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GROWING UP

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From the Publisher

It is three months since we started this Journal and it is gratifying to know that the public response to it has been good. You might be noticing that each of these issues highlights one particular subject on which some lead articles are written by professionals. It is the intention of the Authority that such articles must to see wide examination and readers should revert to the Authority with their views so that the Authority is aware of public perceptions.

The current issue for discussion which is being highlighted in this issue is training. The Authority has always felt that intermediation is one of the most important aspects of the insurance industry and one which requires great attention. Intermediation, carried out in a proper manner, corrects the imbalances between the provider and the provided in the matter of information availability and knowledge.

The industry in the past has suffered from a total inattention to this vital area. Ever since the Authority was statutorily created, its primary objective has been to get the intermediaries to follow a pattern of training followed by a system of qualifying in an examination. We have introduced a similar pattern of training and examinations for different intermediaries namely, agents, loss assessors, third party administrators, brokers etc. Separate examination bodies have been recognised by the Authority with the power to hold examinations and declare results. The experiment has been successful to a large extent in attracting a new breed of the professional insurance intermediary, highly qualified compared to those who had served the insurance industry in the past.

Any experiment carried out has its flip side too. The Authority has been somewhat disturbed to receive occasionally complaints about non-adherence to some of the acts expressed by it. Apparently, failures have been on the part of everyone including the insurance company and the prospects who would like to become insurance intermediaries. While the Authority would like to ensure adherence to standards and to procedures prescribed, occasionally questions have been raised informally whether there should not be any rethink on the pattern adopted. While a revision of the pattern is not being totally discounted at this stage, the Authority would like to satisfy itself that a change is demanded not merely as a cosmetic difference but that it is really required.

The Authority is making an independent appraisal of its existing procedures and is consulting professionals in this regard. If readers of this Journal have any ideas in the area of training, the management of the Journal would be pleased to receive any suggestions. We would like these to come to the Editor of the Journal within the next fortnight or so. Each of these suggestions will naturally receive the utmost attention and consideration, and any worthwhile suggestion received will of course be implemented.

In the next issue of the Journal it is the plan of the Authority to consider the position of the profession of actuaries in this country. Contributions are welcome and will be gratefully received.

N. RANGACHARY

Contents

Current Concerns

Marketing mode. That is what the insurance industry is in right now. And will be for a frenzied period in the medium term future. And the numbers are showing it.

Backing up insurance marketing today is what would probably be acknowledged as one of the most extensive efforts by a regulator and an industry, that of training and re-training an entire body of intermediaries, new and old, both in service and nature.

That is what we look at in this issue of **IRDA Journal**. What intermediaries can and should do, and how we can train them to do it. We want to look at training, what we have in place, how effective and adequate it is and what we need to do to keep the system in step with the ever-evolving needs of the industry.

We have put together a panel of experts to write their thoughts out. Mr. Apparao Machiraju has specialised in agents' training over four decades in the US and has carried his mission to India over a decade ago when these things could have been only dreams. Mr. G. V. Rao, who examines the brand new regimen of training and licensing for brokers has worked closely with them in his years in The Oriental Insurance Company and in New India, Trinidad and Tobago, not to speak of during his close to a decade stint with Al Ahlia Insurance Company in Muscat.

Mr. Nimish Parekh, one of the pioneers in the health insurance support services industry in the country, before it became known as Third Party Administrators – Health Services (TPAs) last year, writes about his wishlist for training of TPAs which is so extensive that one is surprised to be surprised. But his real predicament is that it is the rest of the industry, specially the insurers, who have to be educated about TPAs, shed their prejudice and ignorance and accept the support service as a necessary adjunct to their risk carrying role.

We also kick off the topic for the April issue, and that is about the role of another very valuable bulwark of the industry. Actuaries are hard to come by in India today alright, but the insurance industry, at least on the non-life side is yet to begin to appreciate the role they could play in bringing it back to profitability. And profitability is the one thing that the industry sorely needs, urgently.

Detariffing which was featured as the Issue Focus in our January issue, has drawn a lot of interest from the industry and it is fairly clear that the main concern is to execute it carefully so that the industry retains stability through change. We have a thought provoking and informative article in the Follow Through section by the Secretary of the Tariff Advisory Committee (TAC), Mr. K. K. Srinivasan, who has given snapshots of detariffing – and even retariffing – experiences in different world markets.

We will be carrying articles on detariffing for the next few issues and would like you to send us your views and experiences as quickly as possible so that we can place it before all our readers. Then the industry and the regulator can have a range of opinions and suggestions as we move towards a timeline and action plan for detariffing.

We can hardly talk of detariffing without talking about data. We bring you quick updates on two new initiatives of the IRDA in data collection and research for motor insurance and for health insurance. Data is the way to bring order out of the chaos that is India and to switch on light bulbs and drive away the darkness. And it is only fitting that the next issue is on actuaries, for it is they who work with the data and who, once they have reliable data, will work wonders with it to take the industry through the first years of hectic activity and then through the consolidation that will follow.

As always dear readers, we welcome your letters and suggestions, many of which are featured in this issue. Keep writing to us about what you would like to see in the Journal in future.

K. Nitya Kalyani

Neglected Resource

K. Nitya Kalyani

The concept of Appointed Actuary was introduced into the Indian insurance industry by the IRDA as an important part of its efforts to professionalise and strengthen the industry which had for long been restricted in its activities and oblivious to much of the needs of the market.

Actuaries, who provide the very essence of what an insurer needs to rely on – scientific costing information and pricing advice based on past experience and a projected future expectation – have been forsaken for long in the Indian market.

Though it is generally believed that only life insurance and pensions require the services of actuaries, the non-life insurance activity also has much to benefit from this profession. And has done so in the past.

In fact, Mr. R. Beri, Chairman and Managing Director, New India Assurance Company, recalls his pre-nationalisation days in New India when 'almost every department had an actuary' and the company had a team of actuaries helping it cost its businesses and price its products scientifically and dynamically.

The all but demise of the profession in India is reasonably well documented. To recap, when the life insurance business was nationalised, Life Insurance Corporation of India (LIC) became the only potential employer of actuaries. Monolithic as it was, it found no pressing need to keep its pricing equitable and current and needed fewer actuaries as it went along. Many of the profession emigrated and thus it is we find that many insurance markets have leading members of the profession who are of Indian origin.

We have now come a full circle in our need for this profession which is the sheet anchor of the business. Most of the handful of actuaries still practicing their profession in India are, to say the least, elderly. And it is indeed ironical that when the IRDA wanted the registered insurers to appoint full time actuaries, there were very few to be had!

Which is why, in the case of general insurance companies, the IRDA has toned down its requirements and allowed them to use a Consultant Actuary rather than a full timer.

The Actuarial Society of India (ASI), which is the professional body for the examination, certification and enrollment of actuaries into the profession, quickly geared up to increasing the numbers of this tribe, and defining standards and qualifications for the profession. According to Mr. Liyaquat Khan, the current President of ASI, who has taken on the task of getting a charter for the proposed Institute of Actuaries, we can look forward to a healthy growth in the numbers of Actuaries in India in the next few years.

If the insurance industry has been suffering for lack of actuaries, imagine what would happen when pensions as a business starts taking off.

And high time too. If the insurance industry has been suffering for lack of actuaries, imagine what would happen when pensions as a business starts taking off. The Government is expected to take a view on pension reforms, a process that it initiated in mid 2001, but which has been going slow.

Already there is a high level of interest in providing annuities from the life insurers' side. This is because of the profile of the population growth and trends which clearly indicate that the population is ageing through a combination of improving longevity and better healthcare. The need for pensions is being felt increasingly with socio-economic changes which spell out that it is every man or woman for his or her own self, and don't bother to think your children will take care of you in your old age.

Pensions have a vast potential in India given these factors and, for the security of public funds and the reputation of the insurance and pension industry, it is imperative that it be based on a very scientific system backed by professionals of the highest abilities and integrity.

Having said this, it is also a good time to look at what role the profession is playing in India today and what it should be doing.

According to the IRDA regulations, Appointed Actuaries are meant to function as the eyes and ears of the authority in insurance companies, intervening and bringing to the attention of the regulator any non-compliance with regulations.

However, with the exception of certifying the pricing of products in life companies, and not even that in non-life companies, actuaries are not really being utilised to the extent which they can and should be.

The problem is more in the case of non-life companies. Here, the only use actuaries are being put to – or relegated to as some actuaries themselves put it sadly – is to certify the IBNR (incurred but not reported) claims provisioning for motor insurance is sufficient.

While technical reserving is a very important area the IRDA would like comfort to be provided in pricing, provisioning and final accounts as all these affect policyholders directly.

By restricting a powerful resource to a miniscule part of their abilities and areas in which they have potential to contribute, it is the non-life companies that are losing out on a valuable opportunity that will translate into difficult realities in the market tomorrow.

As IRDA Chairman, Mr. N. Rangachary told a meeting of Appointed Actuaries, the critical issues were whether the actuaries were getting the necessary information and adequate support from managements of insurance companies to do their jobs.

It is distressing that this should be required to be raised as a question at all. That he had to go to the extent of saying that if on inspection wrong or inadequate provisioning was discovered it would reflect on the workings of the Appointed Actuary and "affect my belief that as independent professionals you can exercise some control," underlines the benign ignorance, at best, that the industry is bestowing on the profession.

In fact the IRDA would like the role of the Appointed Actuaries to move into areas not yet designated for them. Something that can happen only when professionals get acceptability within the industry and the companies they serve.

With the exception of very few non-life companies, the industry is overlooking what could be about the most valuable resource for the industry's continued health and growth.

TELL US... what you think.

The IRDA Journal will be focusing on the actuarial profession in the industry in its April issue. We will be presenting a palette of views on the industry's needs and what the role of actuaries should and can be.

Licenced Brokers

Seventeen entities have been licenced by the IRDA to operate as insurance brokers for a period of three years.

Here is a list of broking companies with the names of the Principal Officers and contact information.

V. Ramakrishna
India Insure Risk Management Services Pvt. Ltd.
Flat No. 405, IV Floor
Archana Arcade, St. John's Road
Secunderabad 500 025
Ph: (040)27822994/ 27822990

I. Vikram
Acme Insurance Services P. Ltd.
3 A, 3rd flr, Jamals, 17 Jagannathan Rd
Nungambakkam, Chennai 600 034
Ph: (044)28240520/ 28240521

S.P. Raghunathan
Armour Consultants Private Ltd.
No. 2-A, Prakasam Road, II Floor
T. Nagar, Chennai 600 017
Ph: (044)27121974

T. Narayana Rao
TTK Insurance Services Private Ltd.
1-1-782/ B/ 5, Gandhi Nagar
Hyderabad 500 080
Ph: (040)27645070/ 27612232

C.V. Ramana Reddy
Helios Insurance Services Pvt. Ltd.
#302, Lotus Plaza, Street No. 11
Himayat Nagar, Hyderabad 500 029
Ph: (040)27765755/ 27634553

Ashok Jain
First Policy Insurance Advisors Pvt. Ltd.
Elpro Compound, Chinchwad
Pune 411 033
Ph: (020)24103410/ 27471458

Dr. K. Muralidhara Reddy
Excellent Insurance Broking Services Ltd.
8-3-961/B, Srinagar Clny, Hyderabad 73
Ph: (040)23752536/ 23752537

Purushottam Reddy
K.M. Dastur Reinsurance Brokers Pvt. Ltd.
Cambata Building, 42, Maharshi Karve Rd,
Mumbai 400 020
Ph: (022)22855855

Dilip Munshi
JLI Insurance Brokerage Company
Transmission House, Marol Coop Ind. Estate, Plot No. 6/ 19, Compartment No. 82, Marol, Andheri (East), Mumbai 59
Ph: (022)26934900/ 26935900

Dilip Shukla
Unicorn Insurance Brokers Pvt. Ltd.
A-211, Shivalik Enclave, Malviya Nagar
New Delhi 110 017
Ph: (011) 26681890/ 26682213

J.K. Semwal
A&M Ins. Brokers Pvt. Ltd.
31/36, Old Rajinder Nagar, New Delhi-60.
Ph: (011) 25813136/25823136

S.B. Pendharkar
Tower Insurance & Reinsurance Services (India) Pvt. Ltd.
519, Maker Chambers V
Nariman Point, Mumbai 400 021
Ph: (022)22844364/ 22835359

Mr. K. S. Umapathy
Best General Insurance Agency Pvt. Ltd.
36/2, Thambia Road, West Mambalam
Chennai 33.
Ph: (044)56106497/ (0435) 2422357

P.V. Rathinabhan
Suprasesh General Insurance Services & Brokers Ltd.
6M, 6th Floor, Century Plaza, 560-562
Mount Road, Teynampet, Chennai 18
Ph: (044)24348129/24348130

R.M. Solanki
Heritage Finance & Trustt (India) Pvt. Ltd.
McLeod House, 3 Netaji Subhas Road
Kolkata 700 001
Ph: (033)22482411

K.S. Mankad
Mankad & Associates Ins. Services Pvt. Ltd.
153, Maker Chambers III, 15th Floor
J. Bajaj Road, Nariman Point, Mumbai 21
Ph: (022)22855804

M.R. Shankaran Nair
LMB Ins. Brokers Pvt. Ltd.
"Chaithram", T.C. 15/1606-1
78 M.P. Appan Road, Vazhuthacaud
Thiruvananthapuram 695 014
Ph: (0471) 2323130

TPAs' Revenues

The IRDA has issued a circular to Third Party Administrators – Health Services (TPAs) on income recognition norms.

In the nature of a guidance note, the circular advises TPAs to apportion their service fees, usually received in advance of the year at the time of inception/ renewal of the policy, or each quarter, over the policy period. Using the straight line method.

This practice would avoid situations where income is overstated for the year in which the fees are received but part of which pertain to a different financial year, and also avoid problems in matching costs with revenue.

This is in accordance with Accounting Standard 9 (AS 9) of the Institute of Chartered Accountants of India (ICAI) which is mandatory from April 1, 1991.

As per Para 7 of AS 9, revenue from service transactions is usually recognised as the service is performed either by proportionate completion method or by completed service contract method.

TPAs render services like issuing identity cards, running 24 hour call centre services for emergency, cashless hospitalisation and claims processing to health policyholders on behalf of insurance companies. Since all these services, except issuing identity cards, are for the specified policy period and not one act of service, the proportionate completion method is the most appropriate revenue recognition method for them.

TPAs, licenced by the IRDA in early 2002, have yet to get a foothold in the industry with public sector general insurers still reluctant to avail of their services.

At the current rates of service charges of between 5.40 per cent and 5.50 per cent of the health policy premiums, and with an estimated Rs. 760 crores of health insurance premium incomes of insurance companies, the TPA industry could earn about Rs.42 crores if all health policyholders opt for their services on their policies.

Most health policies on renewal hitherto are likely to come packaged with TPA services and an additional fee towards the service will be levied for those who opt for them.

Data for Health Insurance

The lack of data to support the development of a proper health insurance industry is a longstanding problem in India. The issue was raised at the annual meeting of consumer organisations and insurance companies held by the IRDA on January 27 at Hyderabad. At this meeting the participants agreed that there must be a proper forum set up for collection of data on health statistics and that the IRDA itself should move towards this.

With this in view the IRDA has constituted a committee with representation from insurers, third party administrators (TPAs), the Tariff Advisory Committee (TAC) and the IRDA to advise on collect and retrieve of health related data to help build health insurance products by insurance companies, establish benchmarks for the services to be provided by TPAs and to standardise the services to be provided by hospitals to health insurance policyholders.

It is important that in the future health insurance products are tailor-made to meet the clients' demands and since there is no actuarial involvement in designing these products which are based on past performance and experience, past data is very important for calculating premiums specially for riders and floaters.

A centralised database where such data is pooled, stored, updated and shared with insurance companies for their use, will also contain costs of the insurers and healthcare providers leading to better efficiency in the products which will ultimately benefit policyholders.

The data will also be useful in assessing the performance of various service providers and standardising them for the purpose of creating networks.

The recommendations of the committee will be used to chart out future course of action for creating the database.

It is proposed that a common claim form with all necessary and relevant information, the equivalent of ICD 10, be used by the TPAs while processing health policy claims. Once this becomes the norm, hospitals will give information in this form to TPAs so that standardised information is captured in full and contributed to the centralised database.

This will then be collated and analysed and made available back to the TPAs and insurance companies for their product development and cost management as disease and treatment profiles can be standardised and diversity in pricing will become transparent.

New Part-time Member

Mr. R. Bupathy, the newly elected President of the Institute of Chartered Accountants of India (ICAI), is now part-time member of the IRDA in place of his predecessor at the Institute, Mr. Ashok Chandak.

Mr. Bupathy is a fellow of the ICAI and, partner, Bupathy & Company, Chennai.

The IRDA wishes to place on record its appreciation of the services of Mr. Chandak during his tenure as part-time member.

Motor Workshop!

Dr. Susan Ferguson, Senior Vice-President, Insurance Institute for Highway Safety (IIHS), and Mr. Joseph Carra, Director, National Highway Transport Safety Authority (NHTSA), USA, at the National Workshop on Data Collection and Research in Motor Insurance conducted under the aegis of the IRDA and the Tariff Advisory Committee (TAC) in Hyderabad on January 28 and 29.

Just as in Health insurance, the lack of data related to Motor insurance has been dogging the general insurance industry for quite a while now. In fact, Motor is the largest single business in general insurers' portfolio, accounting for almost 40 per cent of the premiums.But the portfolio is loss making and insurers have been unable to establish their case for hike in premium without the data to back it up.

A National Workshop on Motor Insurance Data and Research was conducted under the aegis of the IRDA and the Tariff Advisory Committee (TAC) in Hyderabad, organised by Concert, a Chennai-based consumer organisation headed by Mr. R. Desikan, on January 28 and 29 to kickstart the process of establishing a system to meet the needs of the industry.

The workshop had papers presented by Mr. Joseph Carra, Director, National Highway Transport Safety Authority (NHTSA), USA, on the advanced data collection and analysis system that his organisation has in place and Dr. Susan Ferguson, Senior Vice-President, Insurance Institute for Highway Safety (IIHS) on the studies on road safety and various aspects of improving it, including public awareness, that her institute has been involved with successfully for several decades now.

Dr. Dinesh Mohan, Henry Ford Professor at the Indian Institute of Technology (IIT), Delhi, spoke about data availability relating to motor accidents in India and systemic difficulties relating to collecting and authenticating such data.

A paper on a blueprint for a centralised data repository involving insurance companies, police and transport departments, hospitals, vehicle financiers and courts was presented jointly by Ms. K. Nitya Kalyani, Editor, IRDA Journal and Mr. K. Krishna Kumar, Trustee, Concert.

Workshop participants, drawn from the general insurance industry, deliberated on the four presentations and concluded that a data pool for motor insurance was a critical need for the industry.

A Committee was constituted by Mr. N. Rangachary, Chairman, IRDA, which is to create a roadmap for setting up a road safety research institute and an institute for motor insurance, data and research.

The Committee is co-chaired by Mr. Joseph Carra and Mr. S. V. Mony, CEO, AMP Sanmar Assurance Company and has as members Mr. Pradeep Swain, AGM, TAC, Mr. R. G. Viswanathan, Financial Advisor, The Oriental Insurance Company and Mr. K. Krishna Kumar. The Committee is to visit the NHTSA and IIHS to study the organisations and their systems and submit a report by March 22.

The basic aim of the road safety research institute will be to conduct research to make Indian roads safer. The main aims envisaged for it are to develop a valuable strategic centre for information on road safety, to identify subjects for research, to put in place resources and information to assist in research, to identify areas where data availability needs to be improved and to develop strategies for making improvements

The motor insurance data and research institute will conduct research on factors relating to frequency and severity of accidents on roads and aims to build a motor insurance database for the benefit of insurers and the insuring public, to assess the data available with different sources, to secure enforceable authority for regular collection of data from the insurers, to ensure confidentiality in respect of proprietary data and transparency in respect of collective data.

Both the institutions will also interact with similar institutes of excellence all over the world and disseminate information on their research and findings.

Referral Fees to Banks

The IRDA has issued the following circular on February 14, 2003, with guidelines on referral fees to banks by life insurers. This is in revision of the earlier circular dated January 30, 2003. The revised circular for general insurers is to follow later after consideration of their comments.

All insurers entering into agreements/arrangements with banks for referral business or renewing such agreements/arrangements are advised to strictly take note of and adhere to the following:

I. No insurer shall enter into a referral arrangement with any bank which has been licensed by the Authority to act as an agent or an insurance intermediary.

II. Referral arrangement may be entered into with a bank for access to its database, provision of physical infrastructure and for display of publicity material of the insurer.

III. The participation by the bank's customers shall be purely on a voluntary basis and this should appear prominently in all publicity materials distributed by the bank and the insurer. It shall also be mentioned clearly that the contract of insurance is between the insurer and the insured and not between the bank and the insured. The referral arrangement between the bank and the insurer shall not be construed to have resulted into an agent-principal relationship between the bank and the insurer.

IV. There shall be no linkage either direct or indirect between the provision of banking services by the bank to its customers and sale of insurance products.

V. The bank which enters into any such arrangement should not be permitted to enter into any similar arrangement with more than one life insurance company or more than one general insurance company. This is important to ensure that a bank does not act defacto as an insurance agent or as an insurance broker without a license.

VI. Referral fee paid by the insurer to the bank shall be treated as acquisition costs and shall be decided between the parties under a written agreement. The total payout under referral fee, by whatever name called, shall include the element of management expenses as well and shall be on the basis of business generated under such an arrangement and shall not exceed the percentage of total premium as specified in the table below:

Business generated through referral arrangement as a % of gross premium	Maximum total payout as referral fee as a % of total premium
10	5.50
20	11.00
30	16.50
40	22.00
50	27.50
60	33.00
70	38.50
80	44.00
90	49.50
100	55.00

No commission or other remuneration shall be paid along with referral fee.

For single premium policies the referral fee paid by the insurer to the bank shall be 10 per cent of such single premium.

A copy of the agreement entered into by the parties shall be filed by the parties with the Authority.

VII. No insurer shall pay any referral fee for any promotional campaign.

VIII. Every referral agreement shall be for a fixed period.

IX. Both the parties shall comply with the directions of the Authority for acting under the referral arrangement and that the Authority for valid reasons and after hearing the parties, shall have the discretion to apply its own criteria to reject or order for discontinuance of such arrangements.

