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INSURANCE

Essential Component in Planning

बीमा विनियामक और विकास प्राधिकरण

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From the Publisher

Financial planning is an exercise that is essentially needed for a corporate entity as well as an individual. In the case of individuals, it is an inherent part of wealth management. However, a minimum level of financial planning is absolutely necessary for every individual. Some of the areas of planning that are required to be considered absolutely essential from the insurance point of view are life, health, old age security etc., in addition to the physical assets that are created from time to time.

Life insurance has to be treated as an essential component of one's portfolio and the need for this should be considered at the very commencement of one's earning phase. The amount of life insurance should also be commensurate with the quantum of earnings so that in the unfortunate event of the bread-winner's death, the family can continue to maintain the same standard of living.

Maintaining sound health is essential for an individual so that there is no hindrance to one's activity and the stream of earnings. But this is easier said than done. Several factors affect the health of even the fittest person thereby causing great physical and mental agony, apart from being a drain on the financial resources of the individual. Health insurance takes care of such calamities that could otherwise devastate the families financially.

Historically, India has been strong in the domain of the joint family system; and this to an extent took care of the ills arising out of the loss of the breadwinner, ill-health, old age etc. Particularly in the case of the post-retirement phase of life, it was always considered that the younger generation would come to the rescue of the parents. In the modern society, there is a certain deviation from this practice and even the social fabric tends to veer towards nuclear family set-ups. Hence there has to be some arrangement that would take care of the older sections of the society when the earnings go down and expenses on account of ill-health tend to go up. Annuities and pension products of insurers would provide an excellent answer to such problems.

The focus of this issue of the **Journal** is on 'Personal Financial Planning'. It is believed that the earliest form of insurance took its origin in marine trade, but marine insurance has grown a great deal in its stature since then and is one of the most complex forms of insurance today. 'Marine Insurance' will be the focus of the next issue of the **Journal**.

C.S. Rao

C.S. Rao

INSIDE

ISSUE FOCUS

FOLLOW THROUGH

END USER

THINKING CAP

Planning for a **Secured Tomorrow**

Financial planning has become an essential requirement for corporate entities and individuals alike. What used to be a simple exercise earlier for an individual by way of setting aside a part of the earnings for future consumption has become a very complex matter of reckoning various factors. With the dissolution of trans-national borders and the development of a global economic entity, economic planning has become a truly challenging task for an individual.

Further, the awareness of risk coverage itself has been low on the priorities for the average Indian historically. A very strong existence of the Joint Family system also added to this factor. For ages, the joint family acted as a very strong protective shield against various eventualities like death or ill-health of a bread earner, old age etc. It was automatically assumed that the younger generation would take care of the aged persons in the years of their retirement. Dependence of one generation on another has certainly weakened over a period of time in light of the growth of nuclear families. It is essential that as people grow older, they should keep in place not just a source of income for the essentials of daily life but also provide for some arrangement to take care of expenses arising out of illness.

A strong portfolio of insurance covering various eventualities would certainly go a long way in providing answers to some of these issues. Life insurance of an order that is sufficient for the family to continue to maintain the same standard of living; a decent package of health insurance that would take care of the hospitalization and other related expenses; and an annuity or a pension product that would provide for a steady stream of income during the later part of one's life would be an ideal recipe for every family that cares to think of its continued well-being. It would not be needed to over-emphasize the fact that if one starts planning for these things at a younger age; it should not be a major issue at all. But then, it fails to be a priority until one is confronted with a real-life situation. Thankfully, there has been tremendous growth in the recent years in such awareness which augurs well for the society.

'Role of Insurance in Personal Financial Planning' is the focus of this issue of the **Journal.** The living environment is getting increasingly risky and unless there is protection against some of the risks, survival for humanity becomes a more complicated issue. Mr. P.C. James throws light on some of the areas that need to be taken up by individuals in order to make life easier for themselves. Prof. R. Vaidyanathan, in his article talks about the problems associated with old age and goes to suggest ways that can be adopted to address the issue. It was Prof. Solomon Huebner who introduced the concept of Human Life Value that would be helpful to decide the quantum of life insurance that a person needs to take. However, in the more modern times, there is need for review of such theories; and Mr. Srinivasan Varadarajan and Mr. Shrinivas Susarla do exactly that in their article.

Mr. Bharat S. talks about how insurance does not only provide for an emergency need but also for sustenance, in his article. In the next article, Mr. Bhargav Dasgupta discusses the indispensability of life insurance in one's personal portfolio. 'To have in place proper health coverage is vitally important to face the uncertainties of life' says Dr. Somil Nagpal in his article. In addition to the issue focus, there are three articles in this issue – one each in the Follow Through, End User and the Thinking Cap sections – by Mr. Gnanasundaram Krishnamurthy, Dr. G.Gopalakrishna and Mr. Sandeep Joshi respectively.

Marine Insurance is one of the most ancient classes of insurance globally; and is replete with huge complications in view of the international trade and the associated barriers. The focus of the next issue of the **Journal** will be on Marine Insurance.

U. Jawaharlal

Report Card:LIFE

First Year Premium of Life Insurers for the Period Ended December, 2007

Sl No.	Insurer	Premium u/w (Rs. in Crores)			No. of Policies / Schemes			No. of lives covered under Group Schemes		
		Dec, 07	Up to Dec, 07	Up to Dec, 06	Dec, 07	Up toDec, 07	Up to Dec, 06	Dec, 07	Up to Dec, 07	Up to Dec, 06
1	Bajaj Allianz									
	Individual Single Premium	58.53	425.30	799.22	7985	63085	79074			
	Individual Non-Single Premium	604.07	3316.06	1365.95	323836	2299200	848617			
	Group Single Premium	0.12	8.25	3.78	0	0	1	365	6085	1502
	Group Non-Single Premium	16.29	30.54	14.73	39	211	159	156147	664820	528295
2	ING Vysya									
	Individual Single Premium	3.05	17.11	20.90	304	1629	1517			
	Individual Non-Single Premium	68.61	402.46	257.20	30645	232157	134361			
	Group Single Premium	1.04	1.85	2.31	1	1	0	234	417	517
	Group Non-Single Premium	0.01	2.45	5.47	0	15	40	10053	79329	12006
3	Reliance Life									
	Individual Single Premium	33.89	154.84	75.15	7898	33915	11985			
	Individual Non-Single Premium	243.72	1043.89	323.89	110794	539509	207683			
	Group Single Premium	22.06	170.12	9.44	0	43	15	0	68856	13486
	Group Non-Single Premium	3.94	18.64	7.09	35	204	121	55340	299741	136288
4	SBI Life									
	Individual Single Premium	143.91	780.33	286.58	20155	107905	42434			
	Individual Non-Single Premium	288.66	1258.99	572.77	77064	383365	250314			
	Group Single Premium	21.33	148.95	146.85	0	0	2	11195	77381	89590
	Group Non-Single Premium	53.18	166.91	184.51	5	41	268	67933	448691	789411
5	Tata AIG									
	Individual Single Premium	4.40	27.21	12.13	861	4448	1308			
	Individual Non-Single Premium	62.71	477.88	356.81	35560	309528	281319			
	Group Single Premium	4.23	47.08	38.01	1	4	6	28223	283385	202310
	Group Non-Single Premium	4.68	45.03	29.07	8	53	62	13763	152660	176360
6	HDFC Standard									
	Individual Single Premium	14.31	86.53	88.14	14336	196795	78309			
	Individual Non-Single Premium	249.66	1335.88	745.66	46483	388332	205591			
	Group Single Premium	24.00	65.00	99.47	10	93	71	23530	108249	132971
	Group Non-Single Premium	0.39	45.98	51.68	0	36	22	67	31779	39187
7	ICICI Prudential									
	Individual Single Premium	34.67	255.39	253.46	5518	40356	38163			
	Individual Non-Single Premium	771.74	3968.52	2276.36	288716	1779137	1106798			
	Group Single Premium	46.04	203.69	150.95	4	134	123	28686	355776	110373
	Group Non-Single Premium	81.37	388.33	269.00	7	271	233	3917	313312	244173
8	Birla Sunlife									
	Individual Single Premium	2.52	16.83	23.35	11950	58768	38516			
	Individual Non-Single Premium	183.37	1010.60	417.46	60183	297477	169668			
	Group Single Premium	0.56	3.61	6.39	0	3	0	648	4445	3638
	Group Non-Single Premium	13.64	66.23	65.02	3	89	117	916	128557	48129
9	Aviva									
	Individual Single Premium	1.92	15.26	21.52	344	2317	2218			
	Individual Non-Single Premium	102.77	609.65	418.46	34325	237132	186105			
	Group Single Premium	0.03	1.63	2.46	0	0	1	32	873	1330
	Group Non-Single Premium	0.61	21.47	18.54	3	87	48	48244	481235	239138

10	Kotak Mahindra Old Mutual									
	Individual Single Premium	3.99	18.26	24.27	530	2444	2704			
	Individual Non-Single Premium	102.11	484.02	270.16	29685	166188	83168			
	Group Single Premium	2.71	17.16	7.66	0	2	9	15782	133523	42660
	Group Non-Single Premium	7.96	39.36	25.82	22	174	121	40261	347103	184609
11	Max New York									
	Individual Single Premium	51.77	189.54	60.51	2934	12068	4503			
	Individual Non-Single Premium	187.54	817.97	522.33	124378	546134	381207			
	Group Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
	Group Non-Single Premium	3.08	33.05	3.99	19	250	43	88153	443338	51613
12	Met Life									
	Individual Single Premium	1.21	15.78	4.52	186	2423	1010			
	Individual Non-Single Premium	71.32	386.56	152.02	20209	133974	62994			
	Group Single Premium	3.25	8.73	0.00	8	47	0	11030	141001	0
	Group Non-Single Premium	0.00	0.00	12.28	0	0	178	0	0	335179
13	Sahara Life									
	Individual Single Premium	4.42	23.03	10.10	1162	6011	2637			
	Individual Non-Single Premium	7.27	40.36	4.68	9035	57159	11527			
	Group Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
	Group Non-Single Premium	0.00	0.00	0.94	1	3	3	69	121	103191
14	Shriram Life									
	Individual Single Premium	37.66	130.21	56.03	6563	23621	12030			
	Individual Non-Single Premium	20.09	86.28	48.03	13468	54078	47494			
	Group Single Premium	0.03	0.04	0.00	1	2	0	3008	4633	0
	Group Non-Single Premium	0.00	0.00	0.00	0	2	0	0	623	0
15	Bharti Axa Life									
	Individual Single Premium	0.41	1.35	0.00	77	163	0			
	Individual Non-Single Premium	16.27	50.22	1.90	11580	40084	1289			
	Group Single Premium	0.09	0.09	0.00	1	1	0	71	71	0
	Group Non-Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
16	Future Generali *									
	Individual Single Premium	0.00	0.00	0.00	0	0	0			
	Individual Non-Single Premium	0.02	0.02	0.00	3	3	0			
	Group Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
	Group Non-Single Premium	0.04	0.59	0.00	2	3	0	214	18319	0
	Private Total									
	Individual Single Premium	**396.66**	**2156.97**	**1735.87**	**80803**	**555948**	**316408**			
	Individual Non-Single Premium	**2979.91**	**15289.36**	**7733.68**	**1215964**	**7463457**	**3978135**			
	Group Single Premium	**125.49**	**676.22**	**467.32**	**26**	**330**	**228**	**122804**	**1184695**	**598377**
	Group Non-Single Premium	**185.19**	**858.58**	**688.14**	**144**	**1439**	**1415**	**485077**	**3409628**	**2887579**
17	LIC									
	Individual Single Premium	2397.40	13218.05	15210.46	654486	3593197	4281480			
	Individual Non-Single Premium	1759.45	15435.74	16706.75	2406845	19567164	13130576			
	Group Single Premium	1036.85	5941.80	6336.58	1953	15677	13573	1997775	15279055	9913512
	Group Non-Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
	Grand Total									
	Individual Single Premium	**2794.06**	**15375.02**	**16946.33**	**735289**	**4149145**	**4597888**			
	Individual Non-Single Premium	**4739.36**	**30725.10**	**24440.43**	**3622809**	**27030621**	**17108711**			
	Group Single Premium	**1162.34**	**6618.02**	**6803.90**	**1979**	**16007**	**13801**	**2120579**	**16463750**	**10511889**
	Group Non-Single Premium	**185.19**	**858.58**	**688.14**	**144**	**1439**	**1415**	**485077**	**3409628**	**2887579**

Note: 1. Cumulative premium upto the month is net of cancellations which may occur during the free look period.
2. Compiled on the basis of data submitted by the Insurance companies.
3. * Commenced operations in the November, 2007.

Marine Insurance

Need for Extra Diligence

'THE MODERN CONCEPT OF INSURANCE IS BELIEVED TO OWE ITS GENESIS TO MARITIME BUSINESS. BUT THE HUGE GROWTH OF TRADE BETWEEN SEVERAL COUNTRIES HAS PUT MARINE INSURANCE IN A NEW SHADE OF COMPLEXITY. IT CALLS FOR A HIGH DEGREE OF CARE AND ALERTNESS ON THE PART OF INSURERS TO ENSURE THAT THEY ARE NOT TAKEN FOR A RIDE' WRITES U. JAWAHARLAL.

Centuries ago, trade flourished in the continental Europe and in due course the merchandise of the rich traders found its way to the other parts of the world. The traders had to face the risk of not just the perils of the sea and the inclement weather; but also the intermittent attacks of sea pirates. Traders whose merchandise eventually reached the destinations made huge profits and at the same time, the others had to turn paupers. In order to obviate the problems arising out of the uncertainty, the merchants resorted to an arrangement of pooling whereby the losses were shared by all the traders who were exposed to the risk of facing huge losses. Thus the first seeds of the modern concept of insurance were sown.

Although insurance is believed to have taken its genesis in the marine class, the complexities associated with the class are huge as it necessitates taking into account several restrictive trade practices that various countries practice. The codes and practices of the different trade bodies and conventions help in providing the parameters within which to operate. All the same, the complexities continue to exist and marine insurance provides a fertile ground for several types of fraudulent activities. Flying flags of convenience is a common peril that marine insurers confront and have to guard against.

It is also a common practice that when a ship is past its prime and ceases to be sea-worthy, it is scuttled midway on its voyage after insuring it for high amounts. Insurers have to be additionally careful in light of such attempts to ensure that the vessels are sea-worthy, that the adventure is genuine and that the credentials of the parties involved are decent enough. Besides, drafting the policy conditions and exclusions has to be of a very high order of quality so that fraudulent elements do not take shelter under the ambiguities of poorly drafted policies.

Insurance of logistics falls under the Inland Marine category in several markets including India. Considering the huge growth of the infrastructure projects in the Indian domain (Golden Quadrilateral; and the East-West and the North-South Corridors etc.), the scope for inland marine insurance is tremendous. The complications associated with ocean marine are greatly reduced in the case of inland marine insurance. However, it would be advisable to remain ever alert to thwart the nefarious designs of dubious transporters to make a quick buck.

'Marine Insurance' will be the focus of the next issue of the Journal. We look forward to bringing you the rich experiences of several practitioners who have soiled their hands in this very special area of operation.

Ensuring Marine Security

in the next issue...

PUBLIC NOTICE

It has come to the notice of the Authority that companies by the names and style M/s. Lifeline Global Limited / Lifeline EMS India Ltd. are doing health insurance business and collecting money from the general public for issuance of health insurance policies from the following addresses:

3, Coral Crest, Ground Floor, Sector 23, Nerul, Navi Mumbai

Agnelo House, S.V. Road, Khar (W), Mumbai – 400 052

This is to inform that the above companies are not holding any licenses whatsoever under Section 2C (1) and 3 (1) of the Insurance Act, 1938 from the Authority for carrying on business of insurance, which is a condition precedent under the provisions of the Act and the company's operations are in violation of the provisions of the Insurance Act, 1938 and IRDA Act, 1999. IRDA has already initiated appropriate action in the matter.

The general public are hereby cautioned not to purchase insurance policies from the said companies or through any person claiming to be their Agents / Advisers or representatives.

This is issued by orders of the Chairman, IRDA.

Date: 8th January, 2008
Hyderabad

(Prabodh Chander)
Executive Director

IRDA/DB 258/04

11th January, 2008

Ref: IRDA/DB 258/04

To
The Principal Officer
M/S. Lord Krishna Insurance Brokers Pvt Ltd
3rd Floor, Hind Bharti Tower
7, DDA Service Centre
Sector-5, Rohini
DELHI- 110 085.

Dear Sir,

Re: Expiry of Validity of Direct Broker License No. 276.

WHEREAS, LORD KRISHNA INSURANCE BROKERS PVT LTD. (hereinafter referred to as the 'Broker') having its Registered Office at 3rd Floor, Hind Bharti Tower, 7, DDA Service Centre, Sector-5, Rohini, DELHI- 110 085 have been granted license by the Authority to act as a Direct Insurance Broker, vide License No. 276 on 09-09-2004, pursuant to the provisions of the IRDA (Insurance Brokers) Regulations, 2002.

WHEREAS, the validity of direct Broker License No 276 issued to M/S. Lord Krishna Insurance Brokers Pvt Ltd expired on 8th September, 2007.

WHEREAS, the Broker has not made the renewal application in Form A to the Authority as required under Regulation 13(1) of IRDA (Insurance Brokers) Regulations, 2002.

NOW THEREFORE, the Authority, in view of the Broker not applying for renewal of direct Broker license No 276 as per Regulation 13(1) of IRDA (Insurance Brokers) Regulations, 2002, hereby declares the validity of direct Broker license No 276 granted to M/S. Lord Krishna Insurance Brokers Pvt Ltd expired with effective from 8th September, 2007 and the company shall cease to act as an insurance Broker.

The Broker is advised to comply with following procedure.

1. An undertaking from the directors to service the existing clients whose policies are in force for a period of six months as required under Regulation 40 of IRDA (Insurance Brokers) Regulations 2002.
2. Confirmation from the Broker that no fresh business has been placed after 8th September, 2007.
3. Submit the Original License No. 276.
4. Details of every event that has come to the company's notice where the company may become liable to pay damages or compensation to clients, whether covered by the professional indemnity policy or not, giving the following information.
   i) Date of period of occurrence.
   ii) Name of client concerned.
   iii) Nature of event likely to give rise to a claim
   iv) Brief description of basis of claim
   v) Intimated or estimated amount of claim.
   vi) Amount provided by the broker in its books for the claim.
   vii) Present status of claim.
5. Remittance of annual fee due as per Regulation 18(1) read together with Schedule II (2) and (3) of IRDA (Insurance Brokers) Regulations, 2002 along with a certificate from its auditor certifying that the annual fee has been calculated as per Schedule II Regulation 22 of IRDA (Insurance Brokers) Regulations, 2002.
6. Submission of half yearly and yearly accounts as per Regulation 25 and 26 of IRDA (Insurance Brokers) Regulations, 2002.

