Volume I, No. 1

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DECEMBER 2002

Insurance, for the insurance customer

What the IRDA stands for

Ensuring Quality of Service

Sri Ram Khanna wants "What if not?" to be specified

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From Simple to Sophisticated

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बीमा विनियामक और विकास प्राधिकरण

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From the Publisher

People may be wondering, on the appearance of this journal, the necessity of one more in a field which is already populated by many. However, we in the Authority thought that it was necessary for us to communicate our views on the various current regulatory issues and to express our reaction to what is happening around us in the industry. We feel that this medium will be one more step in the transparency we have adopted in regulating our industry.

We are at a most interesting stage in the development of the Indian insurance industry. A few months short of two years since throwing open the industry to private sector competition, a few trends are emerging clearly.

The last financial year saw the Life Insurance Corporation of India – for long a synonym of the word 'insurance' in our society – sprinting far ahead of itself with a business growth of nearly 50 per cent in its first year premiums. The first half of the current financial year has shown that the new companies too have started gathering speed, well on the way to doubling their performance in what was a startup year for many.

The last few months have seen significant changes in the general insurance industry too with the public sector companies being in the process of being delinked from their holding company, the General Insurance Corporation of India. The GIC has begun the process of finding its feet in its new role as the national reinsurer and reinventing itself to treat the general insurance industry, including the very companies it owned and presided over for 30 years, as valuable customers! Private sector companies have begun making their presence felt in the market as well introducing long overdue customer friendly facilities like cashless settlement of health policies and new policies in the area of personal covers.

The LIC found its computerisation programme and improved marketing and customer servicing standards translating into better business. However, the nationalised general insurance industry – though it has been increasing revenues – is being affected at the bottomline. Higher losses and lower quantum premiums have contributed to this, prima facie arising out of its own failure to seize fully the opportunity given in the last few years to get ready for a changing market. The interest rate regime moving progressively south will affect it more than before – removing the cover of investment income that it had so far to offset its underwriting losses. There is therefore a pressure on it, more than before, to become efficient.

The Insurance Regulatory and Development Authority (IRDA), set up to oversee the industry and ensure it grows along healthy lines so that the interests of the policyholders are protected, had gone through a first year of setting up the rules of the game for the industry and for itself too.

In the second year we found ourselves consolidating what we did in the previous year and building on those by fine-tuning regulations and adding facilities the market needed, like more distribution channels, and professional development and training initiatives. We believe that these will enable the smoother conduct of business, all this while keeping in mind our ultimate aim, the protection of the interests of the customer.

At the IRDA, consensus building has been the only acceptable approach to regulating the industry. Information interchange and an open-door policy have been the foundation stones of this successful strategy.

The philosophy behind this is that the very industry the regulator oversees, is its customer. This is by virtue of its being the service provider to the regulator's ultimate customer and master – the buyer of insurance.

An unfettered dissemination of information, free and frank analyses and discussion of issues and airing of concerns are critical inputs to the healthy regulation and development of an industry that touches individuals and businesses in the most sensitive way possible.

In that effort we bring you a new forum. The **IRDA Journal** will help the industry to keep in touch with itself and with what's going on around it. It is meant to serve as the eyes and ears, and the mouthpiece, of the industry. It will be a place where the industry can think aloud, determine where it wants to go and what it should and should not do.

I offer these to you, all constituents of this powerful industry, and urge you to use the journal to air your views and share in its development. For it will be only with your wholehearted participation that such an effort will find success.

N. RANGACHARY

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Let's get talking ...

In today's world where members of a family live in the same house but in their own worlds, each listening to their own music, watching their own TVs and reaching out to their circles with personal phones and their computers, it's not surprising that there is very little oneness of purpose and mutual support. It may feel good to be living the independent life, but as someone put it wisely and succinctly a long time ago, no man is an island.

Neither is business. Certainly not insurance companies, which actually share their deals, if not their very clients, with literally every other insurer and around the world. This of course is the very essence of the industry – spreading the risk and sharing premiums so that they can also share claims payouts.

Sharing of a different kind is also critical to the industry – the sharing of information, plans, experiences and solutions. This is particularly so for an industry that is reinventing itself, as insurance is today in our economy, and rediscovering the customer all over again.

It is at this stage that putting our heads together will be most useful for the future. For now is the time for us to build the industry and its support services. With co-operation we can build them just right and more efficiently and economically.

If planning together for the future is important, so is learning from the past. More than other businesses, insurance works in a continuum. This is not only of past claims experience, consumer behaviour and expectations setting the tone for future products, pricing and, hopefully, profits, but also in terms of itself doing what it indirectly urges its customers to do – to put away money that will multiply and come in handy on a rainy day.

It is this sharing and learning from each other and the past, including that of others in different markets, that the **IRDA Journal** is here to enable. It is meant for the industry to talk to itself and hear itself talk – through its many voices from multiple directions. From the side of the regulator on happenings and plans, and from the side of the industry on just about anything – concerns, issues, concepts, challenges and opportunities.

From the side of the consumers, all their expectations and feedback will be valuable input for the industry and the regulator for charting out the future. Customers the world over behave in similar ways – picking out their own interests unfailingly and rewarding businesses that answer their needs most efficiently. Here is a medium for them to articulate it and participate in shaping the industry and regulations the way they want them to be.

In the first issue, which you have in your hands, we have tried to bring you a variety of topics. There are sections on current happenings (In the air), issues of concern (Mindshare) and experts putting forth differing individual opinions (Forum) or exploring new concepts and seeing how they could fit the Indian market (Thinking Cap). Vantage Point will present experiences of industry members who have a unique picture of things given their set of experiences and position. News and events of course form part of the offering.

Then there is the pulse reading of the industry, performance statistics. Each number shows the path of the development of the industry, throws light on where we are going and sparks off thoughts on what we should be doing.

There will be more and varied columns appearing in future issues, and the one thing that will enrich this medium of communication is your participation. Tell us what you think and what you want. And of course write for the Journal about anything that is on your mind. With our joint efforts we should be able to make this publication extremely useful and user-friendly.

A publication mirrors society while a regulator has to get ahead of it to prepare for, and safeguard against, what could happen tomorrow. The **IRDA Journal** aims at reflecting both these positions and evolving into something unique that will help us not only get a clear fix on where we are, but where we should be going and how. This will be our endeavour.

K. Nitya Kalyani

Seeking order... out of chaos

K. Nitya Kalyani

Capped prices, unlimited costs and an obligation under the law of the land to do the business. If it sounds like a recipe for disaster, that's because it is.

The business is motor insurance, and what makes it irresistible in spite of all this is that part of it is obligated by law, and anyway it accounts for almost 40 % of the income of the general insurance industry in India. That is almost Rs. 5,000 crores of the gross domestic premium (GDP) of over Rs. 12,000 crores in 2001-2002.

The reasons for major heartache over this class of business are obvious. Third party liability insurance is mandatory under the Motor Vehicles Act, 1938 (hence also called Act only insurance), and no insurer can refuse to sell this cover for a vehicle that has a fitness certificate.

Own Damage cover – which is optional – used to be profitable. But not so anymore with a new generation of car-makers pushing replacement of damaged parts instead of the more cost-effective repairs route in their own quest to restore profits squeezed to near nothing when they sell the cars these days. Even a bumper costs upwards of Rs. 10,000 for these cars where an Ambassador or Premier Padmini would have meant hardly a few hundred Rupees!

The TP cover takes care of the liability of the owner of the vehicle to any third party whose property is damaged, or who is injured or killed due to an accident during the course of use of the vehicle. This liability is limited to Rs.7.5 lakhs in the case of property damage and graded by the extent in case of injury. In cases of death there is a table of structured compensation based on the age and income of the victim that the courts do use to compute compensation, but there is no cap on the liability.

And that's what is giving insurers sleepless nights. Losses from such claims have been wiping out premiums from not only Own Damage covers but even from other classes of business, leading to underwriting losses in many general insurance companies in the last few years.

The largest quantum of TP claims come from commercial vehicles, specially goods carrying vehicles and mass transport vehicles like buses. Rampant bad practices like overloading, overspeeding, poor maintenance of vehicles and rash and negligent driving, not to mention the condition of the roads, have translated into a high rate of accidents.

To make matters worse, Motor Accident Claims Tribunals – special courts to hear TP cases – have tended to award generous compensations on the grounds that insurance companies can afford to pay up while the families of individual victims need all the help they can get. In fact there was a recent case emanating from Rajasthan where United India Insurance Company was the insurer, and the Supreme Court awarded over Rs. 12 crores for the death of an NRI.

If costs are high in this class of business, the pricing is a complete mismatch. At the root of this is unlimited liability on one side and tightly capped premiums on the other. The TP liability premium for a 9 tonne truck, for instance, is just around Rs. 3500 a year.

Premiums are set down by the Tariff Advisory Committee (TAC) which sets the prices for most non-life insurance in the country and whose tariffs the industry is obliged to follow.

Following severe losses in this class of business a substantial hike of the tariff took place after a gap of eight years in January 1998, set to be achieved in three parts. Due to the severe reaction from customers, specially truck operators, parts 2 and 3 of the revision were held back. A revised tariff was introduced effective July, 2002, after a vetting by a specially

formed committee for the rationalisation of the India Motor Tariff, headed by Mr H. Ansari, the then Member (non-life) of the IRDA. The Authority toned down the severity of some of the recommendations.

Some connected developments in the marketplace are worth noticing. Truck operators in particular were facing two types of reactions from insurance companies. One was that companies were loading the premiums far in excess of what the new tariff allowed and in violation of the terms on which they could do it. The tariff said that an insurer could load the old premium for the third party liability alone by up to 100 % if the claims experience had been adverse during the previous year. Another year of adverse claims experience meant that the loading could be up to another 100 %.

But, said transporters, insurers were loading premiums in one shot not by 100 % but even by 300 or 400 %. No company, except New India Assurance, seemed to have defined and quantified what constituted 'adverse claims experience,' and what followed was chaos.

What was worse was that loading was being done even in cases where there had been no claims in the previous year, and some of these cases involved two wheelers even! What took the cake was the loading was done also on the Own Damage premium which figured nowhere in this whole debate.

The second issue, and more serious, was that Third Party liability cover was being denied to customers by companies. Since no motor vehicle can be operated without this insurance policy under the law, this denial of cover amounted to restricting vehicle owners from using the vehicle.

All these issues were brought to the attention of the TAC and the IRDA by the transporters through their various associations and through the Ministry of Surface Transport as well.

The motor premiums hike was cited as one of the reasons for various transporters' strikes announced in the last few months.

Cases were filed in the Calcutta High Court challenging the revised motor tariff, and issues like denial of cover and over-charging of premium were also raised - some of them by some very persons who were members of the organisations who had signed the report.

The Court did not interfere with the tariff revision keeping in view the ruling of the Supreme Court in the BALCO case to the effect that the courts should not interfere in economic and policy matters.

It also held that the tariff had to be followed and that companies could not refuse TP cover. Other cases are pending at the Madras and Kerala High Courts. The TAC called for a meeting of the transporters' representative bodies and the chief executives of general insurers on October 28 to consider the difficulties faced by the customers in the irrational application of the tariff.

> One factor that could go a long way in easing the situation of insurance companies is to have a limit on the liability in death cases.

After hearing what both sides had to say, the Chairman clearly reiterated that the tariff was binding and should be followed by all the insurers whether in the public or private sector. That they had problems with the tariff itself was a different matter and they should take up those issues separately with the TAC.

The TAC issued orders to general insurance companies that they were bound to underwrite the business and within the framework of the tariff. The IRDA constituted a Committee under the Chairmanship of Mr. Justice T.N.C. Rangarajan, a retired judge of the Andhra Pradesh High Court, for suggesting a plan for de-tariffing the non-statutory part of the motor business.

The brief of the Committee is also to devise a way by which all motor third party liability premiums are placed in a common pool so that all insurers will bear a part of the profits or losses. (See box item for details on the Committee)

What also emerged in the October 28 meeting was that both parties - the transporters and the general insurance companies - were both victims and offenders.

General insurance company chiefs, who made their case repeatedly about 'bleeding from every part of our bodies' due to motor TP losses are indeed working against odds in this matter. The new private sector players have less of the same problem since they are yet new in this game. But even there, Bajaj Allianz' Mr. Sam Ghosh said that 60% of his company's premium was from motor insurance and the claims experience was 100%.

They clearly wanted a revision of the tariff, but did not have the statistics to establish the justification for the kind of hike that they wanted and needed.

This lack of data, or lack of data in usable form, has been the bugbear of the industry, and publicly so, since the mid to late nineties when the first of the recent tariff revisions was proposed. The Ansari Committee too has noted this in its report. It said, "In the absence of long term reliable statistics from the insurance industry, the TAC Board in its wisdom decided to constitute a broad based committee to carry out a detailed examination of the Motor Tariff by considering the views of the user groups and other interested parties..."

One external factor that could go a long way in easing their situation is to have a limit on the liability in death cases. An amendment to the Motor Vehicles Act will be necessary for this , and the Secretary, Ministry of Surface Transport, has to be approached to have this done.

Another relief would be the imposition of a statute of limitations (which was removed a few years ago) for filing cases with the MACT. General insurers are now never sure when a long past accident will emerge as a claim and, moreover, they could well be continuing to offer insurance to the same party, on old terms, on whose policy the claim has arisen.

There are other measures companies could be taking to make things better for themselves though.

Better management of claims itself is one such.

In many cases what adds to the quantum of claims, as even the transporters pointed out in the October 28 meeting, is the delay in settling cases. The solution is to finalise them out of court, through compromise if necessary. The Lok Adalat system could be used effectively and it could be a permanent arrangement like the Ombudsmen to arrive at negotiated settlements of motor claims cases before they hit the courts, or for out of court settlement after they do.

But then what would deter the quick disposal of at least death cases would be unlimited liability. And lawyers, who stand to benefit the most from such cases, would always dangle that carrot in front of the families of victims.

An insurance company staff-lawyer-police nexus is another thing that the transporters referred to and blamed for delays and higher costs. In many cases, they pointed out, lawyers' fees exceeded the claimed compensation and yet the cases dragged on, increasing costs to both parties.

There are operational and other problems created from the side of the transporters too.

Considering they anyway pass on increases in costs to their customers, and that they do not take to the streets when the prices of, say, diesel or tyres are hiked, their outrage at increases in insurance premiums is illogical. By their vociferousness they have prevented normal price hikes to an industry that requires it badly and, by extension, have denied themselves and other motor insurance customers increased product features and improved customer service.

One of the strange points put forth by a transporter was that fake driving licenses were common and that they could just not verify the genuineness of the licenses of their employees!

Apart from a motor pool which was proposed by the general insurers, one of the constructive suggestions that came from the transporters' side was from the All India Motor Transport Congress' Mr G.N. Saxena, and that was that they would like to form co-operatives and underwrite their own motor insurances and wanted a waiver of the Rs. 100 crores entry capital for an insurance company in this case.

"If insurers are suffering due to TP claims we will take it out," he said.

The Chairman, IRDA, welcomed the move and suggested that the transporters put together the proposal for IRDA's consideration for licensing.

Transporters, the most vocal of the customers who have complained are, ironically, the class of customers who cause the highest claims for insurers in the motor insurance business. More so because their so-called high insurance costs are really being subsidised by owners of other classes of vehicles!

With the Ansari Committee's objectives of getting the motor tariff to reward good drivers and grade the quality of vehicles by developing fine rates, what de-tariffing promises is to slot them according to their risk profile. Which, in this protracted battle, should finally put the shoe on the other foot!

The motor OD detariffing committee

The committee appointed to suggest ways of detariffing the motor OD business is to be headed by Mr Justice T.N.C. Rangarajan, a retired judge of the Andhra Pradesh High Court. Among its members are:

- **Mr R.S. Lodha, Member, Tariff Advisory Committee**
- **Mr G.K. Raman, Chairman, Royal Sundaram Alliance Insurance Company Ltd.**
- **Mr H.S. Wadhwa, CMD, National Insurance Company Ltd.**
- **Mr R. Beri, CMD, New India Assurance Company Ltd.**
- **Mr Ajit Narain, CEO, IFFCO-Tokio General Insurance Co Ltd.**
- **A representative from the Ministry of Surface Transport.**
- **Two representatives from the Society of Indian Automobile Manufacturers with one from a new generation car manufacturer and the other from a two wheeler manufacturer.**
- **Two nominees of the Federation of Automobile Associations of India to represent private cars and two wheeler users.**
- **Four nominees of commercial vehicles associations with one each being from**
  - **All India Motor Transport Congress**
  - **Federation of Bus Operators Associations of Tamil Nadu**
  - **Maharashtra Rajya Truck, Tempo, Tanker, Bus Vahatuk Mahasangh and**
  - **All India Confederation of Goods Vehicle Owners**
- **Mr Vimal Parekh, a registered surveyor**
- **Mr D. Varadarajan, Advocate, New Delhi and Member of the Insurance Advisory Committee**
- **A representative of the CERC, Ahmedabad, representing consumer interests and**
- **A representative of the Joint Council of Bus Syndicates, West Bengal**

The Secretary, TAC, will act as the Secretary and Convenor of the Committee.

SHARE A SOLUTION!

What do you suggest for a healthy motor portfolio? Write to us.

Replacements – Handle with care !

Venkatesh S. Mysore

Subsequent to the opening of the insurance sector, there has been a lot of interest on the part of various people to understand the changes that are likely to come about. The standard questions are related to whether prices will come down, whether there will be new products, new features, better service, better technology, etc.

My general response is **yes** to all these questions, however the biggest difference will be seen in the way insurance companies distribute. Distribution will be the differentiator.

Therefore, the focus will be on sales practices and market conduct. Disclosure and suitability issues will come under a lot of scrutiny. Customers will and should become increasingly aware of essentially three points: (a) Do I need life insurance? (b) If so, how much? and (c) What's the best solution and does it meet my specific need and my pocket?

All companies will be working aggressively on building their distribution by increasing the number of agents, as this is the obvious way of increasing new premiums. As this happens, it is also inevitable that there will be agent turnover. With this come challenges related to replacement. Consider this… over the years prior to the opening of the insurance sector, there have been many agents who have left the business. In effect they left the industry. The business they had generated was largely left alone, albeit unserviced. However, in the new environment, the agents who leave will tend to stay in the industry by approaching other companies. Generally the first things these agents tend to do is to go back to their customers and recommend a new policy by inducing them to discontinue the policy they themselves sold earlier! The gullible customer, who had bought from this agent on the basis of a relationship falls prey, once again! This is unethical and undesirable.

The regulator and the companies should do everything within their power to prevent this. Replacements are generally never in the interest of the customer. The problem assumes alarming proportions when agents start using replacement as a method of selling. The onus is on the companies to make sure that they constantly work on professionalising the sales force, training and supervision. The sooner the industry as a whole recognises the importance of this and institutionalises procedures and processes to avoid it, the better off it will be. One needs to only look at the experience of various companies globally to understand the importance of the issue.

I am confident that the companies will work with the regulator in a spirit of co-operation to ensure that this aspect is appropriately addressed. I am pleased to share below the details of the policies and procedures instituted by MetLife for their financial advisors in addressing this issue.

The author is Managing Director, MetLife India Insurance Company

The objectives:

For every transaction, MetLife's goal is to ensure that:

- Fair and accurate disclosure has been given to the customer and the company
- The customer has a full understanding of the sale; if a replacement is involved, the impact of the replacement, including the advantages and disadvantages
- The transaction is to the customer's advantage
- Complete documentation can be produced to verify the suitability of the transaction and
- Company policy is strictly followed MetLife prohibits replacement as a method of sale, and prohibits the solicitation of any replacement sale that is not suitable in light of the customer's financial situation, needs and objectives. Failure to follow the required procedures and/or regulations can lead to customers being disadvantaged, disciplinary action, regulatory penalties, if applicable, and termination of employment.

The issues:

When replacing an existing policy or contract, there are several issues that you must review with your customer. They include:

- Premium increases and coverage issues.
- Long-term affordability issues.
- New start-up costs and loss of return.
- Incontestability clause.
- Incurring of new withdrawal or surrender charges.

The questions:

What factors must be reviewed with the customers to determine if the proposed replacement is in their best interest?

Keeping in mind the primary concerns with replacement discussed above, you must review the following questions with your customer before recommending a replacement transaction:

- Why would the new policy or contract be more advantageous than the original policy or contract?
- Can the existing policy or contract be altered in a way that the customer's needs or goals are met?
- Was there a comparison of illustrations between the existing and proposed policy and contract?
- What are the costs associated with the transaction?

Before proposing a replacement transaction, you must carefully evaluate the transaction and disclose all information that your customer needs to make an informed decision about a policy or contract.

Remember that an unsuitable transaction may result in customer dissatisfaction, disciplinary action, regulatory penalties, if applicable, or termination of employment.

The requirements:

What does MetLife require of its financial advisors in possible replacement transactions?

You are required to comply with all company rules and/or country replacement laws and regulations.

- Accurate and complete paperwork is required.
- If your customer does replace their existing insurance, it is important that they do not cancel their existing policy until the new policy has been issued.

To assist you in meeting the replacement requirements, MetLife has developed the Client Information Form. MetLife's internal forms are not a substitute for country-required replacement forms. If applicable, all country regulations must be followed and all required notices provided.

It is important for each financial advisor to ensure that customer needs and financial objectives are determined before any product is sold and that each product meets the client's needs and objectives. The financial advisor also must have a thorough knowledge of all products offered for sale. The matching of client to product includes making all relevant disclosures to a client.

Always focus on whether the transaction is in your customer's interests. Explain the pros and cons of the transaction and go over possible advantages and disadvantages in detail. This will result in better sales and more satisfied long-term customers. If there is any doubt regarding a proposed replacement, act conservatively – do not replace the existing policy or contract.

What are your views on this topic? Write to us.

To the head table !

India has become a member of the Executive Committee (EC) of the International Association of Insurance Supervisors (IAIS) at its ninth annual conference at Santiago de Chile held from October 9 to 11, 2002. The EC is now expanded to 15 members and the new member, India, is the third from Asia after Japan and Singapore. Mr. Manuel Aguilera-Verduzco, Chairman, Comision Nacional de Seguros y Fianzas, Mexico, was re-elected Chairman of the IAIS Executive Committee.

The IAIS has also agreed to sponsor the Third International Conference on Emerging Markets to be held in Delhi in January 2003.

