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बीमा विनियामक और विकास प्राधिकरण

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From the Publisher

When we moved away from a public sector monopoly in the insurance industry and permitted Indian and foreign private capital to enter the industry a few years ago, the hope was that it would usher in economic benefits not only to individuals, business and industrial establishments but also the economy as a whole. Whether these benefits have accrued and if so to what extent, is the thrust of this month's Journal. We look at the topic through the eyes of economists and analysts in an effort to see where we stand.

We bring you business performance statistics in what is very close to the end of the financial year and we know that our readers look forward to this information. For life insurance we also bring you detailed statistics for the first three quarters of the financial year which throws light on the composition of the business, and the nature of the growth. The significant trend is that unit linked policies are growing at a particularly fast pace. This has implications for the customers which, we hope, are fully understood by all concerned.

The trend worldwide is to move towards self regulation by the stakeholders concerned. We, in the Authority, and the various segments of the insurance industry have been working with firm belief in this concept. It is evident in the revival of interest in the life and general insurance councils and in the Authority's dealings with intermediaries like brokers and third party administrators (TPAs).

It is this theme of self-regulation that we explore in the next issue of the Journal. We touched upon this in a recent issue on the development role of IRDA and thought it deserved further attention.

C.S. Rao

C.S.RAO

Inside

ISSUE FOCUS

Underwriting Progress

As a parent you probably dealt with a bewildered child who came home from school with a ticket booklet and instructions from 'miss' to sell the lot over the weekend. Sponsored walks, building donations, charitable causes or whatever, they stymied the child and you.

And what you probably did was to either buy the whole lot to avoid making enemies of all your neighbours, or told your child that what he or she did not manage to sell you would buy.

The relief on your child's face was sufficient justification for that underwriting of the success of the sales process.

Covering the downside of any economic activity, or of life itself, does bring such a relief to an economy. And we bring you this month writers who share their perspective on the role of the insurance industry in the development of the economy, and their understanding of what we have achieved in the last few years when the industry has undergone tremendous change.

Dr. Sanjeev Jha and Mr. Saju George of Royal Sundaram Alliance Insurance talk about Non-Life insurance and its spread (or otherwise!) while Mr. Sandeep Kaundal deals with Life insurance and the challenges ahead for it in what is becoming an elaborate investment arena.

Mr. G. V. Rao speaks of where insurance has not gone in spite of liberalisation!

The insurance industry is one of the most documentation and systems intensive ones. And the paper and electronics are just media to store knowledge. It is the management, communication and perpetuation of this knowledge that Mr. B. S. Rao speaks of in his article in this issue.

The third quarter statistics for life insurance await you in detail. The industry segmentation trends are becoming clearer even as growth is healthy.

The next issue of the Journal will be about self-regulation, a topic we touched upon briefly in a recent issue on the development function of IRDA. We hope to bring you some concepts and experiences as also snapshots of what's happening in the industry on this front.

By Their Own Rules...

K. Nitya Kalyani

Financial policymakers today generally recognise that sound and stable long-term economic growth can best be supported by regulatory policies that minimize interference with the functioning of the market. Financial sector reforms in developing economies are thus increasingly oriented toward mechanisms to induce effective market discipline, and toward regulatory/supervisory regimes that are market-friendly or that mimic the market in driving agent decisions through incentives to honest and prudent behavior.

Honest and prudent behavior by a financial market institution is integral to its reputational capital, which in turn increases its franchise value. Private sector agreement on principles and rules for self-regulation can provide incentives for that honest and prudent behavior. Self-regulation, in turn, tends to emerge and to be effective when the franchise values of individual businesses in a community stand to receive a considerable boost from cooperation to reduce the costs to deal with limited trust and asymmetric information.

- The Role of Financial Self-Regulation in Developing Economies
by Biagio Bossone and Larry Promisel, The World Bank.

Self regulation is not a new concept. Many of us have read in school or college about the workmen's guilds in Britain. Closer home various ethnic business communities had their own code of conduct from ancient days, and still proudly claim the legacy of the sanctity of one's word evolved from the ages when there were no communication facilities and little record keeping.

Self regulation in the financial sector, especially in insurance, in India is new since our only recent context has been a highly regulated, even controlled, economy and industry.

Regulation continues, nevertheless, but in a different form. Evolved through an elaborate process of consultation and consensus tempered with financial prudence, regulation now needs a complementary mechanism for taking care of internal details of each segment of the industry, and the choice falls on self-regulation.

Self regulation has been built into the legal structure of insurance regulation in the form of the life and general insurance councils for example. These bodies have been reactivated recently and are intended to take charge of code of conduct, market discipline and the establishment of best practices in their industries for starters.

The fear about self regulations, specially with the consumer experiences in a closed economy with low or no competition, mainly relate to cartelisation. But with a formal structure for SROs and with their being only one route to regulation, those fears should turn out to be unfounded.

The benefits have been seen to be many. To quote again from the article extracted from above, "Because of their knowledge and experience, and because of their commercial interest, SRO members are better placed than government bureaucrats to design rules consistent with the operational features of their business, to keep their operational processes and infrastructures apace with technological progress, and to improve their business standards."

Of course, self regulation has its limitations and certainly cannot replace the role of the regulator in larger matters of prudential regulation and supervision, of corporate governance norms and ongoing monitoring of financial strengths.

It is a combination of both that can ensure that short term or perhaps ill informed decisions are not taken by financial sector players to their own detriment. And it is easier to make such mistakes than seems apparent for various reasons including pressures of keeping promises to shareholders in the face of market conditions and competition. While self regulation keeps in check any tendency to stray out of line centralised regulation has the responsibility to oversee complex financial institutions whose activities are not easily understood and whose failure will not be confined to an entity or industry alone.

In our next issue...

SELF REGULATION

IRDA COMMITTEE ON LAW COMMISSION REPORT

IRDA has constituted a Committee to study and make recommendations on the Report of the Law Commission to the Government of India indicating the amendments to be brought about in the Insurance Act, 1938.

Keeping in view the developments that have taken place specially the passing of the IRDA Act, 1999. While the Commission has made specific recommendations in areas which relate to legal issues, the Commission opined that in respect of a few areas a detailed examination by experts in its respective fields would be necessary to consider any changes. The subjects that are covered by this observation are:

- Provisions relating to Investments (Sec 27, 27 and 27B)
- Sufficiency of Assets (Sec 64 VA)
- Insurance Surveyors (Sec 64UM)
- Tariff Advisory Committee (Sec 64UA & 64 ULA)
- Shareholders' Funds & Policyholders' Funds (Sec 49)

The Committee constituted by the Authority consists of

- Mr. K.P. Narasimhan, Chairman
- Mr. S.V. Mony, Member
- Mr. N.M. Govardhan, Member
- Mr. K.N. Bhandari, Member
- Mr. P.C. Ghosh, Member
- Mr. Liyaquat Khan, Member
- Mr. S. P. Subhedar, Member
- Mr. D. D. Rasgotra, Member
- Mr. K. C. Misra, Member
- Mr. T. S. Vishwanath, Member
- Mr D. Varadarajan, Member

The Committee may also indicate any other sections of the Insurance Act, 1938 which need to be amended in the light of the developments that have taken place in the insurance scene other than those covered by the Law Commission's recommendations.

The Committee is requested to furnish its recommendations by 30 th April, 2005. Mr. K Subrahmanyam, ED(Actl), IRDA, will act as convener of the Committee.

The K.P. Narasimhan Committee has constituted the following groups by area. Members of the public are invited to send any suggestions preferably before 15th April, 2005.

Members could send their views to ksmanyam@irdaonline.org by e-mail.

Group A – Investments and Distribution of Surplus
Mr K P Narasimhan
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Group D - Surveyors.
Mr K N Bhandari
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Mr D. D. Rasgotra
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Group E - Sections of the Insurance Act, 1938 which the Law Commission did not suggest any recommendations
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ONLINE AGENTS' TRAINING INSTITUTES

IRDA has issued on March 9, 2005 the following circular and Draft Guidelines for On-line Agents' Training Institutes:

Further to our Standard Instructions and Guidelines applicable for Approval/ renewal of agents training institutes, the Authority intends to issue instructions/ guidelines applicable for on-line Agents Training Institutes to be accredited by the Authority. These guidelines will be applicable to all the on-line training institutes including in-house training institutes of the insurers.

The Draft Guidelines are placed on the web-site of this Authority for information of all concerned to seek their comments before these are finally issued. All insurers and existing on-line training institutes are requested to send their comments/suggestions in the name of Mr. T.K. Bannerjee, Member (Life) or e-mail at tkb@irdaonline.org latest by 19th March, 2005.

Draft Guidelines:

Standard instructions and guidelines applicable for approval/ renewal of on-line agents training institutes (portals) approved/to be approved by the authority.

These instructions/guidelines are applicable to all the on-line training institutes. These guidelines will be effective ——————, 2005. Any violation, non-adherence and breach of these instructions shall be treated as violation of provisions of IRDA Act, Insurance Act and regulations made thereunder requiring practical training for the grant of licence to an insurance agent and renewal thereof and met with penal provisions including fine, suspension, and cancellation of the approval granted by the Authority from time to time.

1. The applicant shall have to undergo at least 120 hours (since test after every chapter is mandatory) practical training in life or general insurance business and the time allotted for composite training at least 180 hours, where such applicant is seeking licence for the first time to act as an insurance agent. The approved on-line training

institutes (portal) will cover the syllabus prescribed by the Authority during this period.

2. The training duration should be minimum 24 days for 120 hours training and 36 days for 180 hours training with maximum five hours per day. The total hours per chapter may be decided by the Institute according to the length of the chapter.

3. No product training/market survey should be included into this 120/180 hours training. However, revision examination may form part of the training. The product training, if any, to be given by the insurance company should be over and above the minimum training hours prescribed by the Authority.

4. The attendance record (login and logout time) of the trainees should be maintained by the software (system) itself. After the training, the attendance record should be available in hard copy as well as softcopy at the Institute for inspection purpose.

5. In case of non-completion of the training program within the specified duration as mentioned above, extra days/time may be permitted by the web administrator/ Incharge of the Institutes.

6. Every Institute should have at least one qualified permanent/Part time faculty who is an Associate or Fellow from the Insurance Institute of India for each stream to solve the on-line queries of the students.

7. The Training Institute should have adequate arrangement in place to incorporate changes in the portal at short notice.

8. The employment details of the faculty/Web administrator whether full-time or part-time with payment made should be available at the Institute.

9. The sponsorship letter must be available with the training institute at the time of commencement of training session and thereafter kept for the record and inspection purposes.

10. Database should be maintained by the Web administrator at the training institute giving details of candidates who have completed their training, name of the faculty/ administrator who solved the on-line user's problem during the tenure of the training. The record of results of the examination (test) at the end of the training, whether passed/failed, must be recorded in the database.

11. The fresh accreditation will be given on need basis and depending upon the availability of good infrastructure in the Institute for the purpose of hosting on-line training portal.

12. The initial approval will be for a period of one year and consideration of further renewal depends on the satisfactory compliance of requirements of accreditation and the training conducted during the period of approval.

13. The training institute must display the certificate of accreditation to impart training issued by the Authority at the training institute and also IRDA Registration number should be made available in the home page of the portal.

14. No marketing fee/consultancy fee payment is permitted for getting the trainees.

15. It will be the responsibility of the Insurance Company to check the status of the institute before sponsoring any candidates for training. If name of the training institute is not displayed on IRDA web-site, no insurer should sponsor the candidate for training to such an institute.

16. (i) The existing Institutes may convey their willingness to abide by these instructions on a simple form. The information may include: Name & Address of the Institute, Date of Accreditation of the Institute, Expiry date of validity of the Accreditation, Accreditation granted for Life/General or both, Name of the In-charge of the Institute.

(ii) The above information must reach the Authority within 15 days from the date of issuance of these guidelines. The consolidated list of approved training institutes will then be placed and updated from time to time on our web-site so that Insurance Companies can approach them for conduct of training.

17. Prior approval of the Authority must be obtained if the Training Institute intends to change any of the particulars, details or provisions already approved by the Authority. All such changes would be simultaneously incorporated on IRDA web-site.

18. There must be an exclusive portal for the on-line agents training and on the portal no advertisement should be displayed.

19. It is necessary to provide separate user name/password to the IRDA as a user (candidate) as well as administrator to monitor the web site (on line portal).

20. All the training institute who wish to apply the on-line training accreditation, may be required to make a live demonstration of the portal at the Authorities headquarters at Hyderabad.

21. A set of technical points (Annexure I below) must be incorporated for new/renewal of the license for on-line training institutes (portals).

CHAIRMAN

ANNEXURE-I

Accreditation Criteria (Check List) for On-Line Training Institutes

1. On-Line Agents training portal should be hosted in a separate domain and the portal should be exclusive for on-line agents training.
2. Option to select life, non-life or composite testing in separate windows.
3. Course Material to be prepared by the Institutes based on the syllabus notified by IRDA and covering all the topics.
4. Good LMS (Learning Management Systems) may be used for the purpose preparation of course material.
5. Glossary
6. Wherever necessary, there should be a link to glossary
7. There must be some minimum time to be spent on every chapter
8. In case of on-line training portal the total no. of training hours would be 120 hours. which may be divided among the various chapters and practice tests.
9. In case of composite the total number of training hours would be 180 hours.
10. Home page designed in the way that the IRDA registration number is displayed boldly.
11. Practice test (with minimum 10 to 20 questions) at the end of each chapter.
12. On-line facility to monitor login/ logout time.

    Start Date

    End Date

    No. of Days Left

    Maximum Hours

    Total Hours Spent

    Total Hours Left

    ____

    Chapter No

    Chapter Name

    Minimum hours to be spent

    Hours spent
13. Provision for interaction between the student/candidate and the Instructors
    - Through e-mail
    - Chat-room/Open forum
    - Off-line queries
14. FAQ Sections
15. Progress card containing the following details with provision to print the same
    - Module name
    - Chapter No.
    - Test
    - Marks obtained
    - Maximum marks
    - Time (Hour/Minutes) spent.
16. During the practice test, there should be facility to alert the users after certain time intervals.
17. Automatic log off facility must be available, if not browsed for more than seven minutes.
18. There should be a mechanism for reporting user problems to web administrator using following options-
    - By Mail
    - By posting queries.
19. User manual required for the help on the web.
20. Facilities to change the password
21. It is necessary to submit the course materials to IRDA in both soft and hard copy.
22. Search facility must be on the page so that user can find the desired information.
23. News letter may be made available in the portal (Fortnightly/monthly) without any kind of advertisements.
24. A section containing the details of Faculty, Web-administrator, Head of the Institute, along with their address, e-mail id, phone numbers etc. should be made available on the site.
25. Facility to IRDA to monitor the progress of the Institute containing the following:-
    - Batch No, Duration, No of Student, Name of the insurer sponsoring the course, no of student cleared the course; the no of students cleared the exams and % of result
    - Facility to see the progress of the Individual student
    - Facility to print the progress report of the Institute (report format shall be similar to that of off-line training Institute)
26. Font size must be quite impressive.
27. Web camera or any other advance system should be in place in the Training Institute in order to ensure that only the Authorized Trainees are undergoing the on-line training programme.

Report Card:LIFE

Life new business grows 32.4% in February

The life insurance industry underwrote a premium of Rs.2,22,381.33 lakh during the month of February, 2005, taking the cumulative premium underwritten during the current year 2004-05 to Rs.17,26,200.54 lakh. The growth rate over February 2004 was 32.40 per cent for the industry. While LIC grew by 18.22 per cent, the other companies clocked up a growth of 129.20 per cent.

The total Individual premium and Group premium underwritten was Rs.14,37,615.99 lakh (83.28 per cent) and Rs.2,88,584.55 lakh (16.72 per cent) respectively as against Rs.10,57,006.10 lakh (81.07 per cent) and Rs.2,46,750.13 lakh (18.93 per cent) underwritten in the corresponding period of the previous year.

The group single and non-single premium accounted for Rs.2,60,387.43 lakh and Rs.28,197.12 lakh.

LIC underwrote premium of Rs.13,44,292.89 lakh during the period i.e., a market share of 77.88 per cent, followed by ICICI Prudential and Bajaj Allianz with premium underwritten (market share) of Rs.1,15,465.48 lakh (6.69 per cent) and Rs.49,405.12 lakh (2.86 per cent) respectively.

While LIC's market share declined from 87.22 per cent for the period February, 2004, all new life insurers increased their market share, over the corresponding previous year numbers. Cumulatively, the new players underwrote first year premium of Rs.3,81,907.65 lakh. In terms of policies underwritten, the market share of the new players and LIC was 9.68 per cent and 90.32 per cent as against 6.25 per cent and 93.75 per cent respectively in the corresponding period in the year 2003-04.

The premium underwritten by the insurers in the rural areas was Rs.1,45,860.62 lakh towards 40,67,225 policies. The premium underwritten to cover lives in the social sector was Rs.3,092.74 lakh covering 16,96,654 lives. While all insurers have underwritten policies in the rural areas, four of the insurers have not covered lives under the social sector during 2004-05.