X. The insurer or the bank shall not construe that filing with the Authority of such a referral arrangement, as due compliance of all other statutory provisions under any other law or due compliance of the requirements of other statutory authorities.

The current tort system works against improvements in the healthcare system and increases costs because it forces providers to engage in defensive medicine in order to avoid lawsuits. Medical malpractice premiums have risen dramatically in recent years, in large part due to the current system of "jackpot" justice that permits frivolous lawsuits and unlimited awards of non-economic and punitive damages in most states.

Mr. Carl Parks, Senior Vice President, Government Relations, National Association of Independent Insurers (NAII), US.

Report Card: Life

A brief analysis of the information furnished by life insurers for the new business underwritten during the ten month period ending January 2003 in the financial year 2002-03 is given below.

Life insurers were required to furnish the information under two broad heads, viz., Individual Business and Group Business. They were required to give details of the premium underwritten by them under individual business, to broadly indicate the data under individual new business, single premium new business and individual pension business.

The information was also required to be furnished for the rural sector. Similarly, the information about group business underwritten was required to be furnished to incorporate the group insurance business, group gratuity business and group superannuation business. The details of the social sector business underwritten in these segments were also required to be furnished.

The statistics received from the insurers have been compiled to present a comparative view of the performance of the private players and the public sector insurer, i.e., Life Insurance Corporation of India (LIC). The private insurers comprised 12 players.

INDIVIDUAL BUSINESS

- **Individual New Business**

During the first ten month period of the financial year 2002-03, 4,43,338 policies were underwritten by the private players for a premium of Rs. 31,948.18 lakhs, and sum assured of Rs.11,32,578.36 lakhs, inclusive of riders. Maximum policies were underwritten under endowment at 2,27,825 at a premium of Rs.15,714.9 lakhs and sum assured of Rs.3,49,617.71 lakhs.

As against this, LIC underwrote 14,757,054 policies, against a host of products offered, collecting a premium of Rs.3,39,368.44 lakhs, and sum assured of Rs.97,79,680 lakhs. The maximum policies were underwritten under the endowment plan, followed by the money back plan, being 92,48,806 policies and 45,29,434 policies, respectively. The premium underwritten under the two plans was Rs.2,05,765.69 lakhs and Rs.1,08,415.96 lakhs respectively.

- **Single Premium New Business**

During the period upto the month of January, 2003, the private players offered a host of products under single premium new business. During the said period 40,881 policies were underwritten by the private players garnering a premium of Rs.23,425.94 lakhs, and sum assured of Rs.35,364.98 lakhs. Under this category the private players underwrote the maximum policies under endowment at 30,992 at a premium of Rs.17,260.22 lakhs with sum assured of Rs.18,478.86 lakhs.

As against this, LIC underwrote 2,53,625 policies, at a premium of Rs.2,27,287.44 lakhs, and sum assured of Rs.2,84,454 lakhs. Maximum business was underwritten under the 'Others' category at 2,13,347 policies and premium underwritten of Rs.1,83,867.79 lakhs, followed by endowment plan at 39,961 policies and premium underwritten of Rs.43,373.90 lakhs.

- **Individual Pension Business**

Under the individual pension business, the private players offered single and regular premium policies and Personal Pension Plan. A total of 44,206 policies were underwritten at a premium of Rs. 5,323.53 lakhs.

As against the private players, LIC underwrote 67,835 policies for a premium of Rs.11,897.76 lakhs.

- **Individual Rural Business**

The private players underwrote a total of 29,159 policies for a premium of Rs.339.75 lakhs, and sum assured of Rs.11,697.33 lakhs. Maximum premium was underwritten for endowment plan at Rs.205.04 lakh, followed by money back plan at Rs.84.65 lakh.

As against the private players, LIC underwrote 32,41,538 policies in the rural sector, with premium amount of Rs.54,240.94 lakhs and sum assured of Rs.16,06,786.41 lakhs. Maximum policies were underwritten for the endowment plan at 21,43,359 policies at a premium of Rs.32,301.82 lakhs, followed by money back plan at 9,52,220 policies at a premium of Rs.19,631.47 lakhs. Under the unit-linked plan, two policies were underwritten.

- **Single Premium Rural Business**

A number of products were offered to the rural sector under single premium business, by both the private and public insurers. Private players underwrote 20,853 policies in the rural sector for a premium of Rs.80.31 lakhs and sum assured of Rs.673.48 lakhs.

LIC underwrote 11,221 policies for a premium of Rs.6,446.15 lakhs and sum assured of Rs.8,244.35 lakhs during the period ended January, 2003. The maximum number of policies was underwritten under the "Others" category at 9,027 policies, and premium underwritten of Rs.4,924.22 lakhs. No policy was underwritten under the Unit linked Single Premium Rural Business.

- **Individual Rural Pension Business**

Under the individual pension business for the rural sector, 468 policies were underwritten by the private insurers with premium of Rs.80.25 lakhs.

LIC underwrote 1,856 individual pension policies in the rural sector for a premium of Rs.280.23 lakhs during the period under reporting.

GROUP BUSINESS

- **Group Insurance Business**

The private players offered 317 schemes under group insurance business during the first ten months of the financial year, covering 5,75,890 lives. The premium underwritten during the period was Rs.2,355.95 lakhs.

LIC offered the term and the group savings linked insurance schemes during the period. Under these two options, 4,810 schemes were underwritten covering 10,36,892 lives. The premium underwritten was Rs.2,405.25 lakhs.

- **Group Gratuity Business**

The private players were operating 16 schemes during the year, covering 2,698 lives. Premium underwritten during the period was Rs.315.92 lakhs.

As against this, LIC offered 1,391 schemes during the period covering 1,61,416 lives. New business premium underwritten during the period was Rs.20,956.44 lakhs. This includes group leave encashment business also.

- **Group Superannuation Business**

Under 14 different schemes offered by the private players, 806 lives were covered, and Rs.586.98 lakhs premium was underwritten during April, 2002, to January, 2003.

LIC offered three products under Group Superannuation, namely Group Superannuation (GS), Group Annuity (GA) and VRS, covering 208 schemes. 56,101 lives were covered under the schemes, and Rs.65,003.78 lakh premium was underwritten during the first ten months period of the current financial year.

- **Group Social Sector Business**

The private players offered 14 schemes, covering 29,771 lives under the social sector, and garnered Rs.10.89 lakhs premium.

As against this under the Janashree Bima Yojana, LIC offered 2,382 schemes, covering 3,67,112 lives, and underwrote premium of Rs.444.83 lakhs. As a rider, under the Shiksha Sahayog Yojana 22,947 lives were covered for a premium of Rs.77.72 lakhs.

- **Group Gratuity Social Sector Business**

None of the players – private or public - reported any business during the ten month period under this category.

- **Group Superannuation Social Sector Business**

None of the private players reported any business under this category, during the period under consideration.

During the first ten months of the current financial year, 2,448 schemes were offered to cover 91,116 lives with underwritten premium of Rs.161.08 lakhs.

New business done in the first ten months of 2002-2003

(Rs. in lakhs)

Individual Business	Premium	Policies	Sum Assured
Individual New Business	371586.62	15200392	10912258.36
Single Premium New Business	250713.38	294110	319818.98
Individual Pension Business	17221.29	112041	
Individual Rural Business	54580.69	3270697	1618483.74
Single Premium Rural Business	6526.46	32074	8917.83
Individual Pension Business – Rural	360.48	2324	
TOTAL – Individual Business	639521.29	15606939	11232077.34

(Rs. in lakhs)

Group Business	Premium	Schemes	Lives
Group Insurance Business	4761.202	5127	1612782
Group Gratuity Business	21272.36	1407	164114
Group Superannuation Business	65590.76	222	56907
Group Insurance – Social Sector Business	455.72	2396	396883
Group Gratuity – Social Sector Business			
Group Superannuation – Social Sector Business	161.08	2448	91116
TOTAL – Group Business	91624.322	6756	1833803

Insurance and the Actuary

V. Sesha Ayyar

The first part of this article appeared in the February issue of IRDA Journal. This is the second and concluding part.

Before we discuss the factors which go into the pricing of insurance, we shall go into the question of how historically the premium structure evolved into the present form.

Life insurance, in a rudimentary form, was practiced in the United Kingdom centuries ago. Members in certain communities came together and collected contributions to be used to pay the families of those who died during the year. The amount which each family would get by way of claim depended on:

- the total collections, which in turn depended on the total number of members and
- the number of persons who died during the year.

After a few years of operation of this system, certain anomalies surfaced, namely:

- Younger members had to contribute for a greater number of years compared to older ones and consequently discontinued membership, which in turn reduced the benefits payable to the aged who died.
- To keep up a certain level of benefit payable, the contribution had to be increased which was found unsuitable by older members. It was realised that the remedy lay in collecting contributions commensurate with the degree of risk.

Though it was known that the risk of death increased with age, the extent of increase was unknown as mortality tables had yet to be formulated. The development of the mortality table was a landmark in the history of life insurance and this gave a scientific basis for computing the premium.

James Dodson, a mathematician in London, was the first to conceive of a mortality table. This happened in the mid-eighteenth century. The Equitable Society of Britain, founded in 1762, was the first insurer to be organised along scientific lines with premiums computed according to the age and period of assurance. This was possible since actuarial techniques were first formulated at that time in a nascent form. A later development was the formation of the Institute of Actuaries in London more than a century ago.

The next stage of evolution was the concept of level premium payable from the beginning for life cover for a number of years and for endowment benefits payable at the end of a designated term. Level premium for an increasing risk meant that such levy is an average premium. The outcome of this concept is that excess amount is collected in the initial years compared to the cost of current risk. The excess amount is accumulated in a fund designated the 'life fund' to be utilised at a later time when the current premium alone will be unable to meet the current claims. The excess amount attributable to each policy is called the 'reserve' and the life fund is the sum total of all such reserves.

Thus it will be found that life insurance accumulates large funds which belong to the policyholders as a class. General insurers do not accumulate comparable funds as their contracts are mostly renewable annually. They accumulate funds for other reasons such as unexpired risks, and for meeting catastrophic risks.

In course of time complicated policies came to be marketed, such as:

- Periodical payments in case of survival to a certain number of years
- Additional ancillary benefits like double accident (double indemnity)
- Payment for total disablement

Recent developments include equity linked contracts, universal insurance and unbundled contracts.

The following are some major parameters on which the pricing of a life insurance policy is done.

Mortality

There are two major mortality tables

1. Census mortality (death rates for the population or segments of population)
2. Insured lives mortality (experience of insured policyholders. These rates are lower compared to the former as there is an initial selection of lives by insurance companies and generally only those accepted at normal rates are included in the experience).

The latter is used as a basis for computing life insurance premium. A typical mortality table gives the following details age wise.

lx = number observed at age x

dx = number dying between ages x and x +1 among lx

lx+1 = number surviving to age x + 1 (lx+1=lx-dx) out of lx and so on

Age	lx	dx	qx	px
40	963206	2697	0.00280	0.99720
41	960509	2968	0.00309	0.99691
42	957541	3275	0.00342	0.99658

qx = probability of dying between ages x and x + 1 in respect of a person attaining age x

px = probability of surviving to age x+1 in respect of persons aged x

px = 1- qx

Assume that a person aged 40 wants a policy for Rs. 1000/- payable in case he dies within one year, and with no benefit in case he survives that period. Ignoring expenses and interest, the premium is Rs. 2.80 (ie: 1000 x .00280).

This gives an example of how mortality tables are made use of by actuaries in computing premium. In practice considerations like interest, expenses, term of the policy and benefits payable complicate the calculations.

Actuarial formulae can be derived for policies with varied covers. For participating policies there is an additional bonus loading.

Interest

The life fund is invested as per the insurance regulations and earns interest. A certain long term interest is assumed for premium calculation and this factor goes to reduce the premium. It may be mentioned that accurate forecast of long term interest rate is rather difficult.

Expenses

A major problem for life insurers arises from the large front ended expenses (including the first year commission, cost of medical examination, stamp duty on policy document etc.) incurred for placing the policy on the books. This has to come out of the first year premium. The expenses during the second and subsequent years are less. This differential in the expense levels gets reflected in the formula used for arriving at the premium to be charged.

Prudent management

This involves the following:

- Investment of funds for getting maximum returns consistent with safety of capital and periodical review of investments.
- Proper selection of lives for insurance keeping the experienced mortality within limits. This is achieved by following healthy underwriting safeguards and practices. Medico-actuarial investigations using statistical techniques have now evolved extra premiums for different levels of medical impairments.
- Keeping administrative costs constantly under review with a view to reducing them.

The development of the mortality table was a landmark in the history of life insurance and this gave a scientific basis for computing the premium.

- Reducing lapses of policies, or improving the conservation ratio.
- Product development, or in other words, designing new policies to meet changing consumer needs.
- Deciding on retention limits on any one life and arranging reinsurance when the cover exceeds the limits of retention. Arranging catastrophic risk cover for restricting the total loss of an insurer arising out of catastrophic risks like epidemics, war or war like operations, typhoons, hurricanes and the like.
- Monitoring underwriting, marketing, administrative and investment activities so that the management can take remedial action if and when called for.
- Reviewing the bases of current premium rates and revising rates when circumstances warrant.
- Ensuring that each plan of insurance pays for itself and that there is no cross subsidy. Keeping this in view different rates of bonus for different types of policies is justified.

Actuarial expertise is made use of for the above reviews.

Surplus

In the case of industrial and commercial ventures, the profits are computed on the basis of income less outgo after making various provisions. But the profits of a life insurance operation cannot be arrived at in this manner. There is need for proper evaluation of policy liabilities (called actuarial valuation) to determine whether the accumulated fund is sufficient to meet future claims as and when they arise. The excess of the life fund after meeting the valuation liability emerges as the surplus which is disposed of on the recommendation of the valuing actuary.

The usual practice is to declare reversionary bonus, which is a bonus payable along with the sum assured on death or maturity. A final additional bonus is also paid at the time the policy finally goes off the books by maturity or death after it has been in force for a stipulated number of years. This is to ensure final equity in bonus distribution.

The author is retired Executive Director, (Actuarial), Life Insurance Corporation of India.

Why I Must be Educated

R. C. Sharma

Let me introduce my self. I am a prospective consumer intending to purchase an insurance cover. But, I am totally ignorant about insurance. I come from a very humble background and reside in a town where the inflow of general information is not only scanty and scarce but also slow. I don't know what suits me best and what the best price is. So what to do? I strongly feel that I need to be educated as a consumer.

I have seen some hoardings and newspaper advertisements. These have given me a little vague information leading to sketchy ideas. I am not satisfied with this and like to go through the subject in a more professional manner. To attain this specialised knowledge, where should I go and whom should I approach. I am in a wilderness and need to be properly guided.

Based on the little information which I have gathered, I understand that the following can help me out in different ways.

- Insurance companies
- Intermediaries of the insurance sector
- The Insurance Regulatory and Development Authority
- Various educational institutes imparting courses / training in this discipline

But, my requirements are for more than one product. I need to familiarise myself with the market as I am tempted to procure not one, but a couple of policies to provide me with different insurance coverages.

Should I approach an insurance company directly? I feel there should be no apprehensions. Every commercial company should have a cell for customer management – a 'May I help you counter', which must invite me and listen to my requirements and problem areas. The counter should direct me to a senior official for more comprehensive information which can really help me in arriving at a prudent decision. I should be able to ask even for printed literature which should be readily made available to me mentioning contact numbers and the like for future guidance and easy accessibility.

But, I feel, I am not educated enough to completely understand the intricacies of the policies and the jugglery of words. Even the meanings of some of the terms and phrases are not tangible to me. I am unable to distinctly make out what a prospectus or proposal form means and what to make of their contents.

I wish the language of the documents was made lucid, easily understandable and unambiguous. The contents should explicitly mention the covers, limitations, claims procedure and the like.

Maybe it is better that I seek the help of an intermediary. An agent or a broker should be able to help, since, I am told that unlike previous days, agents of today are trained better and well equipped to share information on the subject.

An agent can help me in thrashing out my requirements and in saving me physical exertion but his advise is limited to a particular company, and thus what I don't get is choice.

But again, with the brokers around, I have another option and I should not worry much. They are again specially trained people who can advice me on a variety of products from different companies. They can also cater to my needs of procuring policies in diverse areas as they can calculate my risks better and provide professional guidance.

I am not fully conversant with complex procedures like filing the papers and am also unable to move around, so a brokerage company can definitely help me. Surveyors and loss assessors also can help in advising me on how loss can be controlled and minimised. In case of any eventuality their services can be sought for verifying and checking the causes and circumstances of the loss that has occurred. Ideally, a list of surveyors should be displayed along with the prospectus to help me.

Third Party Administrators – (Health Services), (TPAs) can become another important source of information by guiding me to the right course for cashless treatment. Their geographical spread over the country through the established networks can make all the difference in providing health services.

But again the question is: from where do I locate these intermediaries and their contact information. I expect that these should be available with the insurance companies as well as on websites.

Once I approach these intermediaries, I may have some doubts about their genuineness also. I should not fall prey to some unscrupulous elements who are omnipresent with their wickedness. I should check their identity before dealing with them, and their market reputation will be very relevant. There can be temptations of discounts, intermediaries willing to part with a portion of their commissions etc, but, I am interested only in the quality of service and the right approach.

What are my rights and duties as a customer, what I will I do, if I am trapped in any contingency?

In case of a grouse or a complaint, I should be allowed to look up to the 'Complaints Cell' of the insurance company, which should redress my complaint.

In case of my persistent dissatisfaction, I should be made able to seek redressal from any outside agency authorised to settle such issues.

Insurance Ombudsman and sometimes the IRDA too can help me out.

Insurance companies can contribute to creating awareness by means of:

- Holding seminars and informal corner meetings
- Distributing brochures / handouts giving complete information of their products
- The emphasis should be on the value of the product rather than on its price
- Advertisements, instead of being loaded with slogans, should speak of the utilities of the products

Intermediaries, with their knowledge and communication skills can prove to be a big resource and the source of correct information.

These feelings of mine, I hope, shall not be mocked. I have reason to believe that the awareness brought to me through any of these means will not benefit only me, but can be the source of multidimensional, positive effects on the insurance industry.

- It can help me take quick, appropriate and canny decisions, which otherwise could have not been possible.
- My education will be a source of self-protection to me which in addition to my satisfaction as a customer can help in saving energy, money, litigation and the time of many parties involved in the business.
- It can facilitate the smooth transaction of negotiations / business with insurance entities.
- It can enhance my confidence while taking an insurance cover.
- It can prove to be a source for others who need information on this business.
- It can revive and broadbase the interests of people like me which will ultimately help in developing a vibrant insurance market.

I feel that the education so attained need not be demonstrative of my intellectual faculties, rather, it should be reflected in my understanding of the subject matter.

The IRDA, along with institutes engaged in imparting training to various insurance functionaries and to the students of insurance management studies, can be of great help in removing conceptual doubts and anomalous situations. It is too early now to expect it but it cannot be ruled out.

The utility of awareness through proper education and other means need not be over-emphasised. For a layman like me, insurance is a source of ever available fixed compensation/ income, irrespective of the nature of the contingencies, causes of perils and so on. I am afraid such misconceptions need to be eliminated urgently for the healthy growth of the insurance business environment.

It should be imperative on the part of each entity involved in the insurance sector to create an atmosphere where insurance should not look like a difficult subject. Rather it should appear to be part of our daily life where its need and utilities are clearly understood.

The author is Assistant Director, IRDA.

In Memoriam

IRDA Journal grieves over the passing away of Shri C.S.Rao, the Insurance Ombudsman at Hyderabad.

Before taking up the assignment at Hyderabad, Shri Rao was Additional Secretary-cum-Financial Advisor in the Department of Steel and Mines, Government of India.

His association with the insurance industry, which has been pretty long, commenced when he became the Joint Secretary of the Department of Economic Affairs dealing with the Insurance Division in 1993.

Over the next six years, during which period the insurance industry went through a process of consolidation and liberalisation, Shri Rao, who was also the Controller of Insurance, has played a great part.

His knowledge on matters concerning the insurance industry and his application of that knowledge to situations was something which impressed anybody with whom he worked in the Department of Economic Affairs.

I have known Shri Rao's capacity and capability from close quarters. During the period 1997-98 when the IRA Bill 1997 and later in 1999 came to be drafted by the Ministry of Law and discussed in Parliament, Shri Rao had occasion to interact closely with the interim body and the Ministry of Law and his felicity of expression and vision about the industry and its future were reflected in the draft legislation.

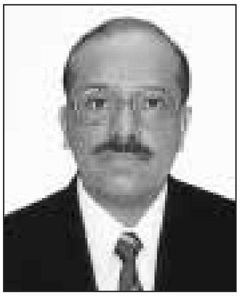
In other words, today if the IRDA is considered to be one of the model regulatory mechanisms in the country, it has been principally due to the efforts of people like Shri Rao who had broken out of their cocoons and thought wisely that this should happen.

In the death of Shri Rao the IRDA has lost its support, and the industry, one of its friends.

N.Rangachary

Tariffs & Liberalisation

K.K. Srinivasan



The non–life insurance market in India is predominantly under Tariffs formulated by the Tariff Advisory Committee (TAC). Section 64 UC (1) of the Insurance Act states:

"The Advisory Committee may, from time to time and to the extent it deems expedient, control and regulate the rates, advantages, terms and conditions that may be offered by insurers in respect of any risk or of any class or category of risks, the rates, advantages, terms and conditions of which, in its opinion, it is proper to control and regulate, and any such rate, advantages, terms and conditions shall be binding on all insurers."

Rate Making Principles

64 UC (2) of the Insurance Act stipulates that: "In fixing, amending or modifying any rates, advantages, terms or conditions relating to any risk, the Advisory Committee shall try to ensure, as far as possible, that there is no unfair discrimination between risks of essentially the same hazard, and also that consideration is given to past and prospective loss experience ……"

Tariff business in India

The following major lines of business are at present tariffed in India: -

I) Fire Insurance
II) Industrial All Risks Insurance
III) Marine Hull Insurance
IV) Workmen's Compensation Insurance
V) Motor Vehicles Insurance
VI) Engineering Insurance.

Of these, Motor Vehicle Insurance constitutes the largest portfolio accounting for about 35 per cent of the total volume of non-life insurance premium of Rs.11,000 crores.

Market Liberalisation

The passing of the Insurance Regulatory and Development Authority (IRDA) Act, 1999, paved the way for opening up the insurance market in India.