The IAIS develops principles and standards on insurance supervision and, through that, helps establish and maintain fair and efficient insurance markets for the benefit and protection of policyholders.

The membership of the IAIS comprises insurance regulators from over 100 countries (called jurisdictions in IAIS terminology), and over 70 organisations and individuals are observers. They include professional associations, insurance and reinsurance companies, international financial institutions, consultants and other professionals.

It is the EC that is responsible for the overall operation of the IAIS, setting the broad direction of the Association on advice of its members and observers and overseeing its function.

The IAIS collaborates closely with other international regulatory organisations. A significant focus relates to its being a member of the Financial Stability Forum (FSF) and contributing to the International Accounting Standards Board's work in establishing standards for insurance accounting.

One of the main topics that the Santiago conference deliberated on was the valuation of assets and matching of assets, a topic of current concern in the insurance industry given the dull markets for investments and recent catastrophic claims.

Key priorities of the IAIS, namely capital adequacy/solvency, reinsurance, accounting standards and electronic commerce were also borne out by the work of the Technical Committee.

Regulating reinsurers

A significant beginning in the IAIS this year was the move to bring reinsurers under regulation. The Reinsurance Subcommittee, of which also India is a member, has set out principles on areas in which the insurance supervisor should have authority or control over reinsurance companies.

The hitherto unregulated industry plays a critical role in the stability of the insurance markets worldwide and if it is not regulated then its effect on the financial stability of direct insurers cannot be monitored or controlled. A principles paper, *Minimum Requirements for the Supervision of Reinsurers* was tabled at the Santiago meeting and accepted. (see box item for main principles).

This would lead to the formulation of suitable principles and standards.

The Solvency Subcommittee prepared a discussion paper *Quantifying and Assessing Insurance Liabilities*, and two other papers The *Use of Actuaries as Part of a Supervisory Model* and *Solvency Control Levels*.

The e-commerce/Internet Working Group prepared an issues paper, *Risks to Insurers posed by Electronic Commerce*, seeking to identify and consider in greater depth the risks associated with Internet operations. Its next step will be to draft a paper on how to manage these risks.

Uniform accounting norms for insurance companies has been receiving much attention at the IAIS and new norms are to be effective from the accounting year 2004-05.

But the going has been slow even at the formulation stage with a serious difference of opinion on the accounting regulations to be adopted between two groups of members belonging to the US and Europe. European members expressed openly the feeling that their concerns were not being heard. The effect of this is that the approach paper is likely to be delayed.

Insurance Fraud

Combatting money laundering and terrorist financing has been added

Requirements for Reinsurance Supervision

The paper sets out principles on minimum requirements for supervision of pure reinsurers. It identifies elements of the supervisory framework that should be common for primary insurers and reinsurers and those elements that need to be adapted to reflect the unique risks faced by reinsurers. This paper is seen as an essential building block in the development of more detailed standards for the supervision of reinsurers.

Principle 1: Regulation and supervision of reinsurers'technical provisions, investments and liquidity, capital requirements, and policies and procedures to ensure effective corporate governance should reflect the characteristics of reinsurance business and be supplemented by systems for exchanging information among supervisors.

Principle 2: Except as stated in Principe 1, regulation and supervision of the legal forms, licensing and the possibility of withdrawing the licence, fit and proper testing, changes in control, group relations, supervision of the entire business, on-site inspections, sanctions, internal controls and audit, and accounting rules applicable to reinsurers should be the same as that of primary insurers.

to the priority list of the IAIS and guidance notes on the former were adopted in January this year with the caveat that they are likely to change following the Financial Action Task Force's review of its 40 recommendations to which the IAIS will also contribute.

The Insurance Fraud Sub-committee assisted the International Monetary Fund (IMF) and the World Bank in the development of a joint *Methodology for Assessing Legal, Institutional and Supervisory Aspects of Anti-Money Laundering and Combatting the Financing of Terrorism.*

In addition to anti-money laundering work, has focused on issues related to the tracing and seizing fraudulently gained assets. It circulated a questionnaire to IAIS members requesting details of actual cases, including types of risks faced and how the cases were handled.

The sub-committee has been investigating pyramid schemes which seem to be growing and are particularly misused and abused in emerging markets. The main aim of a pyramid operation is to turn all policy purchasers into agents.

The next annual conference of the association is to be held from October 1 to 3, 2003, at Singapore, hosted by the Singapore Monetary Authority.

New Secretary General

Mr. Yoshihiro Kawai, 42, has been chosen to succeed Mr. Knut Hohlfeld as the Secretary General of IAIS effective 1 June 2003. Mr Hohlfeld, 64, who established the IAIS Secretariat in Basel, Switzerland, will retire.

Mr Kawai, a Japanese native, has been the IAIS Deputy Secretary General since 1998 where he has been active, particularly in developing and promoting the implementation of standards for insurance supervisors. He has extensive experience advising developing countries on the legislative frameworks for insurance companies and supervisory authorities.

He served as an advisor to the Polish Government and worked in the Secretariat of the OECD's Insurance Committee. Before leaving Japan in 1990, Mr Kawai worked for Tokio Marine and Fire Insurance Company.

Insurance training for CAs

The insurance industry is catching people's imagination post-liberalisation, and not all of it has to do with getting new products and better service. New career and professional opportunities are part of it!

Training in insurance has caught on and the Institute of Chartered Accountants of India (ICAI) has just formalised its plans in this area.

The institute is introducing a *Post Qualification Course in Insurance and Risk Management* and a *Modular Training Course for Surveyors and Loss Assessors.*

The Department of Company Affairs has approved the course and the syllabus has received the concurrence of the IRDA.

The institute also plans to conduct seminars on insurance and location of newer professional avenues for its members. The first of these is expected to be held in Mumbai and subsequent ones at Hyderabad and New Delhi.

All members are eligible to be admitted to the risk management course which will have training schemes, technical examination and an orientation course of seven days. Candidates who complete the course successfully will be awarded a certificate and be entitled to use the letters DIRM (ICAI) after their names.

The course has four papers covering four modules. The first module is *Principles and Practice of Insurance* and covers technical basics, regulations on insurance investments, laws on accounting and management, asset liability management, principles of insurance finance and costing and pricing of insurance products.

The second is *Technical Aspects of Insurance* which covers specific areas in general and life insurance as well as principles of actuarial valuation.

Risk Management and Reinsurance is the third module covering the economics of insurance, managerial aspects of risk management, reinsurance and its legal principles, methods, markets and financial aspects.

The fourth paper is *Business Strategic Planning and Information Technology.* This covers management of insurance companies, business process re-engineering, outsourcing, exchange control regulations and taxation, information technology and its management in insurance, design of information systems, business strategies in product formulation, information marketing and advisory, distribution, reinsurance and servicing.

The Modular Training Course for Surveyors and Loss Assessors is a 200 hour professional study course with practical training on at least four surveys.

The examination will have five modules : Elements of Insurance, Fire Insurance, Marine Cargo Insurance, Loss of Profits Insurance and Miscellaneous Insurance.

Professional opportunities exist for qualified Chartered Accountants who complete this course to work as surveyors in specialised finance areas like financial loss assessments under loss of profits covers.

The IIRM vision

INSTITUTE OF INSURANCE AND RISK MANAGEMENT

The new-born Institute of Insurance and Risk Management (IIRM) has its hands full already.

The star plans of the institute are the International Graduate Diploma and the MBA in financial services.

A conference in early 2003 at Hyderabad on Bancassurance is coming up and the IIRM is preparing for a conference on Emerging Markets in January in Delhi and also for the launch of its Emerging Markets Centre at Hyderabad. A January 2003 seminar on money-laundering in Delhi, sponsored by the IAIS, is also being worked out.

The Institute will move into a temporary facility and start conducting its programmes from there shortly.

Apart from this the IIRM has an impressive list of plans including advanced/specialist technical courses, regulators training courses, management development programmes, leadership development programmes for CEOs, trainer development programmes, public lectures and publications with AM Best.

IIRM is jointly promoted by the Insurance Regulatory and Development Authority and the Government of Andhra Pradesh.

Incorporated in the last week of July 2002 and with Mr N. Rangachary, Chairman of IRDA as its Chairman, the institute started its operations by conducting its maiden course 'IAIS Core Principles' with faculty drawn from Europe, the US and Asia.

Mr. M.V.S. Prasad, Vice Chairman & Managing Director, Andhra Pradesh Industrial Infrastructure Corporation (APIIC) and Mr. N. Rangachary, Chairman, IRDA, sign the Memorandum of Understanding for promoting IIRM.

The idea behind the Andhra Pradesh Government's promotion of the IIRM is that it will form part of the financial district and add to other recently started specialised institutions like the International School of Business and the Indian Institute of Information Technology. The IIRM provide an opportunity for the insurance sector to access high quality human resources and derive gains from applied research, which are vital necessities for the success of the insurance sector.

The land allocated for the financial district is 100 acres and is adjacent to the Hi-tech City, Indian School of Business, International Golf Course, International Convention Centre and Jawaharlal Nehru Institute of Rural Banking.

The Insurance Regulatory Development Authority (IRDA) has been allocated 5 acres of land in the financial district and has been invited to locate its office there. The district, it is hoped, will house insurance companies, international banks, asset management companies, stock & commodity exchanges and the IIRM.

It will have superior class room facilities, an administrative block, computer labs, conference facilities, dorms, sport complex and residential facilities for the faculty.

The total investment in the project is going to be close to $ 4.15 million with revenue flow of $ 1.2 million in the first year growing up to $ 10.8 million in the year 6 with a projected IRR of 32%.

The State Government has committed to provide all the support for enhancing the value of the research to be carried out at the centre by providing strategic support in key areas such as agriculture, healthcare, transportation, infrastructure, demographic data and public policy.

The IIRM proposes to build human resources capability and research focus in the following areas:

- Actuarial science.
- Underwriting & surveying.
- Risk management and portfolio analysis.
- Financial & investment decision-making.
- Back office maintenance.
- Business & investment analysis.
- Management areas such as marketing, organisational aspects, accounting, strategy planning & implementation.
- Information technology leveraging and related areas.

The objectives of the institute are to expand the pool of qualified insurance personnel through courses and examinations leading to professional insurance & risk management qualifications and to upgrade their knowledge, skills and professionalism.

It will also provide a forum for insurance practitioners to network and exchange experiences through seminars, workshops and conferences and to build relationships with the Indian insurance industry.

It aims to build up an insurance research centre of excellence through linkages with established research institutions, to advance research on insurance and other issues of interest to the insurance industry and to increase public awareness of insurance.

Tell us, and we will tell the world!

What is your institute doing for insurance education or research?
We would like to feature training, education and professional development initiatives.

Write to:
Editor
IRDA Journal
Insurance Regulatory and Development Authority
Parisrama Bhavanam, III Floor
5-9-58/B, Basheer Bagh
Hyderabad 500 004
or e-mail us at nitya.kalyani@irdaonline.org

Building broking

The much awaited permission for brokers to set up shop in the Indian insurance market came last month with the notification of The Insurance Regulatory And Development Authority (Insurance Brokers) Regulations, 2002.

Insurance broking is a recognised intermediation activity worldwide, specially for reinsurance. Brokers represent, and work closely with, the insured, negotiating coverage, terms and premiums with insurers and choosing the best deal for their clients.

In fact brokers are so specialised that they often know more about insurance and terms than insurers themselves.

India did not have brokers in the last few decades except for reinsurance and it is true that they would have had limited roles to play in a largely tariff market like India.

But with liberalisation in the insurance sector the idea of brokers was mooted again, also following the indications of the Malhotra Committee Report that they should be permitted and regulated.

The introduction of brokers into the market – which was in fact to precede the licensing of new insurance companies – was held up due to an overlooked amendment to the Insurance Act that earlier permitted intermediation fees to be paid only to 'agents.'

But late as it has come, almost two years after the opening up of the sector, the entry of brokers is expected to bring in competition and better terms and negotiating powers to insureds.

Brokers are expected to work more in industrial insurances but applicants also seem to be targeting personal lines and/or life insurance by aggregating personal finance customers in the manner of mutual funds or retail and personal banking customers in the recent years.

The advantage of a broker is that he can present a menu of products from various insurers and help the insured pick the best one for his needs.

How the community evolves will be seen shortly, but the enormous interest in the advent of the regulations seems to point to attractive opportunities ahead.

Three types of brokers are recognised by the regulations, namely direct, reinsurance and composite brokers, and training and qualification requirements for their principal officers have been specified in the regulations, with the National Insurance Academy, Pune being the examining body.

Brokers have also to fulfill the minimum entry capital requirements namely: Rs. 50 lakhs for a direct broker, Rs. 2 crores for a reinsurance broker and Rs. 2.5 crores for a composite broker. The company should be set up to carry on the insurance broking business exclusively. Foreign participation in the capital is restricted to 26 per cent just as in the case of insurers.

Remuneration ceilings for brokers have been specifed in detail for different classes of business in life & non life as far as direct business an concerned. For reinsurance the brokerage has been left to market forces.

The advantage that brokers are expected to bring into the market is that they represent the customers' interests and work to fashion products and advise the insured. For the insurer, having a well informed intermediary brings the customer closer and so he can understand and provide for the customer's needs better.

Broker training institutes

The IRDA has approved the following institutions to provide training to the candidates who want to appear for the examination to become insurance brokers.

NIS Sparta,
M-14, S.E. Part II,
New Delhi 110 049.
Tel: 011-864 0767
E-mail: rajeevt@nisiql.com

RNIS College of Insurance,
W-120, Greater Kailash II,
New Delhi 110 048.
Tel: 011-6447606
Fax: 011-6168478.

Schoolnet India Ltd.,
#19, Unique Industrial Estate,
Twin Tower Lane,
Bombay Dyeing Compound,
Prabhadevi,
Mumbai 400 025.
Tel: 022-433 0360/433 0365

New India Insurance Co. Ltd., Corporate Training College,
34, C.D. Barfiwala Marg,
Andheri (E), Mumbai 400 058.
Tel: 022-621 2156

United India Insurance Co. Ltd.,
Nungambakkam,
High Road, IV Lane,
Chennai 600 001.

National Insurance Co. Ltd., National Centre for Insurance Learning,
79, Netaji Subhas Road,
Narendrapur,
Kolkata 700 013.
Tel: (Board) (033) 4771492/4772727
Fax: (033) 4772726

Oriental Insurance Co. Ltd., Staff Training College,
Bata More, Sector II,
Mathura Road,
Faridabad 121 006.

National Insurance Academy,
Balewadi, Baner Road, NIA PO.,
Pune 411 045
Phone: 020-7292382-83
Fax: 020-729 2396
E-mail: kcmishra@niapune.com

Insurance Institute of India,
Universal Insurance Building,
VI Floor, Sir P.M. Road, Fort,
Mumbai 400 001.
Tel: 022-287 2923/287 4722
Fax: 022-287 3491
E-mail: insfeder@bom5.vsnl.net.in

Ensuring Quality of Service

Prof. Sri Ram Khanna
& Consumer – voice.org

The IRDA's protection of policyholders' interests regulations provides a welcome set of measures to ensure that insurance companies treat the customer well. Its provisions in important areas like truth in disclosure of information at point of sale and in proposal forms, grievance redressal procedures, material particulars to be stated in insurance policy documents, claims procedures and customer servicing seem to be adequate.

Over 99 percent of Indians who have a life insurance policy are customers of the Life Insurance Corporation of India (LIC). The same is true for general insurance where the bulk of the policies are with public sector companies. Therefore, IRDA's consumer protection regulations today are really about public sector service providers and their policyholders, especially of the LIC. One of the major weaknesses in this regulation is that there is no in-built mechanism to ensure compliance by insurers.

This is illustrated by means of Regulation 10 (1) which calls upon the insurer to respond to the insured within a time norm of 10 days of the receipt of any communication from the latter in all policy servicing matters such as:

- Recording change of address
- Noting a new nomination or change of nomination under a policy
- Noting an assignment on the policy
- Providing information on the current status of a policy, including matters such as accrued bonus, surrender value and entitlement to loans
- Processing papers and disbursal of loans on security of policy
- Issuance of duplicate policy
- Issuance of an endorsement under the policy; noting a change of interest or sum assured or perils insured, financial interest of a bank and other interests and
- Guidance on the procedure for registering a claim and its early settlement.

The most commendable achievement of the LIC is that it has ensured timely payment of maturity or death claims in nearly 99% of its policies. This has been achieved by a clear management system that ensures that each LIC branch will pay, without being asked, about 9% interest on delays on its own account on claims. This however, does not mean that the customer is happy. By being prompt once at the end of the policy, after 15 or 20 years, does not mean that you can treat the customer with carelessness during his 15 or 20 years of relationship with the company.

A customer contacts an LIC branch for a variety of reasons during the life of his policy. The LIC has 27 well-defined time norms (number of days within which to complete each task) to meet his requirements. Some of these are:

Dispatch of policy document	5
Refund cheque after issue of policy	3
Sending revival quotations	1
Quoting terms of alteration	1
Quotation for surrender value	1
Sending loan quotation	2
Change of address	1
Change of nomination	3
Registration of assignment	3
Dishonoured cheque advice	1
Dispatch of loan cheque	3
Transfer-in policy	3

It will be observed that the LIC's time norms are even better than IRDA's norms. But do they work? There is no enabling system to ensure that each customer will actually have his request complied with within the time norm laid down by the management. What happens if these norms are not kept?

IRDA regulations too are toothless because they do not specify "What if not?" Regulation 10 (4) empowers the IRDA to take action for violation of these regulations. Is there a system to find out if the norms have been complied with? Can the IRDA act on individual instances of violation of time norms?

No relief is provided for consumers who are victims of violations and so, why should a consumer complain if he is not going to be benefitted ? Unless there is a consequence for a company for non-compliance why should it work hard to ensure such compliance? Is the IRDA expecting insurers to voluntarily inform the Regulator of not being able to adhere to these norms? This is one of the deficiencies in the IRDA's consumer protection regulations. They are soft on the companies and hard on the consumer.

So, what can be done? How is LIC able to settle 99% of claims in time?

The answer is: because enabling back end systems have been created to ensure this, or else the branch loses money in the form of interest for the delay period. Similar systems need to be set up in LIC, and in other insurance companies.

Similarly, why should the IRDA not specify a " What if not? " provision in its customer service regulations? What is the consequence of the violation of the 10-day norm and what can the customer do when he is at the receiving end?

The same question can be asked of all other provisions enshrined in the regulations. Why not pay voluntary compensation if regulation norms are violated?

A policyholder will get the fruits of the norms enshrined in the regulations only if they are implemented seriously. Insurance company staff will believe in the seriousness of this issue only if they can see its consequences in their companies' profitability. If the LIC board, which is seized of this matter, is unable to decide in favour of policyholders, IRDA regulations will need to be amended to provide such relief to policyholders.

A long list of reasons as to why the LIC may be unable to provide for token compensation to policyholders for non-adherence to time norms includes two oft-quoted reasons, the first being possible resistance by LIC's trade unions and the second, legal impediments.

The LIC's trade unions are responsible and wise. They have seen the changes in a competitive scenario. Slowly private insurance companies are spreading their networks. I am sure they can see market shares of private insurers going up day by day, particularly in first premium income. If LIC unions want to retain existing customers it is in the interest of each employee to contribute to providing excellent, fault-free and prompt customer service.

One argument against the payment of compensation is the question of who will bear the burden of these payments. Consumer-voice.org has proposed that ideally there must be a system to fix responsibility on individuals for violations of time norms. It has been argued that this is not possible inside the LIC of today as public sector ethos is not conducive to developing such accountability. If it is not possible today, what prevents us from setting this as an ideal and moving towards it in the future?

Till such a system is in place, an alternative proposal for the present is to debit all payments made on this account to annual productivity linked payments made to staff at the zonal, divisional or branch levels.

This is an issue that requires a dialogue with LIC's trade unions. My impression is that LIC's unions have a committment to customer service. LIC's management has the ability, competence and human resources to create a consensus among unions and its management for setting up a system that can provide excellent, measurable, customer service to millions of LIC policyholders.

A second argument made against such payments is that it may cause a spate of 'deficiency in service' cases in consumer courts across the country against the LIC. My answer to this argument is: how is the Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB) able to make "What if not?" payments?

> Why can't we reward employees for better customer service ?

Under its Citizens' Charter the HMWSSB has committed to provide citizens with a new water connection sanction or a rejection within 30 days of application. If it is unable to do either of the two it " will pay an amount of Rs 20 as a token of its committment to the customer".

The HMWSSB has not been inundated with litigation. Its customer service has improved and hardly a few customers have asked for such payments. The employees of this public service body have become more careful and care is taken to dispose of cases in time.

The financial impact of such a customer measure is marginal. Its larger impact is on the management system and staff psychology. It creates a chain of concern and accountability in an organisational environment which has been used to a government office work culture.

Such payments can be defined and tailored to ensure that unnecessary litigation is avoided. Once policy decisions favouring such a system are taken, the legal managers can design the shape of the scheme to make it work for policyholders.

Wage revision agreements between the LIC and its employees are up for negotiations later this year. So far the Productivity Linked Incentives / Bonus (PLI) paid to LIC staff is based on performance parameters like first premium income, total premium income and number of lives insured. These are mainly financial parameters of growth. Why not add customer service to this?

This proposal is based on the fact that while it costs LIC about Rs 600 to rope in a new customer (it may cost the private insurer about ten times that), it costs only about Rs 100 to service an existing customer. It makes sense to retain millions of existing customers.

Customer service is a key parameter of productivity of LIC employees and managers. Why can't we measure it and reward employees for better customer service?

If LIC unions and management adopt customer service as a major theme for its future growth, private insurance companies will find the going extremely tough.

Should the LIC choose to ignore customer service it will be the duty of the IRDA to step in to give new teeth to its consumer protection regulations by providing for "What if not?" payment mechanisms.

The author is Managing Trustee of consumer-voice.org and a Professor and Head of Department of Commerce, Delhi School of Economics at the University of Delhi. He is also a member of the Board of Directors of LIC of India and Consumers International (UK). Further details on consumer affairs are available at website: consumer-voice.org. He can be contacted at cvoice@vsnl.net

Resting assured

J. Balasubramanian

Some time ago, I accompanied my brother-in-law, who was holding two credit cards, one from Vijaya Bank and the other from Andhra Bank, to Secunderabad Rail Nilayam. We had parked the car in front of the Rail Nilayam after he left in it his leather pouch containing some cash and his driving license apart from the credit cards.