(Rs. in lakhs)

Sl No.	Company	Premium u/w 2004-05		Premium u/w 2003-04	% Growth over previous year	Premium Market Share (%)	No. of Policies / Schemes 2004-05		No. of Policies / Schemes 2003-04	% Growth over Previous year	Policies Market Share (%)	No. of the covered under Group Schemes 2004-05		No. of lives covered under Group Schemes 2003-04	Lives covered under Group Schemes -- Market Share (%)	
		Feb	Upto Feb	Upto Feb	Upto Feb	Upto Feb	Feb	Upto Feb	Upto Feb	Upto Feb	Upto Feb	Feb	Upto Feb	Upto Feb	Upto Feb	Upto Feb
1	**Bajaj Allianz**	**8,793.85**	**49,405.12**	**11,396.91**	**333.50**	**2.86**	**32,652**	**2,06,550**	**1,42,536**	**45**	**1.10**	**3,656**	**2,58,448**	**55,968**	**362**	**4.19**
	Individual Single Premium	4,075.41	19,873.27	276.43	7,089.26		4,790	21,143	711	2,874						
	Individual Non-Single Premium	4,669.97	28,994.82	11,056.49	162.24		27,841	1,85,293	1,41,773	31						
	Group Single Premium			0.76	-100.00				1	-100				781	-100	
	Group Non-Single Premium	48.46	537.03	63.23	749.33		21	114	51	124		3,656	2,58,448	55,187	368	
2	**ING Vysya**	**1,479.05**	**9,684.14**	**4,517.13**	**114.39**	**0.56**	**7,556**	**85,046**	**59,225**	**44**	**0.45**	**1,684**	**20,628**	**1,212**	**1,602**	**0.33**
	Individual Single Premium		32.83	28.40	15.61			4,829	4,180	16						
	Individual Non-Single Premium	1,331.59	8,667.33	4,442.41	95.10		7,550	80,163	55,040	46						
	Group Single Premium	123.59	746.48	43.77	1,605.51			3	1	200		333	1,729	72	2,301	
	Group Non-Single Premium	23.87	237.50	2.55	9,227.11		6	51	4	1,175		1,351	18,899	1,140	1,558	
3	**AMP Sanmar**	**571.79**	**8,247.45**	**2,100.10**	**292.72**	**0.48**	**2,538**	**28,890**	**36,843**	**-22**	**0.15**	**7,135**	**87,545**	**58,569**	**49**	**1.42**
	Individual Single Premium	333.51	5,756.53				625	6,936								
	Individual Non-Single Premium	184.44	2,074.49	1,891.83	9.66		1,908	21,887	36,827	-41						
	Group Single Premium	6.19	64.41					1					190			
	Group Non-Single Premium	47.65	352.02	208.27	69.02		5	66	16	313		7,135	87,355	58,569	49	
4	**SBI Life**	**4,220.17**	**39,603.33**	**11,617.38**	**240.90**	**2.29**	**12,598**	**86,706**	**60,121**	**44**	**0.46**	**80,867**	**7,46,891**	**5,71,276**	**31**	**12.12**
	Individual Single Premium	445.45	5,677.69	2,013.56	181.97		708	4,925	6,056	-19						
	Individual Non-Single Premium	1,159.52	6,278.02	2,873.32	118.49		11,571	78,698	53,682	47						
	Group Single Premium	2,096.68	23,373.76	4,588.42	409.41			6	22	-73		24,752	2,32,126	48,877	375	
	Group Non-Single Premium	518.52	4,273.87	2,142.08	99.52		319	3,077	361	752		56,115	5,14,765	5,22,399	-1	

5	**Tata AIG**	**2,631.26**	**25,283.08**	**14,287.10**	**76.96**	**1.46**	**18,548**	**1,97,746**	**1,36,990**	**44**	**1.06**	**19,494**	**2,76,815**	**1,70,159**	**63**	**4.49**
	Individual Single Premium															
	Individual Non-Single Premium	2,403.99	21,223.96	10,373.95	104.59		18,519	1,97,521	1,36,928	44						
	Group Single Premium	23.88	487.19	431.24	12.97				1	-100		4,319	77,048	86,358	-11	
	Group Non-Single Premium	203.39	3,571.94	3,481.91	2.59		29	225	61	269		15,175	1,99,767	83,801	138	
6	**HDFC Standard**	**4,798.02**	**33,533.73**	**15,001.83**	**123.53**	**1.94**	**43,364**	**1,90,974**	**1,67,769**	**14**	**1.02**	**8,649**	**1,66,692**	**47,834**	**248**	**2.71**
	Individual Single Premium	725.19	6,820.53	4,955.47	37.64		17,288	52,711	35,981	46						
	Individual Non-Single Premium	3,965.26	24,312.60	9,070.29	168.05		26,062	1,38,108	1,31,691	5						
	Group Single Premium	78.50	1,598.43	976.08	63.76		14	133	97	37		8,635	1,39,439	47,834	192	
	Group Non-Single Premium	29.07	802.17				22				14	27,253				
7	**ICICI Prudential**	**17,582.96**	**1,15,465.48**	**57,714.15**	**100.06**	**6.69**	**92,552**	**5,18,321**	**3,40,511**	**52**	**2.77**	**4,910**	**68,384**	**25,764**	**165**	**1.11**
	Individual Single Premium	733.62	10,372.83	9,633.00	7.68		398	6,571	9,003	-27						
	Individual Non-Single Premium	16,449.38	96,686.85	47,743.00	102.52		92,147	5,11,676	3,31,461	54						
	Group Single Premium	3.58	119.94	150.95	-20.55		4	16	41	-61		409	19,075	24,800	-23	
	Group Non-Single Premium	396.38	8,285.86	187.20	4,326.21		3	58	6	867		4,501	49,309	964	5,015	
8	**Birla Sunlife**	**5,567.60**	**48,454.90**	**24,752.43**	**95.76**	**2.81**	**20,543**	**1,56,813**	**1,12,254**	**40**	**0.84**	**1,603**	**77,537**	**1,44,718**	**-46**	**1.26**
	Individual Single Premium	228.49	1,277.79	1,255.53	1.77		5,527	48,434	22,730	113						
	Individual Non-Single Premium	3,726.82	38,827.80	16,144.20	140.51		15,010	1,08,304	89,426	21						
	Group Single Premium	43.80	418.59	357.08	17.23		1	1				441	3,734	2,793	34	
	Group Non-Single Premium	1,568.48	7,930.71	6,995.62	13.37		5	74	98	-24		1,162	73,803	1,41,925	-48	
9	**Aviva**	**1,879.87**	**14,980.78**	**5,935.31**	**152.40**	**0.87**	**8,055**	**69,220**	**56,478**	**23**	**0.37**	**1,21,452**	**2,53,698**	**51,936**	**388**	**4.12**
	Individual Single Premium	24.96	356.02	430.33	-17.27		328	1,193	642	86						
	Individual Non-Single Premium	1,799.35	14,332.65	5,468.74	162.08		7,725	68,001	55,818	22						
	Group Single Premium	15.89	88.24					1				111	661			
	Group Non-Single Premium	39.67	203.87	36.24	462.59		2	25	18	39		121,341	2,53,037	51,936	387	
10	**Kotak Mahindra Old Mutual**	**2,547.59**	**14,398.02**	**6,960.61**	**106.85**	**0.83**	**6,854**	**48,681**	**38,925**	**25**	**0.26**	**-1,353**	**68,815**	**70,693**	**-3**	**1.12**
	Individual Single Premium	885.82	2,873.55	289.79	891.60		211	1,556	248	527						
	Individual Non-Single Premium	1,628.51	10,456.73	6,053.66	72.73		6,639	47,072	38,635	22						
	Group Single Premium															
	Group Non-Single Premium	33.26	1,067.74	617.16	73.01		4	53	42	26		-1,353	68,815	70,693	-3	
11	**Max New York**	**1,662.24**	**18,260.76**	**10,518.15**	**73.61**	**1.06**	**16,201**	**1,83,063**	**1,17,351**	**56**	**0.98**	**3,845**	**64,163**	**2,00,915**	**-68**	**1.04**
	Individual Single Premium	8.14	212.03	153.77	37.89		16	217	172	26						
	Individual Non-Single Premium	1,647.00	17,595.74	9,959.64	76.67		16,184	1,82,763	1,17,094	56						
	Group Single Premium															
	Group Non-Single Premium	7.10	453.00	404.74	11.92		1	83	85	-2		3,845	64,163	2,00,915	-68	
12	**Met Life**	**604.98**	**4,555.62**	**1,828.21**	**149.18**	**0.26**	**5,610**	**37,103**	**19,497**	**90**	**0.20**	**5,064**	**1,49,602**	**18,538**	**707**	**2.43**
	Individual Single Premium	33.96	167.90	40.52	314.36		71	489	221	121						
	Individual Non-Single Premium	552.61	3,906.31	1,758.39	122.15		5,533	36,510	19,269	89						
	Group Single Premium															
	Group Non-Single Premium	18.41	481.41	29.30	1,543.04		6	104	7	1,386		5,064	1,49,602	18,538	707	
13	**Sahara Life**	**24.20**	**35.23**				**2,196**	**3,068**			**0.02**					
	Individual Single Premium															
	Individual Non-Single Premium	24.20	35.23				2,196	3,068								
	Group Single Premium															
	Group Non-Single Premium															
14	**LIC**	**1,70,017.75**	**13,44,292.89**	**11,37,126.91**	**18.22**	**77.88**	**22,91,877**	**1,69,16,381**	**19,341,707**	**-13**	**90.32**	**6,84,180**	**39,21,729**	**35,66,606**	**10**	**63.65**
	Individual Single Premium	37,090.39	2,51,481.19	70,404.38	257.20		99,969	6,07,084	151,645	300						
	Individual Non-Single Premium	1,09,265.55	8,59,321.31	840,689.00	2.22		21,89,293	1,62,95,146	19,177,806	-15						
	Group Single Premium	23,661.81	2,33,490.39	226,033.53	3.30		2,615	14,151	12,256	15		6,84,180	39,21,729	35,66,606	10	
	Group Non-Single Premium															
	Total	**2,22,381.33**	**17,26,200.54**	**13,03,756.22**	**32.40**	**100.00**	**25,61,144**	**1,87,28,562**	**2,06,30,207**	**-9**	**100.00**	**9,41,186**	**61,60,947**	**49,84,188**	**24**	**100.00**

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Third Quarter 2004-05

—Unit linked policies make up 26% of new business

The trend seen at the end of the second quarter of the current financial year when unit linked business formed 25 per cent of the first year premium written by the life insurance industry continued in the third quarter.

The quarter ended December 31, 2004 saw unit linked policies constituting 26 per cent of the first year premiums of the industry which stood at Rs.13,15,312.03 lakh.

LIC's first year premium of Rs.10,31,565.53 lakh in the first nine months of the financial year had a 15 per cent component of unit linked policies while the private sector had a larger component of 36 per cent.

The overall market share of LIC stood at 78.43 per cent while cumulatively, the new players underwrote first year premium of Rs. 10,31,565.53 lakh.

LIC's first year premiums grew by 20.39 per cent while its market share declined from 88.21 per cent to 78.43 per cent for the period ended December, 2003. The new players' business grew by 147.76 per cent.

In terms of policies underwritten, the market share of the new players and LIC was 9.66 per cent and 90.34 per cent as against 6.01 per cent and 93.99 per cent respectively in the corresponding period in the year 2003-04.

Individual and Group business

The premium underwritten by the industry upto December, 2004, towards individual single and non-single policies stood at Rs.2,27,812.52 lakh and Rs.8,53,591.93 lakh respectively accounting for 5,42,953 and 13,43,4573 policies.

The group single and non-single premium accounted for Rs.2,10,426.69 lakh and Rs.23,480.90 lakh. The total Individual premium and Group premium underwritten was Rs.10,81,404.45 lakhs and Rs.2,33,907.58 lakh respectively as against Rs. 7,81,260.48 lakh and Rs.1,90,060.55 lakh underwritten in the corresponding period of the previous year.

LIC's first year premium had a 15 per cent component of unit linked policies while the private sector had a larger component of 36 per cent.

The number of lives covered by the industry under the various group schemes was 46,22,555 during the period ended December, 2004. LIC covered 29,34,395 lives under the group schemes accounting for 63.48 per cent of the market. 21 per cent of the policies underwritten by the life insurers were in the rural sector, garnering premium of Rs. 95,598.16 lakh (7 per cent). Simultaneously, 10,72,017 lives were covered in the social sector.

Linked and non-linked business

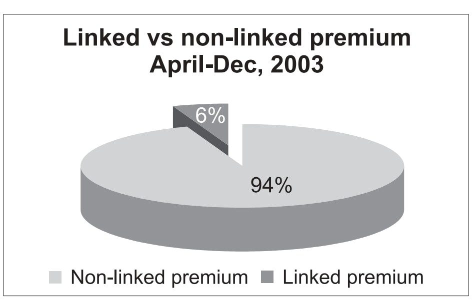
A further analysis of the premium underwritten by the life insurers reveals that Rs. 3,35,744.40 lakh (26 per cent) and Rs. 9,77,866.24 lakh (74 per cent) of the business was underwritten in the linked and non-linked segments.

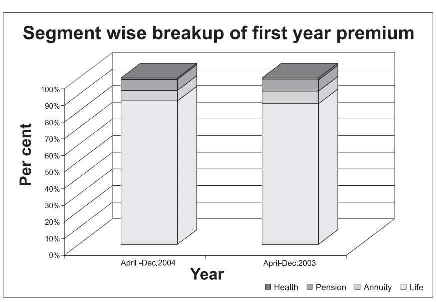
The linked and non-linked premium comprised 15 per cent and 85 per cent of the business underwritten by LIC while for the private insurers it comprised 64 per cent and 36 per cent of the business underwritten by them.

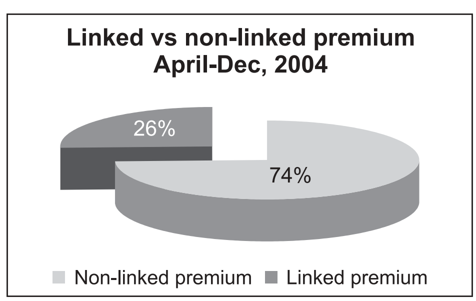
In respect of non-linked insurance the 'life', 'general annuity', 'pension' and 'health' businesses, excluding riders, comprised Rs. 8,17,790.14 lakh (83.63 per cent), Rs. 72,548.70 lakh (7.42 per cent), Rs. 75,761.39 lakh (7.75 per cent) and Rs. 11,766.02 lakh (1.20 per cent) of the total business underwritten in the said category.

Similarly for linked insurance, the 'life', 'general annuity' and 'pension', businesses excluding riders, comprised Rs. 3,14,807.21 lakh (93.76 per cent), Rs. 10,156.07 lakh (3.02 per cent) and Rs. 10,781.13 lakh (3.21 per cent) of the total business underwritten in the linked category.

The riders which are categorised under 'health', 'accident', 'term' and 'others' constituted Rs. 162.82 lakh and Rs. 906.12 lakh for linked and non-linked business respectively.