In the words of Patric Goergen, Insurance Unit, UNCTAD, "Liberalisation is a process consisting of establishing markets functioning under competition rules where: No player achieves a dominant position. Transparency and information conditions are reinforced to allow for 'informed' decisions both by buyers and sellers. Price fixing mechanisms are changed, away from coordinated systems; rates as well as product design, are determined by market forces. Privatisation and enactment of competition rules allow for new domestic and often foreign entrants in the market."

If this view is accepted, Tariffs as price-fixing mechanisms have to give way to market forces in a liberalised market.

Perceptions of Pros and Cons

The Tariff market in India has been viewed to have a mixed bag of merits and demerits.

Pros:

1. Global perception of Indian market as a stable market in terms of rates terms and conditions
2. Steady growth of the insurance business with the Tariffs providing benchmark rates
3. Tariffs enabling response to catastrophe in the form of rate changes, pooling mechanisms, etc.

Cons:

1. Standardisation has inhibited innovation and restricted customer choice.
2. Tariffs have destroyed underwriting skills and have lead to the proliferation of a bureaucratic attitude.
3. Since Tariffs are not based on adequate data, rates are not scientific and realistic.
4. Tariffs do not respond in a timely manner to changes in rates in international markets.

Malhotra Committee's Recommendations on Detariffing

The Committee On Reforms in the Insurance Sector formed by the Government of India, popularly known as the Malhotra Committee, in its report of January, 1994, recommended that:

"In view of the current state of the Indian insurance market, its likely evolution in the near future, and the prevalence of tariffs in many advanced markets, it would be advisable to abolish tariff regime at this stage. However, the area under tariffs should be progressively reduced with the objective of limiting it to only a few classes such as marine hull, aviation hull, loss of profit insurance, fire and engineering insurance of complex industrial risks, catastrophic risks, and professional indemnity. This is expected to promote competition and improve underwriting skills."

The Indian Experiment of 1994

Marine Cargo business in India was de-tariffed in April 1994. The marine cargo tariff was built-up over the years in stages. But the detariffing was done in one go. The market behaviour before and after detariffing is brought out in the table below.

(Rs. in crores)

Gross Direct Marine Premium In India

	Year ended	Marine Cargo	% Change	Marine Hull	Total Marine Premium	% Growth In Gross Domestic Product
Before Detariffing	90-91	418.3		91.1	509.4	
	91-92	499.9	19.51	133.7	633.6	
	92-93	564.7	12.96	206.5	771.2	4.3
	93-94	599.7	6.20	232.7	832.4	6.0
After Detariffing	**94-95**	**578.3**	**-3.57**	**248.6**	**826.9**	**7.2**
	95-96	713.2	23.33	248.0	961.2	7.3
	96-97	764.6	7.21	225.9	990.5	7.8
	97-98	764.4	-0.03	261.1	1025.5	4.8
	98-99	765.6	0.16	232.1	997.7	6.6*
	99-00	765.1	-0.07	229.9	995.0	6.4*
	00-01	721.7	-5.67	263.4	985.1	

** Estimates*

At the time of de-tariffing of marine cargo business, the insurance market in India was under the public sector. 1994-95, the year immediately following de-tariffing, saw a sharp fall in total marine cargo premium. In the public sector set-up, the four public sector companies were in a position to take combined action to contain adverse consequences. Despite this, it took nearly three years for the market to achieve notional stability but the market seems to have hit a plateau thereafter. Again there has been a sharp fall in 2000-2001.

As it is the picture is not very bright and the rate of decline becomes significant when compared to the growth in gross domestic product and other economic indicators, including domestic and international trade and commerce, during the relevant years.

With the market opening in 2000 to the private sector, and with new systems of intermediaries like brokers coming in, competition dragging down the premium rates further cannot be ruled out.

While the experience gathered from the marine de-tariffing exercise is useful, it is also important to look at experiences and practices of other markets.

Canada

Till a few years ago, Canada had a dual system. Some insurers belonged to a tariff organisation others did not. Membership was voluntary but members of the tariff organisation had to adhere to tariff rates. In due course, the tariff organisation evolved into a non-profit advisory organisation which offered inspection, engineering, actuarial, rating, statistical and education services. It was best known for its property rates as it inspected most commercial risks and published individual rates for each risk. Copies of the inspections were available. Casualty rates were available at class level.

The advisory organisation has now evolved into an organisation for-profit, selling its inspection services and rates. At present, insurance regulators are involved with automobile, which is the only mandatory coverage. Involvement is at the provincial level and the degree of involvement varies by province. All provinces approve all policy forms, some pre-approve rates and underwriting guidelines.

Indonesia

Indonesia has a total volume of non-life premium of around $ 1 billion. Property insurance is the largest class with a share of 33 per cent as of December 31, 2001. There are as many as 104 insurance companies in the market (as of 2001). The Insurance Director who functions under the Ministry of Finance is entrusted with the powers and responsibilities of supervising all insurance companies as well as brokers and adjusters. Indonesia had Tariffs for Fire and Motor insurance business. Fire Tariff was introduced in 1983 and continued till 1996.

Thereafter the Insurance Association made the tariff ‘advisory’. As the market was soft from 1998 to 2000, the ‘advisory tariff’ was not being followed, leading to deteriorating results due to fierce competition in the market. The large number of players added to the fierce and un-healthy competition

A clear road map needs to be drawn to traverse the difficult path of transition from a tariff market to a non-tariff one.

Negligible premiums were being charged for covering natural perils and the Association, with the moral support of the Government, has formed an earthquake pool, which has started functioning from January 2003. All insurers are members of the pool and the pool rates are mandatory. Eventually a specialist company is expected to be formed next year to take over the portfolio of the pool.

Motor tariff also is not mandatory and the companies are free to determine their own rates. Premium rates have been going down drastically, even beyond 50 per cent, in the last 2 years. The results are seen to be getting worse and some companies may be adversely affected in future if corrective steps are not initiated.

Japan

After the USA, Japan is the world’s second largest non-life insurance market. Japan had tariffs for fire, automobile and personal accident, which were abolished on July 1, 1998, as a part of the market liberalisation process. There were two rating organisations: the Property and Casualty Insurance Rating Organisation of Japan and the Automobile Insurance Rating Organisation of Japan. In July, 2002 the two merged to become Non-Life Insurance Rating Organisation of Japan.

The new Organisation offers only ‘reference risk premium rates’ for the three lines mentioned above and ‘standard premium rates’ for Compulsory Automobile Liability Insurance (CALI) and earthquake insurance on dwelling risks. This means that insurers should calculate the loading factors for themselves, reflecting their own acquisition costs and management expenses.

The Japanese non-life insurance industry had a history of steady growth with stable profitability since the end of World War but the situation changed dramatically in the wake of liberalisation. The liberalisation of the non-life industry started in April 1996, when the new Insurance Business Law (IBL) came into effect, and the years that followed is often described as the most turbulent period for the insurance industry in Japan.

The process of liberalisation coupled with recession has seen decline of industry-wise premium income, worsening loss ratios and combined ratios, and a spate of mergers and alliances.

The collapse of two companies, namely, Dai-Ichi Mutual Fire & Marine in May, 2000, and Taisei Fire & Marine in November, 2001, have added to the woes of the market. The collapses have made a serious impact on the consumers’ confidence in the industry.

The average growth-rate of direct premiums for the 17 years from 1980 to 1996 was 5.70 per cent, with the highest growth rate 10.10 per cent in 1989, and the lowest rate of 2.90 per cent in 1995. Against this, for the five years since 1997, the industry ceased to grow and the figures moved to negative rates of (-) 2.9 per cent for 1997, (-) 6.7 per cent for 1998, (-) 2.7 per cent for 1999, (-) 3.2 per cent for 2000 and (-) 2.6 per cent for 2001.

Malaysia

There are 27 non-life insurers and 10

composite insurers in Malaysia. As at December 31, 2002, the gross direct premium of non-life business in Malaysia was $1.94 billion. Of this, motor premiums accounted for 46.1 per cent. In terms of total volume of non-life business and the share of motor business, India is almost on par with Malaysia.

Tariffs are applicable for motor and fire insurance products in Malaysia. The tariff rates are minimum rates to be charged by insurers, to prevent under-cutting of rates amongst insurers.

There is no specific time frame for the detariffing of motor and fire products in Malaysia. The deregulation of pricing for tariff products is expected to be on a gradual basis. The tariffs are to be reviewed on a regular basis with additional rating factors being introduced in each revision, before the final removal of the tariffs.

Recommendation 4:15 of the Malaysian Financial Sector Master Plan (10 year plan) for deregulation reads:

"…. Measures will be taken to progressively deregulate the pricing of fire and motor insurance products. The deregulation of compulsory motor insurance pricing will be pursued at a later stage as the premium rates for this class are already currently below cost.

In lieu of tariffs, a "file-and-use" system similar to that currently employed for life insurance products will be introduced for certain classes of business. To avoid 'product dumping' in the short term, insurers will not be allowed to introduce products with rate plans that have expected negative margins."

Malaysian insurers had to grapple with the issue of unprofitable compulsory motor third party liability insurance, an issue the Indian market is grappling with at present. Their efforts lead to formation of the Malaysian Motor Insurance Pool (MMIP) in 1992. The MMIP is an insurer of last resort for motor vehicles insurance.

Philippines

There are as many as 110 insurance companies operating in the Philippines. The Insurance Commissioner regulates the insurance market. The market did have tariffs in the past and breach of tariff resulted in fines being levied. However, approval of the regulator is required for the minimum rates charged by each insurance company. For this purpose, insurance companies are required to provide the regulator with past five years statistics along with their performance records.

Singapore

In 2001, total gross premium for the Singapore general insurance Industry was S$3.8 billion, with S$1.8 billion contributed by domestic business and S$2.0 billion contributed by offshore business. Premiums from motor business made up 30 per cent of total premiums from domestic business.

There were 88 general insurers as at December 31, 2001, inclusive of both direct insurers and reinsurers. General Insurance Association (GIA) of Singapore had introduced tariffs in the 70s for workers' compensation, motor and fire. In 1984, the GIA abandoned Tariffs, but adopted a "rate freeze" agreement. The rate freeze was subsequently revised to a Professional Standards Agreement (PSA). The PSA prevented one company from undercutting another company's rate on a property risk, without first advising the incumbent insured. The PSA was dismantled in the end of 1999.

The expressions 'interests of holders of insurance policies' and 'orderly growth of insurance industry' provide the two keys to any decision process relating to deregulation and de tariffing.

Thailand

There are as many as 72 non-life insurance companies in Thailand, all of them in the private sector, and motor portfolio constitutes around 50 per cent of the total non-life insurance business. Thailand has tariffs for a number of classes of non-life insurance, namely fire insurance, motor insurance (both voluntary and compulsory), and personal accident (P.A.) insurance.

Though the economy is undergoing liberalisation, no concrete steps have been taken to detariff the non-life insurance sector. According to the current Non-life Insurance Act (1992), all insurance premium rates,Including those under tariffs, are required to be filed for approval with the Insurance Commissioner with no exception.

Need to Draw Road Map for Transition

Liberalisation and tariffs do not go hand in hand. Hence the Indian market can be expected to become a non-tariff market in due course. A planned transition is preferable to an unplanned, haphazard transition. A phased manner of detariffing, which can cushion and reduce market instabilities, is preferable to a one-shot method. A clear road map needs to be drawn to traverse the difficult path of transition from tariff market to a non-tariff market.

Conclusion

Tariffing and detariffing are not to be viewed as ends by themselves but as means to achieve the aims of liberalisation. The preamble to the IRDA Act briefly outlines the aims of the Act as:

"An Act to provide for the establishment of an Authority to protect the interests of holders of insurance policies, to regulate, promote and ensure orderly growth of the insurance industry". The expressions 'interests of holders of insurance policies' and 'orderly growth of insurance industry' provide the two keys to any decision process relating to deregulation and detariffing.

Aldous Huxley said: "That men do not learn very much from the lessons of history is the most important of all the lessons of history". It may be useful to learn lessons from the past and also from the experiences of other markets in the process of deregulation and detariffing.

The author is Secretary, Tariff Advisory Committee (TAC). The views expressed in this article are his personal views and do not necessarily reflect the views of the TAC.

Growing Up!

K. Nitya Kalyani

They are the face of the industry. To customers and to the rest of the world. Experts believe that no effort to woo, train, professionalise and retain them ever goes waste. We take a look this month at insurance intermediaries and their training. Critical in these times when we have more intermediaries, and more types of them as well!

One of the most visible changes in the day to day workings of the insurance industry in the last two years has been the stepping up in the profile of intermediaries.

The effort at professionalisation of insurance intermediaries – including training and certification before licensing – has brought in young hopefuls in droves and attracted quite a few professionals and specialised entrepreneurs to look at selling insurance as a career or a complementary activity to add value to their existing customers.

For years the insurance agent was an annoying necessity to deal with at the end of the financial year and more often than not was not quite renowned for his product knowledge or selling skills.

Moreover, just about anyone was ALSO an insurance agent and that took away from the seriousness of this activity that seemed to be added on to the visiting card just to give it critical mass.

In other words, it was a profession not taken too seriously, even by many of those belonging to it. And that is why we had a situation where almost seven out of eight agents of the LIC for instance, were dormant. And the seven negated all the good work that the remainder was doing over generations and years.

Today the situation is different. Rather than dormant agents what is in the forefront is attrition. Most of the agents recruited by insurance companies leave, and rather quickly at that. Perhaps they go to other companies. Perhaps not. Because all companies seem to be advertising with unfailing regularity for agents or financial advisors as they are called these days.

In other words, the more things change, the more they stay the same.

Selling insurance is not an easy job. But it is a career to be had for the asking. The IRDA attempt in 2000 at professionalising the marketing force in the industry was well thought out and implemented in the face of brewing unhappiness of the existing agency force.

But the effort went through and rather successfully too with existing agents undergoing new rigours to renew their licences and with new companies coming into the picture and falling in line automatically to recruit their marketing teams.

Industry premiums have grown and market shares expanded, but there is a cost to the industry in recruiting, training and losing agents not to speak of the opportunity cost as people walk away from a career that looks so invitingly easy.

To what extent can training contribute to a stable marketing force? Training norms are necessary but are they proving to be on the target as the market moves and changes and grows and are they turning out to be sufficient?

The industry today is in marketing mode and will be there for quite a few years to come. The pressures on insurance companies, of putting feet on the street to bring in the proposals and the premium cheques has been complicated by the complex nature of the product and the ticking of their capital clocks. These, combined with agents who just leave when they face the reality of tacking 'real'customers after convincing their family members to buy policies to get them going in their new careers, has led to sporadic cutting of corners by various players in the industry.

There is talk of bypassing the 100 hours training by willing institutes and insurers, and the question of quality of the training imparted, and that imbibed, has been raised regularly too. These kinds of subversion go against the spirit of the regulation and the objective of healthy development of the industry that was at the heart of the idea or professionalising the marketing force and obtaining for it a respectability in the eyes of the public which has to vote with its wallet on the choices offered in the liberalised industry.

Any new system will go through a period of settling down and readjustment. After over two years, perhaps it is time for the industry to take the opportunity to look at what the training system is today and whether it is suitable for the unfolding needs of the industry and what should be done to keep it so on a continuing basis.

And then, training alone does not make an agent or a broker or any kind of intermediary for that matter. It is only a short flight of steps that lead into the industry. It is necessary but not sufficient, and there are many other factors that contribute to their effectiveness, their success and to the growth of the industry.

It is continuous training and updating of knowledge, skills and continuous motivation that should be the minimum aim of the industry that wants to build a healthy and competitive marketing force. In all these areas it would be wise to remember that "a little knowledge is a dangerous thing," more so when the product is a promise and the advice is given with a fiduciary responsibility in the background.

What Brokers Are

G.V.Rao

This article seeks to analyse if the newly created intermediary structure in the form of insurance brokers and corporate agents – and their licensing requirements – would serve the purpose of encouraging competition, enhancing insurance awareness, improving customer services and diversifying product innovation.

With a tariff regime in place for a substantial body of insurance covers, is there any scope for a broker to show his prowess for innovation, creativity and negotiation? With their licensing requirements so weak, would it really be possible to develop a professional body of brokers, now or in the near future? What value addition does a broker bring to his professional duties under the present dispensation? Will the broker be another source of unhealthy competition? What further steps are required to make the newly created broking community a truly professional body in line with international standards?

Broking as a profession owes its beginning to the development of Lloyd's as the world insurance hub. Lloyd's has a membership of two classes. Underwriters, who accept risks, and brokers, who act as intermediaries between underwriters and the insuring public. Lloyd's underwriters do not, as a matter of principle, deal with an insured on a direct basis. When companies too began to transact insurance business, broking, as a profession, took shape to serve the interests of both the insurers and the insured.

Why are intermediaries required in insurance business?

Insurance marketing has peculiarities of its own. Uncertainties of the hazards associated with the lives of persons, property, earnings and liabilities are too numerous to visualise. The insurance marketing staff, a highly professional body, has, therefore, a pivotal role and responsibility for creating awareness and making available suitable insurance products to the insuring public to alleviate any unfortunate financial consequences. The intangibility of the insurance product and the contingent nature of its delivery, and that too at a future date, make insurance a business that needs aggressive marketing.

Selling insurance is more complex than selling other products. The insurance product is intangible, its product range vast, pricing complicated, exclusions too many, language in policy contracts too legalistic and, all policies in the case of general insurance, need reselling every year. Intermediaries in selling non-life insurance products, therefore, have a more difficult task than their counterparts in any other economic activity. They need to possess not only detailed knowledge of insurance products and their legal principles but need to possess communication, presentation and selling skills as well. They have an important role to play in spreading insurance awareness and building trust between the provider and the consumer.

Marketing intermediaries in the liberalised insurance sector in India now consists of Development Officers that is a salaried class, individual agents of insurers that are paid a commission on the premium procured, corporate agents who too are paid a commission on the business introduced, direct sales staff and brokers, who represent customers and customers alone, but are remunerated by insurers as per internationally evolved practice.

Since there is a tariff structure guiding the pricing mechanism of most covers, the IRDA has prescribed a commission and brokerage percentage structure for the agents, corporate agents and brokers. The two classes of intermediaries viz. corporate agents and brokers assume a larger role, firstly, as they are new to the market of intermediation and, secondly, as they can, with their superior organisational skills and knowledge levels of market, influence market penetration and serve customer needs better.

Let us examine the profile of a broker. A broker is an agent of the insured. He is not a functional arm of the insurer. Though remunerated by the insurer, he is professionally and legally bound to protect his customer's interests. A broker canvasses rates, terms and conditions and scope of covers from any and all insurers to get the best possible deal for his customer. Professionally he is as good as, if not better than, the insurer himself.

A broker is responsible for his acts of negligence and misconduct like any other professional agent to his customer and must carry professional indemnity insurance. A broker, more than anyone else, is expected to change the face of the insurance market by creating insurance awareness, raising professional standards and bringing in greater accountability among insurers. Brokers do create an equation that is evenly balanced between two contractual parties.

Brokers, at an international level, specialise in particular areas of insurance like energy, hull, excess of loss covers, proportional treaty business etc. and also in the retail segment. Within a broker organisation, there are teams of specialists that have a good knowledge of speciality covers. The intensity of communication between the insurer and the brokers is so high that an insurer develops faith and trust in a broker for full disclosure and transparency. Will such a situation replicate here in India?

Brokers and the Indian insurance market

With a tariff in place fixing both the pricing and the terms of most covers, intermediaries are not required to analyse risk factors per se but have only the limited task of analysing a customer's needs and suggesting a suitable pre-packaged cover that serves his interests best. Since there is little differentiation in the service conveniences provided by each of the insurers, the final choice of an insurer by the customer is based more on personal relationships in addition to the limited choice of the price factor. The functionality of the present distribution channels, be it agency or broking, is one essentially limited to selling pre-packaged insurance products at pre-determined, non-negotiable prices than arranging covers based on individual risk factors, claims experience and the volume of business of the individual customer. Selling available insurance products rather than marketing customer-needed products is the basic goal of the current distribution networks in the present tariff regime.

That the insuring public's interests are better served by a professional broker with sufficient insurance knowledge, expertise and experience is unquestionable. In the present state of the Indian market, with a strong tariff price regime in force for most covers, a broker is burdened with servicing a minimum capital of Rs. 50 lakhs. There are no minimum stipulations that he should possess a professional insurance institute qualification nor expertise nor experience to qualify for a broker's licence. There is little scope for him in the present juncture to display either skills of negotiation or understanding of risk factors in arranging suitable need-based covers for his customers. Hundred hours of theoretical and practical training and passing an examination is sufficient for him to qualify as a broker, according to present norms.

It is tacitly admitted in international circles that a broker is, generally, a more highly rated expert than the underwriter himself. A broker negotiates a variety of covers and their terms as an equal professional partner with an insurer, and it is doubtful if 100 hours of training and passing an examination thereafter would make him a true professional with adequate knowledge, experience and expertise. It is not so much a question of imparting training, that at best can transfer knowledge and information to a participant, but the making of a professional that the insurance industry should be concerned about. For that, a professional qualification, experience of the insurance business, of trends in different markets, reinsurance availability and ratings of reinsurers and expertise built over a period of time in confronting and solving insurance problems should come in to reckoning to qualify as a professional.

The anticipated value addition of the services that a broker provides either to a customer or the service provider that makes him eligible for a higher remuneration payout of brokerage is also questionable. He is no better than an agent in terms of his knowledge, expertise and experience albeit he represents the insured. For the present, with his limited knowledge of markets, domestic and international, he can only produce business by competing for the available existing business, perhaps through unfair means, given that he has little choice, has inadequate knowledge of business and has poor communication skills to sell himself.

That the insuring public's interests are better served by a professional broker with sufficient insurance knowledge, expertise and experience is unquestionable.

The example of salaried staff of Development Officers of companies, who are otherwise very experienced, should have been an eye-opener of why they failed to create insurance awareness among the public at large. The reason that a VRS scheme has now been proposed for them is a tacit admission that they have failed to perform in a cost effective manner and in the best interests of both the service provider and the customers. How then are the brokers going to make a success of their businesses where other experienced and qualified intermediaries have failed so far? What are their special resources that can stand the test of severe competition at the market?

The present entry of the broker in to the distribution channels could easily have waited till the tariff regime was dismantled. There is little scope now, under the present dispensation, to show skills of negotiation and analysis of risk factors to justify a particular range of cover or its price.