After about twenty minutes we returned to the car and, to our utter dismay, found that the pouch was missing. Apparently some miscreant had managed to open the door and make off with the pouch.

According to the conditions imposed by the banks which had issued the credit cards, the holder is supposed to give a written complaint to the nearest police station about such a loss.

So we, without loss of time, went to the Secunderabad Police Station and lodged a written complaint about the theft of the credit cards. Immediately after that we came to my house and prepared a letter addressed to both the banks, namely Vijaya Bank and Andhra Bank, advising them about the loss of the credit cards issued to my brother-in-law and requested them to hot-list them immediately to prevent any possible misuse.

These letters were faxed to the head offices of the respective banks and also their branches who had originally issued these cards. We were under the genuine impression that the banks would have promptly acted on the complaint and hot-listed the credit cards to prevent their possible misuse by the finders.

After a month my brother-in-law got the shock of his life when he received statements from the banks calling upon him to pay up Rs.42,000 and Rs.39,000 respectively. The miscreant had obviously used these cards and made purchases, like a bride-groom, from a Raymonds showroom, a jewellery shop, a footwear shop, a Titan showroom, a stationery shop and so on.

We immediately wrote two registered letters to the abovesaid two banks holding them responsible for the misuse of the cards and denied any liability as claimed by them because it was they who had failed and neglected to hot-list the cards, which had resulted in the avoidable liability despite the fact that they were alerted immediately after the theft.

But the bankers extended their silence and did not respond to the registered letters causing anxiety and anguish in our minds.

In the meantime my brother-in-law was blessed with the next monthly statement reminding him to settle the earlier dues. Thank God, there was no additional claim on the cards. This time we went in person and called on the officials of the bank to deny his liability on the cards.

The bankers without any anxiety or embarrassment advised us not to worry about this matter. They requested us to, if possible, get an FIR from the police station and a letter from them that the culprits were not and could not be identified by them. We were told that the above documents were required as a piece of evidence to prefer their claims with the insurance company. They were sure of getting the compensation!

Of course, our blood pressure came down, but it set us thinking that if this was the attitude of the banks, what would be the fate of our insurance companies processing such claims?

The author is a practising Chartered Accountant.

We welcome...

consumer experiences. Tell us about the good and the bad you have gone through and your suggestions.

Your insights are valuable to the industry. Help us see where we are going.

Send your articles to:

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5-9-58/B, Basheer Bagh
Hyderabad 500 004
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Make it Simple !

R. Desikan

Almost a decade ago, an enthusiastic group of consumer activists decided to bring into India the concept of 'Plain English' in insurance and other documents.

The Plain Language movement started in the UK in the mid-70s in response to the needs of consumers for documents they could understand and the recognition by government and business that plain language brings efficiency and economic benefits. Martin Cutts, the founder of the movement, was behind the redrafting of British statutes in simple language that could be understood by the common man. The movement caught on as part of consumer movements around the world and governments and businesses adopted its intent and standards.

Plain Language is language that is clear, direct and straightforward. And as such it can be the very basis of excellent customer service.

Back to our efforts at bringing the movement to India.

Persuading the British Council to modify their plan of teaching English to universities and in English language classes, and turn their attention to applied English for practical use in all business activities was not an easy task. However with a bit of persuasion the British Council, agreed to invite Mr. Martin Cutts, Founder of the Plain Language Commission to visit India and hold seminars and workshops.

Within two visits of Mr. Martin Cutts to various Indian cities, tremendous awareness was built up through media coverage. From then on, we have been pushing and pushing insurance companies to rewrite their policy and other documents 'Plain English'.

Let me give you an example. The first sentence in a life insurance policy and many other policy documents contain nearly 200 words. I am prepared to challenge anyone to read the sentence, not once, not twice, but five times, and at the end of it say honestly whether he or she understood it or not. Most likely not!

Legal writing has always astonished me for its lack of clarity. When two people get into an agreement and want to record their intentions they will, if left to themselves, probably write a simple document.

When they hand it over to a lawyer to draft, the outcome is gobbledygook. Should the document ever be taken to court and should that same lawyer appear, I am sure even he will not be able to make out the intention or the meaning of that document!

Plain Language can be the very basis of excellent customer service.

Insurance companies have mastered this gobbledygook and turned their documents into fine, unintelligible pieces of writing. Therefore, when Plain English was brought in and several insurance executives participated in the workshop we held, the LIC was happy to appoint a committee to go into the language of the document. In fact, the Indian Plain Language Commission rewrote the document and submitted it for their consideration. That was eight years ago. We are still waiting for the decision of the committee accepting, rejecting or wanting to discuss the revised document!

It is my perception that any lawyer who desires to represent a common man and help him should be able to accept the Plain Language legal document. I say this because it will simplify the lawyers' roles and reduce the time wasted by judges and opposite parties in establishing the meaning of the intentionally inserted, complicated phrase.

On the other hand, if the intention of the document is indeed to prolong litigation and reduce opportunities of quick disposal of the case so as to reduce the agony of the litigant, the entire system has succeeded!

In today's world of customer friendliness and the interest of companies to avoid prolonged and costly litigation, Plain Language and its application would come in handy. Legal documentation does not call for complicated unintelligible words and phrases. Even something simple as the use of the word 'shall' instead of the most often used word 'may', will reduce ambiguity.

As a consumer activist I often feel that complicated legal phrasing is intentional – to make the meaning 'as clear as mud' as the song by Harry Belafonte goes. It is therefore, my contention that the insurance industry should be asked to write policy documents and other contracts between themselves and their customers in simple, understandable and plain language.

Keeping aside the importance of plain language usage from the legal point of view, if any insurance company were to write its policies in simple language it will corner larger numbers of clients and greater value policies.

Today, what an insurance document reveals is very little. The more open and understandable the terms of the contract become, the more business insurance companies will garner. Contrast this with the fact that today most insurance is taken with reluctance by the insured to fulfill a legal obligation.

It is my fond hope that the insurance industry in India will turn to Plain Language as the British and American Companies have done, and to their benefit.

The author is Trustee, The Concert Trust and the Consumers Association of India and Member, Central Consumer Protection Council, Government of India.

Business and investment performance figures of the life insurance industry

Classwise Premium: Life Companies

(Rs. in lakhs)

No.	Company	First Year Premium		Renewal Premium		Single Premium		Total	
		2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02
1	LIC	696321.85	1049272.25	2519107.36	3023313.69	273773.03	909605	3489202.24	4982190.94
2	ING Vysya		419.00						419.00
3	HDFC Std Life	0.21	2223.00		69.00		1054.00	0.21	3346.00
4	Birla Sun Life	32.00	1809.00		15.00		1002.00	32.00	2826.00
5	ICICI Pru. Life	325.00	5577.00		305.00	272.00	5756.00	597.00	11638.00
6	Om Kotak Life		561.00				197.00		758.00
7	Tata AIG Life		2113.00					1.00	2113.00
8	SBI Life		50.66				1417.93		1468.59
9	Allianz Bajaj Life		663.28				50.61		713.89
10	Max New York Life	15.85	3564.76		14.88	0.13	315.54	15.98	3895.18
11	MetLife		47.98						47.98
12	AMP Sanmar		27.73						27.73
	Total	**696694.91**	**1066328.66**	**2519107.36**	**3023717.57**	**274045.16**	**919398.08**	**3489848.40**	**5009444.31**

Benefits Paid (Net): Life Companies

(Rs. in lakhs)

No.	Company	Claim by death		Maturity claims		Annuities/ Pension in Payment		Other benefits		Total	
		2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02
1	LIC	191239.70	208436.87	976579.35	1208218.96	64701.55	101611.77	171163.89	229396.34	1403684.49	1747663.94
2	ING Vysya										
3	HDFC Std Life		2.56						1.01		3.57
4	Birla Sun Life		7.62						22.58		30.20
5	ICICI Pru Life		64.67						0.64		65.26
6	Om Kotak Life										
7	Tata AIG Life		122.69								122.69
8	SBI Life										
9	Allianz Bajaj Life										
10	Max New York Life				66.60						66.60
11	Met Life										
12	AMP Sanmar										
	Total	**191239.70**	**208634.36**	**976579.35**	**1208285.56**	**64701.55**	**101611.77**	**171163.89**	**229420.57**	**1403684.49**	**1747952.26**

Investment Details: Life Companies (2001-2002)

(Rs. in crores)

No.	Company Name	Cental Govt. Securities	State* Government and Other Guaranteed Securities	Infra Structure Investments	Social Sector Investments	Approved Investments	Other than Approved Investments	Total Investments
1	ING Vysya	42.98	47.98	14.99		17.44		80.41
2	HDFC Std Life	86.43	86.43	32.12		23.67	9.18	142.22
3	Birla Sun Life	42.48	61.57	15.18		32.72	5.26	114.72
4	ICICI Pru. Life	117.94	117.94	32.55		35.72	14.10	200.31
5	SBI Life	76.32	76.32	26.93		12.38	15.70	131.33
6	Om Kotak Life	59.82	73.71	23.57		45.83	12.64	143.11
7	MetLife	57.59	57.59	15.23		15.66	15.50	103.98
8	Allianz Bajaj Life	73.45	73.45	24.44		38.51	0.26	136.66
9	Max New York Life	42.19	106.93	27.17		27.67	7.00	168.76
10	LIC	128,139.04	131,400.71	20,498.72		77,046.29	16,442.00	245,387.72
11	Tata AIG Life	74.86	74.86	29.98		34.76		139.59
12	AMP Sanmar					119.75		119.75
	Total	**128,813.10**	**132,177.48**	**20,740.87**		**77,450.38**	**16,521.65**	**246,868.56**

* Including Central Government Securities

Note: In the case of LIC Rs.6793.59 Crores of Infrastructure and Social Sector Investments have been included in Other than Approved Investments.

Rural/Social Sector performance: Life Companies (2001-2002)

No.	Company	Rural Sector (% of policies)	Social Sector (No of lives)	Year of operation/ Commenced on
1.	HDFC Std. Life	4.50	4959	Second 12.12.2000
2.	ICICI Pru Life	7.04	7604	Second 19.12.2000
3.	Max New York Life	8.67	7649	Second 26.03.2001
4.	OM Kotak Life	7.51	6023	First 17.05.2001
5.	Birla Sun Life	11.42	8174	Second 19.03.2001
6.	TATA – AIG Life	11.00	7500	First 02.04.2001
7.	SBI Life	4.00		First 15.06.2001
8.	ING Vysya Life	7.40	3500	First 01.09.2001
9.	MetLife India	7.90		First 04.01.2002
10.	Allianz Bajaj Life	18.13	2528	First 28.09.2001
11.	AMP Sanmar	7.50		First 03.01.2002
12.	LIC	16.05	*754816	

* Provisional Figures

Underwriting Experience and Profits: Life Companies

Particulars	BSLI		ICICI-Pru		ING Vysya	L.I.C.		HDFC
	2001-02	2000-01	2001-02	2000-01	2001-02	2001-02	2000-01	2001-02
Premiums earned – net								
(a) Premium	2826	32	11637	597	419	4982191	3489202	3346
(b) Reinsurance ceded	(146)		(3)		(2)	(1676)	(1530)	(138)
(c) Reinsurance accepted	0					79	59	
Income from Investments								
(a) Interest, Dividends & Rent – Gross	61		170			2286190	1877700	105
(b) Profit on sale/redemption of investments	26		117			112377	104882	5
(c) (Loss on sale/redemption of investments)	(1)					(13618)		
(d) Transfer/Gain on revaluation/ change in fair value	4406	988						
Other Income (to be specified)	2		18			12464	6346	4460
TOTAL (A)	**7174**	**1020**	**19399**	**597**	**417**	**7378007**	**5476659**	**7778**
Commission	440	6	1447	108	135	451791	316939	662
Operating Expenses related to Insurance Business	4816	995	8485	2061	2312	426040	370656	4126
Provision for doubtful debts						17987	12409	
Bad debts written off								
Provision for Tax			(965)			86817	70965	
Provisions (other than taxation)								
(a) For diminution in the value of investments (Net)						8397		
(b) Others (to be specified)					1417	859	2041	
TOTAL (B)	**5256**	**1001**	**8967**	**2169**	**3864**	**991891**	**773010**	**4788**
Benefits Paid (Net)	30		65			1747664	1403684	3
Interim Bonuses Paid						19538		
Change in valuation of liability in respect of life policies								
(a) Gross**	1943	16	12825	494	354	3403227	2539251	3062
(b) Amount ceded in Reinsurance	(56)				(1)			(372)
(c) Amount accepted in Reinsurance								
(D) Transfer to Linked Fund			725					
TOTAL (C)	1917	16	13615	494	353	5170429	3942935	2693
SURPLUS/ (DEFICIT) (D) =(A)-(B)-(C)		3	(10643)	(2066)	(3800)	1215687	760714	297
APPROPRIATIONS								
Transfer to Shareholders' Account			(12417)		(3800)	43325	28066	25
Transfer to Other Reserves (to be specified)*			1774	(2066)		822144	722648	
Balance being Funds for Future Appropriations		3				350218	10000	272
TOTAL (D)		3	(10643)	(2066)	(3800)	1215687	760714	297

(Rs. in lakhs)

Std Life	Max New York Life		AMP Sanmar	Allianz Bajaj	SBI-Life	OM Kotak	TATA-AIG	MetLife	Total	
2000-01	2001-02	2000-01	2001-02	2001-02	2001-02	2001-02	2001-02	2001-0 2	2001-02	2000-01
0	3895	16	28	714	1468	758	2114	48	5009444	3489847
	(35)			(11)		(21)	(6)	(1)	(2039)	(1530)
									79	59
1	77				21				2286624	1877701
									112525	104882
									(13619)	
				2400				631	7437	988
200	1								16945	6546
201	**3938**	**16**	**28**	**3103**	**1489**	**737**	**2108**	**678**	**7417396**	**5478493**
	1186	5	7	235	19	181	576	16	456695	317058
54	8488	1793	1123	2511	1127	3698	4034	653	467413	375559
									17987	12409
									85852	70965
									8397	
						1			2277	2041
54	**9674**	**1798**	**1130**	**2746**	**1146**	**3880**	**4610**	**669**	**1038621**	**778032**
	67						123		1747952	1403684
									19538	
99	2037	16	11	341	1435	347	451	9	3426042	2539876
	(16)								(445)	
									725	
99	2088	16	11	341	1435	347	574	9	5193812	3943560
48	(7824)	(1798)	(1113)	16	(1092)	(3490)	(3076)		1184962	756901
		(1798)			(1092)	(1146)	(3076)		21819	26268
	(7824)		(1113)						814981	720582
48				16		(2344)			348162	10051
48	(7824)	(1798)	(1113)	16	(1092)	(3490)	(3076)		1184962	756901

This profit is not taxable!

R. Anand

Over the years the accounting treatment of profit on sale of investments has posed challenges and interesting issues for the corporate sector in general.

The issue has greater significance for the general insurance industry for which investment income is a crucial aspect of profit management.

History has seen several cases where companies have been tempted to account for profit on sale of investments directly to Capital Reserve instead of routing the same through the Profit & Loss Account. The main object of this exercise is to avoid paying tax on book profits pursuant to Sec 115J / 115JB of the Income Tax Act.

There were several debates at that point of time as to whether this constitutes good accounting practice or not.

In the Indian context, any accounting practice is dictated (unfortunately) by the tax laws prevailing in the country. The moment an item is credited or debited to the Profit & Loss Account, the immediate question asked is whether that component of income is exposed to income tax or that item of expenditure is allowed as a business deduction. Hence the driver of the accounting decision is the income tax law of the land.

Any attempt in the past to synchronise published accounts vis-à-vis tax accounts has not produced any tangible results. The accounting and disclosure relating to profit on sale of investments for general insurance companies poses the same problem from the view point of taxation.

In accordance with IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, profit on sale of investments has to be disclosed in the Revenue / Profit & Loss Account on the credit side. The format of disclosure is given in the table that follows.

Hence the disclosure as set out in the IRDA Regulations mandates the routing of this item through the Revenue / Profit & Loss Account.

The computation of profits for general insurance business is contained in Section 44 of the Income Tax Act. The details of computation are laid down in accordance with rules as contained in the first schedule.

Revenue Account for the year ended 31st March 20__ Policyholders' Account (Technical Account)

Premiums earned

a) Net Premium
b) Reinsurance ceded
c) Reinsurance accepted

Income from Investments

a) Interest, Dividends & Rent-Gross
b) Profit on sale/redemption of investment
c) (Loss on sale/redemption of investments)
d) Transfer/Gain on revaluation/change in fair value *

Other Income (to be specified)

Total (A)

As per the first schedule, profits & gains of non-life business shall be computed taking the base figure as profits disclosed in the annual accounts. This schedule permits a couple of adjustments from such profits being:

a) Any expenditure which is not allowable in computing profit and gain from business
b) Any reserve for unexpired risks.

No other adjustment can be made from disclosed profits to arrive at profits liable for Income Tax. Interestingly there was another adjustment permitted in the first schedule, which was omitted by Finance Act 1988 with effect from April 1, 1989. This proviso reads as under:

"any amount either written off or reserved in the accounts to meet depreciation of or loss on the realisation of investments shall be allowed as a deduction, and any sums taken credit for in the accounts of appreciation of or gains on the realisation of investments shall be treated as part of the profits and gains:

Provided that the assessing officer is satisfied about the reasonableness of the amount written off or reserved in the accounts, as the case may be, to meet depreciation of or loss on the realisation of investment".

The adjustments relating to investments from profits was allowed upto April 1, 1989, but since then has been deleted. The crux of the issue lies in understanding the implication of the deletion of this proviso.

While removing this proviso in the Finance Act, 1988, the notes on clauses explained the rationale of this deletion as under:

"with a view to enable the General Insurance Corporation and its subsidiaries to play a more active role in capital markets for the benefit of policy holders, it is proposed to provide for exemption of the profits earned by them on the sale of investments. As a corollary, it is proposed to provide that the losses incurred by the General Insurance Corporation on the realisation of investment shall not be allowed as deduction in computing the profits chargeable to tax. To achieve this objective, clause (b) of rule 5 of the first schedule to the Income Tax Act is proposed to be deleted"

Clearly the intention was to ensure that profit on sale of investment, if credited to the Revenue / P & L account, should not be subject to income tax.

Somehow this logic and rationale has not been properly carried out in the process of deletion and on a plain reading of the first schedule it appears that disclosed profits which will be the basis for levy of income tax is subject to only the two adjustments mentioned above.

This is the appropriate time to ensure that any accounting disclosure as laid down by IRDA regulations should have the blessings and acceptance of the tax authorities. If the IRDA regulations mandate disclosure of profit on sale of investments to the credit of Revenue / Profit & Loss Account, the income tax law should be made clear that such an item has to be eliminated while arriving at the taxable profits.

The language of section 44 as it stands does not support this view directly and the intention of the legislature as expressed in the deletion of clause b of rule 5 of the first schedule to the Income Tax Act has not been carried to its logical conclusion in the provisions of law. It is in the interest of all concerned that the Central Board of Direct Taxes (CBDT) clarifies the position to settle the controversy once and for all.

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

From simple to sophisticated

Shriram Mulgund

Risk based solvency margins for the Indian life insurance industry

During the process of liberalising the Indian insurance industry, changes were made in the insurance legislation to provide for Required Solvency Margins (RSM) to be maintained by the insurers. At present, the RSM has two components. The first is expressed as a percentage of the reserve and the second is expressed as a percentage of the net sum at risk. This is essentially based on the U.K. practice, to which the Indian actuarial profession was largely exposed. Considerable discussion is taking place on the international scene on the need to set up the RSM using the "risk based" approach, that is, reflecting the various risks to which the insurer is exposed.

The present, two-factor, approach is able to reflect the various risks only in a very broad manner. If a risk-based approach is employed, the regulators, investors, policyholders and so on will be in a much better position to assess the financial condition of different insurers.

This article discusses the background to the risk-based capital approach for setting up the RSM and its application to the Indian insurance industry. It deals specifically with life insurers. The approach for the general insurers will be on similar lines.

Life insurance is a contract between the owner of the policy and the life insurer. The owner agrees to pay specified premiums and the life insurer agrees to pay specified benefits on the happening of specified events. As these events could take place many years into the future, the policy owner needs to be assured that the benefits will be paid as promised. Insurance legislation aims to provide that assurance.

Policyholder protection is provided in three tiers. In doing so, a very heavy responsibility is placed on the shoulders of the Appointed Actuary. These tiers can be viewed as follows:

a) Reserves that are computed on bases that take into account the various risks at appropriate levels and include margins for adverse deviations.

b) RSM commensurate with the risks to which the insurer is exposed.

c) Policyholder protection fund that will provide the coverage (upto specified limits) if (a) and (b) are used up.

Use of source (c) should be considered under exceptional situations. The regulators will strive to make sure that the first two sources will provide the needed assurance. The third source will be similar to the insurance provided to the bank deposits upto specified limits. This possibly would be provided by a separate guarantee fund set up and managed by the regulators and funded from the contributions by the insurers using some equitable basis. The various issues involved in setting up such a fund are not discussed here.

> If a risk-based approach is employed, the regulators, investors, policyholders and so on will be in a much better position to assess the financial condition of different insurers.

The thinking behind providing policyholder protection is to establish the level of assets (called Target Level) needed to ensure that the benefits would be paid even if the insurer were to experience a fair degree of adversity in the future. The solvency margin can be used to measure the resilience of the insurer to withstand adverse developments. In making these computations, different confidence levels can be used. This is discussed later in the article. It should be noted that the target level does not depend on how the reserves are established.

Once the target level has been established, a portion of it will be provided through the reserves maintained by the insurer. The balance will then have to be provided through the RSM. This means that the RSM level cannot be determined independently of the level of reserves set up by the insurer. This points to the danger of using the RSM factors employed in some other jurisdictions without making a comparison of the respective reserve levels. It is the total (Reserve + RSM) that is important and not just the level of RSM.

Different practices may be followed by different jurisdictions in computing reserves. For example:

- The reserves could be on Net Level Premium basis. With such high reserves, the RSM level can be low.
- The reserves could be on a Gross Premium basis without any minimum floor for cash surrender values (or they could be negative). With such low reserves, the RSM would have to be higher than they would be if some forms of minimums were employed.
- The levels of Margins for Adverse Deviations will affect the reserve levels.