INDIVIDUAL NEW BUSINESS (INCLUDING RURAL & SOCIAL) FOR AND UPTO THE MONTH OF DECEMBER 04

SINGLE PREMIUM

(Rs lakh)

S.No.	PARTICULARS	PREMIUM		POLICIES		SUM ASSURED	
		For the month	Upto the month	For the month	Upto the month	For the month	Upto the month
	Non linked*						
1	Life						
	with profit	3,554.16	23,961.41	4,361	28,849	3,947.31	30,532.42
	without profit	3,020.89	22,510.75	21,137	97,192	16,895.55	97,041.52
2	General Annuity						
	with profit	3.35	25.28	3	12	5.63	42.41
	without profit		19.53		3		
3	Pension						
	with profit	974.23	4,586.98	5,265	16,051	12.10	253.62
	without profit	331.44	2,371.26	110	1,176	11.70	11.70
4	Health						
	with profit						
	without profit						
A.	Sub total	7,884.07	53,475.21	30,876	1,43,283	20,872.29	1,27,881.68
	Linked*						
1	Life						
	with profit	11.50	62.92	2	55	11.62	65.05
	without profit	23,121.43	1,71,274.15	50,306	3,95,322	24,496.15	1,83,540.91
2	General Annuity						
	with profit						

NON-SINGLE PREMIUM

(Rs lakh)

S.No.	PARTICULARS	PREMIUM		POLICIES		SUM ASSURED	
		For the month	Upto the month	For the month	Upto the month	For the month	Upto the month
	Non linked*						
1	Life						
	with profit	94,768.83	6,53,679.50	16,84,910	1,17,05,563	14,38,503.09	92,35,271.83
	without profit	2,719.81	29,554.73	99,055	7,76,627	1,48,110.92	13,52,065.85
2	General Annuity						
	with profit	38.77	155.78	522	1,811	909.84	3,389.45
	without profit						
3	Pension						
	with profit	3,656.02	11,209.25	32,234	96,690	8,678.36	45,179.90
	without profit						
4	Health						
	with profit	1.68	11,550.83	34	2,31,435	55.00	2,73,065.94
	without profit	22.38	215.19	988	11,856	1,513.75	17,626.76
A.	Sub total	101,207.49	7,06,365.28	18,17,743	1,28,23,982	15,97,770.95	1,09,26,599.73
	Linked*						
1	Life						
	with profit	43.75	664.47	207	2,106	452.30	5,830.10
	without profit	24,855.99	1,31,566.22	74,002	5,12,914	2,15,984.16	11,91,407.97
2	General Annuity						
	with profit						

	without profit						
3	**Pension**						
	with profit						
	without profit	332.45	2,964.77	710	4,293	85.91	294.74
4	**Health**						
	with profit						
	without profit						
B.	**Sub total**	23,465.38	1,74,301.83	51,018	3,99,670	24,593.68	1,83,900.70
C.	**Total (A+B)**	31,349.45	2,27,777.04	81,894	5,42,953	45,465.97	3,11,782.38
	Riders:						
	Non linked						
1	Health#	1.52	10.96	4	56	10.00	195.65
2	Accident##	2.10	20.17	175	1,542	168.68	1,543.47
3	Term	1.18	4.00	10	106	13.48	100.54
4	Others						
D.	**Sub total**	4.80	35.13	189	1,704	192.16	1,839.66
	Linked						
1	Health#		0.13		3		3.75
2	Accident##	0.05	0.18	1	7	2.00	10.00
3	Term		0.04		1		1.00
4	Others						
E.	**Sub total**	0.05	0.35	1	11	2.00	14.75
F.	**Total (D+E)**	4.85	35.48	190	1,715	194.16	1,854.41
G.	****Grand Total (C+F)**	31,354.30	2,27,812.52	81,894	5,42,953	45,660.13	3,13,636.79

	without profit	2,399.11	8,090.47	23,533	69,361	5,534.96	21,145.97
3	**Pension**						
	with profit		154.84	60	463		
	without profit	1,459.99	5,215.93	7,637	25,747	1,518.75	3,681.99
4	**Health**						
	with profit						
	without profit						
B.	**Sub total**	**28,758.85**	**1,45,691.93**	**1,05,439**	**6,10,591**	**2,23,490.17**	**12,22,066.03**
C.	**Total (A+B)**	**1,29,966.33**	**8,52,057.21**	**19,23,182**	**1,34,34,573**	**18,21,261.12**	**1,21,48,665.76**
	Riders:						
	Non linked						
1	Health#	34.69	300.44	5,696	46,514	4,929.64	41,381.68
2	Accident##	93.79	551.34	43,617	2,62,312	56,052.97	3,44,662.76
3	Term	13.15	106.58	3,070	22,806	2,555.88	17,106.36
4	Others	39.24	303.80	15,346	99,272	3,759.73	27,652.73
D.	**Sub total**	**180.87**	**1,262.16**	**67,729**	**4,30,904**	**67,298.22**	**4,30,803.53**
	Linked						
1	Health#	18.96	117.15	2,648	15,440	6,282.96	42,822.94
2	Accident##	10.35	62.97	9,110	50,839	6,049.94	37,827.36
3	Term	4.09	35.71	603	4,626	1,101.27	8,339.56
4	Others	7.86	56.74	1,578	10,482	166.80	1,131.77
E.	**Sub total**	**41.26**	**272.56**	**13,939**	**81,387**	**13,600.97**	**90,121.63**
F.	**Total (D+E)**	**222.13**	**1,534.72**	**81,668**	**5,12,291**	**80,899.19**	**5,20,925.16**
G.	****Grand Total (C+F)**	**1,30,188.46**	**8,53,591.93**	**19,23,182**	**1,34,34,573**	**19,02,160.30**	**1,26,69,590.92**

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

GROUP NEW BUSINESS (INCLUDING RURAL & SOCIAL) FOR AND UPTO THE MONTH OF DECEMBER 04

SINGLE PREMIUM

S.No.	PARTICULARS	PREMIUM		NO. OF SCHEMES		LIVES COVERED		SUM ASSURED	
		For the month	Upto the month	For the month	Upto the month	For the month	Upto the month	For the month	Upto the month
	Non linked*								
1	Life								
a)	Group Gratuity Schemes								
	with profit								
	without profit	3,904.71	46,702.31	168	1,159	15,144	1,61,714	11,796.23	1,05,328.13
b)	Group Savings Linked Schemes								
	with profit								
	without profit	97.32	1,453.79	53	453	9,763	87,122	4,794.94	99,536.52
c)	EDLI								
	with profit								
	without profit	18.98	161.13	73	625	13,021	1,33,905	7,429.39	77,218.07
d)	Others								
	with profit								
	without profit	4,732.78	31,728.01	1,427	8,161	3,25,973	28,93,558	2,09,305.37	18,28,079.82
2	General Annuity								
	with profit	2,767.20	25,905.01		3	735	4,476		
	without profit	1,350.67	46,443.09		5	735	8,026		
3	Pension								
	with profit								
	without profit	3,795.37	57,430.40	12	122	383	12,221		
4	Health								
	with profit								
	without profit								
A.	Sub total	16,667.03	2,09,823.74	1,733	10,528	3,65,754	33,01,022	2,33,325.93	21,10,162.54
	Linked*								
1	Life								
a)	Group Gratuity Schemes								
	with profit								
	without profit	162.01	238.73		10		911		7.21
b)	Group Savings								

NON-SINGLE PREMIUM

S.No.	PARTICULARS	PREMIUM		NO. OF SCHEMES		LIVES COVERED		SUM ASSURED	
		For the month	Upto the month	For the month	Upto the month	For the month	Upto the month	For the month	Upto the month
	Non linked*								
1	Life								
a)	Group Gratuity Schemes								
	with profit								
	without profit	484.29	2,263.56	7	16	312	11,361		1,713.30
b)	Group Savings Linked Schemes								
	with profit								
	without profit	-0.35	1,758.96		1	522	17,402	994.00	77,701.00
c)	EDLI								
	with profit	2.91	58.62	10	54	3,221	34,605	2,399.05	30,483.48
	without profit	21.72	398.06	14	151	15,482	2,06,746	11,438.70	1,67,721.50
d)	Others								
	with profit	2.41	27.36	5	21	1,148	15,467	4,264.29	21,009.24
	without profit	477.51	3,531.95	351	2,828	2,37,461	9,32,207	1,46,247.70	13,35,168.12
2	General Annuity								
	with profit								
	without profit								
3	Pension								
	with profit								
	without profit	81.12	163.50	2	4	169	180		
4	Health								
	with profit								
	without profit								
A.	Sub total	1,069.60	8,202.01	389	3,075	2,58,315	12,17,968	1,65,343.75	1,633,796.64
	Linked*								
1	Life								
a)	Group Gratuity Schemes								
	with profit								
	without profit	1,454.88	10,560.76	11	67	18,035	96,069	5,827.60	12,333.42
b)	Group Savings								

	Linked Schemes								
	with profit								
	without profit								
c)	EDLI								
	with profit								
	without profit								
d)	Others								
	with profit								
	without profit		194.14						
2	**General Annuity**								
	with profit								
	without profit								
3	**Pension**								
	with profit								
	without profit	8.67	102.96						
4	**Health**								
	with profit								
	without profit								
B.	**Sub total**	170.68	535.83		10		911		7.21
C.	**Total (A+B)**	**16,837.71**	**2,10,359.57**	**1,733**	**10,538**	**3,65,754**	**33,01,933**	**2,33,325.93**	**21,10,169.75**
	Riders:								
	Non linked								
1	Health#	3.00	27.27	2	26	938	9,994	2,873.22	38,602.64
2	Accident##	2.56	39.85	3	50	16,059	57,918	18,318.88	1,02,917.43
3	Term								
4	Others								
D.	**Sub total**	**5.56**	**67.12**	**5**	**76**	**16,997**	**67,912**	**21,192.10**	**1,41,520.07**
	Linked								
1	Health#								
2	Accident##								
3	Term								
4	Others								
E.	**Sub total**								
F.	**Total (D+E)**	**5.56**	**67.12**	**5**	**76**	**16,997**	**67,912**	**21,192.10**	**1,41,520.07**
G.	**Grand Total (C+F)	16,843.27	2,10,426.69	1,733	10,538	3,65,754	33,01,933	2,54,518.02	22,51,689.81

	Linked Schemes								
	with profit								
	without profit								
c)	EDLI								
	with profit								
	without profit								
d)	Others								
	with profit								
	without profit	70.85	245.82	1	8	2	149	53.72	235.22
2	**General Annuity**								
	with profit								
	without profit	445.40	2,065.60		6	4	1,681	445.40	2,065.60
3	**Pension**								
	with profit								
	without profit	204.84	2,342.63	5	39	569	4,755		
4	**Health**								
	with profit								
	without profit								
B.	**Sub total**	**2,175.98**	**15,214.82**	**17**	**120**	**18,610**	**1,02,654**	**6,326.72**	**14,634.24**
C.	**Total (A+B)**	**3,245.58**	**23,416.82**	**406**	**3,195**	**2,76,925**	**13,20,622**	**1,71,670.47**	**16,48,430.88**
	Riders:								
	Non linked								
1	Health#	2.48	25.76	3	20	478	5,693	694.67	13,342.60
2	Accident##	0.33	34.84	2	25	1,379	15,441	4,645.66	83,154.67
3	Term	0.01	0.11		1		37		23.01
4	Others	0.09	3.37	3	5	9	17,008	565.00	13,351.08
D.	**Sub total**	**2.91**	**64.08**	**8**	**51**	**1,866**	**38,179**	**5,905.33**	**1,09,871.35**
	Linked								
1	Health#								
2	Accident##								
3	Term								
4	Others								
E.	**Sub total**								
F.	**Total (D+E)**	**2.91**	**64.08**	**8**	**51**	**1,866**	**38,179**	**5,905.33**	**109,871.35**
G.	**Grand Total (C+F)	**3,248.49**	**23,480.90**	**406**	**3,195**	**2,76,925**	**13,20,622**	**1,77,575.80**	**17,58,302.23**

* Excluding rider figures.

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

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

Disability related riders.

The premium is actual amount received and not annualised premium.

Reaching the Janata

—Microeconomic approach to boost insurance penetration

Dr. Sanjeev Jha and *Saju George* analyse the impact of the liberalisation of the insurance industry on the lay consumer, and suggest ways to spread the non-life insurance net in a more effective manner.

Much has been, and continues to be, written about the macroeconomic relationship between the insurance sector and the economy. Typically, these relate to discussions around the insurance penetration, insurance density, movement along the 'S' curve and comparative positioning vis-à-vis other countries.

However, not much analysis has been done, or made available to the public, on the microeconomic impact of the growth in insurance sector.

Microeconomics, while dealing with sundry exciting topics, focuses primarily on the utility/satisfaction analysis of an industry/product/service offering. This article attempts to analyse the impact that liberalisation of the insurance sector has had on customer utility.

The basic microeconomic premise that insurance rests on is that risk, and the associated uncertainty that it generates, contributes to negative utility and therefore consumers would be willing to purchase risk protection.

> Insurance has moved up in the public consciousness. However, in the pecking order, financial services awareness would be highest for banking, life insurance, mutual funds and capital markets, followed by non-life insurance.

This assumption has been tested and debated by economists who have built explanations on why some consumers, in some situations, are actually attracted by risks rather then being averse to such situations – the chronic gambler is a classic exception to this 'risk averse' hypothesis. While this article is not a suitable place to debate the theories of risk aversion, it is a relevant place to debate if liberalisation of insurance, particularly Non-Life, has contributed towards enhancing the risk perception of a typical Indian, allowing him suitable products at relevant price points and enabling an industry to invest in creating this awareness.

Our entire submission is related to Non-Life Insurance.

We will explore this topic in three steps.

1. Where is Non-life Insurance in Indian Customers' Priority List? (Hierarchy of Financial Needs)
2. Why is it so? (Situational Analysis)
3. How could we change this? (Possible Micro-economic Approaches)

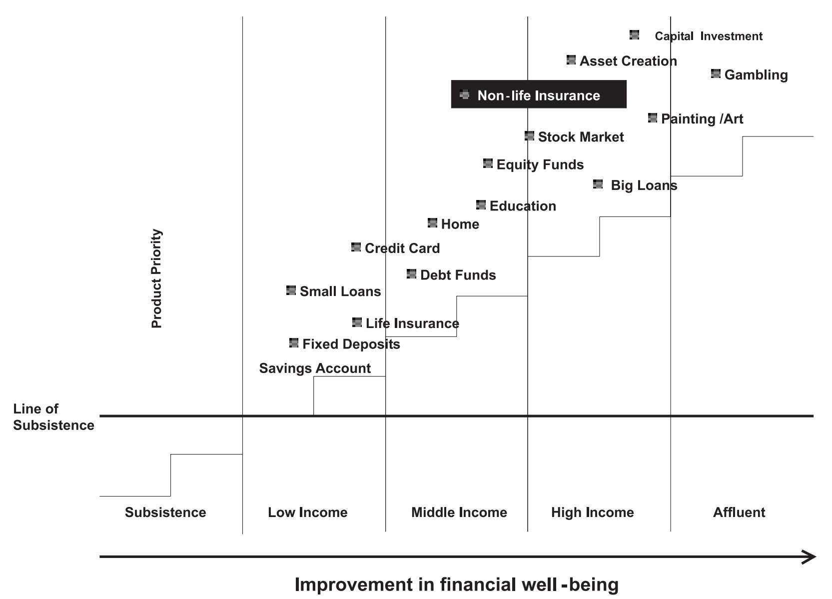
Hierarchy of financial needs

Over the past few years of liberalisation, insurance has surely become much more visible and has moved up in the public consciousness. Though, in the pecking order, financial services awareness would be highest for banking, life insurance, mutual funds and stock exchange, followed by Non-Life insurance.

The Maslow Hierarchy for financial products can be described as seen in Figure 1.

Figure 1 represents the hierarchy of financial needs of a typical Indian consumer and divides an individual's economic progress into five distinct phases. For an individual in the first or "Subsistence" phase, the objective is everyday living and financial products are unlikely to be on her agenda.

Figure 1: Hierarchy of Financial Needs



With the entry into the second phase of low, but income which exceeds her sustenance needs, the individual may want to have basic financial devices such as a savings account, fixed deposit or a loan facility.

Once the individual crosses the threshold and becomes a middle-income person, she normally sees a sudden increase in her financial needs and options. This segment represents a vast majority of the Indian population and perhaps would explain the disproportionate focus of many financial institutions in this space.

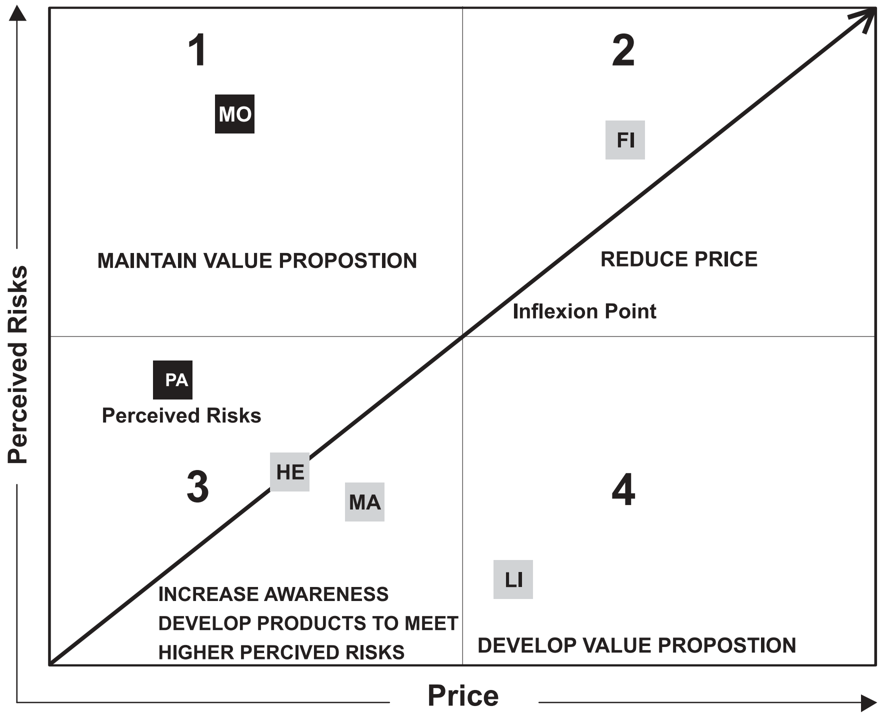
Just as her needs are many and as different financial products compete for her wallet-share, she would need to prioritise her needs based on the risk perception/usefulness and money available. Though an objective assessment is difficult, it is reasonable to assume that needs such as home, education of children, life insurance and credit cards precede non-life insurance in her priority-list.

