एक रुप है। खासकर वित्तीय क्षेत्र में, एक स्थाई एवं मजबूत बीमा सिस्टम का विकास लंबी अवधि के लिए आर्थिक विकास एवं प्रभावी श्रोत को कायम रखने में काफी उपयोगी है। बीमा क्षेत्र के विकास के लिए इसमें आम जनता का विश्वास पैदा करना काफी आवश्यक है। यह तभी संभव है जब ग्राहकों को सही एवं गुणवत्तापूर्वक सेवाएं प्रदान की जाए।

इस आधार पर, विनियामक का यह कर्तव्य बनता है कि वह वित्तीय सेवा प्रदाताओं के वित्तीय मानद्डों एवं उनके द्वारा ग्राहकों के साथ किए जा रहे व्यवहार को देखते हुए लंबी अवधि के लिए उनका स्थायित्व सुनिश्चित करे। इस प्रकार निरीक्षणकर्ता की भूमिका बीमाकर्ता की वित्तीय क्षमता का आंकलन करना है, तथा साथ ही बीमा ग्राहकों का बीमा क्षेत्र में विश्वास पैदा करना है, ताकि इसका विकास किया जा सके।

भारत में, बीमा विनियामक को बीमा विकास करने का कार्य सौंपना विश्व के लिए एक अनूठा उदाहरण है। इसका उद्देश्य यह है कि बीमा विनियामक बीमा क्षेत्र एवं बीमा संस्थानों के विकास एवं विस्तार की अवहेलना न करे, ताकि उदारवाद एवं बीमा क्षेत्र के फायदे लोगों तक पहुँचाए जा सकें।

इससे यह तथ्य सामने आता है कि बीमा कंपनियों में संचालक के रुप में विनियामक की भूमिका ज्यादा महत्वपूर्ण है, न कि केवल निरीक्षणकर्ता के रुप में इसकी भूमिका। साथ ही, विनियामक को लगातार प्रारंभिक स्तर पर आए दबावों को सुलझाना है, ना कि अपनी भूमिका का विस्तार करना है और सुपर बीमाकर्ता बनना है। अत: विनियामक की बीमा के हर क्षेत्र में महत्वपूर्ण भूमिका है तथा इसे सेक्टर का सकारात्मक विकास करना है। नए कानूनों एवं विनियमनों को सभी बीमाकरताओं से बातचीत कर लागु किया जा सकता है।

बाजार पक्ष

बाजार में यह चर्चा है कि किस प्रकार उदारवादी अर्थव्यवस्था से बीमा बाजार में परिवर्तन आया है या इसके प्रीमियम क्लेकशन पर कैसा प्रभाव पड़ा है। निजी बीमाकर्ताओं एवं विदेशी निवेशकों के आने से प्रतियोगिता बढ़ी है। सेलर्स मार्केट बायर्स मार्केट का रुप ले चुका है। कई लोगों को इससे रोजगार भी मिल रहा है।

इस मामले पर एक सवाल यह उठता है कि इन सभी आर्थिक लाभों के बारे में एक ग्राहक क्या सोचता है। किस प्रकार इन सभी मापदंडों पर लाभ को केलकुलेट किया जा सकता है।

भारत में, बीमा विनियामक को बीमा विकास करने का कार्य सौंपना विश्व के लिए एक अनूठा उदाहरण है। इसका उद्देश्य यह है कि बीमा विनियामक बीमा क्षेत्र एवं बीमा संस्थानों के विकास एवं विस्तार की अवहेलना न करे, ताकि उदारवाद एवं बीमा क्षेत्र के फायदे लोगों तक पहुँचाए जा सकें।

इससे उदारवाद के बाद साधारन-जीवन बीमा बाजार के विकास को मदद मिलती है। बाजार किस प्रकार परिवर्तित हुआ है, और किस तरीके से ? इससे किसे लाभ पहुँचा है और किसे नहीं ?

साधारन-जीवन 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 शएयर 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।

प्रतियोगी बाजार तथा ग्राहक सेवा में सुधार: उदारवादिता ने बीमा कंपनियों को काफी अधिकार प्रदान किए हैं ताकि ये कंपनियाँ अपने प्रदर्शन को बेहतरीन कर सके, स्वतंत्र रुप से काम कर सके तथा वित्तीय आवश्यकताओं को पुरा कर सके। आज पुरा संचालन कम्प्यूटरों के माध्यम से हो रहा है, तकनीकी का सतत विकास हो रहा है, नए उत्पाद बाजार में आ रहे हैं तथा ग्राहकों का विशेष रुप से ध्यान रखा जा रहा है। बहुराष्ट्रीय बीमाकर्ता बीमा के इस बढ़ते बाजार में विशेष रुप से काफी उत्सुकता दिखा रहे हैं, क्योंकि उनका घरेलु बाजार इसमें काफी विकास कर चुका है और अब उन्हें नए बाजार की तलाश है। वे देश जहाँ बीमा भेदन काफी कम है, जैसे भारत, उनके लिए अच्छा बाजार सिद्द हो रहा है। इसलिए वे सभी अंतर्राष्ट्रीय मानदंडों को यहाँ लागु कर रहे हैं, ताकि प्रतियोगिता में ठहर सकें।

