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Journal

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बीमा विनियामक और विकास प्राधिकरण

Journal

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From the Publisher

By the time this issue of the Journal is in your hands, the Authority would have finished three years of its existence. In this period, the Authority had succeeded in establishing a transparent and responsive organisation.

Over this period of time, the Authority had brought into existence a number of regulations which deal with the establishment of insurance companies, the setting up and regulation of various professional intermediaries like agents, brokers, surveyors, loss assessors and third party administrators. The purpose of all these regulations was only to sub-serve the cause of the Indian consumers and to bring to them a service from an industry which they richly merit. If these activities have resulted in improving the service standards in the insurance industry and had awakened a consciousness in the minds of the Indian consumers, the Authority considers itself lucky to have done something.

One of the wholesome measures that we thought the nascent insurance industry required, moving from the rigidity of a controlled regime to one driven by market forces, was an assurance to the Indian consumers that the product that he buys, and the premium he pays periodically, are safe and sound. We, therefore, adopted the practice of the Appointed Actuary system in this country much ahead of that system being introduced in some of the developed nations.

The Appointed Actuary of a life insurance company is the eyes and ears of the Authority in regard to the functioning of the company. We have also given him the powers to approach the Authority over the heads of the management of his company in cases where the management, according to the actuary, was not carrying on business in public interest.

These measures to my mind have been very productive and have now created a situation where the profession of actuarial sciences is being talked of as the next area where development will take place. We have a very limited number of actuaries in this country. The profession of actuarial sciences deserves our support and encouragement not only because we want the profession as such to develop, but because we also want them to take care of the interests of the Indian insureds.

Elsewhere in this Journal you will find articles contributed by very senior and respected members of the profession of actuaries. I do hope that readers would find the articles interesting and I am sure that they will respond to us in good measure pointing out to us their perception of how the market has developed over the last two years and how they consider actuaries to be important in that respect.

We are starting a new financial year with this issue. The Authority has decided to continue this Journal on a permanent basis and, therefore, requires support from the readers in the matter of suggestions for articles to be carried as well as by way of articles etc. The Editor of the Journal will be willing to accept articles, of topical interest, for publication in this Journal.

N. RANGACHARY

Inside

Business by Mandate

We are happy to focus this month on the profession of actuaries, the unsung backroom boys of the insurance industry who make profits happen. If those who market insurance are the face of the industry, it is the actuaries who are the brains, and this issue presents their role and place in today's industry and makes an attempt to discern a vision for their future.

Except for actuaries and some others, the mysteries of creating and pricing insurance products are not known to all. But anyone can do it wrong. One of the wrong ways of doing it is by mandate. We have the living example of Mediclaim, a government mandated policy which has suffered much abuse and caused much loss over the decade and a half that it has been in existence. It sprang into existence not from the calculations of the actuaries or an intimate and masterly knowledge of the healthcare market, its dynamics and costs. It happened – or was made to happen – through an announcement in Parliament by the then Prime Minister, Mr. Rajiv Gandhi, that the nation would have a health insurance policy soon.

The industry had to create the product following a say-so and not from its own know-how. And the path of the product was sadly predictable.

Mediclaim has not been the only product thrust on the industry, there was the poor man's Mediclaim or the Jan Arogya. Laudable as both were, there is no substituting dreams for a business backed by simple hard-headed numbers.

We are back again staring at another couple of mandated schemes, this time by the Union Minister for Finance, Mr. Jaswant Singh. In his budget 2003-04, he announced a universal health insurance scheme and an assured return pension scheme, both of which seem less than likely to succeed commercially.

There is no basis for a Rupee-a-day premium for a health cover of Rs. 30,000 a year, except perhaps the attractive sound of it. And if the policy is to be offered for treatment at community hospitals, then the scope for fraud can easily be imagined.

The general insurance companies in the public sector – who presumably are the ones who will be offering this cover – are already reeling under the pressure of the bottom line due to various acts of omission and commission and not all of their own making. This would add to their woes at a very wrong time, not that there is a right time for it.

This is simply because the health sector is in a massive chaos. Not just data about the healthcare industry, but even basic information on health status in India is not readily available in any satisfactory measure, and the less said about the retrievability and reliability of individual health records the better.

The Government is the owner of the PSU general insurers and can indeed impose such measures on them. But the question is whether they should do this when the products or schemes fly in the face of scientific product development and its critical component, remunerative pricing and feasible administration, and thus place obstacles in their path to profitability in a newly competitive environment.

Equally worrisome is the Varishta Bima Pension Yojana. A guaranteed return, at a time when the industry is finally following with alarm IRDA's repeated advice to phase it out, is anachronistic to say the least. Even if the LIC, which has been named as the sole administrator of the scheme to be subsidised by the Government, manages a seven per cent return in these soft interest days net of its administrative expenses, the remainder, the subsidy, could well arrive a couple of years later.

If the scheme garners about Rs. 25,000 crores, which has been indicated by the LIC management, then the interest burden on that would be Rs. 2,250 crores. And if the LIC has to wait for a fourth of this for a couple of years, the least we could say is that it would be out of pocket.

Private players need not feel envious but can breathe a huge sigh of relief that they were left well out of this scheme. It is the LIC that one should be concerned about. The strongest insurance player today that has reinvented itself to suit the new era, could find itself wasting away slowly. Let us hope it does not come to that.

We also present in this issue an entry into the subject of our May issue – remuneration to intermediaries and the cost of doing business - with an article by Mr. Venkatesh Mysore, Managing Director of MetLife India. An article on data mining and warehousing, outlines the remedy for the industry today. There is also an unconventional approach outlined to spreading health insurance, by Mr. G.V. Rao, which has all sorts of common sense reasons to succeed.

We hope you enjoy the issue!

K. Nitya Kalyani

Getting the Price Right ✓

Venkatesh S. Mysore

Since opening up the insurance sector, the IRDA has established as its primary goal the protection of policyholders. As part of its developmental objectives, the IRDA has been attempting to professionalise the industry and facilitate its growth and development.

This paper highlights some of the principles behind developing a successful and fair compensation system for life insurance agents and providing the consumers with quality advice for their financial decisions. There is also a brief overview of some of the trends in the life insurance industry's compensation systems.

We are familiar with the breaking down of barriers and open competition taking place around the world. The WTO has become a household name and the trend suggests that we will see more opening up of the financial markets in the next few years. The impact on the insurance industry has also been felt.

One such impact is the changing compensation structure itself. Many countries like the UK, Korea, Singapore and Europe to name a few, used to have maximum commission levels payable to agents. Gradually, they have abandoned maximum limits since market competition and opening to foreign players have readjusted commission levels automatically to assure competitive pricing of products for the consumers. They have seen the redundancy of setting maximum limits and have left commission levels to market forces. (See table for some sample commission structures).

The Internet has made consumers much more aware of their choices regarding financial products. It has also created downward pressure on the pricing of life insurance products.

Selling life insurance products has always been a difficult profession. The choice available to consumers has made this work even more difficult. Companies have focused on substantial additional training to make agents much more than just product sellers and to develop them instead to provide financial advice and planning. As more life insurance products like term insurance have become commodities, agents have been forced to provide better, and more value added, services to their clients.

Global statistics show that customers prefer doing business with agents 'eye ball to eye ball' as reflected in the fact that two-thirds of the business, or more, comes through the agency channel. It is safe to say that in India almost hundred per cent of the life business comes through the agency force.

In the past the insurance industry has often made the mistake that a higher commission structure is bad for the consumer. A low and exclusive commission system like the one currently existing in India makes it very difficult to recruit quality people to the profession.

There is also evidence that it takes approximately two to three years for an agent to develop in this industry as borne out by the retention rates of agents in the first three years compared to later in their careers.

Due to the market forces at play, there has been a need to provide fair compensation for the work of an agent/ financial advisor.

Another important factor that has been created by the increase in competition is the pressure on expenses. To that extent, more and more companies are rewarding their agents based on incentives for higher productivity, persistence and consistency of the business. Companies have realised that unproductive agents are very costly and bring in low quality of business as well. Maintaining agents that are unproductive in the agency has also brought a culture that is difficult to change unless some drastic measures are taken.

Therefore, developing a professional sales force has become a major goal for most insurance companies around the world. Consistent with this goal, the support mechanism in the form of good training and development and a sound compensation plan becomes imperative.

Given these factors, here are some principal recommendations for the Indian market place with regard to developing a productive marketing force through correct compensatory practices.

Do not eliminate the maximum level of commissions payable to agents as of now. The market needs time to adjust. It is, however, recommended that the cap is measured on an aggregate basis. This means that companies should be allowed to compensate the agents as they deem fit within the cap. The impact on the premium would be limited.

In the past the insurance industry has often made the mistake that a higher commission structure is bad for the consumer. A low and exclusive commission system like the one currently existing in India makes it very difficult to recruit quality people to the profession. In general, the industry ends up recruiting low quality agents and part timers resulting in poor customer service and huge attrition. This will inevitably lead to bad sales practices. These costs are ultimately passed on to the customers in the form of pricing assumptions.

Some commission structures

Country	Commission Cap
UK	No cap
US	No cap
Ireland	No cap
China	Cap only on premium loading. No cap on commissions.
South Africa	Commissions capped

Source: LIMRA International, US

A higher commission system with some decent incentives for quality and good management of the field force can make the industry very professional and provide clients with value added service.

We have to enforce strictly laws related to rebating and other similar practices. We should discourage introducers of business, selling without licence and part timers.

There should be penalties imposed on agents for policy lapses through a charge-back system with some measures and controls to maintain integrity and quality. It would be important to have all field managers accountable for uncollected charge-back by their agents so that they are strongly encouraged through the commission system to recruit quality people and to focus on making sure that the business is of good quality.

Commission caps should be lower for investment type products and mutual funds. Consistency of rules across the financial industry (banks and mutual funds) will also be required.

The focus must be on maintaining strong licensing and training programmes for agents with continuing educational requirements. Strict disclosure and compliance rules regarding sales practices and illustration systems are part of this.

And finally, consideration should be given to introducing a Risk Based Capital system (RBC) as soon as possible. The RBC system would make companies more accountable and would indirectly force them to pay attention to how they pay commission on their products, which products they sell or encourage agents to sell and how they invest their money to support those products through better asset-liability management (ALM) systems.

RBC could be an important part of establishing a strong foundation for the industry with solid financial discipline. We have seen companies that have withdrawn products or reduced commissions in order to comply with or improve their RBC ratio. It is a very good way to make the industry accountable and self regulated.

The author is Managing Director, MetLife India Insurance Company. He is part of the committee set up by the IRDA to go into life insurance agents' compensation and this article is a compilation of the views he had presented to the committee.

WHAT SHOULD WE DO TO MAKE OUR MARKETING COMPENSATION SYSTEM FAIR AND EFFECTIVE?

The agency commission structure has come in for review recently, and productivity and quality of portfolios have become important concerns of the insurers as has the high attrition rate among agents.

There are worries about the cost of doing business too, and some of these relate to the new system of brokers vis-a-vis legacy practices. What do we need to do with the marketing compensation system in the life and non-life industries to serve the need for rapidly acquiring new business of acceptable quality, while at the same time not tilting the balance in the matter of the cost of doing business? Please write to us your views too, we would be delighted to publish them!

Institutes for Motor Data, Road Safety

The IRDA has received and accepted the report of the committee set up to go into devising the means for data collection and research for motor insurance and for road safety research.

Announcing this at the valedictory function of the Workshop on Vehicle Safety Testing held by the IRDA and Concert, a Chennai-based consumer body, at Chennai on March 21 and 22, Mr. N. Rangachary, Chairman, IRDA, said that the exact form of the institute and how it will be brought into existence will be decided by the end of April.

The committee was formed following a National Workshop on Data Collection and Research for Motor Insurance held under the aegis of the IRDA and the Tariff Advisory Committee (TAC) on January 28 and 29 at Hyderabad. (See **IRDA Journal**, February 2003, page 7).

Both the institutes will work in close collaboration with the insurance industry and its various stakeholders as collecting, analysing and retrieving data related to motor accident losses is crucial to an industry which has been suffering huge losses on this business.

Mr. Rangachary said that the unanimous view of the members of the committee was that the automobile and insurance industries need to have better co-ordination and co-operation as both depend on feedback and have to create an adequate database.

Data, the lifeline of the insurance industry, he said, was buried today inside the books of the insurance industry and no attempt has been made to analyse and read what was available.

"If there is a charge that could be made against the Tariff Advisory Committee (TAC) and the IRDA, it is that we have not brought in a market-driven regime on auto insurance, and this is because the industry as such has not taken care of itself," he said.

It has been difficult in the past for the insurance industry to plead its case for upward revision of premiums due to a lack of data to back its demands up.

Another reason that makes a data research outfit an urgent imperative is that the loss making Motor portfolio is also the single largest class of business contributing almost 40 per cent of non-life premiums. Also, detariffing is going to become a reality in the next few years in line with the trends of liberalisation and building up of a competitive market place.

As for road safety, it is also of critical importance to the industry and to the society at large. India has the fourth largest accident rate in the world even though the vehicle population is nowhere near the developed countries.

When it comes to road accident fatalities our country presents an even more alarming picture with the highest number fatal accidents in the world. This figure was over 88,000 in 1999 and many factors including weak enforcement of traffic rules, lax licencing procedures, overloading and drunken driving contribute to it. The institute for road safety is mandated to study the situation on an ongoing basis with a view to improving the systems.

IRDA Warns Brokers Against Rebating

The IRDA has issued a warning to the newly licensed brokers against rebating by passing on part of their brokerage to customers.

It has also called for detailed returns from the brokers relating to business placed by them, brokerage received and payments made out of this brokerage on a monthly basis.

In a letter to the brokers, Mr. N. Rangachary, Chairman, IRDA, has said that as professionals they were responsible for adhering to the regulations and for transparency in their behaviour.

Some reports had been received by the Authority that some brokers had been, in order to secure business, issuing letters to clients not only seeking support, but also "promising the payment of a sum of money which would be part of the compensation or brokerage you are likely to get when the transaction is through."

'This" he adds, "is a very deprecative move on the part of the brokers."

Provisions of Section 41 of the Insurance Act, 1938, he has pointed out, prohibits the offer of any direct or indirect inducement, including rebating, to procure insurance business.

He has also pointed out that a code of conduct has been prescribed for brokers to act with ethical and moral standards and has cautioned that if there were persistent reports of such conduct, the Authority would not only intervene but also see to it that the licence granted to such broker(s) would be withdrawn and cancelled.

The letter also calls upon the brokers, under Regulation 28 of the Brokers Regulations, to file within 30 days of the end of every month a statement indicating the names of the clients on whose behalf the business has been placed by the broker with the insurer, the type of business that has been contracted, remuneration received, payments made out of such brokerage and persons to whom payments have been made.

Failure to submit this information would lead to penal consequences, the letter concludes.

GUIDELINES

Investing In Mutual Funds

The IRDA has set out the following guidelines for investments in mutual funds by insurers.

Since the term 'mutual fund' is neither covered under the Insurance Act, 1938, nor by the IRDA (Investment) Regulations, 2000, any investment made in mutual funds will fall under the residuary category of investments namely, 'Other than Approved Investments.'

Hence they will be subject to the limits prescribed in the IRDA (Investment) Regulations, 2000, and also to the norms as follows:

The investment shall be restricted to investment of temporary surpluses of the insurer which may be placed in schemes of mutual funds comprising liquid funds, gilt or debt funds. The investment will be governed by the following norms:

1. The mutual fund should be registered with the Securities and Exchange Board of India (SEBI) and be governed by the SEBI (Mutual Funds) Regulations, 1996.
2. The insurer shall at all times ensure that the investments in mutual funds are diversified among various mutual funds.
3. The board of the insurer shall lay down proper guidelines for selection of permissible mutual funds and schemes, including exposure norms, to any single mutual fund and to each scheme of mutual fund, so as to avoid concentration of investment.
4. Where the schemes of mutual funds in which such investment is made by an insurer is managed by an investment manager who is under the direct or indirect management or control of the insurer or its promoter, the investment shall not exceed 20 per cent (four per cent for public sector insurers) of the amount of investments falling under 'Other than Approved Investments' subject to provision referred under Clause 5, pertaining to 'Group' under IRDA (Investment) Regulations, 2000.
5. The insurer shall not make any investment in shares or debentures of any private limited company in which investment, if any, is made by the mutual fund.

Overall investment / exposure limit

The investment in mutual funds at any point of time shall not exceed 50 per cent (10 per cent for public sector insurers) of investment falling under 'Other than Approved Investments' for both life and general insurance companies.

These exposure limits will be reviewed by the Authority annually.

Valuation of mutual fund investments

Mutual fund units shall be reported at Weighted Average Cost each quarter. Also, the insurer shall mention the market value of such mutual funds (which shall reflect the increase/ decrease in the net asset value [NAV]) in Form 3B as per IRDA (Investment) Regulations, 2000.

A separate Fair Value Change Account segregated for each of the mutual fund investments shall be maintained.

The unrealised gains / losses arising due to changes in fair value of the mutual funds shall be taken to 'Fair Value Change – Mutual Fund' account. The Profit / Loss on sale of mutual fund units shall include accumulated changes in the fair value previously recognised in mutual funds under the heading 'Fair Value Change – Mutual Fund' in respect of a particular mutual fund and being recycled to Revenue / Profit and Loss Account on actual sale of mutual fund units.

The insurer shall assess on each Balance Sheet date, whether any impairment has occurred to the investment. An impairment loss shall be recognised as an expense in Revenue/ Profit and Loss Account to the extent of the difference between the re-measured fair value of the investment and its Weighted Average Cost as reduced by any previous impairment loss recognised as expenses in Revenue/ Profit and Loss Account. Any reversal of impairment loss earlier recognised in Revenue/ Profit and Loss Account shall be recognised in the Revenue/ Profit and Loss Account.

In the case of unit-linked business, mutual fund units shall be valued at NAV.

TRACKING DEFAULTS

In view of the prevailing market conditions for investments which have seen defaults in interest and principal, including in cases of state government guaranteed debt instruments, it has become important for the correct picture to be obtained about investment portfolios of insurance companies. The reason is that investments are policyholders' funds and their impairment could have an impact on the ability of the insurance companies to meet their claims.

With this in mind, the IRDA has announced that insurers have to submit the following additional information on a quarterly basis relating to defaults in their investment portfolios.

- Details of Approved Investments/ Other Investments which have matured for payment and maturity amount is outstanding along with particulars of defaulted amount and period for which the default has continued.
- Any investment where defaults have occurred which, subsequent to maturity, have been rolled over.
- In respect of investments where periodic income has fallen due, details of interest payment in default, along with the period for which such defaults have persisted.
- Details of steps taken to recover the defaulted amounts, and the provisioning done/ proposed in the accounts against such defaults.

This information is to be filed with the Authority along with the other Quarterly Investment Returns beginning with the last quarter of the current financial year, the statements for which period are due 21 days after the quarter ends.

NO BROKERS
for Government, PSUs

The IRDA has issued the following new guidelines for payment of brokerage to insurance brokers carrying on direct non-life insurance business in India. These guidelines will not apply to reinsurance broking contracts where in terms of regulation 19(c) of the IRDA (Insurance Brokers) Regulations, 2002, market practices will prevail.

The scales of remuneration as prescribed in regulation 19 will stand modified as under, in the following cases in respect of fire and engineering classes of business controlled by a tariff prescribed by the Tariff Advisory Committee (TAC).

There will be no brokerage allowed on business of government and public sector undertakings (as per Section 617 of Companies Act, 1956), and business from these customers will be placed directly by them with the insurance companies. This category of customers will continue to get a five per cent discount on the basic tariff applicable.

The IRDA has allowed insurers to choose between brokerage and the five per cent special discount in respect of other insureds such as:

a) companies with a paid up capital of Rs. 1 crore and above

b) co-operative societies with a paid up capital of Rs. 5 lakhs and above

c) public charitable trusts which are exempt from income tax and

d) business under the direct control of the government where the policy of insurance shows the interest of the governor of a state or the President of India.

The brokerage structure for them is:

Paid up capital of insured	Commission/ brokerage ceiling
Upto Rs. 1 cr.	12.5% of premium 10%(compulsory business)
Rs. 1 cr.-Rs. 25 cr.	7.5%
Above Rs. 25 cr.	5%

In respect of insureds other than those covered above, the rates as prescribed in regulation 19 will apply.

For the purpose of this notification, brokerage/ commission shall include (as indicated in regulation 19) any royalty, licence fees, administration charges or any compensation which any agreement between the parties provide for intermediation.

LICENSED BROKERS

The following 11 entities have been licensed by the IRDA to operate as insurance brokers for a period of three years. The last issue carried a list of 17 licensed brokers.

Here is a list of newly licensed brokers with the names of the Principal Officers and contact information.

Ashok Dalvie
Pioneer Insurance Services Pvt. Ltd.
1219, Maker Chambers V,
Nariman Point, Mumbai-400 021
Ph: (022) 22021171

Neil Mathews
Aon Global Insurance Services Pvt. Ltd.
Gresham Assurance House, 4th Floor,
Sir P.M. Road, Mumbai-400 001
Ph: (022) 22660771/ 56308731

Sanjay Kedia
Marsh India Pvt. Ltd.
Essar House, 8th Floor,
11, Keshav Rao Khadye Marg,
Mahalaxmi, Mumbai-400 034
Ph: (022) 24954675

B.P. Mathrawala
Mathrawala & Sons (Brokers) Pvt. Ltd.
Suite No. 3 & 4, 3rd Floor,
Bombay Mutual Building,
P.M. Road, Mumbai-400 001
(Reinsurance)
Ph: (022) 22614513/ 22661766

Ketan M.Boda
M.B. Boda Reinsurance Brokers Pvt.Ltd.
134-136/C, Mittal Court, 13th Floor,
C-Wing, Nariman Point,
Mumbai-400 021
(Reinsurance)
Ph: (022) 22043894/ 22875836

T.R. Balan
Chawla & Associates Insurance Services Pvt. Ltd.
"Kamalja" 1306, Shivaji Nagar,
Off J.M. Road, Pune-411 005
Ph: (020) 5534961/ 5444561

A. Murali Mukund
Strategic Ins. Services Pvt. Ltd.
604, Riviera Apartments,
Dwarakapuri Colony,
Punjagutta, Hyderabad-500 082
Ph: (040) 55669419/ 23371796

Vivek Kuhadas
Alankit Insurance Services Ltd.
205-208, Anarkali Complex,
Jhandewalan Ext., New Delhi-110 055
Ph: (011) 23611846-50, 23610220-24

N. Raveendran
Alegion Insurance Services Ltd.
#50, I Floor, Kasturi Ranga Road,
Alwarpet, Chennai-600 018
Ph: (044) 24983059, 24980152

Sohanlal Kadel
Kadel Insurance Services Pvt. Ltd.
402, 4th Floor, Mugul Apartments, Deccan Towers,
Basheer Bagh, Hyderabad-500 029
Ph: (040) 23237563, 23296634

M. Srinivas Reddi
MFL Insurance Services Pvt. Ltd.
402, M.G.R. Estates,
Panjagutta, Hyderabad-500 082
Ph: (040) 55668679, 55638679

J.H. Parekh
Prman Reinsurance Brokers Pvt. Ltd.
113, Bhaveshwar Complex,
Near Vidyavihar Railway Station,
Vidyavihar (W), Mumbai-400 086
(Reinsurance)
Ph: (022) 25140564

U. Singaravelu
S & S General Insurance Professionals of (India) Ltd.
(Old No. 19), New No. 52,
North Crescent Road,
T. Nagar, Chennai-600 017
Ph: (044) 28156813

Toral G. Upadhyay
Rajkot Insurance Services Pvt. Ltd.
201, Arihant Plaza, Subash Road,
Near Moti Tanki Chowk,
Rajkot-360001, Gujarat
Ph: (0281) 2480825-26

Jatinder Mehta
Imperial Insurance Brokers Pvt. Ltd.
212 B, Hemkunt Tower,
98, Nehru Place, New Delhi-110 019
Ph: (011) 51619692/ 51619693

Report Card: LIFE

Analysis of new business figures for the period ending February, 2003 (FY 2002-2003) .