The steps involved in computing the target level of assets can be described broadly on the following lines:

- Identify the risks to which the insurer is likely to be subjected.
- Develop models to represent the probability distribution of future variations for the different parameters and quantify the effect of these variations. These models can be either based on available past data or using an empirical approach.
- Establish the Target Asset level at a very high confidence level, say, 99.95%.

Once the RSM level has been determined, it can be expressed as a percentage of some measure, such as asset value, reserve level, annual premiums, etc.

There will be some risk factors where the above approach cannot be used. Some such risks can be allowed for by increasing the overall RSM level by some additional margin.

There are a couple of considerations that have to be taken into account. Firstly, the risks pertaining to assets have to be applied to the assets supporting the surplus as well. This would result in showing the true level of surplus. Secondly, for participating products, the insurer will be able to pass on any losses to the policyholders through a reduction in the bonus scales. Depending on the sensitivity of the bonus scales for reflecting the changing circumstances, somewhat lower RSM factors can be applied for participating business.

The following risks will primarily have to be taken into account:

- Risk of asset defaults.
- Insurance risk.
- Interest margin pricing risk.
- Interest rate risk.
- Segregated funds guarantee risk.
- Business risk.

These are discussed below.

Asset Default Risk

This represents the risk of loss of principal and interest due to defaults under fixed interest investments and loss of market values for equities and real estate.

The RSM factors, to be applied to the statement value of assets, can be developed through cash flow modeling, using historical default rates for various bond categories, to reflect changing economic conditions.

The RSM factors will vary with the degree of risk of the underlying assets. Variations on the following lines can be considered:

- For investments such as cash, policy loans, investment income due and accrued, receivables, etc., the factor can be zero.
- A non-zero factor will have to be used for outstanding premiums to reflect the possibility that such premiums may never be received.
- As regards bonds, the factor for government bonds (both central and state) can be zero. For other bonds, the factors will depend on the latest rating. Lower factors can be used for short-term bonds.
- The factors for mortgages will depend on whether they are residential, commercial or on undeveloped land. Different factors will be employed for mortgages in good standing, with overdue payments, in the process of foreclosure, etc.
- For equities, separate factors can be used for preferred shares (using a scale depending on their credit rating class) and common shares.
- For real estate, the factors will depend on whether the properties are occupied by the insurer, are income producing, etc.
- Additional factors will have to be employed for impaired investments or restructured mortgages.

Insurance Risk

This represents the risk of understating the liabilities in respect of business already written due to wrong assumptions for mortality, morbidity and policy terminations. The factors represent the additional assets needed to provide for the excess claims over expected, both from random fluctuations and from inaccurate estimation of future levels, so as to provide the required confidence level.

The various measures for exposure and the nature of factors can be set up on the following lines (all measures will be considered net of reinsurance basis):

- For mortality, the measure can be net sum at risk for life insurance and the amount of reserve for annuities containing life contingencies. The factors can depend on the period of remaining coverage. Mortality is an element that can be statistically measured with a reasonable degree of precision. This can be reflected in scaling down the mortality component of the RSM for large insurers.
- For disability income, the measure can be the amount of the annual premiums for new claims and the amount of reserve for existing claims.
- No simple measure can be used for policy terminations. For this reason, it may be necessary to recompute the reserves with higher (lower) policy termination rates so as to give higher reserves. The excess reserve will then be a part of the RSM.

Interest Margin Pricing Risk

This represents the risk associated with inadequate pricing in respect of the present in-force business. Such losses can be occasioned by communication problems between investment and pricing personnel, by lack of sufficient volumes of new bond and mortgage opportunities, by changes in interest spread relationships between different investments, etc. This component will not be required where there is no repricing risk (e.g. paid-ups).

The measure to be used will be the amount of reserve.

Interest Rate Risk

This represents the risk arising from interest rate movements in the future. The losses arise due to the lack of synchronisation of the asset and liability cash flows. These losses can arise as follows:

- The prepayment and extension options present on the investments are sensitive to future interest rates. These create uncertainties in the future asset cash flows.
- Increasing interest rates will cause depreciation of asset values, if these have to be sold to meet the shortfall in the asset cashflows to meet the insurer's committments.

- For contracts with longer term interest guarantees, with decreasing interest rates, the future excess cashflows will have to be invested at lower interest rates while the guarantees are based on higher interest rates.

  The measure to be used will be the amount of reserveless policy loans, as such loans will reduce the interest rate risk.

Segregated Funds Guarantee Risk

This represents the risk associated with any interest or performance related guarantees on segregated fund contracts. These guarantees relate to the minimum amount of benefits payable on maturity after a minimum period, or on death. In determining the amount of loss, the following considerations have to be taken into account:

- Time diversification, that is, the spread out of the maturity dates. Such spreading out will tend to minimise the concentration on specific dates.
- The ratio of the (market value of segregated fund assets)/(guaranteed value) and the period of time left in the future.
- Level of management charges.
- Existence of margins included in pricing to provide for such guarantees.

Business Risks

There will be a number of risks in running the business that may be very difficult to quantify. Examples of these would be:

- Risks caused by failure of systems employed by the insurer and inaccuracies of data on these systems.
- Failure of management to follow prudent practices.
- Fraud.
- Litigation.
- Government action such as limitations on sale of certain products or requirements to sell specified products at specified prices, etc.
- Sudden changes in the competitive environment.
- Unexpected changes in capital markets.

In view of the quantification difficulties, some indirect allowance may have to be made for such risks – for example, the minimum requirement can be set at (100+k)% of the computed RSM. It may be possible to quantify the effect of some of the risks through the use of Dynamic Capital Adequacy Testing.

Other Risks

Life insurers will be holding various derivative instruments in their effort to minimise future cash flow risks. Such instruments would involve risks if the counterparties default in their payments. Such risks will have to be provided for. As new risks emerge, attention will need to be paid to them.

> The RSM level cannot be determined independently of the level of reserves set up by the insurer. It is the total (Reserve + RSM) that is important and not just the level of RSM.

Once the RSM has been computed, it will be compared with the Available Capital and Surplus. In establishing the available capital, some deductions may have to be done (for example, goodwill). In making these deductions, it should be borne in mind that the RSM will have a component pertaining to the assets held in the surplus (e.g. for asset defaults). Accordingly, no further deduction in respect of such assets will be called for.

The ratio of the (Available Capital and Surplus) to the (RSM) can be termed as the Surplus Ratio. The regulators can require a ratio in excess of 100% (say, 125%) to reflect the inadequacies of the computations (e.g. inability to take into consideration all risk factors). The life insurers can aim to maintain a higher ratio, say, 150%. This will provide additional capacity to absorb losses beyond those provided by the RSM.

The purpose of the article is to discuss the various risks that have to be taken into account in setting up the RSM, without suggesting any specific factors. As discussed above, the RSM requirements are interlinked with the reserve levels.

The IRDA can give consideration to setting up a task force (drawn from various disciplines) to consider the various issues and come up with the RSM requirements consistent with the Risk Based Capital approach.

A lot of work is being done on the international scene. This can provide useful guidance. Special features applicable to the Indian market place will have to be taken into account, such as

- The statistical data needed for a proper analysis may not be available.
- Data for asset defaults may not be readily available.
- Adequate supply of appropriate assets may not be available (e.g. long term bonds, various types of derivatives, etc.).

This may be the right time to start thinking about moving from the present simplistic approach to a true risk based approach. In the initial phase, a move to the fully risk based approach may not be feasible; but at least a start can be made.

The author retired four years ago after spending over 40 years in the life insurance industry. He has been very active on the Indian insurance scene.

Insurance, for the insurance customer

K. Nitya Kalyani

It's good to have someone able keeping an eye on your money, and on those who deal with and manage it. Gives you peace of mind!

The Insurance Regulatory and Development Authority (IRDA) does exactly that. By making sure that those who promise you financial security and support in times of need are in good financial health themselves and can indeed keep their promises to you. And that they do so fairly and promptly.

This was the implicit promise of the Union Government when it proposed a statutory regulator for the insurance industry that was going to face competitive forces. To make sure that the industry grew along healthy lines and that, finally, the customer benefitted.

Thus was the IRDA formed by an Act of Parliament, The Insurance Regulatory and Development Authority Act, 1999. Its writ was to license insurers, to oversee the training and conduct of different classes of intermediaries and service providers to the industry, to promote and regulate related professional organisations, specify and regulate prudential norms and social obligations that insurers should fulfill.

Most of all, the duty of the IRDA was to protect the interest of policyholders by itself and by discharging all of the above duties.

When it was formed, the industry that it was to regulate stood poised at a very critical juncture. One that would soon see Indian and international private sector competitors entering a long-standing Government monopoly market. One that would directly serve the financial security needs of the society and industry and one that was and is expected to be the most visible area of potential growth in the Indian economy.

Insurance held exciting business prospects whether one wanted to be an insurer, or one of the several kinds of intermediaries serving the industry. This was very clearly demonstrated by the sustained interest shown by Indian and international private businesses that waited over half a decade to be invited in.

And equally important, competition and growth of the insurance business held great promise to the society by offering better plans and choice for enhanced financial security and planning and long term investment in infrastructure, lack of which was proving to be one of the major bottlenecks for Indian industrial growth.

Liberalisation also meant certain kinds of discomfort to the public sector insurance companies who were already in the market, and who indeed were the only ones in the market. But an independent and strong regulator meant that the new competitive environment would ensure them a level playing field and guide them toward reinventing themselves for a new era.

The regulator had also to take into account a disturbing historical fact. The industry had, one way or another, failed its customers twice before and the memories had never quite gone away.

In the 1950s things were very different from the insurance industry we have seen over the last few decades until just a little while ago. Life insurance as a business was over a hundred years old in the country. In 1956, 154 Indian insurers, 16 non-Indian insurers and 75 provident societies were conducting life insurance business. Though prudential norms were introduced in 1950 including specifying entry capital, shareholding patterns and investment controls, the industry operated in a casually regulated environment and operated on varied bases. It was not a case of a lack of regulations, but rather that they were lackadaisical.

Companies big and small, tariff and non-tariff, life, non-life and many composites, standalone and part of big business houses, did pretty much as they pleased. Financial reporting by companies – though defined and required by law – was quite lax and internal administrative systems weak. The regulator – the Controller of Insurance – was located in Simla, too far away from the din and bustle of everyday business to appreciate the risks both to the industry and to its customers. And anyway he was not staffed adequately to monitor a dispersed industry or to enforce regulations.

Some companies were doing famously well: making profits and serving their customers conscientiously. But there were others too, who were on the verge of financial sickness.

In the late 50s the Government was pursuing public programmes that needed captive funding and saw the life insurance industry, with its bank of life funds, as a good source.

Life Insurance Corporation of India, a monopoly life insurer wholly owned by the Government of India was created by an Act of Parliament, the LIC Act, 1956, made up of 245 Indian and foreign insurers and provident societies nationalised on September 1, 1956.

Its policies were gold-plated immediately, for they were all guaranteed by the Government, which acquired a captive source of funds in the form of the life funds of the corporation that grew by 1993 to Rs. 41,000 crores. Today they amount to Rs. 2,00,000 crores.

The LIC spread its branch network to rural centres too and almost half its business came from non-urban areas.

But the flip side of the development was, for the customer, a gradual drop in the quality of service and dynamism of an industry that now worked on very different lines from its commercial avatars of the past. Because with security to the policyholders came job and pay security for employees and the dissociation of performance from reward, including the reward of retaining their jobs.

Policy proceeds were guaranteed, but service was not. Safety of policyholders' monies was ensured, but dynamism and innovation in going out and getting more policy holders and keeping them happy became the casualty. The necessity to act in the interests of the market needs was gradually lost. Insurance penetration that was at 10 % of the insurable population in 1971, barely doubled by 1992, but the underperforming LIC meanwhile became overstaffed, specially in supervisory rather than operational offices.

The advantages of nationalisation were many. The LIC did take its message, if not its products, across the country, even to rural belts where markets were thinner. In fact LIC claimed that 45 % of its new business came from these areas by 1993. But it hardly stretched itself to do more than was comfortable and necessary. Most life insurance sold itself due to tax benefits. The art of marketing was placed in a redundancy mode.

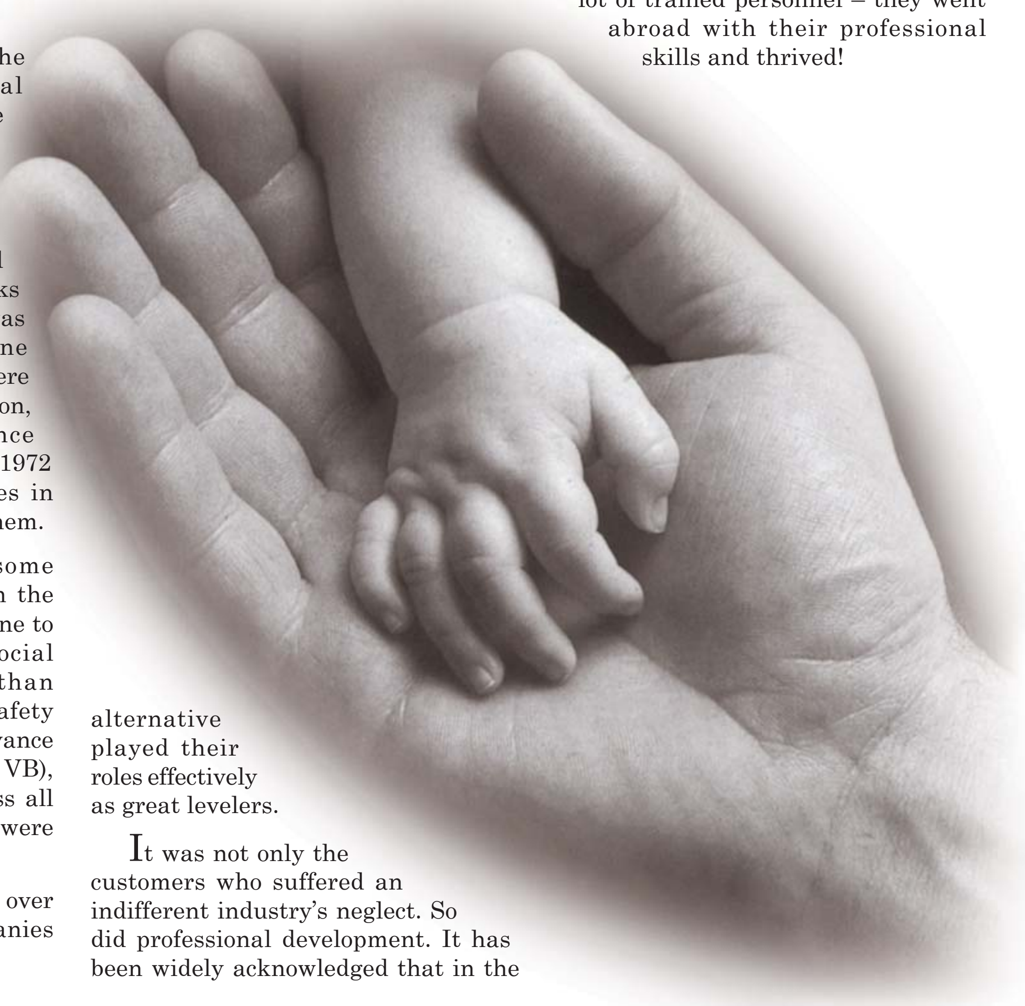
Over a decade later came the nationalisation of the general insurance business: for no more reason than that life insurance had been nationalised. In fact life insurance nationalisation had set the trend and the Government added to its revenue streams and asset base by nationalising big banks in 1969, and general insurance was all set to go the same way. One hundred and three companies were melded into four, one for each region, and the General Insurance Corporation of India was formed in 1972 to hold the Government's shares in these companies and to oversee them.

Just prior to that, with some incipient sickness showing up in the industry, general insurers had gone to the Government asking for 'social control' in 1969, rather than nationalisation. That is when safety measures for the industry like advance collection of premium (section 64 VB), and the imposition of tariff across all companies rather than by choice were implemented.

The Government anyway took over the management of these companies soon after.

They dealt with industry and not entirely with individual customers like the LIC, and they were organised as four separate companies and a holding company all registered under the Companies Act, and not as a monolithic statutory body like the LIC. Yet the GIC and its subsidiary companies, New India Assurance Company Ltd, United India Insurance Company Ltd, The Oriental Insurance Company Ltd. and National Insurance Company Ltd., fell quickly in line with the somnolent and bureaucratic ways of the elder sibling. They became virtually one entity with four arms.

The idea behind forming four companies – that they would operate competitively – was negated quickly as market agreements came into place and Government ownership and lack of an alternative played their roles effectively as great levelers.



It was not only the customers who suffered an indifferent industry's neglect. So did professional development. It has been widely acknowledged that in the decades of nationalised insurance there were no underwriters to be had in India. There were only employees who were trained to look up tables. Tariffs replaced underwriting and risk assessment was merely a page number on these voluminous tomes.

A case in point is the actuarial profession. Post nationalisation only the LIC had to have actuaries, and after a while it too did not need too many. Mortality tables went for decades without review and revision and only partly because there were not enough professionals to undertake the job, but more importantly because the customers could not demand anything better for want of choice though health and life expectancy indicators were showing remarkable improvement. The profession suffered but not the entire lot of trained personnel – they went abroad with their professional skills and thrived!

Employees thrived. In a secure and undemanding environment. A generation of insurance employees – along with their elder siblings in the nationalised banking industry – proved the power of job security and assured wage revisions and added to the housing and savings stock of the country.

Management suffered due to the practice of the traditional culture of public sector undertakings taking over; commercial decisions were forgotten.

This was the second time the society was robbed of the benefits of a dynamic industry.

With the dawn of the nineties, and the slow awakening of the Indian economy to what was happening around the world, came the idea of liberalisation and globalisation. Financial sector reforms were identified as the backbone of economic reforms and its primary pilot - the then Finance Minister Mr Manmohan Singh, set up committees to explore what was right and wrong with various parts of the sector and suggest roadmaps to reform.

One such was the Committee on Reforms in the Insurance Sector headed by Mr R.N. Malhotra, a former Governor of the Reserve Bank of India. Similar committees were set up for the banking industry headed by another former RBI Governor, Mr R. Narasimham, and for the non-banking financial sector headed by Dr A. C. Shah, a former CMD, Bank of Baroda.

The Malhotra Committee recommended the advent of competition into the moribund industry to present the consumers with choice and the better service levels that would result from competition.

And for this to work and grow in a healthy manner the Committee recommended that a "strong and effective insurance regulatory authority in the form of a statutory autonomous board" should be established and that

In good hands

Here are some of the consumer protection measures that the IRDA has been implementing

- Requiring insurance companies to have a consumers' representative on their Board as members
- Requiring insurers to maintain solvency margins so that they are in a position to meet their obligations towards policyholders with regard to payment of claims
- Requiring insurers to file details of their non-tariff products with the Authority before launching them in the market so that it can be checked that the interests of the policyholders are taken care of
- Requiring insurers to disclose clearly the benefits, terms and conditions under each policy
- Delineating norms for advertisements issued by insurers so that they are not misleading to the public
- Requiring all insurers to set up proper grievance redressal machinery in their head offices and at their other offices
- Drafting consumer representatives on to the Insurance Advisory Committee, a broadbased body that advises the Authority on framing regulations and taking other regulatory and development measures for the industry. All regulations notified by the Authority are finalised in consultation with this Committee
- Constituting a Consumer Advisory Committee consisting of representatives from various consumer organisations and of various life and non-life insurers
- Implementing the Insurance Ombudsman scheme.

  Ombudsmen operating from different state capitals have been entrusted with the responsibilities of conciliation and giving awards, and can be approached by customers of personal insurances with grievances about deficiencies of service.

  These can include the fairness of the premium charged, delay in settling of claims or repudiation of claims, legal matters relating to wordings in their policies and non-issuance of any insurance document after payment of claims. Ombudsmen's awards are legally binding on the insurer but the consumer has the right to pursue the matter at other forums.

  The Ombudsman's role is complementary to that of the Authority in protecting the interests of the policyholders.
- Receiving complaints from policyholders directly too regarding customer service and following them up with the respective insurance companies
- Making regulations for the protection of policyholders' interests which delineate benchmarks for customer service. It also introduced to the Indian market concepts like a 15 day free look period during which policyholders can cancel policies if they are not satisfied with the terms, and get a refund of the premium, and payment of interest on delayed settlement of claims
- Introducing a Code of Conduct for agents so that they do not missell products to customers or conceal or misrepresent any policy terms and conditions including the responsibilities and rights of their customers

These measures have brought in an element of transparency to the insurance market which, by nature of the business, is skewed in favour of the insurer who has better information and the ability to set prices and withhold payment of claims.

The Authority is also always open to suggestions from various quarters that will help it play its role as protector of policyholders in a more effective way.

it should be "a highly professional and compact organisation" with an "independent source for financing its establishment and activities".

The 1993 report translated into a voluntary body, the Insurance Regulatory Authority, in 1996, which in November 1999 became a statutory body renamed the Insurance Regulatory and Development Authority (IRDA) formed through the passing of The Insurance Regulatory and Development Authority Act, 1999.

The writ of the Authority was to register, and monitor according to well laid out prudential norms, new companies wishing to enter the insurance business and those already in it. Its responsibility is also to nurture the industry through a period of change and ensure its healthy growth for the larger good of the society and the economy.

The first of the new insurance companies was registered in October 2000 and today, there are 26 direct insurance companies (13 each in life and non-life) doing business in the Indian market with the GIC being designated as the national re-insurer.

The lineage of the new companies range from centuries old Indian and International bluechip businesses like the Tatas, State Bank of India, Royal & SunAlliance of UK and MetLife of New York.

The IRDA has come out since with 26 comprehensive regulations relating to everything from accounting and investment norms for insurers to rules of the game for various intermediaries and the various activities in this sector.

These regulations were developed through persistent and comprehensive dialogues with insurance aspirants and applicants from all over the world to understand their business concerns as well as perceptions of the market and its various complexities.

The process of consenus building has paid off with a smooth opening up of the sector and subsequent development of the industry taking place at a stable and sustainable pace with no missteps and hardly any misreading of the compulsions and requirements of such a complicated exercise.

With choice comes the responsibility of decision-making. And so it is with the Indian insurance consumer today, whether he is looking at a business decision for his company or a personal financial decision for the protection of his material assets and his family's well-being.

It would be natural at this point to be overwhelmed by the sudden range of choices available in products and providers, in prices and features and of course in the service profile that each insurer presents. And assessing the opportunities and risks each option presents is just not easy.