पब्लिक क्षेत्र के बीमाकर्ता अपने संचालन की लंबी प्रक्रिया, नौकरशाही इत्यादि के कारण ग्राहकों के लिए आज भी अनुकूल वातावरण तैयार नहीं कर सके हैं। इसलिए निजी क्षेत्र के बीमाकर्ता ग्राहक सेवा, गति तथा लचीलेपन के कारण तेजी से विकास कर रहे हैं। ग्राहकों को बेहतरीन उत्पाद मिल रहे हैं तथा उनके पास कई सारे विकल्प भी मौजूद हैं।

बीमा, बैंकिंग से कहीं अधिक वोल्यूम का गेम है। पॉलिसी की संख्या एवं प्रीमियम यहाँ काफी बड़ा स्थान रखता है। अत: निजी क्षेत्र की कंपनियों का उद्देश्य उन ग्राहकों तक अपनी पहुँच बनाना है जो अभी तक बीमा क्षेत्र से अछूते रहे हैं। कई नए बीमाकर्ता इस उद्देश्य को पुरा करने के लिए कार्य कर रहे हैं तथा एक विशाल ग्राहक आधार तैयार कर रहे हैं। प्रतियोगिता को देखते हुए हम उम्मीद कर सकते हैं कि पब्लिक क्षेत्र की कंपनियाँ भी अपनी पॉलिसीज में बदलाव लाएगी तथा ग्राहकों को बेहतरीन सेवाएँ मुहैया करवाने की दिशा में कार्य करेंगी। इससे ग्राहकों को फायदा होगा तथा साथ ही कंपनी को भी लाभ मिलेगा।

रोजगार के नए अवसर: भारतीय बीमा क्षेत्र में उदारवादिता आ जाने के बाद से निजी प्रतियोगिता में काफी बढ़ोतरी हुई है तथा आज बीमा क्षेत्र में रोजगार के विभिन्न अवसर देखने को मिल रहे हैं। भारत में ५ लाख लोग बीमा क्षेत्र से जुड़े हैं जबकि ब्रिटेन में यह

संख्या ६ लाख है। बहुराष्ट्रीय कंपनियों के बाजार में आने से बीमा क्षेत्र में काफी सुधार आ रहा है।

क्योंकि आज कई कंपनियाँ बाजार में आ गई है और साथ ही उन्हें अनुभवी कर्मचारयों की भी तलाश है। मार्केटिंग विशेषज्ञ, वित्तीय विशेषज्ञ, इंजीनियर्स इत्यादि की माँग बढ़ रही है। अंडरराइटर्स तथा बीमांककों के लिए सुनहरा अवसर है। अनुभवी विशेषज्ञों की मदद से उत्पाद कीमतों तथा निर्णय लेना इत्यादि कार्य संभव हो सकेगा। सेल्स प्रोमोशन तथा विज्ञापन के लिए अच्छे कर्मचारियों की तलाश है।

सेल्स एजेंट के रुप में भी लोगों की भर्ती की जा रही है। इससे एक अन्य विकल्प के रुप में भी रोजगार की संभावना नजर आ रही है तथा लोग काफी संख्या में बीमा उद्योग से जुड़ रहे हैं।

कैरियर निर्माण: बीमा क्षेत्र में कैरियर बनाने के लिए कई सारे विकल्प मौजूद हैं। विपणन, बीमांकन, अंडरराइटिंग, सेल्स प्रोमोशन, विज्ञापन, सेल्स एजेंट इत्यादि के रुप में बीमा कंपनी में कैरियर बनाया जा सकता है। इनमें से कई विकल्प तो दूसरे क्षेत्रों में भी मौजूद हैं, परंतु बीमांकन एवं अंडरराइटिंग ऐसे विकल्प हैं जो सिर्फ बीमा क्षेत्र में ही देखने को मिलते हैं तथा लोग तेजी से इनकी तरफ आकर्षित हो रहे हैं।

बीमा क्षेत्र में कैरियर बनाने के लिए उम्मीदवार की शैक्षणिक योग्यता के साथ साथ क्षेत्र पर उसकी पकड़ भी मजबूत होनी चाहिए। बीमा क्षेत्र में कैरियर बनाने के लिए भारतीय बीमा संस्थान, राष्ट्रीय बीमा अकादमी तथा भारतीय बीमांकक समाज प्रशिक्षण प्रदान करता है।

नया बाजार एवं संरचनात्मक विकास: भारतीय बाजार में आज 20 से अधिक बीमा कंपनियाँ है (जीवन एवं गैर जीवन बीमा क्षेत्र में)। भारतीय बाजार में इसका व्यवसाय 400 मिलियन रुपये का है तथा बैंकिंग सेक्यर के साथ यह देश की जीडीपी का कुल 7 प्रतिशत प्रदान करता है। बीमा प्रीमियम में प्रतिवर्ष 15 से 20 प्रतिशत की वृद्धि देखी जा रही है। फिर भी भारत की तीन-चौथाई आबादी अभी भी बीमित नहीं हो पाई है। इससे यह पता चलता है कि इस सेक्टर के विकास के लिए काफी संभावनाएँ भारतीय बाजार में मौजूद है।

बीमा क्षेत्र देश को लंबे समय के लिए धन उपलब्ध करवाता है तथा इस प्रकार देश की आर्थिक व्यवस्था को बेहतर बनाने में इसका काफी महत्वपूर्ण योगदान है। ऐसा अनुमान लगाया जाता है कि आने वाले 10 वर्षों में देश को एक ट्रिलियन यूएस डॉलर के निवेश की आवश्यकता होगी। इस धन से बीमा क्षेत्र अपना संरचनात्मक विकास कर सकता है तथा साथ ही देश की अर्थव्यवस्था को मजबूती भी प्रदान कर सकता है। आईआरडीए के निर्देशों के अनुसार कोई भी बीमा कंपनी अपने कुल फंड का 15 प्रतिशत से अधिक संरचनात्मक या सामाजिक क्षेत्र में उपयोग नहीं कर सकती है।