The private sector players, with greater flexibility for financial dealings and with no worthwhile infrastructure to develop business yet, would find brokers a very useful source of business generation at a reasonable cost. With their limited capital structure and heavy dependence on reinsurance, a broker needs to be more aware of reinsurance placements of private sector players before he can make sure his customers' interests are taken care of properly. Does he have the expertise to analyse the security rankings of the reinsurers? Will a broker deal with insurers based on information disclosure through completed proposal forms or based on "slips" made famous by Lloyd's?

How is the insuring public to know the functions and responsibilities of a broker? How will IRDA ensure that the public is aware of its rights and obligations?

Professionalise broker licencing

A minimum professional insurance qualification and a minimum experience of at least five years, as an agent or as an employee of an insurance company, should be insisted upon before recognising or licensing a person as a broker. The 100 hours of training and qualifying examination would perhaps serve the purpose of making a person become aware of his duties, responsibilities and functions as broker but would hardly qualify him as a true professional that a broker is. Now that several insurance institutions have sprung up, a syllabus that includes broking as a separate subject should be created. Insurers should be a part of system along with the IRDA for interviewing and recognising future brokers. A consultative approach in which all the stakeholders are involved is a better way to accomplish goals, particularly when fresh ground is being broken the distribution channels.

Corporate Agents

Corporate Agents are now licensed based on 100 hours of practical training and a successful pre-recruitment test by the Insurance Institute of India. While this would enable them to sell insurance covers based on the captive customer base or otherwise, no stipulations are set for the minimum organisation needed to market covers and deal with claims reported to them. In respect of corporate agents, customers would seek to involve the corporate agents because of their clout with their principal insurer.

The IRDA should have ensured that a basic infrastructure for customer counseling existed to protect customer interests; and only after making sure that they have such facilities to service business, particularly on the claims front should a licence have been granted. Using available customer base as a captive source for selling insurance business—particularly in respect of banks—has the convenience of selling covers but an inconvenience of not providing proper and adequate claims advices so needed by the customers that bought covers through the corporate agent. This may alienate their insuring public. To whom should they look for grievance handling?

Now that the system has been prescribed in respect of brokers and corporate agents, the IRDA has to maintain a watch and monitor to what extent the insurers and the insuring public have benefited by the new entrants to the distribution channels. The danger of the market being sullied through unprofessional and unethical conduct by the intermediaries is an aspect that needs to be kept in view.

Training of agents

The professionalisation of the agency structure initiated by the IRDA some time ago could have been reviewed to examine if the new training norms have worked to the advantage of all the stakeholders. With a host of product covers available for sale, has the new agency system delivered the benefits expected of it? The experience of most insurers is that the new agency norms have not led to creating better insurance awareness or improved sales of optional covers. Agents have sold covers demanded by customers like Motor, PA and Health insurance schemes. What else could have been done to improve the effectiveness of the agency force?

> It is not so much a question of imparting training, but the making of a professional, that the insurance industry should be concerned about.

The insurers had not regarded training as a mechanism of transforming and galvanising either the sales or administrative force, even in the past. The training objectives were never clearly spelt out; nor was there any involvement of the top management in the training as a process to improve human resources (HR). Staff that was trained went back to their old assignments and the benefit of new learning was thus lost. Training, as a mechanism to bring about a change in the mindset in employee attitudes or in HR development as resource mobilisation to improve productivity levels, has not been pursued as a desirable goal even now.

The training of agents is still IRDA-driven and it should ask insurers to conduct additional special courses to retrain agents to cater to specific and identified needs of the insuring public, and the progress of their sales efforts should be closely monitored. The involvement of insurers in this initiative is primary and they should be asked to provide annual plans of training with specific objectives and monitoring mechanisms.

Final word

A competitor is anyone who raises the customers' expectations sky high and is not restricted to players in the same profession, such as another risk carrier. Even the players in distribution channels are competitors to insurers as they will tend to inflate customers' expectations to the obvious detriment of their insurers' interests. With such a competition now outlined and in operation, what is in store for insurers is anybody's guess. How will they respond to the new challenges thrown at them? Will they be pro-active or reactive? Only time will tell. Interesting times are ahead for all the stakeholders.

The IRDA that has taken a leading role in professionalising the distribution channels, for the development of the domestic market, and in the best interests of the insuring public, has to ensure that the structures created do work in the interests of the insurers too. The public sector players, by their cultural upbringing, are reactive in their responses. One should not overlook the afflictions from which they suffer.

The continued financial health of the insurers is as important for safeguarding their interests as those of the policyholders.

The author is retired CMD, The Oriental Insurance Company Limited.

Training Life Agents to Serve

Apparao Machiraju

The intermediary channel we are now familiar with in our country is the agency system which is a predominantly transient type with no commitment to agency work as a career, resulting in high lapsation of policies and, most important, leaving a large number of 'orphan policy' holders.

The attitude of the general public may have been influenced to some extent by the character of the selling force itself. Also there is another and possibly even greater loss which is not visible or can be measured in the loss of potential clients not reached or who are alienated by the ineptness or lack of skills of an unqualified agency force. This alienation might extend beyond a particular company to the whole institution of life insurance.

Service is often interpreted as after sales service which is in fact contractual. The primary and vital service the intermediary should provide is prescriptive through recommending suitable plans preceded by analysing the needs, diagnosing the economic problems and suggesting solutions to the problems in family or business situations.

"Every life insurance policy must some day be measured against the job that it must perform for the 'beneficiaries'. The problem is that if it is not measured until it becomes a claim and then falls short of doing the job, there is nothing that can be done to remedy the situation". (Incomparable Salesman by Perrin Stryker)

Field tested and validated marketing tools and approaches are available to measure the risk based capital sum assured adequacy in individual, family and business situations. Popular in India are the human life value approach and capital liquidity analysis approach.

The title intermediaries has entered into our lexicon in the new context of emerging different channels of distribution: agents (some new companies preferring to call them financial advisors or financial consultants), corporate agents, brokers etc., whatever title they carry, the common thread that brings together is the services offered and the public is the human factor at the contact level.

> The primary and vital service the intermediary should provide is prescriptive through recommending suitable plans.

The effectiveness of life insurance marketing has been, is, and in the foreseeable future will continue to be, dependent on the quantity and quality of the face to face contacts. No element of insurance business deals more closely with the insurance consuming public than insurance intermediaries.

The life insurance industry in our country is in a transitional stage. Most of the major problems and issues confronting the life insurance business in today's situation are marketing oriented. For example:

a. Recruitment and selection of intermediaries (field contact personnel), and the agency managers on a scientific basis.
b. Retention of agents
c. Education and training
d. Agent productivity and morale, market conduct issues
e. Research

Let us see each of these:

Recruitment and selection

To obtain successful agents, companies must start with men/women who have the potential for success. The history of the well known organisation, Life Insurance Marketing and Research Association (LIMRA), USA, specialised in the area of recruiting and selection is the history of attempts to define and identify 'potential, and discuss measurable factors which are associated with subsequent success.'

Two words are used together to define this area: recruitment and selection. These terms are so interrelated that often they are used interchangeably and the distinction between them needs to be recognised. In the pure use of the terms, however, recruitment involves obtaining a relatively large pool of possible candidates. Selection involves rejecting from that pool those whose chances of success are too low to warrant the training investment required. The fallacy to which the insurance industry appears to be particularly prone, is to equate survival with success i.e. to look for survival not in conjunction with performance.

Retention

If insurers are to compete in the future, they must bring down the distribution costs, so that products with shrinking margins can still be profitable. The key to bringing down distribution costs is to improve the agent retention. It is simply too costly to recruit and train the agents just to have them leave after a year or two.

LIMRA has extensive research data as a result of study of the practices of high agent retention companies and as well low agent retention companies. In today's jargon, we could call it a best practice study.

Another significant area affecting new agent retention is the quality of the training they receive during their early years. Evidence shows that high retention companies are totally committed to the complete education of their producers. They recognise that for an agent to survive, training in sales skills, technical procedures, compliances and products must be imparted on a continual, consistent, formalised programme.

An equally important role is that of agency managers who should be educated and trained in recruitment and selection procedures and training aspects beside knowledge and skills in leadership.

Education and training

It is generally believed that the basic eligibility requirements of a life insurance agent are merely industry, honesty and aptitude. These traits should be presumed in any calling/ vocation, but must however be coupled with knowledge of the subject matter and a proper career attitude. These two latter factors are all-important and should never be presumed. They must be acquired through study and practice.

The function of the education/ training institutions is to promote and foster a study programme assuring substantial mastery of the subject so that those who go through well designed courses acquire a mental attitude that will best serve their calling and their clientele interests as the foremost.

The very essence of a professional relationship is serving the client in his best interests.

Whether life insurance agency work can ever earn recognition as a vocation and profession has been a much debated subject for historical and social reasons. The consensus among the thought leaders has been that life insurance agency and related work does fulfill and meet the criteria of a 'professional calling'.

Life insurance involves a science and the practice of life insurance agency work does require expert knowledge of that science. A proper blend of the science of insurance and the art of salesmanship can lead to creative applications of risk management and insurance principles in a wide variety of economic situations both in family and businesses.

What knowledge is specifically required of a life insurance agent is a moot question and embraces separate fields of study, namely, "life insurance" and closely allied subjects.

Informal surveys indicate that the process is treated more as a licensing procedure rather than equipping the participants with knowledge as IRDA expects.

It is important to remember that the life insurance agent must not restrict his studies just to life insurance and selling. His mission should be to help people in planning for their financial well being. He must also acquire knowledge in allied business subjects. Economics, socio-economic issues, business law, wills, trusts, taxation, corporate finance, banking, credit, and investments. It is inconceivable that a life underwriter (agent) as a financial advisor to a client should be ignorant of such basic and fundamental economic subjects.

Similarly, a study of the problem of ageing process, old age and retirement planning as a component of total financial planning enable the life underwriter (agent) to reach out into new markets, annuities and pensions and also to associate more intelligently with lawyers, trust officers and accountants in rendering better service to life insurance clients.

A detailed study of these subjects, so closely interwoven with the service of life insurance, helps make a better advisor. They help focus his mind on the vast usefulness of life insurance, its social significance and financial magnitude and to stimulate ideas useful to him in selling and advisory capacities.

IRDA prescribed curriculum for licensing agents

The principle of insurance is capable of such widespread application that it may really be considered one of the most important departments of business. The training for sales personnel must focus more on the economic services and economic interpretation of the product of life insurance, and less on the highly technical aspects of life insurance. IRDA's 100 hours curriculum does serve the purpose as a foundation course in familiarising the participants in rudimentary and basic knowledge. A conceptual interpretation of the technical terminology should be explained by the trainers. The legal or technical vocabulary however, does not reveal this great, underlying economic purpose of the institution of life insurance.

In the opinion of the writer of this article, the licensing training programme should have been directly administered by the IRDA through institutes accredited on a very selective basis as is being done for brokerage firms. Informal surveys indicate that the process is more treated as licensing procedure rather than equipping the participants with knowledge as IRDA expects.

Continuing education and certification requirements and compliance should be initiated with the support of the companies. The efforts of field people to educate themselves through self organised efforts should be encouraged. We have models of courses leading to professional designations:

Chartered Life Underwriters, Chartered Financial Consultants etc., in the US, which can be examined for our adoption.

Agent productivity and morale : market conduct issues

The rigourous new disclosure and marketing practices and regulations in Australia, New Zealand, Norway, The UK and other countries are profoundly affecting life insurance distribution, agent compensation and training and company - policyholder relations. These trends and the increasing internalisation and integration of financial services worldwide all suggest that life insurance markets in our part of the world are unlikely to avoid parallel developments leading to similar crisis situations and transformation.

The environmental factors causing change within business generally and in insurance are:

a. Changing consumer attitudes and expectations
b. Changing demographics
c. Changing legal standards
d. Government policies and regulation and
e. Volatile economic conditions

These have been much discussed topics in recent time.

The problems, now surfacing like tidal waves, stem more from a failure of the insurance business to adapt quickly enough to the changed and ever changing environment.

Yet another legal trend emerging is that insurers are being held to a higher responsibility for all actions of other agents. The link between the agent and the company can be interpreted as relatively loose, but courts refuse to accept the traditional view of the agent as a quasi-independent representative of the insurer. Again this trend leads to giving serious attention to equipping the agents with appropriate knowledge, skills and ethical conduct and underscores the need to establish and enforce clear market guidelines which include training and supervision.

Research

This topic specifically refers to applied research which attempts to uncover new facts and principles, but with expectation of immediate or at least potential, application of the results to the solution of current practical problems, with implications to training aspects.

A moment's reflection will tell us that the research therefore should focus on:

- The people who buy life insurance services

There seems to be a certain truth in the statement often made that if the institution of life insurance has any real product to sell, that product is the life insurance agent.

- The people who sell and the people who supervise
- The kind of men/women who are being contracted as intermediaries (agents etc) how many survive and how well
- The trend of lapse rate
- The extent to which death claim amounts are meeting the needs of dependents

There are many questions for which answers can be had from research based information.

There seems to be a certain truth in the statement often made that "if the institution of life insurance has any real product to sell, that product is the life insurance agent".

Issues to be Addressed

1. Need to ally with academic institutions for introducing collegiate/university level education.
2. Need to develop state-of-the-art training institutes focusing on sales and marketing management and personal financial planning.
3. Putting in place scientific selection and recruitment of intermediaries.
4. Regulating marketing conduct
5. Marketing support to distribution channels
6. Applied and basic research in all aspects of marketing i.e. selection of agents/retention of agents, consumer attitude and lapsation etc.,

All the issues cited are as challenging as the marketing of life insurance and the revitalisation of product driven life insurance selling with customer centered approaches.

It is with education and training that we ought no doubt to be mainly concerned. Is this not a first and most important step in marketing methodology for which all companies should unite in encouraging institution building activities devoted to imparting non-partisan education?

"Insurance and financial counseling as a vocation and a profession could advance and acquire stature and dignity in direct proportion to the education/ training received by those in business and in the public." (Beneficiaries in Life Insurance, Published by S.S.Huebener Foundation.)

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TPA Training - For Whom?

Nimish R. Parekh

In early 2002, we saw the emergence of a new intermediary, the Third Party Administrator (TPA) – Health Services. This intermediary was responsible for providing an insurance company with highly specialised services to support the administration and management of their health insurance products. These TPAs are to provide cashless service at hospitals, voice-based call centre support for policyholders, claims administration services and medical cost management. The creation of this new category of intermediary saw the beginning of a new era in health insurance in India.

The TPA, a concept introduced to India in 1996, provides services to consumers whereby they are able to access high quality healthcare, to the limit of their sum assured, at no immediate cost to them. TPA services were modeled to allow for a consumer to use the healthcare services of a hospital by identifying himself/herself through an identity card issued by the TPA, and access the hospital facilities without having to pay a deposit or the bill while going through the treatment at the hospital.

The bills would be cleared against the consumer's insurance plan and amounts for non-medical expenses would be deducted from any payments to be made to the consumer. This concept was introduced by Sedgwick Parekh Health Management, the first TPA in India, in August 1996. The services were initially made available to corporates and their employees. The services were considered very popular and saw membership growth of over 40 per cent per annum for the first five years.

The insurance industry has been slow to pick up the concept of health insurance administration through TPAs. Nonetheless, the public sector general insurance companies have announced that they will soon include TPA services as part of their Mediclaim policy and allow the consumer to avail of these services.

The responsibilities given to the TPA are enormous – claims management, financial management, some level of medical underwriting. Given this responsibility, is it not imperative that the TPA organisation deploy the necessary training programmes for their personnel so as to successfully deliver professional services to support a rather sensitive type of insurance product? Should not there be training for the insurance company personnel as well, so that they may better understand how to work with TPAs and thereby deliver seamless services to their customers?

The Regulations

IRDA regulations for Third Party Administrators (TPA) – Health Services requires the CEO of the TPA to undergo mandatory training to ensure that he/she is qualified to provide these services to insurance companies and their policy holders. The regulations also specify that a registered medical practitioner should be on the board of directors of the TPA company.

The CEO/CAO training requires the candidate to undergo two levels of training – the Associateship training of the Insurance Institute of India and TPA training. The Medical Director is not required to undergo any further training, other than the MBBS course.

Other than these requirements, the regulations do not stipulate any other training related to medical management or underwriting.

The TPA's – role & training requirements

The TPA is a complex organisation (See diagram for a high-level structure for a TPA organisation). It marries sensitive customer service requirements to hardcore financial management and specialty technical/ medical knowledge to robust information technology. The TPA must be organised with an emphasis on the selection of the adequately qualified personnel and an intensive comprehensive training regime.

The TPA Organisation

The organisation, as in the diagram, consists of several disjointed sections with diverse skill sets and day-to-day work requirements. Since the organisation is responsible for managing the delicate balance between payor (insurance company), provider (hospital) and patient (policy holder), each department within the organisation has to align its priorities to the stakeholder that it deals with the most. The support functions that provide the corporate infrastructure for outward facing departments need to understand these priorities and should be adequately trained to meet their internal customers' needs. Finally the leadership team should be the adhesive that brings all the departments together but provides the necessary arbitration to manage the delicate balance on a case-to-case basis.

An example to illustrate this better would be the case of a patient who has to undergo complex surgical treatment at a hospital. The illness is a repeat illness and, as a result, may not be covered due to the pre-existing conditions exclusion. The call centre personnel who guide the pre-authorisation process inform the patient that the treatment may not be covered due to the existence of a prior-condition. Clearly the patient, who is probably in physical and mental distress, does not want to hear this, as a result the call centre staff has to manage the communication with the patient in an artful manner. Say that the call centre staff is able to get an assurance from the insurance company that the treatment will paid for. The patient will be in a better state of mind to receive this treatment.

This all seems matter of fact. However, you may want to ask, how did the call centre staff suspect that the case could be excluded? Were they prescient? Or were they adequately trained on the nature of illness as well as the insurance policy admissibility guidelines? Did the process or software prompt them to take the appropriate action by taking the case to the insurance company for authorisation? Was the insurance companies' claims adjudication department trained to receive this call from the TPA call centre? What would have happened on a weekend when the insurance company was closed?

Clearly, the participants in this case, namely, the call centre staff, and the staff at the insurance company had to have undergone training to handle this smoothly. The call centre in particular had to have extensive training to make a discretionary determination on the case based on information received over the telephone. The same case could have turned into a customer relations nightmare had the staff not been adequately trained to perform this function accurately.

As you can imagine, this case demonstrates but one step in what would become a series of complex decision making tasks from pre-authorisation to admission to discharge to claim settlement. Any step in this chain of events can lead to either a customer relations problem or significant financial exposure on the part of the TPA or insurer.

The following sections provide a brief description of the type of training that each department in the TPA organisation must undertake to perform its function flawlessly.

Leadership

The most critical aspect of any organisation should include the Chief Executive or Operating Officer, Chief Financial Officer and possibly a Chief Medical Officer. All three positions should undergo extensive training in TPA operations, Financial Management, Leadership and General Management.

Operations

This team must be led by an experienced and process oriented manager who has had training in general management, people management and financial management.

Transaction Processing

Enrollment

Usually a technology and logistics intensive function requires training in data management and mail room operations

Claims Adjustment

This function requires both medical and financial skills. The ability to understand the insurance contract and determine admissibility for a claim is essential for this function

Often, the claims process is run using software and therefore training on this software is also essential

Call Centre

The leadership team for this function must understand general management; have a process orientation and technology and people orientation. The call centre supervisors and agents must go through communication skills training, process training and domain specific training as well.

Customer Service

Customer relationship management training is essential.

Medical Management

Probably the most specialised skill set. This is the core of the TPA's function and therefore the team must be oriented to the technicalities of health insurance, medical underwriting, claims adjudication and must have general medical skills. Often this function is manned by doctors and nurses who have undergone extensive training in health insurance and underwriting techniques.

Finance

General financial management and accounting, company law, legal and compliance and financial reporting training is required.

Human Resources

Human Resource Development training is essential to ensure retention of a highly skilled manpower base.

Technology

A skilled team of technology professionals who are capable of identifying, managing and deploying the extensive technology that is required for a TPA to function. Skill sets must include network management, hardware and software development, systems administration skills and Internet technology skills.

Provider Network Management

The TPA depends on its network of medical providers namely hospitals, nursing homes, doctors and diagnostic centres to provide healthcare services to its policyholders. These providers all need to be oriented to the administrative protocols set forth by the TPA and insurance companies. This is a critical training need and is often overlooked by most TPA organisations in India.

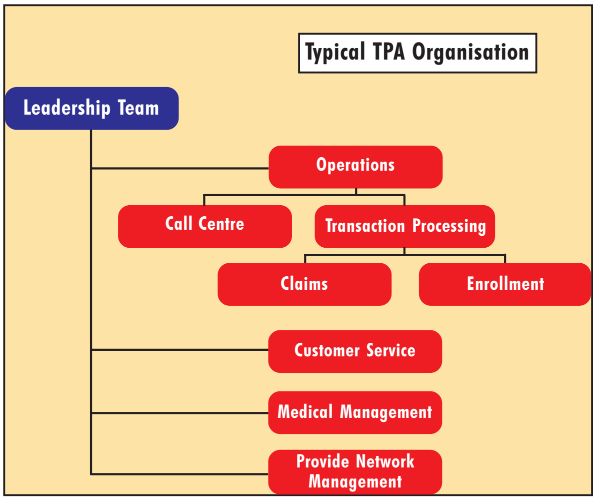
In addition, the team that is responsible for contracting with these providers has to have a diverse skill set. Often, this team will be led by a physician with extensive contract law training. In other cases, you will find team members have extensive hospital management training and experience.

Finally, customer relationship management skills are often necessary as maintaining provider relationships are almost as critical as maintaining relationships with the policyholders.

Who is the Training for?

The TPA

It is clear from the organisation description in the previous section that the training needs for a TPA are extensive and diverse. There clearly are very few organisations in India that are capable of delivering these curricula. There have been attempts by hospitals to impart TPA training. Clearly, they are not equipped with a knowledge base that can support



this type of training, nor should they be involved in what is conceivably the payor's side of the healthcare equation. The best form of training will be to import it from organisations with established training regimes in other parts of the world, where health insurance as a market has matured.

The TPA, in the US perspective, is nothing but an organisation that offers a combination of ASO (administrative services only) and a Provider Network. Both concepts have reached a level of maturity in the United States and are achieving maturity in the UK. Interestingly, several models similar to this have become popular in Hong Kong, Singapore, the Philippines, Malaysia and Thailand.