(Suresh Mathur)
Joint Director

IRDA/DB 200/03

11th January, 2008

Ref: IRDA/DB 258/04

To
The Principal Officer,
M/S. SMS Insurance Services Pvt Ltd,
2nd Floor, Tarasing Market (West Wing),
Above Sangli Bank,
Nanded-431601.

Dear Sir,

Re: Expiry of Validity of Direct Broker License No. 279.

WHEREAS, SMS INSURANCE SERVICES PVT LTD. (hereinafter referred to as the 'Broker') having its Registered Office at 2nd Floor, Tarasing Market (West Wing), Above Sangli Bank, Nanded-431601 have been granted license by the Authority to act as a Direct Insurance Broker, vide License No. 279 on 26-10-2004, pursuant to the provisions of the IRDA (Insurance Brokers) Regulations, 2002.

WHEREAS, the validity of direct Broker License No 279 issued to M/S. SMS Insurance Services Pvt Ltd expired on 25th October, 2007.

WHEREAS, the Broker has not made the renewal application in Form A to the Authority as required under Regulation 13(1) of IRDA (Insurance Brokers) Regulations, 2002.

NOW THEREFORE, the Authority, in view of the Broker not applying for renewal of direct Broker license No 279 as per Regulation 13(1) of IRDA (Insurance Brokers) Regulations, 2002, hereby declares the validity of direct Broker license No 279 granted to M/S. SMS Insurance Services Pvt Ltd, expired with effective from 25th October, 2007 and the company shall cease to act as an insurance Broker.

The Broker is advised to comply with following procedure.

1. An undertaking from the directors to service the existing clients whose policies are in force for a period of six months as required under Regulation 40 of IRDA (Insurance Brokers) Regulations 2002.
2. Confirmation from the Broker that no fresh business has been placed after 25th October, 2007.
3. Submit the Original License No. 279.
4. Details of every event that has come to the company's notice where the company may become liable to pay damages or compensation to clients, whether covered by the professional indemnity policy or not, giving the following information.
   - i) Date of period of occurrence.
   - ii) Name of client concerned.
   - iii) Nature of event likely to give rise to a claim.
   - iv) Brief description of basis of claim.
   - v) Intimated or estimated amount of claim.
   - vi) Amount provided by the broker in its books for the claim.
   - vii) Present status of claim.
5. Remittance of annual fee due as per Regulation 18(1) read together with Schedule II (2) and (3) of IRDA (Insurance Brokers) Regulations, 2002 along with a certificate from its auditor certifying that the annual fee has been calculated as per Schedule II Regulation 22 of IRDA (Insurance Brokers) Regulations, 2002.
6. Submission of half yearly and yearly accounts as per Regulation 25 and 26 of IRDA (Insurance Brokers) Regulations, 2002.

(Suresh Mathur)
Joint Director

NOTICE

4th January, 2008

IRDA /NOT/051/SUR/JAN-08

The Committee of Surveyors and Loss Assessors, constituted in terms of sub-regulation 12 of the Insurance Surveyors and Loss Assessors (Licensing, Professional Requirements and Code of Conduct) Regulations, 2000, has submitted its report containing its recommendations on 'Parameters for upgradation of surveyors categories' to the Authority. The Report may be accessed at www.irdaindia.org/flash_2008.htm or www.irdaindia.org/surveyor.htm.

The Authority hereby calls for suggestions/feedback on the recommendations contained in the report, from surveyors, insurers and other stakeholders. The suggestions/feedback should reach the Authority on or before 31st January, 2008.

All communications may be kindly sent to the attention of Shri T.S.Naik, Deputy Director at the following address/e-mail IDs:
Insurance Regulatory and Development Authority,
3rd Floor, 'Parishram Bhavan' Basheerbagh,
Hyderabad : 500 004
E mail: tsnaik@irda.gov.in; surveyor@irda.gov.in

(Prabodh Chander)
Executive Director

CIRCULAR

February 1, 2008

Circular No.IRDA/F&A/053/Feb-08

Submission of Details of Sum Assured

This is further to our Circular No.039/IRDA/F&A/Cir/Oct.-07 DATED 11th October, 2007 on the said subject.

In the said Circular under reference it had been indicated with respect to the premium segment on 'Workmen's Compensation' at Point (4) that the sum insured details with respect to the said segment of premium income need not be furnished.

The instructions have been re-examined in the context of the industry practice, and it now advised that the sum insured details with regard to 'Workmen's Compensation' be indicated as indicated under Point (5) of the Circular under reference.

You are accordingly, requested to furnish the details of sum assured under the business segment 'Workmen's Compensation' as indicated.

You are requested to ensure compliance with the clarification with immediate effect.

(C.R. Muralidharan)
Member

CEOs of
All Non-Life Insurance Companies

Planning for the **Risk Economy**

Role of the Individual

'IN LIGHT OF THE FACT THAT INSURANCE IS A PUBLIC GOOD; REGULATIONS, SELF-REGULATIONS AND STANDARDS NORMALLY REQUIRE THAT RATES AND TERMS ARE FAIR, REASONABLE AND NOT EXCESSIVE' OPINES P.C. JAMES.

Modern world has been transformed due to the increasing availability of credit and insurance. These have helped to power investments, asset creation and unlocking of opportunities, which in their wake have brought considerable upsides to those striving for economic betterment. Risk mitigation, if any, prior to the application of the laws of probability and large numbers, was the domain of fortune-tellers and diviners. By understanding the probabilities of the occurrences of risks leading to losses, it was possible to convert risk situations into catalysts for driving the economic momentum in society. Wealth creation and prosperity is considered to be the measurement of development. Risk taking thus plays an important part in the path of progress in the economy and risk management capability is an important determinant of the development barometer. It is thus common to look at the insurance intensity of an economy by seeing its percentage in a country's GDP and the per capita level of premium and a correlation is often seen between this and economic development.

Opportunities and choices can be taken advantage of by almost everyone. The central theme of a welfare economy is the possibility of improving a person's economic status through risk taking and opportunity utilisation. Risk taking therefore has a centrality in this scheme of things and today's economy can be called a risk economy where people become increasingly venturesome and entrepreneurial; and prosper due to the leveraging of risks and taking care of its downside through insurance and other risk mitigating managerial approaches.

It is essential to imbue risk management in everyone's life as no one is ever quite certain of things and though knowledge has come far, there is never a case for full knowledge and awareness before acting to skirt risks when striving for wealth creation. Decisions are often made under complex, confusing, indistinct or stressful conditions. In addition, a major driving force in peoples' mind is loss aversion. This adds to the need for loss proofing. In a way it can be said that the upside of a risk is based on the capabilities of an individual to leverage opportunities; but however capable, there is an ever present chance of failure. Such downsides can happen to everyone and hence diversification and risk sharing has become the hallmark of today's society. This is also the reason why insurance is applauded and its march is inevitable in all areas in the lives of people.

Risk and vulnerability are currently issues that worry not only individuals and families, but also communities and countries. There are increasing global concerns, because global hazards and stresses are interlinked and aggravated by global trends in population, land use, urbanisation, climate change and so on. Vulnerability goes beyond risks. Risk is said to be a function of hazard with its characteristics of frequency and severity,

By understanding the probabilities of the occurrences of risks leading to losses, it was possible to convert risk situations into catalysts for driving the economic momentum in society.

> **Fiscal unsustainability is beginning to tell on welfare issues. Hence there is an increasing need for organised business entities to carry risks based on actuarial assessments for all types of business and personal needs.**

and its potential consequences of exposure and sensitivity, but stops short of considering the coping capacity and resilience of the exposed system or unit. Risk and vulnerability are seen as complementary concepts. Risk can be viewed as the focus on hazard, while vulnerability is a focus on the victims. A key concept in the exploration of the concepts of risk and vulnerability is the need to ensure resilience and sustainability. The fullness of insurance comes when there is an assurance of resilience and sustainability.

In managing risks traditionally; individuals and families, when not able to cope through self-insurance, passed on or shared the risk with the traditional joint family, clan or the local society. When the industrial society happened, the traditional patterns of risk coping, which were in any case inadequate, saw the need for more organised and monetarily capable entities to take on the increased risks. Employers and governments began to fill in this need in diverse ways. Welfare schemes and legislations looked to creating safety nets to take care of risks in the lives of people. This also brought in the need for organised insurance schemes based on actuarial basis. Thus governments and employers began to adopt insurance schemes such as compulsory motor liability insurance, health and accident insurance and so on. Individuals, urged by their own fears of risk and prompted or compelled by credit institutions, also began to hedge their risks through insurance and organised insurance has risen to cover more and more contingencies in the world and looks to becoming an end to end solution provider to the risk economy in a variety of ways.

The role of the individual in deciding on risk mitigation is rising, even where government cushions are in place. This is inevitable in a world of choices and plurality. This is also prompted by the growing fatigue and inability displayed by employers and governments to shoulder an ever increasing risk burden of its people. Fiscal unsustainability is beginning to tell on welfare issues. Hence there is an increasing need for organised business entities to carry risks based on actuarial assessments for all types of business and personal needs. However insurance being a matter of public good, insurers are required to make premiums affordable. Regulations, self regulations and standards normally require that rates and terms are fair, reasonable and not excessive.

As the perception of risks increases, the coverage needs of people are going up. If in olden days the concern was on death of the family breadwinner and its disastrous consequence on the family's future, today the concern is more on living to an ever increasing older age properly, without financial burdens and losses. Such concerns encompass the risks of health and disability, longevity, employment, as well as for loss of assets, attachment of liabilities and the various unforeseen costs and expenses that cause financial loss. Thus the expectations on the insurance industry are increasing two dimensionally for wider and deeper coverage in the various concerns and risks that affect citizens and the organisations that form part of the society.

For an insurance product to meet customer requirement, it must make both an economic sense as well as service sense to the customer. Economic sense includes issues such as a reasonable premium load on the consumer, the assurance of contract certainty, and to receiving the expected level of indemnity in case of a covered loss as promised. In the service sphere it includes ease of use, including minimum possible paperwork; easier understand-ability; assurance on timeliness and speed; minimisation of other formalities; and clear and honest advice; and disclosures.

In a rapidly developing economy as wealth grows, aspirations and expectations also move ahead. Aversion for risks, uncertainties and their consequent losses will rise. In this scenario it is essential that the products and services of insurers not only meet but anticipate consumer needs and thus remain relevant and important to consumer satisfaction. For this traditional products of insurers such as the Householder's Policy, Shopkeeper's etc need a constant revamp and scaling up. A house owner invests heavily in a house, and a true indemnity in the absence of depreciation funds will normally be a reinstatement of loss in full; and not a depreciation based indemnity as is usually offered. Similarly underinsurance is a concept that is not easy to understand and taking advantage of this concept to an uncomprehending individual may have its backlash. Many technical subterfuges which were traditionally used to garner premium may get jettisoned in the face of a relentless scrutiny by the Regulator, consumer forums, ombudsmen and others. If insurers redefine insurance and its concepts in many innovative ways, risk mitigation will move in from the margins of the economy to the mainstream; and development and welfare will be accelerated to the benefit of all.

If one were to make a simple survey of a person's life cycle risk needs, many a product need emerges. An unborn child cover begins the saga of lifecycle risks as the probability of possible birth disability is there for the precious baby of today's nuclear family. Health covers are required for mother and child to take care of pregnancy, birth and early babyhood risks. A child's growth phase needs due accident and health covers. Accident insurance will be low on death benefits, but has to be very high in case of permanent disabilities and temporary total disabilities. Disabled children can live long and treatment costs can be repetitive and very high. Thereafter one can proceed to education, which is becoming increasingly expensive. Loss of non-refundable education costs due to prolonged illness or accident is a necessity as also accident liability for school authorities. After education comes employment, and with it the young person acquires income, assets, and the possibility of liabilities due to torts; and many are the losses that can arise therefrom. Even a comprehensive personal cover for those living alone may have relevance.

Young persons begin their family life with a wedding, and this is usually expensive. A costly wedding will be a big risk without a proper insurance, and many such events will take place in families for which necessary event insurances are required. Buying a home or living in a rented home still need home insurance covers including cover for alternative accommodation in case of serious damage to the residence. A family in its full bloom offers insurers a substantial opportunity for protection. Insurance costs for an average family car, health insurance for a family of six including parents, personal accident insurance, and home insurance can generate a premium of Rs. 25,000 to 50,000 per family. If one were to add the opportunities in this still mostly white space of opportunity, many billion rupees of premium are yet to be accounted for.

One of the important emerging areas of coverage requirement is health protection. Health as a concept is coverable both under life and non-life, under annual or long term contracts. New product opportunities are there in the areas of critical illness, loss of employment due to serious short tem illnesses, health premium for combo-products in the employment period for both current needs and the needs of old age protection when the earning stream stops. Medical saving products are another line that is emerging as popular in various countries. Since savings are popular in our country, savings linked long term products probably hold considerable promise in our country.

Protection plans are also needed for professionals, for credit availed from financiers, for mortgages, for legal risks, for travel risks, losses during holiday, while on cruise or partaking in hazardous sports, and so on. One can add on to the lists of such need-based covers. What needs to be understood is that financial products, especially risk products, are definitely coming into the priority buying lists of consumers across the world; and the Indian consumer awaits the necessary offerings from their insurers.

The service sector is growing and the future of business probably lies in contracts, agreements, obligations and commitments which lie between various entities that serve the purpose of organisations, its supply chain partners, and various stake and resource holders. In such an environment, risk exposures not only hold for physical assets, but increasingly for

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In a world of unforeseen risks and disasters, insurance will play the role of providing the necessary resilience through robust insurance products and service.

financial and human assets and more and more in terms of legal and moral liabilities. Thus service sector insurances for loss of intellectual property rights, reputation, for errors and omissions, for loss of capacity to earn, and costs built up but not encashed due to various risks that caused losses are areas that become ever more relevant to organisations and individuals. Earnings and costs will be the twin pillars for future innovations in a service sector dominated society.

Two important segments that have not been included in the mainstream insurance segments are those in the agricultural sector; and people and organisations in the unorganised and poor segments. Considerable advances have been made in micro and agro insurances inputs that give the much needed hope that these segments also will receive the urgent attention they await. The agriculture sector looks to be richer and has more affordable alternatives in the areas of yield, income or weather insurances. Similarly animal insurance needs coverage that takes care of not only loss of capital in the form of animals but also loss of consequent earnings. Similarly, in the case of plantation and horticultural trees the economic loss of the plant may be more important than a minimal indemnification for input costs. The same concept needs to spread across all informal sectors as they tend to fall back below poverty line in case of a major loss.

Social and community insurance is an important part of society's security and the need to reduce social distress and governments' need for reducing fiscally unsustainable disaster funding. Thus motor insurance, liability insurance, health, longevity covers and other such social protection nets must be encouraged by leaders in society. These can be on contribution basis or subsidised or funded by governments. Compulsory insurances are inevitable in many such circumstances, but they get disliked owing to the poor service sense they make and unless reviewed often may not make much economic sense as well.

Resilience is defined as the ability to recover rapidly from illness, change or misfortune. In a world of unforeseen risks and disasters, insurance will play the role of providing the necessary resilience through robust insurance products and service. It is important for insurers to extend the boundaries of insurability by expanding capacity not only through financial capital but also through innovation and capability. Insurance and insurers are often seen as reactive and referring to past experiences to arrive at risk coverage terms and rates. In this milieu, insurers tend to forget that insurance is all about the future. Therefore planning for the future means also planning for financial security based on insurance values.

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Financial Planning for Old Age

Challenges Involved

PROF. R.VAIDYANATHAN WRITES THAT WITH GLOBALIZATION AND MIGRATION OF YOUNGER POPULATION TO OTHER LOCATIONS AND FOREIGN COUNTRIES, THE JOINT FAMILY SYSTEM IS ON THE DECLINE; AND THE CHALLENGE OF CARING FOR THE AGED HAS BECOME GREATER FOR THE SOCIETY AND GOVERNMENT.

The explicit recognition of the 'retirement stage' has given rise to actions by family and community to felicitate the same at sixty /eight years etc .Hence, caring for the aged is by and large taken care by the joint family and community. Caring for the aged is part of the Indian tradition, going back to thousands of years. In the past, rich merchants and other donors used to construct 'Old Age Homes' nearer to pilgrimage centres where the old aged people could spend their time in Godly pursuits. The traditional division of human existence by Hindu scriptures suggests four stages consisting of *Bramacharya* or bachelorhood [period of education], *Grihasta* [married stage], *Vana Prastha* [retirement stage] and *Sanyas* [renunciation of all worldly things]. We observe that around one-eighth of the world's elderly population live in India. Most of them are not covered by a mandated pension system, and have to rely on family based arrangements or their own earnings.

But with globalization and migration of children to other locations and foreign countries, the joint family system is on the decline— at least in the urban areas— and to that extent the challenge of caring for the aged has become greater for the society and government. The traditional and informal methods of old age income security are not able to cope with the trends of increased life span and enhanced medical expenses during old age. Hence there is a very pressing need to re-examine the existing formal and informal systems available to tackle the challenge of the 'Age Quake'.

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Table 1

Percentage distribution of Project Population by Age and Sex (1996 - 2016)

Age Group	1996	2001	2006	2011	2016
60 - 69	4.2	4.3	4.5	5.0	5.5
70 - 79	1.8	2.1	2.3	2.4	2.6
80+	0.8	0.6	0.7	0.8	0.9
Total of 60+	6.8	7.0	7.5	8.2	9.0

Source: Population Projections for India and States 1996-2016, Registrar General, Ministry of Home Affairs, Govt. of India, India Stat.com

> **Traditionally, gold has been a major investment vehicle since it has many favorable characteristics. It is very liquid in the sense anywhere in the country and any point of time, one can sell it or get loan against it from money lenders.**

The total population is expected to rise by 49% between 1991and 2016; and the number of elderly persons (aged 60 and above) is expected to increase to 113.0 million.[See Table-1]. In other words, the share of aged in the total population will rise to nearly 9% by the year 2016 and to 13.3% (179 million) by the year 2026. Males and females in India at age 60 today are expected to live beyond 75 years of age. Thus, on an average, an Indian needs to have adequate resources to support himself or herself for nearly 15 years after retirement.

Savings in Different forms of Financial Assets

We also observe that in the year 2006, around Rs.11.5 lakh crore was our savings which was more than 32 percent of our national income. Out of this the savings by household sector was nearly Rs.8 lakh crore [around 70 percent]. Of this Rs.8 lakh crore, half was saved in financial assets and the other half in physical assets like flats/houses etc.[See Table-2]

The Financial assets were saved in Bank Deposits [24%]; Postal Savings [21%]; Insurance [20%]; Provident funds [15%]; Shares and Bonds [8%] and others like currency etc. Actually the proportion of financial savings in shares and bonds used to be 17% prior to 1992 – that is before Harshad Mehta scam. After 1992 the financial savings are more in Bank deposits and Postal savings.

Other than this, India is also the largest buyer of Gold for Jewellery purposes. Nearly 30 percent of world Gold consumption is by Indian households. For instance, last year around 700 tonnes [at an average price of say Rs.10,000 per ten grams] of purchase by Indians imply an investment of nearly Rs.70,000 crore. [See table-3]. As far as households are concerned, it is considered as investment even though government statistics may treat it as consumption.