तेजी से बढ़ता हुआ ग्रामीण बाजार : यदि ग्रामीण इलाकों में लोगों को बीमा का फायदा पहुँचाना है तो इसके लिए विशेष सर्वेक्षण की आवश्यकता है ताकि लोगों तक पहुँचा जा सके और उन्हें इसका फायदा पहुँचाया जा सके। आईआरडीए भी इसमें महत्वपूर्ण भूमिका अदा कर सकता है। इसके लिए आईआरडीए को एक डाटाबेस तैयार करना होगा तथा इसका वितरण करना होगा।

> भारत में बीमा का विकास होगा ग्रामीण क्षेत्र में इसकेंकिास के बिना संभव नहीं है। गाँव के गरीब लोग इसका भरपूर फायदा उठा सकते हैं तथा उन्हें उच्च ब्याज दर पर ऋण लेने की आरश्यकता नहीं पड़ेगी।

भारत में बीमा का विकास होगा ग्रामीण क्षेत्र में इसकेंकिास के बिना संभव नहीं है। गाँव के गरीब लोग इसका भरपूर फायदा उठा सकते हैं तथा उन्हें उच्च ब्याज दर पर ऋण लेने की आरश्यकता नहीं पड़ेगी।

एक बार यदि पर्याप्त डाटा इकट्ठा हो जाए तो गरीब लोगों को इसकी सुविधा पहुँचाई जा सकेगी। आईआरडीए ने ग्रामीण क्षेत्रों के लिए बीमा करने की आवश्यकता के लिए निर्देश दिए हुए हैं। इसके लिए एजेन्टों को भी तैयार करने की आवश्यकता है जो इन परिवारों को बीमित कर सकें।

चुनौतियाँ

हांलाकि भारतीय बीमा बाजार में काफी तेजी आ रही है, इसके कुछ मुद्दे भी हैं, जिनके हल करने की भी काफी आवश्यकता है।

कुछ क्षेत्रो में स्व-विनियमन को इसके लिए एक अच्छा माध्यम माना जाता है तथा यह बाजार संचालन को काफी गति दे सकता है।

बीमा उद्योग के समक्ष सबसे बड़ी चुनौती देश में कम बीमा वेधन है। अन्य निवेश विकल्पों की मौजूदगी इसका सबसे बड़ा कारण है तथा साथ ही आज के नवयुवकों में खर्च करने की प्रवृति भी बढ़ रही है जिसके कारण बीमा की तरफ झुकाव कम है। इससे निपटने के लिए बीमा कंपनियों को अपनी मार्केटिंग प्रक्रिया में काफी सुधार करना होगा। भारत में अन्य उत्पादों के साथ साथ पेंशन उत्पाद के लिए काफी संभावनाएँ मौजूद है, जरुरत है ग्राहकों तक अपनी पहुँच बनाने की ताकि वे लोग जो अभी तक बीमित नहीं हो पाए हैं, उन्हें बीमा उत्पाद बेचे जा सकें।

यूनिट लिंक्ड पेंशन पॉलिसीज आज काफी तेजी से बाजार में अपना स्थआन बना रही है, परन्तु यह बीमा को एक निवेश के रुप में अधिक प्रदर्शित करती है ना कि सुरक्षा के लिए आवश्यकता के रुप में। बीमा का मुख्य उद्देश्य भविष्य में सुरक्षा प्रदान करने का होना चाहिए न कि इसे केवल एक निवेश या टैक्स बचाने के साधन के रुप में देखा जाना चाहिए। आज के बदलते परिपेक्ष्य में भी इसे कायम रखना होगा।

साधारन-जीवन क्षेत्र में डिटैरिफिंग एक प्रमुख मुद्दा बना हुआ है। उत्पादों की कीमतों का निर्धारण करना किसी एक कंपनी के लिए आसान नही है तथा डिटैरिफिंग के पश्चात प्रतियोगिता में काफी इजाफा होगा और इस पुरे घटनाक्रम में यदि किसी को भुलाया जाएगा तो वह है, ग्राहक।

निर्णय

भारतीय बीमा बाजार ने काफी उतार-चढ़ाव देखे हैं तथा काफी परिवर्तनों का सामना किया है। इसके सतत विकास के लिए इसके प्रमुख मुद्दों का बारीकी से अध्ययन करना होगा तथा संभावित ट्रेंड्स, अवसर एवं चुनोतियों को रेखांकित करना होगा ताकि अंतर्राष्ट्रीय मानदंडों पर इसे खड़ा किया जा सके तथा ग्राहकों को बेहतरीन सेवाएँ एवं उत्पाद प्रदान किए जा सकें।

लेखक आईएआईएस, बेसेल, स्वीटजरलेंड के सदस्य हैं।

Report Card: GENERAL

G. V. Rao

19.5 percent business growth in January 2006

Performance in January 2006

2006 has begun on a very promising note for the non-life industry that has seen a highly impressive growth rate of 19.5 percent. The month is also notable, as the established players have cumulatively turned in one of their best performances in the financial year 2005/06, recording a growth of 14.6 percent in their premium income, despite National Insurance keeping its lowering trend in its premium income.