A brief analysis of the information furnished by life insurers for the new business underwritten during the 11 month period ending February, 2003, in the financial year 2002-2003 is given below.

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

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

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

INDIVIDUAL BUSINESS

Individual New Business

During the first 11-month period of the financial year 2002-03, 4,99,704 policies were underwritten by the private players for a premium of Rs. 36,459.29 lakhs and sum assured of Rs.12,67,643.98 lakhs, inclusive of riders. Maximum policies were underwritten under endowment at 2,54,203 for a premium of Rs.18,074.2 lakhs and sum assured of Rs.4,00,884.64 lakhs.

As against this, LIC underwrote 1,69,35,090 policies under a host of products, collecting premiums of Rs.4,04,920.94 lakhs and sum assured of Rs.1,14,13,615.00 lakhs. The maximum policies were underwritten under the endowment plan followed by the moneyback plan, being 1,07,62,134 policies and 50,44,681 policies, respectively. The premium underwritten under the two plans were Rs.2,52,389.76 lakhs and Rs.1,21,056.84 lakhs, respectively.

Single Premium New Business

During the period up to the month of February, 2003, the private players offered a host of products under single premium new business. During the said period 44,676 policies were underwritten by the private players garnering premiums of Rs.25,805.01 lakhs, and sum assured of Rs.38,702.73 lakhs. Under this category as well the private players underwrote the maximum of 32,886 policies under endowment at a premium of Rs.18,699.1 lakhs with sum assured of Rs.19,924.84 lakhs.

As against this, LIC underwrote 2,79,962 policies for a premium of Rs.2,44,232.28 lakhs and sum assured of Rs.3,04,747.00 lakhs. Maximum business was written under the 'Others' category at 2,35,359 policies and premium underwritten of Rs.1,94,077.19 lakhs, followed by the endowment plan at 44,180 policies and Rs.50,101.83 lakhs premium.

Individual Pension Business

Under the individual pension business, private players offered single and regular premium policies and personal pension plans. A total of 68,427 policies were written at the premium of Rs. 7,911.07 lakhs.

As against the private players, LIC wrote 1,14,709 policies for a premium of Rs.17,561.20 lakhs.

Individual Rural Business

The private players underwrote a total of 34,501 policies for a premium of Rs.407.71 lakhs, and sum assured of Rs.13,923.50 lakhs. Maximum premium was collected under endowment at Rs.244.39 lakhs, followed by money back plan at Rs.102.51 lakhs.

As against the private players, LIC underwrote 35,94,554 policies in the rural sector, with premium amount of Rs.61,101.51 lakhs and sum assured of Rs.17,92,559.02 lakhs. Maximum policies were underwritten for the endowment plan at 23,82,455 policies at a premium of Rs.36,777.79 lakhs, followed by moneyback plan at 10,45,907 policies at a premium of Rs.21,599.40 lakhs. Under the unit-linked plan, two policies were underwritten.

Single Premium Rural Business

A number of products were offered to the rural sector under single premium business, by both the private and public insurers. 25,136 policies were underwritten by the private players in the rural sector for a premium of Rs.101.37 lakhs and sum assured of Rs.1,107.46 lakhs.

LIC underwrote 12,648 policies for a premium of Rs.7,231.18 lakhs and sum assured of Rs.9,096.25 lakhs during the period ended February, 2003. The maximum number of policies was underwritten under the "Others" category at 10,314 policies, and premium underwritten of Rs.5,534.11 lakhs. No policy was underwritten under the Unit-linked Single Premium Rural Business.

Individual Rural Pension Business

Under the Individual Pension Business for the rural sector, 640 policies were underwritten by the private insurers with premium underwritten of Rs.95.48 lakhs.

LIC underwrote 3,492 individual pension policies in the rural sector for a premium of Rs.465.41 lakhs during the period under reporting.

GROUP BUSINESS

Group Insurance Business

The private players offered 361 schemes under group insurance business during the first 11 months of the financial year, covering 6,66,332 lives. The premium underwritten during the period was Rs.2,753.06 lakhs.

LIC offered the term and the group savings linked insurance schemes during the period. Under these two options, 5,426 schemes were underwritten covering 11,19,537 lives. The premium underwritten was Rs.2,608.77 lakhs.

Group Gratuity Business

The private players were operating 21 schemes during the year, covering 2,698 lives. Premium underwritten during the period was Rs.1,040.59 lakhs.

As against this, LIC offered 1,580 schemes during the period covering 1,80,853 lives. New business premium underwritten during the period was Rs.24,706.04 lakhs. This includes group leave encashment business also.

Group Superannuation Business

Under 10 different schemes offered by the private players, 831 lives were covered, and Rs.590.12 lakhs premium was underwritten during April, 2002, to February, 2003.

LIC offered three products under Group Superannuation, namely Group Superannuation (GS), Group Annuity (GA) and VRS, covering 235 schemes. Under the schemes, 83,237 lives were covered, and Rs.77,527.91 lakhs premium was underwritten during the first 11-month period of the current financial year.

Group Social Sector Business

The private players offered 17 schemes, covering 33,897 lives under the social sector, and garnered Rs.12.81 lakhs premium.

As against this under the Janashree Bima Yojana, LIC offered 2,765 schemes, covering 4,11,965 lives, and underwrote premium of Rs.500.58 lakhs. As a rider, under the Shiksha Sahayog Yojana 25,567 lives were covered for a premium of Rs.88.61 lakhs.

Group Gratuity Social Sector Business

None of the players – private or public - reported any business during the 11 month period under this category.

Group Superannuation Social Sector Business

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

During the first 11 months of the current financial year, 2,498 schemes were offered to cover 93,519 lives with underwritten premium of Rs.168.23 lakhs by the LIC.

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

(Rs. in lakhs)

Individual Business	Premium	Policies	Sum Assured
Individual New Business*	4,41,380.23	1,74,34,794	1,26,81,258.98
Single Premium New Business*	2,70,037.29	3,24,638	3,43,449.73
Individual Pension Business*	25,472.27	1,83,136	
Individual Rural Business	61,509.22	36,29,055	18,06,482.52
Single Premium Rural Business	7,332.55	37,784	10,203.71
Individual Pension Business - Rural	560.89	4,132	
TOTAL - Individual Business	7,36,889.79	1,79,42,568	1,30,24,708.71

* Inclusive of Rural Business

(Rs. in lakhs)

Group Business	Premium	Schemes	Lives
Group Insurance Business**	5,361.83	5,787	17,85,869
Group Gratuity Business**	25,746.63	1,601	1,83,551
Group Superannuation Business**	78,118.03	245	84,068
Group Insurance - Social Sector Business	513.39	2,782	4,45,862
Group Gratuity - Social Sector Business			
Group Superannuation - Social Sector Business	168.23	2,498	93,519
TOTAL- Group Business	1,09,226.49	7,633	20,53,488

** Inclusive of Social Sector Business

How the Ombudsman Works

Samiran Bhattacharya

The introduction of the system of Ombudsman in different fields of public life for redressal of grievances is a relatively new concept in India. Many of our state assemblies have already passed legislations introducing the system of Lokpal for redressing of grievances relating to various departments. In different specialised fields too the system of Ombudsman has been introduced.

For example, the Ombudsman system was introduced in the banking sector in 1995 with an amendment in 2002. In the insurance sector, in exercise of powers conferred upon it under Section 114 (1) of The Insurance Act, 1938, the Union Government framed The Redressal of Public Grievances Rules, 1998, (RPG Rules) which became effective from November 11, 1998. The provisions relating to Insurance Ombudsman has been laid down in these rules.

Legalities

There are now 12 offices of insurance ombudsmen functioning in metropolitan and large cities covering all the states and union territories of our country. The jurisdictions of insurance ombudsmen are decided on the basis of the addresses of the policy-issuing offices of the insurance companies. All the insurance ombudsmen have been appointed from among senior retired insurance executives (both life & non-life), the judiciary and the civil services.

An insurance ombudsman may be appointed for two terms totalling three years or till the age of 65 years, whichever is earlier. Every Insurance Ombudsman is supported by executives deputed from public sector insurance companies.

The Life Insurance Corporation of India (LIC) provides the necessary infrastructure including immediate day-to-day expenses (which will be actually borne by all the insurance companies as per laid down procedures later), and providing non-life insurance officials to the offices of the insurance ombudsmen of each zone is the responsibility of respective public sector non-life insurance company whose head office is in that particular zone.

Practicalities

On the receipt of any complaint, the Office of the Insurance Ombudsman sees whether it can be registered in terms of Rules 12 and 13 of the RPG Rules. If yes, a notice is served on both the complainant and the respondent asking for submission of relevant information and copies of documents within a stipulated date. If necessary, either or both the parties are invited for oral deposition.

> The reason for the mounting numbers of complaints is primarily the very fast final redressal and, (as far as respondents are concerned) nil expenditure in respect of Ombudsman cases.

The Insurance Ombudsman at first tries to mediate and recommend a settlement of the complaint (Rule 15). But if that is not possible, then he passes an Award which should not exceed Rs. 20 lakhs including cost and expenses (Rule 16).

In case this Award is not acceptable to the complainant, he or she can lodge a complaint afresh before the Consumer Court under Section 12 of the Consumer Protection Act, 1986, or file a suit before the appropriate court of law governed under the Civil Procedure Code subject to the period of limitation as enumerated in the Consumer Protection Act as well as in the Limitations Act, 1963, whichever is applicable.

If any complaint does not comply with the provisions of the RPG Rules (Rule 12 and 13), the Office of the Insurance Ombudsman communicates its inability to register the complaint. For example, if any complaint is pending before any consumer forum under the Consumer Protection Act, 1986, (Section 12), or a suit is filed before any civil court governed under the Civil Procedure Code or before any Arbitrator governed under The Arbitration & Conciliation Act, 1986, then the complaint cannot be taken up by the Insurance Ombudsman.

There is a time limit of one year from the date of the final reply of the insurance company before which a consumer may bring his complaint before an ombudsman. 'Final Reply' means the disposal of the representation of the insured, or his or her heir, on the decision of the insurance company.

The Office of the Insurance Ombudsman is not the claim settling department of the insurance company. Hence, the insurance company is to decide on the claim first and thereafter as a second opportunity, the insurance company is to dispose of the representation of the insured. Only then does the Insurance Ombudsman look at the case based on merits as well as the documents on which the company's decision was based apart from the oral submissions of the parties.

The time limit for the Insurance Ombudsman to decide on the complaint is one month if by recommendation, and three months if by way of Award.

The number of cases before insurance ombudsmen is increasing. In this calendar year, the number may cross 10,000.

The primary reason is the very fast final redressal and, (as far as respondents are concerned) nil expenditure in respect of Ombudsman cases. In contrast, it takes five years on an average, with allied expenses, if the cases are before a consumer court and there are chances of further delay due to appeals/ revisions. Substantial expense is necessary if cases are to be filed before civil courts due to stamp fee and advocate's fee with an average time period of five years and chances of further delay and cost due to appeals and so on. Even in case of arbitration, there are expenses towards sharing of arbitrator's fees.

In addition to fast settlement with no expenses of cases in front of the ombudsman, the credibility of the cause of action is clear. This is due to the fact that the system's support services providers are from the insurance industry, and have good number of years' exposure in technical areas in different offices and in different cadres. Hence, they understand the subject in its proper perspective. In many offices of insurance ombudsmen, there is further value addition as there is a techno-legal executive deputed from the insurance Industry.

Subtleties

In today's buyers' market, insurance product purchasers are demanding and savvy. Retired officials of insurance companies are also contributing to the increased in the knowledge of the buyers. The desire to be apprised about the price mechanism of a particular insurance product as well as the logical interpretation of the meaning of different policy wordings are predominant demands from the buyers' side.

The opening up of the insurance sector and the consequent creation of a competitive environment has enhanced the opportunities in this respect. The obvious end result is the increase in disputes between the insureds and insurance companies. Today, interest on delayed insurance claims payments is a matter of right of the insureds according to Regulation 9 of The IRDA (Protection of Policyholders' Interests) Regulations, 2002, effective from April 30, 2002. Incidentally, the LIC started paying interest on delayed claims much before the introduction of the above Regulation.

Many a time, policy issuing offices perceive the Office of the Insurance Ombudsman as an outside entity and do not submit the required papers as per the notices and within the required time. They also remain indifferent at the time of hearing, apart from writing very casual, generalised letters to the Office of the Insurance Ombudsman.

The policy issuing offices of the insurance company should take cases before the Ombudsman seriously. As soon as any Notice (P IV) from the Insurance Ombudsman is received, a self-contained note (i.e., written statement), giving information in chronological order with para-wise comments on the complaint along with the copies of vital documents like policy-schedule, policy conditions, survey report, medical opinion, claim form and the other documents on which the decision has been based and consent letter are to be submitted.

> Many policy issuing offices perceive the Office of the Insurance Ombudsman as an outside entity and do not submit the required papers as per the notices and within the required time. They also remain indifferent at the time of hearing.

At the time of oral deposition, original documents should be brought and the dealing officer of the respondent policy-issuing office should normally be present. The dealing officer is involved in all the decision-making processes in respect of underwriting/ claim-settlement of the aggrieved insured. Hence, no other officer is in a better position to present the company's case before the Insurance Ombudsman. Depending on the gravity of case, the officials from the higher offices, the doctor, investigator or surveyor concerned may accompany him/her at the time of oral deposition so that they can supplement in their areas of expertise.

Challenges ahead

All of us are aware of the names of globally acclaimed insurance companies which went into liquidation in the recent past. The present day competitive environment, regulator-controlled business climate and disinvestment, all have their inter-linked effects on dealing with consumers who are more conscious about their rights.

The mitigating aspect of insurance litigation is also to be seen from the above larger perspective. Global studies of insurance companies reveal that disputes with insureds cause losses. Before the introduction of the Ombudsman in insurance sector, the question of how customer disputes can be settled quickly through an impartial, credible mechanism with the requisite domain knowledge had been debated and seriously discussed before the regulator.

A system like that of the Insurance Ombudsman is a long desired grievance redressal mechanism which is outside any insurance company but which is very much within the insurance industry and the successful execution of the system will lie with all the insurance companies operating in India.

The introduction of the Insurance Ombudsman system may have caused an increase in the financial liabilities of insurers which they avoided till now by their casual approach. But as this lax attitude has tarnished companies' images and no company can afford to allow this in the present market environment, the sincerity with which they respond to cases in front of the ombudsmen will only benefit them.

The author is Assistant Secretary (Legal), Office of the Insurance Ombudsman, Mumbai.

Ageing Society: Whose Baby?

R. C. Sharma

Lord Buddha said that one should always remember sickness, old age and death. He must have had a spiritual connotation in mind while preaching these words, but the advice is quite appropriate in the temporal world as well. In fact it could be quite spine-chilling to think of the effects of old age on oneself. And death of course is inescapable.

Each of these has its own tortuous effects on one's life in terms of physical agony, economic strains and social/ family stress. But they are the hard facts of life. Everybody has to pass through this route with varying degrees of pain. The point is how to mitigate these inevitable miseries. The financial strength of the individual can go a long way in making it more bearable.

With increasing life expectancy, the phenomenon of the ageing society is getting more attention the world over. Whereas developed nations can take care of this segment of the society comfortably, developing countries are still groping to find viable ways and means to meet this mounting problem. A problem that is likely to escalate in the future faster than the measures contemplated to control it if not tackled in time.

What are the demographic changes, especially in India, that have changed the scene?

Life expectancy has almost doubled from 32 years at the time of independence to 62 years in 1995. Females have a higher life expectancy though it is the males who are mostly the primary breadwinners.

A decline in the mortality rates, in infant mortality rates and, most markedly, an improvement in health services, has resulted in longer life spans. But longer life is coupled with more old age diseases which need more physical care and money to meet medical expenses.

Sociological changes have changed the colour of the society. Earlier, children used to take care of their elders and the joint family system used to be the vehicle to share these burdens as a whole, cushioning families against hardships.

With the growing individualistic pattern of society, elders are being left to their own fate financially and emotionally. Not all older people may have enough financial resources to take care of themselves in their old age. First because they have stopped earning and, second, because their medical care costs have gone up.

> Any civilised society can ill afford to neglect this important and respectable segment of the society.

The prudent savings made by some of them may also not yield sufficient income due to the increasingly lower returns on their savings.

Under the circumstances, they are hopelessly left to themselves or, in some cases, at the mercy of the State. There may be some philanthropists or non-governmental organisations (NGOs) also on the scene, but these are far from sufficient to meet the enormity of the challenge.

Governments all over the world are seized of the matter and are taking appropriate steps to mitigate the problems faced by them in different ways. In India also, the Union Government and state governments have taken some steps in this direction. Some of the state governments are giving old age pensions to senior citizens of their states.

In India, the Union and state governments provide retirement benefits to their employees in the form of pensions/ gratuity/ medical benefits / housing schemes etc. But actually this is a small fraction of the total working force, estimated at about 11 per cent of the working population in India.

The unorganised sector, which is a major chunk of the workforce is completely left out of these benefit schemes.

With the objective of providing the workers of the unorganised sector with the means to save for their future, the PPF scheme was introduced in 1968-69.

Because of the premature withdrawal facilities and the tax benefits allowed, the scheme has not produced the desired results of serving as an effective old age pension scheme. The Government also introduced a monthly income scheme through the Department of Posts. But with ever decreasing interest rates on deposits, these kind of schemes also are proving less than able to meet the needs of an old age pension. Mutual fund schemes are also not robust enough to provide sufficient yields.

The fact remains that any civilised society can ill afford to neglect this important and respectable segment of the society.

Governments of the day cannot go beyond a particular point due to financial and administrative constraints. Most of the affected people are not used to even the monthly regular income concept as they never belonged to a working force which received regular incomes and this is one of the basic reasons for their not participating in any post-retirement beneficiary schemes.

In the absence of an adequate social security network, people have to think about their own future and old age requirements. In fact, there is no genuine awareness about the dire need of such a system among people at large. Future planning or retirement planning is as important and significant as today's living.

Also, they lack the professional knowledge to calculate the quantum and method of savings required to cater to their future needs. To complicate matters, future needs have also undergone tremendous changes costing more in terms of money.

Savings, hitherto, have been almost entirely from the angle of tax avoidance. There have been no serious efforts from any quarter to create any awareness to enthuse people to plan their savings for old age needs.

Insurance companies should take the lead in creating such an atmosphere where even a common man is able to comprehend his future requirements and look for solutions in terms of insurance policies and other products.

Members of this segment in synergic association with some agencies/ corporates can help themselves by carving out a few schemes which can yield long-term regular monthly income.

Hitherto, life insurance companies have floated some schemes giving multiple benefits combined with life insurance. These schemes could help in providing assured monthly income and healthcare benefits in the form of riders.

But they are yet to come out with need-based solutions. Their approach has been a bit conservative. Perhaps the greater interest of self sustenance has been overriding for them. In the scheme of annuities, the concern of the insurance company is not that the insured will die early but that he will live too long and receive the annuity for a longer period than expected.

This is an opportunity to innovate in terms of products to meet the compelling requirements of a market segment. Again this is not as easily done as said. Life sector policies are very difficult to devise as they have to sustain over a very long period, sometimes even for a longer period than the person had actually served in an organisation.

This involves a deep actuarial study to develop a product keeping in view the quantum and tenure of investment required for a particular yield. The investments are not free from risks and uncertainties. But again, this is achievable and sustainable. The apprehensions are genuine but how long will the stalemate continue?

Again this is not the real need of an old person. He has to have a regular monthly income to meet his basic daily requirements. Any scheme in the shape of a monthly pension is the actual answer to his problem.

The UK and a few Western countries have such schemes for their senior citizens. In spite of the fact that most of the countries are turning out to be welfare states, this kind of gesture cannot be easily afforded by many of them. Many countries provide annuities based on contributory funding both by the employee and the employer and in the case of self-employment, the schemes self-financed.

There may be cases where individuals have outlived their assets and died paupers, or other cases where they have lived very miserly lives and died asset rich. Actually a great amount of intrusive calculation and assessment is required.

The actual answer is a viable pension/ annuity scheme modelled on various available schemes. Concerted efforts on the part of all involved is required to ensure some regular income to the growing numbers of ageing members of the society.

The author is Assistant Director, IRDA. The views expressed here are his own.

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Train the Trainers First!

Vijay Vora

Training is a continuous process. Need-based training is most advantageous to customers and producers/ providers. This will give added advantages and comfort to customers and profits/ surplus to the producer/ provider. Insurance is a very technical subject. It involves a knowledge of medical and health sciences, law, statistics, technicalities of all industries, actuarial science, financial markets and so on. When thinking of training it is normal to think of growth in sales and in turn profits. At the IRDA the consumer is now the focus of training.

Training examines the very nature of consumers and their growing and changing needs in the light of a changing world. In insurance we think of risks involved in day-to-day life, business, production, travel, health, and so on. These require a very close look at new and growing risks, the type of losses people face and their cost in terms of premium and claims.

The present state of affairs is such that the IRDA has prescribed a training course for intermediaries like individual agents, brokers, for bancassurance and so on. They attend the course conducted by recognised institutions and pass the test to get licences.

The first renewals of agency licences become due in July 2003. But no course is designed, no books published and no arrangements made in terms of infrastructure required.

The same was the case when the IRDA started issuing licences to new agents. The productivity of newly recruited agents, even after 100 hours of training and passing of the prescribed test, has been very discouraging. The retention ratio is also likely to go down drastically. In a nutshell, the ball has started rolling for training first.

The training course should include both classroom and practical components.

The class room training should consist of :

- Code of conduct and legal liabilities
- Attitude
- Product knowledge, with stress on product designing
- Investment pattern under the IRDA Act
- Solvency margin and share capital
- Market and outcome of market research vis-a-vis rules for advertising and publicity
- Value-added service before and after the sale
- Information technology

The practical training, at first instance, should include:

- The office - its outlook and purpose
- Process of working, including basic of underwriting of risk
- Office discipline and expectations from an intermediary
- Paperwork and use of information technology
- The role of an intermediary and that of the office (underwriter, marketing, product designing and so on)

All these together, if provided by good, experienced, innovative and friendly trainers, will go a long way in achieving the goal.

But the very big and burning question of trainers' training is to be resolved on a priority basis.

We, at present, do not have trainers with a clear vision of what the industry requires. They are not clear about various aspects of the future needs of consumers vis-a-vis the needs of providers. As such a very comprehensive programme of trainers' training has to be conducted at every level.

This may be devised under the able guidance of the IRDA and conducted by insurers, very keenly watched and supervised by the IRDA.

A body should be established to conduct the exams which should be licensed after confirming the faculty, infrastructure and integrity of the institution. Each and every session has to be attended, at least once, by a responsible officer of the IRDA.

At the same time every effort should be made to have exhaustive feedback from trainees without any fear or favour and this should be thoroughly monitored to improve trainers' training. In course of time we will have visionary trainers for the industry as a whole.

As we know the LIC has the largest number of agents among the insurers of the world. The fact remains that in spite of this Malhotra committee's report on the opening up of insurance sector observed that the Indian life insurance market is untapped.

As such, trainers' training should be of such a high quality that they deliver the expected results. Today training has become just a formality because it is mandatory.