Having said this, there have been several hiccups in launching such services in many of these markets. For example, Hong Kong had a particularly bumpy start as the local physicians decided that they did not want to participate in the network model and chose to boycott it. As a result, most insurers who had sold products based on this model had immense customer grievances as they could not find a participating physician to gain treatment.

This delicate balance between payors, providers and patients is difficult to maintain and therefore knowledge gained from experiences in these markets would be invaluable, and in my opinion, critical to successful launch.

Finally, TPAs have to deploy fairly complex technology to support cost-effective transaction processing and voice-based call centre services. The technology would either have to be purchased and adapted to suit the lack of standardisation of data and local market idiosyncrasies or would have to be developed from the ground up. Few TPAs, in my opinion, have this skill set and therefore will deploy technology at the patient, payor or providers' expense.

Insurance Company

What is most alarming is that not many insurance company personnel have even understood the concept of the TPA let alone be in a position to contract with them and launch health insurance products with TPA services as a mainstay of the service provision to the customer. Should they not be trained in the concept of TPAs and health insurance as a subject?

The insurance company and the TPA have to work as a seamless partnership. For this to occur, the team that has been appointed within the insurance company to work with the TPA should also go through training on everything from claims adjudication, underwriting, process management, technology and healthcare management training to be able to successfully support this initiative.

There is a dearth of knowledge and training in the TPA community and training for the leadership team alone is inadequate. The lack of training at most insurance companies is also woefully insufficient and alarming.

Conclusion

There is a dearth of knowledge and training in the TPA community and training for the leadership team alone is inadequate. The lack of training at most insurance companies is also woefully insufficient and alarming. This lack of training can have several consequences, all hazardous to the development of the health insurance market in India.

The regulations for TPAs and any subsequent health insurance regulation will have to specify extensive training for various aspects of both TPA and insurance organisations to ensure that services to the consumer are delivered in a seamless professional manner.

Health insurance regulation in India will have to be somewhat prescriptive in nature to begin with, providing very specific guidelines on every aspect of the business. The regulator will need to create a comprehensive syllabus covering all aspects of TPA and the health insurance business and deploy a rigorous training regime, including setting up a degree or diploma programme at accredited training institutions. The training curriculum and the course design should be assigned to an appropriate international organisation.

It is clear that the licensed TPA organisations, other than a few, have woefully inadequate skill sets and training to provide services that are sensitive in nature and can be potentially hazardous to the consumer. As in the Hong Kong case, many patients were left to their own devices when the entire medical association and its members boycotted insurance companies and their TPAs. As a result of this, several policyholders had to delay their treatment or purchase expensive healthcare services outside of the insurance plan. Several policyholders could not afford to purchase private healthcare and were left to their own devices, foregoing treatment for as much as six months. The medical consequences of such actions can be disastrous. The Hong Kong market took two years to recover from this setback.

What is more alarming is that insurance companies are even less skilled in managing what is a more interventional approach to health insurance. It is time that all the stakeholders in this sector acknowledge their responsibilities to the consuming masses and take on adequate and comprehensive training in this field.

The next step would be for adequate health insurance regulation to be put in place, starting with a comprehensive syllabus developed by an experienced international organisation, train-the-trainer programs at accredited institutions be conducted and diploma courses in the subject be launched. These courses must be mandated so that both insurance companies and their TPAs are duly qualified prior to launching services.

The author is Chief Executive Officer, UnitedHealthcare India. The views expressed here are his own and do not necessarily represent those of the UnitedHealth Group.

प्रकाशक का संदेश

इस जर्नल को प्रारंभ किये हुए तीन माह का समय हो चुका है और यह जान कर अनुग्रह होता है कि जनता की अनुक्रिया इस सम्बन्ध में बहुत अच्छी है. आपने यह अनुभव किया होगा की इन सभी अंको में एक मुद्धे विशेष को उठाया गया है और उस विषय पर पेशेवर लोगों ने लेख लिखे है. प्राधिकरण की यह अकांशा है इन लेखों की बडी परिक्षा की जाए तथा पाठक, प्राधिकरण को अपने मत से प्रत्यावर्तित करें जिससे प्राधिकरण जनता के दृष्टिकोण से अवगत रहे.

इस अंक में जिस मुद्धा को उठाया जा रहा है वह है प्रशिक्षण. प्राधिकरण मे हम अनुभव करते है कि बीमा उद्योग में मध्यस्थता एक एक महत्वपूर्ण मुद्धे है जिसकी तरफ ध्यान देने की आवश्यकता है. ठीक प्रकार से की गई मध्यस्थता प्रदान करने वाले तथा प्रयोग करने वालों के बीच सूचना उपलब्धता तथा ज्ञान के क्षेत्र में असंतुलन दूर करती है. उद्योग पिछले समय में इस महत्वपूर्ण क्षेत्र में असक्रियता से बुरी तरह प्रभावित हुई है. जबसे प्राधिकरण स्वायत्त रूप से बनाया गया है इसका प्रमुख उद्धेश्य मध्यस्थों के द्वारा एक ऐसी प्रशिक्षण पद्धति को को सुनिश्चित करना है जिसके बाद परिक्षा लेकर योग्यता निर्धारित की जाए जिसमें विभिन्न मध्यस्थ जैसे अभिकर्त्ता, हानि निर्धारक, तृतीय पक्ष प्राशसक, ब्रोकर इत्यादि शामिल हैं. अलग परिक्षा संस्थाओं को प्राधिकरण द्वारा मान्यता दी गई है जिसमें परिक्षा आयोजित करना तथा परिणाम घोषित करना शामिल है. यह प्रयोग विस्तृत रूप पेशेवर बीमा मध्यस्थों तथा उच्च योग्यता प्राप्त करने वालो के बीच में सफल रहा है, जिन्होने पहले से बीमा उद्योग की पूर्व में सेवा की है.

किसी भी प्रयोग की अपनी कमियॉ भी होती है. प्राधिकरण कुछ सामयिक शिकायते जिनका सम्बन्ध गैर अनुवर्तन से है को लेकर परेशान भी है जिसकी असफलता के भागीदार सब है जिसमें बीमा कंपनियॉ तथा जिनमें बीमा मध्यस्थ बनने वाले भावी शामिल है, जबकि प्राधिकरण यह सुनिश्चित करते हुए अनुवर्तन के मानक तथा प्रक्रिया को निर्धारित करती है समय समय पर यह प्रश्न अनौपचारिक रूप से उठाया जाता है कि क्या लागू प्रक्रिया पर दुबारा विचार नहीं हो सकता इस अवस्था तक पैटर्न का दोहराना पूर्ण रूप से भुनाया नहीं गया है प्राधिकरण किसी परिर्वतन से पहले यह सुनिश्चित करना चाहता है कि कोई भी परिवर्तन केवल दिखावे के लिए न किया जाए वरन् उस प्रतिर्वतन की वास्तव में आवश्यकता होनी चाहिये.

प्राधिकरण एक स्वतन्त्र समीक्षा पहले से अपनाये जा रही प्रक्रिया के लिए करना चाहता है तथा इस संबन्ध में पेशेवर लोगों का परामर्श ले रहा है यदि इस जर्नल के पाठक प्रशिक्षण के क्षेत्र में कोई बोध रखते हो तो जर्नल का प्रबन्ध किसी भी सुझाव के लिए कृतार्थ होगा. हम चाहेगें की यह संपादक तक अगले पखवाडे तक पहुच जाए. यह सभी सुझाव प्राकृतिक रूप से अधिक से अधिक ध्यान खिचेगें और कोई भी सुझाव जो लागू करने योग्य हुआ अवश्य ही शामिल किया जायेगा.

जर्नल के अगले अंक के लिए हमारी योजना है कि हम देश में बीमांकक विज्ञान के पेशे पर नजर डालें जिसके लिए योगदान का स्वागत है.

एन. रंगाचारी

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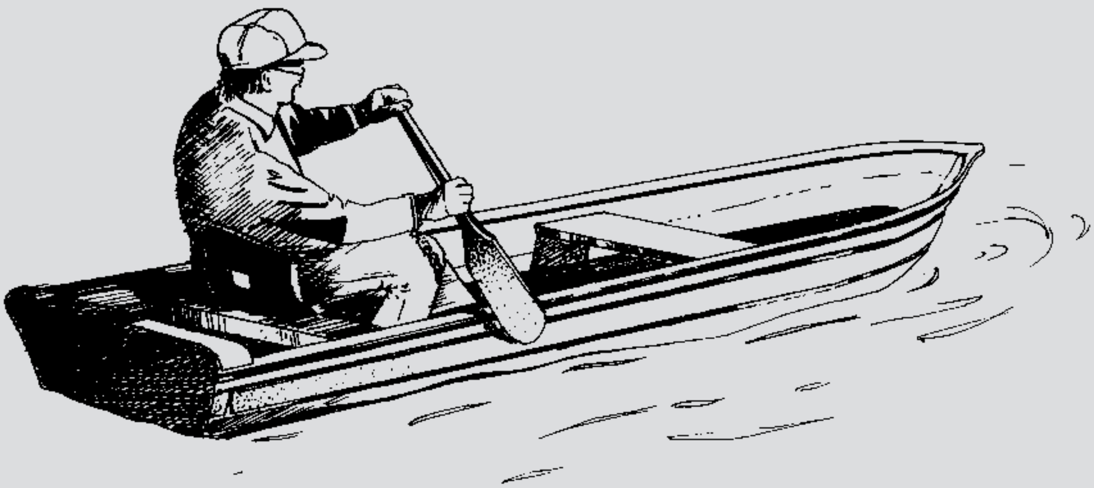


एक वैज्ञानिक ने नाव के बारे में नई खोज की तथा उसके प्रदर्शन के लिए लोगों को एक नदी के किनारे एकत्र किया. इनमें से कुछ लोगो ने जोर जोर से कहना प्रारंभ किया यह नाव कभी नहीं चलेगी, थोडी देर में नाव आहिस्ता-आहिस्ता चलने लगी तो इन्हीं लोगों ने चिल्लाना प्रारंभ किया यह नाव कभी नहीं रूकेगी..........

“ कुछ तो लोग कहेंगे ”

प्रत्येक चौहराये पर हम सार्वभौमीकरण,तकनीक तथा वित्तिय स्थिरता के सामने होते है - हमें अवश्य ही रूकना होगा और जवाब देना होगा. केवल सार्वभौमीकरण तकनीक शक्तियाँ के अवसर तथा वित्तिय स्थिरता का सर्जन करके क्या हम वह प्राप्त कर सकते है जिसमें हम अच्छे हैं. यह अनिशचित संसार में निशचित्ता प्रदान कर रही है.

लार्ड पीटर लेविन,
अध्यक्ष, लायडस आफ लंदन

किसी दिन आप कुछ मूल्य वसूल करते है क्या यह आने वाले कुछ वर्षो के लिए काफी रहेगा ... (दायित्व) वर्ग के कुछ कारोबारों में दरों की यह भविष्यवाणी है बहुत कठिन. हमने जो किया है निशचित रूप से उसका प्रभाव सब पर होगा.

मारिस ग्रीनबर्ग,
अध्यक्ष, अमेरिकन इंटरनैशनल ग्रुप

बीमाकर्त्ता अपने सही अभिकत्ताओ की भर्ती करने में दिल और आत्मा भरने में असफल रहे हैं

एन. रंगाचारी,
अध्यक्ष, आईआरडीए

सील्वरस्टेइन ने डब्लूटीसी काम्पलेक्स का अंडरइंशोरेस किया था. इस तकलीफ दायक तथ्य से मुहँ मोडते हुए सील्वरस्टेइन ने आक्रामक मिडिया अभियान प्रारंभ कर दिया जिसका उद्धेश्य इतिहास को पुनः लिखना तथा असंगत निधियाँ को प्राप्त करना है जिनके लिए आवरण प्राप्त नहीं किया गया था.

जेक्यूस डूबोइर्स,
स्वीस् री के यूएस चीफ

सील्वरस्टेइन ने चारों डब्लूटीसी भवनों के लिए 3.5468 बिलियन डालर प्रति घटना का कवर क्रय किया था ..... इसके विपरित पोर्ट प्राधिकरण ने प्रति घटना केवल 1.5 बिलियन डालर, 99 साल के लिए सील्वरस्टेइन को पट्टे पर देने से पहले करवाया था.दो पालसी सीमाओं की पुनः प्राप्ति सील्वरस्टेइन के लिए छप्परफाड़ नहीं थी.

हार्वड रूबींस्टेइन,
लेरी सील्वरस्टेइन के प्रवक्ता,
स्वीस् री की अनुक्रिया पर.

चालू हैल्थकेयर प्रणाली वैधानिक दावों से बचने के लिए रक्षात्मक दवायें प्रयुक्त करने पर दबाव डालती है. वर्तमान वर्षो में मैडिकल अनाचार प्रिमियम कई गुणा बढ गया है जिसका कारण चालू व्यवस्था की जेकपाट न्याय प्रक्रिया है.

कार्ल पाकस,
वरिष्ठ उपाध्यक्ष, सरकारी संबंध, नैशनल एसोसियशेन आफ इंडिपडेंट इंशोरेस
(एनएआईआई), यूएस.

प्रशिक्षण पर दृष्टि

के. नित्या कल्याणी

पिछले दो वर्षो में सबसे अधिक देखने योग्य परिर्वतन बीमा उद्योग में दृष्टिगोचर हुआ है वह है मध्यस्थों की भूमिका को महत्व प्रदान करना. बीमा कारोबार के मध्यस्थों को पेशेवराना बनाने की कोशिश - जिसमें प्रशिक्षण तथा लाइसेंस से पूर्व प्रमाणीकरण ने युवा उम्मीदों को नयी गति दी है तथा कुछ पेशेवर तथा विशिष्ट उद्यमियों को बीमा विक्रय करने को कैरियर बनाने तथा इसे एक समकालिक गतिविधि बना कर अपने वर्तमान ग्राहकों के लिए नई कीमत प्रदान करना है.

अनेक वर्षो से बीमा एजेंट एक कष्टप्रद जरूरत था, जिससे वित्तीय वर्ष के अंत में लेन-देन की जरूरत पडती थी और वह भी अपने ज्ञान और कौशल के कारण से नहीं जाना जाता था.

वैसे कोई भी बीमा एजेंट हो सकता था इसके कारण इस गतिविधि को गंभीरता से नहीं लिया जाता था इसकी गंभीरता मात्र विजिटिंग कार्ड पर एक और तमगा लगाने की थी.

अन्य शब्दों में यह ऐसा पेशा था जिसे गंभीरता से नहीं लिया जाता था उनके द्वारा भी जो इसमें लिप्त थे इसलिए एलआईसी के आठ में से सात ऐजेंट धूल में पडे थे और उन सात ने बाकियों के पीढियों के अच्छे काम को अन्देखा करवा दिया.

आज स्थिति अलग है धूल में पडे ऐजेंटो के बजाए बीमा कंपनियों द्वारा भर्ती किये ज्यादातर ऐजेंट लौट गए है. और वह दूसरी बीमा कंपनियो में गए हो ऐसा बिल्कुल नहीं है क्योकि सभी कंपनियां बिना अपवाद के नियमित रूप से वित्तिय सलाहकार के लिए विज्ञापन दे रही है, जिनके नाम से यह जाने जाते हैं.

अन्य शब्दों में जैसे स्थिति बदलती है उससे ज्यादा वैसे ही रहती है.

बीमा बेचना आसान कार्य नहीं है. यह ऐसा कैरियर है जो माँगता है, वर्ष 2000 में आईआरडीए द्वारा उद्योग के विपणन बल के बारे में अच्छी प्रकार सोचा गया तथा उसके अनुपालन के समय बनाने वालों से विपणन बल नाखूश था.

लेकिन प्रयत्न चला और सफल रहा पहले से कार्यरत एजेंट अपने लाइसेस के नवीकरण के लिए तेजी से आगे आये तथा नयी कंपनियां अपने आप से इस कार्य में लग गई तथा नई विपणन बल तैयार किया गया.

उद्योग का प्रिमियम बढा तथा बाजार का अंश बडा हुआ लेकिन उद्योग को भर्ती, प्रशिक्षण तथा ऐजेट खोने की लागत देनी पडी और उस बात की बात करना बेकार है जिसमें लागत के कारण लोग एक कैरियर से दूर चले गये जो बहुत आसान लगता था.

अविचलित विपणन बल के लिए किस हद तक प्रशिक्षण में सहयोग करता है प्रशिक्षण मानदण्ड जरूरी है लेकिन क्या यह बाजार संचालन के साथ लक्ष्य प्राप्त करते है तथा बदलते है तथा क्या यह पर्याप्त महसूस हो रहे है.

उद्योग आज विपणन रीति में है और आने वाले अनेक वर्षो तक रहेगा बीमा कंपनियों पर दबाव गलियों तथा सडकों पर जाकर प्रस्तावपत्र तथा प्रिमियम चैक लाने के लिए बहुत बढ गया है जिसका कारण उत्पादों की जटिलता की प्रकृति तथा वह पूँजी की टिक टिक है यह ऐजेंटों को जोडते हुए तो पीछे हो गए है जो वास्तविकता को देखते है अपने असली ग्राहकों को झेलते हैं. उसके परिवार सदस्य को पालसी के लिए मनाने के बाद जिससे वे अपने नए कैरियर में सफल हो सकें. इस प्रकार के छिट-पुट लोगो से अपने को उद्योग ने दूर किया है.

ऐसी चर्चा है कि 100 घन्टे के प्रशिक्षण को बाहर किया जाए ऐसे संस्थाओं तथा बीमाकर्त्ता द्वारा तथा प्रशिक्षण की गुणवत्ता के ऊपर प्रशन उठाये जाते है इस प्रकार के विद्रोही विचार विनियमन की भावना कि विरूध जाते हैं. तथा उद्योग के स्वस्थ विकास के उद्धेश्य जो पेशेवर नजरिये का केन्द्र है तथा विपणन बल को इज्जत देने की बात करता है. जनता की नजरो में जिन्हें अपने अपने बटूवे से इन विकल्पों तथा खुलेपन की नीति को मत देना है.

कोई भी नई प्रणाली लागु होने में तथा पूर्व जमने में कुछ समय लेती है. मात्र दो वर्ष के बाद उद्योग के लिए यह समय है वह इस अवसर को उद्योग की बढती हुई जरूरतों के लिए है क्या किया जाना चाहिये जिससे यह सतत् रूप से चालू रहे, पर विचार करे.

केवल प्रशिक्षण एजेंटों , ब्रोकर या अन्य किसी मध्यस्थ को तैयार नहीं कर सकता. यह केवल लम्बी उडान में एक कदम मात्र है जो उद्योग को आगे बढाता है. यह जरूरी है लेकिन पर्याप्त नहीं है और यहां अन्य कई कारक है जो प्रभावाली रूप से काम करते है. सफलता तथा उद्योग की उन्नति के लिए.

सतत् प्रशिक्षण तथा ज्ञान को आधुनिक बनाना है तथा निरंतर कौशल जो उद्योग के न्यूनतम स्तर को ध्यान में रख कर बनाया गया जो स्वस्थ व प्रतिस्पर्धा विपणन बल बनाता है. इस सभी क्षेत्रों में यह याद करना विवेकपूर्ण होगा ‘कम ज्ञान खतरे की बात है’जबकि उत्पाद एक वचन है तथा परामर्श न्यास के उत्तरदायित्व के आधार पर दिया जाता है.

क्यों मुझे जागरुक बनाया जाए ?

आर.सी.शर्मा

पहले में अपना परिचय देना चाहूगाँ. में बीमा कवर क्रय करने वाला भावी उपभोक्ता हूँ. लेकिन बीमा के विषय में मैं बिल्कुल अनभिझ हूँ. मैं एक बहुत ही नम्र पृष्ठभूमि से हूँ. और एक ऐसे कस्बे में रहता हूँ जहाँ सूचना गति धीमी, कम और अपर्याप्त रहती है मैं नहीं जानता मेरे लिए क्या हितकारी होगा तथा उसका ठीक मूल्य क्या होगा. तो क्या किया जाए. मैं विश्वास पूर्वक यह अनुभव करता हूँ कि मुझे एक उपभोक्ता के रूप में शिक्षित किया जाए

मैनें कुछ समाचार पत्रों में कुछ विज्ञापन और होल्डिगं देखे है. इन्होने मुझे कुछ धुधली तस्वीर दी है जिससे एक खोखा जरूर बना हैं. मैं इससे संतुष्ट नहीं हूँ तथा विषय को अधिक पेशेवर तरीके से जानना चाहुगाँ. इस विशिष्ट ज्ञान को हासिल करने के लिए मैं कहाँ जाऊ और किससे मिलू.

मैं निर्वासित सा खडा हूँ तथा भली प्रकार दिशा-निर्देश चाहता हूँ.

जो पेशगी सूचना मैनें एकत्र की है मैं समझता हूँ अधोलिखित मुझे विभिन्न तरीकों से मदद कर सकते है.

- बीमा कंपनियॉ
- बीमा उद्योग के मध्यस्थ
- बीमा विकास व विकास प्राधिकरण
- कोर्स चलाने वाले विभिन्न प्रशिक्षण संस्थान/ विभिन्न विषय

लेकिन मेरी जरूरत एक से अधिक उत्पाद की है. मैं अपने आप को बाजार से सुपरिचित करना चाहता हूँ मुझे केवल एक पालसी लेने का नहीं लेकिन में कई पालसियॉ लेने का प्रलोभन है जो मुझे विभिन्न बीमा कवर उपलब्ध करवा सकें.

क्या में बीमा कंपनी को सीधा संपर्क कॅरू. में महसूस करता हूँ ऐसी बात में कोई आशंका. सभी कर्माशियल कंपनियों को एक कक्ष, ग्राहक प्रबन्धन के लिए बनाना चाहिये एक 'क्या मैं आपकी मदद कर सकता हूँ 'काउंटर, जो मुझे आमंत्रित करे तथा मेरी आवश्यकताओ तथा समस्या क्षेत्रों के बारे में सूने, काऊंटर मुझे अधिक व्यापक सूचना के लिए वरिष्ठ अधिकारी के पास भेजे जो मुझे सच में यथोचित निर्णय लेने में सहायता कर सके. में मुद्रित साहित्य को भी प्राप्त कर सॅकू जिसमें सम्पर्क नंबर तथा भविष्य में मदद तथा असानी से अधिमिलन किया जा सके, लेकिन में यह अनुभव कर रहा हूँ मुझे पर्याप्त तथा जरूरी जानकारी पालसी की जटिलता तथा शब्दों की बाजीगरी समझने के लिए नहीं है यहाँ तक की कुछ शर्तो तथा वाक्याशं मेरे लिए मूर्त नहीं है.