The industry's total accretion to the premium income in January 2006 is about Rs.287 crore; the established players have turned in an accretion of about Rs.164 crore with the new players contributing Rs.123 crore - a reversal of trends usually observed in the recent months. The new players lead in this direction has been reversed for the first time in the financial year.

GROSS PREMIUM UNDERWRITTEN FOR AND UP TO THE MONTH OF JANUARY' 2006

(Rs.in lakhs)

INSURER	PREMIUM 2005-06		PREMIUM 2004-05		MARKET SHARE UP TO JANUARY, 2006	GROWTH OVER THE CORRESPONDING PERIOD OF PREVIOUS YEAR
	FOR THE MONTH	UP TO THE MONTH	FOR THE MONTH	UP TO THE MONTH		
Royal Sundaram	4,667.73	37,325.73	3,324.65	27,303.36	2.21	36.71
Tata-AIG	5,303.28	49,024.34	3,715.69	38,637.85	2.91	26.88
Reliance General	1,861.52	13,005.21	992.13	14,699.21	0.77	-11.52
IFFCO-Tokio	8,095.31	71,115.04	4,719.68	40,378.05	4.22	76.12
ICICI-Lombard	13,230.39	135,463.85	10,321.66	75,213.90	8.04	80.10
Bajaj Allianz	10,698.42	107,030.08	9,254.31	70,161.92	6.35	52.55
HDFC CHUBB	1,721.36	16,008.10	1,455.10	14,297.95	0.95	11.96
Cholamandalam	1,783.82	19,426.35	1,321.39	14,505.40	1.15	33.92
New India	41,960.00	390,395.00	32,966.00	342,881.00	23.16	13.86
National	30,789.00	292,898.00	31,433.00	315,754.00	17.38	-7.24
United India	25,149.00	261,058.00	22,711.00	247,436.00	15.49	5.51
Oriental	30,452.00	292,935.00	24,874.00	256,574.00	17.38	14.17
GRAND TOTAL	**1,75,711.84**	**1,685,684.70**	**1,47,088.62**	**1,457,842.64**	**100.00**	**15.63**
SPECIALISED INSTITUTION:						
ECGC	4921.05	46634.96	4385.81	41414.62		12.61

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.

Big five players of the month:

New India has dominated the growth scene in January 2006 with a record increase of Rs.90 crore, followed by Oriental with Rs.55 crore, Iffco-Tokio with Rs.34 crore, ICICI Lombard with Rs.29 crore and United India with Rs.24 crore. Out of the total January accretion of Rs.287 crore, these five insurers alone account for a cumulative increase of Rs.232 crore (81 percent).

The performance of New India in particular is outstanding with a growth rate of over 27 percent. Oriental's growth rate of 22 percent is a shade lower but nonetheless it is notable.

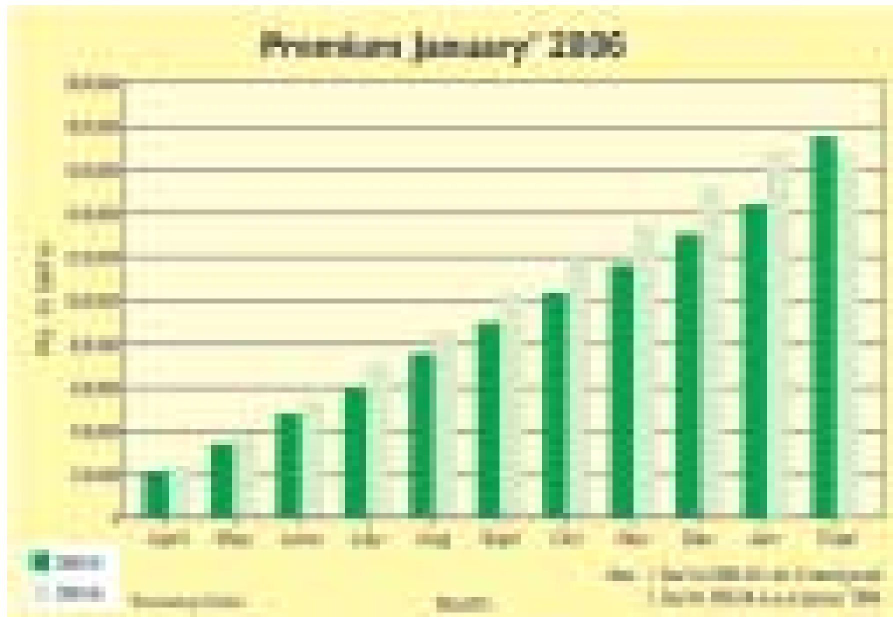
Among the new players, Iffco-Tokio shines the best with an impressive increase of Rs.34 crore over its renewals of Rs.47 crore.

Performance up to January 2006:

The non-life industry has an accretion of Rs.2279 crore increase at an impressive growth rate of 15.6 percent. The new players have contributed Rs.1532 crore (52 percent), while the share of the established players is Rs.747 crore (6.4 percent growth).

Big five growth players till now:

ICICI remains at the top having recorded an accretion of Rs.603 crore. New India with Rs.475 crore, Bajaj with Rs.369 crore, Oriental with Rs.363 crore and Iffco with Rs.307 crore are the rest of the five. Cumulatively these five have contributed Rs.2117 crore (amounting to 93 percent) to the total increase of Rs.2279 crore by the industry. The remaining seven players have turned in a growth of Rs.162 crore.