At present, training is given at a place near residence/ office of the trainee. Many good orators have started the institutes without any subject knowledge of insurance. This results in trainees not attending the training course diligently. They are involved in their day-to-day activity and work. It may be a good idea if the training is imparted as a residential programme of three to six days

This could also include sports, indoor and outdoor, opportunities to show off one's talent in other areas and to exchange ideas and opinions on various subjects and so on. This will make training attractive as it includes, to some extent, subjects and preferred activities apart from usual course, and is result-oriented. A close look at the number of trainees will make it easy to have more personalised training.

What is our expectation of training? Usually it is an increase in sales and, in turn, of profits. But it is expected also that the trainee be very familiar with products, legal liabilities, attitude, future growth prospects and his participation vis-a-vis his income, the support he will be getting from his principal, his role in making the customer the king and, above all, faith and trust in his principal as to solvency and capital requirements.

All industries are building up their dream teams to become global players, and insurance is one of them. We have capabilities to market insurance globally, and from these trainees we will have a visionary, and thriving insurance sector on a global level as we have in the software industry.

I end with the hope that, as the IRDA is at its initial stage in life if it thinks of and visualises the future of the industry in the global market, then I am sure the future is India's.

The author has been with the Life Insurance Corporation of India (LIC) as Development Officer for 20 years and studied actuarial science at the Post-graduate level.

BEYOND THE 100 HOURS!

Rohit Grover and Ashita K.

The article by Mr. V. Krishnan (Vantage Point, **IRDA Journal**, February 2003, Page 6) is excellently written and raises some important issues regarding training in the context of attracting and building good distribution in non-life insurance. Besides analysing diverse channels of distribution, two points are brought out.

- Need for limited training for '***monoline producers***' like travel agents
- Availability of training institutes '***agreeable to bypass'*** the 100 hours of training

He suggests modules of 30 hours each which are intensive in one line of business like travel, auto, home and so on.

Mr. Krishnan has also outlined agent trainees' burden by listing 20 different Acts and 32 different policies.

Knowledge Network India (KNI), as an accredited training institute (ATI) of the IRDA, and having had the experience of training a few thousand agents online and offline for over a dozen insurance companies in the public, and private sector, we can share our experience by saying that:

1. The 20 Acts and 32 policies can be briefly commented upon and bare Acts and detailed policies can be placed as a library item, online or offline.
2. If some ATIs are 'agreeable to bypass' the training regimen, there must be the other side of coin, insurance companies willing to accept this bypass. Why should insurance companies or their regional/ branch offices accept a bypass?
3. Pass marks in exams are 50 per cent and if basics of rating, underwriting, the role of the agent, consumer protection issues and basic calculations are understood, agents/ their companies can well concentrate on some lines only.

This is, however, only for the purpose of examination for 100/ 50 hours. Is not training a continuous activity in insurance business? Training need not begin and end with the 100 hours training.

Agent trainees (especially if they are from other specialised service areas) need to be exposed to the whole field, and made aware of sources of information and knowledge so that they can continuously update themselves with or without formal (or regulator mandated) training requirements.

Some companies like Max New York Life which conduct training in-house, require agents (after their 100 hours training) to attend at least one day per week in training.

Another issue, which requires focus, is that the post-2000 agent is different from 20th century agent in that s/he is becoming a full-fledged financial services agent by virtue of having product lines of mutual funds, units, agency for mobile phones, etc along with an insurance line. Does such a person not require a thorough understanding of customer needs, their analyses, an understanding of various insurance products and other financial services (FS) and thus become an integrated FS agent?

If so, we find that the online mode is far superior, where lots of information, statistics, product lines of various insurance companies and other FS producers can be maintained as a digital learning sources library. During the 100/ 50 hours training the agent trainee can be exposed to them and also refer to them later.

KNI and its Academy of Insurance and Finance has developed a prototype of such a library, which has books, articles, research findings, Acts, Regulations, journals e.g FORTE Insurance Journal, links to other useful sites etc. This is hosted on www.kampusonline.com

In short, while issues and problems do arise, if the aim remains that of creating a well-informed/ trained agency force, answers can be found to such problems/ issues.

We need to recall that about five lakh agents who, ipso facto, got licences under the IRDA Agents Regulations, 2000, would be coming up for renewal of their licence before July 2003. How can training institutes cope with the load of retraining, 25 hours of which is required? Should a specific 25 hours curriculum be devised, or left to individual companies?

Should they be divided up into specialised 25 hours modules somewhat on the lines of what Mr. Krishnan's article suggests?

Can such a great training load (and genuine requirement) be catered to in the offline mode. How would we accommodate training requirements in languages other than English?

Should not the diversified channel members from banks, microfinance institutions and NGOs become knowledgeable in insurance, pension products, and financial services over and above the scope of the 100 hours training?

Mr. Krishnan's thoughtful article has encouraged us to put these thoughts forward. Hopefully it would encourage others to join the debate on various aspects of training.

The authors are members of the faculty of Knowledge Network India – Academy of Insurance and Finance.

Data Management and Detariffing

Anup K. Mathur

The world has one exabyte of data online today - in databases, file systems and personal computers…This one exabyte (1000 patabytes or 1,000,000 terabytes) is equivalent in size to telephone books stacked to the moon and back again.

These masses of databases ranging in size into the terabytes - more than 1,000,000,000,000 bytes of data - contain hidden information of strategic importance.

Data, by itself, does not have any meaning. It needs to be structured for analytical purposes leading to analysis in some form to reveal the hidden patterns. This analysis then becomes information. It is this information that is to be unlocked for driving the business of an enterprise, particularly insurance.

When information is internalised, it becomes knowledge and knowledge when applied becomes wisdom. This is the classic hierarchy as we move along with data and convert it to help us make meaningful decisions.

Rightly then 'information' is seen as a strategic asset. Access to and usage of this information at the right time is becoming a key to compete efficiently. Usage of information to identify profitable customers, business trends, high yield products and the most productive distribution channels will enable an insurance enterprise to compete effectively.

While the insurance industry in the industrialised world has moved ahead with technology (in relative terms-it is still laggard when compared to other industries like banking and securities), insurance companies in India have either not been able to capture all the data or have not been able to devise an intelligent analytical system that can drive the business.

It is in this context that data warehousing and data mining technologies assume significance especially with reference to the insurance sector in India.

Business Scenario

The insurance industry, particularly general insurance, is grappling with the question of detariffing. It has been a debatable and contestable issue for quite some time now.

Should we detariff? What to detariff? When? How? And how much? These are some of the questions that evoke strong responses. This issue has gained significance due to the deregulation and increasing competition in the insurance industry in India.

Unstructured and static data is of little use to insurers and reinsurers. Profitability in the insurance industry requires the ability to judge risks with a high degree of precision. This in turn creates a dependency on aggregate statistical analysis.

The common refrain, both for and against detariffing is centred on the lack of sufficient information as a result of:

- Absence of data
- Inadequacy of data
- Absence of statistical information
- Absence of scientific practice, and so on

The inference is that the general insurance industry, with its current set of data, is not in a position to harness the full potential of the Indian market to its advantage.

Unstructured and static data is of little use to insurers and reinsurers. Profitability in the insurance industry requires the ability to judge risks with a high degree of precision. This in turn creates a dependency on aggregate statistical analysis.

A major data integration effort is needed at the enterprise level to create a risk-model based on statistical analysis.

Increasing competition requires an insurance enterprise to rapidly re-orient its strategy from a policy and product approach to a customer-centred model. This is particularly so now when the property and casualty insurance industry is undergoing its worst crisis in the past couple of years.

Recession, market conditions and the tragic events of 9/11 have contributed to the dismal industry-wide results. Weak underwriting, product pricing, sky-rocketing reinsurance costs, reduced capacities, nose-diving interest rates, spiralling claims and reserving decisions have put pressure on the balance sheet of major players.

The legacy of these decisions will continue to plague the industry and impede its financial recovery for years to come. Insurance companies need to initiate and implement fundamental changes to analyse operational data in the decision-making process if profitability has to improve significantly.

Leveraging technology and analytical systems will enable insurers to profile their business, precisely, assess actual levels of risk, accurately and price those risks appropriately. New analytical systems will assist in informed decision-making, which in turn will lead to improved future profitability.

Policies generate revenue and claims generate expenses. Large amounts of data are collected from underwriting risks and paying claims. Operational offices of the public sector unit (PSU) general insurance companies have underwritten a large number of risks each year and paid claims of diverse nature. It is here that the PSU companies enjoy a tremendous advantage over their young competitors since they can leverage the data that is available in various operational offices across the country.

However, this data is in its most rudimentary, unstructured form. Collation and compilation of data scattered across operational offices of the PSU companies spanning the length and breadth of this country is a challenging task and requires Herculean efforts. But this is necessary for survival of an insurance enterprise itself. Especially when operating margins and profits are under constant threat due to dwindling investment income, increasing business acquisition cost and escalating underwriting losses.

The challenge for the PSUs is to harness the vast amounts of dormant data available in its operational offices, and develop a robust technology-driven analytical system that would augment the ability to use the information at an enterprise level to improve on the business performance.

Relevance of a data warehouse and of data mining

A data warehouse can be defined as 'a subject-oriented, integrated, time-variant, non-volatile collection of data in support of the management's decision making process'. It is a repository of consistent historical data that can be easily accessed and manipulated for decision support.

A data warehouse holds, maintains and integrates subject-specific data from operational and support systems like underwriting applications, claims systems, sales and distribution systems, accounting and other systems throughout the enterprise in a central location.

Simply, a data warehouse is an orderly and accessible repository of historical facts based on related data that helps business users make informed decisions through the analysis of patterns, trends and events that affect the business. The subject areas could be any factor of business like customer, product, activity, policy, claim, account or reinsurance.

It is a process by which subject-based data from many different sources and in many different forms is extracted, cleansed, loaded, transformed and converted into a consistent, uniform format. The user can extract the relevant information from the data warehouse. It is so organised that it can support the decision-making process of an enterprise.

A data mining technique sifts through massive amounts of data using a variety of data analysis tools. Combined with modelled it uncovers hidden patterns and relationships in the data, leading to valuable information that may be utilised for making a probabilistic estimation. This information can help in developing a risk and a pricing model.

Data mining unearths relationships that exist within data that exists within an organisation.

The first step in data mining is to describe the data and to identify the statistical attributes (such as means and standard deviations) of the data. This is followed by a visual review, using charts and graphs, and the determination of potentially meaningful links among variables (such as values that can be clubbed together). Exploration, collection, and selection of the right data are critical activities during the data mining process. But these activities alone cannot provide relevant business information. A predictive model must be built on the basis of patterns determined from known results. Then that model has to be tested.

Simply put, data mining is used to discover relationships between various facts and dimensions in order to help the management make better business decisions. Data mining unearths relationships that exist within data that exists within an organisation.

Statistical and actuarial professions have shown great interest in data mining techniques like Classification and Regression Trees (CART). This technique aids in resolving a business problem that requires risk modelling in insurance. The nonlinear and nonparametric approach on which CART methodology is based, provides good insights into the hidden patterns in large data sets with, maybe, a few million cases and several hundreds of possible variables. Such data sets are common in many areas of insurance, healthcare, telecommunications, credit risk, banking and so on.

Modelling is the process of mathematically combining data about past performance to make predictions about future events. It aids in making better business decisions, identifying important trends in the data and in determining which customers or the industry processes in a particular geography are the best risks or who are the best candidates for a marketing campaign. Data mining enables searches through large collections of data and helps in detecting hard-to- find relationships that can be exploited for driving the business in a profitable manner.

A simple example of such a model is the batting average of a cricket player.

Data about past performance (number of innings and number of runs scored) is combined into a mathematical formula (runs divided by number of innings) to estimate the probability of runs that a player may score the next time he goes out to bat.

This batting average tells you what you can expect from a player ‘on an average’ for his innings. It also allows you to determine which of two players has a better chance of scoring more runs the next time they are going to bat.

An insurance pricing model works the same way. Data about past performance such as number of claims, mean claim size, premium, number of insured in that particular category of risk and other factors are combined in a formula to determine the expected loss ratio of a policy. Such a loss ratio allows you to determine which of two risks is the better one.

Underwriting models have been built for a long time. Underwriters take information about past performance and make assessments as to what is likely to happen during the period of the policy. This process becomes analytical when statistical theory, mathematical formulae and computers are used to process massive amounts of data to come up with predictions or scores. Typically models can be built to predict loss ratios, claims frequency, severity, propensity to renew and so on.

The aims for building up a data warehouse in an insurance company, though manifold, is centred on achieving the following objectives:

- To understand the needs of customers and offer them superior products and service at affordable prices
- To develop, augment and implement superior risk management
- To increase profitability and investment strategies to offer stable returns to stakeholders, policy holders and employees
- To service customers quickly, efficiently and conveniently and
- To plan ambitiously for profitable growth in a cost-effective manner

Insurance companies in India, especially the nationalised insurers, can leverage data warehousing and data mining techniques to not only create new business opportunities, but also conduct the business profitably and efficiently.

An insurance enterprise can leverage on data warehousing and data mining techniques to discover new perspectives at both the macro and micro levels. The macro view would allow an enterprise to understand the general market environment or geography in rich detail by combining a number of dimensions such as demographic, geographic, socio-psychographic etc. The micro view will help it in recognising and exploiting information that is revealed by uncovering hidden patterns, which can be utilised to create new products, services or processes.

A data warehouse combined with data mining techniques provides intelligent business inputs and plays a vital role in all the areas of insurance operations like Corporate Strategy & Management, Finance & Asset Management, Sales & Marketing, Customer Management, Risk Modelling and Business Intelligence & Strategic Decision Making.

(A discussion on how data warehousing and data mining impact key business areas like actuarial work, anderwriting, risk and policy management and its relevance to the debate of detariffing, particularly with reference to the general insurance market, follows in the next part of this article, to be carried in the next issue.)

The author is Functional Consultant, Finance and Banking vertical, Wipro InfoTech. The observations made in this article are in his personal capacity and do not in any manner reflect the company’s understanding of the subject.

WHAT DO YOU THINK?

In the last few pages you have seen reader reactions to various Issue Focus stories we have published in past issues.
You too can write in with your views on various topics.

Send them to:
The Editor, IRDA Journal, Insurance Regulatory and Development Authority, 5-9-58/B, Basheer Bagh, Hyderabad - 500 034.

Introducing the Actuary

K. Subrahmanyam

People know about astrologers who predict happenings in the future. Some people are familiar with statisticians who use statistical techniques to make guesses about certain things - for instance the quality of drugs, quality of cosmetics, population in future. Very few people know about the poor actuary!

In fact, I had difficulties (and so did my family) in explaining the word 'actuary'. Who is this fellow? And what does he do? Some people thought he is not necessary for their jobs because (having not understood what he speaks or writes), they do not understand the usefulness of an actuary.

Especially my general insurance colleagues think that he is not required at all for any job in their sector!

He makes many assumptions in the determination of premium rates and also in the determination of the amount of policy liabilities in the balance sheet. The problem for users is to understand 'assumptions' first and, later, whether such assumptions are fair and reasonable.

I strongly feel that the actuary is not understood, particularly his capabilities and techniques which are used to make decisions, and also his analyses of various insurance matters, for instance cause-wise analysis of deaths. They don't understand what training and agony he has to undergo to become an actuary in order to do such things.

The mother of all institutions producing actuaries is the Institute of Actuaries, London, which is over 150 years old. In those days, the actuary's talents were used in life insurance. To determine how much premium one has to pay to secure a cover for a given amount for a given period for the risk of death, and how much money is required to pay for a given amount of annuity per month from a fixed age to the time of death. All these ideas were to protect individuals.

All of us know perils will visits us and can destroy us at any time during the course of life, but many did not know how to fight these perils by means of an insurance protection. The peril for an individual could be such that he would cease to earn, or that his earnings would get reduced and could even become zero. The known perils were accidents and death. This concept was extended to income producing assets such as cattle, commercial properties, factories, sea-going vessels, etc.

The actuary could, having studied past experiences, make better/ best estimates for the future, and his tools could be made use of in product design and pricing, and in the assessment of policy monies. In any profession, the tools could be misused to the disadvantage of the public in order to secure gains to someone.

Francis Bacon's quotation: "I hold every man a debtor to his profession, from which as men of course do seek to receive countenance and profit, so ought they of duty to endeavour themselves by way of amends to be a help and ornament thereunto," is of relevance, even today.

The actuarial profession is for the good of the insurance industry and for the welfare of the people. A professional is always useful to the society. In an insurance company, the actuary sits behind the driver of the car and gives directions to reach the destination safely even though the road is rough and tough.

To end with a serious joke: An actuary was travelling by train and a co-passenger showed him a beautiful ship off the coast through the window of the train and said the ship was black. The actuary replied that only 50 per cent of it was black. The actuary was careful with his words for he could see only half the ship!

Even if this is in lighter vein, isn't it comforting to have such a cautious person backing insurance products?

The author is Executive Director, (Actuary), IRDA.

Ageing-the new challenge for actuaries

Rising longevity is changing traditional family structures and is already dramatically affecting inheritance patterns. We now see inheritance skipping a generation to grandchildren or great grandchildren, as children themselves may be in their 60s or 70s by the time they inherit.

The role of actuaries in all this is obviously important because of the fundamental age shift our society is undergoing; the fact that this is happening, most people are dimly aware of, but the implications of it are not well understood or prepared for. Actuaries in general, and the Institute specifically, are pivotal in understanding and explaining the implications.

For a profession rightly proud of its conservative and cautious image, it may be hard to accept that the impact of the demographic shift across the life course we face in the United Kingdom, across the European Union and in most other parts of the world, can only be described as a revolution. But a revolution is exactly what it is, and unfortunately most people, whether the general public, in business or in government, are only just waking up to this reality. The importance of the actuarial profession in making the facts more widely known is crucial.

Baroness Sally Greengross, Executive Chair, International Longevity Centre, UK and Honorary Fellow of the Institute of Actuaries, London, in a Guest Editorial in the British Actuarial Journal.

The Actuary in India – The Past and The Future

K.P. Sarma

The actuarial profession in India can be said to be more than 100 years old as Mr. Duncan McLanchlan Slater, a fellow of the Institute of Actuaries, London, came to India in 1866 to represent some insurers. He was also the Founder Manager and Actuary of the Oriental Government Security Life Assurance Company Ltd. founded in 1874. In the early years of the profession, Mr. H. G. W. Meikle was for some years Actuary of Oriental and thereafter Actuary to the Government of India.

Indians began appearing for the examinations conducted by the Institute of Actuaries, London, from the early years of the last century and Mr. L. S. Vaidyanathan was the first Indian to qualify as a Fellow in 1926. Thereafter till 1942, the profession was in its infancy with only a handful of Fellows.

Insurance companies began seeking the advice of actuaries on a wide range of matters not limited to statutory valuations and premium rates. They were also appointing actuaries and actuarial students on their staff. During the period from 1945 till 1956, the actuarial profession in India came into its own with 83 students qualifying as Fellows. A number of actuaries became chief executives of life offices and many more rose to senior management positions.

With the nationalisation of the life insurance business in 1956, the prospects for new entrants in the profession was limited and there was a sharp fall in the number of Indians taking up the examinations.

The actuaries absorbed by the nationalised Life Insurance Corporation of India (LIC) held a large number of managerial and executive positions and discharged their responsibilities successfully utilising their training and technical background.

Two important examples of acceptable solutions to difficult problems are those relating to laying down the basis for valuation of Indian business of foreign insurers to determine the 'excess assets' to be repatriated and fixing an equitable formula for relative bonuses of a very large number of companies varying widely in the pattern of working and in financial strength.

India was in its early stages of 'development' and the economic and financial conditions were different from those in developed countries. In matters such as underwriting and investment, the actuary had to take into account the local environment and constraints and find practical solutions consistent with actuarial principles.

> Actuaries should have the skills to work with other professionals and to convince them of the reasonableness and acceptability of actuarial solutions.

The Present

Opening up of insurance business to the private sector in the year 2000 was preceded by a few years of hectic preparatory work at the Government level and in the nationalised insurance industry. Participation of actuaries in many formal and informal consultative meetings was an important part of such preparatory work. Even the new entrants to the industry depended heavily on work done by a few selected actuaries and actuarial students. The profession was also galvanised into the discussion of many actuarial issues with, or led by, the regulator at its periodical conferences, in which actuaries from different countries participated.

During the last two years, the role of actuaries not only in facilitating an appropriate framework of regulations, but also in setting up the pricing and product development practices of new companies has been crucial. The role of the Appointed Actuary has also received considerable attention in various discussion forums.

The Future

The future for the actuarial profession in India is likely to throw up many challenges and opportunities. These can have different ramifications with the actuary's participation in

(1) issues internal of individual companies
(2) issues relevant to reasonable expectations of policyholders and customers and
(3) maintenance and development of technical standards for regulations.

Many of these involve technical skills connected with business planning, pricing, valuation and bonus declarations arising out of the education and training of actuaries. Of equal importance could be competencies and skills relating to personal qualities required for working in an environment where persons belonging to other professions such as Chartered Accountants, investment analysts and business managers demand attention and need to be convinced of the reasonableness and acceptability of solutions provided by actuaries.

Some of the areas which might receive attention and demand solutions include the following:

- Search for appropriate actuarial basis and continued refinement particularly of expense rates, morbidity rates and persistency rates.
- Participation in introduction and implementation of suitable insurance software and in particular, systems which facilitate both internal valuations and statutory valuations.
- Coping with continued pressures of strict implementation of philosophies, procedures and methods of a foreign joint venture

partner on the one hand and increasing awareness and choices of policyholders and customers on the other hand in introduction and pricing of new products.

- Sticking to actuarial principles and professional standards which are drawn from developed markets perhaps ignoring the realities and problems of a heavily distorted element of competition in the market with a few small and growing companies set against a nationalised company/ companies with a giant size of the market share. An alternative to this could be to not only accept differing yardsticks for the playing field but also translate such yardsticks into technical standards acceptable for regulators, legislators and the public in general.
- Developing abilities to not just live with varied and sometimes conflicting interests of shareholders but to foresee potential and possible changes in shareholding patterns. Issues especially relevant here would be both choice of methods and fixing actuarial bases connected with working out embedded values and appraisal values of the business.
- Alertness in understanding and implementing regulators' preferences and intricacies of statutory reporting connected with pricing, valuation, expense limitation, segregation of funds, vigil on investment decisions by companies etc.
- Last, but not the least, helping managements cope with changes in tax regimes and regulations having far reaching implications not just on new business but also on existing portfolios and expectations of policyholders.

The future for the profession is indeed promising and challenging. It would be also of interest to speculate on how not only individual actuaries handle the problems but how the profession as a whole and the professional body representing the profession goes through the process of evolution to promptly and correctly identify issues and bring out common approaches and solutions in the best 'public interest'.

The author has been in the actuarial profession for over 25 years and was Appointed Actuary, Max New York Life Insurance Company Limited.

WHAT DO ACTUARIES DO?

Actuaries Make Financial Sense of the Future

Actuaries are experts in assessing the financial impact of tomorrow's uncertain events. They enable financial decisions to be made with more confidence by:

- Analysing the past
- Modelling the future
- Assessing the risks involved, and
- Communicating what the results mean in financial terms.

Actuaries Balance the Interests of All

Actuaries balance their role in business management with responsibility for safeguarding the financial interests of the public. The duty of Actuaries to consider the public interest is illustrated by their legal responsibility for protecting the benefits promised by insurance companies and pension schemes. The profession's code of conduct demands the highest standards of personal integrity from its members.

Actuaries Enable More Informed Decisions

Actuaries add value by enabling businesses and individuals to make better-informed decisions, with a clearer view of the likely range of financial outcomes from different future events.