मैं प्रस्ताव पत्र तथा प्रोस्पेक्टस में तथा उसकी सूची अन्तर नही कर पाता मैं यह कामना करता हूँ कि दस्तावेजों की भाषा सुबोध बनायी जाये, जिसको आसानी से समझा जा सके तथा संदिग्धता न हो, सूची में स्पष्टता से कवर,सीमाएँ, दावा प्रक्रिया तथा संबधित बातों को शामिल किया जाए.

अच्छा होगा में किसी मध्यस्थ की मदद लू. एक अभिकर्त्ता अथवा एक ब्रोकर मेरी मदद करने मे सक्षम होगे. क्योकि मुझे बताया गया है कि पिछले समय की अपेक्षा आज के एजेन्ट अधिक प्रशिक्षित तथा विषय पर सूचना देने के लिए अधिक तैयार किये गये है.

एक एजेन्ट मेरी मदद मेरी आवश्यकता के बारे में विचार विमर्श करने तथा मेरे भौतिक थकान को बचाने के लिए कर सकता है लेकिन यह एक कंपनी तक सीमित रहेगी, अन्ततः मुझे विकल्प चुनने की आजादी नहीं मिल सकेगी.

फिर मेरे पास दूसरा विकल्प ब्रोकर के लिए उपलब्ध है इसलिए मुझे ज्यादा परेशान होने की जरूरत नही है. वह भी विशेष रूप से प्रशिक्षत लोग है. जो मुझे विभिन्न उत्पादों तथा विभिन्न कंपनियों के बारे में सलाह दे सकते है. वह मेरी विभिन्न क्षेत्रों की पालसी प्राप्त करने की जरूरत की गणना कर मेरे जोखिम पर अच्छी सलाह दे सकते है.

मुझे जटिल प्रक्रिया जैसे दस्तावेज फाईल करने से अधिक अभ्यास नहीं है तथा मेरे लिए जगह जगह जाना भी संभव नही है इसलिए एक ब्रोकर कंपनी मेरी निशचित रूप से मदद कर सकती है. सर्वेयर तथा हानि निर्धारक मेरी मदद हानि नियन्त्रण तथा उसे कम करने में कर सकते है. किसी दुर्घटना की अवस्था में उनकी सेवाओं का उपयोग हानि के कारण तथा कारको की जॉच के लिए किया जा सकता है जिसके कारण हानि हुई. आदर्श रूप से सर्वेयर की सूची को भी प्रोस्पेक्टस के साथ मेरी मदद के लिए प्रदर्शित किया जाना चाहिये.

तृतीय पक्ष प्रशासक - (हैल्थ सेवायें) एक अन्य महत्वपूर्ण सूचना का स्रोत बन सकता है जो मुझे नकद रहित उपचार की तरफ ले जा सकता है, इनका भोगौलिक वितरण देश भर में तथा प्रतिष्ठान का नेटवर्क हैल्थ सेवायें उपलब्ध करवाने में महत्वपूर्ण स्थान रखता है.

लेकिन दुबारा प्रशन यह है कि मै इन मध्यस्थों की खोज कहा पर करूँ तथा इनकी सम्पर्क सूचना मैं यह अपेक्षा करता हूँ की यह बीमा कंपनियों तथा वेबसाईट पर उपलब्ध होगा.

एक बार जब में इन मध्यस्थों से सम्पर्क स्थापित करूँ मुझे इनकी सत्यता पर संदेह हो सकता है में किसी धोखेबाज तत्व के पल्ले न पड जाऊँ. जो अपनी चालाकी और धोखेबाजी के लिए जाने जाते हो. उनसे व्यवहार लेन देन करने से पहले मुझे उनकी पहचान तथा मार्किट लोक ख्याति के बारे में जानकारी बहुत ठीक होगी. यहां पर बट्टे का लालच भी होगा, मध्यस्थ अपने कमीशन का एक भाग बाटॅना चाहेगें, लेकिन मेरी दिलचस्पी सेवा की गुणवत्ता और ठीक दृष्टिकोण में है.

ग्राहक के रूप में मेरे क्या दायित्व तथा अधिकार हैं, मुझे क्या करना चाहिये, यदि में किसी संकट में फसँ जाऊँ.

पक्षपात और शिकायत के अवसर पर मुझे यह अनुमति होनी चाहिये की मैं बीमा कंपनियो के शिकायत कक्ष की तरफ देख सॅकू जो मेरी शिकायत का निवारण कर सकें लगातार मेरी असंतुष्टि की अवस्था में मैं अपने शिकायत निवारण के लिए बाहर की ऐजेसी से सम्पर्क स्थापित कर सकूं जो ऐसे मुद्धे के निवारण के लिए मान्यता प्राप्त हैं बीमा लोकअदालत या कई बार आईआरडीए मेरी मदद कर सकते हैं.

बीमा कंपनियां अपना योगदान जागरुकता पैदा करने के लिए कर सकती हैं.

- सैमिनार तथा अनौपचारिक कार्नर मीटिगं आयोजित करना.
- ब्रोचर का वितरण / हैंड आउट जो अपने उत्पाद के बारे में सूचना देना.
- उत्पाद के मूल्य के अपेक्षा उसकी गुणवत्ता पर

अधिक बल होना चाहिये.

- विज्ञापन, स्लोगन से भरे होने की अपेक्षा, उत्पाद के प्रयोगो के बारे में बताये.
- मध्यस्थ, अपनी जानकारी तथा सूचनाओं का आदान-प्रदान कोशल एक बडा स्रोत बन सकता है तथा यह सही स्रोत होगा.

में समझता हूँ मेरी यह संवेदनता व्यर्थ नहीं हैं. मेरे पास यह मानने का कारण है कि मुझे पहुँचायी गई जागरुकता न केवल मुझे लाभ पहुँचायेगी साथ साथ बीमा उद्योग के लिए बहुमुखी विकास का साधन बनेगी.

- यह मुझे मदद कर सकती है जल्द,ठीक,सावधान पूर्वक निणर्य लेने के लिए जोकि अन्यथा संभव नहीं थे. मेरी शिक्षा एक प्रकार का स्वयं को बचाने को तरीका होगी जो मेरी एक ग्राहक की संतुष्टि के साथ साथ मुझे उर्जा, धन, मुक्दमेबाजी तथा पक्षों के बीच समय बचाने में मददगार साबित होगी.
- यह विभिन्न बीमा व्यवसाय ..... के बीच निर्विघ्न संव्यवहार सौदे को सुकर बनायेगी.
- बीमा कवर लेते समय यह मेरा भरोसा बढायेगी.
- में दूसरों के लिए प्रकाश का माध्यम बन सकुंगा जो इस विषय पर कारोबार करना चाहते हैं.
- यह मेरे जैसे रूचि रखने वाले लोगो का पुनरुत्थान करेगी, जो अंततः गर्जने वाला बीमा कारोबार के बाजार के विकास में मददगार साबित होगा.

में यह महसूस करता हूँ की शिक्षा के प्रति मेरी यह चाहत मेरी दार्शनिक क्षमता को बूझने के लिए नही, विषय को समझे के लिए उपयोग में आयें.

आईआरडीए अन्य संस्थाओं के साथ विभिन्न प्रकार के बीमा कार्यकलाप करने वालों तथा बीमा प्रबन्ध अध्ययन के विद्यार्थियों के लिए प्रशिक्षण देने वालों के लिए विशेष मददगार होगा साथ ही यह उनके विचारात्मक संदेह तथा असंगत स्थिति दूर करने में सक्षम होगा. अभी यह सब स्वीकार करना जल्दबाजी होगी लेकिन इसको अस्वीकार भी नहीं किया जा सकता, ठीक प्रकार की शिक्षा से उपयोगिता की जागरुकता तथा अन्य उपायों को ज्यादा उठाने की जरूरत नहीं है. मेरे जैसे आम आदमी के लिए बीमा क्षतिपूर्ति/आय का स्रोत है. आकस्मिक परिस्थितियों की प्रकृति,जोखिम के कारण तथा अन्य स्थितियों में. मुझे डर है ऐसी गलत धारणाओं का निराकरण जल्द जरूरी है जिससे बीमा कारोबार के लिए एक स्वस्थ उन्नति का वातावरण तैयार किया जा सके बीमा सत्ता की सभी इकाईयो के लिए यह अत्यंत आवश्यक है कि एक ऐसा वातावरण तैयार किया जाए जिसमें बीमा अलग से कोई विषय प्रतीत न हो वरन् दैनिक जीवन का एक भाग लगे. सब इसकी जरूरतें तथा उपयोग स्पष्ट रूप से समझे जाए.

लेखक आईआरडीए में सहायक निदेशक के रूप में कार्यरत है.

बैंकिग और बीमा साथ साथ

स्नेह शर्मा

बैंकिग और बीमा साथ साथ, एक ही स्थान पर हाल में इस प्रवृति ने पुनः जोर पकडा है. पिछले कुछ वर्षो में यूरोपीय देशों में यह प्रबल रूप देखने को मिला है. भारतीय उद्योग भी इस दिशा में पीछे नहीं रहा जीवन बीमा और गैर जीवन बीमा कंपनियों ने अनेक बैंकों के साथ गठबंधन किया जिसके तहत बैंकों द्वारा बीमा उत्पादों का सक्रिय वितरण किया जाएगा.

प्रश्न यह उठता है वर्तमान परिदृश्य में यह कितनी सफल या असफल होती है.

इसी सिक्के का दूसरा पहलू पर ध्यान दिया जाए तो हमारे दे‌‌ा की अर्ध-शिक्षित अनपढ जनता जो गांवों कस्बों और छोटे -छोटे नगरों में रहती है, उन तक बीमा उत्पादों को पहुंचने का एक सरल और सहज तरीका है - बैंकश्योरेंस हर गाँव नगर शहर में विभिन्न सरकारी बैंकों की शाखाएं खुली हुई हैं जबकि यह संभव है एजेंट या बीमा कंपनी वहाँ तक न पहुंची हो, कारण कुछ भी हो सकता है. जब शहरी आदमी ही बीमा उत्पादों से पूरी तरह परिचित नहीं है तो गांव के निवासियों से बीमा ज्ञान की अपेक्षा करना ही अनुचित है, ऐसे में बैंको के माध्यम से उसे जानकारी दी जा सकती है कि थोडे से अतिरिक्त प्रिमियम के भुगतान पर वह व्यक्तिगत दुर्घटना बीमा ले सकता है, उसकी मृत्यु की अवस्था में उसके परिवारजनों को गृह ऋण की अदायगी से मुक्ति मिल सकती है, सामान या उपकरण बिगड जाने पर, चोरी हो जाने पर उसकी क्षतिपूर्ति की जा सकती है.

युनाइटेड इंडिया इंशयोरेंस कंपनी ने वैश्य बैंक से गठबंधन किया जिसके तहत प्रत्येक खाता धारक को थोडे से प्रिमियम के भुगतान पर व्यक्तिगत दुर्घटना बीमा का लाभ प्राप्त हो सकता है. एचडीएफसी बैंक ने स्टैंर्डड लाईफ गृह ऋण, फिक्सड डिपाजिट स्कीम इत्यादि के लिए इसे लागू किया. कार्पोरेशन बैंक, यूनियन बैंक, इंडियन बैंक यह सूची निरंतर लंबी होती जा रही है.

इन गठबंधनो से बीमा उत्पादों को व्यापक प्रचार मिला है. ग्राम स्तर पर आयोजित विभिन्न मेले, प्रदर्शिनियों, समारोहों से बीमा उद्योग को एक मंच प्राप्त हुआ है. नागरिकों के साथ संपर्क बढाने की इस दिशा में अद्भुत विकास हुआ है. एचडीएफसी बैंक ने आंध्र प्रदेश सरकार की ई सेवा, ई सरकार के साथ मिलकर संयुक्त नाम का क्रेडिट कार्ड चलाया है. इससे, कार्ड धारक सरकारी इलैक्ट्रानिक सुविधाओ सेवाओं का अधिकत्तम प्रयोग कर सकेंगें.

इन सब से आखिर आम आदमी को ही लाभ पहुँचेगा जो आईआरडीए का मूल उद्धेश्य है और उद्योग उद्धेश्य भी यही होना चाहिये आखिर यही जीवन संजीविनी है.

अब देखना यह है कि दो विभिन्न कार्य कलापों में संलग्न संगठनों के ऐसे गठबंधन कब तक टिकते है.

लेखक प्रा. अधिकारी, युनाइटेड इंडिया इंशयोरेंस क., बैंगलूर क्षेत्रीय कार्यालय

आईआरडीए ने निणर्य लिया है कि तृतीय पक्ष प्रशासक (हैल्थ सेवायें) के सी ई ओ तथा सी.ए.ओ द्वारा भारतीय बीमा संस्थान द्वारा आयोजित की जाने वाली एसोसिएट परिक्षा उर्तीण करने की दिनांक आगे बढायी जाए इस तथ्य को ध्यान में रखते हुए कि साधारणतः संस्थान द्वारा यह परिक्षा मई 2004 में आयोजित की जायेगी इसके लिए सितंबर 2003 की अंतिम तिथि को बढा दिया गया है.

फिर भी सीईओ/सीएओ के लिए 100 घन्टे के प्रशिक्षण जिसका आयोजन एएससीआई द्वारा किया जाता है को कोई छूट नहीं दी गई है.

कागज रहित कार्यालय

संजीव कुमार जैन

पिछले दिनों आईआरडीए के हैदराबाद मुख्यालय में मैक्स एटिव द्वारा विकसित एमआईएस साफटवेयर का प्रचालन प्रारंभ हो गया जिसके द्वारा सभी पंजीकृत बीमा कंपनियां ई-मेल अथवा किसी अन्य इलेक्ट्रानिक माध्यम से आपेक्षित आंकडे आईआरडीए को उपलब्ध करवा सकेगी तथा साथ ही साथ इनकी प्रोसेसिंग भी तुरन्त हो जायेगी, जिसके कारण गति तथा प्रखरता तो कार्यप्रणाली में आयेगी ही लेकिन एक और बात होगी जिसकी तरफ हमारा ध्यान कम ही जाता है और वह बात होगी पर्यावरण के प्रति हमारे दायित्वों का निर्वाहन.

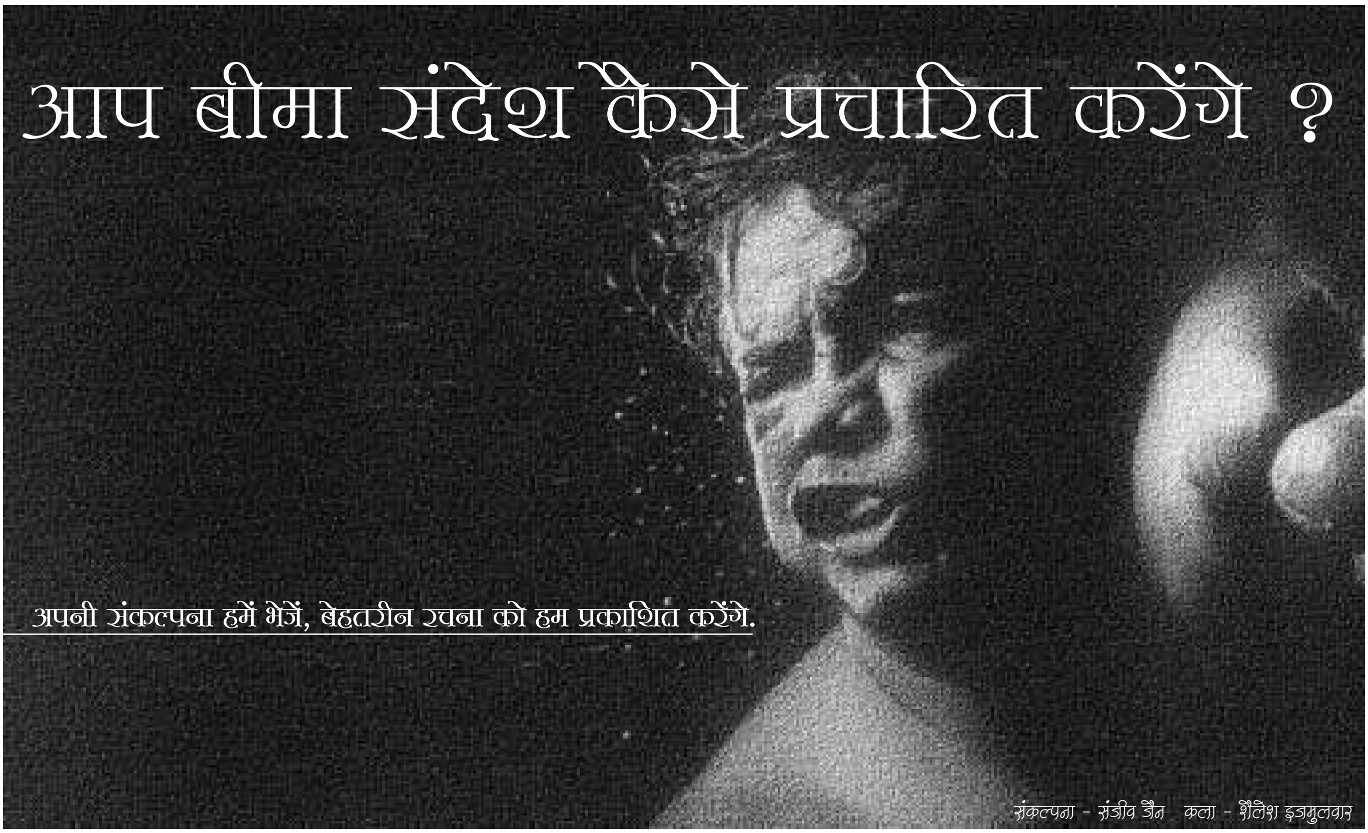
सैटलाइट टेलीविजन के बाद संपूर्ण क्रांति का श्रेय इंटरनेट को जाता है जिसके इन्फर्मेशन हाईवे, सूचना राजमार्ग पर किसी देश की सीमा की कोई बाधा और टोक नहीं है. दुनिया के सभी देशों के लोग एक दूसरे से जुड गए है. मोबाइल, फैक्स, ईमेल टेक्नोलोजी के इस युग में मानव का प्रत्येक कार्य कैसे मानव कल्याण से जुडे यह सबसे महत्वपूर्ण है.

विज्ञान कहता है हमारा मस्तिष्क लगभग दस अरब स्नायु कोशिकाओं से मिलकर बना है साथ ही यह कंप्यूटर से एक लाख गुना ज्यादा जानकारी रख सकता है. हमारे शरीर के सब दर्द दिमाग द्वारा अनुभव किये जाते है लेकिन दिमाग की अनुपस्थिति में कोई दर्द अनुभव नहीं होता. इसी दिमाग ने आज हमें कागज रहित कार्यालय की संकल्पना दी है.

कंप्यूटर और इंटरनेट के साथ मानव की हर उडान आज कहीं न कही पर्यावरण से भी जुडी है. अब वह युग आ गया है जब कागज का कम से कम उपयोग हमारे दैनिक कार्यकलापों में किया जाए तथा कागजी पोथियो से मुक्त व्यवस्था स्थापित की जाए .आज हमारा दिन अखबार के साथ प्रारंभ होता है लेकिन क्या हमने कभी सोचा है, अखबार को छापने से पर्यावरण को कितना नुकसान होता है. एक अनुमान के अनुसार न्यूयार्क टाइम्स का एक दिन का संस्करण एक मील जंगल को लील जाता है. और यह बताने की आवश्यकता नहीं की एक मील जंगल पर्यावरण और हमारे जीवन में कितना महत्व रखते है. अब यह सब इंटरनेट पर उपलब्ध होने पर धीरे-धीरे यह जंगल काटने की तथा पर्यावरण को नष्ट करने की हिंसा कम हो सकती है.

आईआरडीए ने जो शुरूवात इस साफटवेयर को लेकर की है, आवश्यकता है बीमा उद्योग गति तथा प्रखरता के साथ साथ पर्यावरण के महत्व को समझे तथा प्रत्येक स्तर पर कागज की अधिक से अधिक बचत करते हुए कार्यालयों को कागज रहित बनायें. बीमा जैसे उद्योग में, जहॉ का सम्पूर्ण कार्य दस्तावेजों पर आधारित है, इस प्रकार की पहल द्वारा निसंदेह पर्यावरण के क्षेत्र में बहुत बडी पहल होगी.

कंप्यूटर, इंटरनेट और इन सब से बढ कर मानव मस्तिष्क बहुत उपयोगी है लेकिन तब, जब हम इनका उपयोग जीवन को समद्ध करने के लिए करते हैं तो ये वरदान हैं अगर हम इन्हें अपने पर ऐसा हावी कर लेते है जिससे हमारे हृदय की भावनाएं सूख जाए है, अथवा विस्मय के द्वार बंद हो जाए, तो यह अभिशाप है.



आईआरडीए आकाशवाणी पर

दिनांक 26 जनवरी 2003 से आकाशवाणी पर आईआरडीए का प्रचार अभियान प्रारंभ हो गया है. अधोलिखित समय पर आईआरडीए प्रचार संदेश सुने जा सकते है.

प्रातः आठ बजे से पहले राष्ट्रीय हुकअप समाचार में 30 सेकिंड का संदेश.

दोपहर 2.40 पर राष्ट्रीय हुकअप समाचार में 30 सेकिंड का संदेश.

सांय 8.50 पर राष्ट्रीय हुकअप समाचार में 30 सेकिंड का संदेश.

विविध भारती राष्ट्रीय नेटवर्क पर 30 सेकिंड का संदेश तीन बार.

पहला 8.30 सुबह चित्रलोक के साथ,

दूसरा दोपहर 2.00 बजे मनचाहे गीत के साथ,

तीसरा रात 10.00 बजे छायागीत के साथ,

एफएम - दिल्ली पर 30 सेकिंड का संदेश दो बार.

पहला 9.10 बजे सुबह, दूसरा दोपहर 2.00 बजे

Eleven Desired Habits of Highly Effective Surveyors

G. Venkata Ramana

The bumper sticker of a car reads, “I have to get older, but I can stay immature forever.” The same may be true for people who are into insurance claims. The old saying goes that you can either have 15 years of experience, or one year of experience, 15 times. What attributes make a 15-year veteran surveyor an asset to his company or to himself? What does it take for a rookie to become a shining star?