Market shares:

The new players have raised their market share from 20.2 percent at the end of January 2005 to 26.6 percent as at January 2006. This appreciable margin of 6.4 percent increase in their market share demonstrates the dynamic role the new players have played in widening the market and how liberalization has made a difference to the performance of the industry.

The Govt. too benefits by these impressive growth in premiums in terms of collection of service tax levies of 10.2 percent.

Likely future trends:

With detariffing on the anvil, how will the market behave in the future? Will it continue to grow at the current pace? If the growth slides for any reason, how do insurers propose to meet the twin challenges of rising claims costs and management and distribution costs? Will scarcity of reinsurance capacities internationally affect the growth of Indian market?

Will the service taxes go up in the coming budget? If it does, will it hamper the growth rates, as insurance will become more expensive to consumers?

The market is likely to face a few exciting challenges in the coming months. There is never a dull moment in the non-life sector, either nationally or internationally.

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

LIC and Rajasthan Govt. sign Memorandum of Understanding

Rajasthan government signed a MOU with Life Insurance Corporation of India which envisages providing life insurance cover to people living below poverty line or marginally above that. The cover would be extended to both urban as well as rural areas.

An expert committee of people representing the state government and the life insurer is to be constituted in order to extend social security and insurance cover to weaker sections, it is reported. The committee would go into all the issues involving the coverage viz. formulation of the scheme, deciding the modalities for the implementation of the scheme etc.

In this regard, the Chief Minister of Rajasthan, Ms. Vasundhara Raje said that a comprehensive social security scheme for the families living below the poverty line and other marginalized groups was the need of the hour. She added that the pact would provide the much-needed assistance against the risks associated with poverty and natural disasters, as per reports.

Insurance Cover Extended for Treatment in India

In a trend-setting manner, an insurance firm of the United States of America agreed to extend cover to one of its clients in Chicago for undergoing treatment in a Chennai hospital reportedly. Rakesh Ram Mahesh, a three-year old boy was to be treated by a Chennai hospital (Frontier Lifeline Hospital) as desired by the boy's parents. The boy was diagnosed with Ventricular Septal Defect (VSD); and a defect in the aortic valve that needed an early correction.

The American insurance company went into the historic performance and the track record of the hospital with regard to details such as the number of paediatric surgeries, mortality rate etc. Eventually, it agreed to accept the bills for payment of the claim. The parents of course, had to bear the cost of the flight tickets and other incidental expenses.

Three Mumbai Hospitals Drop Dual Pricing System

Three major hospitals in Mumbai stopped practising a dual pricing system under which they used to charge a higher price from patients with cashless mediclaim insurance, it is reported. Insurance companies have earlier put these hospitals out of their panel as they were charging a higher rate where bills were directly settled by insurers. Subsequent to the scrapping of the dual pricing system, health insurance policyholders can once again avail the services of these hospitals for cashless treatment.

It is being considered as a victory of sorts for the insurance companies as the hospitals have agreed to have a uniform tariff for those with and without insurance. Insurance companies, as such would be paying the same amount for all types of policyholders. Further, it is also a victory in the sense that what remained a constant issue of contention between insurance companies and hospitals has been settled in this manner. The hospitals have always been used to complaining about higher administrative costs and delay in receiving payments. The insurance companies, on the other hand, contended that they had occasion to observe a variation in the treatment costs by about 40-50 per cent for the same treatment. The insurance companies have also agreed to provide adequate float funds to third party administrators in order that delay in payments is reduced to a great extent.

The decision to put the hospitals back on their panels was taken at a meeting between hospital representatives and those of the public sector non-life insurance companies. The ban on the hospitals earlier was to bring down considerably the high claims ratios in the health arena of these companies.

LIC Occupies 30th Place Globally

Life Insurance Corporation of India has been progressively losing its market share in the Indian market after liberalization of the industry. However, it figures in the top 30 life insurance companies globally, in terms of premiums as per reports. Its assets are reportedly worth over Rupees Five Lakh Crore (Rupees Five Trillion).

The life insurance behemoth, which is celebrating its Golden Jubilee this year, is placed at the thirtieth position, as per the ranking exercise of Swiss Re. It is the fourth Asian life insurer to be in the top 30 and has a global market share of 0.7%. The largest life insurance company in the world in terms of premium is the American International Group (AIG) with a market share of 3.6%.

Reacting to the reports, Mr. AK Shukla, the Chairman of LIC said that this has become possible because of their becoming aggressive in both the domestic and the international operations.

Max New York Life on the Lookout for Partner

Max New York Life (MNYL) insurance company is on the lookout for a public sector bank to partner it with a minority stake. Reports say that rather than simply selling insurance products through the bank's network, a minor stake in the insurance company would develop long term interest and hence MNYL is willing to have an equity or even a profit-sharing arrangement.

At a time when several banks are looking to enter life insurance business, MNYL is interested in finalizing a deal and hence is in talks with several banks. Mr.Gary Bennett, the CEO of the life insurance company is reported to have said that his company is looking at the possibility of roping in banks as strategic partners by issuing fresh equity or creating a special purpose vehicle (SPV) for fortifying its bancassurance distribution net.

New York Life has profit-sharing arrangements with several banks globally which is a universal trend to deepen relationships by getting into an equity sharing arrangement. MNYL is looking to implement this in the Indian market reportedly.

At a time when several public sector banks in the country are also on the lookout for entry into life insurance business, it could lead to a profitable and symbiotic relationship.