The actuary's skills in analysis and modelling of problems in finance, risk management and product design are used extensively in the areas of insurance, pensions, investment and, more recently, in wider fields such as project management, banking and healthcare. Within these industries, actuaries perform a wide variety of roles such as design and pricing of products and financial management and corporate planning. Actuaries are invariably involved in the overall management of insurance companies and pension, gratuity and other employee benefit funds schemes; they have statutory roles in insurance and employee benefit valuations and, to some extent in social insurance schemes sponsored by government.

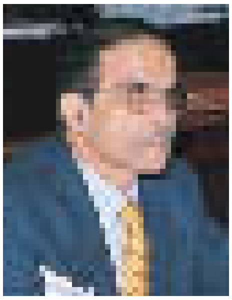
Actuarial skills are valuable for any business managing long-term financial projects both in the public and private sectors.

Actuaries apply professional rigour combined with a commercial approach to the decision-making process.

From www.actuariesindia.org, the official website of the Actuarial Society of India

Life Breath
– The Role of the Appointed Actuary in Life Insurance

S.P. Subhedar



The Appointed Actuary has a special role in the life insurance business in India. The role of this category of professionals contains elements of a system of self-regulation with the local professional body, the Actuarial Society of India (ASI), functioning as a self-regulatory organisation.

The IRDA regulations require that "A life insurer shall not carry on business of insurance without an appointed actuary" and, inter alia, prescribes the duties and obligations of the Appointed Actuary. The procedure for appointment of Appointed Actuary requires that, in the case of an insurer carrying on life insurance business, the Appointed Actuary shall be an employee of the insurer.

Supervision of Life Insurers

Section 13 - Actuarial report and abstract - of the Insurance Act, 1938, requires that "Every insurer carrying on life insurance business shall, in respect of the insurer ....in respect of all life insurance business transacted by him, every year, cause an investigation to be made by an actuary into the financial condition of the life insurance business carried on by him, including valuation of his liabilities in respect thereto and shall cause an abstract of the report of such actuary to be made in accordance with the regulations.............".

The IRDA (Assets, Liabilities and Solvency Margin of Insurers) Regulations lay down in detail the procedure to be followed for valuation of assets and determining the liabilities and determination of solvency margins of life insurers. However, the Appointed Actuary is not just required to carry out specific tasks such as the annual valuation of the liabilities and the determination of the surplus, but must be satisfied at all times that, if a full actuarial valuation was carried out, the financial position of the life office would be satisfactory.

The Appointed Actuary system envisages shift of responsibility for monitoring financial viability from the regulatory authority to the Appointed Actuary.

This is because the annual actuarial investigation report is to be submitted to the regulatory authority within the specified period, six months in India, from the close of the year and it may take a few weeks for the regulatory authority to analyse the report. On the other hand, the Appointed Actuary is considered to be in such a position within the life office that he/ she should have a good idea of the financial position at any particular moment, and not just at the year ending.

In order to be satisfied on this, the Appointed Actuary has to monitor all aspects which could influence the financial position, and in particular:

- product design
- method of marketing
- volume of business
- premium rates
- options and guarantees
- surrender and paid up values
- investments held and changes in investment policy
- current and likely future levels of expenses
- current and likely future tax Bases
- reinsurance arrangements
- claims handling policy, and
- any contingent liability

The Appointed Actuary is required to report the findings of the actuarial investigations to the Board of Directors of the life office and also advise the Board on any points of potential concern that may arise. He/ she is also required to submit a report and abstract prepared in the prescribed format to the regulatory authority. The report will give particulars of the valuation methods and assumptions used and will include a certification by the Appointed Actuary which confirms:

- that the data used was adequate for the valuation of the life office's liabilities
- that the actuarial value placed on the liabilities under the life office's policies is adequate
- the available solvency margins and the required solvency margins
- the adequacy of premium rates on which new business is transacted, and
- that the relevant guidance notes issued by the ASI have been complied with

This process of valuation, reporting and certification by the Appointed Actuary enables the regulatory authority to monitor the life office's financial position without going in for its own detailed investigations.

This wider role of the Appointed Actuary, as it has developed, has come to be regarded by the regulatory authorities as one of the central features of the prudential supervision of life offices. The Appointed Actuary is supported by the regulatory authority and the actuarial professional body by allowing consultation and providing advice when required by him or her.

Professional Conduct

The ASI requires all its members to conform to the guidance provided through Guidance Notes and advice on professional conduct standards, which are backed by disciplinary procedures. The IRDA (Appointed Actuary) Regulations have laid down the procedure for appointment of an Appointed Actuary. The regulations, inter alia, require that an actuary seeking appointment as an Appointed Actuary must be a Fellow of the ASI (FASI) and must possess a Certificate of Practice (CoP) issued by it. CoPs are issued to applicants subject to their fulfilling certain experience requirements and the conditions laid down with regard to Continuing

Professional Development (CPD). These CoPs are renewable annually. The renewal is dependent, in particular, on the Appointed Actuary keeping abreast of relevant developments through participation in the CPD programs organised by the ASI.

The ASI has, with the concurrence of the regulatory authority, issued a guidance note specifically related to the work of Appointed Actuaries. Two more guidance notes, one on the Financial Condition Report and the other on Additional Guidance to the Appointed Actuaries are on the anvil. The IRDA regulations on the actuarial report require that a certificate signed by the Appointed Actuary shall be appended to the Abstract and Statement certifying, inter alia, that 'he has complied with guidance notes issued by the ASI with the concurrence of the Authority'.

Guiding the Board

The Board of Directors of the life office are essentially the employers of the Appointed Actuary, the Appointed Actuary of a life office essentially being required to be an employee of the company. Even though the Appointed Actuary is an employee, the normal professional relationship of confidentiality and independence of advice applies here.

The Appointed Actuary system envisages that the Appointed Actuary has access to the Board to present his/ her advice directly. Many life offices follow a working arrangement under which the Appointed Actuary receives all Board papers and is invited to attend all Board meetings where the life office's insurance activities are under discussion. This could be regarded as best practice if the Appointed Actuary is not a Director.

The IRDA (Appointed Actuary) Regulations, inter alia, require that the Appointed Actuary shall be entitled 'to attend –

(i) any meeting of the shareholders or the policyholders of the insurer; or

(ii) any other meeting of members of the insurer at which the insurer's annual accounts or financial statements are to be considered or at which any matter in connection with the Appointed Actuary's duties is discussed'.

The presence of the Appointed Actuary at the meetings of the Board of Directors enables him/ her to give his/ her advice directly to the Board as also to respond to any questions that may arise.

It is also necessary that the Appointed Actuary be consulted and given the opportunity to comment on any significant proposals at the initial stage so that advice can be given to the Board about the influence of the proposed action on the financial development of the life office.

> The Appointed Actuary is clearly expected to act as a front line controller of prudential financial management of the life office, lessening the need for close regulatory attention.

The IRDA (Appointed Actuary) Regulations do include in the duties and obligations of the Appointed Actuary the duty of 'rendering actuarial advice to the management of the insurer, in particular in the area of product design and pricing, insurance contract wording, investment and reinsurance'. The regulations also require the Appointed Actuary to draw 'the attention of the management of the insurer, to any matter on which he/ she thinks that action is required to be taken by the insurer to avoid –

(i) any contravention of the Act or

(ii) prejudice to the interests of policyholders

While the Appointed Actuary, as such, has no executive powers, it is his/ her duty to advise the Board of Directors.

It is possible that a situation could arise where the business considerations of the management and the Board require the recommendations of the Appointed Actuary to be modified with his approval. It is also possible that the Board and the Appointed Actuary are unable to reach an agreement on some material issue. In such a situation the regulatory authority could be approached for assistance in resolving the issue. The IRDA regulations do specify that 'Any provision of letter of appointment of the appointed actuary, which restricts or prevents his duties, obligations and privileges under these regulations, shall be of no effect'.

Financial Management

The Appointed Actuary is clearly expected to act as a front line controller of prudential financial management of the life office, lessening the need for close regulatory attention, which could never, in practice, give the same degree of continuous monitoring as is required of the Appointed Actuary. The link to the regulatory authority is effected through the professional duty to 'blow the whistle' if the board or the management of the life office persists in following a strategy which the Appointed Actuary considers might have a serious adverse financial impact on the life office.

In order to undertake the work of determining the value to be placed on the life office's liabilities for the purpose of comparison with its assets, the Appointed Actuary will need particulars of the life office's portfolio of business, information regarding its recent history and details of assets.

The Appointed Actuary would like to be satisfied that the need for information required for actuarial investigation into the financial condition of the life insurance business of the life office is fully understood by the life office's management and the Board and that appropriate arrangements are put in place to ensure that the information is provided.

The IRDA regulations do specify that 'An appointed actuary shall have access to all information or documents in possession, or under control, of the insurer if such access is necessary for the proper and effective performance of the functions and duties of the appointed actuary'.

Policyholders

The Appointed Actuary has to ensure that the policyholders' interests are protected. The regulatory authority expects that the life offices fulfil their "policyholders' reasonable expectations". The IRDA regulations require that the Appointed Actuary shall 'ensure that the policyholders' reasonable expectations have been considered in the matter of valuation of liabilities and distribution of surplus to the participating policyholders who are entitled for a share of surplus.'

The expression "policyholders' reasonable expectations" is not formally defined. However, over time, the actuarial profession has developed a working understanding of how the concept should be interpreted.

There are three main areas where the policyholders' reasonable expectations are relevant in the day-to-day operations of a typical life office. These are:

- the treatment of with-profit policyholders through bonus declarations
- the basis on which unit prices are determined for unit-linked business, and
- the exercise of any discretion the life office may have to alter the terms and conditions applicable to existing policies, especially in the area of charges under unit-linked policies

One of the duties of the Appointed Actuary is to advise the life office management and the Board in these areas. The Appointed Actuary has to advise the life office of his/ her interpretation of its policyholders' reasonable expectations, having due regard to the broad nature of the life office's business and its treatment of policyholders, both individually and collectively vis-à-vis shareholders.

It is also incumbent on the Appointed Actuary to ensure that prospective policyholders are not misled as to their expectations; the life office being required to consult its Appointed Actuary about the various aspects of the information to be disclosed in respect of new policies, including the level of expenses and other charges to be allowed for when giving projections of possible policy benefits.

The Appointed Actuary system is central to the financial viability of life offices.

The Appointed Actuary has responsibilities to:

- the life office's Board of Directors
- the life office's policyholders
- the regulatory authority for monitoring and reporting on the life office's financial position, and
- the actuarial professional body that its guidance is followed

The Appointed Actuary assists the life office to operate on a sound financial footing and to meet the reasonable expectation of its policyholders.

The development of statutory, quasi-regulatory roles, such as that of the Appointed Actuary of a life office, has served well the interests of both life offices and the regulatory authorities, and has led to a high level of protection for policyholders. It is in this context that the IRDA has adopted the Appointed Actuary system for life insurance business in India.

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1. The IRDA Regulations.
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The author, an actuary, is Senior Advisor, Prudential International Corporation.

YVO METZELAAR HEADS ING VYSYA

Mr. Yvo R. Metzelaar has been appointed as Managing Director and CEO of ING Vysya Life Insurance Company Pvt. Ltd. He has been Deputy MD and President of the company since 2001.

Mr. Tony van der Star, who held the post of MD and CEO is to move to Greater China in a senior role.

Mr. Metzelaar was the Chief Representative of ING Insurance International BV since 1997, developing the entry strategy for the life insurance business in India, together with Mr. Naren Joshi who is the current Chief Representative of ING Insurance International BV.

Long Way To Go

– The Role of the Appointed Actuary in General Insurance

Arpan N. Thanawala

The Appointed Actuary Regulations framed by the Insurance Regulatory & Development Authority (IRDA) have created the role of an Appointed Actuary of a general insurance company in India. As per these regulations, the Appointed Actuary of a general insurance company can be an employee of the insurance company or a consulting actuary.

This article examines the role an Appointed Actuary will be expected to play in India, the challenges faced by him and the possible way forward.

The role of Appointed Actuary of a general insurance company, as prescribed in the IRDA regulations, is no different from the role set out for an Appointed Actuary of a life insurance company. In particular, the Appointed Actuary will be responsible for looking after the interests of the policyholders and to serve as a watchdog of the regulator.

The regulations stipulate that the Appointed Actuary of a general insurance company should:

- render actuarial advice to the management of the insurer and in particular, in the area of product design, pricing, insurance contract wording, investment and reinsurance
- ensure the solvency of the insurer at all times
- certify the premium rates in case of non-tariff business, and
- certify reserves to be calculated on sound actuarial principles

The bulk of the responsibility of an Appointed Actuary is centred around the protection of the policyholder by:

- establishing the liabilities of the insurer to ensure its solvency and its continuing ability to fulfil the contractual obligations (certification of reserves)
- controlling the type of products sold and the pricing of such products (filing of products with IRDA along with actuarial certification for fair pricing)
- establishing contingency arrangements to ensure that obligations under the contracts underwritten are met even if the insurer runs into financial difficulties (maintaining and monitoring a solvency margin at all times)

> Another area where the Appointed Actuary can play a very significant role, although this is not in the regulations, is in the planning and implementation of an appropriate information technology system.

Besides this, the Appointed Actuary is also expected to assist the management in achieving its financial objectives.

Another area where the Appointed Actuary can play a very significant role, although this has not been specifically highlighted in the regulations, is in the planning and implementation of an appropriate information technology system. An actuary is in a unique position to appreciate the potentialities of any system and would, therefore, be able to add significant value in development of a system.

Challenges

There are numerous challenges that an Appointed Actuary of a general insurance company is likely to face in India and some of the important ones are mentioned below:

The first and foremost is the availability of good quality data in the format that can be used by an actuary for the purposes of his investigations. In assessing premium rates and technical reserves, an actuary needs access to past data pertaining to each class of business separately. Based on this data, the actuary, using various tools, assumptions and methodology, arrives at suitable premium rates and derives adequate technical reserves. Therefore, accurate determination of premium rates and reserving depends critically on credible data.

In India, prior to the opening up of the insurance sector in the year 2000, there was very little involvement of actuarial expertise in the operations of the General Insurance Corporation of India (GIC) and its four subsidiaries in determination of premium rates and reserving. Consequently, not much emphasis was put on collecting the relevant past claims data for each line of business and relating it to each period of exposure.

Furthermore, the new private insurance companies have only just started their operations and would therefore, not have sufficient past data of their own nor much industry-wide published data on which they can rely.

For an insurer to achieve his long-term profit goals, ascertainment of sound rates for each class of business is imperative. Sound rates are based on sound insurance principles and have regard to the portfolio written and the changing social, economic, legislative and technological environment. This, in turn, requires proper selection of rating factors for the insured population to be sub-divided into reasonably homogeneous groups for purposes of fair pricing.

This, however, is currently not happening in India. To illustrate, rating of motor car premiums by state-owned companies is simply carried out on the basis of the size of the engine, although there are a large number of other equally relevant rating factors which influence the exposure to risk from motor car claims. The main rating factors used by insurers in the UK for motor car insurance include, besides the size of the engine, the type of cover, vehicle use, area and age of the vehicle as well as of the policyholder and so on.

In addition to these, insurers also use other minor rating factors such as occupation of the policyholder, whether the car is garaged at night, driving convictions and maintenance of the vehicle. Pricing premiums on various rating factors will need a careful planning of the proposal form in order to capture the relevant information and also to develop techniques to use all these rating factors in arriving at sound rates.

Increasingly the world over, actuaries in the general insurance area have been adding value to the management of the insurance company by preparing various kinds of financial analyses which include financial projections for profitability and solvency purposes, development of budgeting techniques, analysis of cashflows and expenses and their allocation between classes of business. Actuaries have, in the past, not been involved in performing such financial analyses and providing valuable management information systems to the management of the insurer from time to time.

For reasons explained before, not many actuaries in India are specifically trained in the area of general insurance. Although actuaries may have the theoretical knowledge acquired through the course curriculum, very few actuaries in India have the relevant experience of working in a general insurance company. This, coupled with the fact that the general insurance business is complex and very varied in nature and each class of business has unique features, will make it difficult for actuaries in the short-term to play a full role as envisaged in the regulations.

The Way Forward

The way forward is to address each of the challenges highlighted above and put a system and process in place so that in times to come the Appointed Actuary of a general insurer will be well placed to effectively discharge his duties and play a meaningful role in the prosperity of the insurer in particular and in the development of the industry in general. In particular, emphasis should be placed on the following:

1. Actuaries should be involved at the outset in specifying the amount and the type of data which need to be collected and stored, to be able to use the same for rating and reserving purposes.
2. Proposal forms should be designed suitably to capture all rating factors for each risk involved and actuaries should rate risks more scientifically by breaking them down in homogeneous sub-groups to arrive at sound rates.
3. By providing useful and timely management information reports, actuaries should demonstrate to the management the utility of carrying out financial analysis from time to time and of consulting the actuary before taking crucial financial decisions which may have a long term impact on the solvency or profitability of insurance operations.

> Not many actuaries in India are specifically trained in the complex general insurance business. This will make it difficult for actuaries in the short term to play a full role as envisaged in the regulations

In view of the fact that not many actuaries in India have had an opportunity to obtain first hand experience in dealing with various functions of general insurance operations, the regulator should make it mandatory for the Appointed Actuary to spend a certain stipulated amount of time in various departments of a general insurance company till he acquires adequate expertise in order to appreciate the intricacies of various lines of business.

Furthermore, much work has to be carried out by the professional actuarial body to pro-actively produce various guidance notes and to conduct numerous Continued Professional Development (CPD) programmes in the areas in which the actuary is expected to play a role in general insurance business. These steps will assist the Appointed Actuary in obtaining the practical orientation of the general insurance business which he may be currently lacking.

By very nature, insurance business deals with uncertainties. Actuaries are trained in assessing the financial impact of such uncertainties by using statistical and other modelling tools. Therefore, actuaries can play a very vital role in the survival and general prosperity of the general insurance company in a highly volatile and competitive market.

The IRDA has placed a large responsibility on the shoulders of the actuary by requiring each insurance company to appoint an Appointed Actuary. The role of the Appointed Actuary is not only to act as a watchdog of the policyholder but also to provide vital inputs to the sound management of the business.

It is now for the actuaries concerned, the professional body and the industry to work together and meet the challenges for the Appointed Actuary system to work most effectively as we move forward.

The author is a consulting actuary and a partner in Thanawala Consultancy Service, Mumbai. The views expressed in this article are his own.

प्रकाशक का संदेश

इस जर्नल का यह अंक जब आपके हाथों में पहुँचेगा तब तक प्राधिकरण ने अपने अस्तित्व के तीन वर्ष पूरे कर लिये होगें, इस अवधि में प्राधिकरण को एक पारदर्शी व उत्तरदायित्व संगठन बनाने में सफलता मिली है.

इस समय अवधि में प्राधिकरण कई विनियमन लाया जो बीमा कंपनियों की स्थापना व अन्य कारोबारी गतिविधियों के लिए थे जैसे ऐजेन्ट, ब्रोकर, सर्वेयर, लॉस एस्सेसर, थर्ड पार्टी एडमिनिसट्रेटर, इत्यादि. इन सभी विनियमनों को लाने का एक ही उद्देश्य था, वह था, भारतीय उपभोक्ताओं की अच्छी प्रकार से सेवा करना और उन तक उस सेवा उद्योग की सेवाओं को पहुँचाना जिनको गुणवत्ता की संपन्नता से पहुँचना चाहिये. यदि यह गतिविधियॉं सेवा मानकों में सुधार के रूप में परिणाम देती हैं तो बीमा क्षेत्र में तथा भारतीय उपभोक्तओं के मानस पर एकमत बनता है. प्राधिकरण अपने आप को भाग्यशाली समझेगी कि उसने कुछ किया.

एक सम्पूर्ण तरीके से हमने सोचा था कि नवजात बीमा उद्योग के लिए वह था - बाजार व्यवहार के लिए अपरिवर्ती की भविष्यवाणी करना, यह भारतीय उपभोक्ताओं को एक विश्वास दिलवाना था कि वह जो उत्पाद खरीद रहे है तथा उसके लिए जो प्रीमियम चुका रहे है वह सुरक्षित तथा मजबूत है. बहुत से विकसित देशों से पहले हमने हमारे देश में बीमांकक प्रणाली को अपनाया.

जीवन बीमा कंपनी के बीमांकक कंपनी की कार्यप्रणाली के संबन्ध में, प्राधिकरण की आँखें और कान है. हमने उन्हें यह शक्ति दी है कि यदि प्रबन्धक जनता के हित में कार्य नहीं कर रहे हैं तो वह प्राधिकरण से सम्बन्ध स्थापित कर सकते हैं.

यह सभी कदम मेरे विचार से बहुत शामक हैं और इन्होनें अब ऐसी परिस्थिति पैदा की हैं जिसमें बहुत विकास होगा. देश में काफी सीमित संख्या में बीमांकक हैं. बीमाकंकों का पेशा हमारे प्रोत्साहन व समर्थन के लिए केवल इस लिए सुपात्र नहीं हो जाता क्योकि हम चाहते हैं कि यह विकास करे, लेकिन इसलिए भी कि हम चाहते है कि वे भारतीय बीमाकर्ताओं के हितो का संरक्षण करें.

इस जर्नल में आप बीमांकक पेशे से जुडे विशिष्ट तथा वरिष्ठ सदस्यों के लेख देखेंगे. मैं आशा करता हूँ पाठकों को यह लेख रूचिकर लगेगें. मुझे विश्वास है आप हमें अपनी प्रतिक्रियों से अवगत करवायेगे कि पिछले दो वर्षो में बाजार का विकास किस प्रकार हुआ और इसमें बीमांककों का क्या योगदान रहा है.

इस अंक के साथ हम नये वित्तीय वर्ष में प्रवेश कर रहे है प्राधिकरण ने यह निर्णय लिया है कि इस जर्नल को स्थायी रूप से निकाला जाए इसलिए आवश्यकता है, पाठकों के पूर्ण समर्थन तथा सुझावों की जिसे लेखों के रूप में पत्रिका में प्रकाशित किया जा सके, ऐसे लेखों को जो समकालिक महत्व के हो, उन्हें प्रकाशित करने के लिए संपादक सदा तत्पर है.

एन. रंगाचारी

एक तहसीलदार थे बाबुलाल (9 बेटियों के पिता)

और एक थे सेठ अमीर चन्द, उद्योगपति,
(3 लडकों के पिता)

अमीर चन्द को तहसीलदार बाबुलाल से कारोबारी काम पड़ा जिसकी सरकारी कीमत थी 4 लाख रुपये

बाबुलाल और अमीर चन्द समधी बन गये, तहसीलदार ने सरकारी कीमत नहीं ली और

उद्योगपति ने दहेज नहीं लिया...

“ कुछ तो लोग कहेंगे ”

हम सरकार द्वारा संचालित साधारण बीमाकर्त्ताओं के लिए दावों को जल्द निपटाने के लिए विस्तृत दिशानिर्देश बना रहे है, यदि उद्योग जनता के मध्य एक विश्वास तथा आस्था बनाना चाहता है तो यह आवश्यक है कि दावो का भुगतान किया जाए.

वित्त राज्य मंत्री - श्री आनंदराव अदसूल- लम्बित मोटर दावों पर बोलते हुए

मैंने कभी किसी ऐसे उद्योग से साथ साक्षात्कार नही किया, जैसा कागजबंध लंदन बीमा बाजार में है और मुझे कहना पडेगा इसने सिविल सेवाओं के कागज परिमाप को भी पीछे छोड दिया है. यह सोचना गलत होगा कि एड्वर्ड लायड् काफी शाप के दिनों से बीमा उद्योग के आधार इतने कम बदले हैं. यदि हम चाहते हैं कि २१ वी सदी के ग्लोबल बाजार में हमारी स्थिति प्रीमियम कारोबार में बनी रहे तो एक उद्योग के रूप में हमें कई कदम उठाने होगें.