As the individual enters the high income bracket, she would want to go beyond phase three financial objectives and would look forward to taking higher risks and rewards. This could include direct investment in stock markets and building assets that would create long-term value.

The affluent phase is normally accompanied by an increased standard of living and one might want to have luxuries such as an expensive vacation, club memberships and even eccentric entertainment such as gambling.

Despite the fact that the above analysis in the Indian context shows Non-Life insurance as a relatively low-priority item in the whole life cycle needs, a more scientific need analysis reveals that one of the first financial objectives should be to protect oneself and one's assets against exigencies, so that in case of a unexpected event, one can start from where one left and not from where one began. Thus, protecting one against these risks by purchasing a sufficient mix of insurance that will cover Life, Disability, Health, Property (Fire) and Motor becomes critical.

Figure 2: Perceived Risk Vs. Price



PA Personal Accident MO Motor MA Marine LI Liability FI Fire HE Health

> Today Health Insurance is unprofitable. The issue is that tariff lines on Property are vastly profitable and this puts pressure on non-tariff lines such as Health and Marine. This forces prices down and indicates that in India, Health Insurance does not make sense.

Low priority

Why has non-life insurance remained a low priority item in the Indian consumer's consideration?

I. Situational Analysis

Figure 2 above plots demand drivers of insurance products, perceived risks and current price points in two axes.

We have tried to plot a sample basket of products in this chart by exploring their position in market place/ customer priority list and to record possible strategies that could be adopted by stakeholders to achieve a higher penetration.

While current market size of individual product segments and penetration achieved in relation with potential size of the segments could be a measure of Perceived Risks, to analyse and categorise levels of price into high, low and in between, we have considered a proxy indicator of Price viz. Market Loss Ratios, levels of which will signify economic levels of technical pricing.

It is important to recognise that this chart is illustrative in nature and data points for each product have been arrived at based on the authors' judgment and understanding of the market and product segments. While these plots may not represent exact market position, the framework is intended to provide answers for lower penetration of certain products vis-à-vis several others.

This model classifies available products into four distinct segments and a median diagonally separating (Inflexion Point) the quadrants into two regions based on relative penetration.

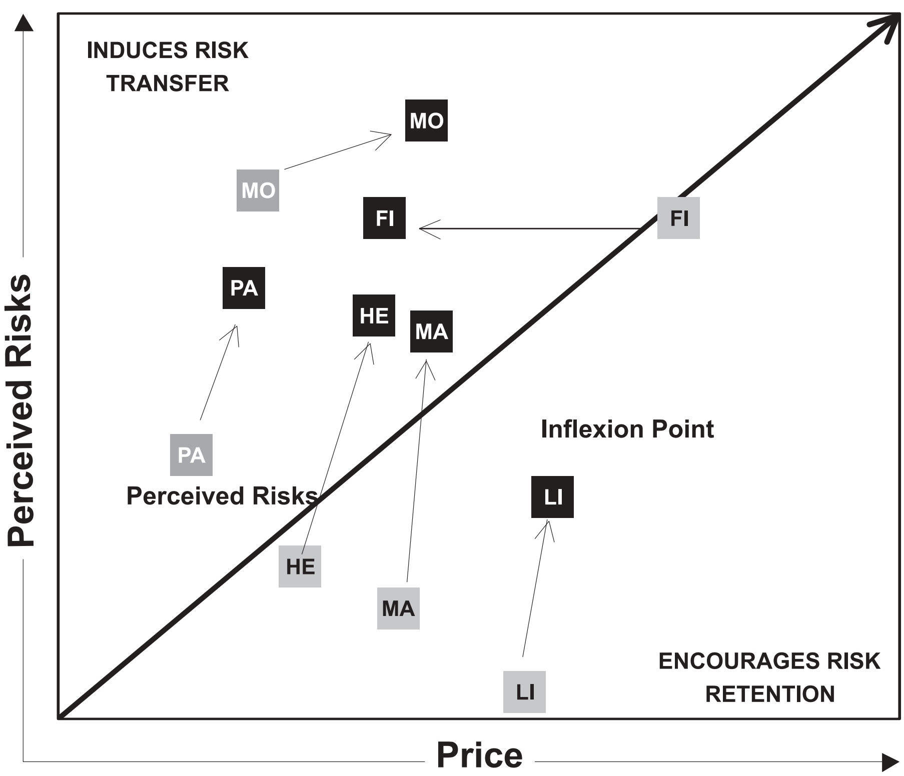
The first quadrant characterises the market position that is most conducive for the growth of a product line – an insurer addressing a perceived need of a customer base at a reasonable price. It is to be noted that 'reasonable price' need not imply a sustainable proposition from an insurer's perspective and hence the challenge will be to maintain the currently existing value proposition (E.g. Motor Insurance).

The second quadrant typifies those products for which customers feel a greater perceived need, but market development is hampered by high price levels existing in the market. (E.g. Fire)

The third quadrant includes products which are capable of delivering higher growth numbers if progressive efforts are made towards increasing awareness. It also presents opportunity for increased product development for addressing higher perceived needs of the target segment. However, product development in these lines to meet higher perceived needs of the consumers (E.g. Health/ Marine) at economic levels remain a challenge due to prevailing market imperfections like Fire tariff and resultant market practices that prevent price increases of non-tariff lines. This state of the market would also explain certain product innovations focused on reducing the effective price, which is peculiar to our market (E.g. Floater Policy in Health).

The fourth quadrant products are the ones that have a weak demand, as the customer does not see value in the risk transfer option provided by the carriers when compared to a more economical option of retaining the risk. Any future development of these products will have to be accompanied by a paradigm shift in public risk perception influenced through an external event like high value award/high profile litigation.

Figure 3: Likely movement of product position in a Free-Market



PA Personal Accident MO Motor MA Marine LI Liability FI Fire HE Health

Possible micro-economic approaches

Having examined the customer priority and analysed reasons for such a preference setting, we present two possible microeconomic approaches and underlying change programmes to deal with this situation.

1. Suitable products at relevant price points

A fundamental tenet of economics is that transactions will happen at a price, which is 'just' and where competition is free. Since liberalisation, competition has been fierce, but the pricing has not been allowed to move to a 'just' level. The reason for this is the continuation of tariffs.

History is replete with examples on how 'economic activities' defeat regulations and artificial boundaries. Ultimately, the demand-supply equation is achieved even though this may compromise some of the regulatory guidelines. Today, the Indian market is unfortunate to have a situation where the facts, to the non-discerning reader, on Health Insurance show that this line of insurance is vastly unprofitable. The issue is not that Health is unprofitable, but the simple fact that tariff lines on Property (Fire/Engineering) are vastly profitable and this puts pressure on non-tariff lines (Health and Marine). This forces prices down and thus, on a standalone basis, generates a financial statement which indicates that in India, Health Insurance does not make sense.

Figure 3 is a schematic representation of the impact of such arbitrage in developing relevant product strengths.

Assuming a free-market environment will ease the premium rates for certain products like Fire, this will enable the product to cross the inflexion point along the Price axis and provide the consumer with a clear value for using the risk transfer mechanism in the form of insurance. This may be followed by higher penetration figures for Property (Fire/Engineering) insurances in the long term.

Such a situation could also create a positive environment for development of other non-tariff lines of business, as the insurers will be forced to look at other revenue streams to substitute artificial cash-cows sustained by the tariff regime. As can be seen from Figure 3, current "loss leader" categories like Marine and Group Health could emerge as winners once mono-line underwriting becomes a norm. Movement will be driven by a combination of factors such as increased focus on these lines, efforts of insurers to increase awareness and new product development at economic levels.

However, it is necessary to distinguish certain product lines such as liability, while making significant improvement, would have to wait before it crosses the inflexion point for the reasons as described in the earlier section.

In conclusion, a free-market scenario, driven by price rationalisation and product development, is capable of producing higher penetration figures for insurance products in the long run.

2. Investing in generating awareness

At the operating levels, there is often vicious debate on whether demand for insurance is created by a pull factor – largely generated by investments in marketing and branding – or by the push factor – generated by creation of large agency force and other intermediaries apart from opening up of more offices. As is often true in life, the reality lies somewhere between these two extremes.

Given below is the economics of such awareness building:

Figure 4 compares various distribution channels/ marketing techniques based on various business

Figure 4: Understanding Channel Dynamics

Channels/ Techniques	Customer Contacts	Conversion Rates	Awareness Impact	Break-even Duration
Direct (via Branches)	LOW	HIGH	LOW	SHORT
Brokers	LOW	HIGH	MEDIUM	SHORT
Agency	HIGH	MEDIUM	HIGH	MEDIUM
Direct Marketing	HIGH	LOW	HIGH	LONG
Branding	HIGH	LOW	HIGH	LONG

acquisition, profitability parameters and likely effectiveness of the channels in creating increased awareness.

Time taken to derive returns on investment is different for various channels of distribution. Channels such as direct (via branches) personal contacts of the branch personnel could be extremely effective in short-term business acquisition, as insurance companies get an immediate return on investment. But, as a majority of these businesses are mere transfers of existing business (at lower prices in many instances) from one provider to another, their role in facilitating awareness and long-term market development is debatable.

> Current "loss leader" categories like Marine and Group Health could emerge as winners once mono-line underwriting becomes a norm.

On the other hand, other channels/ techniques, such as direct marketing that require substantial investment outlay initially, may not be attractive for an insurer who just views the immediate policy year and profitability. As illustrated in Exhibit 4, because of the high customer interactions that are possible through these channels, they are more effective when it comes to facilitating awareness and thus aiding penetration. This fact is also evidenced from the experience of other matured markets that have achieved higher Non-Life insurance penetration.

A primary reason for this is anomaly is the lack of differential treatment for diverse channels and techniques employed. Progressive regulations that takes into account Lifetime Customer Value (LCV)/ Embedded Value Financial Management that allows initial investments (channel development/ business acquisition) to be amortised over a longer time frame, may provide answers.

Progressive reforms aimed at deregulating prices/terms of Tariff products and differential treatment for distribution channels will help increase economic efficiency of insurers and will also lead to development of superior products offered to consumers. These actions will direct increased visibility and penetration of Non-Life Insurance products and further drive the growth this industry.

Dr. Sanjeev Jha is Vice President - Retail & Channel Management at Royal Sundaram. Saju George is Manager - Strategy & Change at Royal Sundaram. The views expressed here are their own.

Liberalisation to What End?

—Benefits reach insurers, not customers

Did liberalisation need more market preparation? What are the unresolved issues plaguing the industry? Are there signs that the afflicting problems have been identified and are being addressed early enough before a real crisis may occur, wonders *G. V. Rao*.

The market talk has been incessant– about how the liberalisation of the insurance markets has helped in pushing up the premium volumes to dizzying heights. The protagonists of liberalisation are happy that a close monopolistic preserve of the public sector has at last been opened up, permitting the entry of private players and foreign insurers, making the customer and his preferences central to business transactions. A sellers market is rapidly turning into a buyers market. The insurance industry is now termed, by many, as a sunrise industry, opening up jobs for a variety of entrepreneurs in various disciplines.

The ultimate question to be answered on this issue is: what does the customer really think of all this noise about economic benefits to him as a result of liberalisation? How does one measure such benefits to draw a commonly acceptable conclusion?

This calls for a perusal of the developments in the non-life market, post-liberalisation. Have markets changed, and in what manner? Who has benefited by it and who has not?

A comment in passing on the Life business may, however, be appropriate.

Looking at Life

There is no doubt that the liberalised life insurance industry is booming; and liberalisation of the life insurance market has so far proved to be a great success. New Life business is growing at 35 per cent, and invested funds have grown dramatically by about Rs. 90,000 crore in 2003-04 to touch about Rs. 3,50,000 crore. LIC, the monopolist of the yesteryears, is under pressure, rapidly losing market share not only in new business premium but also in the number of new policies sold, notwithstanding its strong brand name, infrastructure and reach, and the fact that it knows India best.

The market pressures have shown that new product innovation alone is no answer to customers' demands; LIC should become more responsive to customers and make itself easy to do business with; and taken efforts to wipe out its legacy problems of inertia, indiscipline and a rigid inflexible organisation structure. Private players, in contrast, are chugging along merrily with about 22 per cent of new business creation.

> A mere rise in penetration levels is not enough; in what areas it ought to rise and is rising form the crux of the issue.

What ails the Non-Life market

The Non-Life market, however, has a lot more problems to deal with and is still struggling to come to grips with the liberalisation thrust on it by the Government. Functioning mostly under strict price controls, with high transaction costs and mounting operational losses, the market is still searching for a direction and a purpose, believing mistakenly that growth in premium with the help of corporate accounts is perhaps the best solution. Retail customers feel deeply estranged from their insurers. The lack of communicated concern or empathy for small customers is real.

With brokers injected into the distribution channel, the fat is really in the 'fire.' Brokers seek to make easy big bucks, and the market incurs additional costs, even while the so-called section 40 C of the Insurance Act is asking insurers to cut down on costs through staff retirement and other schemes! Will brokers at least now begin to expand the market instead of cherry picking on the existing Fire and Engineering businesses? Their past growth rates have belied that expectation till now.

The customers' interests are getting more and more distant, with everyone in the game wanting a piece of the money-cake that is getting smaller and smaller. Will the cake of profits ever become bigger? Is the stock market the only answer to insurers' prayers to stay in the game? How long can one go on living off only on inherited wealth?

Was liberalisation done in haste? Did it need more market preparation? What are the unresolved issues plaguing the industry? Are there signs that the afflicting problems have been identified and are being addressed early enough before a real crisis occurs?

Someone holding a very responsible position till recently, has commented in a publication that current selling, technical and productivity skills of insurers and the distribution channels need to be upgraded; improved ethical standards should be practiced; underwriting skills need to be honed, and that insurers should recognise that the future lies only in personal lines insurance. Are these the only areas of concern? These are general issues and should always remain as targets of consistent improvement.

Do these areas of concern fall within the domain of the "Development" functions of the IRDA? What is the industry doing to address them?

Let us now turn our attention to the main topic of the beneficial effects of liberalisation of the Non-Life market, the progress card.

Checklist for improvement

How does one measure the economic benefits of liberalisation? What yardsticks and objective criteria should one adopt for the process? Let the count begin with certain key areas identified below:

(i) Rise in premium volumes and annual growth rates

(ii) market penetration—level of risk awareness defined as gross insurance premium as a percentage of GDP

(iii) density of insurance premium—extent of insurance buying – defined as average insurance premium paid per individual

(iv) the premium growth structures in non-compulsory insurance covers

(v) the state of the health of the competitive environment

(vi) the measure of customer experience of service rendered – defined as reduced number of customer disputes and lesser time taken to resolve them

(vii) the number of new products introduced in the market to suit undiscovered insurance needs and their sales

(viii) the accumulation of modern knowledge and applications in risk management and related sciences

(ix) the contribution to national development through increasing investible surpluses

(x) profit generation and tax payouts

(xi) employment generation and new ancillary structures

(xii) improved corporate governance norms ensuring the practice of modern management techniques, methods and styles

(xiii) the improved quality of the human resources employed in the insurance industry.

The above checklist should assist one to evaluate what economic benefits liberalisation has brought in; but it cannot be dealt with in its entirety in this article. The list is cited only to whet the appetite of the reader to look for their evaluation elsewhere to get a fuller picture. This article will touch upon the key areas of market penetration, premium density, and the current state of competitive environmental health and customer experience of liberalisation.

Liberalisation has seen poor growth rates — 7.5 per cent — in Fire and a 7 per cent loss in premium in Marine in 2003-04. The rapidly rising premiums are from Motor and Health.

Market Penetration

Internationally, the level of market penetration — the percentage of gross insurance premiums to GDP — is regarded as indicative of the risk awareness of the insurable public. The correlation between the insurance payout and the rising GDP is measured across countries to determine comparative levels of risk awareness. Let us compare India and China, the two fastest growing economies of Asia.

India, in 2003, according to a study by Sigma, had a GDP of about \$ 595 billion and was ranked the 12th largest economy. Its share of the world's GDP was 1.6 per cent. It had a population of about 1.05 billion, and its per capita GDP was \$569. Its Non-Life premium was \$3,712 million, coming 28th in world rankings. Its market penetration level in Non-Life insurance was 0.62 per cent.

China had a population of 1.3 billion. Its GDP was \$1,366 billion and it was ranked as the seventh largest economy, with a per capita GDP of \$1,092. Its share of world GDP was 3.8 per cent; its non-life premium was \$14,468 million. The market penetration level was 1.03 per cent.

It is interesting to observe that though China's GDP was 2.3 times that of India, its Non-Life premium was 3.9 times more than that of India. China's penetration level is 1.7 times higher than India's.

What are the sources of the rising premium volumes in India? People laud the industry when the penetration levels go up. If one looked seriously at the portfolio growth rates, the awareness of risk factors is quite high in the loss-making segments like Motor and Health, while the risk awareness is low or less than satisfactory in the profitable segments like Fire and Marine.