Reliance on an Expansion Spree

Consequent to being rechristened as Reliance Life Insurance Company Limited, the company is looking to open new branches to its number of 118 (originally of AMP Sanmar Life Insurance) which are predominantly located in South India. At the same time, the company hopes to recruit around 600 more employees. Anil Dhirubhai Ambani Group (ADAG) which is holding control of all the financial services activities of the Reliance group would be in charge of the life insurance firm also.

Reliance Capital which is the flagship company of the Reliance group, owns the insurance companies and has interests in such diverse areas as asset management, mutual funds, general insurance, stock broking etc. apart from the life insurance that it is venturing into now.

Banking Software Giant Enters Insurance Business

Bangalore-based software giant, I-Flex Solutions, which has already entered banking in a big way, has now entered the insurance sector in the Property and Casualty (P & C) arena. Flexcube, which is a popular core banking solution in the global market, is a product of I-Flex. The company hopes to bring in its distinctive offshore and cost advantages; and is offering a complete range of products and services.

In the Indian domain, IT companies normally do maintenance work for insurance clients but I-Flex is reportedly providing solutions that will work on the existing core system. The company acquired a major stake in a Canada-based software firm that operates in the field of insurance and that is what facilitated its entry into insurance, it is reported.

HDFC Standard Life Premium Takes a Quantum Jump

Private sector life insurer, HDFC Standard, has reported an increase of 150% in its first year premium income in the nine month period ended December, 2005. The growth was achieved both in the total policies sold as well as the average premium, it is reported.

The number of policies sold in the individual sector was up by 80% in the first half of the financial year 2005-06. The average effective premium went up by almost 90% from Rs.15,000 to Rs.28,000. The CEO of the company, Mr.Deepak Satwalekar reportedly said that the company's endeavour to provide high quality insurance solutions to customers through quality pre-sales advice, based on a sound need-based solutions approach; and their post-sales service are responsible for the huge rise.

2006 SPRINGS A PLEASANT SURPRISE FOR NON-LIFE INSURERS

The non-life insurance companies in India had a bad time during the year 2004-05 facing huge losses due to a series of calamities, reportedly. However, the new year began with a pleasant surprise in the form of no hardening of reinsurance rates by the global reinsurers contrary to the expectations.

Mr. M. Ramadoss, CMD of Oriental Insurance Company is quoted to have said that no major hardening of reinsurance rates was on the cards, but the rates would continue around the same level as during the previous contract term. The rise was expected in light of the fact that the global reinsurers have themselves suffered heavy losses owing to the large number of catastrophic losses like the hurricanes that hit the US coasts.

TWO-FOLD RISE IN INSURANCE FOR LOWER INCOME GROUPS LIKELY

Over the next eight years, it is anticipated that the number of insurance policies held by South Africans with a monthly household income of less than R3000 would double, as per reports. The surge is anticipated on account of the new initiatives being taken by the life insurance industry through which accessibility of the products is improved.

As per the new plan, life insurers are charged with the responsibility of bringing freshness in the area of life insurance products and making them more affordable, easier to access and understand. About 40% of South African households presently, which constitutes about 11 million people fall under the lower-income market segment.

It is this segment which is being targeted under the new initiative as just about 12% of them have any type of insurance. The market penetration is likely to go up by about 22%, not very huge by any standards. But considering the challenges in the field, it is quite substantial; officials are reported to have said.

Officials admit that other essential expenses like food, clothing and travel take precedence over insurance; and some sort of financial education is necessary in order that the importance of insurance is understood. To add to this problem, most people in this segment are engaged in informal employment thereby making regular payment of premium that much more difficult.

There is still optimism about this segment contributing more to insurance as the growth potential is faster and hence it is a strong business case for companies to engage more in this market segment.

WHITE COLLAR CRIMES ON THE WANE

Several categories of commercial crimes have been exhibiting trends of lower incidence, as recent legislations have made the authorities more to be alert, as per reports. However, sophisticated criminals could still be on the lookout for defrauding banks and financial institutions, as reported.

The drop in incidence has been noticed, of late, in areas like cash-in-transit, bank robbery, crime syndicates aiming at defrauding banks etc. The financial institutions have been upgrading their surveillance methods in light of the new legislations and this is believed to be the reason for the noticeable fall in the crime rate.

There is an emphasis on the operational exposures of the financial institutions as Basel II compliance is drawing closer, it is reported. The sudden increase in the risk measures in these institutions is compelling the crime syndicates to turn their attention towards softer targets like garages and other small businesses.

Reports say that serious incidents in the area of major financial crimes will immediately have a telling impact on the insurance rates. Professional indemnity exposures of financial institutions has been one area of sensitivity for the insurers, it is reported.

Meanwhile, there has been a perceptible drop in the area of motor theft and hijacking also reportedly. While claims for accidents and repairing costs have been showing a growing tendency, thefts and hijacking have reported a drop by one thirds. Here, once again, the more stringent practices of vehicle registration have been responsible for the drop in the crime rate as it turns out to be harder for the criminals to sell the stolen vehicles.

Aviva Enters Sri Lankan Market

Aviva plc has acquired a 51% stake in Eagle Insurance of Sri Lanka. Thus Aviva has become the major shareholder of the third largest insurer in Sri Lanka. NDB, which is Sri Lanka's largest development bank, owns 27.42% of the company as per reports.