It is here that regulations of the IRDA relating directly to policyholders' interests play an important part. Two main regulations in this regard illustrate the level of concern the IRDA has and should have about consumers. They are the IRDA (Protection of Policyholders' Interests) Regulations, 2002, and IRDA (Insurance Advertisements and Disclosures) Regulations, 2000.

While these provide the blueprint for the IRDA to directly look after consumers interests, in a larger sense all that the IRDA does – whether it is monitoring entry capital norms or keeping an eye on whether insurers' funds are safely invested and properly reported - is towards this precise end.

This is also the reason why a regulator chose to begin publishing a monthly for and about the industry and its consumers. Because making an informed choice requires information in the first place!

The **IRDA Journal** is an attempt to provide the industry and its customers a medium for information exchange. Information about the state of the industry, where it is headed, what concerns stare us in the face and how we are going to put our heads together and deal with them proactively. This will help the constituents of the industry and more importantly its customers gauge what is going on and whether the industry is growing along healthy lines.

For, in the end, the only insurance that an insurance customer has is a healthy and stable industry!

Mission statement of the IRDA

- To protect the interests of and secure fair treatment to policyholders
- To bring about speedy and orderly growth of the insurance industry (including annuity and superannuation payments), for the benefit of the common man, and to provide long term funds for accelerating growth of the economy
- To set, promote, monitor and enforce high standards of integrity, financial soundness, fair dealing and competence of those it regulates
- To ensure that insurance customers receive precise, clear and correct information about products and services and make them aware of their responsibilities and duties in this regard
- To ensure speedy settlement of genuine claims, to prevent insurance frauds and other malpractices and put in place effective grievance redressal machinery
- To promote fairness, transparency and orderly conduct in financial markets dealing with insurance and build a reliable management information system to enforce high standards of financial soundness amongst market players
- To take action where such standards are inadequate or ineffectively enforced
- To bring about optimum amount of self-regulation in day to day working of the industry consistent with the requirements of prudential regulation

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लोग इस जर्नल के प्रकाशित होने पर आश्चर्य कर रहे होंगे। पहले से इस क्षेत्र में अनेक पत्रिकाएँ उपलब्ध हैं। हमने प्राधिकरण में यह महसूस किया कि हम समकालीन विनियामक विषयों पर बीमा उद्योग से परिचर्चा करें तथा उद्योग में हो रही घटनाओं पर अपनी प्रतिक्रिया प्रस्तुत करें। हम यह समझते है कि यह माध्यम पहले से हमारे द्वारा अपनायी जा रही पारदर्शिता की नीति में एक महत्वपूर्ण कदम होगा।

हम भारत के बीमा उद्योग के विकास के दिलचस्प पड़ाव पर हैं। बीमा उद्योग में निजी क्षेत्र की प्रतिस्पर्धा के आगमन के दो वर्ष से कुछ कम समय पर हम स्पष्ट रूप से कुछ नई प्रवृत्तियाँ देख रहे हैं।

पिछले वित्तीय वर्ष में हमने देखा था कि बीमा शब्द का पर्याय भारतीय जीवन बीमा निगम बन गया था। जबकि उसने पिछले वित्तीय वर्ष की अपेक्षा व्यापार में 50 प्रतिशत की प्रगति की थी। इस वर्ष की छमाही में देखा गया है कि नई कंपनियों ने भी तीव्र प्रगति आरंभ कर दी है जोकि व्यापार प्रारंभ के अपने प्रथम वर्ष की अपेक्षा दुगुनी तक जा पहुँची है।

पिछले कुछ महीनों में साधारण बीमा उद्योग में भी बड़ा परिवर्तन देखा गया है जबकि अनुषंगी कंपनियों को अपनी नियंत्रक कंपनी से अलग कर दिया गया है।

जी.आई.सी ने अपनी नई भूमिका को राष्ट्रीय पुनर्बीमाकर्ता के रूप में निभाना प्रारंभ कर दिया है। अपने को पुनर्नियोजित करते हुये 30 साल से अपने नियंत्रण में रही बीमा कंपनियों को महत्वपूर्ण ग्राहक की भूमिका में देखना प्रारंभ कर दिया है। निजी कंपनियों ने भी बाजार में अपनी उपस्थिति दर्ज की है। लंबे समय से प्रतीक्षित ग्राहक स्नेही सुविधाएँ जैसे स्वास्थ्य पॉलिसियों का नगद रहित निपटान तथा व्यक्तिगत बीमा के क्षेत्र में नये विकल्पों का आना प्रमुख है।

भारतीय जीवन बीमा निगम का कंप्यूटरीकरण कार्यक्रम, अच्छी मार्केटिंग तथा ग्राहक सेवा के मानकों में सुधार का प्रभाव अच्छे व्यापार के रूप में सामने आया लेकिन राष्ट्रीयकृत साधारण बीमा के बढ़ते राजस्व के कारण आधारभूत प्रभावित हुआ। प्राथमिक रूप से उच्च हानि तथा निम्न प्रीमियम परिमाप ने यह स्थिति उत्पन्न की है। पिछले कुछ समय से बदलते व्यापारिक बाजार को अवसर के रूप में स्वीकार न कर पाने के कारण ऐसा हुआ है। ब्याज की प्रगतिशील घटती दरें अब पहले से अधिक प्रभाव डाल रही है परिणामस्वरूप निवेश आय कम हुई है जिनका उपयोग बीमा लेखन से होने वाली क्षति पर पर्दा डालने के लिये किया जाता था। अब इस उद्योग पर इतना ज्यादा दबाव है जो पहले कभी नही था।

बीमा विनियामक विकास प्राधिकरण संगठन के अपने प्रथम वर्ष में अपने तथा बीमा उद्योग के लिये नियम तथा प्रक्रियाएँ बनाने में व्यस्त रहा जिससे उद्योग का स्वस्थ विकास हो सके तथा बीमा धारक के हितों की रक्षा सुनिश्चित की जा सके।

अपने दूसरे वर्ष में हमने पहले से किये गये कार्यों को मजबूत किया जिसमें विनियमकों को परिष्कृत किया गया। बाजार की आवश्यकता के अनुरूप नई सुविधाओं को शामिल किया गया जिसमें अधिक वितरण केन्द्रों के साथ व्यावससिक विकास तथा प्रशिक्षण प्रोत्साहन मुख्य है। हमें यह विश्वास है कि इससे सुगम व्यापार व्यवस्था स्थापित होगी। यह सब बीमाधारक के हितों को ध्यान में रख कर किया जा रहा है।

आई.आर.डी.ए में उद्योग का विनियामक करने के लिये एक ही नीति अपनाई जाती है वह है सर्वानुमति की नीति, जिसके अंतर्गत सूचना का आदान प्रदान होता है तथा हमारी सफलता का रहस्य हमारी खुलेपन की पद्धति ही है।

इसके पीछे दर्शन यह है कि उद्योग को विनियामक एक ग्राहक के रूप में देखता है। विनियामक को उद्योग सेवा प्रदान करता है, इस प्रकार उत्पादों के ग्राहक ही मुख्य है।

बिना रूकावट के सूचना का प्रचलन, मुक्त व स्पष्ट विश्लेषण तथा नाजुक मुद्दों पर परिचर्चा ऐसी बातें हैं जो उद्योग को स्वस्थ विनियामक तथा विकास के लिये महत्वपूर्ण निवेश प्रदान करती है।

अपने इसी प्रयास में हम नया मंच प्रस्तुत कर रहे हैं। ***आई.आर.डी.ए जर्नल*** उद्योग का अपने से ही परिचय करवायेगा तथा उद्योग में और उसके आस-पास हो रही गतिविधियों की सूचना देगा। यह उद्योग की आँखे, कान और मुँह के रूप में सेवा करने के लिये तैयार किया गया है, यह ऐसा स्थान है जहाँ उद्योग यह मनन चिंतन करेगा की वह किस ओर जाना चाहता है तथा किस ओर नही।

इस शक्तिशाली उद्योग के सभी प्रतिभागियों को यह भेंट करता हूँ तथा आपसे अनुरोध करता हूँ कि इस जर्नल का प्रयोग अपने विचारों की अभिव्यक्ति के लिये करें तथा विकास में भागीदार बने। केवल आपके खुले दिल से भाग लेने पर ही यह प्रयास सफलता को प्राप्त कर सकेगा।

एन. रंगाचारी

ÙÚUÇU ÚæżæÚUè

सुख में सुमरन ना किया दुख कीन्हा याद
कबिरा ऐसे दास की कौन सुने फरियाद
कौन सुनै फरियाद करम को भोगै भाई
सुख की कीन कमाई दुखै मा खरचे लाई
जैसा बीजा बोई वही फल तो उपजाई
बबुरा डार जमीन आम कहवां से खाई

बीमा बीमा ग्राहक के लिए

के. नित्य कल्याणी

आपको चैन की नींद आये इसके लिये हमेशा यह अच्छा होगा कि कोई ऐसा हो जो आपके पैसे पर नजर रखे। विशेषत: उन पर जो इसका व्यवहार व प्रबंध करते हैं।

यह सुनिश्चित करते हुये कि कठिनाई के समय में आप अपनी वित्तीय सहायता व सुरक्षा के प्रति आश्वस्त रहें तथा आपको वचन देने वाले उसे उचित प्रकार से तथा जल्द ही पूरा करे आई.आर.डी.ए अपने कार्य के लिये प्रतिबद्ध है।

केन्द्रीय सरकार ने जब बीमा उद्योग के लिये एक स्वायत्त विनियामक बनाने का प्रस्ताव किया तो यह निर्विवाद आश्वासन था कि ग्राहक को लाभ हो तथा उद्योग स्वस्थ रूप से प्रगति करे इसके कारण उद्योग में प्रतिस्पर्धा प्रारंभ हुई।

आई.आर.डी.ए अधिनियम 1999 के नाम से जाने वाले अधिनियम की स्थापना संसद द्वारा की गयी जिसके अधिकार क्षेत्र में बीमाकर्ताओं को लाइसेंस प्रदान करना, उद्योग के सभी मध्यस्थों तथा सेवा उपलब्धकर्ताओं को न केवल प्रशिक्षण दिलवाना वरन् उनके आचार व्यवहार पर दृष्टि रखना है। इसके साथ ही आई.आर.डी.ए के कार्यक्षेत्र में संबंधित व्यावसायिक संगठनों को प्रोत्साहन देना, उनका विनियामक करना तथा ऐसे सभी मानदंडों तथा सामाजिक दायित्वों का विवेकपूर्ण विनियम करवाना। जिन्हें पूरा करने की बीमाकर्ताओं से अपेक्षाएँ है।

आई.आर.डी.ए के कार्यों में सबसे महत्वपूर्ण बीमाधारक के हितों की रक्षा करते हुए उपरोक्त कर्तव्य का निर्वाहन करना है।

स्थापना के उत्तेजनापूर्ण क्षणों में भारतीय उद्योग अंतर्राष्ट्रीय निजी क्षेत्र की प्रतिस्पर्धा को लेकर काफी असमंजस में था। निजी क्षेत्र के प्रवेश के परिणाम स्वरूप लंबे समय से बाजार पर सरकार का एकाधिकार समाप्त हुआ तथा समाज व उद्योग के लिये प्रत्यक्ष रूप से ऐसी स्थिति का निर्माण हुआ जिसने भारतीय अर्थ व्यवस्था के विकास के लिये दिखाई देने वाले सबसे महत्वपूर्ण क्षेत्र को समाहित किया।

उद्योग के लिये सेवारत लोगों ने चाहे वह अनेकों उपलब्ध विकल्पों में से एक मध्यस्थ हो, उद्योग के लिये सेवारत कर्मी हो या बीमा व्यवसाय से जुड़ी कोई भी इकाई हो, भारतीय या अन्तर्राष्ट्रीय व्यावसायी हो सभी ने लगभग आधे दशक तक इंतजार करने के बाद सतत् उत्तेजनापूर्वक रूचि दिखाई है।

बीमा उद्योग में प्रतिस्पर्धा से वृद्धि के कारण समाज को एक ऐसा आश्वासन मिला है जिसके अन्तर्गत एक तरफ वित्तीय सुरक्षा व योजनाओं के बेहतर विकल्प उपलब्ध है तथा दूसरी और ढाँचागत क्षेत्रों में लंबे समय के लिये पूँजी निवेश भी उपलब्ध होगा। इसकी कमी के कारण भारतीय औद्योगिक क्षेत्र को एक अवरोध का सामना करना पड़ रहा था।

उदारीकरण के कारण सार्वजनिक क्षेत्र की पहले से बाजार में कार्यरत बीमा कंपनियों को कुछ परेशानी हुई तथा अब तक वह बाजार में अकेली थी, एक निष्पक्ष तथा मजबूत नियामक का अर्थ है नये प्रतिस्पर्धात्मक वातावरण में सभी को समान रूप से कार्य करने का अवसर प्राप्त हो तथा उनका मार्गदर्शन नये बदलते परिपेक्ष में अपने को पुन: प्रतिभाशाली बनाने के लिये करें।

विनियामक को उद्योग का ऐतिहासिक तथ्य भी सामने रखना है। उद्योग पहले अपने ग्राहकों के प्रति दायित्वों में सफल नही रहा है तथा वह यादें अभी भी धूमिल नही हुई है।

पिछले कुछ दशकों की अपेक्षा वर्ष 1950 में परिस्थितियाँ कुछ अलग थी यह दो वर्ष पहले तक भी ऐसा कुछ ही था। जीवन बीमा भारत में अब सौ वर्ष से अधिक पुराना हो चला है। वर्ष 1950 में देश में 154 बीमाकर्ता थे जिनमें 16 गैर भारतीय कंपनियाँ तथा 75 निधि समितिया थी जो जीवन बीमा का कार्य करती थी।

यद्यपि वर्ष 1950 में विवेकपूर्ण मानदंड जैसे प्रवेश के लिये पूँजी, अंशधारकों के पैटर्न तथा निवेश नियंत्रण उपलब्ध थे लेकिन सभी प्रचलन एक अनियमित वातावरण में विनियमित होते थे तथा परिवर्तित आधार ही मुख्य था।

यह विनियामकों की अनुपस्थिति से अधिक उनके अनुपालन की कमी का मामला था।

छोटी-बडी, टैरिफ-गैर टैरिफ, जीवन बीमा - गैर जीवन बीमा, संयुक्त-एकल, बड़े व्यापार समूह की कंपनी या बहुत छोटी कंपनी जितना अपनी तरफ से कर सकते थे उन्होने किया। अधिनियम द्वारा कंपनियों के लिये वित्तीय विवरणों की प्रस्तुति बहुत लचीली थी तथा आंतरिक प्रशासनिक प्रणाली बहुत कमजोर थी विनियामक जिसको बीमा नियंत्रक के नाम से जाना जाता था का कार्यालय शिमला में था जो व्यवसाय की दिन प्रतिदिन की गतिविधियों से बहुत दूर था। यह दूरी व्यापार व ग्राहक दोनों से थी साथ ही इसमें इतने कर्मचारी भी नही थे जो इतने फैले हुये उद्योग पर विनियामक लागू कर सकें।

कुछ कंपनिया प्रसिद्ध रूप से अच्छा कर रही थी, लाभ कमा रही थी तथा अपने ग्राहकों की सतत् सेवा कर रही थी दूसरी तरफ कुछ ऐसी भी थी जो वित्तीय रूग्णता की तरफ अग्रसर थी।

50 के दशक में सरकार सार्वजनिक कार्यक्रमों को आगे बढ़ा रही थी जिसके लिये पूँजी की आवश्यकता थी तथा जीवन बीमा उद्योग की बड़ी धनराशि को इसके लिये चुना गया।

जीवन बीमा के क्षेत्र में एकाधिकार वाली सरकारी स्वामित्व में भारतीय जीवन बीमा निगम का गठन संसद ने वर्ष 1956 में एल.आई.सी अधिनियम 1956 को पारित किया। जिसके अनुसार एक सितम्बर 1956 को 245 भारतीय तथा विदेशी तथा अन्य निधि समितियाँ राष्ट्रीकृत हो गई।

सरकार द्वारा गारंटी दिये जाने के कारण निगम की पॉलिसिया सुनहरा आकर्षण बन गई तथा यह बीमा फंड सरकार के लिये बहुत उपयोगी साबित हुए जो वर्ष 1993 तक बढ़ कर 41 हजार करोड़ तक पहुँच गया था।

एल.आई.सी ने अपना कार्यक्षेत्र ग्रामीण क्षेत्रों में भी बढ़ाया तथा एल.आई.सी का आधा व्यापार ग्रामीण क्षेत्रों से आता है।

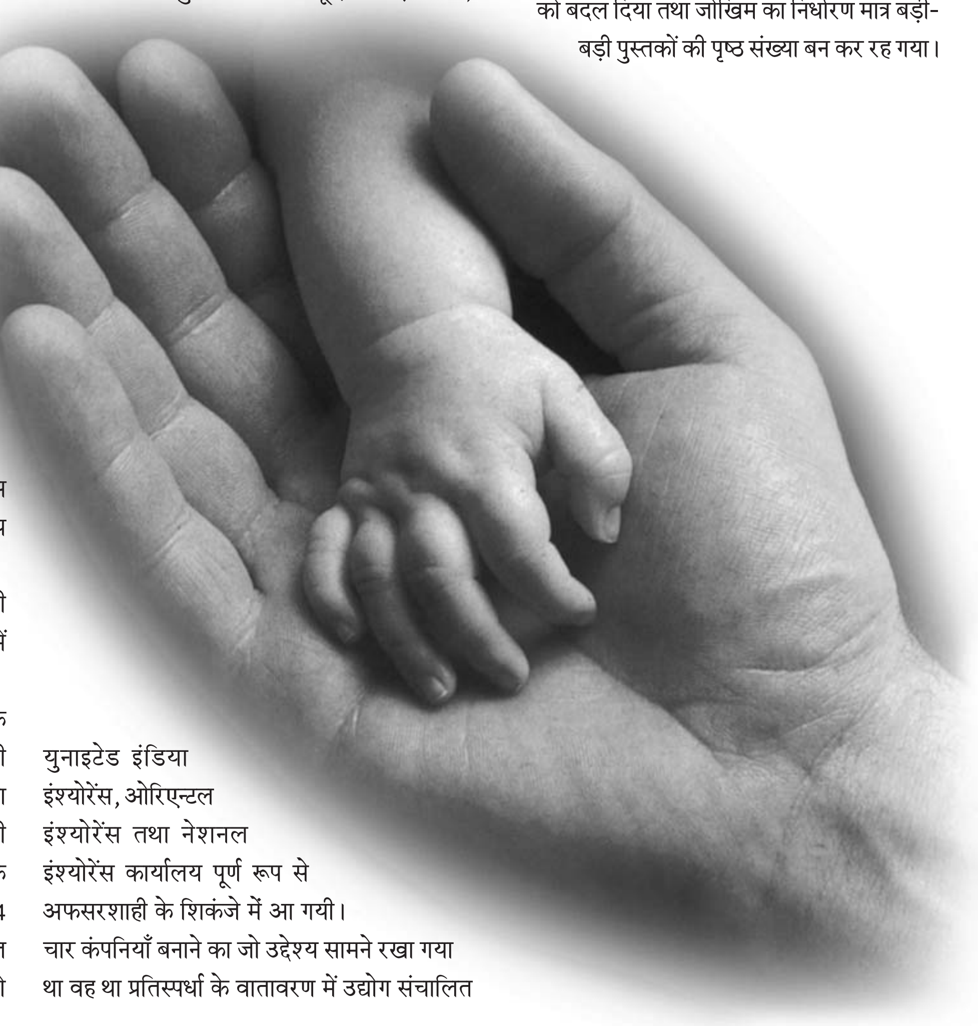
लेकिन सबसे बड़ा भटकाव ग्राहकों के लिये था। ग्राहकों के हितों के विरुद्ध उद्योग के शक्तिशाली रूप कार्य किया जिससे सेवा में गिरावट महसूस की गई क्योंकि ग्राहक के हितों से महत्वपूर्ण कर्मचारियों की वेतन तथा सुविधाएँ हो गयी तथा प्रोत्साहन के विलोपन के साथ कर्मचारियों के लिये उनकी नौकरी की सुरक्षा प्रोत्साहन हो गयी।

पॉलिसी प्रक्रिया की गारंटी दी गई लेकिन सेवा की नही। पॉलिसीधारक की सुरक्षा ही एकल लक्ष्य बन कर रह गई लेकिन बीमा व्यवसाय का विस्तार ग्राहक को प्रसन्न रखना द्वितीय लक्ष्य बन कर रह गया। वर्ष 1971 में जहाँ दस प्रतिशत जनता तक जीवन बीमा की पहुँच हुई थी वहीं वर्ष 1992 तक यह संख्या मात्र दुगुनी हो सकी। निम्न कार्य निष्पादकता वाली एल.आई.सी में पर्यवेक्ष्य स्टाफ का आधिक्य होता गया तथा प्रचलन कार्य स्टाफ की कमी से प्रभावित हुये।

राष्ट्रीयकरण के कई लाभ हुये जीवन बीमा का संदेश दूर दूर तक पहुँचा लेकिन उत्पाद नहीं पहुँच पाये यहाँ तक की ग्रामीण क्षेत्रों में भी बाजार का विकास कम ही रहा। वर्ष 1993 में केवल 45 प्रतिशत व्यवसाय एल.आई.सी ने इन क्षेत्रों में किया।

बर्दाश तथा आरामदायक स्थिति से आगे बढ़ने की कोशिश शायद ही कभी की गयी बहुत बड़ी संख्या में बीमा कर बचत के लिये ही बेचा गया।

इसके एक दशक के बाद साधारण बीमा व्यवसाय के राष्ट्रीयकरण की बात उन्हीं कारणों से सामने आयी जिनके कारण जीवन बीमा व्यवसाय का राष्ट्रीयकरण किया गया था। राष्ट्रीयकरण से अधिक सरकार की चिंता सामाजिक नियंत्रण की थी। इसी समय उद्योग के लिये कुछ सुरक्षा कदम उठाये गये जिनमें धारा 64 वी.बी के अंतर्गत बीमा शुल्क अग्रिम रूप से प्राप्त करना तथा कंपनियों को बीमा शुल्क के विकल्पों को सीमित करते हुये टैरिफ लागू किया गया। इसके एक वर्ष बाद सरकार ने बीमा कंपनियों का नियंत्रण अपने हाथ में ले लिया। यद्यपि इनका व्यवहार उद्योग से हुआ एल.आई.सी की तरह एकल ग्राहकों से नहीं जबकि इनका संगठन एक कंपनी के रूप में न कर चार कंपनी को दिया गया। जिसका नियंत्रण एक होल्डींग कंपनी को दिया गया। सभी का पंजीकरण कंपनी अधिनियम में हुआ तथा एल.आई.सी तथा जी.आई.सी की तरह स्वायत संस्था के रूप में नही हुआ। बड़े भाई की तरह जल्द ही चारों अनुषगी कंपनियो न्यू इंडिया एश्योरेंस, युनाइटेड इंडिया इंश्योरेंस, ओरिएन्टल इंश्योरेंस तथा नेशनल इंश्योरेंस कार्यालय पूर्ण रूप से अफसरशाही के शिकंजे में आ गयी।