लार्ड् पीटर लेवंस, अध्यक्ष,
लायड् आफ लंदन टैक्नोलोजी

सीमा चिह्न घोषणा के साथ (बजट २००३-०४ में युनिर्वसल हैल्थ इंशौरेंस योजना) हम यह आशा करते हैं कि ४० से ४५ प्रतिशत तक जनसंख्या मध्यावधि में हैल्थ बीमा ले लेगी, और पर्याप्त मात्रा में बढते हुए आकडों के आधार पर कहा जा सकता है यह प्रयास हैल्थ बीमा के क्षेत्र में काफी होगा. हम समझते है अधिदेशात्मक हैल्थ बीमा ही राष्ट्र के लिए सम्पूर्ण हैल्थ हल है और इसे राष्ट्र को जल्द ही अपनाना चाहिये.

डा. प्रताप सी रेड्डी, अध्यक्ष,
अपोलो अस्पताल

हमें ५५ साल से अधिक आयु के लोगो के जो व्यापक पेंशन योजना एलआईसी द्वारा जारी की गई है, में भाग लेने का मौका न दिये जाने के कारण बहुत दुख हुआ. निजी कारोबारियों ने सेवानिवृति समाधान बाजार को बढाने में काफी कुछ किया है. जो उनके बाजार अंश के ३० प्रतिशत से भी अधिक होने से प्रदर्शित होता है, हमें को प्रसन्नता होती यदि हमें व्यापक पेंशन योजना में भाग लेने का अवसर प्राप्त होता.

श्रीमती शिखा शर्मा मुख्य कार्यपालक,
आईसीआईसीआई प्रडूडेंशल लाईफ इंशुरेंस कं. लि.

हम बोर्ड सदस्यों को ‘अधिकारी तथा निदेशक’ देयता बीमा उपलब्ध नहीं करवाते, बुनियादी रूप से हम चाहते हैं कि हमारे निदेशकों का व्यवहार अपने निर्णयों द्वारा संचालित हो तथा उसका प्रभाव उनकी पारिवारिक शुद्ध मालियत पर पडे.

श्री वारेन बफेट, मुख्यकार्यपालक, बर्कशायर हेथवे आईएनसी.

इसमें संदेह नहीं प्रतिस्पर्धा एक कारक है जो आजकल हमें संचालित कर रहा है. हम अब शिकायत नहीं कर सकते...... प्रतिस्पर्धा ही अकेला कारक नहीं है, इस अवधि में, शेयर बाजार मंदी अवस्था में थे और ब्याज दरें कम हो रही थी .... इसके अतिरिक्त अन्य कोई अवसर उपयुक्त तथा सुरक्षित निवेश के लिए उपलब्ध नहीं थे.

श्री एस. बी. माथुर, अध्यक्ष, एलआईसी.

आईआईआरएम एक अभिनव संस्थान

संजीव कुमार जैन

बीमा विनियामक तथा विकास प्राधिकरण द्वारा आन्ध्रप्रदेश सरकार के साथ मिलकर, जुलाई सन् 2002 में आईआईआरएम अर्थात् इंस्टिट्यूट आफ इंशुरेंस एंड रिस्क मैनेजमेंट की स्थापना की गई. संस्थान को राज्य सरकार ने 5 एकड जमीन वित्तिय जिले में आबंटित की है, इसी इलाके में इंटरनैशनल बिजनेस स्कुल, इंटरनैशनल इंस्टिट्यूट आफ इंफोमेशन टैक्नोलोजी स्थित है.

राज्य सरकार का यह तीव्र गति से विकास की तरफ अग्रसर वित्तिय जिला 100 एकड भूमि में हाइटेक सिटी के साथ ही है. नानक राम गुडा व गच्ची बावली के आसपास स्थित इस इलाके में इंटरनैशनल बिजनेस स्कुल, ट्रिपल आई टी, इन्फोसिस, तथा खेल गाँव तो अभी स्थापित हुए है, यहाँ सीएमसी सैन्टर तथा जवहार लाल नेहरू इंस्टिट्यूट आफ रूरल बैंकिंग लम्बे समय से कार्यरत है. पिछले दिनों राष्ट्रीय खेलों के आयोजन के कारण यह इलाका भारत भर में चर्चा में रहा. आजकल यहाँ एक विशाल गोल्फ कोर्स स्थापित किया जा रहा है तथा अगले एफ्रो एशियन गैम्स यही आयोजित करने की चर्चा जोरों पर है .

आईआईआरएम की मुख्य योजना अन्तराष्ट्रीय स्नातक डिप्लोमा तथा वित्तिय सेवाओं में एम. बी. ए. पाठ्यक्रम उपलब्ध करवाने की है .

आईआईआरएम टीम के तत्वाधान में लगातार गतिविधियां प्रारंभ हो चुकी हैं. जनवरी माह में संस्थान द्वारा विश्व के बढते हुए बाजारों को लेकर एक अन्तराष्ट्रीय सम्मेलन का सफल आयोजन दिल्ली के होटल ताज मानसिँह में किया जिसमें विश्व के सभी प्रमुख देशों के लोग शामिल हुए.

संस्थान के अपने भवन के निर्माण में अभी 12 से 18 महिनों का समय लग सकता है इसलिए वर्तमान में संस्थान अपनी गतिविधियां आईआरडीए परिसर हैदराबाद से संचालित कर रहा है.

आईआईआरएम के पास प्रभावशाली योजनाएं है जिसमें तकनिकी पाठ्य क्रमों के एडवांस तथा विशिष्ट पाठयक्रम, विनियामक के प्रशिक्षण पाठयक्रम, प्रबन्ध विकास पाठयक्रम, कार्यालय प्रमुखों के लिए लीडरशीप विकास कार्यक्रम, प्रशिक्षकों को प्रशिक्षित करने के कार्यक्रम, सार्वजनिक व्याख्यान तथा विभिन्न प्रकाशन जिनको ए.एम बेस्ट के साथ मिलकर कार्यान्वित किया जायेगा.

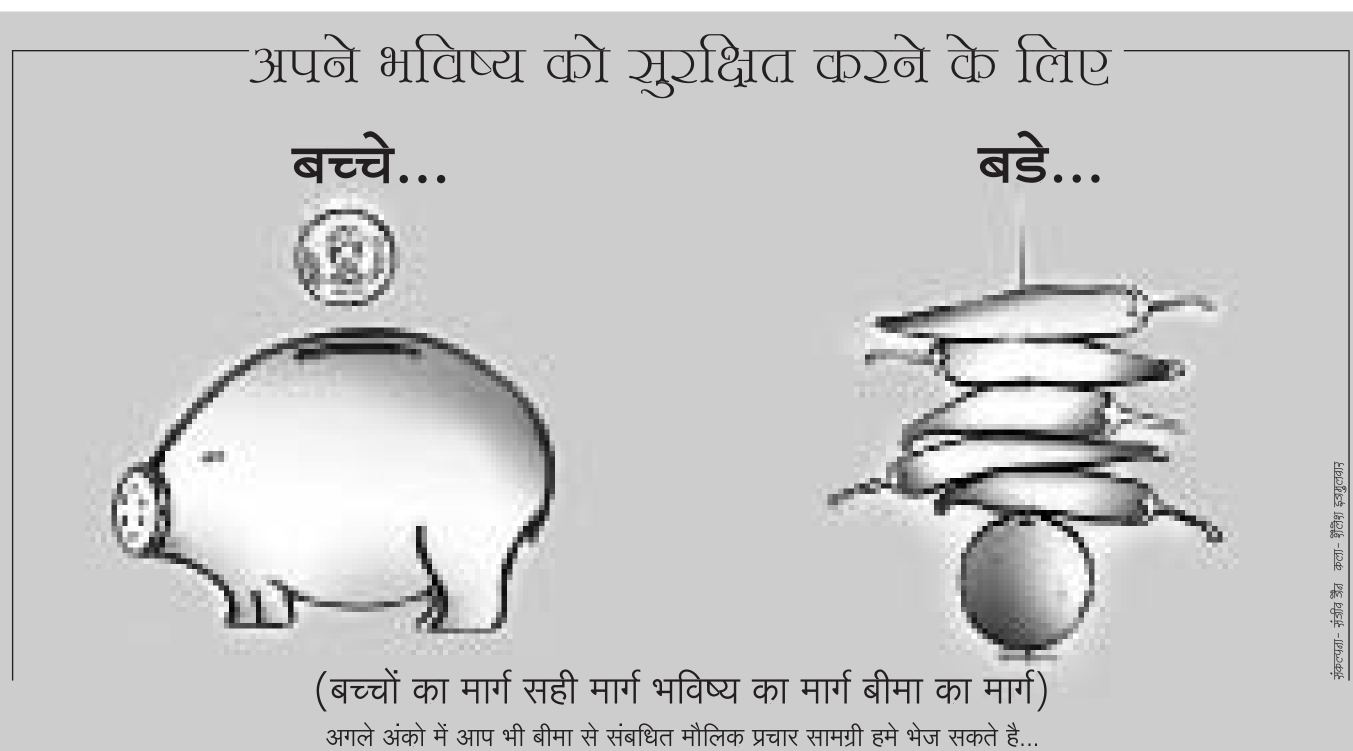
इस परियोजना में कुल 4.5 मिलियन यू.एस. डालर खर्च होने का अनुमान है. जबकि परिचालन के प्रथम वर्ष में 1.2 मिलियन यू.एस. डालर आय होने की संभावना है. जबकि छटे वर्ष तक इसके 10.8 मिलियन अमेरिकी डालर तक पहुचँने की संभावना है.

आईआईआरएम मानव संस्थान क्षमताओ को अनुसंधान के निम्न लिखित क्षेत्रों में केन्द्रीत करना चाहता है.

- बीमांकक
- बीमालेखन व सर्वे
- जोखिम प्रबन्ध और पोर्टफोलियो विश्लेषण
- वित्तिय तथा निवेश निर्णय
- आधारभूत कार्यालय का रखरखाव
- व्यापार तथा निवेश विश्लेषण
- प्रबन्ध क्षेत्र जैसे, विपणन. संगठन क कारक जैसे लेखा योजना व्यूहरचना तथा अनुपालन
- सूचना प्रोद्योगिकी तथा शक्ति

संस्थान का उद्देश्य बीमा के प्रशिक्षित लोगो के समूह को पाठ्यक्रम परिक्षा द्वारा आगे बढाना है. जिसमें व्यवसायिक बीमा तथा जोखिम प्रबन्ध योग्यताएँ शामिल है जिससे उनके ज्ञान कार्यकुशलता तथा पेशेवरानापन में उन्नति हो सके.

यह बीमा व्यवसायिकों को एक ऐसा फोरम प्रदान करेगा जिसके द्वारा अपने अनुभवों को वे सैमिनार, कार्यशाला, सम्मेलनों द्वारा आदान प्रदान करते हुए एक सम्बन्ध बना सकेगें जो भारतीय बीमा उद्योग से एक नेटवर्क की तरह जुडने में मददगार होगा.



बीमा उत्पाद कीमत, निर्धारिण, एवं प्रक्रिया

दिनेश चन्द्र खनसीली

किसी भी आर्थिक गतिविधि में दो चीजें प्रमुख होती हैं. एक तो उत्पाद (प्रोडक्ट) का निर्माण एवं द्वितीय इसका विपणन (मार्केटिग) यदि बाजार में प्रोडक्ट ही नहीं है तो वह बिकेगा कैसे. उसी तरह कोई कम्पनी बाजार में कई तरह के प्रोडक्ट तो ले आये परन्तु उनको बेचने की क्षमता ही नहीं है तो उद्योग, विशेषतः बीमा क्षेत्र के लिए नये नये उत्पादों का ग्राहकों की बीमा सुरक्षा हेतु निर्माण व उनका विपणन मनुष्य की दो आँखों के समान है. क्योंकि मनुष्य के लिए दोनों आँखों का बराबर महत्व है. पालसी धारक के मन में यह जिज्ञासा रहती होगी कि वे जो प्रीमियम का भुगतान कर रहे है . कौन हैं, जो इस प्रक्रिया के पीछे रहते है व यह कैसे होता है.

जीवन बीमा क्षेत्र में पारम्परिक बीमा पेंशन, यूनिट लिंक्ड व स्वास्थ सम्बन्धी उत्पाद होते हैं. इस लेख में पारम्परिक उत्पाद जैसे बन्दोबस्ती (इन्डोमेण्ट) पालसी में प्रीमियम का निर्धारण कैसे होता है, इसे बताने की चेष्टा की जा रही है. चेष्टा इसलिए कि यह बहुत जटिल प्रक्रिया है और इसे समझाने में मुश्किलों का सामना करना पडता है. इस लेख में मोटी मोटी बातें बताने की कोशिश की गई है ..

भारत वर्ष के जीवन बीमा क्षेत्र में जीवन बीमा कंपनी, जब भी नया उत्पाद बाजार में लाती है तो उसे बीमा विनियमक और विकास प्राधिकरण (आईआरडीए) के कार्यालय में जमा किया जाता है इसके लिए प्राधिकरण ने फाइल करो और प्रयोग करो (फाइल एण्ड यूज) पद्वति लागू की है. इसके तहत यदि उत्पाद को प्राधिकरण कार्यालय में जमा कराने के 30 दिन के उपरान्त तक प्राधिकरण की ओर से कोई सवाल नहीं पूछा जाता है तो बीमा कंपनी नया उत्पाद बाजार में ला सकती है. प्राधिकरण ने इसके लिए फार्म का निर्धारण किया है जो यूनिट लिंक्ड पालिसियों एवं बिना लिंक्ड पालिसियों के लिए अलग-अलग है. वर्तमान में दिसंबर 2001 तथा दिसंबर 2002 में जारी दो परिपत्रों के अनुसार बीमा कम्पनी अपने वर्तमान उत्पाद में कोई बदलाव चाहती है तो उसे सितम्बर 2002 के प्रपत्र के अनुसार सूचना प्रेषित करनी पडती है . यदि प्राधिकरण द्वारा निर्धारित फार्म में ही गई सूचना के अनुसार यह कोशिश की जाती है कि उत्पाद समाज के विभिन्न वर्गो के बीमा हितों को साधने वाला है या नहीं अथवा केवल समाज के एक वर्ग तक ही यह सीमित है. यदि समाज के एक वर्ग तक भी कोई प्रोडक्ट सीमित है तो भी उसी तरह का दूसरा प्रोडक्ट कम्पनी ने दूसरे अन्य वर्ग के लिए जारी किया है अथवा नहीं. इसमें फार्म में निर्धारित जैसे कम से कम देय प्रीमियम टार्गेट मार्केट, प्रोडक्ट का विवरण आदि से यह पता लगाने की कोशिश की जाती है. दूसरी मुख्य बात जो प्रोडक्ट में देखने वाली होती है वह यह कि उत्पाद कि कीमत अथवा प्रीमियम बहुत ज्यादा अथवा बहुत कम तो नहीं है. यदि प्रमियम बहुत ज्यादा है तो बाजार में प्रतियोगिता होने की वजह से वह बिकेगा नहीं. यदि उत्पाद बिकता नहीं तो बीमा कंपनी के स्थायित्व को खतरा पैदा होना स्वाभाविक ही है. इसी तरह यदि प्रीमियम बहुत कम है तो यह भी अच्छा नहीं है. क्योंकि जीवन बीमा लम्बे समय का अनुबन्ध है तथा यदि बीमा कंपनी बहुत छोटा लक्ष्य लेकर चलने की कोशिश करती है व बाजार में अपने को स्थापित करने के लिए अथवा अपना व्यवसाय को बढाने के लिए बहुत कम प्रीमियम का सहारा लेती है तो उसके खर्चों, कमीशन आदि की भरपाई न हो पायेगी. इसके अतिरिक्त बीमा कंपन को रिजर्व भी रखना पडता है. क्योकि बीमा तो पूर्णतः अनिश्चिताओं का व्यवसाय है. कौन जाने कब भुगतान करना पड जाये जिसके लिए रिजर्व आवश्यक होता है. यदि बीमा कम्पनी यह सब ध्यान में नहीं रखती तो फिर उसके स्थायित्व पर सवालिया निशान उठ खडे होते है.

रिजर्व का निर्धारण भविष्य में जिन लाभों को दिये जाने की उम्मीद की जा सकती है (जैसे मृत्यु दावा परिपक्वता दावा) उनका वर्तमान में मूल्य तथा उसके खर्चे जिनकी भविष्य में उम्मीद की जा सकती है, का वर्तमान में मूल्य में से भविष्य में प्राप्त होने वाले प्रीमियम जिनकी आशा की जा सकती है का वर्तमान में मूल्य को घटाकर प्राप्त होने वाली रकम से रिजर्व की गणना की जाती है.

प्रीमियम का निर्धारण एक्चुरी करते है और एक्चुरी बनने की राह में उन्हें विभिन्न विषयो जैसे सॉख्यिकी (स्टैटिस्क्स) फाइनेंस का गणित,अर्थशास्त्र, व आर्थिक जगत का ज्ञान, मॉर्टोलिटी, एक्चुरीयल गणित, जीवन बीमा पेंशन , साधारण बीमा एवं सम्बन्धित नियम, कानूनों आदि का गहन ज्ञान का होना आवश्यक है.

वर्तमान समय में प्रीमियम निर्धारण हेतु, एक्चुरी या तो एक्चुरियल फार्मुले का प्रयोग करते है अथवा एक्चुरियल साफटवेयर जैसे प्राफेट, एक्सिस, इन हाउस प्रोग्राम आदि की मदद से कीमत (प्रीमियम) का निर्धारण करते हैं परन्तु प्रीमियम का निर्धारण करने से पूर्व उसे बहुत सारी सम्भावनाओं पर काम करना पडता है. क्योकि जीवन बीमा तो है ही सम्भावनाओं पर आधारित व्यवसाय

जिन एजम्पसन्स पर कार्य करना होता है उन पर प्रमुख है- मृत्युदर का निर्धारण. इसके लिए आई आर डी ए के रेगुलेशन में एल आई सी (94-96) मृत्यु तालिका का, बन्दोबस्ती बीमें जैसी पालसी के लिए, निर्धारण किया गया है एक्चुरी को छूट है कि वह टार्गेट मार्केट को ध्यान में रखकर इसका प्रतिशत अपनी गणनाओं मे लेता है इसके बाद जो गणना की जाती है वह है बीमार पडने की दर (मॉर्वेडिटीरेट) इसके लिए रेगुलेशन में कोई तालिका निर्धारित नहीं है अतः एक्चुरी स्वतन्त्र है कि वह विश्व की किसी भी सम्बन्धित तालिका को लेकर उसे भारतवर्ष मे अथवा अपने अनुभव के आधार पर उसे समायोजित (एडजस्टमेण्ट) कर ले.

एक बार पालसी जारी होने के उपरांत भविष्य में सारी पालसी चालू तो रहती नहीं है और अध्ययन एवं चालू न रहने की दर ज्यादा होती है (इस तरह के बीमे में) व दूसरे वर्ष में कम तथा एक समय के बाद यह निश्चित सी हो जाती है. एक्चुरी को भविष्य में झॉक कर इसका भी निर्धारण करना पडता है.

ब्याजदर (इंटरेस्ट रेट) का निर्धारण वह भी आज के दौर में जब इसका ग्राफ नीचे-नीचे जा रहा है ऐसे में भविष्य में ब्याज दर का स्वरूप भविष्य में क्या होगा, एक्चुरी अपने अध्ययन के बलबूते इनका भी आगे के 25-30 वर्ष या अधिक के लिए इनका एजम्पसन करता है, भविष्य में उसे लगातार ब्याजदर को मानीटर करने की आवश्यकता होती है. सभी जानते हैं कि प्रथम वर्ष में खर्चे कुछ ज्यादा ही होते हैं व द्वितीय व आगे के पालिसी वर्षो मे यह खर्चे कुछ कम होते हैं. इनका निर्धारण भी एक्चुरी को करना पडता है यदि कम्पनी पुरानी है तो वह खर्चो का अध्ययन कर इनका एजम्पसन कर सकता है परन्तु यदि कम्पनी नई है तो उसका अपनी कम्पनी विशेष के लिए कोई अनुभव तो होता नहीं है अतः वह उद्योग के वर्तमान अनुभव ये इनका निर्धारण कर सकता है व भविष्य में अपने अनुभव के परिपक्व होने पर अपने ढंग से कम्पनी विशेष के लिए इनका निर्धारण कर सकता है.

यदि पालिसी बीच के माध्यम जैसे ऐजेन्ट आदि द्वारा बेची गयी हो तो उसे कमीशन भी देना पडता है. इसमें विभिन्न पालिसी में कितना अधिकत्तम कमीशन दिया जा सकता है इसका विवरण इन्श्योरेन्स एक्ट 1938 के सेक्शन 40 ए में दिया गया है. कम्पनी जरूरी नहीं कि वह हर पालिसी में अधिकत्तम कमीशन ही दे अतः एक्चुरी कम्पनी मैनेजमेंट के साथ मिलकर एवं विपणन विभाग के विचार लेकर इसका निर्धारण करता है.

इन्श्योरेन्स एक्ट 1938 के सेक्शन 113 के अर्न्तगत नियमानुसार गारण्टीड सरेन्डर वैल्यू भी बीमा कम्पनी को देना पडता है अतः कितनी पालसी में कितना लाभ इस मद के अन्तर्गत देना पडेगा, प्रीमियम कैलकुलेशन में एक्चुरी को इसका भी इसका ध्यान रखना पडता है.

दावा (क्लेम) भुगतान के समय होने व्यय, रेगुलेशन के हिसाब से शेयर होल्डर को ट्रांसफर (यदि कम्पनी म्युचुवल कम्पनी नहीं हैं जहाँ पालसीधारक ही कम्पनी के शेयर होल्डर होते हैं) टैक्शैशन तथा प्राफिट मार्जिन की गणना प्रीमियम निर्धारण में ध्यान रखना पडता है. इसके साथ ही उसे ध्यान रखना पडता है कि उसका कुल कितना नव व्यवसाय होगा. क्योकि ज्यदा बिजनेस तो ज्यदा कैपिटल की जरूरत. इस तरह से जीवन बीमा बिल्कुल अलग व्यवसाय होता है इसमें यदि वृद्धि की गति ज्यदा है तो भी इससे खुश होने वाली बात सदैव नहीं हो सकती. विकसित देशों में कुछ बीमा कंपनियां इस लिए दिवालिया हुई कि उनका वृद्धि दर बहुत ज्यादा था क्योंकि वृद्धि दर ज्यादा होने का मतलब यह भी हो सकता है कि बीमा स्वीकार करने की शर्तो को ढीला कर दिया हो जिससे ज्यादा क्लेम कम्पनी को भुगतान करने पडे. इसके अतिरिक्त वृद्धि दर तो बहुत ज्यादा है परन्तु रिर्जव अथवा रेगुलेटरी बाडी द्वारा निर्धारित सालवेन्सी मार्जिन के हिसाब से कम्पनी में कैपिटल ही नहीं है और रेगुलेटरी बाडी के मापदण्डों के अनुसार उसे टैक्निकल इन्सालवेन्सी घोषित कर दिया जाय. इस तरह विभिन्न सम्भावनाओ पर आरूढ होकर शाश्वत सूत्र द्वारा प्रीमियम का निर्धारण होता है वह है

प्रीमियम का वर्तमान में मूल्य प्रोफिट मार्जिन समेत कुल कैश आउट का वर्तमान में मूल्य

लेखक
उप निदेशक, आईआरडीए।

भाषा बीमित के हित के लिए

संजीव कुमार जैन

बात कुछ वर्ष पहले की है, मुझे दिल्ली के एक पाँच तारा होटल में राजभाषा के एक राष्ट्रीय सम्मेलन में भाग लेने का मौका मिला, क्योकि सम्मेलन प्रारंभ होने से एक दिन पहले हमें होटल परिसर में उपस्थित होना था, इसलिए मैने भी होटल मैं एक दिन पहले चैक-इन किया. दोपहर के भोजन के समय चर्चा का विषय एक ही था, और वह था पकवानों के नामपट्ट केवल अग्रेंजी में ही क्यों है ? इन्हें द्विभाषा में क्यों तैयार नहीं किया गया. खैर हम तो भोजन कर दिल्ली दर्शन को निकल गये लेकिन शाम को जब हम डिनर पर पहुचे तो पहले पकवान का ढक्कन खोलते ही परेशान हो गये. बर्तन में मांसाहारी भोजन रखा हुआ था तथा हम तो है पक्के शाकाहारी, तुरन्त हम वहाँ के सुपरवाइजर के पास पहुचें और हमने उनसे पुछा कि पकवानों के बर्तनों पर इस बात को क्यों नही लिखा गया कि बर्तनो के अन्दर कौन सा भोजन रखा गया है, शाकाहारी या मांसाहारी, उस व्यक्ति के जवाब को सुन कर हम दंग रह गये, उसने बताया कि दोपहर के भोजन के समय बहुत से हिन्दी अधिकारियों को यह आपत्ति थी कि नामपट्ट केवल अग्रेंजी में ही क्यों है, द्विभाषा में क्यों नही है. क्योकि वे इतनी जल्दी दो भाषाओं में नामपट्ट का इंतजाम नही कर सके इसलिए नामपट्ट हटा दिये गये.