Traditionally, gold has been a major investment vehicle since it has many favorable characteristics. It is very liquid in the sense anywhere in the country and any point of time, one can sell it or get loan against it from money lenders. It is divisible –that is even small amounts can be invested unlike say real estate. It is portable unlike real estate and generally not disposed off without the explicit consent of the lady of the house, unlike bonds etc. Actually many males may not know the exact amount of gold held in the household. It is considered as an insurance/pension product for the housewife particularly after the demise of

Table 2

Composition of House Hold Savings 1950 to 2006 (%)

Item	1950-51	1960-61	1970-71	1980-81	1990-91	2000-01	2004-05	2005-06
Gross domestic Savings (GDS) to GDP	8.9	11.6	14.6	18.9	23.1	23.7	31.1	32.4
House hold Savings (HS) to GDS	69	63	70	73	84	89	69	69
Physical Savings (PS) to HS	90	64	70	57	55	51	53	48
Financial Savings to HS (FS) to HS	10	36	30	43	45	49	47	52
Currency to FS	131	32	25	19	13	7	12	12
Net Deposits to FS	-42	2	19	34	22	34	13	24
Shares and Bonds to FS	84	15	7	5	17	4	3	8
Net Claims on Govt. to FS	-136	12	-1	7	15	18	33	21
Life Insurance to FS	32	11	14	10	11	15	21	20
PF and Pensions to FS	31	28	36	25	22	22	18	15
Total FS	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: Economic Survey 2005-06, tab 1.4. pp. S-6 GoI New Delihi & for 2005-06 data - Stt 18, National Accounts Statistics 2007; CSO

Table 3

Gold : Jewellary Demand 2000-2006

Conuntries	2000	2001	2004	2005	2006
India	620	598	517	587	505
Greater China	282	265	259	277	275
Japan	37	38	35	34	33
Indonesia	87	98	84	78	58
Vietnam	21	24	26	27	22
Middle East	448	429	343	365	304
Turkey	148	92	189	195	165
USA	387	389	352	349	309
Italy	92	90	77	71	64
UK	75	82	70	59	50
Total - Including others	3209	3016	2610	2610	2267
Gold price ($/oz)	279.1	271.1	409.2	444.5	603.8

Note: 1 Tonne=32, 151 troy oz of fine gold
Source: World Gold Council - Gold Demand Trends various issues

the husband and that is one reason for the rule that she should not remove her basic ornaments like Mangal Sutra etc while he is alive. That is; if the children are rapacious, she is left with at least these ornaments for her future needs. The most important advantage for Gold is that it can be bequeathed without much difficulty unlike shares or land. In the case of Gold in India, possession is ownership and no other proof is required.

The other type of assets is bonds and shares. The critical difference is the risk underlying these assets. Risk is a measure of uncertainty associated with future benefits of an asset. It is not possible to measure the entire uncertainty but a significant portion can be measured using statistical techniques. For instance if you invest in Government bonds like those issued by RBI the returns will not be high. They may be 7 or 8 percent. But there is no risk or uncertainty associated with the interest/s and principal. This is because of the fact that Government will never renege on its commitments since it can always print more notes. This facility is not available to corporates and individuals like you and me.

Similarly if one invests in fixed deposits of say SBI, then it can also be considered as less risky since SBI is as good as Government of India and it is too big to fail or allowed to fail. But if one invests in say fixed deposits of companies or bonds of companies, then expected return is more but risk is also more. It is important to understand and internalize the axiom that greater the expected return, the greater the risk - that is chance of not getting it. For instance there may be schemes offered by some non-bank companies or firms that will double your money in three years – which imply that you earn above 30 percent per year. Such schemes which offer attractive expected returns also have a very high risk namely chance of not getting interest and even your principle.

Let us be clear that volatility or uncertainty in the share market is a reality. That arises due to hundreds of reasons. It is more due to globalization and impact due to developments in USA or Japan. At old age, one is not comfortable with uncertainty when certain death is nearing oneself. Hence a larger part of funds should be invested in less risky bonds and some percentage in shares. As one gets older say more than seventy then focusing on fixed

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income is better since health related costs also have to be managed. Having a health insurance from the fifties is more important for the self employed since they do not have post-retirement benefits like government employees.

The Government can provide larger tax advantages to people in the age group of fifty compared to younger groups in pension deductions. From the point of view of the pension funds, the younger cohorts are more attractive since the early money is with them for longer period of time. But from the point of view of facilitating the transition from a community and family dependant system to deposits and funds dependant system, it is needed to give a big boost to the savings of persons in the fifty years bracket . For instance, the ministry can think of giving tax exemption up to Rs.5 Lakh for exclusively to pension savings to this group. We feel that a constant deduction across all age groups needs to be re-looked in the context of tectonic changes taking place in the demographic profile and the social system. May be, after a decade this tax structure can be re-worked.

FM can also create a National Fund for the Aged [NFA]—similar to PM's relief fund. This NFA should be used to meet medical expenses of the aged and the needy by tying up with hospitals. A contribution to this fund should provide tax exemption to corporates; and tax exemption and membership to individuals. It is a replica of the successful Yashaswini scheme in Karnataka but covering even the middle class.

Pension funds can be encouraged to take single premium in the form of gold since we are one of the largest savers in gold ornaments in the world and for that suitable monetary tax exemption can be given by the Government. This would put to productive use the stock of gold which is available with the middle class and not much used. All the more so, in the context of girls belonging to younger cohorts not showing as much interest in gold ornaments as it used to be by their grandmas.

Traditionally, reverse mortgages were designed as a product for elderly homeowners, who are 'house-rich' but 'cash-poor', whereby they could liquidate a portion or the whole of their home equity over a period of time to create a regular stream of income.

Another major asset is the house or buildings available with the elderly. The importance of the housing equity is well understood in a country like India. Data provided by the National Sample Survey (59th Round) on Household Assets and Liabilities provide clues to the situation. An analysis of data by MPCE (Household monthly per capita expenditure) class shows that middle class households (urban) hold up to 67% of their wealth in the form of housing equity. In the rural areas, about 63% of the elderly had some property; whereas the corresponding figure for urban areas was 58% .This over investment in housing is against the textbook type of investment in a diversified portfolio. Most households tend to over invest in housing equity because housing is both a durable (investment) as well as consumption good ('shelter needs' that have an outflow of imputed rent).

Traditionally, reverse mortgages were designed as a product for elderly homeowners, who are 'house-rich' but 'cash-poor', whereby they could liquidate a portion or the whole of their home equity over a period of time to create a regular stream of income.

Hence the Finance Minister in his budget should give a huge boost to reverse mortgage by completely exempting the income stream from taxation and also ironing out other legal issues in the Indian context. If some enterprising Pension Funds want to use Gold for reverse mortgage then that should also be treated similarly.

Ageing is a normal process since it happens biologically; but graciously aging and dignified living in old age is more difficult in the context of decline in joint family. The choice is that of the aged but it should be facilitated by the Government.

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Role of iLIV in Personal Financial Planning

Relevance to India

SRINIVASAN VARADHARAJAN AND SHRINIVAS SUSARLA OPINE THAT LIFE INSURANCE IS UNIQUE IN THE SENSE THAT IT IS THE ONLY FORM OF SAVINGS THAT CAN PROVIDE A RISK COVERAGE ALSO, A FEATURE THAT CANNOT BE MATCHED BY ANY OTHER FORM OF SAVINGS.

Personal financial planning is one of the most important aspects of personal finance. Ideal personal financial planning has five stages:

- **Goal setting**: An individual for planning his future has to decide on the desired lifestyle he wishes to lead in the future. That has to be done in reference to his present lifestyle and hence his current level of affordability. He has to set up long term as well as short term goals. Long term goals should consider the desired post-retirement life style.
- **Assessment**: After setting the goals an individual has to assess his current financial condition. The financial condition of an individual can be gauged by formulating balance sheets and income statements. The personal balance sheet calculates the assets on the one hand and liabilities on the other. Assets include car, house, stocks, and bank account. Personal liabilities include credit card debt, bank loan, mortgage etc. Information regarding personal income and expenses is listed under the personal cash flow statement.
- **Constructing a plan**: After assessment, appropriate strategies should be formulated in order to fulfill the goals. This could be achieved by curtailing unnecessary expenditure or by expanding the income level by investing in stocks, real estate or other interest earning assets.
- **Execution:** For proper implementation of the financial plans, individuals lack patience and perseverance; and hence seek professional help from financial planners, investment advisors and lawyers.
- **Monitoring and reassessment**: The personal financial plan should be monitored from time to time for reevaluation.

Such planning helps us to understand whether our daily financial decisions have any impact on financial planning goals. If they are affecting any short or long-term goal then we can revise our decisions.

Financial products available for Personal Financial Planning

There are several savings and investment vehicles used for financial planning. In India, apart from purchasing various life insurance products; bank deposits, mutual fund accounts, post office deposits, Government bonds, direct investment in stock markets both through the IPO and secondary markets route, real estate purchases etc are used. In most cases, the selection of any vehicle depends largely on the person who provides advise (broker / agent / financial advisor) and quite often more biased, depending on the benefit the adviser is getting out of such recommendation, rather than the need and risk tolerance mindset of the client.

For proper implementation of the financial plans, individuals lack patience and perseverance; and hence seek professional help from financial planners, investment advisors and lawyers.

Inhibiting factors for Insurance in Financial Planning

- Insurance has to compete with other financial planning products for its share of investment. Out of the total amount available to savings, an individual has to allocate among various financial products as mentioned in the previous paragraph.
- Life insurance being intangible and the availability of other options which are more easily understood by the layman makes it difficult for the insurers to sell life insurance.
- It is true that income-tax sops are offered for life insurance and pension purchases, but they are also offered for other financial products such as national savings certificates, PF deposits, and infrastructure bonds making life insurance on par with them. Hence a person may obtain the maximum level of deductions from taxable income without purchasing life insurance at all.
- Besides, the amount of savings is also determined by non-essential purchases. The more attractive they are, the less is the money left for savings after spending on those non-essential items. In that context "nice-to-have" purchases can also be deemed to be competition to life insurance, albeit in an indirect manner.

Drivers for Insurance in Financial Planning

In spite of the inhibiting factors mentioned in the above paragraph, life insurance has been playing a major role in personal financial planning in the Indian context. The factors which cause insurance to be chosen over other available financial planning options are highlighted below:

Socio-economic factors

- **Savings**: The need for savings is also at times a factor in purchasing insurance. In fact, the savings element offered in branded insurance products is often a successful selling proposition. Insurance products offering both risk management and savings features are more attractive than pure insurance products to the majority of customers. In India, various forms of Endowment Assurance are the most popular ones among the life insurance products. More than 80% of the life insurance business is from these products.

A person's economic worth depends upon a number of factors including current earnings, projected rate of growth of earnings throughout working life, future working lifetime, amount of taxes which will be incurred and a reasonable discount rate.

- **Risk tolerance**: In general, Indian community is very conservative and does not have appetite to take huge risks. This factor increases the opportunity for the buying insurance products where the returns are more guaranteed than non-insurance products of similar nature.
- **Obligation to distribution channel**: Life Insurance is often force-sold. The agent often approaches the prospects well known to him and leverages his influence with them towards insurance sales. Also many institutions while lending credit pressurize to insurance policy collateral.
- **Predilection for insurance**: At times, people have a bias towards insurance over other financial planning options like National Savings Certificates, Provident Fund due to perceived hassles attached with them. This is often caused by own experiences; hear say and various media information.
- **India specific factors**: Factors unique to India like lack of a strong social security net, lack of sophisticated state provided health care etc. makes a individual purchase of insurance almost a necessity in India for a safe and health living
- Insurance products are highly regulated than non-insurance products such as mutual funds, direct equities, etc.
- **Tax incentives**: Tax rebates on insurance premiums are a known strong factor in influencing purchases.
- **Risk spread**: Customers wishing to spread their investment risks choose insurance as one among the devices to park their savings.

Risk & Liability management: Valuing the risks

Human Life Value: For arriving at the necessary levels of insurance to be purchased, the human life value concept is used by insurance companies and distribution channels. The Human Life Value (HLV) approach offers a shift from focusing on needs, to value replacement. Under this approach, the total contributions a wage earner makes to his or her household over the course of a lifetime is calculated.

A person's economic worth depends upon a number of factors including current earnings, projected rate of growth of earnings throughout working life, future working lifetime, amount of taxes which will be incurred and a reasonable discount rate. From this, the amount needed for self-maintenance over the life time is deducted. From the arrived amount, any existing insurance, savings and present value of any other assets are deducted to get the HLV to be insured.

The authors contend that in the Indian

scenario, the HLV is grossly undervalued and hence any individual who has insurance equal to HLV is actually under insured. In the Indian culture an average individual has to fund even the professional education expenses of his/her children. Also marriage expenses are a huge lump sum outgo which is to be borne by the individual parent. Also even in the prevalent nuclear family system, aged parents are still supported by the grown-up children which is not widely seen in the developed western societies. The absence of a state sponsored social security benefit system forces an individual to lean on his children when he outlives his savings in the retirement years. And as one ages his/her medical expenses grow which is also to be funded by the progeny.

From Human Life Value to iLIV (Ideal Life Insurance Value)

Hence specific to the Indian context, we introduce a concept called iLIV (ideal Life Insurance value). iLIV is Human Life Value calculated as described in the previous section plus quantification of an individual's social obligations.

From a financial planning point of view general insurance needs should also be seen as a risk management planning. If we add quantified financial obligations towards general insurance needs like property, liability, health and disability insurance to HLV, we arrive at iLIV (ideal Insurance Value). As we wish to restrict the scope to iLIV, this is not gone into in detail here.

iLIV does not stop with calculating the net economic worth of the individual which the HLV does. iLIV recognizes that in the Indian society the contribution of an individual goes much beyond the netted value in time based only on earnings, taxes, self-maintenance and assets. iLIV takes into account the social obligations which are widely prevalent in the Indian society. In India partly due to tradition (Joint family system & Arranged marriages) and partly due to lack of state support towards the unemployable and the sick (No Social Security & Medicare), the head of the household tends his children well into adulthood and marriage. He also has to provide for his parents in old age.

In an example below we try to portray the impact of social obligations an individual has, to show that they are not trivial.

The absence of a state sponsored social security benefit system forces an individual to lean on his children when he outlives his savings in the retirement years. And as one ages his/ her medical expenses grow which is also to be funded by the progeny.

Example:

Let us consider an individual aged 25.
Present Age = 25 (t)
Annual Income = 5 lakhs

Period	Lump sum Need	Present spending	Need Value at the period
(t + 16)	Child School Education	1 lakhs	5.16 lakhs
(t + 20)	College Education	2 lakhs	15.55 lakhs
(t + 23)	Professional Education	4 lakhs	42.31 lakhs
(t + 25)	Marriage Expenses	3 lakhs	38.96 lakhs
(t)	Extended Family Support	0.5 lakhs	0.5 lakhs

Accumulations already present:

(t) Fixed deposits (1) lakhs

Assumptions

- Impact of Demand Supply curve on the expenses is not taken into consideration. Only an interest factor of 10 % impacted by an 8% inflation rate is considered.
- One child family is assumed.

After calculating HLV, if the above mentioned social obligation amounts are considered, we will arrive at the iLIV.

This iLIV should be the basis for the financial planning needs of the individual. As we see from the above example, the infrequent lump sum needs are significant and hence should be planned for.

Insurance in India

The average Indian now spends 5.4 times as much on life insurance as what he/she did seven years ago when the industry was yet to be opened up for private participation. Life insurance share in household financial savings improved to 14.6% in 2006-07 from 11.2% in 1999-2000. The life insurance premium contributions per capita have jumped from Rs 280 in 1999-2000 (pre-liberalization) to Rs.1,510 in 2006-07.

Financial Assets (Gross)	FY 00	FY 07
No. of Players	1	16
NB Premium (Rs. Cr)	8,299	75,400
NB Policies (No. Cr)	1.69	3.82
Total Premium (Rs. Cr)	26,250	153,000
Penetration as % of GDP	1.2%	4.1%
Insurance Premium per capita (Rs.)	280	1,510
Capital deployed (Rs. Cr)	5	9,485

Source: Life Insurance Council

With the largest number of life insurance policies in force in the world, India's insurance sector accounted for 4.1 per cent of GDP in 2006-07, up from 1.2 per cent in 1999-2000, far ahead of China where insurance accounts for just 1.7 per cent of the GDP and even the US where insurance penetration stands at 4 per cent of the GDP.

The life insurance premium contributions per capita have jumped from a little over US$ 7 in 1999-2000 (pre-liberalization) to US$ 38.5 in 2006-07. Life insurance penetration in India - which was less than 1 per cent till 1990-91 - increased to 2.53 per cent in 2005, and to more than 3 per cent in 2006-07. While the impetus for growth has come from both public and private insurers, the number of players in this segment has also increased with Life Insurance Corporation (LIC) being the dominant player. It may be heartening to note that GDP emanating from 'insurance' which constituted 12 per cent of total GDP (current prices) in 2000-01, the year in which this sector was opened up for private participation; increased to 19.3 per cent in 2004-05.

Insurance (as computed by iLIV) vis-à-vis other financial planning components

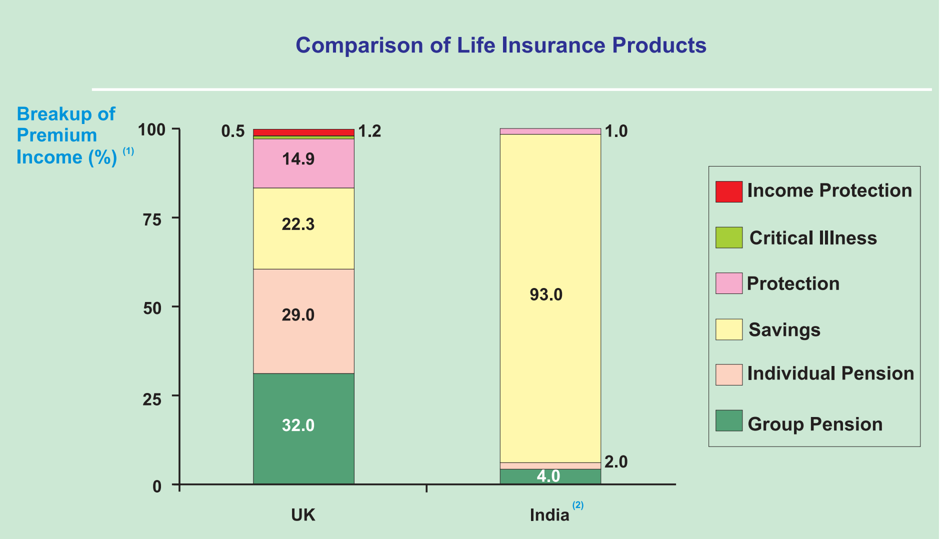
We aver that using insurance purchases is an economical and better option than other tools of financial planning which offer only savings features. Only insurance based products offer both risk management and savings features. In the above mentioned example an individual has to make an investment of INR 7 lakhs towards future marriage and professional education expenses needs of his child. This amount is huge and insurance is a better option than any savings to plan for this need as in case of early death, the lump sum amount would be provided only by insurance.