Liberalisation has seen poor growth rates — 7.5 per cent — in Fire and a seven per cent loss in premium in Marine in 2003-04. The rapidly rising premiums are from Motor and Health. The statistics reveal how India measures in the scheme of penetration levels – while the world average is 8.1 per cent and the Asian average 7.5 per cent, India stands at 0.62 per cent. There is certainly a lot of catching up to do.

Is this a development to feel satisfied about? Penetration levels should be measured portfolio-wise to know which segment is growing faster, and if the growth in insurance is driven by the industry and its distribution channels or by the insured public that is better aware of high risk factors and is selectively using the market for its own ends. A mere rise in penetration levels is not enough; in what areas it ought to rise and is rising form the crux of the issue.

The expected goal of raising risk awareness in the insuring public either by the insurers or the distribution channels, including the brokers, has not been realised; these players have only indulged in the game of prising out a piece of the existing cake for themselves. The consistently poor growth rates in Fire, Engineering and Marine testify the fact that liberalisation has served the players more than the insuring public, overall growth rate notwithstanding.

Despite the tall talk of introduction of many new products, no insurer has yet published the degree of success it has achieved in the sales in the new products marketed. Why? The only game in the town is the round roulette game that is on show except in the customer driven portfolios that are loss making.

The insured losses that formed a small portion of the economic losses suffered due to the recent tsunami have hardly caused a ripple among insurers. The insurance industry has not raised even a whisper of its determination to improve things in the future for the uninsured or under-insured. It is this indifference of insurers, in all-insurance related activities, that is unbearably depressing. Insurers have no social contracts or social commitments in their vision to make the society perceive them differently except as mere insurance mercenaries.

Density of premium

Density of premium is another measure used to judge the relative progress of the industry across countries. It is measured as insurance premium per capita. The more an individual spends on insurance, the more financially secure he is. Higher the premium density, the greater is the insurance coverage and more diverse are the products bought.

The world average is $273. Sri Lanka has $7.8; Thailand $38; Malaysia $87; the US $1990; China $11.2 and India, $3.5.

Premiums do rise due to an increase in the tariffs where tariffs exist (this happened in the motor segment in 2002-03); they rise when more people buy insurance; they also rise when reinsurers force domestic insurers to raise rates for mega–risks outside the tariff, because of losses elsewhere like what happened in the post 9/11 situation. India was blissfully sealed off from the adverse impact of a rising tide of world insurance rates. If there were financial consequences to take care of, it was done by insurers.

The tariff structure has sealed off India from getting plugged into the global market set up, except in the case of mega-risks. The lack of market pressures, artificially maintained through tariffs, has kept the Indian insurance density low and product innovation in the traditional fields of Fire and Engineering generally out of bounds to insurers.

> The lack of market pressures, artificially maintained through tariffs, has kept the Indian insurance density low and product innovation in the traditional fields out of bounds to insurers.

The premium growth in motor and health sectors is not due to any special efforts of the insurers or their distribution channels. Minus these two, the record of the industry in density of premium needs to be measured for a real appreciation of what liberalisation has done to the market.

Competitive environmental health

Liberalisation was the right move to shake the slumbering public sector giants out of their self-imposed delusion that everything was okay with them and with the market except that most of their customers always complained no matter what fine services they provided.

With price controls statutorily fixed, with no reliable statistical data available to review them, and by injecting competition for business through liberalisation and also by expanding the distribution channels, with enforcement of regulations and statutory provisions governing observance of tariffs weak, it is a made-to-order situation that premium volumes will grow quickly for each player, mainly by bending rules if not breaking them. Is not the main goal to procure profitable Fire, Engineering and Marine portfolios, regardless of ethical costs?

Liberalisation has brought back the pre-nationalisation days of unhealthy practices and trends even more vehemently than before. It is likely to become a future cultural trend. The levels are many — every player can play the unhealthy game; can the regulator police the whole system?

Corporate customer — an emperor

Corporate customers have benefited a lot with offers of numerous goodies as a result of liberalisation. They are no longer king-customers but emperor-customers.

The regulations on policyholder protection interests are observed more in breach; but that may be due either to most insurance officials not having read them at all. Or, those that read them may have found them too cumbersome and a challenge to their self-proclaimed claims authority. That 65 per cent, of 15 lakh outstanding claims amounting to Rs. 15,000 crore, are in courts speaks more eloquently, if a customer is really a king or a mere supplicant. One can easily dismiss them as Motor TP claims; if so, let insurers come out and disclose information of how they have performed on non-Motor claims.

It is not even timely settlement of claims that is the real issue; but the very attitude of insurers towards their customers that is at the root of the issue of liberalisation that called for a change including a change of mindset of the old players who are finding it impossible to give up the pedestals they were put on by the insured themselves.

Liberalisation by itself, as a stand-alone measure, has been a limited success; no new players have come in post 2000 because the market is investor-unfriendly. With perpetuation of tariffs for a lot longer the operations are unlikely to witness any change in the market environment of loss production. The stock market in India has seen too many scams in the past decade and the stability of market fundamentals remains questionable.

How does one strengthen the liberalization movement? What is the solution? Detariff the market; disinvest a portion of the shareholding of all insurers in the market, even while the current investors control their companies; make them subject to SEBI and IRDA to improve corporate governance and for more investors to question the managements of providers to improve performance; let the Regulator make its presence felt through rigorous inspection mechanisms.

Corporate customers have benefited a lot with offers of numerous goodies as a result of liberalisation. They are no longer king-customers but emperor-customers.

More important than any other factor, give back some control to customers to make them feel that they do still have trust and confidence in the system that has been created for their benefit. Punish erring players severely. Eliot Spitzer, the crusading Attorney-General of New York, should be an example to learn from. If vigilance is the price of liberty, so it is in the liberalised insurance market as well.

The current ills in the industry are due mainly to insurers, agents and brokers having forgotten that liberalisation is customer-centric. Their customer-adaptation has to be dedicated and spontaneous. Liberalisation is an enabler and was not conceived as a solution in itself.

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We've Come a Long Way...

—An Early Assessment of Liberalisation and Insurance

Post liberalisation, the Indian insurance industry has come far and, to continue the trend there is a constant need to examine the key issues and outline possible trends, opportunities and challenges sector so that we can match international standards both in terms of market size and customer satisfaction says *Sandeep Kaundal.*

The biggest challenge for the industry today is the low levels of penetration. This challenge becomes bigger due to the presence of host of other investment opportunities available to the consumer (like housing loans) and due to the spending habits of younger generation which believes in consumption today rather than investing for tomorrow.

The liberalisation of the Indian insurance sector has opened new doors to private competition and the new and improved insurance sector promises several new job opportunities.

It is estimated that over the next ten years India would require investments of the order of one trillion US dollars. The insurance sector, to some extent, can enable investments in infrastructure development to sustain economic growth of the country.

The business of life insurance in India started in India in the year 1818 with the establishment of the Oriental Life Insurance Company in Calcutta. The general insurance business in India, on the other hand, can trace its roots to the Triton Insurance Company Ltd., the first general insurance company established in the year 1850, whose shares were mainly held by the British. The first general insurance company to be set up by an Indian was Indian Mercantile Insurance Co. Ltd., which was established in 1907. The industry grew rapidly in the next five decades.

The Government of India in 1956, brought together over 240 private life insurers and provident societies under one nationalised monopoly and Life Insurance Corporation of India (LIC) was born. Nationalisation was justified on the grounds that it would generate much needed funds for rapid industrialisation in the public sector.

India has the highest number of life insurance policies in force in the world, and total investible funds with the LIC is almost eight per cent of GDP. Yet more than three-fourths of India's insurable population has no life insurance or pension cover. This shows this sector has great potential for growth.

The general insurance business was nationalised after the promulgation of General Insurance Business (Nationalisation) Act, 1972. The post-nationalisation general insurance business was undertaken by the General Insurance Corporation of India (GIC) and its four subsidiaries The Oriental Insurance Company Limited, The New India Assurance Company Limited, National Insurance Company Limited and United India Insurance Company Limited. At the end of 2000, the companies were made independent from GIC and since then have been operating as independent companies.

Reforms of the 1990s and IRDA

The Indian insurance industry is characterised today by low penetration in a market that has an ever-growing middle class component in population, growth of consumer movement with an increasing demand for better insurance products and inadequate application of information technology for business.

The Malhotra Committee headed by former Finance Secretary and RBI Governor was formed in 1993 to evaluate the Indian insurance industry and recommend necessary reforms for its future growth. The committee submitted its report in 1994, some of the key recommendations were:

- Government stake in the insurance companies to be brought down to 50 per cent.
- Government should take over the holdings of GIC and its subsidiaries so that these subsidiaries can act as independent corporations.
- All the insurance companies should be given greater freedom to operate.
- Private companies with a minimum paid up capital of Rs. one billion should be allowed to enter the industry.
- No company should deal in both life and general insurance through a single entity.
- Foreign companies may be allowed to enter the industry in

collaboration with domestic companies.

- An insurance regulatory body should be set up
- Controller of Insurance (at that time a part of the Finance Ministry) should be made independent.
- LIC should pay interest on delays in payments beyond 30 days
- Insurance companies must be encouraged to set up unit linked pension plans

Strengthening the reform process, Insurance Regulatory and Development Authority Act (IRDA), 1999 was passed, thereby becoming the second legislation to govern the insurance sector after Insurance Act, 1938.

IRDA was created as an independent regulator for the insurance industry for the first time. This provided the institutional basis for the entry of private sector companies by levelling the field between private and public sector operators. IRDA plays a dual role of a regulator and a developmental authority. In these roles, it aims at creating a more efficient and competitive financial system suitable for the requirements of the economy. This includes monitoring the structural changes currently underway and recognising that insurance is an important part of the overall financial system. It evaluates the Indian insurance industry and advocates its future direction.

The insurance industry has always been a growth-oriented industry globally. In India too, the industry has always recorded noticeable growth vis-à-vis other industries. This industry saw a new dawn when the IRDA invited applications for registration as insurers in August, 2000. With the liberalisation and opening up of the sector to private players, the industry has presented promising prospects for the coming future.

In December 2000, the GIC subsidiaries were restructured as independent insurance companies. At the same time, GIC was converted into a national re-insurer. In July 2002, Parliamant passed a bill, delinking the four subsidiaries from GIC.

Birth of a New Era

Life Insurance Market : The Life Insurance market in India was underdeveloped and was tapped only by the state owned LIC till the entry of private insurers. The penetration of life insurance products was 19 per cent of the 400 million insurable population. The state owned LIC sold insurance as a tax planning instrument, not as a product giving protection. Most customers were under-insured with no flexibility or transparency in the products. With the entry of private insurers the rules of the game have changed. The 13 private insurers in the life insurance market have already grabbed nearly 13 per cent of the market in terms of first year premiums underwritten as per financial year 2003-04 provisional estimates. The new business premiums of the 13 private players has tripled to Rs.630 crore in 2002-03 over last year and total premium has gone above Rs.1,100 crore which is three times over last year.

> While private players have taken some market share from LIC, major growth has happened because of market expansion.

As per the figures available with IRDA for the period ended January, 2005 market share of private life insurers based on premium and policy is 21.90 per cent and 9.60 per cent respectively.

Innovative products, smart marketing and aggressive distribution is the combination that has enabled fledgling private insurance companies to sign up Indian customers faster than anyone ever expected. Indians, who have always seen life insurance as a tax saving device, are now suddenly turning to the private sector and snapping up the new innovative products on offer.

While private players have taken some market share from LIC, major growth has happened because of market expansion.

Non-Life Insurance Market: At present there are 13 general insurance companies with four public sector companies and nine private insurers. Although the public sector companies still dominate the general insurance business, the private players are slowly gaining a foothold.

According to provisional figures, private insurance companies have a 14 per cent share of the market in 2004, up from nine per cent in 2003. Up to month of December, 2004 the market share of private insurers was 19.17 per cent which showed a growth over the corresponding period of previous year of 57.05 per cent. In the first half of 2002, the private companies booked premiums worth Rs 6.34 billion. Most of the new entrants reported losses in the first year of their operation in 2001. In order to maintain coverage into rural areas, five per cent of urban policies, both new and existing players must explore new distribution and marketing channels.

Though nationalised players have continued to hold strong market share positions, but there has been enough business for the new entrants to be profitable.

The Road Ahead Competitive markets and improvements in customer service: Liberalisation has provided greater autonomy to insurance companies in order to improve their performance and enable them to act as independent companies with economic motives. Opening up the sector to competition will certainly mean computerisation of operations, updating of technology, new products, better packaging and improved customer service.

Multinational insurers are indeed keenly interested in emerging insurance because their home markets are saturated while emerging countries have low insurance penetrations and high growth rates. So they bring in with them international best practices.

Nationalised insurers are hampered by the large scale of their operations, public sector bureaucracies and cumbersome procedures. Therefore, potential private entrants expect to score in the areas of customer service, speed and flexibility. The entry of private players will mean better products and choice for the consumer.

Insurance, even more than banking, is a volumes game. A very exclusive approach is unlikely to provide meaningful numbers. Therefore, private insurers would be best served by a middle-market approach, targeting customer segments that are currently untapped.

We anticipate that many new players will indeed take this approach, extending the benefits of a freer marketplace to a wide base of customers. Faced with competition, we believe that the nationalised insurers will improve their game, as they are already trying to do. The customer will be the beneficiary.

Employment Generation: The liberalisation of the Indian insurance sector has opened new doors to private competition and the new and improved insurance sector today promises several new job opportunities.

India employs five lakh people in the insurance sector as opposed to six lakh in the United Kingdom. Statistics reveal how underplayed the insurance sector in India has been. This is changing with the arrival of the multinational companies.

Now that more players have come on the scene the demand for skilled workers is likely to increase. In the insurance sector itself there will be demand for marketing specialists, finance experts, human resource professionals, engineers from diverse streams like the petrochemical and power sectors, systems professionals, statisticians and even medical professionals. The demand for underwriters claims managers and actuaries will continue to remain high.

> Now that more players have come on the scene the demand for skilled workers is likely to increase.

Systems professionals especially would be required to generate the MIS (Management Information Systems), to help the organisations in decision-making and product pricing. Also needed would be advertising and sales promotion people for image building exercises.

Along with the regular jobs, a range of professionals linked with the sector will develop which includes sales agents and independent claims adjusters who will bring new opportunities to the surveyors. Opportunities will be created for those who are already working in the industry to upgrade their skills.

Building careers: The liberalisation of the insurance sector has dished out a whole gamut of opportunities. There are a number of options to choose from for a career in Insurance. Ideally an insurance company will have openings in the marketing, distribution, actuarial, underwriting, operations and investing departments. Though some jobs like investing, marketing and distribution are the same in any other industry, actuarial and underwriting jobs are exclusive to the insurance industry.

This requires a demand for competent individuals possessing diverse academic skills combined with specialised industry specific knowledge, to forge partnerships in its continual growth and development. For us it gives a first timer advantage to tap this emerging sector and seek satisfying opportunities to build a competitive career.

To build on these careers there are number of learning grounds like Insurance Institute of India, National Insurance Academy and the Actuarial Society of India.

New markets and infrastructure development: There are over 20 companies offering both life and general insurance products to Indian customers. Insurance is a Rs.400 billion business in India, and together with banking services, adds about seven per cent to India's GDP. Gross premium collection is about two per cent of GDP and has been growing by 15 to 20 per cent per annum.

India also has the highest number of life insurance policies in force in the world, and total investible funds with the LIC is almost eight per cent of GDP. Yet more than three-fourths of India's insurable population has no life insurance, pension cover or post-retirement protection cover. This shows this sector has great potential for growth as there is still a huge untapped market.

A well-developed and evolved insurance sector is needed for economic development as it provides long term funds for infrastructure development and at the same time strengthens the risk taking ability. It is estimated that over the next ten years India would require investments of the order of one trillion US dollars. The insurance sector, to some extent, can enable investments in infrastructure development to sustain economic growth of the country. IRDA regulations require insurance companies to invest not less than 15 per cent of their funds in infrastructure and social sectors.

Challenges

The biggest challenge for the industry today is the low levels of penetration. This challenge becomes bigger due to the presence of host of other investment opportunities available to the consumer today (like housing loans) and due to the spending habits of younger generation which believes in consumption today rather than investing for tomorrow. To overcome this more marketing is required for the insurance products. There is still a huge unexplored potential of growth for the pension products.

There has been a major growth in the unit linked policies offered by the insurance sector which might be seen as positive trend but what it reflects is that insurance is being looked upon as investment instrument which underlines the true objective of insurance which is risk protection. Insurance has a role to play, and that is as a tool to hedge against risk, and it is crucial that this role be maintained even in the light of the changing scenario.

In the Non-Life sector, detariffing is still an issue to be tamed because in this confused state of things, it is the consumer who is forgotten.

In the Non-Life sector, detariffing is still an issue to be tamed because in this confused state of things, it is the consumer who is forgotten. If he deserves equitable pricing that reflects the quality of his risk, he is not getting it. This issue, if addressed, will go a considerable way in redeeming the image of the industry as lacking in technical foundations for pricing and hence the skills to translate them into premium rates.