भारत में भाषा से जुडे कई लोग इतने अधिक संवेदनशील है कि वे कम्युनिकेशन अर्थात् सम्प्रेषण का अर्थ ही भूल चुके है. पिछले दिनो समाचार पत्र में संपादक के नाम पत्र में एक व्यक्ति का पत्र पढने को मिला जिसमें वह लिखता है. 'आजादी का क्या लाभ जब सरकार मुझे अपने वाहन का नंबर अपनी मातृभाषा में लिखने कि अनुमति नही देती'. आप स्वयं ही अनुमान लगाये यदि ऐसी व्यवस्था सरकार कर दे तो पहले से कानून व्यवस्था से दो चार हो रही सरकार का क्या हाल होगा.

पिछले दशकों में काफी बडे पैमाने पर सरकारी संस्थानों में राजभाषा कर्मियों की भर्ती की गई है लेकिन लगभग सभी संस्थानों में इनकी भूमिका मात्र सरकारी आदेशों के अनुपालन तथा अनुवाद की समस्याओं तक सिमट कर रह गयी है. बदलते आर्थिक वातावरण में कैसे सृजनात्मक रूप से संस्थान विशेष के कार्यव्यापार को आगे बढाने में इनकी सेवाओं का उपयोग हो सकता है, प्रायः इसकी चर्चा तक से सभी दूर रहते है. किसी भी नियम अधिनियम की आत्मा को अलग कर अपना उल्लू साधने वाले सदा संसदीय राजभाषा समिति से आगे राजभाषा के प्रयोग को समझने का प्रयास नहीं करना चाहते.

पिछले वर्षो में सरकारी बीमा कंपनियों में बडे स्तर पर राजभाषा का प्रचार प्रसार हुआ है. हिन्दी के अनेक टंकण यंत्र खरीदे गये, हिन्दी के पुस्तकालय स्थापित किये गये, साफटवेयर खरीदे गये, बडी संख्या में स्टाफ को राजभाषा के प्रशिक्षणों जैसे आशुलिपि, टंकण, प्राज्ञ, प्रबोध, प्रवीण तथा अनुवाद प्रशिक्षण के लिए भेजा गया, जिसमें कर्मचारियों को बडी मात्रा में नकद प्रोहत्साहन भी दिये गये. लेकिन सबसे महत्वपूर्ण प्रश्न यह है कि **(प्रशिक्षण केवल प्रशिक्षण के लिए अथवा उपयोग के लिए)** इस बिन्दु पर चिंतन की आवश्यकता है.

इस शताब्दी में जब बीमा उद्योग का प्रमुख लक्ष्य बीमाधारक के हितों को सुरक्षा प्रदान करना हो गया है ऐसे में संवाद की भाषा बहुत महत्व रखती है, तो क्या हम सारा कार्य हिन्दी में करना प्रारंभ कर दें ? निसंदेह कम्प्यूटर के इस युग में यदि हम बिना पुरी तैयारी के ऐसा करेगें तो हम अपने व्यापार में दूसरों से पीछे हो जायेगें. आज की कार्यालय की कार्यप्रणाली को हम दो भागों में बाँट सकते है १. बैक आफिस तथा दूसरा फरंट आफिस. मेरे विचार से विषय वस्तु के प्रचार प्रसार के लिए यह आवश्यक है कि फरंट आफिस का अधिक से अधिक कार्य ऐसी भाषा में किया जाए जिसे सभी लोग सरलता से समझते हों तभी हम ग्राहक को अपने अधिकारों के प्रति जागरूक बना सकेगें.

राजभाषा अधिनियम के शब्दशः अनुपालन की अपेक्षा यह जरूरी है बदलते हुए परिवेश में इसका व्यवहारिक अनुपालन सुनिशचित किया जाए.

बीमा पालसी के पीछे बीमांकक

वी शेष अययर

बीमा उद्योग को निजी कारोबारियों के लिए खोले जाने के बाद उपभोगताओ की तरफ से बीमा क्षेत्र में रूचि बढी है. मेरे इस लेख का उद्वेश्य बीमांकक पेशे तथा भारतीय बीमा उद्योग, इसकी भूमिका उद्योग की सेहत तथा वित्तिय सहनशीलता पर प्रकाश डालना है. मैं कारोबार कि आधारभूत अवधारणओं को स्पष्ट करूगॉ जिससे इसे अच्छी प्रकार समझा जा सके.

प्रत्येक व्यक्ति को जो अपनी आय रखता है उसे भविष्य के लिए (क) अपनी अस्मायिक मृत्यु (युवा अवस्था में मृत्यु का जोखिम) तथा (ख) अपने तथा अपने परिवार के खर्चे (अपनी सेवानिवृति के बाद लम्बे समय तक जीवित रहने का जोखिम).

बाद का जोखिम भी आज उतना ही महत्वपूर्ण है जितना पहला क्योकि आजकल लोग ज्यादा आयु तक जीवित रहते है और अब वह वित्तिय सहायता के लिए बच्चों पर निर्भर नहीं रहना चाहते. इन सभी जोखिमों से जीवन बीमा कंपनियॉ निपट रही है, इसके अतिरिक्त अन्य जोखिम जैसे अग्नि जोखिम, गृह तथा व्यापार परिसर के लिए चोरी, सेंधमारी, माल की हानि का जोखिम आयातक तथा निर्यातक दोनों के लिए आदि, इन सभी से साधारण बीमा कंपनियॉ निपटती है.

इन सभी जोखिमों को कैसे समझा विश्लेषित कर इनसे कैसे निपटा जाए.

बीमा क्या है? बीमा का मूलभूत कार्य कुछ को बडे वित्तिय संकट से अथवा अन्य अभाग्यशालियों को जो हानि के जोखिम का एक ही प्रकार से सामना कर रहे है के जोखिम को अनेकों लोगो मे बीच बॉटना यह जीवन बीमा तथा साधारण बीमा के लिए सत्य है (जैसे किसी घर को अग्नि जोखिम के लिए बीमित करवाना अथवा जो चोरी से संकट रखते हो)

बीमा शब्दावली में जोखिम, खतरा तथा विपत्ति बार बार प्रयुक्त होते है और हम इन्हें सभी की जानकारी के लिए लिए परिभाषित भी कर सकते है. हानि के कारण को जोखिम कहा जाता है. उदाहरणतः यदि एक घर अग्नि से जल कर नष्ट हो जाए तो अग्नि को विपत्ति कहा जाएगा. जीवन बीमा के मामलें में जरूर ही आकस्मिक मृत्यु होगी एक जोखिम एक कारक है अथवा एक घटना है जो हानि की संभावना को बढा देती है विपत्ति का उदाहरण अग्नि है. खतरे को बिजली की तारों के मानक न होने अथवा भंडार के समान को अच्छे ढंग से न रखे जाने के परिणमस्वरूप आग लगने की संभावना में वृद्धि हो सकती है. जीवन बीमा खतरा तब उपस्थित होगा जब बुरी स्वास्थय परिस्थिति हो उस व्यक्ति के लिए जो बीमा चाहता है.

संभावनाए तथा सम्भव्यतः

संभावना व सम्भव्यतः से क्या अभिप्राय है? हम सदैव किसी घटना के घटित होने की संभावना के लिए कुछ प्रयास रखते हैं . दैनिक जीवन में जब हम इसे परिवर्तित करते है तो हम देखते है बारिश की कितनी संभावना है या किसी परिक्षा में उर्तीण होने की कितनी संभावना है.

संभावना थ्योरी एक औपचारिक यांत्रिक अभिवृत्ति है जिसके द्वारा घटनाओं की संभवनाओं की गणित्य आधार पर गणना की जाती है, जिसकी शून्य से एक के पैमाने पर जॉच की जाती है, जितना अधिक एक के समीप होते है उतनी ही अधिक घटना घटित होने की सम्भव्यतः होती है.

यदि आपसे कहा जाए मुंबई में फरवरी के महिने में वर्षा की क्या संभावना है तो आप कहेंगें बहुत ही कम है, आप यहॉ तक कहेगें यह संभावना लगभग शून्य है. दूसरी तरफ यदि कहा जाए जुलाई माह में वर्षा की संभावना कितनी है आप कहेगें काफी ज्यादा है इसका अर्थ हुआ वर्षा की संभावना लगभग एक है.

जब आप एक सिक्के को उछालते है चित व पट की संभावना आधी आधी होती है यदि आपके पास एक घन हो जिसमे 1 से 6 तक नंबर लिखे हो तो 3 आने की संभावना 1/6 हो जायेगी यदि आप दो बार घन को डाले तो संभावना 1/6 x 1/6 = 1/36 हो जायेगी जिसे मिश्रित संभावना कहते हैं.

एक होस्टल में दो विद्यार्थी परिक्षा के लिए पढते है तथा अगले दिन पढते पढते थक जाते है. एक इस विचार के साथ सामने आता है की संभावनाओं पर विचार किया जाए, यदि चित आये तो फिल्म यदि पट आये तो चाय और आगे पढाई केवल तब जब सिक्का खडा आयेगा. इस प्रकार उन्हौने अपना विचार बता दिया कि वह आगे पढना बिल्कुल नहीं चाहते.

संभावना की संकल्पना तथा संबंधित जोखिम संकल्पना बीमा के परिचालन का आधार है. चाहे अग्नि जोखिम अथवा दुर्घटना के जोखिम को या पालसी होल्डर के बीच में मृत्यु का प्रश्न हो अंतिम मृत्यु दर पर आधारित होगा तथा बीमा लाभ की गणना पहले से हुई हानि कि आधार पर की जायेगी.

यह समझना आसान नहीं है कि इनकी कितनी सीमाएं है यह सार्वभौमिक सत्य है कि किसी भी व्यक्ति कि लिए मृत्यु अवश्यमभावी है क्या पक्का नहीं है कि वह कब आयेगी. बीमा संगठन इसी प्रकार के बडे जोखिमों को सुरक्षा प्रदान करते है जिनकी बीमांकक तकनीकों के आधार पर गणना की जाती है. जिसमें यह देखा जाता है कि विशेष समायावधि में कितने दावे हो सकते है. बीमांकक की इस गणना में भूमिका समझने के लिए बीमांकक शब्द ठीक प्रतीत होता है. शब्दकोष में एक्सचुरी की परिभाषा ऐसे व्यक्ति के रूप में दी गई है जो बीमा जोखिमों को गणना करता है, प्रीमियम की गणना करता है (मृत्यु दर को समझते हुए तथा दुर्घटनाओं, अग्नि, परिकल्पना इत्यादि की संभावनाओं को जानते हुए)

उन कारकों पर चर्चा करने से पहले जिनके आधार पर बीमा के दर का निर्धारण किया जाता है. हम उस प्रश्नों पर जाना चाहेगें जिसके अनुसार ऐतिहासिक रूप से वर्तमान समय में चल रही दरों का निर्माण किया गया.

जीवन बीमा अपने मूल स्वरूप में सदियों पहले यूनाइटेड किंगडम में व्यवहार में था. कई संप्रदाये इक्कठा होकर आये तथा अंशदान उन परिवारों के लिए एकत्र किया जिनके परिवार में उसी वर्ष मृत्यु हुई. एक परिवार एक दावें के रूप में जितनी धनराशि प्राप्त कर सकता था वह निम्नलिखित बातों पर निर्भर थी.

- कुल वसूली, जो कुल सदस्य संख्या पर निर्भर थी
- वर्ष में कुल मृत व्यक्तियों की संख्या

कुछ वर्षो के प्रणाली के प्रचलन के बाद कुछ असंगतियां ऊभर कर सामने आयी वह इस प्रकार थी :

युवा सदस्यों को बडों की अपेक्षा ज्यदा सालों तक अंशदान देना पडता था परिणामस्वरूप वह बीच में ही सदस्यता तोड लेते थे जिसके कारण बडी आयु के व्यक्ति की मृत्यु के समय देय योगदान कम हो जाते थे. यह अनुभव किया गया कि एक ऐसी व्यवस्था स्थापित की जाए जिसके अनुसार जोखिम के अनुसार ही प्रीमियम वसूल किया जाए.

यह सर्वविदित ही है कि आयु के साथ मृत्यु का जोखिम बढता जाता है. मृत्युदर तालिका में इस प्रकार के जोखिम को अभी तक संमाहित नहीं किया गया जा सका है. जीवन बीमा इतिहास में मृत्युदर तालिका का विकास एक सीमा चिह्न है तथा वैज्ञानिक तरिके से प्रीमियम की गणना का आधार बनाता है.

अठाहरवी शताब्दी के मध्य में लंदन के एक गणितज्ञय जैम्स डोडसन् पहले व्यक्ति थे जिन्होंने मृत्युदर तालिका की संकल्पना की थी. वर्ष 1762 में स्थापित ब्रिटेन की इक्वीटेबल सोसाइटी पहली संस्था थी जिसने वैज्ञानिक आधार पर अवधि तथा आयु के अनुसार प्रिमियम लेकर बीमा प्रारंभ किया. यह इसलिए संभव हो सका की उस समय शैशव रूप में बीमांकक तकनिकों को पहली बार रूप दिया

गया उसके बाद का विकास एक शताब्दी पहले लंदन बीमांकक संस्थान का गठन है.

परिर्वतन का नया प्रक्रम ऐसी संकल्पना थी जिसके अनुसार समपार प्रिमियम जीवन सुरक्षा कवर प्रदान करने के समय प्रारंभ होकर एक अवधि तक जब तक एंडोमेंट लाभ तक देय था. समपार प्रिमियम बढे हुए जोखिम के लिए का अर्थ था ऐसी उगाही औसत प्रिमियम होगी. इस परिकल्पना का परिणाम यह रहा कि प्रारंभिक वर्षो में अधिक धनराशि चालू जोखिम की तुलना में एकत्र की गई. अधिक राशि एक निधि में एकत्र की गई जिसे जीवन निधि के नाम से जाना गया. जिसका उपयोग बाद में उस समय किया जाना था जब चालू प्रिमियम, चालू दावों को पुरा करने के लिए पर्याप्त न हो. प्रत्येक पालसी में लिया गया अतिरिक्त प्रिमियम रिजर्व होता है तथा जीवन निधि ऐसे सभी रिर्जव का कुल शेष होती है.

अतः यह मालूम हुआ है कि जीवन बीमा बडी निधियॉ इक्कठी कर लेती है जो पालसी होल्डर वर्ग से सम्बन्ध रखते हैं इसके विपरित साधारण बीमा उद्योग में इतनी निधियॉ एकत्र नहीं होती वहॉ निधियॉ इक्कठा होने का कारण जोखिमों का अवधि कालातीत हो जाना तथा महाआपदा से बचने की निधि है.

- आने वाले समय में पेचीदा पालिसियों का विपणन होने लगा.
- आवधिक भुगतान उत्तर जिविता के मामले में कुछ वर्षो के लिए.
- अतिरिक्त अनुषंगिक लाभ जैसे दौहरी दुर्घटना (दौहरी क्षतिपूति)
- पूर्ण आश्यक्ता के लिए भुगतान

आजकल के नये विकास में इक्वटी सम्बद्ध संविदा, सर्वव्यापी बीमा तथा बिखरे हुए संविदा शामिल है.

अधोलिखित मुख्य पैमाने है जिनके आधार पर जीवन बीमा पालसी की दर का निर्धारण किया जाता है.

मृत्युदर

यहां दो मृत्युदर तालिकायें हैं.

1. जनसंख्या मृत्युदर (मृत्युदर जनसंख्या अथवा जनसंख्या के खंड का)
2. बीमित जीवन मृत्युदर (बीमित पालसीधारक के अनुभव. पहले से तुलना करने पर यह दर कम है क्योकि प्रारंभिक जीवन का चयन बीमा कंपनियों द्वारा किया जा रहा है और साधरणतः जो साधारण दरें स्वीकार्य करते हैं उन्हें अनुभव में शामिल किया जाता है.

यदि एक व्यक्ति की आयु 40 वर्ष है और वह एक वर्ष की समय अवधि के लिए 1000/- रूपये की पालसी लेना चाहता है तथा उसके जीवित रहने पर वह कोई लाभ नहीं लेना चाहता यदि हम खर्च तथा ब्याज को अन्देखा करें तो प्रिमियम 2.80 रूपये होगा (1000x.00280) यह अनुमान देगा की कैसे मृत्यु दर तालिका बनायी जाती है जिनका प्रयोग बीमांकक प्रिमियम की गणना करने के लिए करते है. व्यावहारिकता में प्रतिफल जैसे ब्याज, खर्च, पालसी अवधि, गणना अनुपालन के लिए दिये जाने वाले लाभ. बीमाकंक निरूपण किया जा सकता है उन पालसियों के लिए जिनका कवर भिन्न है. भाग लेने वाली पालसियों के लिए अतिरिक्त प्रिमियम लोडिग है.

ब्याज

बीमा की निधियॉ बीमा विनियमन के अनुसार निवेश की जाती है तथा ब्याज अर्जित करती हैं. एक निश्चित लम्बे समय का ब्याज प्रिमियम गणना के लिए अनुमानित किया जाता है. और यह कारक प्रिमियम को कम करने में महत्वपूर्ण भूमिका अदा करता है. यहॉ यह बताना जरूरी है कि लम्बे समय की ब्याजदर की भविष्यवाणी करना कठिन कार्य है.

खर्चे

जीवन बीमा क्षेत्र में सबसे महत्वपूर्ण समस्या बडे खर्चो की होती है (जिसमें पहले वर्ष का कमिशन, स्वास्थय जाचँ के खर्चे, पालसी दस्तावेज पर स्टांप खर्चे इत्यादि) जिन्हें पुस्तकों में पालसी को शामिल करने के लिए खर्च किया जाता है. यह सभी पहले साल के प्रीमियम में से निकाला जाता है. दूसरे तथा आने वाले वर्षो में यह खर्चे कम होते जाते हैं. यह सभी बारिकियॉ उस सूत्र में शामिल की जाती हैं जिसके आधार पर प्रीमियम की गणना की जाती है.

विवेकपूर्ण प्रबन्ध

इसमें अधोलिखित शामिल हैं :

- सतत्, अधिकत्तम परिलाभ, पूँजी सुरक्षा के साथ पाने के लिए निधियों का निवेश तथा समय-समय पर निवेश कि समीक्षा.
- बीमा के लिए जीवनों का भली प्रकार से चुनाव इस प्रकार किया जाए की अनुभव कि गई मृत्युदर की सीमाओं में रह सके. स्वस्थ बीमालेखन सुरक्षा तथा व्यवहार को लेते हुए यह प्राप्त किया जा सकता है. साख्यंकी तकनिकों को प्रयोग करते हुए मैडिको- बीमांकक अनुसंधान के परिणाम स्वरूप अब मैडिकल असमर्थता के चलते ज्यादा प्रीमियम लिया जा रहा है.
- प्रशासनिक खर्च को ध्यान में रखते हुए तथा उन्हें लगातार कम करने की कोशिश करते हुए.
- पॉलिसी का व्यपगमन रोकने के लिए अथवा संरक्षण अनुपात बढाने के लिए.
- उत्पाद विकास, अन्य शब्दों में नये उत्पादों को विकसित करना जिससे उपभोक्ता की बदलती जरूरत को पुरा किया जा सके.
- जब बीमा कवर प्रतिधारण सीमा को पार करे तो किसी एक जीवन की प्रतिधारण सीमाओं पर निर्णय लेना तथा पुर्नबीमा की व्यवस्था करना. महाविपति की अवस्था में किसी एक बीमाकर्त्ता की कुल हानि के लिए प्रावधान करना जैसे महामारी, युद्ध या युद्ध जैसे अभियान, तूफान, झंझावात, तथा अन्य
- बीमालेखन बाजार का अनुवीक्षण करना, प्रशासनिक तथा निवेश गतिविधियाँ जिससे प्रबन्धन जब उनकी जरूरत हो उपचारात्मक कदम उठा सके.
- चालू प्रीमियम दरों कि समीक्षा तथा इनका पुननिर्धारण जब परिस्थितियों कि आवश्यकता हो.
- इस बात को सुनिशचित करना कि बीमा की सभी योजनाएँ अपने आप में सक्षम हो तथा उनके मध्य कोई भी अप्रकट आर्थिक सहायता न हो. यह ध्यान में रखते हुए अलग अलग बोनस दरें अलग अलग प्रकार की पालसियों के लिए न्याय संगत हैं.

बीमांकक विशेषज्ञतः उपरोक्त समीक्षा के आधार पर प्राप्त की जा सकती है.

अधिशेष

औद्योगिक तथा वाणिज्य उद्यमों के बारे में लाभ की गणना का आधार, आय में से विभिन्न प्रावधान रखते हुए खर्चो को निकालना है. लेकिन जीवन बीमा के मामले में लाभ की गणना का यह आधार नहीं हो सकता. यह अवश्यकता है की पालसियों के दायित्वों का ठीक प्रकार से मूल्यांकन किया जाए (इसे बीमांकक का मूल्याकंन कहा जाता है) क्या भविष्य के दावों के लिए निधि का संचयन पर्याप्त है. दायित्व के मूल्यांकन के बाद जीवन की अधिशेष निधि अधिक्य के रूप में उपलब्ध होती है जो बीमांकक की अनुशंसा द्वारा दिया जाता है.

साधारणतः यह व्यवहारिक है कि प्रतिवर्ती बोनस की घोषणा की जाए, जो बीमित राशि के साथ बोनस के रूप में मृत्यु अथवा पालसी के परिपक्व होने पर देय होता है. अन्तिम अतिरिक्त बोनस जो बोनस बीमित राशि के साथ दिया जाता है मृत्यु या परिपक्वता की अवस्था में जब पालसी निर्धारित अवधि तक चली हो. यह सुनिशिचित करने के लिए होता है कि अन्तिम वितरण इक्विटी के बोनस के रूप में किया जाए.

लेखक सेवानिवृत कार्यकारी निदेशक
एल आई सी

Many Roads to Health Insurance!