Like anyone else, surveyors can develop good habits or bad habits. Once an action becomes a habit, the easiest thing to do is to repeat the action on every claim he handles. In fact, just like bad habits, good habits are hard to break.

With the opening up of the insurance sector, explosion of technology and increase in the demands of insureds have led surveyors to acquire the skills required. When a skill is boiled down to the involuntary and instinctive level, it turns into a habit. Once acquired, habits die hard.

Here are eleven desired habits of those surveyors, veterans or rookies, who are successful and effective. Why eleven? Because it is one up on a perfect ten!

Read Effectively

An effective surveyor must not only be able to glance at and understand an insurance policy, he must also actually read the insurance policy! That sounds pretty simple, but many surveyors simply don’t take the time. They know the coverage; they know what the policy says; they have too many other things to do than to read the policy. Errors are made; losses and claims that should not have been paid or denied, are.

The effective surveyor must also be able to understand the technical correspondence and reports that are routine to handling a claim file. For a fire surveyor, this may mean engineers’ or fire brigade reports. A marine surveyor may need to read and understand import documents and exchange control regulations. How often these are overlooked! One just reads the summary; the rest is jargon, right?

You can attend seminars, read a book, or discuss among peers at appropriate forums. No efforts should be spared to understand the technical details provided. Thus to be effective, you must be able to understand and convey to others like the insured or the insurer, the technical details of a claim, however complicated they may be.

Cultivate writing skills

“Check-off” reports forms, partial investigation short-forms and e-mail have eliminated much of the need for letter writing or narrative reports. A rapidly decreasing percentage of surveyors actually dictate or write letters or reports. Some other method of imparting information is used, or the surveyor prepares the report assisted by a computer.

Still, there may not ever be a substitute for a well-written business letter, even though repudiation letters, reservation-of-rights letters, and subrogation letters are frequently form letters. And yes, even a computer software programme may compose narrative reports. However, most, if not all, surveyors must sometimes prepare a letter or report from scratch. The effective surveyor has the skills to prepare professional correspondence. Those who don’t should take advantage of business writing books and courses that are readily available. The lucky ones may find a fellow surveyor or a partner who has the skills and is willing to not only proofread the written documents, but to explain why any changes are necessary.

Remember When? Keep a Diary

Did we ever tell someone we would follow up with them in three weeks, but didn’t remember to? Why didn’t we remember? What about that Proof of Loss we sent out; when it was not returned in three weeks, did somebody follow it up? A reminder diary is just about the most basic tool one can use in handling claims. Every surveyor, manager, and officer knows this, but too many do not use one on a regular, ongoing basis.

When we review an open file that shows no activity for two months, one of three things is happening:

a) The surveyor is not using a monitoring diary,

b) The surveyor is not keeping notes, or

c) The surveyor is doing nothing.

When a report is a month late, we know there is no reminder diary in use. What’s the alternative to a diary? One may just wait for something to happen and react to it. It may be a stinking reminder from the insurance company or an SOS from the insured for early submission of the interim/ final report. This is not something a highly effective surveyor does. It is hard to imagine anyone who does not have access to some sort of computerised diary system in the 21st Century. But if not, index cards and card files work just as well as they did 40 years ago.

“Why Did I Do That?” Keep Activity Notes

Has someone ever submitted a deposition, or been on the witness stand at a consumer forum or with an Insurance Ombudsman, and tried to remember what he did on a file four years ago? What about when the insurance company manager gets a complaint and one has to show that he took timely action in handling a claim? Surveyors’ notes are often the only way to tell what has happened on a claim file. Anyone who has given testimony at trial regarding the handling of a claim has learnt this lesson.

We know a lot of cases where the

surveyor was completely lost when questioned in a crisis and could not provide any meaningful explanation because the notes were incomplete or missing altogether. This one has to fall on the shoulders of insurance company officers. How can one review a surveyor's activities or the status of a claim unless there are good activity notes? How can it be shown that one has actively supervised the surveyor unless the activity notes or file also reflect his continued involvement in the process? Activity notes provide the history of how a claim was handled – their absence speaks volumes.

Keep Others Informed

Ronald Reagan was called the Great Communicator, but he said that it was really the content of his speeches, rather than the style, that made him so effective. One can find dozens of books or Internet sites where self-help gurus promise they can make anyone a Great Communicator.

The straightforward answer for a surveyor, however, is to be DAPIST. That is: Detailed As Possible, In Simplest Terms. The surveyor must communicate all of the necessary details, but in simple enough terms that they are understood.

How often does one call policyholders or claimants while handling a claim? Is it just at the beginning and at the end? One should try calling them every week, whether one need to or not, just to update them. This seems like a time-consuming effort, and one just don't have time for that.

But, if a surveyor makes two extra "quality" calls on a file just to keep the policyholder or claimant informed, he might save five or six calls from the insured, the agent, and others, over the course of handling the claim. One should not make the first contact, and then just wait for things to happen. Take charge. Be proactive. If there is going to be an unexpected delay, let the parties know. They may not be happy, but it is going to be a lot easier to tell them as soon as one knows than it will be a month later when they call us.

Be a Perpetual Learner

It is hard to understand how a surveyor can be effective without having, at a minimum, the knowledge included in a basic course such as the Insurance Institute of India's Associateship. There are certainly other ways to get this same knowledge without taking that specific course, but one cannot rely only on what one learned to pass an Institute's exam or from a specialised company-training course that covers writing reports or taking statements. Did the basic adjusting course include human relations issues? Does it cover how the claims adjustment function fits into the big picture of insurance?

An effective surveyor never stops learning. The training regimens leading to qualifications such as FIII or AIII are very valuable in developing the knowledge and skills necessary to be an effective, professional surveyor. Local and statewide seminars are useful, as are those newsletters that sometimes land on one's desk - published by law firms and others. Better to get on their mailing lists so we don't have to share a copy. If one not just possesses it but reads it carefully, one might be surprised at how often an item in a legal update newsletter discusses issues in common with a claim one is handling.

Don't Beat a Dead Horse

The officer said, "I don't know why you still have that file with you. Did you fall in love with it?" The surveyor said, "I just want to get it right. I have been waiting for the insured to call me back for two months now." There comes a time in every claim when one must be a "surveyor," and use his skills to negotiate and bring the claim to a resolution. We've all seen surveyors who claim to stand on principle. They won't give an inch. They won't let the insured or claimant "get the best of me." Their job is to adjust claims, fairly and properly. Not all claims close by themselves.

The effective surveyor knows when to fight a battle, and when to concede. Why fight the ones that you know you will not win?

Don't Burn Your Bridges

One can be reasonable and fair in one's dealings with others, or one can be stubborn and unyielding. One can leave others satisfied with having dealt with us, or leave them hoping they never have to speak to us again. Effective surveyors not only know that being fair and reasonable makes their jobs much easier, but they also know that they are constantly building a network of contacts they can call on for information and assistance.

Is it true that the garage manager that you yelled at last month is going to help you get a car released without a payment this week? Is the engineer whom you called a thief going to help to get good salvage value the next time when you meet him?

Adjust fairly, but quickly

A surveyor "adjusts" the loss or claim. That means to manipulate and massage and adjust the amount to be paid until it compensates the claimant or policyholder fairly for the damages, while at the same time properly applying the coverage of the policy and the laws of the land. Adjusting is far from an exact science. There is tremendous latitude for a surveyor to determine the amount of time to straighten a fender or how much depreciation to apply to a building.

Use your skills, adjust where necessary, be fair and reasonable, apply the statutes and the policy, pay or deny the claim, and go on to the next one. The only good claim is one that is closed and archived one way or another.

Uphold ethics professionally and personally

The effective surveyor is, above all else, professional and ethical. While there are many versions of a code of ethics that surveyors can subscribe to, none is in conflict with another. The Insurance Regulatory and Development Authority (IRDA) is the body which controls and formulates licensing and other procedures for surveyors. Besides, the Institute of Surveyors and Loss Assessors, Mumbai, has appropriate codes of ethics. The common thread through all of them is honesty and fairness. One's code of ethics, regardless of the source, must be a personal thing. One cannot only follow it while on the job. The effective, professional surveyor strives to be ethical and fair in all aspects of life. Make it a habit to be honest and fair.

Be a torch bearer and a beacon for the future generation

Having cultivated the above habits for years, it will be a moral duty of a surveyor to inculcate the same in the blood of young and budding surveyors. IRDA has even put responsibility of training new surveyors as one of the duties of senior ones. Any failure is not only deemed as misconduct but may also amount to shrugging moral responsibility. If you have taken something from this profession is it not your duty to give something back to it?

Conclusion

All surveyors do some of these things, but are they done with such frequency that they have become habitual? Truly effective surveyors have most, if not all, of these good habits. The regulators, the Surveyors Institute and the system consisting of senior surveyors as a whole must be consistent and work toward training less experienced surveyors to learn good habits. The surveyor who forms good habits will be an asset to both insured and the insurer, and the good habits will be the greatest asset to the surveyor's own personal growth.

The author is Assistant Manager, National Insurance Company Limited.

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AWARENESS IN THE AIR

The consumer awareness campaign on insurance and pensions by the IRDA is underway on All India Radio and Doordarshan.

There are advertisement spots and jingles both on radio and television. Doordarshan will also telecast special programmes like studio panel discussions, interactive programmes that give a cross section of public opinion and messages from Mr. N. Rangachary, Chairman, IRDA.

Also planned are phone-in programmes commencing on March 27, which will continue fortnightly, on every second and fourth Thursday.

Telecasts have started on the National channel and the Tamil channel from February 1 during prime time and other channels that have started subsequently or will start shortly include Bangalore, Ahmedabad, Hyderabad, Thiruvananthapuram, Mumbai, Kolkata, Panaji and Jalandhar.

A still from the television commercial which is part of IRDA's consumer awareness campaign on insurance and pensions.

Report Card: General

Analysis of the non-life business figures for the ten months ended January, 2003.

The twelve non-life insurance companies reported a gross premium of Rs.11,55,875.82 lakhs for the first ten months of the current financial year 2002-03. Of these, four were public sector companies: National Insurance, New India Assurance, United India Insurance and Oriental Insurance. In the private sector the eight companies which underwrote business were Royal Sundaram, Tata AIG, Reliance, IFFCO-Tokio, ICICI Lombard, Bajaj Allianz, Cholamandalam and HDFC Chubb. The last two entrants in this segment commenced operations from October, 2002.

Analysis of the information furnished by the insurers reveals that the four public sector companies have captured 90.54 per cent of the total premium underwritten in the ten month period. New India leads with 27.91 per cent of the total business underwritten in the non-life segment, followed by United India at 21.58 per cent and Oriental and National underwrote almost equal premiums at 20.52 per cent each.

The private sector accounted for 9.46 per cent of the premium underwritten during the period. Of the private insurers, Bajaj Allianz was the most aggressive, capturing 2.03 per cent of the total non-life business. While, the newest entrants ie., Cholamandalam and HDFC Chubb, have still to make their mark, the other non-life private insurers underwrote premiums in the range of 1.30 per cent to 1.60 per cent of the total business.

Further, analysis of the performance of the private players reveals that Fire business accounted for the maximum business underwritten at Rs. 35,059.01 lakhs, followed by Motor business at Rs.29,437.99 lakhs. The Engineering business accounted for Rs.10,597.17 lakhs, with Health and Marine (Cargo and Hull) segments following at Rs.6,829 lakhs and Rs.6,435.12 lakhs respectively. These five segments cumulatively accounted for 81 per cent of the business underwritten by the private players.

On account of non-availability of break up of the premium of the public sector players, similar segment wise analysis is not possible for the public sector. However, a study of the business figures furnished by Oriental reveals that maximum business was underwritten in the Motor segment at Rs.85,122.12 lakhs followed by Fire at Rs.47,743.98 lakhs. The Aviation and Health segments accounted for Rs.23,079.06 lakhs and Rs.16,135.12 lakhs of the premium underwritten respectively.

Business done in the first ten months of 2002-2003

(Rs. in lakhs)

S. No	Insurer	Premium	No. of Policies Issued
1	**Royal Sundaram**		
	Fire	3531.62	13381
	Marine-Cargo	1054.23	2387
	Engg	1217.66	397
	Motor	6487.96	158344
	Health	766.68	15350
	Liability	114.41	206
	Personal Acc	1581.13	34940
	Others*	420.19	3420
	TOTAL	**15173.88**	**228425**
2	**Tata AIG**		
	Fire	2886.62	3326
	Marine-Cargo	1996.63	2091
	Engg	2729.83	555
	Motor	6233.72	65279
	Health	2729.51	77415
	Liability	1832.27	237
	Others	72.51	2473
	TOTAL	**18481.09**	**151376**
3	**Reliance**		
	Fire	5075.75	3577
	Marine Cargo	527.93	2489
	Marine Hull	56.44	2
	Engineering	1399.68	676
	Motor	585.60	10432
	Health	425.25	596
	Aviation	364.96	43
	Liability	1287.64	668
	Marine Energy	5288.66	4
	Other Miscellaneous	1407.62	3719
	TOTAL	**16419.53**	**22206**
4	**IFFCO-Tokio**		
	Fire	8731.07	8365
	Marine Cargo	1063.09	6754
	Marine Hull	434.73	18
	Engineering	1952.17	1090
	Motor	1902.90	81768
	Health	827.10	10442
	Liability	292.77	627
	PA	934.08	2169
	Others	1193.84	6632
	TOTAL	**17331.75**	**117865**
5	**New India***	**322602.00**	**N/A**

(Rs. in lakhs)

S. No	Insurer	Premium Underwritten	No. of Policies Issued
6	**Oriental**		
	Fire	47743.98	583095
	Marine Cargo	11230.19	138153
	Marine Hull	8352.95	5379
	Engineering	13236.60	41092
	Motor	85122.12	4003939
	Health	16135.12	300973
	Aviation	23079.06	1762
	Others	32405.59	1333758
	TOTAL	**237305.61**	**6408151**
7	**National***	**237219.00**	**N/A**
8	**United India***	**249386.00**	**N/A**
9	**ICICI Lombard**		
	Fire	10531.21	23959
	Marine Cargo	491.44	878
	Marine Hull	203.66	8
	Engg	1700.59	539
	Motor	132.50	1041
	Health	1211.38	72
	Aviation	114.72	14
	Liability	78.89	67
	Special Contingency	10.22	13
	Others	2953.03	38442
	TOTAL	**17427.64**	**65033**
10	**Bajaj Allianz**		
	Fire	3902.84	12820
	IAR	858.65	456
	Cargo	591.00	6389
	Motor	13612.61	549199
	Engg	1552.85	1538
	Health	814.93	11567
	Aviation	57.17	10
	Travel	750.61	56275
	Special Contingency	373.86	562
	Misc.	984.32	24544
	TOTAL	**23498.84**	**663360**
11	**Cholamandalam**		
	Fire	399.90	230
	Cargo	15.97	99
	Engg	44.39	21
	Motor	90.34	5813
	Health	54.15	624
	Liability	10.65	18
	Crop Insurance	0.57	1
	Others	20.48	296
	TOTAL	**636.45**	**7102**
12	**HDFC Chubb**		
	Motor	392.36	6349
	Personal Acc.	1.62	1
	Others	0.05	1
	TOTAL	**394.03**	**6351**
	GRAND TOTAL	**1155875.82**	**7669869#**

N/A : Not available
*Break-up not available
Does not include No. of policies for New India, National, United India
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I, N. Rangachary, hereby declare that the particulars given above are true to the best of my knowledge and belief.

Date: February 24, 2003 Signature of Publisher

Budget & Insurance

R. Anand

The Income Tax Act, 1961 (the Act), has been used as a vehicle to promote several objectives of the Government like inducing savings, development of infrastructure, facilitating development of backward areas, promote new industrial undertakings, exports etc. In the recent past, there has been an intense debate on whether such fiscal reliefs and incentives should continue in the statute.

There can be no two opinions that most of the individual savings today are driven by tax concessions. While it may be easy to argue that market forces should determine where one should put one's money, this is easier said than done. The level of investor awareness is supposedly low compared to international standards and the only comfort is that there has been improvement in the last few years.

Like any other form of savings, savings relating to insurance are driven by tax concessions. There have been innumerable instances of an individual rushing for investments in the month of March to plan his tax before the financial year comes to an end. It will also be interesting to study and find out the proportion of payments made by way premium to Life Insurance Corporation of India (LIC) which is on account of a sincere attempt to protect one's life or to avail benefits under erstwhile Section 80C and the present Section 88 of the Act. More often than not, it is the tax rebate which drives the decision making process of taking a life cover. This is one of the reasons it is often said that insurance in the Indian context is not sold but bought.

There are various provisions in the Act which deal with concessions relating to availing insurance benefits.

Most of the deductions relating to insurance are quite substantial and assessees do enjoy tax benefits and, in the process, also bolster the business of insurance companies. These are closely interlinked issues and any attempt to depart from the policy of using taxation to promote insurance has to be undertaken after careful thought and analysis. The argument that once tax rates have stabilised at reasonable low levels of 30 per cent, concessions/incentives including those relating to insurance should no longer be relevant appears ill founded taking into account the pattern of savings in our country. The middle class segment of the population still values every Rupee that is saved and in the process attaches a lot of importance to the benefits mentioned above as a catalyst in availing various insurance benefits.

Against this background, the much debated Kelkar recommendations and its implications on the insurance sector need to be taken into account. While it is accepted that the recommendations of the Kelkar Report will have to be taken as a package, withdrawal of tax concessions particularly in the field of personal taxation has already met with stiff resistance. The proposals of the Kelkar Report relating to areas discussed above are as under:

The tax incentives for savings under Section 88, Section 80L, Section 10(15)(i), Section 10(15)(iib), Section 10(15)(iic), Section 10(15)(iid), Section 10(15)(iv)(h) and Section 10(15)(iv)(i) of the Income Tax Act must all be eliminated. These benefits must be withdrawn with immediate effect and not through a sunset clause. Further, with a view to overcoming the problem thrown up by individual myopia, we also recommend the continuation of the deduction under Section 80CCC for contribution to the pension fund of LIC or any other insurance company. The ceiling on the deduction should, however, be increased from the existing levels of Rs.10,000/- to Rs.20,000/-. This income-based deduction u/s 80CCC be converted to a tax rebate at the minimum marginal rate of 20 per cent. Consequently, the ceiling on tax rebate for contribution to the pension fund should be Rs.4,000/-. The new ceiling has been proposed keeping in view the needs of the smaller taxpayers with income below Rs.2 lakhs. The scope of Section 80CCC may also be extended to a larger number of pension/annuity schemes within the overall ceiling of Rs.20,000/-. Since savings in these pension funds will be taxable at the withdrawal stage, the tax benefit for such savings will be consistent with the EET method of tax treatment. Since health is also one of the basic amenities in life, support under the tax law will continue to be provided under Section 80D of the Income Tax Act for contribution to the mediclaim insurance schemes, subject to a ceiling of Rs.15,000/-. However, the tax support would take the form of a tax rebate at the minimum marginal rate of 20 per cent subject to a ceiling of Rs.3,000/- in tax relief. Similarly, the income based deduction for medical expenses under Section 80 DDB is proposed to be restricted to senior citizens subject to a reduced ceiling of Rs.20,000/-. The deduction would take the form of a tax rebate at 20 per cent subject to a maximum of Rs. 4,000/-. Given the personal circumstances of handicapped, the Task Force recommends the continuation of the personal deductions under Sections 80DD and Section 80U. However, on grounds of equity between handicapped taxpayers, we also recommend that the income-based deduction under these provisions should be converted to a tax rebate at the minimum marginal rate of personal income tax.

While it is still unclear as to whether the recommendations of Kelkar will be accepted by the powers that be in the ensuing budget. Initial reports clearly indicate that the broad policy of doing away tax concessions or for that matter converting some of them to tax rebates as against a deduction from total income has met with serious opposition.

The importance of mobilising savings through the mechanism of insurance and pension funds cannot be undermined. If at all, there is a case to provide more tax concessions to promote savings in a country where savings constitute 25-26 per cent of the overall GDP. The ultimate test is not to let market decide the avenues of investment and areas of savings, but to ensure that savings which are generated with or without the medium of taxation should be invested properly for economic development as a whole. Only then we can conclude on the merits and demerits of using taxation as a medium for ushering savings, including insurance.

The author is General Manager, Corporate Affairs, Sundaram Finance Limited. The views expressed here are his own.

THIRD PARTY COVER APPLIES AFTER SALE

The liability of the insurance company for third party risks would not cease when a vehicle is transferred to a new owner and no one informs the company of the sale. The Supreme Court Bench headed by Chief Justice V. N. Khare recently set aside the Punjab and Haryana High Court order, which held a contrary view.

In this case (Rikhi Ram vs Sukhrania), two persons riding a motorcycle hit a rickshaw puller causing death.

It turned out that the ownership of the vehicle had recently been transferred, but neither the seller nor the buyer informed the insurance firm of the sale.

When the relatives of the deceased made the claim, the Tribunal awarded Rs 64,000 to them, to be paid by the new owners and held that the insurance firm was not liable to pay the amount. They moved the High Court, which agreed with the tribunal.

IRDA frowns on breaking commission rules

The IRDA will come down heavily on non-life insurance companies which have allegedly paid more than 15 per cent commission to agents so that they offered company products rather than offering best advice to clients.

The Chairman of IRDA, Mr. N. Rangachary, said that the stipulation requires that no company will be able to offer a commission above 15 per cent to any agent and if allegations were found to be correct the IRDA will make these companies pay for not adhering to the rules.

On non-life insurance front, Mr. Rangachary said data on the insurance sector, be it for pension or the other non-life products, was urgently needed. IRDA is preparing an approach paper instructing companies on how to contribute to building an insurance database.

This will help also help the Tariff Advisory Committee (TAC) in fixing tariffs for the non-life sector, done so long without the aid of adequate data. He said that the industry was likely to see detariffing in the next two to three years but more maturity was needed in the life, non-life and pension markets.

Visa for premium payments by card

Visa International, in a bid to boost its credit cards business, is looking at new segments including insurance payments.

Currently, the average transactions per credit card in the country is worth around Rs.17,000 per annum. The total number of credit cards issued is at around seven million of which 40 per cent is inactive where the cardholder does not use the card or has multiple cards.

Citibank leads the pack with 1.7 million cards, followed by Standard Chartered at 1.4 million and State Bank of India at 1.1 million.