चार कंपनियाँ बनाने का जो उद्देश्य सामने रखा गया था वह था प्रतिस्पर्धा के वातावरण में उद्योग संचालित होगा लेकिन यह लक्ष्य मार्केट समझौतों के प्रचलन में आने के कारण पूरी तरह से बेकार हो गया। इसके साथ विकल्पों के अभाव तथा सरकारी नियंत्रण ने कई स्तरों पर कार्य किया।

केवल ग्राहक ही नही वरन् उद्योग का व्यावसायिक विकास भी बुरी तरह से प्रभावित हुआ राष्ट्रीयकरण के युग में भारत में कोई व्यावसायिक बीमा लेखन नही था केवल कर्मचारी थे जिन्हें सारणी देखने के लिये प्रशिक्षित किया गया था। टैरिफ ने बीमा लेखन को बदल दिया तथा जोखिम का निर्धारण मात्र बड़ी-बड़ी पुस्तकों की पृष्ठ संख्या बन कर रह गया।

दुनिया में हो रहे बदलाव के बाद शनै: शनै: भारतीय अर्थव्यवस्था में भी जागरण की प्रक्रिया प्रारंभ हुई। खुलेपन व भूमंडलीकरण की विश्व नीति के प्रभाव में भारत में वित्तीय क्षेत्र के सुधारों को चुना गया इन आर्थिक सुधारों के प्राथमिक नायक तत्कालीन कार्यरत वित्तमंत्री मनमोहन सिंह बने जिन्होनें विभिन्न आर्थिक क्षेत्रों के लिये विभिन्न समितियों का गठन किया।

बीमा क्षेत्र में सुधार का जायजा लेने के लिये रिजर्व बैंक के पूर्व गर्वनर श्री आर. एन. मल्होत्रा की अध्यक्षता में एक समिति का गठन हुआ इसी प्रकार की एक समिति श्री आर नरसिम्हन की अध्यक्षता में बैंकिंग क्षेत्र के लिये भी बनी। मल्होत्रा कमेटी के निष्कर्षों के अनुसार ग्राहक को बेहतर सेवा देने के लिये प्रत्येक स्तर पर प्रतिस्पर्धा को आवश्यक माना गया तथा इसके लिये कमेटी ने सुझाव दिया की एक मजबूत तथा प्रभावशाली बीमा विनियामक प्राधिकरण का गठन एक व्यावसायिक तथा सघन संगठन के रूप में किया जाये जिसकी गतिविधियाँ तथा वित्तीय व्यवस्था स्वतंत्र हो।

वर्ष 1993 में जारी की गई रिपोर्ट के अनुसार वर्ष 1996 में बीमा विनियामक प्राधिकरण का गठन एक स्वंयसेवी संस्था के रूप में हुआ तथा वर्ष 1999 में संसद द्वारा बीमा विनियामक और विकास प्राधिकरण के प्रस्ताव के पारित होने के बाद यह संस्था एक स्वायत्त संस्था के रूप में सामने आयी।

प्राधिकरण के कार्यों में मानदंडों के अनुसार अनुज्ञापत्र जारी करना तथा बीमा क्षेत्र को मॉनीटर करना था। इसका दायित्व था कि बीमा क्षेत्र को पोषित किया जाए तथा इसका विकास समाज व अर्थवयवस्था के भले के लिये किया जाए।

अगस्त 2000 में पहली बार नई व्यवस्था के अंतर्गत बीमा कंपनी को अनुज्ञप्ति प्रदान की गयी और आज बीमा क्षेत्र में 26 कंपनियाँ है जिनमें 13 जीवन तथा इतनी ही गैर जीवन बीमा क्षेत्र में है। जबकि जी.आई.सी को पुन:बीमाकर्ता के रूप में मान्यता दी गयी है।

अपने गठन के बाद से प्राधिकरण द्वारा 26 संघन विनियामक जारी किये गये है जिसमें लेखा, निवेश, मध्यस्थों की भूमिका तथा बीमा के अन्य क्षेत्र शामिल हैं।

सभी विनियामकों को उद्योग में कार्यरत व्यवसायियों तथा अन्य संबंधित व्यक्तियों से सहमति लेकर ही बनाया गया है। सर्वानुभूति की नीति से तैयार किये गये यह विनियम सर्वत्र सहज स्वीकार किये गये हैं।

उपभोक्ता के हितों की रक्षा के लिये प्राधिकरण ने कठोर विनिमय बनाये हैं जिनमें पॉलिसीधारक के हितों की रक्षा विनियम 2002 तथा विज्ञापन तथा प्रकटीकरण बीमा विनियम 2002 मुख्य हैं, यह प्राधिकरण के प्रत्यक्ष रूप से उपभोक्ता के हितों की रक्षा पर प्रकाश डालते हैं।

इन्ही कारणों को सामने रखते हुये विनियामक ने एक मासिक पत्रिका के प्रकाशन का निर्णय लिया है जिसमें उद्योग तथा उपभोक्ताओं के मामलों स्थान दिया जायेगा क्योंकि विकल्प की सूचना द्वारा ही विकल्प चुने जा सकते हैं।

आई.आर.डी.ए जर्नल एक प्रयास है उद्योग तथा उसके ग्राहकों को परिचर्चा का मंच प्रदान करने का जिससे यह मालूम किया जा सके की उद्योग का स्वस्थ विकास हो रहा है या नही।

अंतत: उपभोक्ता के लिये सबसे बड़ा बीमा एक स्वस्थ तथा सुदृढ़ बीमा उद्योग है।

–¥Ùéßæî

आई. आर. डी. ए. का मिशन कथन

- पालिसी होल्डर के हितों का संरक्षण करना और उन्हें निष्पक्ष कार्यवाही सुनिश्चित कराना.
- आम आदमी के फायदे के लिए बीमा उद्योग में त्वरित और सुव्यवस्थित वृद्धि करना (जिसके अंतर्गत वार्षिकी और अर्धवार्षिकता संदाय भी हैं) और अर्थव्यवस्था की वृद्धि को तेज करने के लिए दीर्घकालिक निधियां उपलब्ध कराना.
- जिन्हें यह विनियमित करता है उनका गठन, संर्वधन, मानीटर करना और उनमें अखंडता, वित्तिय मजबूती ईमानदारी और सक्षमता के उच्च मानक परिवर्तित करना.
- यह सुनिश्चित करना कि बीमा ग्राहकों उत्पादों और सेवाओं के विपय में यथार्थ, स्पष्ट और सही जानकारी प्राप्त हो और उन्हें इस संबंध में उनके उत्तरदायित्वों और कर्तव्यों के प्रति जागरूक बनाना.
- सच्चे दावों के त्वरित समाधान को सुनिश्चत करना, बीमा कपटों और अनाचार को रोकना तथा प्रभावकारी शिकायत तंत्र की स्थापना करना.
- बीमा के साथ वित्तीय बाजार संव्यवहारों के संचालन में निष्पक्षता पारदर्शिता और सुव्यवस्थित संचालन का संवर्धन करना और बाजार बीमाकर्ताओं के बीच वित्तिय मजबूती के उच्च मानक प्रवर्तित करना.
- जहां ऐसे मानक अपर्याप्त हैं या प्रभावी रूप से प्रवर्तित हैं, वहां कार्रवाई करना.
- उद्योग के दिन प्रतिदिन के कार्यकरण में विवेकपूर्ण विनियामन की अपेक्षाओं से सुसंगत स्वतः विनियमन की सर्वोत्तम भावना लाना.

"कुछ तो लोग कहेंगे"

जनमानस में स्टेट बैंक की साख को देखते हुए जब हमारी शाखाएँ बीमा उत्पाद बेचना प्रारंभ करेंगी अंतरिक्ष ही हमारी सीमा होगा ...

ए. के. पुरूवार
स्टेट बैंक आफ इंडिया
के नवनियुक्त चैयरमैन

हम वर्ल्डकाम,एनरान, टायको... के स्वामी थे हमने 350 मिलियन डालर के बांड का नुकसान उठाया और इतना ही नुकसान हम शेयर बाजार में उठायेगें... अच्छी खबर यह है कि हमारी आय इस वर्ष के अन्त तक उससे अधिक होगी जितना साल के प्रारंभ में हमने शुरू किया था.

सी स्टर्नबर्ग
मुख्य कार्यपालक अधिकारी,
न्यूयार्क जीवन बीमा कंपनी.

इन सबकी सशक्त वित्तीय व्यवस्था है तथा उच्च ब्रांड इक्वीटी है लेकिन यह जरूरी नहीं ये सभी प्रकार से नैतिक भी हो लेकिन ये सब एल. आई. सी. के लिए चुनौती प्रस्तुत कर सकते हैं.

एल. आई. सी. के चैयरमैन
सुनिल बी माथुर
निजी क्षेत्र के प्रतिद्धंदियों पर

आतंकवाद बीमा अधिनियम भवन निर्माण कर्मियों को वापस काम पर भेजेगा,भवन निर्माण क्षेत्र में नये रोजगार उपलब्ध करवायेगा, विधि प्रक्रिया में सुधार करेगा तथा करदाताओं की सुरक्षा करेगा. इस अधिनियम के पारित होने के बाद सैंकडो, हजारो की संख्या में नये रोजगार पैदा होगें तथा निवेश के लिए अनेक बिलियन डालर उपलब्ध होगें जो अर्थव्यवस्था की सुरक्षा के लिए मददगार साबित होगा.

व्हाइट हाउस के उपसूचना सचिव
स्कोट मैक्लन
संयुक्त राज्य द्धारा आतंकवाद बीमा के लिए फैडरल बैकस्टाप आवरण उपलब्ध करवाने पर

आप यह सोच कर लोगों को बीमा नहीं बेच सकते की वे सदा जीवित ही रहेगें. एक सफल बीमा कपंनी के लिए यह आवश्यक है कि वह अपने उत्पादों का संगठन ठीक प्रकार से करे,यह दावों से इंकार करने के लिए नहीं है .. एडस् के इस वातावरण में हमें ज्ञात है कि हम बीमा व्यवसाय कैसे चलायेंगे.

जीम सटलीफ
दक्षिण अफ्रिका की सबसे बडी बीमा कंपनी ओल्ड म्यूचवल के ग्रुप चीफ. जहां लगभग 40 लाख एडस् से संकरित रोगी हैं. जिसने भारतीय बीमा बाजार में ओम कोटक महेन्द्रा के साथ प्रवेश किया है जहॉ का प्रोफाइल भी वैसा ही है.

आज वित्तीय सेवा उद्योग कठिन दौर से गुजर रहा है लायड्स पिछले चार दशकों से मजबूत व्यावसायिक परिस्थितियों से लाभांवित हुआ है. साल 2004 तक में अधिक मजबूत तथा अनुशासित लायड्स देखना चाहता हुॅं जिसकी विश्व भर में पारिर्दशिता तथा कार्यकुशलता के कारण बीमा उद्योग से प्रशंसापुर्वक तुलना की जा सके उसके बाद लक्ष्य यह है कि लाभ कमाया जाए जो लम्बे समय तक थामा जा सके

लार्ड पीटर लिविन लायड्स
आफ लंदन के नवनियुक्त
चैयरमैन

बीमाकर्ताओं की सामाजिक, ग्रामीण क्षेत्र के प्रति बाध्यताएँ

समाज के प्रति अपने दायित्वों को समझते हुये भारत सरकार ने 17 अक्टूबर 2002 को बीमाकर्ताओं के सामाजिक तथा ग्रामीण क्षेत्र के प्रति बाध्यताओं का राजपत्र प्रस्तुत किया। इसकी प्रमुख विशेषताएँ निम्नलिखित हैं।

राजपत्र में सर्वप्रथम ग्रामीण क्षेत्र को परिभाषित किया गया है जिसके अनुसार अंतिम जनसंख्या के आधार पर निम्नलिखित मानदंडों को पूरा करने पर ग्रामीण क्षेत्र को स्वीकार किया जायेगा।

1. जनसंख्या पाँच हजार से कम हो
2. जनसंख्या का घनत्व प्रति कि.मी. चार सौ से कम हो
3. पुरूष कामकाजी जनसंख्या का 25 प्रतिशत से अधिक कृषि संबंधी कामकाज लगा हो।

इसके अतिरिक्त सामाजिक क्षेत्र, असंगठित क्षेत्र, अनौपचारिक क्षेत्र, आर्थिक रूप से पिछडे वर्ग इत्यादि को पुन: परिभाषित किया गया।

राजपत्र के अनुसार प्रत्येक बीमाकर्ता जो आई.आर.डी.ए के अधिकार क्षेत्र में आता है निम्नलिखित बाध्यताओं का वचन आने वाले पाँच वित्तीय वर्षों के लिये देगा। वह जीवन बीमा के क्षेत्र में कुल बीमा पॉलिसियों का पहले वर्ष में सात प्रतिशत से पाँचवें वर्ष तक क्रमिक रूप से सोलह प्रतिशत तक ले जायेगा।

साधारण बीमा के क्षेत्र में कुल सकल प्रीमियम की प्रथम वर्ष की आय प्रथम वित्तीय वर्ष में दो प्रतिशत से पाँचवें वित्तीय वर्ष तक पाँच प्रतिशत का क्रमिक विकास करे।

सामाजिक क्षेत्र की बाध्यताओं के अंतर्गत बीमाकर्ता क्रमिक रूप से पहले वर्ष में पाँच हजार व्यक्तियों को सुरक्षा प्रदान करते हुये पाँचवें वर्ष में इसे बीस हजार तक ले जाये।

प्रीमियम प्राप्त करने की रीतियाँ

पॉलिसीधारकों को सुविधा देने के उद्देश्य से भारत सरकार ने 16 अक्टूबर 2002 को जारी राजपत्र द्वारा विनियम जारी किये जिनकी प्रमुख विशेषताएँ अधोलिखित है।

अब बीमाकर्ता पॉलिसीधारक द्वारा संदत्त किया जाने वाला प्रीमियम कई प्रकार से ले सकेंगे जिसमें

1. नकदी
2. कोई मान्यताप्राप्त बैंक कारी, पर काम्यलिखित जैसे की चेक और इसके अंतर्गत भारत में किसी अनूसूचित बैंक के मांगदेय ड्राफ्ट, संदाय आदेश, बैंककारी चेक भी है।
3. डाकघर के मनीआर्डर
4. उसके नाम पर धारित क्रेडिट अथवा डेबिट कार्ड
5. बैंक प्रतिभूति या नकद निक्षेप
6. इंटरनेट
7. ई-हस्तांतरण
8. प्रस्तावकर्ता या पॉलिसीधारक के स्थायी अनुदेशों द्वारा प्रत्यक्ष जमा या बैंक हस्तांतरण द्वारा बीमा किया गया जीवन
9. संदाय का ऐसा कोई अन्य ढंग जिसे प्राधिकरण समय समय पर अनुमोदित करे।

यहाँ यह महत्वपूर्ण है कि नगद के अतिरिक्त मामले में बीमाकर्ता का जोखिम, बीमाकर्ता द्वारा प्रीमियम की प्राप्ति के पश्चात ही आरंभ होगा।

पॉलिसीधारक हित संरक्षण संशोधन

पॉलिसीधारकों के हितों के संरक्षण के लिये भारत सरकार ने 16 अक्टूबर 2002 को राजपत्र द्वारा विनियम में संशोधन जारी किये हैं जिसकी प्रमुख विशेषताएँ अद्योलिखित है।

बीमाकर्ता किसी बीमा उत्पाद का विवरण, फायदों का दायरा, बीमा आवृत्ति का विस्तार और वारंटियों, अपवादों और बीमा आवृति की शर्तों को स्पष्ट रीति से स्पष्ट करेगा और जीवन बीमा की दशा में क्या उत्पाद भाग लेने वाला (लाभ सहित) या भाग न लेने वाला (लाभ रहित) है, स्पष्ट रूप से कथित करेगा। उत्पाद पर अनुज्ञेय उपरिका या उपरिकाएँ फायदों को उनके दायरों के संबंध में स्पष्ट तौर पर बतायेगी तथा किसी भी दशा में, स्वास्थ्य संबंधी या बीमारी से संबंधित प्रीमियम, निबंधनों या सामूहिक उत्पादों के मामले में उपरिकाएँ आधारित उत्पाद के अधीन प्रीमियम के सौ प्रतिशत से अधिक नही होगी। अन्य सभी उपरिकाएँ एक साथ मिलाकर आधारिक के प्रीमियम के पचास प्रतिशत की अधिकतम सीमा के अधीन रहते हुये होगी। उपरिकाओं में से प्रत्येक के अधीन उद्भूत कोई फायदा आधारिक के अधीन बीमा राशि से अधिक नही होगा। परंतु उपरिकाओं के अधीन फायदा रकम बीमा अधिनियम 1938 की धारा 2(1) के अधीन होगा।

बीमा दलालों के लिये भारतीय बीमा क्षेत्र खुला

भारत सरकार ने 16 अक्टूबर 2002 को एक राजपत्र जारी कर बीमा क्षेत्र में बीमा दलालों की उपस्थिति को संभव बना दिया है। इस कार्य के लिये जारी किये गये विनियम की मुख्य विशेषताएँ अद्योलिखित है।

विनियम में तीन प्रकार के बीमा दलालों का उल्लेख किया गया है। जिन्हें प्रत्यक्ष दलाल, पुनर्बीमा दलाल तथा संयुक्त दलाल के रूप में जाना जायेगा।

बीमा दलालों के कार्य:

किसी प्रत्यक्ष दलाल के कार्य निम्नलिखित से कोई एक या अधिक होंगे:

(क) ग्राहक के कारोबार की और जोखिम प्रबंधन दर्शन की ब्यौरेवार सूचना प्राप्त करना

(ख) स्वंय को ग्राहक के कारोबार और निम्नांकक सूचना से सुपरिचित कराना जिससे कि वह बीमाकर्ता और अन्य व्यक्तियों को स्पष्ट की जा सके

(ग) उचित बीमा कवर और निबंधनों पर सलाह देना

(घ) ऐसे उपलब्ध बीमा बाजारों की ब्यौरेवार जानकारी रखना, जो लागू हो

(ड़) किसी ग्राहक द्वारा जारी किये जाने के लिये बीमाकर्ता / बीमाकर्ताओं से प्राप्त कोटेशन प्रस्तुत करना

(च) कवर के लिये मूल्य संबंधी निबंधनों और शर्तों का अवधारण करने के लिये बीमाकर्ता द्वारा जोखिम के निर्धारण के लिये तथा अपेक्षित निम्नांकन सूचना उपलब्ध कराना

(छ) किसी ग्राहक के अनुदेशों पर शीघ्रता से कार्रवाई कराना और उसे लिखित पावतियाँ तथा प्रगति रिपोर्ट उपलब्ध कराना

(ज) बीमा अधिनियम, 1938 (1938 का 4) की धारा 64 वी बी के अधीन ग्राहकों को प्रीमियम के संदाय में सहायता करना

(झ) बीमा परामर्श और जोखिम प्रबंधन संबंधी सेवाएँ उपलब्ध कराना

(ञ) दावों के समझौतों की बातचीत से सहायता करना

(ट) दावों के उचित अभिलेख रखना।

पुनर्बीमा दलाल के कृत्य-किसी पुनर्बीमा दलाल का कार्य निम्नलिखित में से कोई एक या अधिक होंगे-

(क) स्वंय को ग्राहक के कारोबार और जोखिम धारण दर्शन से सुपरिचित कराना

(ख) पुनर्बीमाकर्ता (पुनर्बीमाकर्ताओं) या अन्य व्यक्तियों की सहायता करने के लिये बीमाकर्ता के कारोबार के स्पष्ट अभिलेख रखना

(ग) अंतर्राष्ट्रीय बीमा और पुनर्बीमा कवरों की तकनीकी आंकड़ों पर आधारित सलाह देना

(घ) उपलब्ध पुनर्बीमा बाजारों का एक डाटाबेस रखना, जिसके अंतर्गत व्यक्ति पुनर्बीमाकर्ताओं की शोधन क्षमता का मूल्य निर्धारण भी होगा

(ड़) परामर्श और पुनर्बीमा के लिये जोखिम प्रबंधन सेवाएँ देना

(च) किसी पुनर्बीमाकर्ता या पुनर्बीमाकर्ताओं के समूह का चयन करना और उनकी सिफारिश करना

(छ) ग्राहक की ओर से किसी पुनर्बीमाकर्ता से बातचीत करना

(ज) उनके पास रखी गयी पुनर्बीमा संविदाओं के सारांशीकरण के मामले में सहायता करना

(झ) किसी ग्राहक के अनुदेशों पर तुरंत कार्रवाई करना और उन्हे लिखित पावतिया और प्रगति रिपोर्ट उपलब्ध कराना

(ञ) करार किये गये समय के भीतर प्रीमियमों और दावों को एकत्रित और प्रेषित करना

(ट) दावों की बातचीत और समाधान में सहायता करना

(ठ) दावों का उचित अभिलेख रखना और

(ड) पुनर्बीमाकर्ताओं और अंतर्राष्ट्रीय बीमा दलालों का चयन करते समय उनके प्रतिभूति मूल्यांकन के संबंध में सम्यक ध्यान देना और कर्मठता दिखाना तथा उनकी सेवाओं को नियोजित करते समय उनके उत्तरदायित्वों को स्थापित करना।

पूँजी अपेक्षाएँ-

न्यूनतम राशि (रूपये में)

(क) प्रत्यक्ष दलाल	पचास लाख
(ख) पुनर्बीमा दलाल	दो सौ लाख
(ग) संयुक्त दलाल	दो सौ पचास लाख

अन्य:

1. शेयरों द्वारा सीमित कंपनी और किसी सहकारी सोसाइटी की दशा में पूँजी साम्या शेयरों के रूप में होगी
2. अन्य आवेदकों की दशा में पूँजी नकद में लाई जाएगी
3. आवेदक एकमात्र रूप से इन विनियमों के अधीन तथा अनुज्ञप्त बीमा दलाल का कारोबार करेगा।

किसी भी समय आवेदक की पूंजी का 26 प्रतिशत से अधिक का भाग गैर-भारतीय हित द्वारा धारित नही किया जायेगा। इन विनियमों के प्रायोजनों के लिये गैर-भारतीय हित की संगणनाएँ उसी रीति में की जायेगी, जो बीमा विनियामक और विकास प्राधिकरण (भारतीय बीमा कंपनियों का रजिस्ट्रीकरण) विनियम 2000 में किसी बीमाकर्ता के लिये विनिर्दिष्ट हैं।

आई.आर.डी.ए. की राह पर ए.एम.एफ.आई

एशोसियेशन ऑफ म्युचुअल फंड ऑफ इंडिया ने आई.आर.डी.ए. की तर्ज पर एजेंट ट्रेनिंग इंस्टीट्युट तथा एजेंट ट्रेनिंग कार्यक्रम प्रारंभ किया है। सेबी के दिशा-निर्देशों के अनुसार सभी म्युचुअल फंड एजेंटों को मार्च 2003 तक ट्रेनिंग दिया जाना आवश्यक किया गया है।

ए.एम.एफ.आई ने यूनिट ट्रस्ट कैपिटल मार्केट के साथ मिलकर देश भर में फैले 40 इंस्टीट्यूट से मिलकर अगले तीन महीनों में ट्रेनिंग कार्यक्रम आयोजित करने जा रहा है। ए.एम.एफ.आई के चैयरमैंन श्री ए.पी. कुरियन ने बताया कि अभी तक यह परीक्षा अंग्रेजी माध्यम से ली जा रही थी जिसके अंतर्गत 5000 एजेंटों की परीक्षा ली गई है। अब हिन्दी माध्यम से परीक्षा देने की सुविधा उपलब्ध होने के परिणामस्वरूप इनकी संख्या दिसम्बर तक 15000 पहुँचने का अनुमान है।

Business and investment performance figures of the general insurance industry (2001-2002)

Gross Direct Premium Income in India: Non-Life Companies

(Rs. in Crores)

No.	Company	Fire		Miscellaneous		Marine		Total	
		2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01
1	National	496.16	412.29	1,732.04	1,607.90	211.20	207.50	2,439.40	2,227.69
2	New India	1,106.70	779.40	2,728.64	2,380.62	362.73	333.04	4,198.07	3,493.06
3	Oriental	531.03	480.20	1,753.00	1,571.74	214.60	195.10	2,498.63	2,247.04
4	United India	636.99	527.22	1,889.28	1,717.20	255.21	279.56	2,781.48	2,523.98
	Sub-Total	**2,770.88**	**2,199.11**	**8,102.96**	**7,277.46**	**1,043.74**	**1,015.20**	**11,917.58**	**10,491.77**
5	Royal Sundaram	17.90		50.44	0.24	2.78		71.12	0.24
6	Reliance	45.84	0.45	29.07	0.13	1.74		76.65	0.58
7	Iffco-Tokio	36.15	3.70	31.02	2.09	3.34	0.05	70.51	5.83
8	Tata Aig	19.36		49.91		9.18		78.45	
9	Icici Lombard	10.98		16.12				27.10	
	Sub-Total	**130.23**	**4.64**	**176.56**	**2.45**	**17.04**	**0.05**	**323.83**	**7.14**
	Grand Total	**2,901.11**	**2,064.36**	**8,279.52**	**6,757.44**	**1,060.78**	**9,85.15**	**12,241.41**	**9,806.95**

NOTE: Figures of Bajaj Allianz General Insurance Company not included.

Net Premium Income – Non-Life Companies

(Rs. in Crores)

No.	Company	Fire		Miscellaneous		Marine		Total	
		2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01
1	National	367.60	365.51	1,312.71	1,289.92	132.81	149.12	1,813.12	1,804.55
2	New India	758.84	599.64	2,099.30	1,883.72	210.09	188.12	3,068.23	2,671.48
3	Oriental	392.22	393.43	1,287.17	1,210.21	139.11	121.71	1,818.50	1,725.35
4	United India	480.28	412.23	1,438.18	1,329.27	126.61	142.78	2,045.07	1,884.38
	Sub-Total	**1,998.94**	**1,770.81**	**6,137.36**	**5,713.12**	**608.62**	**601.73**	**8,744.92**	**8,085.76**
5	Royal Sundaram	3.33		32.18	0.19	1.23		36.74	0.19
6	Reliance	0.76		1.32		0.27		2.35	
7	Iffco-Tokio	2.07	0.10	9.52	0.14	1.53		13.12	0.25
8	Tata Aig	0.49		31.41		4.17		36.07	
9	Icici Lombard	1.30		9.66		0.00		10.96	
	Sub-Total	**7.95**	**0.10**	**84.09**	**0.33**	**7.20**		**99.24**	**0.44**
	Grand Total	**2,006.89**	**1,770.91**	**6,221.45**	**5,713.45**	**615.82**	**601.73**	**8,844.16**	**8,086.20**

NOTE: Figures of Bajaj Allianz General Insurance Company not included.

Underwriting Experience and Profits: Public Sector Non-Life Companies

(Rs. in Crores)

Particulars	National		New India		Oriental		United India		Total	
	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01
Net Premium	1813.12	1804.55	3068.23	2671.48	1818.50	1725.35	2045.07	1884.38	8744.92	8085.76
Net Incurred Claims	1724.93	1461.63	2554.18	2279.74	1827.66	1502.06	1780.47	1776.93	7887.24	7020.36
	95.14%	81.00%	83.25%	85.34%	100.50%	87.06%	87.06%	94.30%	90.19%	86.82%
Commission, Expenses of Mgmt. & Other Charges	554.58	488.44	857.62	742.76	585.98	457.41	645.42	465.45	2643.60	2154.06
	30.59%	27.07%	27.95%	27.80%	32.22%	26.51%	31.56%	24.70%	30.23%	26.64%
Increase in Reserve for Unexpired Risk	(3.87)	99.84	209.35	95.02	(2.23)	41.48	72.26	62.33	275.51	298.67
		5.53%	6.82%	3.56%	-0.12%	2.40%	3.53%	3.31%	3.15%	3.69%
Underwriting Profit / (Loss)	(462.52)	(245.36)	(552.92)	(446.04)	(592.91)	(275.60)	(453.08)	(420.33)	(2061.43)	(1387.33)
	-25.51%	-13.60%	-18.02%	-16.70%	-32.60%	-15.97%	-22.15%	-22.31%	-23.57%	-17.20%
Gross Investment Income	439.78	377.68	857.16	737.55	437.62	396.23	624.31	484.29	2358.87	1995.75
Other Incomes LESS Other Outgo	(71.03)	(42.94)	(95.99)	(52.67)	(79.30)	(45.50)	(14.19)	(54.89)	(260.51)	(196.00)
Profit Before Tax	**(93.77)**	**89.38**	**208.25**	**238.84**	**(234.59)**	**75.13**	**157.04**	**9.07**	**36.93**	**412.42**
TDS & Provison for Tax	(3.50)	2.60	66.19	65.30	0.63	0.95	3.30	0.92	66.62	69.77
Profit after Tax	**(90.27)**	**86.78**	**142.06**	**173.54**	**(235.22)**	**74.18**	**153.74**	**8.15**	**(29.69)**	**342.65**

Underwriting Experience and Profits: Private Sector Non-Life Companies

(Rs. in Crores)

Particulars	Royal Sundaram		Reliance General		IFFCO-Tokio		TATA AIG Gen		ICICI-Lombard		Total	
	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01
Net Premium	36.75	0.19	2.35		13.13	0.25	36.07		10.97		99.27	0.44
Net Incurred Claims	11.63	0.02	1.60		4.28		10.20		1.79		29.5	0.02
	31.66%	8.07%	68.09%		32.52%		28.28%		16.23%		29.72%	4.55%
Commission, Expenses of Mgmt. & Other Charges	35.86	14.85	6.37	3.67	8.28	1.20	39.3	5.20	(13.11)		102.92	24.92
	97.58%	7815.79%	271.06%		63.06%	480.00%	108.95%		119.51%		103.68%	5663.64%
Increase in Reserve for Unexpired Risk	23.67		1.15		9.39		23.40		9.55		67.16	
	64.41%		48.94%		71.52%		64.87%		87.06%		67.65%	
Underwriting Profit / Loss	(34.41)	(14.75)	(6.77)	(3.67)	(8.82)	(1.19)	(36.83)	(5.20)	(13.48)		(100.31)	(24.81)
	-93.63%	-7763.16%	-288.09%		-67.17%	-476.00%	-102.11%		-122.88%		-101.05%	-5638.64%
Gross Investment Income	10.11	4.02	14.49	5.08	10.7	3.66	12.19	1.82	5.68		53.17	14.58
Other Incomes												
LESS other outgo	(0.22)		(0.35)		(0.17)		(2.94)		(3.32)		(7.00)	
Profit Before Tax	**(24.52)**	**(10.88)**	**7.37**		**1.71**	**2.47**	**(27.58)**	**(3.58)**	**(11.12)**		**(54.14)**	**(11.99)**
TDS & Provison for Tax			0.60		0.06	0.95			2.65		3.31	0.95
Net Profit	**(24.52)**	**(10.88)**	**6.77**	**0.45**	**1.67**	**1.52**	**(27.58)**	**(3.58)**	**(8.48)**		**(52.15)**	**(12.49)**

NOTE: Figures of Bajaj Allianz General Insurance Company not included.

Investment Details: Non-Life Companies (2001-2002)

(Rs. in Crores)

No.	Company Name	Central Government Securities	State* Government and Other Guaranteed Securities	Housing & Fire Fighting Equipment	Infra Structure Investments	Social Sector Investments	Approved Investment	Other than Approved Invest	Total Investment
1	CHNHB Assn	1.34	1.34	0.30	0.78		5.14	1.80	9.36
2	ICICI Lombard	42.03	42.03	8.86	19.82		47.10		117.81
3	Tata AIG General	53.92	53.92	8.85	30.23		21.80	39.99	154.79
4	Iffco Tokio	50.63	50.63	8.39	16.46		26.15		101.64
5	Royal Sundaram	44.67	56.29	9.56	17.64		37.80		121.28
6	Reliance General		59.56	10.10	15.92		29.14	34.94	149.66
7	Oriental Insurance	809.09	1,053.29	274.65	410.36		1,528.32	420.23	3,686.85
8	United India	1,460.91	1,868.15	368.61	550.28		1,178.96	824.00	4,790.00
9	National Insurance	1,080.34	1,391.52	189.83	232.98		1,227.12	304.84	3,346.29
10	New India	1,679.54	2,240.83	443..69	431.07		2,483.32	1,285.66	6,884.57
11	GIC**	1,600.98	2,095.49	556.71	3,399.13		739.79		6,791.12
	Total	**6,823.45**	**8,913.04**	**1,879.56**	**5,124.67**		**7,324.63**	**2,911.47**	**26,153.37**

NOTE: Figures of Bajaj Allianz General Insurance Company not included.

* Including Central Government Securities
** GIC figures are provisional

Rural / Social Sector performance: Non-Life companies (2001-2002)

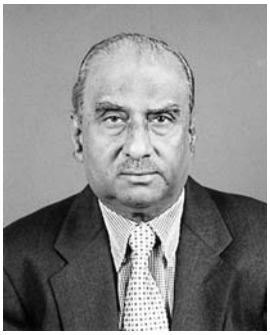
No.	Company	Rural Sector (% of GDP)	Social Sector (No of lives)	Year of operation /Commenced on
1.	Royal Sundaram	2.12	6064	Second 23.03.2001
2.	Reliance General	2.00		Second 23.03.2001
3.	IFFCO-Tokio	6.82	5879	Second 04.12.2000
4.	TATA - AIG	3.98		Second 22.02.2001
5.	ICICI Lombard	0.83	2902	First 31.08.2001
6.	National	1.46	Not Available	
7.	Oriental	2.82	3427276	
8.	New India	3.35	16368522	
9.	United India	4.35	Not Available	

NOTE: Figures of Bajaj Allianz General Insurance Company not included.

Figures pertaining to public sector non-life companies are provisional.

Arm's length & an Eagle eye

G V Rao



The Malhotra Committee, in its report in 1994 on reforms in the insurance sector, stressed that 'professional regulation in areas relating to expenses, customer service, claims settlement, resolution of disputes, reasonableness of tariffs and prevention of restrictive trade practices' was urgently needed.

It proposed that capital adequacy, solvency margins, quality of reinsurance and its performance, management expenses, adequate technical reserves, asset distribution, accounting and transparency of financial statements and disputes resolution forums should engage the attention of the regulator to be appointed with full functional autonomy and operational flexibility. He was expected to publish an annual report on the state of the industry for the public to make an assessment of how fair and efficient he has been.

The IRDA has now been functioning with statutory backing to regulate and bring about reforms in the market in the best interests of all players. It is universally recognised that a well functioning insurance market is a vital national asset that contributes significantly to its economic development. Insurance, offers businesses and individuals economic opportunities to harness their entrepreneurial initiatives for creating wealth for the benefit of the society as a whole.

How does insurance serve the national economy?

1. Insurance promotes financial stability by supporting risk-taking activities of its entrepreneurial class that creates jobs, provides revenues to Government and maintains others in business.
2. Insurance complements Governmental efforts for creating social security programmes. Life insurance, personal accident insurance and health insurance, for instance, are all covers that complement such efforts.
3. Insurance, particularly marine insurance, facilitates trade and commerce.
4. In addition insurers channel their savings as investors into acceptable securities. They create liquidity in the market. Through their strict investment criteria, insurers qualify the credit-worthiness of the parties to whom they provide funds.
5. The investment income on technical reserves could be passed on to the policyholders by way of reduced premiums in a non-tariff environment
6. By pricing risks they encourage and stimulate better risk management processes leading to better protection of assets.
7. Insurers have detailed knowledge of loss causing events, situations and activities. By offering incentives to control risk factors better, they encourage loss mitigation efforts by the insured.

Regulation aims at keeping the market competitive, protecting consumers, raising revenues to support social objectives and ensuring its smooth and orderly functioning. Competition enhances product value and choice for the customer, encourages corporate efficiency and continuous innovation and improvement.

Insurance is a financial future delivery product, based on an informational exchange between the parties to the contract, with utmost good faith.

In insurance there is usually an informational imbalance between the two parties. While only the insured is better aware of his risk factors, insurers are more knowledgeable about their complicated, technical business and their business / financial condition. The bargaining power shifts from the insured to insurer, once the insurance cover has been bought. The power to deliver on what has been promised is almost entirely in the hands of the insurer.

Insurance regulations normally deal market imperfections that are a part of any free competitive market. Particularly those that cause harm to consumers' interests such as the availability of insurance covers, reasonable prices, product innovation, spread of insurance awareness to rural areas and claims settlement principles that are fair and equitable. Equally the regulator ensures that insurers are reliable and solvent at all times and that competition in the market is fair and healthy.

He monitors the functioning of the market by collection of timely and adequate information concerning each insurer, through informal and formal consultations with the officials of insurers to be able to spot potentially adverse developments and to intervene and suggest corrective actions. Such monitoring should be discreet and informal to the extent possible. The regulator's primary job is to prevent market imperfections from getting out of control and threatening the stability and well-being of the market.

Even as the regulator has to keep his eyes and ears close to the ground, he has to keep the regulated insurers at arm's length to demonstrate his impartiality and efficiency in his dealings with them.

It is the extent of intervention by the regulator to correct these market imperfections that can cause major differences among the players concerned. Ideally, it should be minimally intrusive, and he should allow market forces to battle out the differences as far as consumer interests do not suffer and as far as it does not stifle the creative and innovative practices that insurers require to promote to push their business boundaries.

The regulator should insist upon and encourage self-regulation by the insurers themselves to lessen the need for his intervention. He should persuade the insurers to adopt and practice a code that he wants the market to adopt in most matters concerning the interests of the policyholders. He should be equally forceful in encouraging consumer activism to grow and develop so that market forces on either side are as strong and as well informed as possible to lessen his need for intervention.

The regulator has a major responsibility towards keeping a watch on the efficacy of corporate governance and accountability. Towards achieving this objective, he should encourage insurers to obtain ratings through recognised rating agencies, both national and international, not only on the criteria that they normally follow but also on a criteria that he can impose for his satisfaction.

His oversight can be supplemented also by certifications from others through internal auditand independent actuaries and accountants.

He should also ask for quarterly un-audited financial statements of each insurer for monitoring his comparative performance with those of the previous year, and encourage insurers to publish them in the newspapers for the information of the insuring public. The trends in the results will tell their own story and this will lead to better monitoring of the market. He would also appear less intrusive to insurers, should the need arise for it, even while protecting the public good.

Should regulation be ex-post or ex-ante? Obviously it has to be ex-post to show his intervention is not intrusive but more intense and selective. Technical aspects concerning insurers that need monitoring can be outsourced to specialists with proper credentials so that highly specialised skills can be obtained.

For an efficient, competitive and orderly market to emerge from what was a monopolistic one where the nation-alised industry regulated itself, takes time, patience, persuasion and a well thought-out strategy. And this does not happen overnight, however energetic and efficient and well-meaning a regulator may be. But a time table has to be drawn up to take the critical measures, and the parties should be informed in advance of the shape of developments that will be put in place.

(A regulator's) is not a role that can bring popularity, but a job for a trendsetter who can raise a hornet's nest.

De-tariffing, removal of price controls and controlling the staggering operating losses threatening the financial condition of insurers are major items of interest to all parties. The public should know the steps, and the timetable that are leading to it. Insurers explain away their motor losses as wholly due to inadequacy of motor rates, as though the quality of their managements and high management costs are not a part of such losses. The regulator has an obligation to know what the industry is actually doing to counter such losses.

Socially oriented schemes, like health insurance, have to measure up to an impartial yardstick and consumers have a right to know they are not being misled or short-changed on their expectations. Training and retraining of the existing marketing staff of an insurer is an area where the regulator has to step in to prevent an ill-equipped field force with half-baked knowledge being unleashed on unsuspecting and ignorant consumers.

Insurers should announce and regularly publicise the claims code practiced by them for the consumers to know their systems. Proposal forms should, without exception, form part of the policy document for parties not to claim informational non-disclosure or more importantly to discourage the practice of insurers not collecting completed proposal forms. Internal dispute resolution mechanisms should be trustworthy enough for consumers believe insurers are credible. Ombudsman intervention for personal insurance disputes should be widely advertised and mentioned in the policy document.

In a country like ours where the Citizenry looks up to the Government for all initiatives to emerge, the regulator has a tough task on his hand. Not only the consumers but also the insurers look up to the regulator for guidance, and perhaps even dictation. Now that the insurers in the public sector are de-linked from the GIC, their accountability norms have got diluted. The Government department to which they are accountable does not have the expertise to enforce proper discipline

Inevitably, it is the regulator who has to step in as more than 90 % of the market is with the public sector companies whose bottom lines cause some concern, and whose market practices need a significant improvement.

He has the delicate task of balancing various conflicting interests. It is definitely not a role that can bring popularity for anyone filling in that position but a job for a trendsetter who can raise a hornet's nest. Good luck to him!

G.V. Rao is retired Chairman and Managing Director, The Oriental Insurance Company Ltd.

LIC out to conquer the world

Life Insurance Corporation of India is all set to round up the rest of the world and has been drawing up and putting into motion plans to achieve this.

Apart from aiming at the US markets and tying up to sell policies to ethnic Indians there, it recently tied up, through its offshore subsidiary in Bahrain, the Life Insurance Corporation (International) (LICI), with the newly formed Gulf Insurance Agencies Company.

Through this LIC products would be marketed in Oman from the beginning of the next calendar year exclusively for the over 3,00,000 Indian expatriates in Oman. These policies can be transferred to India if the policyholder leaves Oman. However, an Indian resident, taking up jobs in Oman or in the Gulf cannot transfer the policy from India as there are restrictions imposed by the Reserve Bank of India

Abdul Aziz & Bros, Towell & Co, Mustafa Sultan Enterprises and Prem K. Mankad are the stakeholders of the new company.

LIC has operations in the UK, Fiji, Mauritius and the Gulf. (In the Gulf its investments have grown several fold to touch $100 million in five years.) Last year it started a joint venture in Nepal - LIC Nepal - and a similar joint venture has been promoted in neighbouring Sri Lanka – LIC Lanka - along with Bartleet Group..

LIC is also eyeing Australia and New Zealand as well as planning a move into the West coast of Africa through a subsidiary registered in Mauritius. The African west coast venture will be LIC's second company in the continent after the Kenya-based Ken India, which was set up in collaboration with the General Insurance Corporation (GIC) and local partners

In the US, it has tied up with a local company, Nation Wide, for a corporate agency for selling the later's product in three states, which have major chunk of Indians. The corporate agency will be converted into a full-fledged life insurance company with the partnership of Nation Wide after two years.

Airborne risks

The International Civil Aviation Organisation and International Air Transportation Association have proposed to set up an exclusive insurance company for airlines, airports, leasing companies and support-service providers.

As it is supposed to function as a non-profit organisation and focus exclusively on this industry, establishment of the new company would bring down insurance costs of aviation companies, especially airlines.

At the same time, it would act as a trend-setter at a time when terrorism is forcing corporates to scurry for exclusive cover.

Both IATA and ICAO and the Indian aviation companies are now pushing for the support of the Indian Government for the proposal.

The new insurance company would benefit the Indian aviation industry as all key players — Indian Airlines, Air-India, Jet Airways and Air Sahara — have forked out huge sums for insurance after 9/11 rocked the insurance and aviation industries.

Since one of the key problems faced by airlines after 9/11 was that reinsurers were not willing to provide third-party war risk cover of more than $50m, ICAO and IATA have proposed that the new company would not impose such limitations which hamper the industry.

While the proposed third-party war risk limit is $1.5bn for one incident, total liability for the company would be capped at $15bn. The cover would not be revoked even if a major incident dents reserves on account of huge claims.

ICAO member-nations are supposed to contribute to the corpus of the proposed insurance firm. The services will be cheaper since state guarantees would also be involved. The contribution and liability of each country will be in proportion to the ICAO funding committed by the member-nation.