A Contrarian View

G.V.Rao

Why has the Mediclaim insurance cover become so dispute-ridden between the contracting parties, hindering its fast growth and spread?

While the cover is intended to serve a larger socio-economic group, it is at present grounded in conflicting basic interpretations of conditions and intentions, leading to mutual distrust between contracting parties. It is in the national interest to widen the safety net by providing health insurance to increasing numbers of people to reduce the burden on the Government and its medical institutions.

What else should be attempted to achieve a rapid spread and deeper penetration of this cover that has a vital significance to a growing number of middle-class families?

Life insurance companies possess special aptitude and expertise to deal with individuals for their insurance needs. Should they be encouraged to take up sale of health insurance as well? Is health insurance not a part of individual need, akin to life insurance?

Should non-life companies, currently writing annual Personal Accident covers, be allowed to write death due to natural causes also as an extension? Why not?

The Mediclaim policy was first introduced in 1987 by the general insurance industry in India. Its sales pitch since then has left both the insurers and the insuring public quite disappointed. This was because insurers intended to cover individuals who were healthy to start with but who later acquired illnesses due to a variety of factors, but the insuring public was under the impression that even existing ailments or symptoms could be insured and claims realised. The most notorious exclusion of 'pre-existing illnesses' and its interpretation has led to a mutual distrust between the parties. This distrust continues unabated till this day.

The Mediclaim policy does not need much of a selling effort. The buyers are aware that medical costs are high and that in their own self interest they need to have insurance. They have the financial capacity to buy cover for themselves and their family members. They also want to be treated at the best hospitals. The rub comes when the question arises of whether insurance should pay at all for existing illnesses not disclosed at the time the cover is bought.

To pay for such expenses, amounts to social welfare payments in the realm of the Government but is certainly not the responsibility of insurers. Insurance basically covers events that may or may not occur but certainly is not expected to cover events that are bound to occur. Insurance, insurers argue, is not meant for illnesses that are already known to exist but is only for illnesses that may be contracted at an uncertain future date. The question of dispute between the contracting parties is one of moral hazard, each suspecting the other of material non-disclosure.

> All are keen that health insurance should gain a faster and deeper penetration. Allowing life insurance companies to sell health insurance will serve the cause more aggressively.

No insurance cover has given rise to so many disputes at an individual level than Mediclaim. Consumers' forums and the ombudsmen are flooded with disputed claims, mostly relating to liability issues. Insurers have done little to help themselves by devising underwriting mechanisms to check malpractices committed by the insuring public. They have relied so far on the contractual language used by them to bail out. But the legal forums mostly favour the claimants on grounds of insufficient education of the insuring public. The IRDA has now licensed Third Party Administrators-Health Services (TPAs) whose responsibility is now to settle such claims, taking the whole claim process out of the hands of the insurers and their officials.

While this step may address the issues of claims' settlement, the basic issue of the exact scope of the cover and under what circumstances the claims lodged will become payable remains.

Since it is usually the responsibility of the sellers to define the cover boundaries, it is for the insurers to also educate the insuring public of eventualities when the cover will not operate. There has to be a reverse disclosure of material circumstances when the cover will not operate and insurers must ensure that the insuring public knows about them without ambiguity. Such a defensive action is imperative in the self-interest of insurers. Insurers will have to come down from their pedestals to reach out to the misguided insuring public to recover their own lost public image.

Will such a restrictive selling, in which negatives are highlighted with greater intensity, serve the insurers' interests better? There does not appear to be much choice given the alternative of losing cases with greater regularity and earning a bad name for themselves. The other question insurers would have to address is if their current pricing of Mediclaim cover gives them any meaningful profits. If it does not, then where is the tradeoff?

The Government, the IRDA and the insuring public are all keen that health insurance should gain a faster and deeper penetration so that more and more people are covered under the safety net of insurance reducing the social burden otherwise placed on the Government machinery.

Allowing life insurance companies to sell health insurance will serve the cause more aggressively. They are at present transacting personal accident cover that forms a part of non-life business. The dividing lines are thin. Health insurance can certainly be an additional product in their sales armoury. Since life cover is given after verification of the medical record, they have more underwriting information with them to decide on acceptance of the business. Life companies have a wider reach in the medical fraternity to consult with for acceptances, even where non-medical life insurance is given. They also have a wider distribution network and closer contacts with the insuring public. In every way they are better placed than non-life companies to enhance the spread and penetration of health covers.

It is for the IRDA to consult the non-life companies on the possible competitive impact and then decide that life companies could enter the fray to enhance the spread and penetration to a wider public. Life companies have sufficient means to advertise the cover heavily for creating better public awareness of the product in addition to the agency network that can push its sales.

What should non-life companies get in return?

Banks are going in heavily for personal loan offerings for a variety of personal needs. The number of borrowers is ever increasing. In the event of the death of the borrower prior to the full repayment of the loan, the banks are exposed to the risk of recovering the balance loan amount. Since personal loans are usually clean facilities, loans without collateral, the default risk is higher for the lender in such cases.

In Western countries, and also in the Middle East, banks invariably insure the lives of all borrowers for the outstanding loan amounts and pay premiums every month at an agreed rate. The death of any borrower, either as a result of an accident or due to natural causes, enables the bank to get paid the full outstanding loan amount on the date of death, including any overdue interest payments.

Since insurance contracts backing personal loans are on an annual basis non-life companies can write the business without actuarial calculations, like any other personal accident cover.

Since the insurance contracts are on an annual basis even non-life companies do write the business without actuarial calculations like any other personal accident cover though death due to natural causes is an add-on provision.

Since these covers are essentially of interest to banks, financial institutions and hire purchase companies, non-life companies that are in the core business of selling insurance covers to corporations and companies and have the close contacts are better placed to sell and service such business. It is suggested that non-life companies be allowed to enter this specific segment of the market so that they may sell such covers to the borrowers of all financial institutions.

Another popular cover, with a large section of the employers in the Middle East, is a life cover for a term of one year – renewable every year – for all their salaried employees against death either by accident or natural causes. The sums insured are fixed in multiples of the basic salaries of the employees and underwritten based on their respective age groups. Medical expenses insurance is given as an add-on rider at extra premium.

Such a life cover is provided as a perquisite for employee retention by the company. Life insurers in India do not seem to be pushing sales of such a cover, as they are keen on targetting individuals and not companies as their main prospects. Non-life insurers are certainly better placed to use their existing customer relationships with companies to sell such group life covers. They could be permitted to sell such annual covers.

As spread of insurance awareness and deeper penetration of the market for these two socially relevant schemes is a worthwhile goal, it is necessary that the expertise lying with the two sectors, life and non-life, should be brought to the fore. These proposals may look odd and threatening to each others' interests but are certainly worth examining further to widen the availability of covers to large sections of the insuring public.

Now that a new enactment to combine all the existing laws on insurance into one is on the anvil, any legal impediments, to such a competition between the two wings of insurance can be ironed out keeping in view the larger interests of the insuring community.

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

Report Card: GENERAL

Analysis of the non-life business figures for the eleven months ended February, 2003.

The 12 non-life insurance companies reported a gross premium of Rs.12,54,548.83 lakhs for the first 11 months of the current financial year 2002-03. Of these four were public sector companies: National Insurance, New India Assurance, United India Insurance and Oriental Insurance. In the private sector the eight companies which underwrote business were Royal Sundaram, Tata AIG, Reliance, IFFCO-Tokio, ICICI Lombard, Bajaj Allianz, Cholamandalam and HDFC Chubb. The last two entrants in this segment commenced operations in October 2002.

Analysis of the information furnished by the insurers reveals that the four public sector companies have captured 90.51 per cent of the total premium underwritten in the 11 month period. New India leads with 27.82 per cent of the total business underwritten in the non-life segment, followed by United India at 21.67 per cent, National at 20.67 per cent and Oriental at 20.35 per cent.

The private sector accounted for 9.49 per cent of the total premium underwritten during the period. Of the private insurers, Bajaj Allianz leads with 2.07 per cent of the total non-life business. The latest entrants viz., Cholamandalam and HDFC Chubb, have underwritten on a n average .06 per cent and the other non-life private insurers have underwritten premiums in the range of 1.32 per cent to 1.60 per cent of the total business.

Further, analysis of the performance of the private players reveals that Fire business accounted for the maximum business underwritten at Rs. 37,543.18 lakhs, followed by Motor business at Rs.33,231.97 lakhs. The Engineering business accounted for Rs.11,209.46 lakhs, with Health and Marine (Cargo and Hull) segments following at Rs.7,448.78 lakhs and Rs.7,144.71 lakhs respectively. These five segments cumulatively accounted for 81.12 per cent of the business underwritten by the private players.

On account of non-availability of break up of the premium underwritten by the public sector players, similar segment wise analysis is not possible for the public sector.

BUSINESS DONE IN THE FIRST ELEVEN MONTHS OF 2002-2003

(Rs. in lakhs)

S. No.	Insurer	Premium	No. of Policies Issued
1	**Royal Sundaram**		
	Fire	3,564.69	15,708
	Marine-Cargo	1,175.44	2,788
	Engg	1,297.59	496
	Motor	7,311.68	1,82,950
	Health	849.15	17,347
	Liability	120.09	228
	Personal Acc	1,785.73	41,971
	Others	493.09	3,825
	TOTAL	**16,597.46**	**2,65,313**
2	**Tata AIG**		
	Fire	3,020.40	3,730
	Marine-Cargo	2,123.90	2,269
	Engg	2,763.59	585
	Motor	6,894.66	72,050
	Health	3,001.28	84,444
	Liability	2,148.28	259
	Others	79.12	2,813
	TOTAL	**20,031.23**	**1,66,150**
3	**Reliance**		
	Fire	5,275.94	3,893
	Marine Cargo	644.28	2,711
	Marine Hull	56.44	2
	Engg	1,444.69	729
	Motor	662.87	12,142
	Health	495.34	726
	Aviation	423.46	43
	Liability	1,297.19	727
	Marine Energy	5,289.19	4
	Others	1,471.46	4,248
	TOTAL	**17,060.86**	**25,225**
4	**IFFCO-Tokio**		
	Fire	9,378.37	9,563
	Marine Cargo	1,222.40	7,397
	Marine Hull	450.91	18
	Engg	2,106.89	1,253
	Motor	2,195.32	91,067
	Health	885.28	11,515
	Liability	341.22	671
	PA	1,034.27	2,349
	Others	1,291.77	7,370
	TOTAL	**18,906.43**	**1,31,203**
5	**New India***	**34,9026.00**	**N/A**

However, a study of the business figures furnished by Oriental reveals that maximum business was underwritten in the Motor segment at Rs.94,278.07 lakhs followed by Fire at Rs.49,542.34 lakhs. The Aviation and Health segments accounted for Rs.23,236.10 lakhs and Rs.17,867.85 lakhs of the premium underwritten respectively.

(Rs. in lakhs)

S. No.	Insurer	Premium Underwritten	No. of Policies Issued
6	**Oriental**		
	Fire	49,542.34	6,28,314
	Marine Cargo	12,376.62	1,55,705
	Marine Hull	8,993.54	5,755
	Engg	14,130.90	48,254
	Motor	94,278.07	44,79,719
	Health	17,867.85	3,59,692
	Aviation	23,236.10	1064
	Others	34,847.31	1,5,06,190
	TOTAL	**2,55,272.73**	**71,84,693**
7	**National***	**2,59,327.00**	**N/A**
8	**United India***	**2,71,871.00**	**N/A**
9	**ICICI Lombard**		
	Fire	11,598.18	27,213
	Marine Cargo	518.92	1,241
	Marine Hull	287.53	9
	Engg	1,852.66	613
	Motor	195.54	2,278
	Health	1,258.83	190
	Aviation	114.99	15
	Liability	89.08	84
	Special Contingency	10.22	13
	Others	3,206.03	47,898
	TOTAL	**19,131.98**	**79,554**
10	**Bajaj Allianz**		
	Fire	4,245.91	14,784
	IAR	862.13	457
	Cargo	653.36	7,959
	Hull	0.14	1
	Motor	15,224.33	6,03,726
	Engg	1,659.15	1,787
	Health	893.41	13,537
	Aviation	57.17	10
	Travel	829.17	61,131
	Special Contingency	392.33	632
	Others	1,094.93	28,846
	TOTAL	**25,912.03**	**7,32,870**
11	**Cholamandalam**		
	Fire	459.69	405
	Cargo	11.39	144
	Engg	84.89	36
	Motor	149.57	11,428
	Health	65.49	827
	Liability	14.13	20
	Crop Insurance	0.57	1
	Others	23.90	577
	TOTAL	**809.63**	**13,438**
12	**HDFC Chubb**		
	Motor	598.00	10,783
	Personal Acc.	1.79	4
	Others	2.69	7
	TOTAL	**602.48**	**10,794**
	GRAND TOTAL	12,54,548.83	#86,09,240

N/A : Not available
*Break-up not available
Does not include No. of policies for New India, National, United India
Companies at serial Nos. 11 and 12 began their operations in October 2002.

Fake TPAs

The IRDA has expressed concern over cases where some institutions which have not registered themselves as Third Party Administrators - Health Services (TPAs) under the regulations are reported to be offering assistance in the development of medical insurance schemes.

What is more worrisome is the fact that some of these organisations seem to have the support of insurance companies.

The IRDA has issued a warning that the insurers, by aligning themselves with these unlicensed organisations, would be compromising their interest. Moreover, it has pointed out that any agreement with an unlicensed organisation to act as a TPA in those areas of work which have been allotted to be done by the TPA would be outside the scope of the provisions of the Act and the regulations and that the insurers as well as such unlicensed 'service providers' would attract penalty from the Authority.

The IRDA has also reminded insurers of their obligation of filing with the Authority the agreements they have concluded with licensed TPAs under the IRDA (Third Party Administrators-Health Services) Regulations. Some insurers have not yet done so and in other cases the Authority feels that the documents require clarity and that the coverage in the agreement is not to the extent it has to be.

The purpose of this requirement was for the Authority to know the exact scope of work which an insurer has entrusted to the TPA or the jurisdiction in which the TPAs act on behalf of the insurers.

Hence the insurers and the TPAs are now required to see to it that the agreements entered into bring out clearly the scope of the work the TPA is to carry out in various areas and be aware of their obligations under the regulations.

Budget & the Single Premium Policy

R. Anand

The Finance Bill 2003-04 has given considerable importance and thrust to the subject of insurance. Apart from a novel social security scheme, the Varishta Bima Pension Yojana, articulated by the Finance Minister in his speech, it has also addressed the issue of taxing the Single Premium Policy (SPP) which has become a popular scheme in the market place now.

Basically premium paid in respect of life insurance is entitled to tax rebate under Section 88 of the Income Tax Act (the Act). This rebate is available for individuals & Hindu undivided families (HUFs) at an amount equal to 20 per cent, from the income-tax payable subject to certain conditions specified in the section.

One of the items dealing with tax rebate is the subject of insurance and the provision allows a tax rebate in respect of any sums paid or deposited in the previous year by the assessee.

(i) to effect or to keep in force an insurance on the life of persons specified in sub-section (4);

(ii) to effect or to keep in force a contract for a deferred annuity, [not being an annuity plan referred to in clause (xiiia)], on the life of persons specified in sub-section (4);

As the section stands, there is no quantum limit prescribed in respect of the premium paid in relation to the overall sum assured.

The Finance Bill 2003-04 targets the SPP and has proposed that wherever premium on any insurance policy other than a contract for deferred annuity exceeds 20 per cent of the actual capital sum assured, the qualifying amount for tax rebate will be limited to 20 per cent of such capital sum assured. It has also made it clear that in calculating any such capital sum, no account shall be taken.

> While there may be some rationale in restricting the tax rebate to 20 per cent of the capital sum assured, it is harsh to tax the entire proceeds on maturity as taxable in the hands of the policy holder.

(i) of the value of any premium agreed to be returned, or

(ii) of any benefit by way of bonus or otherwise over and above the sum actually assured, which is to be or may be received under the policy by any person.

The memorandum explaining the provisions on this subject states:

Under the existing provisions contained in Clause (10D) of Section 10, any sum received under a life insurance policy, including the sum allocated by way of bonus on such policy, (other than any sum received under a policy for the medical treatment, training and rehabilitation of a handicapped dependant under Section 80DDA or any sum received under a Keyman insurance policy), is exempt.

Under the existing provisions of Section 88, a deduction from the income-tax payable is allowed to an individual or a Hindu undivided family (HUF), in respect of any sum paid or deposited in schemes such as PPF, GPF and NSC, and as insurance premia. The deduction is allowed at specified percentage of such sums.

Insurance policies with high premium and minimum risk cover are similar to deposits or bonds. With a view to ensure that such insurance policies are treated at par with other investment schemes, it is proposed to rationalise the tax concessions available to such policies. It is therefore, proposed to substitute the Clause (10D) of Section 10, so as to provide that the exemption available under the said clause shall not be allowed on any sum received under

HOW THE PROPOSED TAX AFFECTS RETURNS ON A SINGLE PREMIUM POLICY

Age Group	18 to 59 years		60 years and above	
Period	5 year plan	10 year plan	5 year plan	10 year plan
Sum Assured	30000	30000	30000	30000
Single Premium-at inception	-29505	-27663	-29482	-27650
Maturity Benefit	40147	53725	40147	53725
Returns %				
If investor is not subject to tax	6.35	6.86	6.37	6.87
If there is no tax on maturity proceeds	16.36	13.54	16.40	13.51
Assuming a 31.5 per cent tax	9.28	10.02	9.30	10.03

The above working is for Bima Nivesh with benefits worked out on the basis of Guaranteed Additions at Rs. 60 per thousand only as Maturity Benefit and not as a Death benefit.

an insurance policy in respect of which the premium paid in any of the years during the term of the policy, exceeds twenty per cent of the actual capital sum assured. However, any sum received under such policy on the death of a person shall continue to be exempt. It is also proposed to clarify that the value of any premium agreed to be returned or of any benefit by way of bonus or otherwise, over and above the sum actually assured, which is to be or may be received under the policy by any person, shall not be taken into account for the purpose of calculating the actual capital sum assured under this clause. The new provision also provides that the amounts received under sub-section (3) of Section 80DD, shall not be exempt under this clause.

It is also proposed to insert a new sub-section (2A) in Section 88 which seeks to provide that the deduction in respect of the sums paid or deposited as premium under an insurance policy shall be available only on so much of the premium or other payment made on an insurance policy, other than a contract for a deferred annuity, as is not in excess of twenty per cent of the actual sum assured.

It is also proposed to clarify that the value of any premiums agreed to be returned or of any benefit by way of bonus or otherwise, over and above the sum actually assured, which is to be or may be received under the policy by any person, shall not be taken into account for the purpose of calculating the actual capital sum assured under this clause.

At present, Section 10/(10D) of the Act exempts any sum received under a life insurance policy including the sum allocated by way of bonus on such policy from income tax. In 1996 it was made clear that any sum received under Keyman insurance policy will not be entitled to the exemption. Finance Bill 2003-04 provides that the exemption under Section 10/10D will not apply in respect of, among other things:

any sum received under an insurance policy in respect of the premium paid in any of the years during the term of the policy exceeds twenty per cent of the actual capital sum assured.

While there may be some rationale in restricting the tax rebate to 20 per cent of the capital sum assured, it is harsh to tax the entire proceeds on maturity as taxable in the hands of the policyholder. (See table for a sample case).

As the wordings in the proposed Bill stand, even premiums paid on which no tax rebate is allowed will be subject to tax on maturity which cannot be the intention of the proposal. At best only the portion relatable to the excess of the proceeds over the sum assured should be subject to tax on maturity.

Insurance is a contract between the insurer and the insured who takes into account the tax at the time of concluding the deal. Any abrupt change in the taxation pattern will upset the economics of the decision.

Reports indicate that the Government is reconsidering the issue of taxing the maturity proceeds in entirety and hopefully some amendments will be moved during the debate in the Parliament.

SPP as a business product has made considerable progress in the last couple of years. During the period upto January 2003, the private players in the insurance business have put through 40,881 policies, garnering a premium of Rs.234.26 crores and sum assured of Rs.353.65 crores. As against this, LIC underwrote 2,53,625 policies at a premium of Rs. 227.29 crores and sum assured of Rs. 284.45 crores.

Insurance is a contract between the insurer and the insured. The insured avails of the product taking into account the position of taxation at the time of concluding the deal and the pattern of tax savings he will be getting over a period of time. Any abrupt change in the taxation pattern will completely upset the economics of the decision making process.

The proposal in the Finance Bill to restrict the quantum of rebate under Section 88 and also to tax the proceeds on maturity in respect of SPP products can be construed as a breach of promissory estoppel.

It is earnestly felt that the proposed amendment with suitable modifications as mentioned above should be made applicable only in respect of policies taken on or after April 1, 2003. This will protect the benefits of the insured who have availed SPP products in the current year.

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

Journal
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TP liability even if driver's licence fake

The Supreme Court has ruled that an insurance company which has issued a Third Party (TP) liability policy has to pay compensation to the victims of a road accident even if the driver of the vehicle which meets with an accident had a fake driving licence.

The ruling was given by a bench comprising Justice S. N. Variava and Justice B. N. Agrawal, while imposing a cost of Rs 20,000 on United India Insurance Company Ltd. for filing 'unnecessary appeals' to deprive the claimants of compensation.

The insurance company had taken the stand that it was not liable to pay compensation to the third party accident victims on the ground that the driver of the vehicle had a fake licence.

The bench categorically stated that insurance companies could not disown liability in such cases as that would negate the very purpose of mandatory TP insurance which is a social security measure meant to help innocent victims of road accidents.

General insurers have been losing heavily on account TP insurance which has no cap on liability and where claims and court awards have been unfavourably high.

Megacities hazard index

Munich Re, one of the largest reinsurance companies in the world, has come out with a natural hazard index for megacities which lists the 50 largest metropolitan areas and quantifies their risk potential for all natural hazards including the vulnerabilities (to terrorist risk) and concentrations of values (of insurance cover).

Topping it is Tokyo-Yokohama followed by San Francisco and Los Angeles all with index figures of over 100 while Mumbai comes in with about 5 and Delhi with 1.6.

The index is significant because, according to the United Nations, the urbanisation of the earth is progressing at a rapid pace. In 1950 just under 30 per cent of the world's population lived in urban areas, today it is over 50 per cent. Moreover, megacities have enormous dimensions nowadays (Tokyo-Yokohama has about 35 million inhabitants, New York about 22 million, São Paulo about 20 million, Shanghai about 14 million). Cities are continually spreading into highly exposed areas, such as zones threatened by floods or forest fires.

The megacities index reflects the hazard and vulnerability of the world's main agglomerations and, for the first time, provides a basis for realistic comparison since insurance penetration is known in these areas and an estimate can be made of probable insured losses in these areas.

Megacity	Population (Millions)	Total Risk Index	Risk index components		
			Hazard	Vulnerability	Exposed Values
Tokyo-Yokohama	34.9	710	10.0	7.1	10.0
Los Angeles	16.8	100	2.7	8.2	4.5
New York	21.6	42	0.9	5.5	8.3
London	12.1	30	0.9	7.1	4.8
Paris	11.0	25	0.8	6.6	4.5
Mumbai	18.2	5.1	0.8	8.6	0.7
Bangalore	8.0	4.5	0.3	8.4	1.6
Calcutta	15.9	4.2	3.2	9.5	0.1
Singapore	4.0	3.5	0.3	7.1	1.9
Delhi	17.2	1.6	1.2	7.8	0.2

Early renewals: IRDA says no, corporates want it

Corporates have opposed the IRDA directive of March 11 warning insurers against allowing renewal of cover before the due date and have requested IRDA to withdraw the circular saying that this matter was beyond the authority of the insurance regulator.