Conclusion

The insurance sector in India has come a long way from being a nationalised to a liberalised market. And to continue the trend of growth there is a constant need to examine the key issues and outline possible trends, opportunities and challenges in this sector so that we can match international standards both in terms of market size and customer satisfaction.

The author is Executive Officer, Confederation of Indian Industry. The views expressed here are his own.

We welcome consumer experiences.
Tell us about the good and the bad you have gone through and your suggestions.
Your insights are valuable to the industry.
Help us see where we are going.

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or e-mail us at irdajournal@irdaonline.org

प्रकाशक का संदेश

कुछ वर्ष पूर्व जब हम बीमा उद्योग में सार्वजनिक क्षेत्र के एकाधिकार से अलग हटे तथा निजि एवं विदेशी निजि पूँजी को उद्योग में प्रवेश करने का अवसर दिया तब यह आशा थी कि इसके आर्थिक परिणाम न केवल संम्पूर्ण व्यक्तिगत, व्यवसाय तथा औद्योगिक प्रतिष्ठानों के लिए होगे वरन् संम्पूर्ण अर्थव्यवस्था के लिए होगें।

क्या यह लाभ उपचित हुए हैं यदि ऐसा है तो किस हद तक यही इस माह की जर्नल का जोर दिए जाने वाला क्षेत्र है। हम इन विषयों पर की हम किस श्रेणी में हैं अर्थशास्त्रियों तथा विश्लेषकों के नजरिये से देखेगें ।

हम वित्तिय वर्ष की की समाप्ति के नजदीक व्यवसाय साख्यकि पर ष्टिपात करेगें हमें ज्ञात है कि इस ओर हमारे पाठक ध्यान पूर्वक देखते हैं। जीवन बीमा के क्षेत्र में हम वित्तिय वर्ष के पहली तीन तिमाही की विस्तृत सांख्यकि प्रस्तुत करेगें जो व्यवसाय के संघटन तथा वृद्धि की प्रकृति पर प्रकाश डालेगी। एक ध्यान देने योग्य प्रवृत्ति यह है कि युनिट लिंक पालसी तीव्र गति से अग्रसर हैं। इसके तात्पर्य ग्राहक के लिए जो हम आशा करते हैं कि सभी सम्बधितों द्वारा सम्पूर्ण रूप से समझ लिए गये हैं।

विश्वभर में यह प्रवृति देखी गई है कि सभी संबधित पक्ष स्वंय विनियमन के लिए आगे बढें। हम प्राधिकरण में तथा बीमा उद्योग के विभिन्न खंडों के साथ इस सम्बन्ध में बडे विश्वास के साथ कार्यरत हैं। इसको जीवन बीमा तथा साधारण बीमा काउंसिल के हितों के पुनः प्रवर्तन तथा मध्यवर्तियों जैसे ब्रोकर तथा तृतीय पक्ष प्रर्वतक के रूप में देखा जा सकता है।

जर्नल के अगले अंक में हम स्वयं विनियमन कि विषयवस्तु को खोजने का प्रयत्न करेगें । इस अंक में हम आईआरडीए कि विकासशील भूमिका को स्पर्श करेगें क्योंकि इसे आगे ध्यान की जरूरत है।

सी. एस. राव

“ कुछ तो लोग कहेंगे ”

एचआईएच में हमें चीजों का पुनर्निर्माण करना है। कंपनी पूर्ण रूप से निष्कार करती है। जिस प्रकार से वे दावों का मूल्यांकन करते थे उससे उन्हें कोई लाभ नहीं हुआ। उनका यह दृष्टिकोण था की दावों का भुगतान करने की अपेक्षा वकील को भुगतान करना सस्ता पडेगा।

हमें यह सभी बदलना होगा तथा लोगों को यह स्पष्ट करना होगा कि उनका कार्य दावों का भुगतान करना है।

श्री टोनी मैक्ग्राह, एचआईएच के परिसमापक

गुप्त भुगतान तथा हितों मे संघर्ष ने बाजार का संक्रमण किया है, संपति तथा हताहत बीमा ने कर्मचारी प्रतिलाभ बाजार में भी अपनी जडें जमायी हैं।

श्री इलियट स्पींजर, न्यूयार्क के एटोरनी जरनल

महाविनाश की घटनाओं का ऊफान ...... हमें जोखिम के दाम को ठीक प्रकार रखने के महत्व का अनुस्मारक देता है। बीमा की नाजुक भूमिका दावों का भुगतान करने की है, पुनर्निर्माण की प्रक्रिया में सहायता देने की है। लेकिन उद्योग ऐसा तभी कर सकती है जब उसका तुलन पत्र मजबूत हो।

लार्ड पीटर लेविन, अध्यक्ष लायडस आफ लंदन

हम जोखिम के व्यवसाय में हैं। हमें दुनिया के सबसे उतार-चढ़ाव वाले उल्लेखनीय खतरों से संबद्ध होना पडता है। फिर भी पक्के रूप से हम इस योग पर पहुँचते है कि जोखिम को एक व्यवसाय के द्वारा संचालित करने से

परिचालन जोखिम का परिपालन बढ़ जाता है।

श्री निक्क प्रिटिजोन, मुख्यकार्यपालक, लायड्ज आफ लंदन, बीमा उद्योग में पुराने पड़ गयी परिचालन प्रक्रिया पर

स्पैजर के दखल के परिणामस्वरूप इस पर कौन शंका कर सकता है कि हमे लेन-देन के लिए पारिदर्शय, श्रवणिय, तथा संरचनात्मक रिकार्ड चाहिये। टिनर के दखल के परिणामरूप कौन यह शंका कर सकता है कि हमें बीमा संविदा के अभिलेख कि समुचित तथा तत्काल जरूरत है।

श्री निक्क प्रिटिजोन, मुख्यकार्यपालक, लायड्स आफ लंदन। बीमा उद्योग में गताविधक प्रचालन प्रक्रिया पर

बहुत से बीमा कर्त्ता 100 बिलियन डालर उद्योग के बारे में सोच भी नहीं पाते और उसके बारे में योजना भी नहीं बनाते। लेकिन बर्कशायर में हम पुरी तरह से तैयार हैं। हमारे निवेश में से हानि का हिस्सा ३ से ५ प्रतिशत के बीच होगा तथा अन्य व्यवसाय आसानी से इस लागत से आगे होगा। जब अगला दिन आयेगा बर्कशायर के चैक समाशोधित होगे।

श्री वारेन ई बफेट- अध्यक्ष बर्कशायर हैथवे, अंशधारको को वार्षिक पत्र में।

प्रारंभिक प्रक्रिया

डिटैरिफिंग युग के लिए तैयारी

श्री सी. पी. उदयचन्द्रन कहते हैं कि बीमाकर्ता, टीएसी एवं नियामक सभी डिटैरिफिंग को सफल बनाने के लिए प्रयासरत हैं।

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

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

कठोर निर्णय

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

वर्तमान में टीएसी द्वारा फायर, मारिन हल, मोटर, डब्ल्यू. सी. तथा इंजीनियरींग पोर्टफोलियो की दरों का विनियमन किया जाता है, जो कुल प्रीमियम टर्नओवर का 60-70 प्रतिशत देता है। कीमत के साथ ही उत्पाद की विभिन्न विशेषताएँ भी उत्पाद को गुणवत्ता प्रदान करती है। शेष उत्पाद जो ३०-४० प्रतिशत प्रीमियम प्रदान करते हैं, उनका कीमत निर्धारण कंपनी द्वारा ही किया जाता है। हांलाकि इनमें भी विभिन्नताएँ नहीं देखी जाती है।

एक स्तर पर संकटपूर्ण

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

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

> कीमत नियंत्रण जैसे बीमा में टैरिफ वास्तव में बाहरी है। एजेन्सी जो इसे लेती है वह बाजार के दबाव से प्रभावित नहीं होती है। वह इसे पूर्णत: शैक्षणिक अभ्यास के रुप में देखती है। एजेन्सी इसकी कीमत निर्धारण में किसी प्रकार की स्वतंत्रता शायद प्रस्तावित नहीं कर सकती है तथा साथ ही उत्पाद की विभिन्नताओं को सील कर सकती है ताकि कीमत एवं उत्पाद में किसी प्रकार की असंगतता नहीं रहे।

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

विनियामक की भूमिका

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

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

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

लेखक यूनाईटेड इंडिया इंश्योरेंस कंपनी में उप प्रबंधक है। लेख में उद्धत विचार उनके स्वयं के हैं।

गेट सेट एण्ड गो

डिटैरिफिंग से बीमा उद्योग का लघु विकास होगा, नोट्स *एन. सुंदरराजन*, इसके विभिन्न आयामों का परीक्षण किया है तथा साथ ही सलाह भी दी है ताकि इस प्रोसेस में कुछ मदद मिल सके।

जैसा कि बीमा उद्योग डिटैरिफिंग के लिए इंतजार कर रहा है, परन्तु कई लोगों के दिमाग में यह सवाल है कि इससे मुझे क्या फर्क पड़ेगा। क्या इससे बीमा उद्योग का विकास होगा या फिर यह पतन की ओर अग्रसर होगा? इससे लाभ होगा या नुकसान होगा?

लगभग सभी जानते हैं कि भविष्य में डिटैरिफिंग आवश्यक है, परन्तु इसका प्रभाव अभी तक निश्चित नहीं है तथा यह उदारवादी अर्थव्यवस्था के लिए कम्पेटिबल है। इसके लिए काफी विस्तृत नियमन एवं मार्गदर्शन की आवश्यकता है उत्पाद की असफलता, लचीलापन आदि - परन्तु उत्पाद की कीमत नहीं।

पूर्णत: नियंत्रित टैरिफिंग संरचना से एक डिटैरिफड् संरचना की ओर बढ़ते कदम की प्रशंसा की जानी चाहिए। परन्तु इससे डिटैरिफड् संरचना में कोई बाधा या रुकावट नहीं आनी चाहिए। इसको लेकर लोगों में भय व्याप्त है, परन्तु यह लोगों में परस्पर समझ एवं विकास की कमी के कारण है। इससे निपटने के लिए कुछ प्रारंभिक कदम उठाने पड़ेंगे, परन्तु इनमें से कुछ केवल नियामक ही कर सकता है; अन्य मामलों के लिए उद्योग को कार्य करना होगा।

फायर पॉलिसीज

फायर पॉलिसीज के मामलों में डिटैरिफिंग की आवश्यकता काफी अधिक है। कई लोग सिर्फ नियमों की पालना के लिए फायर पॉलिसीज कराते हैं ना कि दुर्घटना को ध्यान में रखकर, जिस प्रकार एक दोपहिया वाहन चलाने वाला व्यक्ति यातायात पुलिस से बचने के लिए हेलमेट पहनता है ना कि स्वयं की सुरक्षा के लिए। अत: इसके लिए उत्पाद में परिवर्तन एवं सुधार करने की काफी आवश्यकता है।

मोटर बीमा

मोटर बीमा की डिटैरिफिंग के लिए बनी जस्टिस रंगराजन समिति का मैं सदस्य था। इस दौरान कई तथ्यों का पता चला। इसमें महत्वपूर्ण यह था कि सड़क पर दौड़ने वाले अधिकतर वाहनों का बीमा नहीं हुआ था। समिति ने यह सलाह दी कि थर्ड पार्टी क्लेम की एक अधिकतम सीमा होनी चाहिए, क्योंकि पब्लिक टांसपोर्ट का हर दूसरा रुप काफी सीमित उत्तरदायित्व रखता है।

मोटर टैरिफ उन वास्तविक वाहनों के लिए होना चाहिए जो सड़क पर दौड़ते हैं, ना कि मात्र उनकी भौतिक उपस्थिति से। इसके लिए एक सुझाव यह दिया गया कि ईंधन पर बीमा सेस लगाया जाए, जिससे सभी वाहनों का स्वत: ही बीमा हो जाएगा।

मोटर बीमा में थर्ड पार्टी प्रशासन का विचार काफी समय से किया जा रहा है। अनेक वाहन निर्माताओं ने देश भर में स्वयं के या प्रधिकृत सर्विस सेंटर्स प्रारंभ किए हैं। ये सर्विस सेंटर्स प्राइजिंग, डॉक्यूमेंटेशन, नॉन-केश डीलिंग, इत्यादि पर कार्य करेंगें।

> पूर्णत: नियंत्रित टैरिफिंग से एक डिटैरिफड् संरचना की ओर बढ़ते कदम की प्रशंसा करनी चाहिए। परन्तु इससे डिटैरिफिंग में कुछ बाधा या रुकावट नहीं आनी चाहिए। इस उद्योग से जुड़े लोगों में डिटैरिफिंग को लेकर काफी भय व्याप्त है जो मूलत: आपसी समझ एवं विश्वसनीयता की कमी के कारण है।

जागरुकता अभियान

बीमा उद्योग केवल नई पॉलिसीज जारी करने एवं क्लेम्स का सेटलमेंट करने में ही केन्द्रित है। यह सही भी है, पर केवल अल्प काल के लिए ही। लंबी अवधि के लिए लक्ष्य जोखिम को न्यूनतम करना चाहिए, जिससे बीमाकर्ता एवं बीमाधारक दोनों को ही फायदा होगा।

इसके लिए पहला कार्य लोगों में जागरुकता पैदा करनी होगी तथा साथ ही जोखिम का विस्तृत स्तर पर अध्ययन करना होगा। बीमाकर्ता एवं बीमाधारक के बीच का संबंध यह है कि जोखिम से पूर्व वे समान उद्देश्य रखते हैं, परन्तु एक बार जोखिम आ जाने पर दोनों के विचारों में मतभेद देखा जा सकता है। क्योंकि इसे उपेक्षित नहीं किया जा सकता है, अत: अंडरराइटिंग प्रक्रिया में सुधार की आवश्यकता है।

बीमाधारक की पहुँच

परिभाषा के अनुसार, बीमा वहाँ होना चाहिए जहाँ क्षति होने पर भारी आर्थिक नुकसान उठाना पड़ सकता है, जैसे किसी फैक्टरी में दुर्घटना। साथ ही स्व-बीमा भी एक बेहतर आर्थिक निर्णय हो सकता है, जहाँ सिंगल ओक्योरेंस में वेल्यू काफी कम है, हाँलाकि नानलों की संख्या काफी अधिक हो सकती है तथा यह बार बार हो सकती है तथा साथ ही ओक्योरेंस पर लाभ भी काफी अधिक हो सकता है।

बीमाकर्ता को बीमाधारक के विभिन्न विकल्पों पर गहराई से अध्ययन करना चाहिए ताकि वे उसे बेहतरीन विकल्प के बारे में सलाह दे सके। उदाहरण के लिए ओक्योरेंस की दर २ या ३ प्रतिशत रहने पर पर बीमाधारक का कुल व्यय स्व बीमा के माध्यम से कम किया जा सकता है। कोई भी बीमाकर्ता जो बीमाधारक के हितों का ध्यान रखता है, वह बीमाधारक के साथ अच्छे संबंध कायम कर पाता है और इससे बीमा उद्योग के विकास में काफी मदद मिल सकती है।

नॉन टैरिफ वर्ग में नए उत्पाद

डिटैरिफिंग से कुछ उत्पादों पर ऋणात्मक प्रभाव पड़ सकता है तथा साथ ही कुछ नए उत्पाद भी बाजार में आ सकते हैं। जैसा कि बीमा उद्योग ने कुछ विकसित देशों में देखा है, वहाँ नॉन टैरिफ वर्ग में उत्पादों को विकसित करने एवं इन्हें बेहतर बनाने के लिए काफी संभावनाएं हैं, जैसे निदेशक एवं अधिकारियों के दायित्व, उत्पाद दायित्व एवं उत्पाद वारंटी पर कवर। ये उत्पाद काफी लाभ दे सकते हैं तथा विदेशों में पुनर्बीमित हो सकते हैं। जब ये पॉलिसीज प्रसिद्ध होती है तो इन्हें काफी संख्या में बेचा जा सकता है। यह डिटैरिफ के पश्चात फायर पॉलिसीज से होने वाली आय में कमी को पूर्ण करने में मदद करेगा।

लेखक कंपनी सचिव तथा मुख्य सनदी लेखा अशोकलैन्ड लिमिटिड। आप कंपनी के बीमा व्यवसाय के प्रमुख भी है। यहाँ प्रकाशित विचार उनके अपने हैं।

फेनफेयर के पीछे

-क्या बाजार डिटैरिफिंग को संभाल सकता है?