The Executive Director of Aviva International, Mr. Philip Scott is reported to have said that the acquisition would strengthen their position in the Indian sub-continent as Eagle is very well established and is doing successful business. He is further said to have added that the bancassurance experience from India would be leveraged in order to become the bancassurance pioneer in Sri Lanka. On the other hand, learning from the direct sales model which is so successful in Sri Lanka, is sought to be transferred to India in order to boost the direct sales in India.

Mr. Stuart Purdy, Managing Director, Aviva Life Insurance Company India Pvt. Ltd. is quoted as saying "We are really excited about our entry into the Sri Lankan market. Aviva has grown rapidly in India by combining its global expertise with the local talent. We are now looking to replicate that in Sri Lanka. Eagle Insurance has high quality management and corporate governance and a core value system that is in line with Aviva's philosophy. We are looking at synergies between our operations overseas and Sri Lanka. Eagle will benefit from Aviva's expertise in bancassurance and Aviva's modern products, while Aviva will benefit by leveraging Eagle's world-class direct distribution model."

Australian Company Acquiring Interest in Chinese Insurer

Australia's largest home and auto insurer, Insurance Australia Group Ltd. is buying 24.9 per cent of China Pacific Property Insurance Co., it is reported and thereby tapping a market with good potential. It may eventually increase its stake in the Chinese company to 40 per cent.

The Australian company has been in talks with the Chinese company for the last one year. China Pacific is reportedly commanding a market share of 12 per cent of China's property and casualty insurance market. The greater access to foreign markets of the Chinese insurance business is in line with its WTO pledges as also to reduce the burden on a government which is committed to providing benefits to several workers at state-owned companies.

For the Australian firm, the move is a part of its strategy of expanding their portfolio of insurance assets in Asia. It has about 40 per cent of the auto and home market domestically and is under restriction from further expansion for anti-trust reasons. The final purchase price for the deal has not been finalized yet and is likely to take place after an audit under the Hong Kong accounting principles.

Ethiopian Insurance Corporation Promises New Services to Customers

As part of its competitive strategy, the Ethiopian Insurance Corporation (EIC) is set to launch new services to its customers, as said by Tewodros Tilahun, Managing Director, in an exclusive interview with The Reporter. He is reported to have said that investors keep asking for health insurance coverage which is not existent in Ethiopia and as against medical insurance, it would offer comprehensive coverage.

The company is also contemplating venturing into the weather insurance domain under which the policyholder farmers would be compensated for shortage of rainfall below a certain level. A pilot project has already been started, it is reported.

Apart from gainful insurance business, the company also has local and overseas investments with a good rate of return. The investments reportedly are in reinsurance and export-import banking business. It also has a stake in a pharmaceutical import company. The emphasis is on short-term investments so that liquidity is ensured as per reports.

New Rules for Improvement of Supervision Over Life Insurers in China

China Insurance Regulatory Commission (CIRC), aiming at better regulation in life insurance business, has issued two provisional rules reportedly. They are The (Interim) Procedures for Non-Site Supervision over Life Insurance Companies and The (Interim) Measures on Evaluating Internal Controls for Life Insurance Companies.

As a result of the non-site supervision, which aims at improvement in the supervision efficiency of CIRC, life insurance companies will have to face risk ratings and classification supervision conducted by the regulator. These are aimed at improving the indemnity capacity of domestic life insurance companies.

The procedures will mainly bring under their fold companies which have been operational for at least three years. The regulatory commission will classify the companies each year into four risk grades depending on their indemnity status. The classes would be very high, high, medium and low. Supervisors will conduct quarterly monitoring work over life insurance companies in order to be in a position to caution them about the possible indemnity risks.