Life insurance penetration in India - which was less than 1 per cent till 1990-91 - increased to 2.53 per cent in 2005, and to more than 3 per cent in 2006-07.

Advantage insurance has from a financial planning perspective

Consider a policy where the sum assured is paid either as survival benefit/death benefit only at the end of the term. This means that even in the event of early death of the insured, the sum assured will be paid at the end of the term (can be timed to lump sum need) without any further payment of premiums. Such a policy is indeed available with one of the Indian insurers. Clearly this feature of insurance cannot be matched by any other form of deposits where it is required that savings be built up continuously to achieve the desired amount.

It seems that the Indian population is also of the same opinion that insurance product with savings options are a better bet. Ernst &Young statistics show that savings based insurance products form the majority of the sales in India. It is compared against the UK sales data as shown below:



The current demographics show that the age of the parent when the birth of first child in a family occurs, is increasing over time. This puts a stress on the resource ramp up towards lump sum needs for social obligations as the accumulation gradient becomes steeper.

Conclusion

While nuclear families are becoming the norm in India, the tendency to postpone child birth in the family is more pronounced. This has a huge impact on financial planning both in a positive and negative manner. Having two earning family members increases the size of the amount available for savings. But the fact that the family has gone nuclear increases the need to make essential purchases like home, home needs etc., which would have been shared investments in a joint family system. A nuclear family also accentuates the need for financial planning as there is no fall back option offered by the society.

The above depiction shows the staggered time frame of the income-generation, responsibilities management and dependency period timelines. Financial planning will be apt only when this staggered division is taken into consideration. As we see when sometimes social/financial obligations continue even after retirement, the choice of components for financial planning become very vital.

Also, the current demographics show that the age of the parent when the birth of first child in a family occurs, is increasing over time. This puts a stress on the resource ramp up towards lump sum needs for social obligations as the accumulation gradient becomes steeper.

Each individual has a unique level of risk tolerance when it comes to financial planning. Life insurance offers a bouquet of products not only to suit every individual need but also to support the changing risk tolerance levels over one's lifetime. For example, when one is young and has high risk tolerance levels due to lesser obligations, he/she can go for unit linked products. As one attains middle age and assumes ever increasing responsibilities with well defined periodic outgo such as education expenses, money back policies and endowment products with loan facilities on cash value could be purchased. As mentioned before, endowment products with benefits payable only on a specific date are excellent financial planning methods to counter specific huge future expenses. Limited payment term whole life products ensure one's insurance need over entire life is met during the earning period of the individual. Pension and annuity products are available to take care of post-retirement financial needs. However there is lot of scope for the insurers to bring new product innovations in India, to cater to the changing attitudes of the individual.

We conclude that given the uncertainty mortality brings in to personal financial planning, insurance is an essential tool to provide for the future. We also wish to point out that life insurance using traditional Human Life Value calculations may not be apt for Indian society. Enhanced HLV or iLIV should be used for precise matching of needs over time as it is more relevant for personal financial planning in the Indian scenario.

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Acknowledgement

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Need for **Professional Advice**

Insurance & Personal Financial Planning

BHARAT S. **WRITES THAT THERE IS NEED FOR EVERYONE TO MAKE A CLEAR ASSESSMENT OF ONE'S REQUIREMENTS AND PLAN THE INSURANCE PORTFOLIO ACCORDINGLY.**

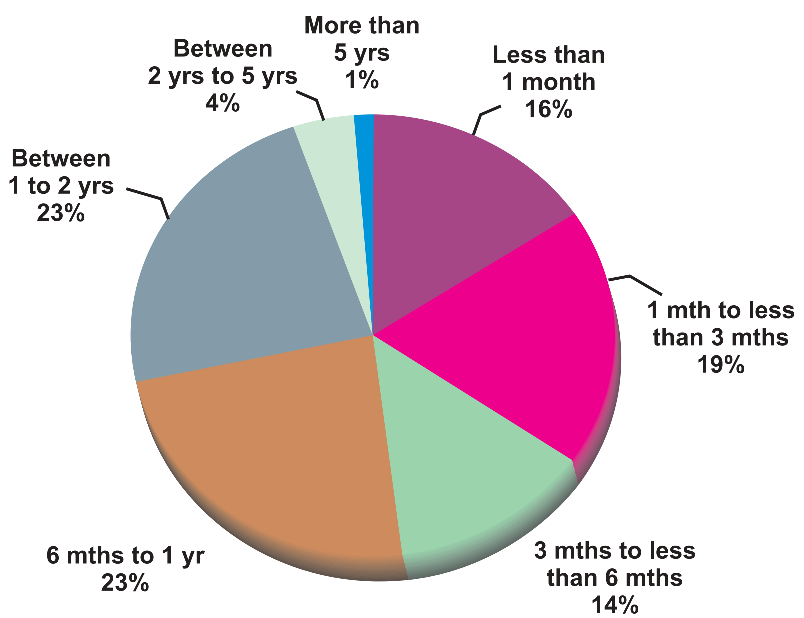
Though often neglected, insurance forms an important pillar of any sound financial plan. The perils of modern lifestyle, a northward bound cost-of-living index, medical exigencies that extract heavy financial toll, all add up to underscore the importance of financial protection for the modern family unit. Oftentimes, we are simply not aware of the financial requirements that arise out of an unfortunate event like the death of the bread-earner or an expensive medical treatment including hospitalisation. Findings reveal that respondents grossly underestimate the requirements that may arise and hence are lulled into a false sense of financial security. Financial planning priorities are often skewed towards *returns* than *security* – the need for insurance not felt - which is why we have the adage: *insurance is not bought but sold.* However, the average Indian family is severely unprotected in the face of crisis.

Nearly half of the respondents felt that in the event of their main income getting eliminated, they would not be able to sustain their current standard of living beyond six months. Only 5 % of the respondents felt that they could sustain beyond two years under similar circumstances.

Source: *Life Matters Index 2006 (This is a survey done by Tata AIG Life on generic insurance awareness and the penetration of insurance in India).*

Horses for courses: Personal financial planning isn't complete until one assesses and addresses his insurance needs.

Respondents to the Life Matters Index



Findings reveal that respondents grossly underestimate the requirements that may arise and hence are lulled into a false sense of financial security.

There are various methods like Human Life Value or need based approach through which the advisor can suggest you the amount of cover you need. The product available in the market can also be customized as per the need of the individual.

Any plan which does not identify the contingencies that may arise and hedges against them could turn woefully inadequate in the future. The first step, then, in planning for personal finance is to identify the important areas of risk exposure. Some exposures are generic – they apply to all of us - and some are more imminent for particular individuals, families, professions or economic situations. An analysis of your financial goals, your current income levels and sources as also these risks by a professional financial planner is the ideal way to draw up your insurance plan. Such a plan will complement your overarching financial plan and ensure minimal overlap of different investment instruments for the same financial objective. It is very important to have a detailed discussion with your insurance/professional financial advisor to stitch your insurance solutions to your needs.

There are many forms of insurance and, unfortunately there isn't a one-size-fits-all plan. Different types of insurance protect you and your loved ones in different ways - against the cost implications of accident, illness, disability, death and other unforeseen circumstances. Life insurance, for example, is a virtual necessity if you have a spouse and children. Disability or accident insurance, which provides income if you are unable to work, is important for everyone. There are specific-need based insurance solutions too. For example, anyone who owns a car should have auto liability insurance. Collision, fire, and theft coverage can provide financial protection when you have a sizeable investment in valuables. Homeowner's insurance should provide coverage of the cost of replacing your home, should any unforeseen tragedy strike.

Sustenance Needs: Fundamentally, insurance can both protect you by providing for a contingent or emergency need and also provide sustenance for maintaining a certain standard of living into the future. An example of the latter is life insurance, payable when in the event of one's death, can provide the surviving spouse, children, and other dependents with the funds necessary to maintain their standard of living, can help repay debt, and can fund education costs of children and regular expenses of the spouse. But the amount one needs depends on his or her situation and the best way to do a need analysis is through a professional advisor. There are various methods like Human Life Value or need based approach through which the advisor can suggest you the amount of cover you need. The product available in the market can also be customized as per the need of the individual. The insurer tries to make the product flexible enough to be able to satisfy the different life goals. In case of investment linked insurance product the individual should make use of asset allocation.

Medical Needs: The awareness and consequent levels of medical insurance cover in India is woefully inadequate. Most people enjoy medical insurance as an employee benefit, often with their employers paying whole or part of the premiums. A change of employment, retirement, etc. remove that cover and the post retirement years become the riskiest given the increased probability of ailments and the absence of cover. Findings point out the people are generally unaware of the scale of costs incurred for hospitalisation and medical treatment for critical illnesses and many think they are actually aware when they are not. There have been many innovations on this front with insurance providing you additional cover, specialised cover for high risk groups and 'complementary cover' which takes care of the additional expenses like travel and stay when treatment is out of station.

Accident and dismemberment needs: The third area of accident involving accident policy helps to ensure replacing a portion of your lost income, when you are unable to work for an extended period. Some, but certainly not all, employers cover their employees with some form of company-paid accident insurance. Typically, such coverage is only partial and/or short-term in nature. Every individual needs to augment this coverage so that he is adequately covered to spend money for his treatment also. Thus, many people seek to purchase an individual accident insurance policy.

Insurance Market – Present and Future

- Whilst a lot of life insurance was sold as tax savings and investment, liberalisation and competition has brought sharper focus on insurance as a protection for future income.
- We get to observe an industry trend of advisors moving into professional domains like AFP,CFP as also licensing themselves for both mutual funds and life insurance - so that they are able to meet clients short term and long term needs in a holistic way.
- Heightened education levels and consumer awareness on financial planning is also driving life insurance sales people towards a solution based approach to meeting client needs as opposed to a plain product push.
- The rapid movement of life insurance sales towards Unit Linked products has also aided greater need to adopt a financial planning approach - fact finding as a mandatory requirement for Unit Linked sales as well as customer signature on the SIS means that advisors have a more engaged financial planning approach to life insurance sales.
- More developed markets often see customers being charged for financial planning - customers are willing to pay since they derive significant benefit from a professional approach to planning their future.

Summing up

- It is risky to underestimate the role of insurance in personal financial planning.
- However, your insurance requirement will always be specific to your needs and financial goals; and it is better to seek professional advice before choosing insurance solutions.
- Insurers are responding to market needs and there is a wider range of solutions available for every need base.
- New products are being designed with flexible options to enable people to customise it to their needs.
- With geographic expansion, smaller cities and towns now have access to a wider choice of insurers and their products.

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The **Role of Life Insurance** in PFP

Can't Do Without

BHARGAV DASGUPTA **AVERS THAT PERSONAL FINANCIAL PLANNING (PFP) IS NOT A ONE-TIME EXERCISE BUT IS A DYNAMIC IMPERATIVE THAT NEEDS FREQUENT REVIEW AND REVISION, WHEREVER AND WHENEVER NECESSARY.**

Terms such as personal finance and financial planning are now more prevalent in the vocabulary of the comman man, than they were a few years ago. And rightly so. The Indian growth story along with that of the young population with high income are some of the key reasons of this growing trend. The market has also reacted by providing a range of financial planning tools and the retail investor is being communicated the same.

Personal financial planning can be considered as a process where an individual or a family decides to develop and implement an integrated plan to accomplish their financial goals. The process of financial planning, as you may know, involves setting your life goals, examining your current financial status and coming up with a strategy to meet your goals effectively, given your current and projected requirements. It is a dynamic process that requires regular monitoring and re-evaluation. The first step, which is to define your goals, is crucial, since it would determine the way forward. More often than not, financial goals tend to include buying a house, sending children abroad for higher education, leading a comfortable retired life, going on a world tour, etc. Here is how life insurance helps you meet these financial needs.

While planning your finances, you are thinking about the plethora of investment options available in the market that may help achieve those goals. But, consider a situation where the bread winner who is supposed to fulfill these goals for his family meets with an unforeseen event. That is where insurance will serve as the foundation of a good and sound financial plan. The core benefit of life insurance is that the financial interests of one's family remain protected from circumstances such as loss of income due to critical illness or death of the policyholder. Essentially, it safeguards your financial goals even in your absence.

Having said that, life insurance has evolved from being a loss protection tool to a wealth creation tool. The entry of private companies in the life insurance sector saw significant innovations that redefined the way life insurance was perceived by the common man. One such innovation was the launch of unit linked insurance plans or ULIPs as they are popularly known. ULIPs were designed to enable customers meet both their investment and insurance needs at one go, vis-à-vis the traditional insurance plans that were primarily for protection.

The basic difference between ULIPs and traditional insurance plans is that while traditional plans invest mostly in bonds and government securities, ULIPs' mandate is to invest a major portion of their corpus in stocks. Individuals need to understand and digest this fact well before they decide to buy a ULIP. Also, ULIPs by design are long-term products that encourage disciplined savings towards specific financial goals. The policyholder has the benefit of both the sum assured and fund value, so that he/she receives at least one, whenever required. Another feature that makes the ULIPs unique is that it automatically helps the policyholder enter into a systematic investment process and have a life cover.

The core benefit of life insurance is that the financial interests of one's family remain protected from circumstances such as loss of income due to critical illness or death of the policyholder.

ULIPs by design are long-term products that encourage disciplined savings towards specific financial goals like retirement, child's education or marriage and wealth creation.

Investments in ULIPs should be in tune with the individual's risk appetite. Individuals who have a propensity to take risks could consider buying ULIPs with a higher equity component. Also, ULIP investments should fit into an individual's financial portfolio. If for example, the individual has already invested in tax saving funds while conducting his tax planning exercise, and his financial portfolio or his risk appetite doesn't 'permit' him to invest in ULIPs; then what he may need is a term plan and not unit linked insurance.

Today, ULIPs constitute the largest share of insurance policies sold and this can be attributed to the boom witnessed by the Indian economy, the bullish phase of the stock market and the marketing efforts of life insurance companies. This has ensured that life insurance is now being perceived as a wealth creation instrument apart from being an exclusive protection tool.

ULIPs by design are long-term products that encourage disciplined savings towards specific financial goals like retirement, child's education or marriage and wealth creation. Life insurance is the only investment option that offers specific products tailor made for different life stages. It thus ensures that the benefits offered to the customer reflect the needs of the customer at that particular life stage, and hence ensures that the financial goals of that life stage are met.

Also, fund managers who manage the ULIPs have a long term investment horizon. This allows them to maximize the returns on the investors' money. The long-term commitment from retail investors works for fund managers too, as they are better poised to take long-term calls on the invested funds and deliver higher returns. As a long term investment tool, another unique feature of ULIPs is the switch feature. This enables policyholders to switch between equity and debt and back to equity any number of times at zero or nominal cost, depending on their life stage or risk appetite.

To help customers understand the various complexities of the unit-linked product the life insurance regulatory body, IRDA, has laid out very strict ULIP guidelines. To begin with, ULIPs are sold by advisors who undergo special product training in addition to the basic mandatory training. This is to empower them with knowledge to give consumers specific financial advise, based on various parameters including lifestage, risk appetite etc.

Customers are also provided with product brochures that give them comprehensive information on the product, including their benefits, term and much more. Policy documents, benefit illustrations and key features document that highlight the risk of investing in ULIPs are given to customers as part of their welcome kit. Advisors offer a customized benefit illustration to the customer outlining all charges, fund values and disclaimers regarding the ULIPs. Above all, there is a free look period in ULIPs, wherein the customer has the option of returning the policy within 15 days if they are not happy with the product – a feature that is not available in any other financial product. All these features put together, make this product one of the most transparent financial products available today.

Finally, buying a ULIP is quite different from buying a traditional insurance product and investors must be aware of this. All financial products have a certain amount of risk and charges; and ULIPs also come at a cost, though the charges are considerably lower than that of a traditional product. In fact, because the customer knows the charges and risks involved, the product is fairly transparent. Also, one must know that it is one's right and responsibility to ask a company for printed benefit illustration and brochures on the product. On their behalf, consumers must take some time to read, understand and question the documents they receive on ULIPs so that they can reap maximum benefits.

In this way, life insurance provides dual benefit of investment and protection, making it a must have in an individual's investment portfolio.

The author is Executive Director, ICICI Prudential Life Insurance Co. Ltd.

Importance of **Health Insurance**

Essential Component in Personal Finance

'KEEPING MEDICAL INSURANCE AS AN ESSENTIAL COMPONENT OF ONE'S PORTFOLIO WOULD POSSIBLY OBVIATE THE NEED FOR HOLDING EXCESSIVE LIQUIDITY OR ENCASHABLE INVESTMENTS TO MEET HEALTH EVENTUALITIES' EMPHASIZES DR. SOMIL NAGPAL.

In a country where out-of-pocket expenditure by households is very high in comparison to other countries, and accounts for about 70% of all health expenditure in the country[1,2], the importance of individuals planning for their own health expenditure needs cannot be over-emphasized. In addition to the frequent episodes (involving relatively smaller expenditure) on minor ailments, there is also the added element of unpredictable major illnesses which may require substantial amounts of money at a short notice. Such illnesses are, in fact, estimated to be impoverishing 2.2% of India's population every year[3,4]. Illness, thus, has the potential for catastrophic effects on the finances of individuals and their families, and hence the importance of planning for health needs in the personal finances of individuals.

> With increasing awareness of this protective role of health insurance, and with renewed focus on marketing of health insurance products on the part of insurers in the detarrifed regime, the health insurance portfolio is now the fastest growing market segment for the non-life insurance industry.

Health insurance products available in the Indian market have been dominated by hospitalization products, which protect individuals from the high expenditure only in the event of hospitalization. Such products do take care of most such events of major illnesses requiring substantial amounts of money. With ever-increasing costs of healthcare, newer and more expensive health technology and also the costs of newer generations of pharmaceuticals, bearing the financial dent of a major health episode is becoming increasingly difficult for the uninsured, even the relatively well-off, and thus, health insurance is not only important for financial access to healthcare but also for wealth preservation. With increasing awareness of this protective role of health insurance, and with renewed focus on marketing of health insurance products on the part of insurers in the detarrifed regime, the health insurance portfolio is now the fastest growing market segment for the non-life insurance industry. There is, however, tremendous potential, as even today, less than 3% of the country's population has availed the protection of a commercial health insurance product.

Increasing visibility and focus on health insurance has also led to innovations in product design and delivery. The 'cashless' system of providing hospitalization cover has immense value in terms of personal finances, as it obviates the need to arrange a large amount of money for payment to the hospital, even if it were to be reimbursed or indemnified later by the insurer. The security provided by the cashless hospitalization cover, thus, also

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> **The cost of unexpected medical treatment during an overseas visit can be very high and could indeed be beyond the means of the overseas traveler.**

minimizes the need to keep surplus liquidity or encashable investments to meet health eventualities. There are also products presently available that cover specific illnesses, provide coverage for pre-existing diseases, cover incidental costs of hospitalization (like that of an attendant - through 'hospital cash' products), offer higher sum insured options, cover dental treatment, cover OPD treatment in a limited way and other such combinations of products, to meet the specific needs of various segments of the population.