The IRDA had directed insurance companies not to allow companies to renew their insurance policies before the due date following reports that many companies were planning to advance the renewal ahead of April 1 to avoid the higher, eight per cent, service tax on insurance premiums proposed in the Budget for 2003-04.

Most fire policy renewals, which account for the bulk of the premium expenses of corporates, are scheduled for April 1, the start of the financial year, for operational convenience. And this is the time when final negotiations are being conducted or have just been concluded for renewals.

The companies have taken the stand that the insurance regulator does not have the power to prevent them from renewing covers before time unless amendments are made to the fire tariff. The tariff allows for premature renewal of policies provided the insured makes out a case of it, typically relating to a change in accounts closing date.

Response to VRS

The Voluntary Retirement Scheme (VRS) that just concluded in the four public sector general insurance companies has seen about 12 per cent of the 11,500 strong Development Officer force opting to leave their companies with an exit package while another 20 per cent has preferred to move over to the administrative side of marketing.

The maximum number opting for moving to administration was from eastern India.

The cut-off date for applications for VRS, which would automatically be accepted, was originally March 3.

The date from which those opting for the VRS would be relieved is not final and the mode of settling VRS dues will be decided by individual companies.

The idea behind the VRS was to prune the overhead commitments of the companies in maintaining this in-house marketing force and to retain the option of having some of them work as agents or brokers so that the business could be retained by the company. Also in future, marketing remuneration would move from being just revenue-based to profitability of the portfolio in order to encourage better quality business being written, it is understood.

The Development Officers who have opted for VRS can become agents of any of the four general insurance companies in the public sector and their representative bodies are learnt to be pressing for a waiver of the 100 hours training requirement for agency licence on the basis that they have long years of experience in the industry.

This scheme also frees company resources to start utilising the services of brokers and corporate agents and to bring the management expenses ratio to within 19.4 per cent of the premium income as required by Section 40 C of the Insurance Act, 1938.

The General Insurance Public Sector Association (GIPSA), which co-ordinated the VRS scheme for the four companies is working on a proposal for a VRS for Class IV and Class I as well.

LIC looking at insurance for HIV-infected women

Life Insurance Corporation of India (LIC), which launched a new policy exclusively for women, 'Jeevan Bharati', is looking at extending insurance cover to HIV-infected women under this policy. Jeevan Bharati is a money back policy for women, with critical illness benefits.

The company will need national level data on AIDS/HIV infection and relevant statistical information to take any decision on extending insurance cover to women affected by this disease.

NEW INSURANCE COMPANIES

The IRDA has granted in-principle approval to the Agricultural Crop Insurance Corporation (ACIC).

ACIC with a capital of Rs. 200 crore, has GIC as the principal shareholder with a 35 per cent stake. The four public sector general insurers together hold a 35 per cent stake and the balance is held by the National Bank for Agriculture and Rural Development (NABARD).

The IRDA has also granted in-principle permission to the Sahara Group to enter the life insurance business, subject to the latter fulfilling some regulatory requirements.

Compliance Certificate

The IRDA, in an effort to get a true and fair picture of the investments of insurance companies has asked that they file a certificate on a quarterly basis stating the nature and extent of encumbrances, if any, on their investment portfolios.

This Compliance Certificate, under Sections 28(2A) and 28(2B)/ 28B(3) of the Insurance Act, 1938, is to be filed along with other investment returns. The certificate has to be from the Custodian who is holding such securities on behalf of the insurer and has to state that they are free of encumbrance, charge, hypothecation or lien at the end of the quarter.

The insurer has to forward this certificate to the IRDA at the end of the financial year along with a certificate from the Custodian mentioning the amount as certified by the insurer is free of encumbrance, charge, hypothecation or lien.

SBI Life covers personal loan borrowers

SBI Life Insurance Company has tied up with GE Countrywide and Maruti Countrywide to provide life insurance cover against personal loans, two-wheeler loans and auto loans.

R. Krishnamurthy, MD and CEO, SBI Life, said that creditor protection policies are the best way of ensuring the financial protection of family members as they take away the burden of repayment of outstanding loan amounts in case of death or total permanent disability of the primary loan holder.

SBI Life already has creditor protection schemes in place for outstanding payments against credit cards (for SBI card holders) and housing loans (SBI housing loans and Sundaram Home Finance customers).

$ 13.5 billion disaster bill in 2002

Natural catastrophes and man-made disasters cost non-life insurers $ 13.5 billion in 2002.

Property losses were below the long-term average, according to Swiss Re sigma statistics which started in 1970. Flood losses, however, cost insurers a record $ 4.1 billion. Floods are posing a growing challenge to the insurance industry and the state.

According to Swiss Re's latest sigma study, Natural catastrophes and man-made disasters in 2002, cost insurers $ 13.5 billion worldwide $ 1.5 billion more than the provisional sigma estimate of December 2002. The increase was mainly due to higher storm losses, which totalled $ 6.7 billion. However, the annual loss burden on insurers was substantially down from $ 35 billion in 2001. While natural catastrophes in 2002 caused the majority of losses, $ 11.4 billion, man-made losses totalled $ 2.1 billion. This marks the return of natural catastrophes outweighing man-made disasters, a trend which was only broken in 2001, due to the September 11 terrorist attack.

Floods caused record losses in 2002, costing insurers worldwide $ 4.1 billion. $ 3.2 billion of this amount was due to the two flood events in Europe during the summer. The previous records for flood losses also stem from the recent past: $ 2.9 billion in 2000 and $ 2.7 billion in 1993. The economic losses caused by the floods are significantly higher than the insured losses: sigma estimates that the two European floods alone triggered an economic loss of $ 15 billion.

These figures show that some countries are underinsured against flood losses. Developing and introducing comprehensive flood cover is a major challenge. A carefully balanced private-public partnership could be in the best interests of the public and private sector.

The terrorism threat still exists, nevertheless potential insured losses are considerably reduced.

For property insurers, threat scenarios still include terrorism, and September 11 gave the public a clear reminder of its ominous dimensions. In 2002, the attacks on Bali and Djerba further proved that international terrorism is a lurking threat. However, potential insured losses have been reduced considerably for private direct insurers and reinsurers. Terrorism cover has been restricted, and some markets have introduced new types of cover, eg the US, Germany and France, in which the state carries a substantial share of any loss.

The five most costly insured losses in 2002

Insured Loss (in $ bn)	Total Loss	Date (start)	Event	Country
3.2	15.0	31.07.2002	Flood (2 events)	Europe
1.7	-	27.04.2002	Spring storm, tornadoes	US
0.8	-	26.10.2002	Storm Jeanett	Europe
0.7	2.0	21.09.2002	Hurricane Lili	Caribbean, US
0.5	-	14.09.2002	Tropical storm Isidore	Caribbean, et al

The five worst catastrophes in terms of victims in 2002

Victims (dead and missing)	Date (start)	Event	Country
2000	27.02.2002	Social unrest after arson on train	India
2000	25.03.2002	Earthquake (6.0 Richter scale)	Afghanistan, Pakistan
1863	26.09.2002	Ferry Le Joola capsizes	Gambia
1500	01.12.2002	Cold wave	India et al
1460	27.01.2002	Explosion in munitions	Nigeria

Malaysia's mandatory national health insurance

Malaysia is introducing a national health insurance scheme and citizens will soon have to make mandatory monthly contributions to it.

The contribution amount has not yet been decided but there is likely to be a ceiling for high-earning contributors and those earning below a certain income would not have to contribute.

The scheme is being positioned as one that takes into account the paying capacity of those who can afford it and where the needs of the disabled, poor, elderly, government servants and retirees would be taken care of by the government.

Under the scheme – which is still awaiting approval from relevant authorities – the members would be able to seek treatment at any medical facility, private or public.

The need for the scheme was felt because of increasing healthcare costs, consumer expectations and the current imbalance of facilities and services between the public and private healthcare system in that country.

A National Health Financing Authority (NHFA), wholly-owned by the Government and run by the Health Ministry, would manage the scheme and the Government would introduce the basic packages which could include secondary care, out-patient treatment and preventive care such as immunisation and oral health.

US employees may have to pay more for health cover

Large and small businesses in the US may have to pass more of the costs for health insurance coverage along to their employees considering the way premiums are rising.

According to a report based on a national survey of 600 large and small businesses, while American businesses remain committed to providing employer-sponsored health insurance, 92 per cent say they are likely to increase the amount that their employees pay for health insurance premiums next year.

The business survey shows that companies of all sizes expect health insurance costs to jump an additional 18 per cent over the next year. This comes on the heels of an increase of approximately 14 per cent in 2002. And businesses do not foresee relief any time soon. According to the survey, businesses predict a 17 per cent average increase per year in their healthcare costs for the next five years.

The survey also shows that:

- More than 70 per cent of employers say the number of uninsured will grow in the next decade.
- Nearly all businesses say employees will be expected to pay more for their health insurance premiums, deductibles and co-pays next year and for the next five years. Nevertheless, companies expect to bear the bulk of the anticipated cost increase, passing on just one-fourth of the cost increases to employees.
- To cope with the rising costs, 45 per cent of employers say they will reduce employee health benefits over the next five years.
- Just four per cent of businesses say they are likely to drop employee healthcare coverage entirely next year. But if faced with rising costs for the next five years, businesses are increasingly likely to drop coverage, especially if it is a small business that has fewer than 50 employees.

Research shows that being uninsured takes a serious toll on men, women and children. Uninsured men are nearly twice as likely to be diagnosed with colon cancer at a later, more dangerous stage than are men with insurance. Uninsured women with breast cancer are twice as likely to die as insured women with the same disease. Uninsured children are 70 per cent more likely than insured children not to receive medical care for common childhood illnesses such as ear infections.

UK regulator eyes non-life insurance

Britain's financial super-regulator, the Financial Services Authority, in another step towards taking over the regulation of mortgages and general insurance products asked lenders and insurers for their opinions on a set of draft rules.

The FSA will take over supervision of firms that lend, sell and advise on mortgages on October 31 next year. From January 14, 2005, the FSA will also assume control of insurance products like car and health cover.

"The Treasury has brought general insurance into the scope of FSA regulation in order to implement the Insurance Mediation Directive (IMD), which sets common minimum standards across EU countries for….the sale and administration of insurance," the FSA said in a statement.

"It (the Treasury) had previously announced that mortgage lenders, administrators and intermediaries would be regulated by the FSA." The FSA has put together a set of proposals covering how mortgage and general insurance firms should operate and how much cash they should hold to ensure solvency. Companies have until June 13 to comment.

Life Insurance Sales Up Across the Board in 2002

Limra International's quarterly survey has revealed that individual life insurance sales increased across the board in the US market in 2002, with gains in annualised premium (3 per cent), face amount (12 per cent) and number of policies (1 per cent.)

In a press release from Limra, its Vice President and Head of Product Research, Ms. Elaine Tumicki has said that while this is "not dramatic, this is the first indication of a turnaround in individual life insurance policies sold in 19 years." Industry-wide results that will be available in mid-year are expected to confirm the positive sales trend for 2002. Annual sales of policies have been in decline since 1984.

Fixed products continue to drive sales growth with universal life (UL), which is a unit-linked product, leading the way. After slowing down in the third quarter, UL annualised premium jumped back up in the fourth quarter with a growth rate of 46 per cent compared with the same quarter of 2001. UL represents 28 per cent of premium for 2002, the highest share for UL since 1986.

Annualised term premium for the year is up 13 per cent, exceeding industry expectations. Whole life ended the year with a 13 per cent increase over 2001, the first time since 1990 that whole life has recorded double-digit growth for the year.

Variable life (VL) and variable universal life (VUL) – which are equity-linked annuities - declined compared to the same quarter prior year for the seventh consecutive quarter. Annualised premiums in 2002 for variable life products were 24 per cent lower than in 2001. The variable product share of life sales has tracked closely with trends in the stock market over the last several years.

Survivorship life annualised premium was down five per cent for the quarter (compared to fourth quarter 2001) and 12 per cent for the year. The fourth quarter declines were driven by variable products. Both UL and whole life increased compared to fourth quarter 2001.

Limra International which used to be called Life Insurance Marketing and Research Association, is a worldwide association providing research, consulting and other services to nearly 850 insurance and financial services companies in more than 60 countries. Limra was established in 1916 to help its member companies maximize their marketing effectiveness.

Mr. Venu Srinivasan, Chairman, Sundaram Clayton Limited, delivers the inaugural address at the two-day Workshop on Vehicle Safety and Testing conducted by the IRDA and Concert at Chennai on March 21 and 22.

Testing Vehicle Safety

The Insurance Regulatory and Development Authority (IRDA), in association with Concert, the Chennai-based Centre for Consumer Education, Research, Training and Testing, is planning to put up a vehicle safety testing centre. The facility, modelled along the lines of the Consumer Association Research and Testing Centre (CARTC), in the UK and Consumer Union of the US, will work in the areas of consumer testing of vehicles, safety education and training.

As a first step to this a workshop on vehicle safety and testing was conducted by the IRDA and Concert at Chennai on March 21-22. It was attended by about 60 delegates from various vehicle manufacturers and insurers and had presentations by Mr. Mike Monk, Director, CARTC, of the US, Mr. Aloke Prasad, and Mr. Chris Evans formerly of the Consumer Association of the UK. Mr. B. Bhanot, Director, Automobile Research Association of India (ARAI), Pune, spoke about vehicle testing for safety.

Workshop participants discussed various aspects of vehicle safety design, consumer awareness and education and also issues relating to insurance costs and submitted their views. Mr. Chris Evans, who has been associated with the Consumer Association, the UK and with editing the association's magazine, *Which?* for over 25 years, has been retained as consultant and would advise the IRDA and Concert on the shape and scope of such an institute.

Speaking at the workshop, Mr. S. Ramakrishnan, Secretary, Department of Consumer Affairs, Government of Tamil Nadu, said that the State Government would provide support in the form of the necessary lands for the project. Chennai, it is thought, would be the ideal location for such a facility given the large automobile and accessory industry located in and around the city.

Mr. Venu Srinivasan, Chairman, Sundaram Clayton Limited, who delivered the inaugural address said that vehicle safety design are much neglected areas in India though we have a very large vehicle population here. With the fourth highest accident rate in the world in 1997 we still topped the list of nations in the number of fatalities which stood at 75,000. In 1999 the number of road accident fatalities in India stood at over 88,000.

Homologation and Certification systems, though well developed in India, still do not cover adequate crash testing facilities and, as far as fitness inspections are concerned even elementary things like testing for braking and other safety systems were poorly developed in India. Things would only get worse, he said, when high-speed corridors like the Golden Quadrilateral were commissioned, and vehicle safety design standards should catch up with world standards soon.

Sundaram Clayton, he said, had the country's only testing track for anti-locking brake systems (ABS), on which Rs. 20 crores had been spent and an additional equal amount would be spent. This track would be made available to Concert to test vehicle safety.

Speaking on the occasion Mr. R. Desikan, Trustee, Concert, said that product recalls of vehicles with defective parts was unheard of in India while recall directories ran into something like 200 pages in a technologically advanced market like the US.

"Does this mean that there are no defective vehicles or parts in India?" he asked, underlining the lack of awareness and enforcement of safety standards in the country.

A CD to spread awareness of the necessity of wearing ISI-certified helmets by two-wheeler riders to reduce accident impact and fatalities, produced by Concert, was released on the occasion.

Mr. S. Ramakrishnan, Secretary, Department of Consumer Affairs, Government of Tamil Nadu, releases the CD on Helmet Wearing for Two Wheeler Safety and Mr. Venu Srinivasan, Chairman, Sundaram Clayton Limited, receives the first copy during the vehicle safety workshop. Mr. N. Rangachary, Chairman, IRDA, is also seen in the picture.

Event? Send us a write-up!

AWARD!

Yogakshema, the corporate house journal of the Life Insurance Corporation of India (LIC), won the best house magazine award from the Public Relations Society of India (PRSI), Hyderabad Chapter.

The competition for house journals received 40 entries from all over India from public and private sector organisations. LIC, South Central Zone, Hyderabad's house magazine, 'Sagar' also won a certificate of merit.

Mrs. Swarna Prabha Sukumar, Regional Manager (PR & Publicity) of LIC, Hyderabad Zone receives the award on behalf of Yogakshema from Mr. Tammineni Sitaram, Minister for Excise and Prohibition, Government of Andhra Pradesh. Also in the picture is Mr. N. L. Narasimha Rao, Chairman, PRSI, Hyderabad Chapter.

WANT THE IRDA JOURNAL ?

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Dear Editor

I received information about the IRDA from my insurance agent and found that it is the only and correct place where I can get my query cleared.

I have gone through many insurance plans available in the market from LIC and from private companies who have just come in.

What is the security of my funds? Will these private companies exist till the time I receive my maturity money? In case the company I am buying any insurance plan from quits the insurance business, what happens to my money paid as premiums till that date?

I am sure you will help me with answers to my questions.

As such what I have found is agents are just behind their business and don't actually care about what the customer wants. They don't even try to tell me which plan is suitable for me.

I would not only be thankful, but it also will be my pleasure to have a reply from your side.

Shashank Harshe
Wadi, Baroda-390 017.

All insurance companies are registered and their registration renewed annually by the IRDA after they fulfil stringent capital and other financial requirements.

Insurers can invest policyholders' funds only according to strictly laid down norms which are geared towards the security of funds. They also have to maintain solvency standards according to IRDA regulations. These aspects of financial stability are monitored by the IRDA on an ongoing basis including through onsite inspections.

As such the IRDA's responsibility is to ensure the protection of policyholders' interests by monitoring and ensuring the financial strength of all registered insurers. The IRDA achieves this end through various mechanisms and actions that will act as early warning systems to potential failure.

In the event of a company heading towards failure, a scheme of merger would be devised by the regulator so that one of the other insurance companies would take over and discharge the liabilities of the ailing company. In the event of a failure, policyholders' funds will be distributed in an equitable manner as per the law, and their claim will take precedence over that of shareholders'.

I have received two issues of IRDA Journal. The contents and printing are informative and beautiful.

It would be good if the IRDA initiates the introduction of a health insurance policy whereby health cover is provided for a longer period of time like a life insurance policy instead of one which is being renewed year after year where the insurer also has option to discontinue at his will.

Health insurance should be available as a long-term contract. It is more so because once a person starts needing it, he may be refused cover by an insurance company.

YK Gupta
1-Kha-19, Jawahar Nagar
Jaipur-302 004.

We thank you for including our address in your mailing list. I find the journal to be very interesting and useful.

It is suggested that you may allot one page in the Journal every month exclusively to publish any modifications to the regulations made by IRDA. A point in question is as follows :

As per the Regulations made by IRDA for licensing insurance agents, it is mandatory for anyone who desires to take up insurance selling to undergo 100 hours training and pass an examination to be conducted by the Insurance Institute of India (III), Mumbai.

But the regulations also provide exemption to certain categories of qualified persons from the 100 hours training and prescribe only 50 hours training for them. The list of such qualified persons includes Chartered Accountants, Cost Accountants, Company Secretaries, Fellows of the III and F.I.As and F.A.S.Is.

We understand that the IRDA has recently added two more qualifications to the above list viz. (1) Engineering Graduates (B.E. or B.Tech.) and

(2) C.A.I.I.B. prescribing only 50 hours training to persons holding any of these two qualifications also. When we looked into the relevant regulation on your website, no such addition was found to the list of qualifications.

Will you please confirm whether such a modification has been made to the regulation by the IRDA.

M. Viswanatha Rao
Associate Director
Subodha Institute of Insurance
Education & Training,
Hyderabad

We do publish changes in regulations as and when they take place. We also keep readers abreast of changes in rules.

As for your specific query on the waiver of 50 of the 100 hours training and the additions of new categories eligible for waiver, the answer is no. There have been no such additions to the list. The regulations on the website are kept always updated so you can go by that.

“ ”

We are formulating detailed guidelines for quick settlement of claims by the state-run general insurers… It is necessary to settle claims if the industry is to create faith and confidence in the minds of the public.

Minister of State for Finance, Mr. Anandrao Adsul, speaking about pending motor claims.

I have never come across an industry as paper-bound as the London insurance market, and I have to say that it even surpasses the Civil Service in its volume of paper. It's odd to think that the fundamentals of the insurance industry have changed so little since the days of Edward Lloyd's coffee shop.

Lord Peter Levene, Chairman, Lloyd's of London, on technology.

Four years ago we took contrarian positions in four major areas: to stay focused on life insurance when others were venturing into other financial services; to maintain our career agency system when some claimed it was too expensive; to remain a mutual when others were going public; and to go global when others feared the risk. All four of these decisions are paying off. In a year of sales and earnings duress in our industry, New York Life set records for both operating earnings and life sales.

Sy Sternberg, Chairman and CEO, New York Life

With the landmark announcement (of the Universal Health Insurance scheme in the Budget 2003-04), we expect as many as 40-45 per cent of the population to avail a health cover in the medium term itself, with the figures going up subsequently. While this move is significant on the health insurance front, we believe that mandatory health insurance is the complete solution and the nation must opt for it at the earliest.

Dr. Prathap C. Reddy, Chairman, Apollo Hospitals

No doubt competition is one factor which is driving us these days. We cannot be complacent now... Competition is not the only factor. During this period, stock markets were in bad shape and interest rates were falling.... there was no other suitable and safe investment avenue.

Mr. S. B. Mathur, Chairman, LIC

We don't provide (board members) with officers' and directors' liability insurance. Basically, we want the behavior of our directors to be driven by the effect their decisions will have on their family's net worth.

Mr. Warren Buffet, CEO, Berkshire Hathaway Inc., which itself is an insurer for other companies' D & O risks.

Events

April 6 – 8, 2003

Venue: Baltimore, Maryland

The Annuity Conference

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

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

April 6 – 8, 2003

Venue: Baltimore, Maryland

The Pension Conference

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

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

April 6 – 10, 2003

Venue: Chicago

41st Risk and Insurance Management Society (RIMS) Annual Conference.

Theme: "Specialist solutions in the face of shifting risk."

April 7 – 11, 2003

Venue: Kathmandu

Financial Stability Forum's Regional workshop with SEANZA.

Topic: Risk Management: Consolidated Supervision

April 15 – 16, 2003

Venue: Mumbai

4th Conference on Bancassurance, Wealth Management & Alternative Distribution Channels by Asia Insurance Review

Leveraging on Distribution As a Key Driver To Get Ahead

May 7 – 8, 2003

Venue: Taiwan

Conference on Catastrophe Insurance in Asia by Asia Insurance Review

Seeking Real Solutions to CAT Exposures in Asia

May 5 – 9, 2003

Venue: Beirut

Financial Stability Forum's Special Seminar with the World Bank

Topic: Anti-Money Laundering

May 7 – 9, 2003

Venue: New Mumbai

Actuarial Society of India (ASI) in collaboration with English Matthews Brockman (EMB), General Insurance Actuaries and Consultants, the UK, is organising a General Insurance Actuarial Training programme.

Appointed Actuaries in general insurance companies, senior and middle level staff of general insurance companies dealing in reserving, reinsurance, MIS etc, IRDA, TAC officials and Actuarial students interested in general insurance are prospective participants.

For further details and registration form please contact Ms Anitha Ravi at anitha@actuariesindia.org

May 19 – 23, 2003

Venue: Vienna

Financial Stability Forum: Selected IAIS Insurance Core Principles

May 26 – 30, 2003

Venue: Vienna

Financial Stability Forum: Core Supervisory Issues

May 26 – 30, 2003

Venue: Beatenberg

Financial Stability Forum's Focused Seminar. Topic: Risk Management

May 27 – 28, 2003

Venue: Singapore

5th Conference on Alternative Risk Transfers by Asia Insurance Review

ART As an Effective Risk Management Tool Today