डिटेरिफिग खतरनाक हो सकती है एक ऐसे बाजार में जो अपने ऊपर आत्मविश्वास से भरा न हो तथा पर्याप्त बीमा लेखन कौशल की कमी रखता हो। मान्यता *जी. वी. राव*

बाजार जिसका स्वयं में विश्वास नहीं है और कई अंडरराइटिंग प्रक्रिया अपनाई जाती है, ऐसे में डिटैरिफिंग घातक हो सकता है।

परिचय अंश 1: भारतीयों में अभी भी जोखिम जागरुकता की कमी है तथा साथ ही वे प्रीमियम की गणना करने में भी असमर्थ हैं। यह एक सुखद बात है कि जब मंहगाई बढ़ रही है और साथ ही ब्याज दर में कमी आ रही है, बीमा प्रीमियम दर आज भी स्थिर है।

परिचय अंश 2: अंडरराइटिंग के लिए बौद्धिक विचारों में कमी है, इसकी अनुपालना में कमी है तथा साथ ही जोखिम जागरुकता में भी कमी है। डिटैरिफिंग से पूर्व इन मुद्दों को समझना आवश्यक होगा।

परिचय अंश ३: सरकारी क्षेत्र की कंपनियाँ अपनी समस्याओं को नहीं बता रही है। अव्यवस्थित डिटैरिफिंग संरचना से इनकी समस्याएं और भी बढ़ेगी।

गैर जीवन बीमा क्षेत्र- खासकर इसका 70 प्रतिशत - कई दशकों से टैरिफ नियंत्रण में है। क्या डिटैरिफिंग का समय आ गया है?

मोटर वाहन से 40 प्रतिशत, अग्नि बीमा से 20 प्रतिशत एवं इंजीनियरिंग से 8 प्रतिशत गैर जीवन बीमा प्रीमियम की प्राप्ति होती है, ये सभी टैरिफ नियंत्रण में हैं। क्या अब इस संरचना से बाहर आने का समय आ गया है?

व्यावहारिक बाजार डाटा, बीमा कंपनियों द्वारा मांग इत्यादि के कारण ऐसा लगता है कि डिटैरिफिंग कम से कम आने वाले तीन वर्षो में तो लागू नहीं हो पाएगा। सिस्टम में कोई भी बाहरी या आंतरिक दबाव ऐसा नहीं है जिससे डिटैरिफिंग का मुद्दा जोर पकड़ पाए। मध्यस्थ लोग अग्नि एवं इंजीनियरींग टैरिफ पर पाँच प्रतिशत की कोरपोरेट छूट को हटवाना चाहते हैं, परन्तु साथ ही वे डिटैरिफिंग के पक्ष में है ताकि उनकी आय में वृद्धि हो सके। ऐसा इसलिए है क्योंकि वे महसूस नहीं करते हैं कि टैरिफ उन्हें व्यावसायिक बनाती है तथा साथ ही बीमाधारकों की सहायता करने में मदद करती है। टैरिफ से प्रतियोगिता सरल होती है।

परन्तु बीमाधारक जनता का क्या? वे कैसा महसूस करती है? भारतीय बीमाधारकों में जोखिम जागरुकता की कमी है तथा वे प्रीमियम की गणना करने में भी असमर्थ हैं। यह एक सुखद बात है कि जब मँहगाई बढ़ रही है तथा साथ ही बचत पर ब्याज दर में कमी आ रही है, प्रीमियम दर स्थिर है।

कौन है जो टैरिफ नियंत्रण के फायदे को छोड़कर डिटैरिफिंग का समर्थन करना चाहेगा। कभी न कभी डिटैरिफिंग होना चाहिए, परन्तु शायद अभी वह समय नहीं आया है।

फिर डिटैरिफिंग की क्या आवश्यकता है? यदि प्रीमियम दरों पर कोई शिकायत नहीं है तो फिर डिटैरिफिंग क्यों? यह सरकार ही है जो निवेशक के रुप में जनता का धन खो रही है, निजी क्षेत्र की बीमा कंपनियाँ तो उच्च प्रीमियम दर के कारण फायदे में है। कौन है जो टैरिफ नियंत्रण के फायदे को छोड़कर डिटैरिफिंग का समर्थन करना चाहेगा। कभी न कभी डिटैरिफिंग होना चाहिए, परन्तु शायद अभी वह समय नहीं आया है।

अंडरराइटिंग निपुणता कहाँ है?

आईआरडीए की धारणा यह है कि गैर जीवन बीमा क्षेत्र में अंडरराइटिंग निपुणता में काफी सुधार की आवश्यकता है। यह स्वीकार्य करना होगा कि यह स्थिति दुखद रुप से सच है। पाँच दशक से भी ज्यादा से टैरिफ प्रक्रिया लागू है तथा केम्द्रीयकृत तकनीक निपुणता में जीआईसी एवं टीएसी को काफी मजबूती मिली है, अंडरराइटिंग निपुणता एवं ज्ञान सभी स्तरों पर कमजोर रही है। एक बिंदू यह भी है कि कोई भी पूर्ण प्रोपोजल फॉर्म में जोखिम कारक की आरश्यकता नहीं है, जब प्रीमियम बताया जा रहा हो। दरें टैरिफ पुस्तिका में लिखी होनी चाहिए।

उदारवादी अर्थव्यवस्था ने अंडरराइटिंग को काफी प्रभावित किया है। इससे बाजार को एक महत्वपूर्ण सिग्नल गया है कि जब तक प्रीमियम दर उच्च है जैसा कि अग्नि बीमा में, अंडरराइटिंग गुणवत्ता एवं जोखिम कारक के बारे में चिंता करने की कोई आवश्यकता नहीं है। क्या डिटैरिफिंग से सभी प्रारंभिक अज्ञानता वापस नहीं आ जाएगी? बाजार को क्या चाहिए? अधिक टैरिफ या टैरिफ नहीं? क्या वे सभी स्तरों पर अपने मजबूत एवं कमजोर पक्षों से वाकिफ रहेंगें, खासकर वे जो बीमा कवर बेचते हैं?

परन्तु फिर भी, भारतीय बाजार में तकनीशियन की कमी नहीं है। हाँ इसके पास परीक्षा वाले बहुत से माहिर तकनीशियन हैं, परन्तु वे नहीं जो व्यावहारिक अनुभव रखते हैं। वे लोग नहीं हैं जो जोखिम कारक जानते हैं, कवर की शर्तों को समझा सकें, तथा ग्राहक के साथ प्रीमियम दर पर बात कर सकें।

डिटैरिफिंग घातक होगा यदि अभी इस स्थिति में इसे बाजार में लागु कर दिया जाए। अंडरराइटिंग के प्रति जानकारी का अभाव है, प्रक्रिया की जानकारी का अभाव है तथा साथ ही इसे सीखने की ललक में भी कमी है। बाजार मानसिक एवं मनौवैज्ञानिक तौर पर इसके लिए तैयार नहीं है, हाँ समय के साथ भविष्य में इसे लागु किया जा सकता है।

शेष अगले अंक में

लेखक ओरीएंटल इंश्योरेंस कंपनी के सेवानिवृत्त मुख्य प्रबंध निदेशक हैं।

डिटैरिफिंग, बीमांकक के अनुसार
-पूर्व का सर्वे एवं भविष्य की ओर कुछ नजर

एक बीमांकक पीयूष ***आई. मजमूदार*** कहते हैं कि किस प्रकार विनियामक को भविष्य के डिटैरिफ संरचना के लिए तैयारी करनी चाहिए।

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

टीएसी की भूमिका

टीएसी कई मामलों में बीमा उत्पादों की कीमत का निर्धारण करती है। बीमा एक्ट (1938), सेक्शन 64यू के अनुसार टीएसी की स्थापना जनरल बीमा व्यापार में कीमतों के निर्धारण एवं विनियमन, लाभ, शर्तें इत्यादी निर्धारित करने के लिए की गई थी।

सेक्शन 64यूसी(2) यह निर्धारित करता है कि टीएसी किसी भी कीमत को निर्धारित कर सकता है, उसे बदल सकता है तथा साथ ही पूर्व अनुभवों से हानि का आंकलन कर सकता है।

यह महत्वपूर्ण है कि मान्यता के लिए निम्न की आरश्यकता है:

1. टैरिफ प्रीमियम दर का निर्धारण करे।
2. टैरिफ प्रीमियम दर न्यूनतम होनी चाहिए, परन्तु ऐसा लगता है कि प्राधिकरण ने बीमाकर्ता को न्यूनतम प्रीमियम दर से अधिक चार्ज करने से रोका है, शायद कुछ विशेष मामलों में (जैसे वाणिज्यिक वाहन)। अत: इन दरों को दरों के रुप में लिया जा सकता है, खासकर इन मामलों में।
3. टैरिफ से कवरेज की शर्तो का भी निर्धारण किया जाता है।
4. बिचौलियों को दिया जाने वाला कमीशन बीमा नियमों के अनुसार निर्धारित किया जाता है।

आईआरडीए इनचार्ज

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

> टैरिफ प्रीमियम को सभी बीमाकर्ता के लिए औसत प्रीमियम दर समझा जाता है हांलाकि यह एक बीमाकर्ता से दूसरे बीमाकर्ता के लिए भिन्न हो सकता है। वास्तव में एक बीमाकर् जिसके पास अंडरराइटिंग सुविधा उपलब्ध है वह कम प्रीमियम चार्ज करने की स्थिति में रहता है।

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

प्रीमियम दरों में तत्व

यह जानने के लिए कि किस प्रकार कीमतों का निर्धारण किया जाता है, उसके पहले उन तत्वों को जानना आवश्यक होगा जो प्रीमियम का निर्धारण करते हैं। ये हैं:

1. शुद्ध / जोखिम प्रीमियम

#(दावा जिसका भुगतान किया गया+दावे के निपटारे में खर्च-एलोकेटेड एवं अनएलोकेटेड)+

- बकाया रिपोर्टेड क्लेम्स रिजर्व+
- आईबीएनआर हानि रिजर्व+
- आईबीएनईआर हानि रिजर्व

दावा निपटारा खर्च में आकलित को शामिल किया जाना चाहिए।

2. विपणन या अर्जन खर्च

- कमीशन या ब्रोकरेज जो मध्यस्थों को दिया गया है।
- प्रचार या विज्ञापन या व्यापार विकास खर्च
- कार्यालय कर्मचारी खर्च

3. प्रबंधन खर्च

अन्य प्रबंधन या प्रशासनिक खर्च जैसे वेतन, किराया या यात्रा खर्च

4. लाभ

- वाजिब मार्जिन
- निवेश आय

यह भी विचार किया जाना चाहिए कि , जो व्यावहारिक हो, किस सीमा तक क्लेम्स खर्चो को बीमाकर्ता या उद्योग से प्रभावित होता है

- आंकड़ों की गुणवत्ता
- दावा प्रबंधन पॉलिसीज
- पोर्टफोलियो मिक्स
- विपणन एवं अंडरराइटिंग उपाय
- संचालन का क्षेत्र
- केस रिजर्विंग
- लैप्सेस

♦ अव्यवस्थित बदलाव

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

राष्ट्रीय डाटा संग्रह

राष्ट्रीय डाटा संग्रह पर एक विवाद छिड़ा हुआ है। हांलाकि राष्ट्रीय डाटा संग्रह का विचार सराहनीय है, परन्तु यह देखा गया है कि अमेरिका एवं ब्रिटेन जैसे विकसित देशों में इसे हटा दिया गया है, क्योंकि हर बीमा कंपनी अपना अलग-अलग डाटा कोष रखना चाहती है। अभी हाल ही में आयोजित स्वास्थ्य बीमा सेमिनार में भी यह मामला उठाया गया था। हांलाकि इन देशों के अनुभवी लोग हमें इस प्रकार के डाटा संग्रह के लिए प्रोत्साहित कर रहे हैं।

हिन्दी माध्यम द्वारा बीमा शिक्षण की स्थिति तथा संभावनाएँ

संजीव जैन

संगठित रूप से बीमा शिक्षा का इतिहास, भारत में मात्र 50 वर्षो का हैं। वर्ष 1955 में मुंबई में फैडरेशन आफ इंशुरेन्स संस्थान जिसे अब भारतीय बीमा संस्थान के नाम से जाना जाता है कि स्थापना के साथ विधिवत् बीमा शिक्षा को परिचय मिला। संस्थान द्वारा प्रारंभ में अर्हक परीक्षा लाईसेंसियेट, ऐसोसियेट, फेलोशिप परीक्षा तो आयोजित की जाती थी साथ ही इंस्पेक्टर तथा बीमा विक्रय में सर्टीफिकेट कोर्स की परिक्षाएँ भी आयोजित की जाती थी

वर्ष 1956 में जीवन बीमा निगम के राष्ट्रीयकरण के साथ भारत में बीमा की संकल्पना को आम जनता तक पहुँचाने के प्रयास प्रारंभ हुए साथ ही बीमा शिक्षा के महत्व को भी समझा जाने लगा तथा फैडरेशन आफ इंशुरेन्स इंस्टिटियूट की शाखाओं का जाल पूरे देश में फैल गया।

वर्ष 1972 में भारत में साधारण बीमा उद्योग के राष्ट्रीयकरण तथा लाँस प्रिवेन्शन एसोसिएशन की स्थापना के बाद देश में साधारण व्यक्ति द्वारा बीमा का संदेश पहूँचना प्रारभ हुआ। बीमा उद्योग ने संगठित होकर बीमा को जन जन तक पहुँचाने के अनेक प्रयास किया अपने अधिकारियों, कर्मचारियों तथा मध्यवर्तियो जैसे सर्वेक्षक तथा ऐजेंटों की शिक्षा पर भी कुछ ध्यान दिया गया। बीमा उद्योग द्वारा 80 के दशक तक किये गये अधिकतर प्रयास अग्रेंजी भाषा तक सीमित थे।

90 के दशक में वैशैविकरण का युग प्रारंभ हुआ तथा उद्योग से अपेक्षाएँ भी बढ़ने लगी परिणामस्वरूप बीमा उद्योग में बीमा शिक्षा का पर एकाधिकार रखने वाले भारतीय बीमा संस्थान को सभी परिक्षाओं में हिन्दी का विकल्प देना पड़ा। इसी काल में बीमा उद्योग ने दक्षिण पूर्व एशिया में उच्च बीमा शिक्षा का संस्थान खोलने की पहल की जिसकी स्थापना वर्ष 1980 में पूना में की गई। इसी दशक में एक अन्य प्रयोग उद्योग द्वारा किया गया वह था देश के कुछ चुने हुए विद्यालयों में उच्चतर माध्यमिक स्तर पर बीमा को एक व्यावसायिक शिक्षा के रूप में शामिल किया जाना।

वर्ष 1999 में उदारीकरण के परिणाम स्वरूप बीमा विनियामक और विकास प्राधिकरण की स्थापना के साथ बीमा व्यवसाय के दरवाजे निजि क्षेत्र के लिए खोल दिये गये एक और नई नई बीमा कंपनियॉ हमारे समक्ष आयी तो दूसरी और बीमा शिक्षा का व्यवसाय भी बहुत तेजी से चमका

बीमा उद्योग में उदारिकरण के बाद कई नये व्यवसाय प्रारंभ हुए हैं जिनमें बीमा ब्रोकर तथा तृतीय पक्ष प्रशासक प्रभुख हैं। बीमा विनियामक द्वारा इस क्षेत्र में व्यवसाय करने वालो के लिए भी 100 घन्टे का प्रशिक्षण अनिवार्य कर दिया गया है। विनियामक द्वारा सभी बीमा ऐजेटों के लिए 100 घन्टे का प्रशिक्षण अनिवार्य करने के साथ उसको सख्ती से लागु करने के परिणाम स्वरूप बीमा शिक्षा संस्थानों की बाढ़ देश में आ गई है।

बीमा उद्योग के मध्यवर्तीयों के अतिरिक्त एक अन्य धारा विभिन्न विश्वविद्यालयों में भी प्रारंभ हो चुकी है जिसमें एम. बी. ए. में बीमा को विशेष विषय तथा बीमा में सर्टीफिकेट पाठयक्रम भी प्रारंभ किये गये है। बीमा व्यवसाय में शिक्षा की यह माँग निरंतर बढ़ती जा रही है।

किसी भी व्यवसायिक प्रशिक्षण में जिस प्रकार अग्रेंजी माध्यम से प्रशिक्षण को सरल समझा जाता है उसी प्रकार बीमा प्रशिक्षण उद्योग में भी हिन्दी माध्यम को अभी भी अंगीकार नहीं किया गया है। भारत में हिन्दी भाषा के महत्व को देखते हुए तथा सरकार की बीमा के विस्तार की नितियों को देखते हुए यह अनिवार्य हो जाता है कि बीमा शिक्षा में भाषा के माध्यम पर भी विचार किया जाए। तभी भारत के आम आदमी में बीमा की पेचीदगी दूर होगी तथा बीमा व्यवसाय उन्नति के पथ पर अग्रसर होगा।

लेखक आई आर डी ए मे उप निर्देशक पद पर कार्यरत

“ನನ್ನ ಕ್ಲೈಮಿನ ಎಲ್ಲಾ ದಸ್ತಾವೇಜುಗಳನ್ನು ಕಳುಹಿಸಿ ಈಗ ಮೂರು ವಾರಗಳಾದುವು .... ನನ್ನ ಹಣವನ್ನು ಅವರು ಬೇಗ ಕಳುಹಿಸಬಹುದೆಂದು ಆಶಿಸುತ್ತೇನೆ.”