In addition to these health insurance products, even Personal Accident products have an important role for accidental injuries, wherein they cover medical costs, and even compensate for loss of wages during temporary disablement, depending on the plan opted. As these products also cover accidental death and disablement, and are also priced attractively; they are also a useful adjunct to one's wealth preservation toolkit.

Another product for health needs, is what is known as a Medical Savings Account (MSA) or a Healthcare Savings Account. MSAs are not a new concept amongst international health financing models and in fact, for over two decades in Singapore, and for over a decade in China, Medical Savings Accounts have found wide acceptance, and these are also operational in South Africa, US and many other countries[5]. India, too, has had a little known form of its own MSA-type model in health insurance, which has been marketed by the public sector insurers as 'Bhavishya Arogya'. Such Medical Savings Accounts are characterized by the existence of an individual (or family) account in which health insurance contributions are deposited, and out of which health-related expenditures are incurred by the individual (or family) concerned. A characteristic feature of these accounts is that funds which have not been utilized by the beneficiary can accumulate in his/her account and can be used later (e.g. in older ages), and do not lapse. In practice, MSAs can meet costs of frequent, low-cost episodes of illnesses (like outpatient consultations, diagnostics and medicines, or low-cost hospitalization) and are usually combined with the protection of a high-deductible or catastrophic health insurance, which protects MSA beneficiaries from major illnesses which could be beyond what their MSAs could protect them from, or could wipe out their savings in their MSAs. The presently available Indian model, Bhavishya Arogya, is also a hospitalization product, but can be effectively used in younger ages to build up health protection for older age. It is also likely that we see more savings-related products offering more innovations and options, in the days to come.

Another variant of health insurance is the top-up or add-on covers for individuals (and families) already covered for certain risks by employers. Thus, such individuals need only buy such add-on or top-up covers which provide them coverage beyond what is available to them through employers, rather than more comprehensive products. These would be more cost-effective and will not duplicate the coverage already available through employers. These could also have the option for enhancing coverage as and when employers' coverage changes or ceases.

Yet another option available for protection against health contingencies is the Overseas Medical Insurance plans, which are sometimes packaged as Overseas Travel plans by including other components like loss of baggage. The cost of unexpected medical treatment during an overseas visit can be very high and could indeed be beyond the means of the overseas traveler. Just to illustrate the difference in costs, an Ultrasound investigation which costs Rs.300 to Rs.1000 in India, could cost a similar amount in dollars (i.e. around forty times), in many western countries. Overseas Medical Insurance provides cover for such unforeseen health related contingencies and protects the insured person from high costs of medical attention when traveling outside India. Indeed, some countries insist on having a valid medical insurance as part of the visa documentation. Although the sum insured is high by Indian standards (like USD 50,000 in many products), it is in line with the expected high costs in foreign travel, but as the probability is low and the duration of cover is short (often in days or weeks), it does not cost a fortune to buy and should form an integral part of the overseas traveller's portfolio.

Health Insurance, thus, is a need which cannot be overlooked. However, with increasing choices available in the market, the decision is no longer whether to buy health insurance, but also as to which product and which variant to buy, and with which benefit package. And as the market grows and the choice improves; it is also likely that products which are a better 'fit' with the personal finance needs of more people are available, which will help further growth of the market.

The author is Special Officer - Health Insurance, IRDA. This article is contributed in his personal capacity and views provided herein do not reflect those of any organizations to which he is currently or previously affiliated.

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Meeting **Healthcare Objectives**

A National Priority

GNANASUNDARAM KRISHNAMURTHY AVERS THAT IN ORDER TO MAKE THE HEALTH INSURANCE PLANS MORE POPULAR AND SOUGHT-AFTER BY THE PEOPLE, THERE IS NEED FOR BETTER TRANSPARENCY IN THE POLICY CONDITIONS.

The highest possible level of healthcare to the people, envisaged by the World Health Organisation, has triggered off positive responses in the countries across the world and India is no exception. The National Health Policy, formulated in 1983, envisaged health for all by 2000 A.D. When the policy was reviewed in the year 2002, the goal post was shifted to 2010 in certain areas, considering the mammoth efforts needed to achieve the said objective. Despite the steps taken by the Central and State governments to build public healthcare infrastructure, dependence on other alternatives has always been stressed upon by the researchers.

Not long ago, the Hon. Union Health Minister had referred to the concern expressed by the Hon. Prime Minister, over the growing healthcare costs and said that a public-private model is being worked out for universal health insurance to involve private players also in the task.

When the area of concern is clear and shared by the Government, one would expect that the health insurance schemes of the insurers, those of the PSUs in particular; fall in line with the thinking of the World Health Organisation and the National Health Policy. The Mediclaim policy of the PSUs, the mother of all health insurance policies, introduced in 1986, had a contextual relevance in this connection.

Admittedly, the Mediclaim policy was viewed not merely as a business proposition for the PSU insurers but as a social measure to supplement the efforts of the Government to realize the objective of the National Health Policy. The purpose of such a step should, therefore, be to confer the benefits of health insurance, as best as possible, on the people who direly need it, as long as it does not cross the basic principle of insurance or transgress the laws of the land. It is to the credit of the judiciary, quasi judicial and statutory authorities to have upheld this purpose whenever the insurers were found to have strayed away from it. Legal position apart, the products of health insurance also should fall in line with the objective, lest the very purpose of such a measure of social relevance gets defeated.

In a matter of national concern, the sector of business matters little. Nearer home, the stipulation of IRDA in regard to spreading of message of insurance to the rural areas to both the public sector players and private insurance companies is an example of involving private sector in matters of national objectives. Similarly, the products of health insurance also cannot be allowed to vary from insurer to insurer, in areas of national interests and require to be vetted by the Regulator before and after launch.

When the area of concern is clear and shared by the Government, one would expect that the health insurance schemes of the insurers, those of the PSUs in particular; fall in line with the thinking of the World Health Organisation and the National Health Policy.

Surprisingly, what served as a model for the private insurers, appears to have lost its status when the Mediclaim policy was brought out in its new avatars by the public sector insurers recently, copying the private sector products in some aspects. Moreover, matters that had gone in favour of the insureds after judicial scrutiny, instead of getting honoured by product incorporation; had been subjected to derecognition in the revised and new products of the insurers.

The WHO's millennium declaration's expectation of fewer women dying in childbirth and more children surviving in the early years of life, does not get supported by the health insurance policies of some insurers, which exclude from cover, caesarian sections, abortion, miscarriage and extra uterine pregnancy. In particular, the reversal of the thinking of some public sector insurers, to exclude abortion and miscarriage in their revised Mediclaim policy, which were allowed by them earlier, exposes their female unfriendly approach. Any issues of moral hazard or unethical professional conduct of the medicos would require to be tackled differently and not by exclusion altogether of such risks peculiar to the weaker section. In fact, health insurance policies of some of the foreign companies do cover ectopic pregnancy, hydatidiform mole, post partum hemorrhage and miscarriage.

The policy pronouncement of the Government, espousing the cause of the Indian medical systems and homeopathy, in the National Health Policy, as a means to provide healthcare to a larger section of the society, does not get whole heartedly reflected in the health insurance policies of the insurers. While the old Mediclaim policy excluded naturopathy only, the policies of some of the insurers altogether exclude Ayurvedic, Homeopathic and or any other form of local medication in addition to naturopathy and recognize only allopathic treatment for purposes of health insurance. In others, the reimbursement for Ayurveda etc. is limited to twenty five percent of the sum insured and treatment is restricted to Govt. hospitals only, unmindful of lack of adequate public health infrastructure in these areas of medical practices. As a sizable chunk of population depends upon these alternative medical systems for relief, which is also cost effective; such restrictions militate against the Government policies on healthcare.

It is noteworthy that WHO's concern is not only about physical health of the people but also about their mental well-being. The National Health Policy 2002 expresses its concern over lack of mental health thus:

"Mental health disorders are actually much more prevalent than is apparent on the surface.While such disorders do not contribute significantly to mortality, they have a serious bearing on the quality of life of the affected persons and their families. Sometimes, based on religious faith, mental disorders are treated as spiritual affliction. This has led to the establishment of unlicenced mental institutions as an adjunct to religious institutions where reliance is placed on faith cure. Serious conditions of mental disorder require hospitalization and treatment under trained supervision. Mental health institutions are woefully deficient in physical infrastructure and trained manpower. NHP 2002 will address itself to these deficiencies in the public health sector".

While the old Mediclaim policy of the PSUs excluded psychiatric disorders, only under domiciliary hospitalization, the new Mediclaim policies and the policies of some of the private insurers entirely exclude mental illness from the scope of cover, under hospitalization benefit also. Recalling the words of the Director, Mental Health Division of WHO, mental illness necessitates the involvement of non-medical sectors in addition to medical professionals. Health insurance providers should not shy away from their responsibility in making available quality treatment to such unfortunate victims of mental illness. Psychiatric treatment is very well a part of the insurance cover offered by the insurers in other countries, albeit with some restrictions.

Health and life go together. Healthy living prolongs life. Surely, when WHO and National Health Policy talk about healthcare, it cannot be health for a year only but for the entire life of a person. Critical illness policies, tailor-made group Mediclaim policies and personal accident policies have been granted by the insurers for terms more than a year. It is for this reason, one imagines, that the old Mediclaim policy provided for continuity, although it was required to be renewed on a year to year basis. Inception of the policy for the first time meant not the commencement with the present insurer but the date when the policy was taken with any PSU insurer, provided the renewal was continuous without any break. However, this provision is absent in the present day policies with the result that when there is a switchover from a PSU insurer to a private insurer or vice-versa and within the PSU or private insurers, the continuity is lost and the new policy is treated as a fresh policy, forfeiting all benefits, particularly in respect of the diseases for which claims have already been preferred with the previous insurer,

Any issues of moral hazard or unethical professional conduct of the medicos would require to be tackled differently and not by exclusion altogether of such risks peculiar to the weaker section.

Policyholders of mediclaim portfolio, though hold them individually, are parts of a larger group and high adverse claim ratio of a particular individual has no significance, as there will be many more with no claims or low claim ratio.

as these diseases are treated as pre-existing. A uniform approach is therefore called for, as in the case of Motor Insurance, where no claim bonus is transferred along with the insured.

In fact, the principle of continuity with the same insurer also is getting eroded with the insurers refusing to renew the policy on account of adverse claim experience or taking a stance that on renewal, fresh conditions and increased premium will be imposed. This amounts to unfair trade practice in the sense that as long as a person is healthy you take normal premium from him and when he falls sick deny renewal or cancel the policy or impose fresh conditions like loading extra premium, introduce excess and exclude diseases from future cover. The Delhi High Court, in the case of Mukul Lal Duggal Vs United India Insurance Co., held that high claim ratio cannot be the ground to turn down renewal and that mediclaim policies are liable to be renewed on the same terms and conditions as the old ones, without excluding diseases which the consumer may have sought medical attention for, during the last period of policy, but, however, left it open to the insurers to load the premium to a limited extent if high payments are sought by the consumer . However, the Hon. Supreme Court, in case CA no.2296 of 2000 of Biman Krishna Bose Vs United India Insurance Co. Ltd. had held that denying renewal cannot be arbitrary and the original policy provides for its renewal which is a repetition of the original policy. It further held that on renewal a new contract comes into being, but the said contract is on same terms and conditions as that of the original policy.

In fact, National Insurance Company decided in 2000, that where a claim was not barred by pre existing condition or break in renewal, no denial of renewal or loading of premium or imposing of excess should be considered, merely because the diagnosis of an illness or disease leading to a claim could cause further illness or diseases in future policy periods. In group insurance, Bonus and Malus are done on total premium at renewal, depending on the incurred claim ratio for the entire group, for past years. Policyholders of mediclaim portfolio, though hold them individually, are parts of a larger group and high adverse claim ratio of a particular individual has no significance, as there will be many more with no claims or low claim ratio. If necessary, the entire portfolio's experience may have to be considered for lowering or increasing the premium rates for the whole class of such policyholders, periodically.

In the light of Hon. Supreme Court's judgement referred to above, the action of the PSU insurers to renew the old mediclaim policies with the new Mediclaim policies launched by them recently (which have several features adversely affecting the existing policy holders), unilaterally, appears to be bad in law. The remedy lies in a parallel run till termination or break of the old policy or an option to existing policyholders to switch over to the new policy. In fact, one of the public sector players has allowed this option, but to the senior citizens only.

The sadder part of the story is that disputes over non renewal have been taken away from the jurisdiction of the Insurance Ombudsmen by the Governing Body of the Insurance Council, which needs the intervention of the Regulator and the Govt., lest an important financial source for achieving healthcare of people loses its importance.

As an offshoot of the Mediclaim policy, the PSU insurers had launched Universal Health Insurance Policy, falling in line with the Govt's directive, conceived as a strategic measure to protect the less fortunate from the pangs of ill health and injury. Except for the limits on sum insured and expenses in respect of hospitalization benefit, the terms and conditions remain the same as those of the mediclaim policy. Stipulation of number of beds, exclusion of caesarian, miscarriage and abortion, twelve month's disclaimer clause etc. do not go down well with a policy, designed to serve the rural poor.

The potential for health insurance premium is estimated to be in thousands of crores of rupees. Health insurers rejoice at the growth of their premium income. While these are welcome signs, the health insurers need to play the role of conscience keepers of the industry and frame the terms conditions of the health insurance policy, not with the law books alone by their side but also the objectives of the WHO and the National Health Policy.

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The **Insurance Customer**

THE CONSUMER PROTECTION ACT, 1986

DR. G. GOPALAKRISHNA SAYS THAT THE CONSUMER PROTECTION ACT HAS BROUGHT A NEW WAVE OF AWARENESS IN THE COMMON CONSUMER ABOUT HIS RIGHTS WHICH AUGURS WELL FOR THE BETTERMENT OF THE MARKET PLACE.

A consumer is a person who buys goods or avails of any service for a consideration. The various aspects relating to consumer welfare affect the entire population of the country, as everyone is a consumer in one way or other. Therefore, ensuring consumer welfare becomes the responsibility of the state. About three decades ago, consumer action in India was virtually unknown. It was left to the individuals to look for ways to solve their own grievances. Relief was severely limited by the resources available with these individuals. There was not much organized effort to take up larger issues that affected masses of consumers or the general public. All this changed with the coming of the concept of public interest litigation. It gave individuals and the newly formed consumer groups easier access to law and introduced the broad public interest perspective. Apart from several other measures and enactments, the Consumer Protection Act, 1986 was a landmark legislation, which gave a new direction to the consumer movement upholding and protecting the consumer's interests. It is a remarkable piece of legislation for its focus and objectives. It is one of the most progressive and comprehensive pieces of legislation enacted for the protection of consumers. It entails minimal technical and legalistic procedure; and provides easy access to the redressal system. This Act applies to all goods and services, provided by private, public or cooperative sectors.

This is a general legislation which lays down a uniform set of laws, procedures and forum for protecting the rights of all kinds of consumers. Thus, it brings into existence a separate class of people called consumers, and endeavours to protect their rights irrespective of the nature of the transaction that takes place between the consumer and the seller. The advantage of this legislation is that it provides a speedy, informal and inexpensive justice within the reach of all the consumers.

Deficiency in Insurance Services

Insurance is one of the express 'services' covered by the definition under the Act. The Insurance Companies may cause deficiency in services when they fail to indemnify the insured regarding loss, or they fail to make the payment to the nominee appointed under Section 39 of the Insurance Act, 1938 or fail to settle the claim under the insurance policy within a reasonable period of time.

Apart from several other measures and enactments, the Consumer Protection Act, 1986 was a landmark legislation, which gave a new direction to the consumer movement upholding and protecting the consumer's interests.

The Insurance Customer

The customer in insurance is not only the person who makes the decision to buy, but also the person who makes the claim for the insurance money, after the insured event has happened. The former is called the insured or the policyholder and the latter is called the claimant. However, as is evident, the policyholder may not always be the claimant.

The insured is not particularly happy to buy, because the context is one of loss, hardship, tragedy, etc., which no one likes to visualize. He needs a lot of persuasion to recognize the imminence of that possibility and not to delay the insurance arrangement. Resistance to the purchase is natural. He is being made a promise by a representative of the insurer. He is not sure that the promise would be redeemed when the time comes for it. It is possible that the person representing the insurer at the time of the claim may not be the same as the one making the promise and may have different ideas as to what the cover really meant. This possibility raises doubts about the precise nature of the purchase. That creates dissonance.

The claimant would be seeking redemption of the promise made. The claimant may be the policyholder in the case of general insurance and may be aware of the nature of the promises made to him. But many of them may not understand the principle of indemnity on which the business of insurance operates. They may not appreciate the reasons for the costs of repairs or replacement not being paid in full. When deductions are made for depreciation, or because of lower sum assured, or for breach of warranties; the claimant sees these as ploys to avoid the claim. These are outcomes of the promises being understood differently by the insured.

In the case of life insurance the claimant may not be aware at all of the nature of the promise, if the policyholder had died. The claimant in this case, is not only anxious, but in a disturbed frame of mind, trying to come to terms with the new situation and an uncertain future.

The insurer asks for information and documents to confirm that the event has actually occurred and that the claim is genuine. This process of verification may create delays, leading to further doubts and anxiety about the intention of the insurer. The delays would be partly because these have to be obtained from third parties, like police, garages, hospitals, doctors, municipal offices, etc., who have other priorities and partly because the documents may not meet the exact needs of the insurer.

Thus, the circumstances relating to the business of insurance are such as to cause disturbances, more than satisfactions, to their customers, except perhaps, when the claim is paid .Even at that time, there could be a problem, if the claim is less than what the claimant thinks was his loss. In the case of general insurance and in the case of maturity claims in the case of life insurance; the dissatisfactions could also arise if the amount of claim is found to be less than the total premium paid under the policy. That would be construed as a loss, as few appreciate the concept of risk having been covered and there being a cost to it. The erosion due to inflation could provide another perception of loss.

In the case of general insurance and in the case of maturity claims in the case of life insurance; the dissatisfactions could also arise if the amount of claim is found to be less than the total premium paid under the policy.

Customer Service

The factors affecting perceptions of customers are different before, during and after purchase. Before purchase, they are affected by the image created by the brand, previous experience, what the friends say, published results and endorsements and the price as advertised. During purchase, the relevant factors are the performance specifications, the salesman, the warranties, service and repair arrangements, support programs and the price which is quoted. After purchase, the relevant factors shift to case of installation and operation, handling of claims and repairs, spare parts availability, reliability and service effectiveness.