Visa International's Country Manager, South Asia, Mr. Santanu Mukherjee is quoted saying that along with geographical spread his company was looking at new segments on the acceptance side like insurance payments, utility companies such as telephones and electricity and also tying up with hospitals to allow payment of bills through the cards

Visa has tied up with ICICI Prudential to allow payment of insurance premiums on credit cards.

The IRDA had in November 2002 allowed payments of premiums on credit cards.

The premium amounts paid to private life insurance players for the first nine months of this fiscal is at around Rs. 560 crores, of which ICICI Prudential's share was around 38 per cent.

Mr. Saugata Gupta, ICICI Prudential's chief, Marketing is quoted saying that already around 30-40 per cent of his company's payments come in through direct debits and electronic clearing and settlement and that payments through cards is one more facility which they would like to offer to the customers.

TRAUMACARE COVER

The Kerala Government is in negotiations with GIC companies for insurance cover for the golden hours (first 48 hours) trauma care bills for road accident victims.

Claims under the proposed insurance could be made not based on the first-two-days bill actuals, but on the basis of pre-fixed slabs, to which the bills approximate. Apart from government hospitals, private hospitals and NGOs have come forward with support for the insurance set-up.

The idea is to provide insurance to any accident victim because while the vehicle-owner and family members may have immediate resources to cater to traumacare, employees like car driver are too often left to bleed without the right first-aid or timely critical care.

LIC SEES PREMIUM INCOME RISING 40% THIS FISCAL

Propelled by larger sale of high sum assured policies, Life Insurance Corporation of India (LIC) is expecting a 40 per cent rise in premium income in 2002-03, while number of new policies written is expected to grow at 11 per cent.

The public sector insurance major has written a total of 1.26 lakh policies till December, 2002, against 1.13 lakh policies sold throughout the year. On the sum assured front LIC sold policies with a total sum assured value of Rs. 82,353 crore against previous full years Rs. 81,285 crore.

On the first premium income front, there seems to have been a gap where the company has earned Rs. 2,790 crore till December end, while LIC as a whole earned around Rs. 3053 crore for the whole of last year.

War-Risk Insurance

A new war-risk insurance scheme being considered by the International Civil Aviation Organisation (ICAO), which seeks to provide adequate insurance coverage in the short and medium term under favourable conditions, while allowing private insurance markets to come back gradually into the market, could soon become a reality.

The ICAO Director, A.P. Singh, said that the commencement of the voluntary scheme would be subject to the signature of a participation agreement by a sufficient number of ICAO member-states, the sum of whose ICAO contribution rates should amount to at least 51 per cent.

GUARANTEE AS A PRODUCT

ICICI Lombard General Insurance is looking at the area of sureties. “We are looking at growing the market and also cannibalising from other areas of financial services,” CEO of the company, Mr. Sandeep Bakshi said.

The banking substitute products are being developed in-house by a banking and institutional group team under Ritesh Kumar, head of risk.

Apollo, ICICI Lombard tie up for emergency care

APOLLO Hospitals has entered into an alliance with ICICI Lombard General Insurance to offer a unique health insurance product aimed at making emergency care accessible to the common man.

The product titled ‘Raksha’ was being initially launched in the twin cities of Hyderabad and Secunderabad and it would be offered across the country over a period of time. According to ICICI Lombard Vice-President, Business Development, Mr. Shivaprasad Krishnan, the new product is an accident benefit card that would be made available to the customer at a minimal cost of Rs. 25 per annum per person. The card could be used for free treatment for accidents that require in-patient care to a maximum of Rs.15,000. However, a customer has the option of buying a maximum of two cards for himself, with a cover of Rs. 30,000.

Dr. Prathap C. Reddy, Chairman, Apollo Hospitals, said the facility would be available at all the Apollo Hospitals in Hyderabad and Secunderabad, and in due course at other hospitals that become part of the National Network of Emergency Services. The health insurance product covers a wide range of accidental injuries, including road accidents, domestic accidents, industrial accidents, snakebite, dog bite, drowning and electric shocks.

Participating in the programme, the Director-General of Health Services, Andhra Pradesh, Dr. Anji Reddy, said the Government was evolving a pilot project to address the emergency care needs of victims of road accidents on the National Highways. As part of this, the Government is setting up a network of ambulances with life-saving equipment and also trauma centres on the national highway between Hyderabad and Guntur. The Government is also planning to set up emergency trauma centres at the state-owned hospitals such as Gandhi and Osmania in the first phase and enter into arrangements with corporate hospitals such as Apollo Hospitals for similar facilities.

Insurance premiums expected to increase

Premiums are expected to increase for most classes of commercial insurance following an increase in reinsurance rates across most sectors for this year, according to a new survey.

Heath Lambert, the London-based broker, noted in its annual report on the global insurance sector that the expected rebound after the September 11 attacks had failed to materialise.

"Instead, world stock markets have continued to decline, resulting in insurers' capital bases being severely eroded, which has led to credit rating downgrades. Large-scale corporate scandals have hit some insurers and increased the potential for long-tail liabilities, while the perceived threat of another major terrorist threat has not diminished," added the report.

The survey said reinsurance rates had risen across most sectors for 2003, though not as sharply as last year - with the possible exception of troubled classes of professional liability business, such as directors' and officers' cover.

"The widespread ratings downgrades and the exit of major players from the market or from certain classes of business have lead to clients insisting on top quality capital covering their risks. However, this comes at a price - clients have to find a balance between lower premiums and lower security, or higher premiums with higher security."

The broker said the terms on which insurers were prepared to offer cover remained tight, while many clients were opting to retain more of the risk. Insurers were also insisting on higher deductibles: the proportion of claims paid by the insured.

According to Sigma, the research arm of Swiss Re, the global non-life insurance industry has lost more than $200 billion through both catastrophe losses and the erosion of capital bases through declining stock markets.

In spite of premium rate increases in the aftermath of September 11, Heath Lambert said less capital than might have been expected had been drawn into the insurance market - a net figure of $20 billion. It warned the frequency and size of insurers' liabilities were likely to get worse, with US juries in particular making higher compensation awards.

Japan regulator wants yields cut

Japanese regulators are moving toward a clash with the country's 110 million holders of life insurance policies over a plan to cut the payout obligations for some insurers.

Officials of the Financial Services Agency are hoping to garner support from the governing Liberal Democratic Party for legislation aimed at cutting annual insurance yields to as low as 3 per cent, party officials said.

Asahi Mutual Life Insurance Co., Sumitomo Life Insurance Co. and other Japanese life insurers are struggling to pay yields they pledged to policyholders when interest rates were higher, with some offering annual returns as high as six per cent in 1990. Critics say any government move to allow a yield cut, aimed at preventing insurers from going bankrupt, would shift the cost of bad investment decisions to policyholders from the banks that support the insurers, putting creditors ahead of policyholders.

Insurers that reduce their yields will have their ratings cut to the third-lowest CCC rank, indicating an insurer has "substantial possibility of default.

Falling stock prices and near-zero interest rates will leave Japan's 10 largest insurers paying out ¥1.27 trillion ($10.6 billion) more than they earn from their investments for the business year that ends March 31, the companies have said. That means the insurers, which own about seven per cent of shares on the Tokyo Stock Exchange and trillions of yen in property, must dip into their capital to make up the difference.

The FSA has tried twice before to win support in Parliament for a plan to cut yields, with the proposals failing to go to a vote because of opposition.

$5.8 B US property catastrophe claims

U.S. property/casualty insurers are expected to pay an estimated $5.8 billion in insured property-loss claims from catastrophes last year, making 2002 the fourth-lowest year in losses in the last 10, according to preliminary estimates by Insurance Services Office, Inc.'s (ISO) Property Claim Services (PCS) unit.

The full-year loss figure could change in the coming weeks as PCS is currently re-surveying its estimates for several catastrophes. The ISO unit typically resurveys catastrophe losses after it issues preliminary estimates if losses exceed $250 million or specific circumstances of a catastrophe require more comprehensive appraisal and additional analysis.

Six catastrophes struck 23 states in the fourth quarter, causing an estimated $1.7 billion in losses - the second-highest loss for any fourth quarter in the last 10 years. PCS estimates that insurers received nearly 540,000 claims from homeowners and businesses in the quarter, which accounts for the highest number of claims in any fourth quarter since 1998.

Catastrophe losses in 2002 were 50 per cent below the 10-year average for insured-property losses of $11.5 billion per year, PCS's year-end analysis shows. Last year's 25 catastrophes were also well below the 32-events-per-year average of the last 10 years.

Insured-property losses from catastrophes were the lowest in 1997 at $2.6 billion, followed by $4.6 billion in 2000 and $5.6 billion in 1993.

The year 2002 recorded 25 natural disasters that produced 1.8 million claims, the third highest in claims in the past five years.

HONG KONG to protect policyholders

Hong Kong will hire a consultant by June to get advice on ensuring that life insurance policyholders in the city are protected if an international insurer collapses, the Commissioner of Insurance said.

The Government is considering several proposals, including forcing life insurers to put more of their assets in Hong Kong's fledgling bond market or offshore trusts, said Mr. Benjamin Tang, the city's Insurance Commissioner.

A decision is not expected until next year as a survey of interested parties will take at least six months, he said.

'We're looking to see how we can ring-fence assets in Hong Kong for our policyholders,' Mr. Tang said in an interview, 'If something happens in Paris and Toronto and London, our policyholders could get left out in the cold, because their assets are not here.'

The S $ 5.4 billion failure of HIH Australia in March 2001, along with Britain-based Equitable Life Assurance Society's closure of new business because it was in danger of not being able to pay liabilities, caused Hong Kong's insurance regulator to consider tightening rules.

Hong Kong residents who held small life policies with HIH will recover their money by 2005 and large creditors will receive about 25 per cent, Mr Tang said.

PricewaterhouseCoopers has already been hired by the insurance commission for advice on a policyholder protection fund, with a report due in the summer, he said.

The number of insurance firms in Hong Kong has fallen to 195 as at last year-end from 233 a decade ago, he said. About 20 of them are in the run-off having gone bankrupt.

Many life insurance policies written in Hong Kong are in US dollars and payable offshore, meaning that life insurers need to balance their liabilities in US dollars.

Prior to 1999, Hong Kong-dollar-denominated policies were liable to an estate duty tax and were thus unpopular.

Islamic insurance

A new frontier in the insurance business was opened at Lagos with the formal launch of an Islamic insurance scheme. The policy, packaged by the African Alliance Insurance Company Limited (AAIC), is designed to serve its Muslim clientele and others interested in the scheme.

Managing Director and Chief Executive Officer of the company, Mr. Emmanuel Opeoluwa Oredugba, said that the life policy "Takaful" was designed to fulfill Islamic guidelines on insurance for believers in the faith.

Oredugba said elaborate efforts had been made to ensure that the life policy was not running in line with western insurance practice.

Rather, he said "Takaful" is a co-operation insurance scheme "that is permissible and fully consistent with Sharia principles." In drafting the blueprint of the policy Oredugba who quoted Quranic verses to back up his claim, said his company borrowed extensively from the Malaysia model of 'Takaful' implementation as an insurance scheme acceptable to all.

AIG underestimates liability claims

American International Group Inc. admitted it had drastically underestimated U.S. liability claims on its books.

AIG, the world's largest insurer, is to take a $1.8 billion charge to pay for heavier-than-expected workers' compensation and executives' liability claims, which have built up over the past few years.

It blamed U.S. courts handing out large awards and a spike in shareholder lawsuits from corporate scandals such as Enron Corp. and WorldCom Inc. AIG Chief Executive Maurice Greenberg suggested other insurers are suffering from the same problems.

The reserve cushion AIG had built up in the 1990s were obviously not sufficient to meet the dramatic liability trends which overwhelmed AIG's ability to manage this issue over time, said analysts.

AIG's Greenberg, the world's leading voice on insurance issues, blamed an unpredictable surge in claims for the hole in its reserves, citing the corporate scandals that led to shareholder lawsuits and payouts on directors' and officers' liability policies, known as D&O policies, which pay executives' legal expenses and settlements when a company is sued.

Lawsuits against executives have soared in the past few years as shareholders try to recover money they lost on crumbling stocks.

Greenberg suggested other insurers will have to grapple with the same issues raising the spectre of large reserve charges by other insurers.

Motor Workshop

A National Workshop on Data Collection and Research in Motor Insurance was conducted under the aegis of the IRDA and the Tariff Advisory Committee (TAC) in Hyderabad on January 28 and 29. A Committee to suggest a roadmap for a road safety research institute and a Motor insurance data research institute has been formed following the workshop.

Mr. K. Vijayarama Rao, Minister for Commercial Taxes, Andhra Pradesh, lights the lamp to inaugurate the National Workshop on Data Collection and Research in Motor Insurance. Also seen in the picture are Mr. N. Rangachary, Chairman, IRDA, Mr. R. C. Sharma, Member (Non-life), IRDA and Mr. K. K. Srinivasan, Secretary, TAC.

Reinsurers' Summit

The Third Asian Reinsurers' Summit was held at Mumbai by the GIC between February 17 and 19. The earlier two summits were held in China and in Japan. The summit was a gathering of reinsurers from China, Indonesia, Japan, Malaysia, Singapore, South Korea and Thailand.

Mr. P. C. Ghosh, Chairman, GIC, at the Third Asian Reinsurers' Summit held at Mumbai.

Insurance Day in Kolkata

The Bengal Chamber of Commerce and Industry held its annual conference on insurance on February 4 at Kolkata. The Chamber, which has placed great emphasis on insurance related areas and developments has future plans to continue to spread awareness on the fast changing scenario in the insurance sector.

Mr. Sumit Mazumder, President, Bengal Chamber of Commerce and Industry presents a memento to Mr. N. Rangachary, Chairman, IRDA, as Mr. Dipak Dutta, Chairman of the Chamber's Insurance Sub-Committee looks on.

Event? **Send us a write-up!**

Actuaries Meet in Delhi

The 5th Global Conference of Actuaries was held in Delhi on February 19 and 20 by the Federation of Indian Chambers of Commerce and Industry (FICCI).

Mr. N. Rangachary, Chairman, IRDA, addresses the participants of the 5th Global Conference on Actuaries. Mr. Amit Mitra, Secretary General, FICCI, and Mr. Sunil B. Mathur, Chairman, Life Insurance Corporation of India (LIC), are also seen in the picture.

Global Trends

Dr. Robert J. Gibbons, Executive Director and President, International Insurance Foundation, USA, delivered a special lecture on 'Global Trends in Insurance' at the International Institute for Insurance and Finance, Hyderabad, on January 24.

Dr. Robert J. Gibbons, Executive Director and President, International Insurance Foundation, USA.

Mr N. Rangachary, Chairman, IRDA, addresses the gathering on Alternative Distribution Channels.

Choice of Channels

Marcus Evans conferences conducted a two-day event on Alternative Distribution Channels in Insurance – The Evolving Market Place, at Mumbai on February 11 and 12.

Dear Editor

I am a student of insurance and an insurance advisor for the Life Insurance Corporation of India (LIC). I am concerned about the following issue.

Since nationalisation, insurance has been treated as a tax instrument because of which more than 75 per cent of sales come between January and March and 50 per cent in March alone. It is the 'season' for insurance companies. Even now we see insurance being treated more as a tax instrument and less as a security tool or investment.

After privatisation, to some extent people have become aware and taking insurance as a security and there is a sudden increase in term insurance policies. All insurance companies are competing to provide low-cost high risk coverage.

Insurance is not advised as an investment or security by chartered accountants (CAs) who contribute to the growth of insurance sector. These CAs, though they contribute for the growth have in fact made people believe insurance is only a tax instrument.This happened with me when I approached many businessmen. Though I was able to convince them about the necessity of insurance they still prefer to consult their auditor before taking an insurance policy, or responded saying that I should come back in March.

Privatisation must make a difference and change the scenario. Private companies, with LIC, should come up with tailor-made products suitable to individuals and organisations. Policies with high returns are indispensable for insurance companies to be able to compete with Public Provident Fund (PPF) and other high risk investment products like shares and mutual funds.

There are so many insurance companies in the field and if the tax rebate under Section 88 of the Income Tax Act is removed in the forthcoming budget then how will all companies survive in such a competitive environment?

Nitin Bhandari
Insurance Advisor, LIC.

I happened to go through your February issue and found it contained immense knowledge and was a good platform to voice opinions and search for information.

I would also like to suggest one area which somehow all of us have been shying away from. We all prolifically voice out that we are an emerging market and speak of the Great Indian Middle Class and markets with amazing potential.

I would like to see a coverage in this magazine if this is true. Since 38 per cent of our population is below the poverty line – which again according to our definition of poverty here in India would mean utter poverty – then is there really such a population which could live up to the hype of the middle class? As such the middle class income here would be a poor man's dole money in developed countries. I may be completely wrong but an analysis would really help us common people understand the future of this industry.

Savio Fernandez
Sales Manager
Max New York Life, Ahmedabad.

I have had the opportunity of seeing the evolution of IRDA right from the beginning in all its stages, though from the outer ring, and I must say that it is probably one of the very few regulators, if not the only one, which has evolved through real consensus and where both the controller and the controlled clearly understand their respective roles and responsibilities. The open door policy that is being adopted by the Chairman and his colleagues has removed the barrier that normally exists in any set up like this, resulting in the constituents getting their points made and getting the same clarified without the need to go through any intermediaries who flourish in large numbers in an opaque set up.

As a regulator, the Chairman has made everyone feel that what they are asked to observe by the IRDA is a kind of self regulation which for their own healthy growth they would have to follow. In other words the companies seem to have taken the ownership of these regulations by themselves thus removing their mindset if any, that they have to follow these regulations in order to satisfy the authority. As a person who has spent more than three and half decades in the insurance industry in various places and responsibilities, I am very proud of the manner in which the whole process is going on and it augurs very well for the healthy and faster growth of this industry. My compliments and best wishes to the Chairman and his team.

The Journal IRDA has brought out is one more step in the direction of involving all the stakeholders of this industry by information sharing, raising issues, getting feedback, listening to different shades of opinion, in a way triggering public opinion and also providing valuable inputs. Right from the core insurance professionals to the common man whose only link with the industry is that of the role of a customer, there is something for everybody to look into and get benefitted. So far as the student community is concerned the Journal will, besides providing valuable information to them, also create more inquisitiveness and interest in insurance.

As mentioned in the Journal, there is no sustained campaign on what insurance does and that the IRDA would have to do it. We, in our institute, would be willing to be a partner in your efforts to reach to the middle class by probably associating ourselves with educational seminars/one day meets etc at Bangalore.

R. Thothadri
Director
M. P. Birla Institute of Management, Bangalore,
Former MD, LIC.

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At each crossroads we come to – globalisation, technology and financial stability – we must stop and we must respond. And only by responding to the opportunities of globalisation, by harnessing the power of technology, and by creating financial stability can we do what we are good at. That is, creating certainty in an uncertain world.

Lord Peter Levene, Chairman,
Lloyd's of London

Insurers have failed to put in their heart and soul in recruiting the right agent.

Mr. N. Rangachary, Chairman,
IRDA

Attrition has a direct relationship with the inflexible structure of remuneration for agents in the country.

Mr. Stuart Purdy, CEO,
Aviva Life Insurance Company

Silverstein Properties knowingly and deliberately underinsured the WTC complex. Rather than face this uncomfortable fact, Silverstein has led an aggressive media campaign aimed at rewriting history and inappropriately seeking to obtain funds in excess of the coverage he purchased.

Mr. Jacques Dubois, US Chief of Swiss Re

Silverstein did not underinsure the WTC complex. Silverstein purchased coverage on the four WTC buildings in the amount of $3.5468 billion 'per occurrence'… By contrast, the Port Authority carried only $1.5 billion 'per occurrence' on all of its properties (including the four WTC buildings) before leasing these buildings to Silverstein for 99 years. Recovery of two policy limits would not be a 'windfall' for Silverstein.

Mr. Howard Rubenstein,
spokesman for Larry Silverstein,
responding to Swiss Re.

It's very difficult in some of these (liability) classes of business to predict the price you are charging one day and whether that is going to be adequate in a couple of years…The things that we've done certainly affect everyone.

Mr. Maurice Greenberg, Chairman,
American International Group Inc.

Events

March 12-14, 2003

Venue: Orlando, Florida
Life Insurance Conference organised by LOMA, LIMRA International, the Society of Actuaries and ACLI to address the issues faced by those professionals strategising the future of the life insurance industry.
The industry's top experts will talk about the latest issues that will affect product development, distribution and administration, including the 2001 CSO Table, the effects of the current economy and changing demographics. This is the first year of this conference.

March 21-22, 2003

Venue : Chennai
Workshop on Vehicle Testing and Safety organised by IRDA and Concert.

March 23-26, 2003

Venue: Singapore
The Third International Underwriting Congress organised by LOMA, an association of over 1250 insurance and financial services companies from over 60 countries. More than 50 experts representing major financial services organisations from around the globe will be speaking on topics relating to the evolution and current state of the Asian insurance market place.

March 24-26, 2003

Venue: Tampa, Florida
LOMA Customer Service Conference
The conference is aimed at helping participating companies with ideas that could improve service levels and return on investment and a better understanding of how to measure service initiatives, improve service quality and increase profits by using their customer service areas.

March 25-26, 2003

Venue: Hong Kong
Asia Insurance Review's 3rd CEO Insurance Summit. "Eyeing World Class Standards - The Asian Approach."

April 6-8, 2003

Venue: Baltimore, Maryland
The Annuity Conference

This annual spring conference is by LOMA, LIMRA and the International Society of Actuaries. Over 400 financial services professionals meet to discuss important issues related to income annuities, qualified plans, product design, product management, conservation and about everyday issues that affect the annuity professional.

Bonus – Registered attendees of The Annuity Conference can also attend sessions at The Pension Conference at no additional charge.

April 6-8, 2003

Venue: Baltimore, Maryland
The Pension Conference

LIMRA is joining forces with LOMA and the Society of Actuaries to organise this comprehensive conference dealing with the marketing, sales, operations and development of pension plans. The Pension Conference provides latest information and ideas that can be implemented right away.

Bonus – Registered attendees of The Pension Conference can also attend sessions at The Annuity Conference at no additional charge.

April 15-16, 2003

Venue: Mumbai
Asia Insurance Review's 4th Conference on Bancassurance, Wealth Management & Alternative Distribution Channels: "Leveraging on Distribution As a Key Driver To Get Ahead."