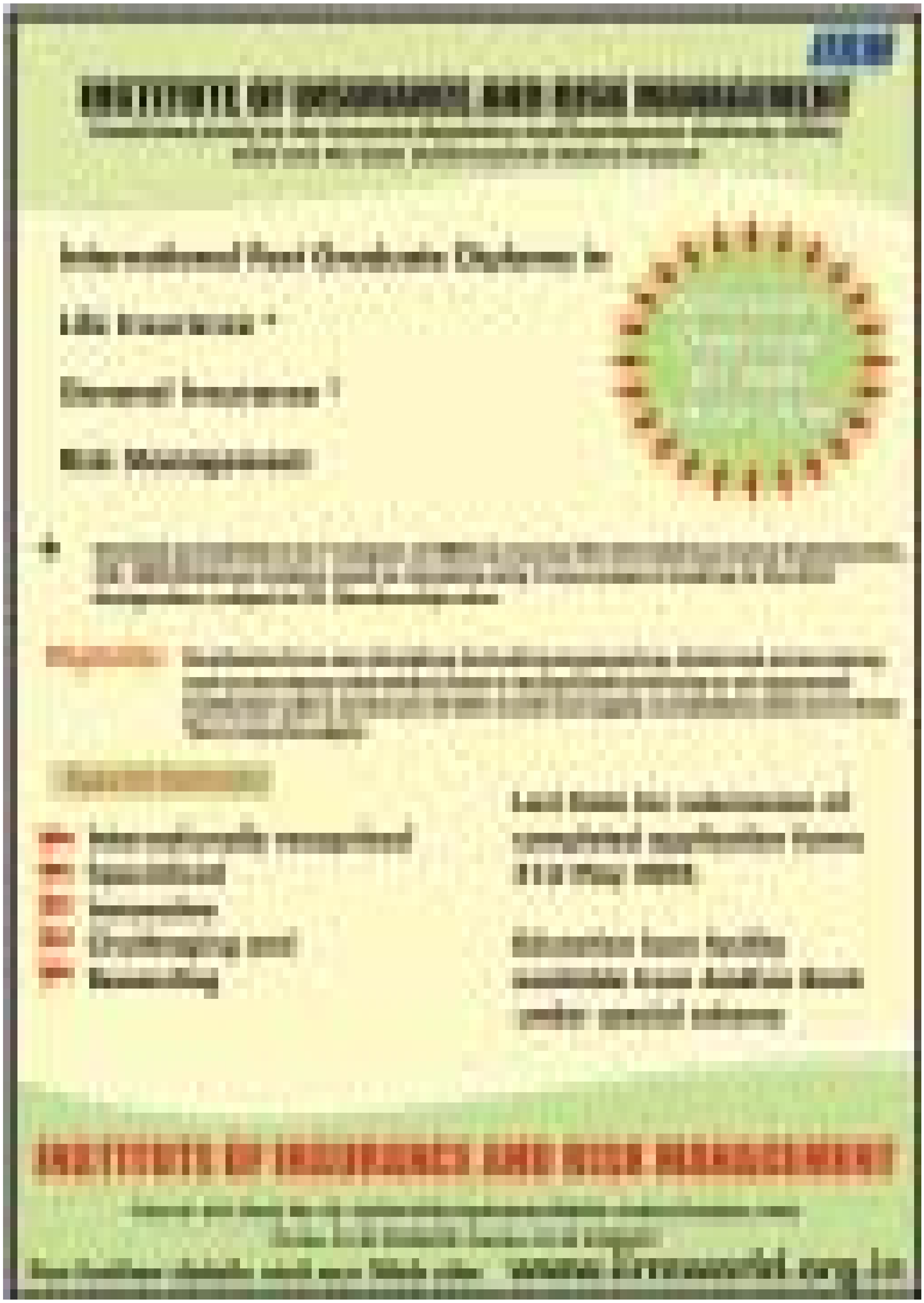
Setting up internal auditing liability mechanism in life insurers, which will help in improving the risk controlling capacity, is aimed to be brought in by the rule on evaluating internal controls, reportedly. An overwhelmingly high percentage of the problems in life insurance companies in the previous year were first found by the internal auditors. This has led to believing in the importance of the internal auditing system and is expected to be very crucial for improvement in governance and prevention of risks.

CAUTION AGAINST GANGSTER-LED FRAUDS

The Financial Supervisory Service (FSS) of South Korea has cautioned insurers to be careful against traffic accidents that are being engineered to make large claims of compensation. It is reported that members of organized gangs pretend to be both perpetrators as well as victims of the so-called accidents in order to extract large sums of money from the insurers, as per reports.

Several gang members have been apprehended for indulging in such crimes for utilizing the money for the expenses of the organization. In some cases, even middle school students have been found indulging in such crimes and milked insurance companies of huge sums of illegal insurance money.

Reports indicate that the stage-managed accidents 'occurred' mainly in the unearthly hours when officials are not usually around to verify the documents. Insurers have been asked reportedly to be additionally careful when both the parties to the accident, viz. the offender as well as the victim, are of the same age group; or are involved in the accidents of similar nature, repeatedly.



"We are committed
to transparent communication with our
shareholders and the investment community,
and to upholding the highest principles of
corporate governance."

Dan Amos, Chairman and CEO,
American Family Life Assurance Company (AFLAC)

"We are really excited
about our entry into the Sri Lankan market.
Aviva has grown rapidly in India by combining its
global expertise with the local talent.
We are now looking to replicate that in Sri Lanka."

Stuart Purdy,
Managing Director of Aviva Life Insurance Company.

"The markets move so fast,
opportunities must be created, and you
have to recognise those opportunities
and seize them,"

says Mr Bruce Bowers,
Chief Executive Officer of Allianz Asia.

"Chinese insurers are in
urgent need of higher returns.
Allowing them to buy into other
financial institutions means the barriers
between insurance, banking and securities
are disappearing."

Dorris Chen,
a Shanghai-based analyst at BNP Paribas.

"With two severe hurricane
seasons behind us, these findings
underline the fact that the need for cycle
management has never been more
crucial for insurers and reinsurers.
Ensuring strong financial performance remains
a priority for Lloyd's, and is a key part of our
strategic plan."

Lloyd's Director of Worldwide Markets,
Julian James.

"We have to take a
pragmatic view and bear in mind
that longevity is possible because of
medical advancement. This technology is
likely to improve in time, especially with the
introduction of genetic advancement
that will open the gateway to organ
reproduction,"

C F Choy,
Chief Executive of HSBC Insurance.

RNI No: APBIL/2002/9589

Events

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

03-04 April 2006
Venue: Singapore
II Insurance Executives Summit on Technology
By Asia Insurance Review

10-12 April 2006
Venue: Pune
Lateral Thinking & Decision Making
By NIA Pune

11-12 April 2006
Venue: Seoul
Alternative Distribution Channels
By Asia Insurance Review

17-19 April 2006
Venue: Pune
Underwriting in Detariff Regime
By NIA Pune

20-22 April 2006
Venue: Pune
Management of Executive Stress
By NIA Pune

24-26 April 2006
Venue: Pune
Management of Motor Insurance (Own Damage)
By NIA Pune

27-29 April 2006
Venue: Pune
Workshop on Communication & Presentation Skills
By NIA Pune