In the case of life insurance, after the purchase, the only experience to create a perception, is the continued attention and concern shown to the customer, which would reassure him that the promise he believed in while making the purchase, was not misplaced. If he does not receive such attention and expressions of concern, he could start doubting the bonafides of the salesman. That is the first step to having doubts about the wisdom of the purchase. That is what is referred to as 'Dissonance'. Dissonance is likely to be more frequent in the case of insurance purchases than in other purchases, because of the following

- In insurance, the payment of premium is real and immediate, while the benefit is distant and uncertain.

- In most other purchases, there is predisposition to buy, while in insurance, it is as if the purchase has been forced. The need is not felt strongly.
- Policyholders feel a sense of loss or waste if the claim does not occur before the end of the term.
- There are conditions and warranties which the policyholders could ignore, being unaware of their implication, affecting validity of the insurance policy.

Apart from the help in processing the claim when it occurs, post-sales servicing would include regular reminders as to the customer's obligations like payment of renewal, furnishing of data as may be required, compliance with warranties and so forth. There could also be changes in the customer's situation, which the agent should become aware of to decide whether the policy conditions need amendment.

These are all the various aspects, considerations, issues and situations that lead to the grievances which the insurance customer may experience, face with and encounter. Should there be any slackness or deficiency on the part of the service provider, namely the insurance company or any of its representatives, the Consumer Protection Act, 1986 is the proper instrument to afford speedy and cost effective remedy for the insurance customer and to provide due redress.

Even before the Consumers Protection Act had been enacted in 1986, the consumer movement had been strong in India. There were many NGOs who volunteered to look after the interest of consumers.

Marketing and Consumerism

Marketing and consumerism complement each other. Both focus on the consumer as the main concern of business, whose satisfactions should be the primary objective of all business. A company pursuing marketing principles in its strategy and policies will automatically conduct itself in ways that do not harm the consumer. There will be no room in this situation for a grievance or for a third party to intervene as a mediator in a dispute.

Insurance is based on the principle of uberrima fides or utmost good faith. This requirement is mutual, binding on the insurance company, as much as it is binding on the policyholder.

Insurance is based on the principle of *uberrima fides* or utmost good faith. This requirement is mutual, binding on the insurance company, as much as it is binding on the policyholder. Consumer interests are automatically taken care of, if the insurance company adheres to these principles. An agent represents the insurance company and is therefore, bound by these principles in the same way as the insurer is. If ever a situation arises alleging that the insurer or its agent had misrepresented facts or given false information or misled the prospect to take insurance, the *prima facie* presumption has to be that the insurer is guilty of violating the principle of *uberrima fides.*

Conclusion

Thus with the passage of Consumer Protection Act, 1986, a new dawn of protection to consumer interests has set in. The main objective of the Act is to provide for the better protection of consumers. The Act is intended to provide simple, speedy and inexpensive redressal to the consumers' grievances and reliefs of a specific nature; and award of compensation wherever appropriate to the consumer. The Act has been amended in 1993 and 2002 to extend its coverage and scope; and strengthen the powers of the redressal machinery. The law is undoubtedly well settled now that, the insured rights are questionable under the Consumer Protection Act. Thus, there are many legal issues involved in the legal relation between the insured and the insurer to avail legal relief under Consumer Protection Act.

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An Overview of **Islamic Insurance**

Scope and Objectives

SANDEEP JOSHI OPINES THAT THERE IS NEED FOR DEVELOPING A MODEL THAT IS TOTALLY IN AGREEMENT WITH THE PRINCIPLES OF THE ISLAM; AND FURTHER SAYS THAT TAKAFUL COMES VERY CLOSE TO ACCOMPLISHING THAT.

Preliminary Remarks

Banking system under the *Shari'ah* principles has definitely made considerable progress during the last two decades. However, Islamic insurance (*Takaful*) has yet to go a long way before it can acquire universal recognition and growth. It is not suggested that *Takaful* does not have the potential to grow, but its development has been hampered by the general beliefs amongst Muslims, that insurance particularly life insurance is not permissible under *Shari'ah*. In response to the above negative phenomenon the contemporary Islamic scholars argue that *Takaful* does not amount to gambling, uncertainty nor it clashes with the general principles of the *Shari'ah.* This is because a *Takaful* is a contract of indemnity or bail with mutual cooperation against the consequences of a specified event or risk. In other word, *Takaful* is a financial transaction based on the principles of co-operation, *Mudarabah* and al-*Tabarru,* whereby *Takaful* operator and the participants or the beneficiaries share profits made on the contributions accordingly. This is certainly in harmony with the *Shari'ah* principles.

However, despite having some misconception against *Takaful,* there are about sixty *Takaful* companies operating in various parts of the world. These companies provide different types of *Takaful* coverage mainly:

- General *Takaful* Business (Property, Engineering, Miscellaneous accident, Marine, Motor etc.)
- Family *Takaful* Business (Education, Marriage, Haj & Umrah, Savings Plan, Life Insurance etc)
- Re-*Takaful* (Reinsurance)

Those who have set up these companies are no doubt the pioneers in the field and have set a great precedence for the Muslims *Ummah*. It is hoped that the experience gained would be of considerable assistance in this beneficial trend for the future generations of the Muslim society.

The Origins of *Takaful*

The origin of *Takaful* can be traced to several practices from ancient Arab tribal custom and the companions of the Prophet. For example, under the customs of "*al-aqilah*", it is mutually agreed among the tribes that if a person is killed unintentionally by a person of a different tribe, the accused's paternal relatives will take the responsibility to make the mutual contribution for the purpose of paying the blood money to the victim's relatives. This practice of having a fund that pools contributions from a group of people to assist others in need was further encouraged in the early Islamic period.

The first modern Islamic insurance was introduced in Sudan, and was based on a cooperative model not dissimilar from a conventional mutual insurer. More commercial models of *Takaful* were later implemented in countries such as Malaysia and Saudi Arabia. *Takaful* has evolved into a viable alternative to conventional insurance and is able to attract a wide range of customers, Muslim and non-Muslim alike. For example, in Sri Lanka, where less than 10 percent of the population is Muslim, some 15 percent of the policyholders of the sole *Takaful* undertaking are non-Muslims.

The development of *Takaful* is now seen as a key component of the development

Takaful is a financial transaction based on the principles of co-operation, _Mudarabah_ and al-_Tabarru,_ whereby _Takaful_ operator and the participants or the beneficiaries share profits made on the contributions accordingly.

of Islamic finance in general, not least because of its ability to mobilize funds for investment in a similar way to conventional insurance.

Takaful is now practiced by over 60 companies in 23 countries and has now evolved into a rapidly growing industry. More recently, Re-*Takaful*, the equivalent of conventional reinsurance, has been developed, initially in Malaysia. At present, most *Takaful* operators reinsure to conventional reinsurers and this is considered acceptable so long as there is no practicable *Shari'ah* compliant alternative.

The *Takaful* Contract

Takaful is derived from an Arabic word "kafl" which means guarantee or responsibility; and also *Takaful,* whose chief characteristic is al-*Musharakah* means sharing. Thus the word *Takaful* means shared responsibility, shared guarantee, collective assurance, mutual undertaking etc.

In a *Takaful* contract, there are usually four parties involved namely; a) participants b) operator c) insured and d) beneficiary.

The nature of *Takaful* is that anyone who has a legal capacity may contribute a sum of money to mutual co-operative fund in view of ensuing material security for one against defined risk probably encountered by another's life or property. Thus, those who contribute to the mutual co-operative fund are known as participants while those among the participants who face the risk and are assisted by the fund are known as insured. Those who actually benefit from the fund are known as beneficiaries to the co-operative fund. The fund, managed by a registered or licensed body or corporation is known as a *Takaful* operator, who binds himself bilaterally to manage the fund according to *Shari'ah* principles. Furthermore, the contribution made by the participants is put into two funds; one of them is investment fund according to the principles of *al-Mudharabah* (profit and loss sharing) while the other is treated as charity according to the principles of *al-Tabarru*.

There are several forms of contract that govern the relationship between the participants and the *Takaful* operator. The most widely used contracts are the *al-Mudharabah* and *Wakala* (agency) contract.

- **Pure Al-*Mudharabah* Model:** In the *al-Mudharabah model,* the *Takaful* operator acts as a *mudarib* (entrepreneur) and the participants as *rab ul mal* (capital provider). The contract specifies how the investment profit and/or surplus from the *Takaful* operation are to be shared between the *Takaful* operator and participants. Losses are borne solely by the participants as the providers of capital on the condition that the operator is free from any misconduct and negligent actions; and in that case the *mudarib* is not entitled to receive any compensation for his efforts.
- **Pure *Wakala* Model:** Under this model, the principal-agent relationship is used for both underwriting and investment activities. In underwriting, the *Takaful* operator acts as an agent on behalf of the participants to run the Takaful fund. All risks are borne by the fund and any operating surplus belongs exclusively to

Comparison between Conventional Insurance and *Takaful*

Nomenclature	Conventional Insurance	*Takaful*
Contract	A policy in the form of a contract between the insured (policyholder) and the insurance company.	A combination of *tabarru* contract (donation) and agency and/or profit sharing contract between the individual insured and the pool of insured as represented by the *Takaful.*
Responsibility of the Policyholders	Policyholders pay premium to the insurer.	Participants make contributions to the Scheme.Any underwriting surplus belongs to the policyholders, who are liable for any deficit.
Liability of the insurer / Operator	Insurer is liable to pay claims according to the policy contract.	*Takaful* operator acts as the administrator of the scheme and pays the *Takaful* benefits from the *Takaful* fund.In the event of deficiency in the *Takaful* fund, the *Takaful* operator is expected to provide an interest free loan to the *Takaful* fund to cover the deficiency.
Access to the capital	Access to share capital and debt with possible use of subordinated debt.	Access to share capital by *Takaful* operator but not debt, except for interest free loan from operator to underwriting fund.
Investment of Fund	As per the prudential norms.	Assets from the *Takaful* funds are invested in Shari'ah compliant instruments.

> **It is also sad to say that there are also many scholars of today who oppose the practice of insurance, especially life insurance, without suggesting an alternative for the *Muslim Ummah*.**

the participants. The *Takaful* operator does not participate in the surplus/ deficit of the fund and instead receives a set fee called a *wakala* fee for managing the operation on participant's behalf, which is usually a percentage of contributions paid.

- **Combination of *Wakala* and *Al-Mudharabah* Contracts:** In this model, the *wakala* contract is adopted for underwriting activities, while the *Al-Mudharabah* contract is employed for investment activities of the *Takaful* fund. This approach appears to be favoured by some international organizations and is widely adopted by *Takaful* undertakings in practice.

Regulatory Issues in *Takaful*

The differences between *Takaful* and conventional insurance clearly have regulatory implications. For example:

- A *Takaful* operator has an obligation to ensure that all aspects of the insurance operations are compliant with *Shari'ah* rules and principles. To do so, it will draw on in-house religious advisers, commonly known as a *Shari'ah* board.
- The *Takaful* operator will be representing to policyholders, either explicitly or implicitly, that its operations are in accordance with *Shari'ah* rules and principles. Some regulators would consider they have a responsibility to ensure such representations are well founded.
- In a family *Takaful* plan, there are generally no guarantees (i.e. they operate on a 'defined contribution' rather than a 'defined benefit' basis). This implies that the risk profile is different from the standard insurance product, where guarantees are normally given in terms of maturity benefits, surrender benefits and death benefits. This has implications both for capital adequacy and for disclosure to consumers.
- The solvency regime needs to reflect the location of risk. For example, if there is a deficit in the underwriting fund, how strong is the obligation on the operator to give an interest free benevolent loan and what account should be taken of this in the solvency regime. This raises the issue in practice of whether liability can be extended to policyholders investment accounts.
- The investments must be *Shari'ah* compliant, a *Takaful* firm cannot invest in conventional interest paying bonds, or in certain types of equity (brewers / tobacco companies being an obvious example). There are also limitations on the use of derivatives, for example to hedge currency risk. The asset profile will therefore be different from that of a conventional insurer.

Thus, there is need to develop standard polices applicable for addressing issues applicable to *Takaful* firms relating to risk management and financial stability, appropriate levels of consumer protection in terms of both risk and disclosure, acceptability of business/operational models and design/marketing of *Takaful* products.

Conclusion

The gradual growth and development of *Shari'ah*-based insurance practices in the twentieth century in both Muslim and non-Muslim countries is quite satisfactory despite the fact that there are still some areas to be developed in this field in meeting the needs and the necessities of the society today. It is also sad to say that there are also many scholars of today who oppose the practice of insurance, especially life insurance, without suggesting an alternative for the Muslim *Ummah*. It is undeniable that there are some elements involved in today's conventional insurance practices which are not recognized by the *Shari'ah*. This does not mean that insurance practice is entirely unlawful and illegal. It is however, suggested here that even though certain aspects of the conventional insurance could not be practiced by Muslims due to its involvement of some unlawful elements in the eyes of the *Shari'ah*, it is now the responsibility of the present Islamic scholars to be innovative and come up with an alternative model of Islamic insurance which eliminates all the elements prohibited by Islamic law, in order to ensure the Muslim *Ummah* to be rescued from any form of unexpected risk and peril.

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प्रकाशक का संदेश

वित्तिय आयोजना एक ऐसा अभ्यास है जो निगमित इकाई के लिए तथा व्यक्तियों के लिए आवश्यक है यह संपदा प्रबन्धन का अंतर्निहित भाग है वैसा प्रत्येक व्यक्ति के लिए न्यूनतम स्तर का वित्तिय आयोजना बहुत आवश्यक है। बीमा कर्ता के दृष्टिकोण से कुछ क्षेत्र आयोजन के लिए आवश्यक है वह है जीवन हैल्थ वृद्धावस्था में सुरक्षा इत्यादि, भौतिक संपत्तियों के अतिरिक्त जो समय समय पर निर्मित की जाती है।

किसी पोर्टफोलियो के लिए जीवन बीमा एक आवश्यक घटक के रूप में होना चाहिये। इसकी आवश्यकता किसी की अर्जन आयु के प्रारंभ में ही महसूस होनी चाहिये, जीवन बीमा की मॉग आय के साथ अनुरुपित होनी चाहिये क्योंकि किसी असमयिक घटना में दाल रोटी कमाने वाले की मृत्यु की स्थिति में परिवार वैसा ही जीवन स्तर कायम रख सके।

किसी व्यक्ति के लिए अच्छी सेहत रखना आवश्यक है जिससे उसकी गतिविधियों तथा आय आर्जन में कोई रुकावट न आये। लेकिन यह कहना आसान है करना कठिन। किसी भी तंदुरुस्त व्यक्ति के स्वास्थ्य को कई कारक प्रभावित करते हैं जिसके कारण भौतिक तथा मानसिक संतोष होता है व्यक्ति के वित्तिय नुकसान होता है। स्वास्थ्य बीमा ऐसी आपदााओं से इस की रक्षा करता है जोकि अन्यथा परिवार को वित्तिय रुप से तहस नहस कर सकती थी।

ऐतिहासिक रूप से भारत संयक्त परिवार प्रणाली में सशक्त रहा है तथा यह काफी हद तक परिवार के रोजी रोटी कमाने वाले की हानि, बुरे स्वास्थ वृद्धवास्या इत्यादि की इस रक्षा कर सकता है। विशेष रुप से जीवन के सवानिवृति के समय यह माना जाता है कि युवा लोग अपने माता पिता के उद्धार के लिए सामने आयेंगे। आधुनिक समाज में उस प्रया से कुछ अंतर आ रहा है तथा सामाजिक ढाँचा सकल परिवार प्रया की तरह बढ रहा है। इसलिए ऐसी व्यवस्था होनी चाहिये जो समाज के वृद्ध लोगों की उस समय मदद करे जब आय कम हो जाती है तथा बुरे स्वस्थ्य के कारण खर्च बढ जाते है। ऐसी समस्याओं का पैन्शन योजना एक बेहतरीन उत्तर दे सकती है।

जर्नल के इस अंक के केन्द्र बिन्दु में व्यक्तिगत वित्तिय आयोजना है। यह माना जाता है कि बीमा का उदगम मैरिन व्यवसाय से हुआ तथा जब से मैरिन बीमा अपने कद में बहुत ऊँचा बना है तथा आज यह सबसे जटिल बीमा है। जर्नल के अगले अंक के केन्द्र बिन्दु में मैरिन बीमा होगा।

सी. एस. राव

सी. एस. राव
अध्यक्ष

दृष्टि कोण

हमारा प्राथमिक उद्देश्य सम्पूर्ण विश्व में आईएआईस के पर्यवेक्षक मानकों को प्रभावशाली ढंग से अनुपालित करवाना है। जिससे एक प्रभावशाली कुशल बीमा बाजार प्रोत्साहित किया जा सके जो अन्ततः बैरविक वित्तिय स्वास्थ्य में मदद करेगा।

मिचेल फ्लेमी
आईएआईस, कार्यपालक समिती के अध्यक्ष

स्वास्थ्य बीमा क्षेत्र में हित धारी के रूप में आवश्यकता है सतत संवाद तथा मतैक्य बनाने से बीमाकर्ता इकट्ठा हो कर स्वास्थ्य बीमा को स्थापित्व प्रदान करने के लिए सुनिश्चित करेंगे।

श्री सी एस राव
अध्यक्ष, बीमा विनियामक विकास प्राधिकरण, भारत

उत्पाद के सम्पूर्ण जोखिम को जाने बिना क्षतिपूर्ति के लिए वित्तिय मॉडल पर निर्भरता बढायी गई है तथा मूल्य निर्धारण जोखिम जाने बीमा होता है।

श्री लिम्ब हग कियग
व्यापार तथा उद्योग मंत्री तथा सिंगपुर आर्थिक प्रधिकरण के उपाध्यक्ष

उद्योग के साथ वचन बद्धता बदली हुई आवश्यकताओं को उत्पादित करने के लिए यह सुनिश्चित करेगी एक उच्च स्वीकार्यता का स्तर तथा अनुपालन जो विनियामक के लाभ को आसान बनायेंगे तथा धन क्षोधन अधिक कठिन हो जायेंगे।

श्री मार्कस किल्लिक
जिब्राल्टा के वित्तिय सेवा आयोग के मुख्य कार्यपालक

वित्तिय क्षेत्र बाजार में अनेक परिवर्तन हो रहे हैं। उपयोक्ता संरक्षण विनियामक के लिए महत्वपूर्ण परिवर्तन लाया है। बीमा एक अपूर्व तथा जटिल उत्पाद है जो मूल रूप से अन्य वित्तिय सेवाओं से अलग है जैसे बैंकिग तथा प्रतिभूति।

श्री वाल्टर बैल
उपाध्यक्ष, आईएआरएस, कर्मचारी समिती

जब हमारे घर में आग लगी हो हम पहली बात यह करेंगे की आग बुझायेंगे। यह सोचने से बचते हुए की भविष्य में बचाव के लिए सके अगले चेतावनी प्रणाली लगायी जाए।

श्री टाकाफूमी साटो
कमीशरि, वित्तिय सेवा एर्जेसी, जापान

भारतीय इंश्योरेंस सैक्टर की प्रगति पर एक नज़र

श्री कमल चौला कहते है, बीमा क्षेत्र में ईमानदारी से काम करते हुए प्रारम्भ में बीमा 2-3 लाख रूपये प्रति वर्ष कमा रकता है।