ICAO is trying to get states representing 51% of its funding to support the initiative. Once the required number of members send in their expression of interest, the proposal would be processed further. In a bid to garner support, IATA has also urged its member airlines to take up the issue with their respective governments.

Life agents commission to change

The IRDA is looking at whether there should be a change in the agency commission structure for life insurance.

A panel set up to suggest ways to restructure commissions not only to infuse infuse professionalism in agents but also to look into the possibility of giving graded commissions based on their productivity, met in Delhi on November 18.

Currently, the agency commissions are at 40 per cent of the first premium in the first year, 7.5 per cent in the following two years and five per cent thereafter. Further a cap of 65 per cent is set on the commissions payable over the first five years.

Companies want more flexibility to reward performing agents and also give them enough motivation to avoid rebating.

The committee, among others, has representatives from Life Insurance Corporation of India, HDFC Standard Life, ICICI Prudential, AMP Sanmar, MetLife, and members of the Agents Associations'. It will submit a report on the issue by December to the IRDA.

Healthy India

Universal health care in India is a fond dream but a study report by the CII-McKinsey combine says it is possible by the year 2020.

What is required is mandated insurance in urban areas and high public subsidies in rural areas, says the report.

While private, social and community insurance could cover 60% of the population, public welfare and subsidised community-based schemes for medium income segments in the rural areas will take care of the remaining population.

The study has recommended that the Government should stimulate the growth of private, social and community insurance to improve health care affordability in the country. Though there is a vast potential for private health insurance cover to grow in India, the business is unattractive and has a low penetration level at present because of lack of awareness, pre-existing conditions, lack of provider network, complicated claims process, inadequate servicing among others.

The study has suggested that the capital requirement for health insurers to enter the market should be reduced to Rs 30-50 crore from the present Rs 100 crore. A number of players are reluctant to enter the market at present because of the high capital requirement and unattractive market conditions, the study has pointed out.

With health insurance being the highest level of risk among different types of insurance, the report has urged the Government to introduce risk-based capital monitoring and product level norms to ensure that insurers carry adequate capital and include customers who need the insurance cover the most.

Rating hospitals

Credit rating agency Icra has forayed into rating of healthcare institutions (primary, secondary and tertiary healthcare providers and teaching hospitals). Icra has granted its first such rating H-1 (indicating highest grading) to Vellore-based Christian Medical College and Hospital.

The rating of healthcare institutions will be different from the traditional financial ratings and will focus on quality of resources, processes and outcome of hospitals.

Icra has put together a dedicated team to undertake such ratings which includes medical doctors, healthcare administrators and business analysts.

Icra teams evaluate hospital infra-structure such as intensive care units, rooms, quality of equipment and operation theatres, processes, attitude towards patients and the outcome – patient response and satisfaction.

Icra will be rating a few more hospitals and will also be working on creating awareness through conferences and seminars for hospitals, doctors and patients.

The system would be a good support structure to health insurance companies who can use it to make decisions about affiliating hospitals in their service provider networks and while processing claims

On Icra's scale H1is the highest rating and H4 will be the lowest.

Premiums by plastic ...

Or through thin air for that matter! The IRDA has allowed the receipt of insurance premiums by insurers using various payment methods apart from the hitherto prevailing cash, cheque, bank guarantee and cash deposit.

You can now pay premiums using your credit or debit cards, through the Internet, by e-transfer or by direct credits through standing instructions to your banker or by bank transfers.

The Insurance Regulatory And Development Authority (Manner of Receipt of Premium) Regulations, 2002, also recognises postal money orders and any recognised banking negotiable instrument such as demand drafts, pay orders and banker's cheques drawn on any scheduled bank in India, and could approve other modes from time to time.

The terms of Section 64 VB of the Insurance Act will still apply across payment by all instruments and methods – that is, the insurer will not be on risk until the payment is received by him.

Since some of these methods of payment carry collection charges – like the discount rate on credit card charges – sometimes borne by sellers, in the case of an insurer the option to do so is left to his discretion.

Web based training for TPAs – Health Services

The Administrative Staff College of India (ASCI), Hyderabad, has been approved by the IRDA to impart practical training and conduct examinations for Chief Administrative Officers and Chief Executive Officers of Third Party Administrators (Health Services). This training will be on the basis of the syllabus as per Insurance Regulatory And Development Authority (Third Party Administrators – Health Services) Regulations, 2001.

ASCI and Med Varsity will conduct this training from December 1, 2002, to February 3, 2003, through on line/ offline study followed by a three day contact programme scheduled for February 13 to 15, 2003.

All TPAs and applicants for TPA licences can undergo this training. The syllabus for the training is split into core and elective curricula. The core curriculum is made up of the following topics: 1. Legal and Regulatory Aspects of Health Insurance 2. Role of a Third Party Administrator – Health Insurance and Future Expectations, 3. Underwriting and Claims Management Aspects of Health Insurance, 4. Managed Care and 5. Health Statistics. The Elective curriculum consists of the following subjects:

1. Development of Health Insurance
2. Management of Medical and Health Services
3. Accounting and financial management
4. Role of Information Technology and
5. Managing Customer Satisfaction

US will step in for terrorism claims

The US government will cover insurance claims of up to $ 90 million a year from future terrorist attacks. This federal backstop facility, pushed through by President Bush in the House of Representatives after much time and effort, is expected to spur the return of construction activity and hence, jobs. The bill is expected to be passed in the Senate too.

Terrorism insurance has become hard to come by following the September 11 attacks, and with it workmens' compensation (WC) cover, without which construction activity is just not possible.

The government would pay 90 percent of damages exceeding $10 billion that result from a terrorist attack. For lesser amounts, during the first year of the three-year program, insurance companies would pay damages up to the equivalent of 7 percent of their premiums, with the government picking up the rest of the expense.

By the third year, the insurers' share would rise to 15 percent of their premiums. In that year, the government would pay 90 percent of losses greater than $15 billion. Any losses paid by the government under $10 billion would be recouped by imposing a surcharge of as much as 3 percent on premiums paid by businesses. But there is no provision for repaying the government for larger losses.

The attacks on the twin towers resulted in WC and life insurance claims of almost $ 5 billion out of a total of $ 40 billion claims. WC is also what construction workers and their families rely on as a safety net.

Book on health insurance scam

The anonymous author of a book called *Corruptions in Our Health System*, published last month in Taiwan, says that doctors commonly try to gain more money from the national health insurance programme.

The Director of the Department of Health of that country has reacted by saying that he knew that such corruption cases have been around for a long time but that he is not sure how prevalent they are. He has promised to look into the matter. The practices described in the book include falsifying medical records, conducting unnecessary examinations or surgeries and inflating costs.

The book also noted the prevalence of quacks and so-called doctors who obtained their licenses illegally.

The book was published under a fictitious name hit the limelight when it was featured in a local Chinese language newspaper and the President of the Taiwan Medical Association has said that an investigation had failed to reveal the author's real name or identity.

Doctors have been called upon to clean up their fraternity by reporting illegal practices and seeing that changes are made in medical education to include morality lessons. A toll-free number has been announced for the public to report such practices too!

Asian insurers shaky

Rating agency Standard and Poor's said that Asia's insurance sector is expected to see more failures next year due to intense competition.

The agency's report said that "Competition is so hot that in many markets, even if the number of players were to halve, it would remain a significant issue for those left,", adding that "the sector is challenging, unsettled, and rife with competition. There are no safe havens anywhere in the region."

Weak equity markets, lacklustre property prices and credit problems are contributing to the sector's troubles, the international ratings agency said. Poor market conditions have caused a "flight to quality" in some markets.

So, there are a number of players at the bottom end of the rating scale fighting to survive. But there are some bright spots despite the gloom pervading the sector according to S & P. "Premium growth is generally good, at levels above that of gross domestic product."

China admits 3 more foreign insurers

China, which together with India has been one of the most attractive destinations for foreign capital in insurance ventures, is continuing on its course of opening up the sector to foreign participation.

China's Insurance Regulatory Commission chairman Wu Dingfu has given the green light to three more foreign companies to set up operations in the country. Licenses have been approved for the U.S.' Liberty Mutual, the U.K.'s Standard Life, and Japan based Sompo Japan Insurance Inc.

Standard Life, Europe's largest mutual life insurance company, will establish a 50-50 partnership (the maximum stake allowed under Chinese law) with Tianjin TEDA Investment Holdings Co. to be called Heng-An Standard Life Insurance Co in North China's port city, Tianjin. It will be China's largest life insurance venture with a registered capital of 1.302 billion yuan ($ 158 million).

China's insurance sector has been growing impressively in recent years, reporting a 32.2 per cent year-on-year increase in premium income in 2001 to more than $ 25 billion.

For long a controlled industry, China agreed to gradually allow foreign insurance firms in for a WTO membership.

China also agreed to allow life insurers from abroad to hold up to 50 per cent in joint ventures, while non-life insurers can hold up to 51 per cent.

Insurance licenses are restricted to certain provinces and cities now but all geographical restrictions will be lifted in less than two years.

Singapore answer to motor claims frauds

Motor claims frauds is such a bugbear for the Indian insurance industry that it is almost a relief to know that insurers in other countries suffer due to it too!

NTUC Income, the Singapore's largest insurer, is cracking down on fraudulent and inflated third party motor insurance claims across the city state.

To set an example, policyholders involved in an accident must now send their vehicles to an Independent Damage Assessment Centre (IDAC) or have their insurance cancelled and their premiums refunded.

These IDACs were set up in August and, since then, NTUC Income has found that the average repair bill for a vehicle involved in an accident has been about $2,000.

But third party claims which bypass the independent assessors have bills of about $3,300, or 65 percent more. That adds up to about $12 million a year in inflated or fraudulent claims and some insurers stopped writing motor insurance because of such losses.

To set an example for others and to urge the authorities to make such assessment compulsory, NTUC is forcing all its own policyholders to go to Independent Damage Assessment Centres.

Tan Kin Lian, CEO of NTUC Income, has said that there is a small segment of policyholders who work with workshops to inflate their claims, deliberately bypassing the IDAC, and even making up accidents.

"If we can eliminate this group by cancelling their policies. it will benefit the remaining policyholders."

And this benefit could translate into cheaper premiums of up to 10 per cent, he said.

NTUC Income is also calling for other insurance companies to follow suit, saying this would be an effective way to deal with inflated claims, bring down repair costs and hopefully save insurance premiums for motorists as well.

The Consumers Association of Singapore welcomed the move but it has reminded insurers that they must stick to their end of the bargain and lower premiums when costs go down.

China reforms in health cover

Over 50 million Chinese are now covered by health insurance policies and going by the pace at which the Chinese government is driving the activity, this figure will go up by 60 per cent this year.

As it is, 50 million represents 30 per cent of the insurable population of China under medical programmes.

The reforms programme aimed at urban workers across the country aims to ensure their needs for basic medical treatment and guarantee the implementation of overall medical planning in over 90 percent of the regions.

China has made outstanding achievements in medical insurance reform.

By the end of last June, of the 349 areas that have adopted overall medical planning, 307 areas had launched medical insurance, accounting for 88 percent of the whole country.

This covers a population of 50.26 millionwhich is 30 percent of the total insurable population of China.

Lord Levene Takes Over as Lloyd's Chairman

Lord Peter Levene of Portsoken was unanimously, confirmed by the Council of Lloyds as the 61st Chairman of Lloyd's, and the first one from outside the London market in its 314 year history.

He was selected last June to replace Sax Riley, who is retiring after two years on the job, and will serve for a minimum of three years.

Speaking about his new role, Lord Levene said that the global reputation of the world famous insurance market was strong, and its brand envied everywhere.

"Today, the financial services industry is experiencing difficult times, while Lloyd's is benefiting from the strongest trading conditions in almost four decades," he said. "One of my tasks is to sell the Lloyd's message around the world."

He said that he would, along with Chief Executive Nick Prettejohn, be driving forward the implementation of the reforms programme and complete the transformation of Lloyd's. 2003 will be a year of transition for Lloyd's with the introduction of the new franchise concept and in the to our accounting system.

"By 2004, I expect to see a stronger, more disciplined Lloyd's which can be compared favourably with the insurance industry worldwide in terms of its transparency and its efficiency. Beyond that, the goal is profitability that is sustainable in the long term. It's a goal I'm committed to achieve."

In September Lloyd's members approved a far reaching plan to transform the way the venerable market does business, adopting a franchise system to replace the current yearly reformation of syndicates. Other measures included implementing annual accounting to replace the three year method currently employed, and agreeing to limit the number of individual "Names" to those currently participating in the Lloyd's market.

Levene's experience includes his role the head of London's Docklands Light Railway and the city's Canary Wharf property development project and Chairman of the defence contractor United Scientific Holdings.

IIRM's debut!

The Institute of Insurance and Risk Management held its maiden programme, a national seminar on 'Insurance Regulations & IAIS (International Association of Insurance Supervisors) Core Principles for Insurance Supervision in Emerging Markets', on August 26 and 27 at Hyderabad.

The seminar, inaugurated by Mr N. Chandrababu Naidu, Andhra Pradesh Chief Minister, was attended over two dozen participants drawn from insurance regulators' offices from various Asian countries including Sri Lanka, Singapore and Malaysia.

Mr N. Chandrababu Naidu, Chief Minister, Andhra Pradesh, and Mr N. Rangachary, Chairman, IRDA, at the inaugural session of the seminar on IAIS Core Principles organised by the IIRM.

L to R: Mr N. Rangachary, Chairman IRDA, Mr Nitin Dossa, President Federation of Indian Automobile Associations and Mr K.K. Srinivasan, Secretary, Tariff Advisory Committee.

Invest India's Pension Roundtable

Invest India Economic Foundation Private Ltd. held a Policy Roundtable on Design and Implementation of Pension Reforms in India from October 15 to 17 at Delhi. The idea was to bring in greater clarity and consensus on pension system design and implementation in India. The Foundation is conducting a survey among key players and thinkers in the Indian pension sector on the issue and is also to publish a book jointly with McGraw-Hill titled *Rethinking Pension Provision for India* which will carry the final versions of some of the papers presented at the roundtable.

GIAA & FAAI

The General Insurance Agents Association of India met with the Chairman, IRDA, on October 23 in Mumbai. Regarding their concerns about brokers the IRDA Chairman explained that there would be room for different kinds of intermediaries to co-exist.

This was followed by a meeting with the Federation of Automobile Associations of India and the issue of high cost of spares for new generation of cars and low Own Damage premiums were discussed. The idea of rating cars according to safety and quality to enable insurers to quote finer rates was mooted by Chairman, IRDA.

L to R: Mr. P.A. Balasubramanian, Member (Actuary), IRDA, Mr N. Rangachary, Chairman, IRDA, and Mr. Rajendra Chitale, Managing Partner, M.P. Chitale & Co. at the Invest India Policy Roundtable on Design and Implementation of Pension Reforms in India held at Delhi from October 15 to 17.

Event? Send us a picture!

Mr N. Rangachary, Chairman, IRDA, addresses the audience at the FICCI's insurance conference in Delhi

FICCI's meet

The Federation of Indian Commerce and Industry held its Seventh International Conference on Insurance on the topic "Emerging Competition in the Indian Insurance Industry: Opportunities and Challenges" on September 25 and 26 at Delhi.

Organised in partnership with the European Union, European Commission and the International Insurance Council, the US, the annual conference was aimed at development of a world class insurance industry in India.

General insurers' summit

The first General Insurers' Summit was organised by the national reinsurer, General Insurance Corporation of India (GIC) at Hyderabad on October 29. All twelve Indian general insurers – public and private – participated in the summit where GIC presented itself in its new role as the national reinsurer meeting its customers.

The general insurers, at the invitation of the GIC, gave presentations on their expectations from the latter as a reinsurer and their individual requirements in terms of reinsurance products, services, information and advice.

Mr N. Rangachary, Chairman, IRDA, Mr P.C. Ghosh, Chairman GIC, and Mr. P.B. Ramanujam, MD, GIC, share an informal moment during the first Indian General Insurers' summit.

Pensions seminar

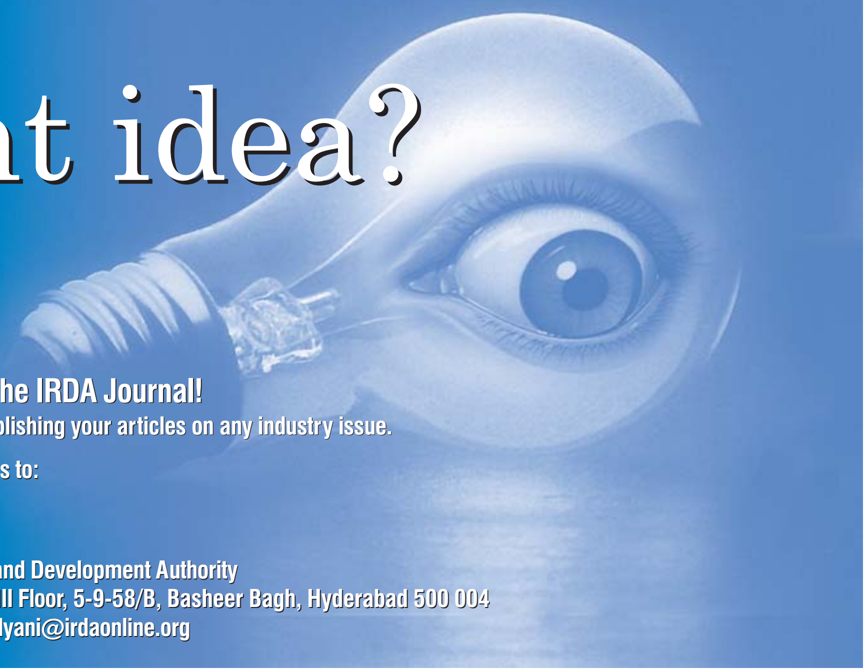
The IIRM followed up its first conference on August 28 with a national seminar on Pension Reforms in India Inaugurating the two-day seminar, Andhra Pradesh Governor. Dr. C. Rangarajan, said that the reform, as far as civil servants pension scheme was concerned, must be towards creating some funding arrangement.

The seminar was attended by a large number of delegates from life insurance companies and banks.

L to R: Mr L. Vijayaraghavan, Sathguru Management Consultants, Mr R.C. Sharma, Member (non-life), IRDA, Mr N.Rangachary, Chairman, IRDA, Dr. C. Rangarajan, Governor of Andhra Pradesh at the inauguration of IIRM's seminar on pension reforms.

Event? Send us a picture!

Bright idea?



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"You cannot sell insurance to people assuming that they will live forever. Running a profitable insurance company is about structuring your products right. It is not about not paying claims…..We know how to run an insurance business in an HIV environment."

Jim Sutcliffe, Group Chief Executive of South Africa based Old Mutual, the largest life insurer in a country with nearly four million HIV patients, talking about joint venture, OM Kotak Mahindra Life Insurance's approach to the Indian market.

"We owned WorldCom, we owned Enron, we owned Tyco...We have taken about $350 million in losses in bonds and we've taken about the same amount in the stock market….The good news is our earnings are so strong we will probably end this year with more surplus than we began it,"

Sy Sternberg, chief executive officer of New York Life Insurance Co.

"(The terrorism insurance) legislation will put hard-hats back to work, create construction jobs, improve the legal process, and protect taxpayers. And passing this legislation would create hundreds of thousands of jobs, and billions of dollars in new investment, and help with economic security. "

White House Deputy Press Secretary, Scott McClellan on the US Bill providing a federal backstop facility for terrorism cover.

"Today, the financial services industry is experiencing difficult times, while Lloyd's is benefiting from the strongest trading conditions in almost four decades. By 2004, I expect to see a stronger, more disciplined Lloyd's which can be compared favourably with the insurance industry worldwide in terms of its transparency and its efficiency."

Lord Peter Levene, newly selected Chairman of Lloyd's of London

"They all have sound background and high brand equity... They might not be very ethical in all respects, but they pose a big challenge to LIC."

LIC Chairman, Sunil B. Mathur, about private sector rivals in life insurance.

"With SBI's credibility with the masses, once our branches start selling (insurance) products, sky is the limit".

A. K. Purwar, newly appointed Chairman State Bank of India

Events

November 24, 2002

Venue: Indian Institute of Management, Bangalore

Indian Institute of Management, Bangalore conducted an Executive Development Programme in Life insurance.

November 25-26, 2002

Venue: Pune

The BODA MARSH Seminar on Cyber Liability conducted by the National Insurance Academy, Pune, India. Topics covered will be Risk Assessment & Security Audits, Cyber Crimes, Electronic Contracts, Digital Evidence, International Legal Framework & Issues, Regulatory Issues and Insuring Cyber Liability

This is a seminar organised by National Insurance Academy in Collaboration with ISACA Pune Chapter.

November 27 and 28, 2002

Venue: Hotel Taj Krishna, Hyderabad

The Confederation of Indian Industry's (CII) Seventh Insurance Summit 2002 on the theme: "Developing the Market – from 1.5 % to 5 % penetration in three years.

December 2-6, 2002

Venue: FSA Offices, Canary Wharf, London.

Financial Services Authority, UK, will be running the fourth of its international seminars for overseas regulators. Mr Gert Hausler, Director of the International Capital Markets Department of the IMF gives the keynote speech on the opening day.

December 1-5, 2002

Venue: Delhi

Indian Institute of Bankers International Banking Summit on "Accelerating Growth" contains a technical session on December 3 on Security and Regulatory issues.

December 9, 2002

Venue: Mumbai

Microsoft Corporation (India) Pvt. Ltd. holds an insurance event showcasing Microsoft technology and its commitment towards the insurance sector worldwide.

December 11, 2002

Venue: Paris

International Association of Insurance Supervisors, Sub-committee on accounting meets.

December 11-13, 2002

Venue: Pune

Indian Centre for Telecom Management holds a Seminar on 'Regulators in deregulated markets?"

Technical session on December 13 is on Insurance.

December 14, 2002

Venue: Hyderabad

The Federation of Andhra Pradesh Chambers of Commerce and Industry in association with GVR Risk Management Associates holds a Seminar on Insurance Intermediaries / Brokers and their services to customers and insurers.

January 3-5, 2003

Venue: Vigyan Bhavan, New Delhi

The Institute of Chartered Accountants of India holds its 15th All India Conference of Chartered Accountants. Technical session on "Taming the Giant – coming to grips with the Financial sector" on January 4 involves the banking, insurance and financial sectors.