इंश्योरेंस का अर्थ है - बीमा, वह चाहे जीवन का हो, स्वास्थ्य का हो या फिर भौतिक सुविधाओं (मकान, गाडी, सफर आदि) का। हर जागरूक व्यक्ति किसी न किसी रूप में अपना, अपने परिवार के सदस्यों, मकान, वाहन आदि का बीमा जरूर कराता है। भारत की विशाल आबादी (लगभग सवा अरब) को देखते हुए बीमा के क्षेत्र में इसे अत्यधिक संभावनाओं वाला देश माना जाता है। ऐसा इसलिए भी है, क्योंकि दुनिया के अन्य तमाम देशों की तुलना में लभी तक यहां की कुल आबादी का लगभग 30 प्रतिशत ही विभिन्न इंश्योरेंस स्कीम्स के तहत बीमित है। भारत में वर्ष 2000 के पहले तक केवल लाइफ इंश्योरेंस कॉर्पोरेशन ऑफ इंडिया (एल आई सी) और जनरल इंश्योरेंस (घर, हेल्थ, मोटर और ट्रैवॅल) का ही एकाधिकार हुआ करता था। लेकिन वर्ष 2000 में केंद्र सरकार द्वारा बीमा क्षेत्र में एक डी आई की अनुमति दिए जाने के बाद निजी क्षेत्र से कई जीवन बीमा कंपनियां सामने आई। आज इनकी संख्या 18 है। इनमें प्रमुख के नाम इस प्रकार हैं: अवीवा लाइफ इंश्योरेंस इंडिया, बजाज एलियांज, बिडला सन लाइफ, एच डी एफ सी लाइफ इंश्योरेंस, आई सी आई सी आई प्रूडेंशियल, आई एन जी वैश्य लाइफ इंश्योरेंस, कोटक महिंद्रा, मैक्स न्यूयॉर्क लाइफ, मेट लाइफ इंडिया, रिलायंस लाइफ इंश्योरेंस, श्रीराम लाइफ इंश्योरेंस, टाटा ए आई जी लाइफ इंश्योरेंस आदि। बीमा कारोबार को निजी क्षेत्र के लिए खोलने से पहले वर्ष 1999 में इंश्योरेंस रेगुलेटरी ऐंड डेवॅलपमेंट अथॉरिटी (आईआरडीए) की स्थापना की गई।

इंश्योरेंस सैक्टर में संभावनाएं

जब बीमा कारोबार इतनी तेजी से आगे बढ रहा है, तो स्वाभाविक है कि इस क्षेत्र में विभिन्न स्तरों पर अनुभवी लोगों के लिए नौकरी की भी भरमार होगी। वर्ष 2000 के पूर्व तक केवल एलआईसी और जीआईसी व्दारा ही विभिन्न पदों पर नियुक्तियां की जाती थीं, लेकिन निजी क्षेत्र की कंपनियों के आने और व्यापार तेजी से बढने के बाद इस क्षेत्र में तेजी आ गई है। सरकारी और निजी क्षेत्र की बीमा कंपनियों द्वारा अपना कारोबार बढाने की होड में बडी संख्या में अधिकारी और कर्मचारी नियुक्त किये जा रहे हैं।

किन-किन पदों पर होती है बहाली?

बीमा क्षेत्र में कई स्तरों पर कर्मचारियों की जरूरत होती है। इसमें: एक्चुरीज, सर्वेयर, अंडरराइटर, सेल्स, एडमिनिस्ट्रेशन, अकाउंट्स, क्लेम्स, कस्टमर सर्विस आदि प्रमुख हैं।

एक्चुरी: बीमा क्षेत्र में एक्चुरी की भूमिका बेहद महत्वपूर्ण है। बीमा कंपनियों में एक्चूरी पर दावा राशि के निर्धारण का महत्वपूर्ण

सरकारी और निजी क्षेत्र की बीमा कंपनियों द्वारा अपना कारोबार बढाने की होड में बडी संख्या में अधिकारी और कर्मचारी नियुक्त किये जा रहे हैं।

पीजीस्तर पर बिडला इंस्टीटयूट ऑफ मैनेजमेंट ऐंड टेक्नोलॉजी, आई सी एक ए आई यूनिवर्सिटी, एमिटी बिजनेस स्कूल तथा आई आई एल एम द्वारा जॉब ऑरिएंटेड कोर्स संचालित किए जाते हैं।

उत्तरदायित्व होता है। भारतीय जीवन बीमा निगम (एलआईसी) के अलावा निजी व बहुराष्ट्रीय बीमा कंपनियों में भी इनकी काफी मांग होती है। एक्चुरियल सोसायटी ऑफ इंडिया, मुंबई या दडंस्टीयूट ऑफ एक्चुरीय, लंदन द्वारा मान्यता प्राप्त कोर्स करके एक्चुरी बना जा सकता है। ए एस आई की परीक्षा देने के लिए गणित या सांख्यिकी में कम से कम 85 प्रतिशत अंकों से बारहवीं उत्तीर्ण होना चाहिए। हालांकि, गणित, सांख्यिकी, कॉमर्स या एक्चुरियल साइंस में प्रथम श्रेणी में स्नातक या द्वितीय श्रेणी में स्नातकोत्तर भी इस पद के पात्र होते हैं, लेकिन इसके लिए कुछ शर्ते होती हैं।

एजेंट / डी ओ / एडवाइजर: एजेंट, डीओ और एडवाइजर किसी भी इंश्योरेंस कंपनी की रीढ होते हैं। अधिकांश बिजनेस इन्हीं के माध्यम से होता है। डीओ यानी डेवॅलपमेंट ऑफिसर बीमा कंपनी का वेतनभोगी कर्मचारी होता है, जबकि एजेंट ओर एडवाइजर कमीशन व इंसेटिव बेसिस पर काम करते हैं। इंश्योरेंस एजेंट कंपनी की सारी पॉलिसीज, उसकी यूएसपी आदि के बारे में लोगों को समझाकर उन्हें सुरक्षित भविष्य के प्रति आगाह करते हैं। इंश्योरेंस एजेंट बनने के लिए कम से कम 10+2 परीक्षा किसी भी विषय में उत्तीर्ण होनी चाहिए। ग्रामीण क्षेत्र में दसवीं पास युवाओं को भी एजेंट के रूप में काम करने का मौका दिया जाता है । इनकी उम्र 18 वर्ष या इससे अधिक होनी चाहिए। आवेदन के उपरांत इंश्योरेंस कंपनी द्वारा एक लिखित परीक्षा ली जाती है। उसमें चयन होने के बाद 25 घंट की ट्रेनिंग दी जाती है। इसके बाद इंश्योरेंस रेग्युलेटरी ऐंड डेवॅलेपमेंट अथॉरिटी (आईआरडीए) द्वारा लाइसेंस दिया जाता है। इसके बाद आपको कंपनी द्वारा स्टाइपेंड के साथ कमीशन भी मिलता है। हर तीन साल के बाद लाइसेंस का नवीनीकरण कराना पडता है।

एजेंट के अलावा आप डेवॅलेपमेंट ऑफिसर, एडमिनिस्ट्रेटिव ऑफिसर, सर्वेयर तथा अन्य पदों के लिए आवेदन कर सकते हैं। यदि एम बी ए (रिस्क ऐंड इंश्योरेंस मैनेजमेंट) पाठयक्रम कर लें, तो साष्ट्रीय-बहुराष्ट्रीय बीमा कंपनियों में उच्च प्रबंधकीय पदों पर नियुक्ति हो सकती है। पीजीस्तर पर बिडला इंस्टीटयूट ऑफ मैनेजमेंट ऐंड टेक्नोलॉजी, आई सी एक ए आई यूनिवर्सिटी, एमिटी बिजनेस स्कूल तथा आई आई एल एम द्वारा जॉब ऑरिएंटेड कोर्स संचालित किए जाते हैं।

आमदनी

बीमा कंपनी के कर्मचारी के रूप में किसी भी पद की आरंभिक आमदनी लगभग दस हजार रूपये प्रतिमाह होती है। ग़ैर-सरकारी कंपनियों में यह लगभग दस से पन्द्रह हजार रूपये के बीच होती है। एजेंट या एडवाइजर के रूप में कमाई की कोई सीमा नहीं होती। यह आपकी मेहनत, लगन, ईमानदारी और आपके द्वारा ग्राहकों को दी जा रही सेवा पर निर्भर करता है। आज एलआईसी के कुछ एजेंट्स प्रतिवर्ष एक करोड रूपये तक कमीशन कमा रहे हैं । 10-15 लाख रूपये प्रतिवर्ष कमीशन कमान तो एक आम बात है। एक्चुरियल साइंस का कोर्स करने और कुछ अनुभव हासिल कर लेने वालों को डेढ लाख रुपये प्रतिमाह तक की सैलॅरी मिल जाती है।

इंश्योरेंस सेक्टर की प्रगति पर एक नजर

भारत का बीमा बाजार इस समय 10.2 बिलियन अमेरिकी डॉलर का है।

इंशयोरेंस सेक्टर की ताजा प्रगति दर को देखते हुए इसके वर्ष 2010 तक 60.5 बिलियन डॉलर तक पहुंच जाने की उम्मीद है।

इंश्योरेंस एजेंट या एडवाइजर के रूप में बिना किसी बंधन के लाखों कमा सकते हैं। अच्छा काम करने वाले अधिकांश एजेंट कमीशन व बोनस के रूप में 15-20 लाख रूपये वार्षिक से ज्यादा कमा रहे हैं। क्लब मेंबर एजेंट (बीएम, डीएम, जेडएम, सीएम, कॉर्पोरेट क्लब) को अन्य तमाम सुविधाएं (घर, गाडी आदि के लिए लोन) भी मिलता है। एलआईसी में हर साल तीन हजार से अधिक डीओ की नियुक्त किये जाते हैं।

ईमानदारी से लाखों कमाएं

आज हमारे देश के इंश्योरेंस क्षेत्र में इतनी तेजी से प्रगती हो रही है कि ये सालाना 25-30 प्रतिशत की दर से तरक्की कर रहा है। हमारे लिए सुखद बात यह है कि बडी संख्या में निजी व मल्टीनेशनल कंपनियों के आने के बावजूद मार्के ट के 76 प्रतिशत हिस्से पर एलआईसीका कब्जा बरकरार है। एलआईसी की प्रगति दर लगभग 118 प्रतिशत है।

एलआईसी सबसे ज्यादा किस रूप में रोजगार प्रदान कर रही है?

चूंकि इंश्योरेंस में सबसे महत्वपूर्ण मार्केटिंग स्टाफ होता है, इसलिए डेवॅलपमेंट ऑफिसर्स और एजेंट्स की भर्ती पर जोर दिया जाता है।

एलआईसी में आज 11 लाख से ज्यादा एजेंट हैं, जबकि 19 हजार से ज्यादा विकास अधिकारी हैं। इसमें हर साल करीब तीन सौ नए डेवॅलपमेंट ऑफिसर्स की नियुक्ति की जाती है, जबकि एजेंट के रूप में भर्ती की कोई सीमा नहीं है। इन्सुरेन्स कंपनी द्वारा स्पॉन्सर्ड एजेंट्स को आईआरडीए के निर्देशानुसार 25 धंटे की ट्रेनिंग लेनी होती है और उसके बाद ऑन लाइन परीक्षा पास करना होता है।

युवाओं को भर्ती करते समय उनमें यह अपेक्षा की जाती है कि उसे कम से कम बारहवीं उत्तीर्ण होना चाहिए। उसकी कम्युनिकेशन स्किल बेहतर हो, ताकि वह प्रॉडक्ट को सेल कर सके। वह पॉलिसी के बारे में बीमा ग्राहक को गुमराह करने की बजाय उसे सही-सही बताए और आवश्यक सेवा प्रदान करे, जिससे इन्सुरेन्स कंपनी के प्रति कस्टमर का भरोसा कायम रहे।

> भारत के धरेलू बीमा बाजार का आकार 10.2 बिलियन अमेरिकी डॉलर है, बीमा क्षेत्र के तीव्र प्रगती को देखते हुए इसके वर्ष 2010 तक 60.5 बिलियन अमेरिकी डॉलर तक पहुंच जाने की उम्मीद है।

एजेंट्स औसतन कितना कमा लेते हैं?

एजेंट के रूप में कमाई की कोई सीमा नहीं है। यह उसकी लगन और मेहनत पर निर्भर करता है। ठीक-ठाक काम करने पर पहले ही साल में वह कमीशन के रूप में 2-3 लाख रूपये वार्षिक कमा सकता है। थोडा-सा अच्छा काम करने वाले एजेंट तो कमीशन के रूप में 15-20 लाख रूपये सालाना कमा रहे हैं। इसके अलावा क्लब मेंबर्स को अन्य तमाम सुविधाएं (धर, कार, कम्प्यूटर आदि के लिए लोन) भी दी जाती हैं। कॉर्पोरेट क्लब मेंबर क कॉन्सेप्ट पर भी काम चल रहा है। मुंबई में इम्पॉवरमेंट पर भी एक्सपेरिमेंट चल रहा है, जिसके तहत विश्वसत एजेंट्स प्रीमियम लेकर खुद रिसीट प्रदान करेंगे।

2010 में कहां होगा भारतीय बीमा बाजार?

एसोचैम के प्रेसिडेंट श्री वी.एन. धूत के अनुसार वर्ष 2007 में भारत के धरेलू बीमा बाजार का आकार 10.2 बिलियन अमेरिकी डॉलर है, बीमा क्षेत्र के तीव्र प्रगती को देखते हुए इसके वर्ष 2010 तक 60.5 बिलियन अमेरिकी डॉलर तक पहुंच जाने की उम्मीद है। इसमें अकेले रूरल और सेमी-अर्बन का योगदान 35 बिलियन अमेरिकी डॉलर होगा। 20 बिलियन अमेरिकी डॉलर जीवन बीमा और 15 बिलियन अमेरिकी डॉलर गैर-बीमा क्षेत्र का योगदान होगा। एसोचैम की यह रिपोर्ट इंडियन इंश्योरेंस इंडस्ट्री फोरकास्ट (2007-2009) नाम से प्रकाशित की गई है। इसमें भविष्य में देश के बीमा बाजार के बार में अनुमान लगाया गया है। इस रिपोर्ट में भारतीय जीवन बीमा बाजार के वर्ष 2009 तक 1683 बिलियन रूपये के करीब और गैर-जीवन बीमा कारोबार के लगभग 388 बिलियन रपये तक पहुंच जाने की उम्मीद है। लोगों में बढती जागरूकता के चलते बीमा क्षेत्र बडी तेजी से आगे बढ रहा है। जिसकी औसतन प्रगती दर लगभग 25-30 प्रतिशत है।

लेखक आईआरडीए में सहायक निदेशक।

अभिकर्त्ता क्यों ओर कैसे

- अशोक पाडे (बीमा सलाहकार) कानपुर

श्री अशोक पाण्डे कहते है, यदी एजेन्ट को कोई व्यवसाय चलाने का अधिकार है तो उसे, हर उस कार्य का अधिकार होगा जो इसके लिए कानुनी रूप से आवश्यक है।

समय-समय पर हम सभी प्रधान एवं अभिकर्ता (एजेन्ट) के रूप में कार्य करते है। यदि मेरा एक दोस्त मुझे अपने विजली के बिल का जमा कराने के लिये कहता है तो वह प्रधान होगा एवं मैं उसका एजेन्ट। अभिकर्ता (एजेन्सी) कानून, भारतीय अनुबन्ध अधिनियम, 1872 के खण्ड (धारा 182 से 238 तक) में सम्मिलित है।

एजेन्ट एवं प्रधानः एजेन्ट वह व्यक्ति होता है जिसे किसी अन्य व्यक्ति के लिए कोई कार्य करने अथवा किसी तीसरे पक्ष से लेन-देन करने के लिए, उसका प्रतिनिधित्व करने के लिए नियुक्त किया गया है। जिस व्यक्ति के लिए अथवा उसकी ओर से वह यह कार्य करता है उसे प्रधान कहते है।

एजेन्ट को कौन नियुक्त करता हैः कोई भी व्यक्ति जो उस पर लागु कानून के अनुसार बालिग है एवं वह स्वस्थ मस्तिष्क का है एजेन्ट नियुक्त कर सकता है।

कौन एजेन्ट बन सकता हैः प्रधान एवं तीसरे पक्ष के मध्य कोई भी व्यक्ति एजेन्ट बन सकता है लेकिन जो व्यक्ति बालिग नहीं है अथवा स्वस्थ मस्तिष्क का नहीं है एजेन्ट नहीं बन सकता तथा यहां दिये गये प्रावधानों के अनुसार वह प्रधान के प्रति उत्तरदायी नहीं हो सकता।

एजेन्ट के अधिकार की सीमाः एक एजेन्ट को कोई कार्य का अधिकार है तो उस कार्य को करने के लिए हर उस चीज का उसे अधिकार होगा जो कानूनी रूप से आवश्यक हैं।

अभिकर्ता / एजेन्ट के अधिकारः एजेन्ट के अधिकार व्यक्त एवं गर्भित हो सकते हैं ।

व्यक्त एवं गर्भित अधिकारों की परिभाषाएंः अधिकार को व्यक्त कहेंगे यदि यह कथन लिखित में दिये गये हैं। गर्भित अधिकार वह होते है जिनका विषयगत परिस्थितियों से अर्थ निकाला गया है, एवं जो कुछ कहा गया है अथवा लिखा गया है या सामान्य रूप से व्यवहार में है, को विषयगत परिस्थितियों में सम्मलित माना जायेगा।

उदाहरणः मोहन की दुकान रामपुर में है वह स्वयं दिल्ली में रहता है तथा दुकान पर कभी कभी जाता है। रोहन दुकान का प्रबन्धन करता है। वह दुकान के लिए मोहन के नाम पर सोहन से माल मंगाता है तथा मोहन की धनराशि में से उसका भुगतान करता है जिसका मोहन को ज्ञान है। हम कह सकते हैं कि दुकान के लिए मोहन के नाम पर रोहन से माल मंगाने के लिए सोहन के पास अमन को सार गर्भित अधिकार है।

एजेन्ट के अधिकार की सीमाः एक एजेन्ट को कोई कार्य का अधिकार है तो उस कार्य को करने के लिए हर उस चीज का उसे अधिकार होगा जो कानूनी रूप से आवश्यक हैं। यदि एजेन्ट को कोई व्यवसाय चलाने का अधिकार है तो उसे हर उस कार्य का अधिकार होगा जो इसके लिए कानूनी रूप से आवश्यक है अथवा जो इस प्रकार के व्यवसाय के संचालन के समय सामान्यतः किये जाते हैं।

उदाहरण

क. 'ख' मुम्बई में रहता है तथा चैन्ने में

यदि एजेन्ट के बिना अधिकार के किसी व्यक्ति को सब-एजेन्ट नियुक्त कर दिया है तो उन दोनों के बीच स्वामी एवं एजेन्ट का संबन्ध हो जाता है तथा एजेन्ट सब एजेन्ट का संबन्ध हो जाता है

उसने किसी से रूपया लेना है। इसकी वसूली के लिए उसने 'क' की नियुक्ति की है। 'क' इस ऋण की वसूली के लिए कोई भी कानूनी कार्यवाही कर सकता है तथा वैधानिक रूप से ऋणी को ऋण मुक्त कर सकता है।

ख. 'क' ने अपने जहाज निर्माण के व्यवसाय के लिये बी को एजेन्ट नियुक्त किया है। 'ख' को इस व्यवसाय को चलाने के लिए लकड़ी तथा सामान खरीदने एवं कर्मचारियों को नियुक्त करने का अधिकार होगा।

अभिकर्त्ता के आपात अधिकार

आपात स्थिति में एक एजेन्ट को अपने स्वामी की हानि से सुरक्षा के लिए वह सभी कार्य करने का अधिकार है जो कोई भी एक सामान्य दूरदर्शिता वाला व्यक्ति समान परिरिस्थितियों में अपने स्वयं के कार्य के लिए करता ।

उप एजेन्ट

जब एजेन्ट अन्तरण नहीं कर सकता

कानूनन कोई भी एजेन्ट उस कार्य को करने के लिए दूसरे किसी व्यक्ति को नियुक्त नहीं कर सकता जिसको उसने व्यक्त रूप से अथवा गर्भित रूप से स्वयं करने का दयित्व लिया है, जब तक कि उस प्रकार के व्यापार में सामान्य रूप से एक उप एजेन्ट की नियुक्ति नहीं की जा सकती है अथवा एजेन्सी की प्रकृति के अनुसार एक उप एजेन्ट की नियुक्ति अनिवार्य है।

उप एजेन्ट की परिभाषा

एक उप-एजेन्ट वह व्यक्ति होता है जिसकी एजेन्ट के रूप में कार्य करने के लिए मूल एजेन्ट के द्वारा नियुक्ति की गई हो तथा जो उसके नियन्त्रण में कार्य करता हो।

विधिवत नियुक्त उप-एजेन्ट द्वारा स्वामी का प्रतिनिधित्व

जब उप एजेन्ट की नियुक्ति विधिवत हुई है जहां तक किसी तृतीय पक्ष का प्रश्न है उप एजेन्ट स्वामी का प्रतिनिधित्व करेगा तथा उसके कार्यों के लिए उसी प्रकार उत्तरदायी होगा जैसे कि वह स्वामी द्वारा नियुक्त मूल एजेन्ट है।

उप एजेन्ट का उत्तरदायत्व उप-अभिकर्ता / एजेन्ट धोखा धड़ी अथवा जानकर गलत कार्य करने का छोड़कर अन्य सभी कार्यों के लिए एजेन्ट के प्रति उत्तरदायी होता है न कि स्वामी के प्रति ।

बिना अधिकार के उप-एजेन्ट की नियुक्ति पर एजेन्ट का उत्तरदयित्व

यदि एजेन्ट के बिना अधिकार के किसी व्यक्ति को सब-एजेन्ट नियुक्त कर दिया है तो उन दोनों के बीच स्वामी एवं एजेन्ट का संबन्ध हो जाता है तथा एजेन्ट सब एजेन्ट का संबन्ध हो जाता है तथा एजेन्ट सब एजेन्ट के कार्यो के लिए स्वामी एवं तीसरे पक्ष के प्रति उत्तरदायी हो जाता है। वह व्यक्ति न तो, स्वामी का प्रतिनिधि हो सकता और न ही स्वामी उसके कार्यों के लिए उत्तरदायी होता है और न ही वह व्यक्ति स्वामी के प्रति उत्तरदायी होता है।

स्वामी एवं एजेन्ट का कार्य करने के लिए एजेन्ट द्वारा विधिवत नियुक्त व्यक्ति के बीच सम्बन्ध

यदि एजेन्ट को, किसी व्यक्ति को स्वामी की ओर से एजेन्ट के रूप में कार्य करने के लिए नामित करने का व्यक्त अथवा गर्भित अधिकार प्राप्त है तथा उसने किसी व्यक्ति को इस प्रकार से नामित किया है तो यह व्यक्ति सब-एजेन्ट नहीं होगा बल्कि उसको जो कार्य एजेन्ट के रूप में करने के लिए सौपा गया है उसके लिए वह स्वामी का एजेन्ट होगा।

इस प्रकार से नामित करने में एजेन्ट का दयित्व

इस प्रकार से अपने स्वामी के लिये किसी व्यक्ति का चयन करने में उसी विवेक से काम लेगा जो एक साधारण विवेकशील व्यक्ति अपने स्वयं के मामले में लेगा। और यदि वह ऐसा करता है तो वह इस प्रकार से चुने गये एजेन्ट के लापरवाही पूर्ण कार्यों के लिये स्वामी के प्रति उत्तरदायी नहीं होगा ।

उदाहरण

'क' को जो एक व्यापारी है अपने लिए एक जहाज खरीदने के लिए 'ख' को निर्देश देता है । 'ख' 'क' के लिए एक जहाज का चुनाव करने के लिए एक प्रतिष्ठत जहाज निरीक्षक की नियुक्ति कर देता है । निरीक्षक चयन करने में लापरवाही बर्तता है तथा जहाज समुद्र यात्रा के लिए अयोग्य सिद्ध होता है तथा वह डूब जाता है। (ऐसी स्थिति में 'क' के लिए एक जहाज का चुनाव करने

यदि एजेन्ट का एजेन्सी की विषय-वस्तु संपत्ति में स्वयं का हित है तो व्यक्त अनुबंध के अभाव में इस हित के कारण एजेन्सी समाप्त नहीं की जा सकती।

केएक प्रतिष्ठित जहाज निरीक्षक की नियुक्ति कर देता है । निरीक्षक चयन करने में लापरवाही बर्तता है तथा जहाज समुद्र यात्रा के लिए अयोग्य सिद्ध होता है तथा है डूब जाता है) ऐसी स्थिति में 'क' के प्रति 'ख' उत्तरदायी नहीं होगा बल्कि निरीक्षक उत्तरदायी होगा।

किसी व्यक्ति के लिए बिना अधिकार के किये कार्यों के प्रति उसके अधिकार - सत्यापन का प्रभाव

जब कोई व्यक्ति किसी व्यक्ति के लिए बिना उसको बताए अथवा बिना उसके द्वारा दिये अधिकार के कोई कार्य करता है तो वह व्यक्ति जिसकी ओर से कार्य किया गया है, उसका सत्यापन कर सकता है उथवा उसका सत्यापन करता है तो इसका प्रभाव वहीं होगा जो उसके द्वारा अधिकृत होने की दशा में होता।

सत्यापन व्यक्त अथवा गर्भित हो सकता है यह उस व्यक्ति के व्यवहार पर निर्भर करता है जिसकी ओर से कार्य गया है।

उदाहरण

क. 'क' बिना 'ख' की आज्ञा के उसके लिए माल का क्रय करता है। 'स' उसके पश्चात उस माल को अपने नाम से 'ग' को बेच देता है। 'ख' का व्यवहार 'क' द्वारा 'ख' के लिए माल क्रय को सत्यापित करता है।

ख. 'क' 'ख' के आदेश के बिना 'ख' के रूपयों को सी को ऋण के रुप में दे देता है। बाद में 'ख' 'ग' से ब्याज को स्वीकार कर लेता है। बी का व्यवहार ऋण को मान्यता देता है।

मान्य सत्यापन का अपेक्षित ज्ञान

एक व्यक्ति जिसको मामले के तथ्यों का ज्ञान मूल रूप से दोषपूर्ण है वह विधि सम्मत सत्यापन नहीं कर सकता।

लेन देन के अनिधिकृत भाग को सत्यापित करने के प्रभाव

यदि कोई व्यक्ति उसके लिए अनिधिकृत रूप से किये गये कार्य को सत्यापित करता है तो उस पूरे कार्य का सत्यापन माना जाएगा जिसका सत्यापित कार्य एक भाग है।

अनिधिकृत कार्य के सत्यापन से तीसरे पक्ष को हानि नहीं हो सकती

किसी व्यक्ति द्वारा दूसरे व्यक्ति के लिए यदि बिना उसकी अनुमति के कोई कार्य किया गया है और यदि इस कार्य को उसकी अनुमति से करने पर तीसरे पक्ष के हितों के अधिकार को समाप्त कर दिया जाता है तो सत्यारित करने से वह इस रूप में प्रभावी नहीं होगा।

अधिकार का निरस्तीकरण

एजेन्सी को समाप्त करना

स्वामी द्वारा अधिकारों को वापस लेने अथवा एजेन्ट द्वारा एजेन्सी कार्य पूरा होने पर या फिर स्वामी अथवा एजेन्ट की मृत्यु अथवा उनके अस्वस्थ मस्तिष्क की स्थिति पर अथवा स्वामी को प्रचलित कानून के अन्तर्गत लेनदारों को राहत पहूँचाने के लिये, दिवालिया करार देने पर एजेन्सी समाप्त हो जाती है।

यदि एजेन्ट के विषय-वस्तु में कोई हित है तो एजेन्सी का समाप्त होना

यदि एजेन्ट का एजेन्सी की विषय-वस्तु संपत्ति में स्वयं का हित है तो व्यक्त अनुबंध के अभाव में इस हित के कारण एजेन्सी समाप्त नहीं की जा सकती।

उदाहरण

'क' ने 'ख' को उपनी संपत्ति बेचने तथा बिक्री से प्राप्त राशी में से क को दिये ऋण को चुकता करने का अधिकार दिया। 'क' इस अधिकार को वापस नहीं ले सकता। उसकी मृत्यु अथवा उसके पागल हो जाने पर भी एजेन्सी समाप्त नहीं होगी।

प्रधान कब एजेन्ट के अधिकार को समाप्त कर सकता है

पिछले अनुभाग में व्यवस्था को छोड़कर प्रधान, एजेन्ट को प्रदत्त अधिकार को इसके उपयोग करने से पहले निरस्त कर सकता है।

अधिकार के आंशिक उपयोग पर निरस्तीकरण

एजेन्ट द्वारा अधिकारों का आंशिक उपयोग कर लेने पर इसके परिणाम स्वरूप अन्य कार्य अथवा दायत्वों का जहां तक सम्बन्ध है, प्रधान एजेन्ट को दिय गये अधिकार को निरस्त नहीं कर सकता।

(शेष भाग अगले अंक में।)

लेखक भारतीय जीवन बीमा निगम, शाखा कार्यालय 2, कानपूर, उत्तर प्रदेश में बीमा सलाहकार।

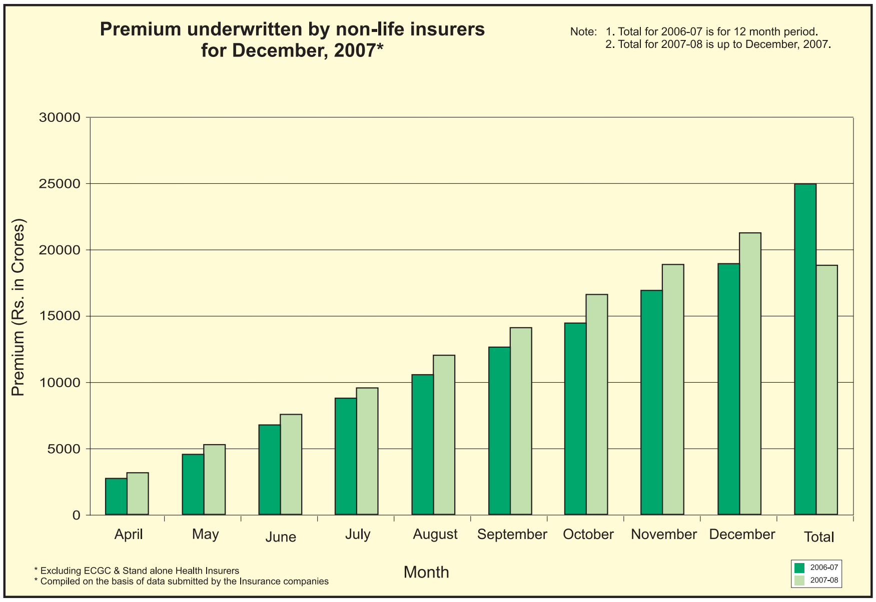
Report Card: General

GROSS PREMIUM UNDERWRITTEN FOR AND UP TO THE MONTH OF DECEMBER 2007

(Rs.in Crores)

INSURER	DECEMBER		APRIL - DECEMBER		GROWTH OVER THE CORRESPONDING PERIOD OF PREVIOUS YEAR
	2007-08	2006-07	2007-08	2006-07	
Royal Sundaram	56.14	48.99	495.90	437.82	13.26
Tata-AIG	61.79	49.54	589.48	569.66	3.48
Reliance General	209.10	90.29	1524.47	611.14	149.45
IFFCO-Tokio	91.77	80.62	800.13	893.76	-10.48
ICICI-lombard	276.57	247.85	2624.67	2326.54	12.81
Bajaj Allianz	197.37	148.63	1712.89	1307.50	31.01
HDFC General	20.34	16.05	168.51	141.93	18.73
Cholamandalam	38.50	22.91	387.52	229.60	68.78
Future Generali*	0.18		1.04		
New India	390.39	370.84	3910.73	3692.49	5.91
National	330.21	317.66	2922.10	2746.20	6.41
United India	317.07	277.08	2760.52	2628.68	5.02
Oriental	299.28	319.16	2897.95	2969.64	-2.41
PRIVATE TOTAL	951.76	704.88	8304.60	6517.94	27.41
PUBLIC TOTAL	1336.95	1284.74	12491.30	12037.01	3.77
GRAND TOTAL	2288.71	1989.62	20795.89	18554.95	12.08
SPECIALISED INSTITUTIONS					
Credit Insurance					
ECGC	53.70	51.73	473.96	443.41	6.89
Health Insurance					
Star Health & Allied Insurance	54.51	1.05	152.96	15.66	876.87
Apollo DKV*	0.10		0.12		
Health Total	54.60	1.05	153.07	15.66	877.61

Note: Compiled on the basis of data submitted by the Insurance companies
** Commenced operations in November, 2007.*



"મેં કલેમના બધા જ દસ્તાવેજો મોકલ્યાને આજે ત્રણ અઠવાડિયા થયા છે... મને આશા છે કે તેઓ મને પૈસા જલદી મોકલશે."

" હા, ચોક્કસ મોકલશે. બધા જ દસ્તાવેજો માગ્યા અનુસાર હોય તો તેમણે ૩૦ દિવસની અંદર જ કલેમનું સમાધાન કરવું જોઇએ. આ કાયદો છે ! "

ધ ઇન્સ્યૉરન્સ રેગ્યુલેટરી ઍન્ડ ડેવલપમેન્ટ ઑથોરિટી (આયઆરડીએ), જે ભારતમાં ઇન્સ્યૉરન્સ કંપનીઓની સુપરવાઇઝરી બૉડી છે તે પૉલિસી ધારકોના હિતોનું રક્ષણ કરે છે. આઇઆરડીએ દ્વારા નક્કી કરાયેલા કેટલાંક નિયમો અહીં નીચે આપવામાં આવ્યા છે :

- વીમા કંપની દ્વારા કોઇપણ કલેમ તે માટેના જરૂરી દસ્તાવેજો મળ્યાના ૩૦ દિવસની અંદર ઉચિત કારણો દર્શાવી ચુકવવો કે વિવાદાસ્પદ ઠેરવવો જરૂરી છે.
- વિમા કંપનીએ પ્રસ્તાવ સ્વીકાર્યાના ૩૦ દિવસની અંદર સંભાવિત પૉલિસી ધારકને પ્રસ્તાવ પત્રની પ્રત વિનામૂલ્ય પૂરી પાડવી જોઇએ.
- વીમા કંપનીએ પ્રસ્તાવ તેમને મળ્યાના ૧૫ દિવસની અંદર જ ચકાસીને તે અંગેનો નિર્ણય જણાવવાનો હોય છે.
- બધાજ જરૂરી દસ્તાવેજો રજૂ કરાયા પછી કલેમના સમાધાનમાં વિલંબ થવા પર વીમા કંપની વ્યાજની નિર્ધારિત રકમ ચૂકવવા જવાબદાર ગણાશે.
- જીવન વીમા પૉલિસીધારક પૉલિસી રદ કરવા ૧૫ દિવસના 'ફ્રી લૂક પીરિયડ' (પૉલિસી મળ્યાની તારીખથી) માટે હકદાર છે.
- વીમા કંપનીએ તેના પૉલિસીધારક તરફથી કોઇપણ પત્રવ્યવહારનો પ્રત્યુત્તર તે મળ્યાના ૧૦ દિવસની અંદર આપવો જરૂરી છે.

જનહિતમાં પ્રકાશિત કર્તા :
વીમા વિનિયામક અને વિકાસ પ્રાધિકરણ.
ઇન્સ્યૉરન્સ રેગ્યુલેટરી ઍન્ડ ડેવલપમેન્ટ ઓથોરિટી
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બશીરબાગ, હૈદરાબાદ ૫૦૦ ૦૦૪.
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11 – 16 Feb 2008 Venue: Pune	**Management of Marine Insurance (Cargo & Hull)** By *NIA Pune*
12 - 13 Feb 2008 Venue: Dubai, UAE	**Takaful Conference on Islamic Investment Management** By *Asia Insurance Review, Singapore*
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17 - 20 Mar 2008 Venue: Dubai, UAE	**World Insurance Forum** By *Asia Insurance Review, Singapore*
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RNI No: APBIL/2002/9589

view point

Our primary objective is to achieve effective implementation of the (IAIS's) supervisory standards world-wide, thus promoting efficient and well-functioning insurance markets that will ultimately contribute significantly to global financial stability.

Mr Michel Flamée

Chair of the IAIS Executive Committee

As stakeholders in the health insurance domain, there is need for continued interaction and consensus building with providers and insurers acting together to ensure sustainability of health insurance.

Mr C S Rao

Chairman, Insurance Regulatory & Development Authority, India

Over-reliance has been placed on financial models and ratings without full comprehension of the risks of the product; and misunderstanding the scope of the ratings that measures default risk.

Mr Lim Hng Kiang

Minister For Trade & Industry and Deputy Chairman, Monetary Authority of Singapore

The engagement with industry in producing the revised requirements will ensure a high level of acceptability and compliance which makes the regulator's job much easier and the money launderer's that much more difficult.

Mr Marcus Killick

Chief Executive of the Financial Services Commission, Gibraltar.

With the many changes taking place in the financial services marketplace, consumer protection poses significant challenges to a regulator. Insurance is a unique and complex product that is fundamentally different from other financial services such as banking and securities.

Mr Walter Bell

Vice-Chair, IAIS Executive Committee

When our house is on fire, the first thing we should do is to put out the fire, rather than thinking about installing a fire alarm for future prevention.

Mr Takafumi Sato

Commissioner, Financial Services Agency, Japan