“ಹೌದು, ಖಂಡಿತ. ಎಲ್ಲಾ ಕಾಗದ ಪತ್ರಗಳು ಸಮರ್ಪಕವಾಗಿದ್ದರೆ ಆದನ್ನು ಅವರು 30 ದಿನಗಳೊಳಗೆ ಸೆಟಲ್ ಮಾಡಲೇ ಬೇಕು. ಅದು ನಿಯಮ!”

ದ ಇನ್ ಶೂರೆನ್ಸ್ ರೆಗ್ಯುಲೇಟರಿ ಆ್ಯಂಡ್ ಡೆವಲಪ್‌ಮೆಂಟ್ ಅಥಾರಿಟಿ (IRDA) ಇದು ಭಾರತದಲ್ಲಿರುವ ಇನ್ ಶೂರೆನ್ಸ್ ಕಂಪನಿಗಳ ಸುಪರ್‌ವೈಸರಿ ಸಂಸ್ಥೆಯಾಗಿದ್ದು ಪಾಲಿಸಿ ಧಾರಕರ ಹಿತವನ್ನು ಸಂರಕ್ಷಿಸುವುದು. ಐ ಆರ್ ಡಿ ಎ ಅವರು ವಿಧಿಸಿರುವ ನಿಯಮಾವಳಿಗಳಲ್ಲಿ ಕೆಲವು ಹೀಗಿವೆ:

- ಸಂಬಂಧ ಪಟ್ಟ ಎಲ್ಲಾ ದಸ್ತಾವೇಜುಗಳನ್ನು ಸ್ವೀಕರಿಸಿದ 30 ದಿನಗಳೊಳಗೆ ಇನ್ ಶೂರೆನ್ಸ್ ಕಂಪನಿಯು ಹಣ ಪಾವತಿ ಮಾಡಬೇಕು ಅಥವಾ ವಿವಾದ ವಿದ್ದರೆ ಸಂಬಂಧಿತ ಸಮರ್ಪಕ ಕಾರಣ ನೀಡಬೇಕು.
- ಪ್ರಸ್ತಾವನೆ ಅಂಗೀಕಾರವಾದ 30 ದಿನಗಳ ಒಳಗೆ ವಿಮಾ ಕಂಪನಿಯು ಭಾವೀ ಪಾಲಿಸಿ ಧಾರಕರಿಗೆ ಪ್ರಪೋಸಲ್ ಫಾರಂನ ಒಂದು ಪ್ರತಿಯನ್ನು ಉಚಿತವಾಗಿ ನೀಡಬೇಕು.
- ಪ್ರಪೋಸಲ್ ಕೈಸೇರಿದ 15 ದಿನಗಳೊಳಗೆ ಅದನ್ನು ಪ್ರೊಸೆಸ್ ಮಾಡಬೇಕು ಮತ್ತು ಪಾಲಿಸಿ ಧಾರಕರಿಗೆ ತಿಳಿಸಬೇಕು.
- ಒಂದು ವೇಳೆ, ಎಲ್ಲಾ ದಸ್ತಾವೇಜುಗಳನ್ನು ಸಾದರ ಪಡಿಸಿದ ಬಳಿಕವೂ ಕ್ಲೈಮನ್ನು ಸೆಟಲ್ ಮಾಡುವುದರಲ್ಲಿ ವಿಳಂಬವಾದರೆ ಇನ್ ಶೂರೆನ್ಸ್ ಕಂಪನಿಯು ಒಂದು ನಿಗಧಿತ ಮೊತ್ತದ ಬಡ್ಡಿ ಕೊಡಬೇಕಾಗುತ್ತದೆ.
- ಜೀವ ವಿಮೆಯ ಪಾಲಿಸಿಧಾರಕರುಗಳಿಗೆ 15 ದಿವಸಗಳ "ಫ್ರೀ ಲುಕ್ ಪಿರಿಯಡ್" (ಪಾಲಿಸಿ ಕೈ ಸೇರಿದ ದಿನದಿಂದ) ಹಕ್ಕು ಇದ್ದು ಅವರು ಪಾಲಿಸಿಯನ್ನು ರದ್ದುಗೊಳಿಸಬಹುದು.
- ಪಾಲಿಸಿಧಾರಕರ ಯಾವುದೇ ನಿವೇದನೆಗೆ ಇನ್ ಶೂರೆನ್ಸ್ ಕಂಪನಿಯು 10 ದಿವಸಗಳೊಳಗೆ ಪ್ರತ್ಯುತ್ತರ ನೀಡಬೇಕು

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Knowing and Sharing

—Knowledge management is a critical strategic tool

Insurance companies, in order to gain an edge, should consolidate and share what their employees know. Such knowledge management is key to their success, observes *B. S. Rao.*

Customer satisfaction is key to long-term organisational success. In varying degrees, and in a variety of ways, insurance companies have committed themselves to this proposition. However, although customer satisfaction is a major goal in such organisational philosophies as is total quality management, seldom do we have the opportunity to measure the effectiveness in delivery of services to customers under the most extreme condition.

The impact of extreme conditions effecting operational strategies goes far beyond a single industry – it touches resistance of all types and sizes. This suggests that determinants of effectiveness (defined) as the outcome that the organisation promises to customers and thus is paid to produce, in responding to low probability catastrophic events, should be both an organisational and inter organisational matter of concern.

In the multibillion-dollar Property segment of the insurance industry, companies compete to sell policies using advertising and promotion strategies that remind people of the disasters and tragedies that may occur. The advertising also encourages potential customers to think that one particular company personally cares about them and will be there to help them in time of need. People in the insurance industry recognise that customer satisfaction is all-important.

To truly satisfy customers it is critical to build a knowledge base about them, and employ it effectively. This is where knowledge management (KM) comes into the picture, KM not only helps the organisation work more effectively at a lesser cost, but also help it hone its customer relations skills, thereby enhancing its profitability.

Features of the segments

There are several different types of insurance companies worldwide:

- Life insurance – Companies in this market have enormous investment portfolios and sell traditional life insurance. The sales force often has close personal relationships with customers. Of all insurance companies, they have the fewest number of claims and the lowest fraud rates.

> Insurance companies were among the first to implement large imaging systems. Their paper intensive operations made them natural candidates for that segment of the Knowledge Management (KM) industry. Today it uses sophisticated tools to improve service, reduce costs and increase market share.

- Health insurance—The fastest growing segment of the insurance industry, this market includes the mutual/non profit firms and aggressive HMO. The health market tends to be price sensitive, and operational costs are critical to success. This segment has the highest number of claims and most payments involve third parties (doctors and hospitals). Fraud is difficult to detect due to the subjective nature of many decisions made by dentists and doctors. One segment of this market is third-party administrators (TPAs), which provide administrative services for large companies that are self-insured. The TPAs handle the paperwork and ensure regulatory compliance without actually handling any investment activities that a life insurance company typically does. TPAs can be small "mom and pop" companies or the traditional, large health insurance companies.
- Property and Casualty — Auto and Home insurance, as well as insurance for Dan Marino's arm, come under this category. Claim volumes tend to be moderately high and customers place a premium on both service and price. Investment portfolios tend to be large, although that can vary depending on the exact business that the company underwrites. P&C insurers also face the highest fraud rates in the industry.
- Reinsurance — Insurance companies often share the risk with reinsurance companies, which are designed to spread the risk to multiple companies or investors in certain situations. Instead of insuring a specific company or individual, they often insure a portion of an investment portfolio that includes a number of individual liabilities. They only work with other insurance companies, not individuals. From a knowledge management perspective, reinsurers are more like investment bankers than the traditional insurance companies.

Most insurance companies are not limited to a single category. Many offer multiple product lines (Life and Health are common), and some even participate in reinsurance activities. Many are moving fast into other financial service offerings such as annuities, mutual funds and even checking account services. Virtually every aspect of an insurance company's operations is subject to regulations, and those regulatory issues are often key drivers of the business.

Insurance companies were among the first to implement large imaging systems. Their paper intensive operations made them natural candidates for that segment of the knowledge management (KM) industry. Today the insurance industry is at the forefront of knowledge management through the use of sophisticated tools to improve service, reduce costs and increase market share.

Following are some of the various KM activities in the insurance business:

Imaging

Walk into any insurance company and you will find tonnes of paper. There are very few businesses that are as paper intensive as insurance. P&C and Health insurance companies were early adaptors of workflow based imaging, especially for the underwriting process of new business. Because of the lower volumes and massive amounts of information, Life insurers have lagged behind, but many have implemented less expensive systems for underwriting. A few even use their imaging systems to help with claims audits to detect fraud.

One area where the insurance companies focus on is the claims side of the business. For Life and P&C insurers, it is frequently the customer's only interaction with the insurance company except for the application process. By its very nature, the transaction is often filled with anxiety, and paperwork is not high on the customers' priority list. Many companies use their agent to fill out paperwork, and imaging systems have limited usefulness for claims in those situations.

Many of today's P&C insurers are buying second or even third generation imaging systems.

Forms processing

Probably the hottest segment of the market today is the ability to use OCR/ ICR and forms processing to automate the date entry of information from claims forms. Health insurers are at the front of this market, thanks to standardised claim forms (HCFA 1500 s and UB 92s) and high data entry costs. Many are scanning their claims forms, processing them for data capture and storing or discarding the images. Many insurers have older systems (such as recognition XP-80s) that were designed for machine printed claims. Companies are fast replacing the older systems with new technology that can process their entire mainstream and eliminate costly paper sorting.

> Many insurance companies are reluctant to discuss the data mining applications out of fear of discrimination charges and competitive advantages, but the effective use of data mining is probably the single biggest KM opportunity for most companies.

Enterprise reporting, formerly known as COLD

Enterprise reporting is the "no brainer" KM technology to be implemented, because of the incredible cost-justification. The technology is designed to capture bill or statement information that is printed and sent to customers. Enterprise reporting means that reports, bills and statements can be stored on tape or optical disc and easily retrieved in the future. Many enterprise reporting systems can be cost-justified in less than a year, so virtually every insurance company has a system or is implementing one today.

Correspondence management

Few industries can match insurance for its ability to produce paper. Insurance companies often produce letters and forms that go to customers, providers and sales agents. KM systems in the form of automated correspondence managers are beginning to become a *de facto* requirement for insurance companies. They integrate legacy insurance applications and control the production of correspondence that must be sent out. The systems can often pay for themselves in postage savings by their ability to combine multiple letters to the same recipient into the same envelope and sort mail by zip code to get bulk mailing rates. They also integrate into imaging and document management systems to provide a single interface for all information regarding a customer.

Document management

Small document management systems are working their way into insurance companies. Since most insurance companies are highly structured, there is relatively little unstructured information that fits into the document management environment. Nevertheless, some companies are using document management systems to capture organisational knowledge such as proposal and executive correspondence. Some Life and P&C insurers are using document management to help manage investment portfolios and help save information when researching possible investments.

Electronic forms

Some companies have decided that the future is paperless. Some insurers are using field laptops with special online forms with KM software to collect applications or claims information. The software helps prevent data entry errors by checking the information as it is implemented. Some insurers use special pens for digital signatures while others use the software to print forms that must by signed. Some insurers are experimenting with Internet forms for customers to fill out online without the use of a sales agent. Since the regulations vary from country to country, each country usually has its own form. Not all countries have approved electronic forms, so the real growth is probably a few years away.

Date mining

Nothing drags insurance like information. Life insurance companies use complex research to predict when people will die. P&C insurers examine information about driver profiles to determine how much to charge a potential automobile policyholder. Health insurers carefully examine medical procedures performed by doctors to determine if unnecessary surgery is being performed.

Many insurance companies are reluctant to discuss the data mining applications out of fear of discrimination charges and competitive advantages, but the effective use of data mining is probably the single biggest KM opportunity for most companies. By some estimates, a full 10 per cent of P&C claims are fraudulent, so modest savings from data mining can represent huge savings. In some cases, data mining can help insurance companies determine how to set pricing and gain market share. Historically, third parties that serve multiple insurance companies have prepared much of the information, but larger companies are using their own information to gain a competitive advantage.

How KM solutions increase customer focus

Insurance companies, in order to gain an edge, should consolidate and share what their employees know, and turn to the Net and knowledge networks. While doing so, an insurance company should strive to present one uniform face to the external customer as well as the internal customer. To make this happen the executives need to be reorganised into groups / major areas and decide that each employee should move from narrow product expertise to knowledge of the entire product portfolio. In order to do so, the companies should adopt technologies such as the Expert Locator system.

How does this system work? If an employee needs someone with underwriting experience in another industry, he/she can type a query into the knowledge network to notify other employees via e-mail. When employees answer the question, the software automatically creates an archive that eliminates the need to answer the same question repeatedly.

The ultimate goal of an insurance company should be to get out of the distribution business and become a great underwriting firm. To do that, the company has to become more informed about the industries and customers it serves.

Well implemented, KM is more of a strategy supported by technology that can show a quantifiable, and sometimes substantial, return on investment.

However, insurance companies' traditional structure – involving separate strategic business units – makes sharing the internal information among employees nearly impossible. A single customer seeking answers to different insurance needs may be shunted between various departments.

An insurance company needs to create one uniform face to its customers, and that means it has to reeducate its employees. Branch offices will have to be consolidated to facilitate closer working relationships among staff teams.

Few industries are as knowledge driven as insurance. Therefore, it is no surprise that insurance companies should lead the way when it comes to knowledge management. The industry's needs and the technologies used are as diverse as the industry itself.

From KM to KS – The Route Map

Knowledge management, an extremely broad term that was first announced and proclaimed in the mid 1990s as the solutions for companies looking to improve business processes, had its reputation tarnished as many companies that invested in knowledge technologies had little to show in return. Today, however, KM seems to be in its renaissance, as it is producing results in various companies. Moreover, KM is no longer a pie-in-the-sky technology that mystifies business leaders who allocate the technology spending money. Well implemented, KM is more of a strategy supported by technology that can show a quantifiable, and sometimes substantial, return on investment.

In fact, it would be appropriate to term knowledge management as knowledge strategy (KS). "Knowledge strategy is about giving people the ability to take effective and timely action with knowledge by putting it at the finger tips of people in the organisation. Unfortunately, there tends to be a tonne of information in the insurance industry, but there isn't much knowledge."

Recent studies have revealed that insurers are turning the wealth of information they possess into knowledge in a few distinct ways," reports Mr. Bill Pieroni, General Manager of Armonk, NY-based based IBM's insurance industry business. "Carriers are focusing on enabling existing knowledge for internal users, such as call centre representatives and underwriters," he says.

Another way carriers are working to share knowledge is by educating customers. At a minimum, the insurers are putting information on the Internet, describing different types of coverage, liability limits and some background on the rating process. Historically, customers would receive a notice in the mail about a rate increase with a little explanation. Carriers are offering explanations of increases on the Internet so the insured is not left in the dark. Policy education is very important for insurance customer service.

Regardless of whether the company takes an inwardly or outwardly focused knowledge strategy, the project cannot be an IT-driven initiative. One critical aspect is that the business community has to be involved from the day one. It is very important for them to understand the knowledge components and the processes vis-à-vis the objectives of the organisation while they map knowledge management strategy. And the most successful initiatives seem to higher-level input. To be successful, sponsorship from line-of-business executives is very important.

The case of Insurance Giant CNA

CNA, the Chicago-based insurance giant, has been working on a knowledge strategy for the past couple of years. The enterprise-wide project supported top-down is a direct result of the company's reorganisation that has the goal of presenting one view of the company to all customers, says Mr. Gordon Larson, Knowledge Officer, Corporate Development of CNA."It is very hard to bring all of the company's products to the customer when the company is decentralised," he adds. "We had experts all over the company. We had to make it easy for employees to tap into the knowledge."

Knowledge management has to be installed to improve business and it has to be used by every one. You cannot deploy KM across the entire organisation and expect it to automatically improve revenues by 10 per cent. Start with a specific business problem, solve it, show RoI and then expand the initiative. For instance, aim KM at a critical work force that has a business need, such as claims processes. Then, you can directly tie the KM expenditure to a reduction in claims paid. The same can be applied in call centres, where it is easy to measure the number of calls answered, or in underwriting, where the number of applications processed can be measured.

Sometimes externally focused initiatives can also be measured, but the RoI may not be as tangible. Customer retention, customer penetration and customer lifetime value are three factors that can be measured. And if KM is used to enhance sales process, straight through processing of applications is an easy one to measure. But above all, the technology has to work. In order to achieve mass adoption across a company, the KM project has to provide useful content over an easy-to-use delivery channel.

Key to KM is the control, storage and retrieval of corporate knowledge and its dissemination to where it is needed at the right point of time. In other words, useful technology that is easily accessible to users.

However, determining the channel is easier than developing useful content. One cause of failed knowledge efforts is that companies think they have great information and they must get it to people, but it is not presented in context, so people do not know how to use it. Watch for pitfalls – a large part of delivering useful content is being able to recognise the questions that users are asking. If people's questions are not getting answered, or if the answers are wrong, they will not come back.

That is one reason why KM needs facilitators, or supervisors, who will monitor certain knowledge areas to make sure the proper answers are given and that users are getting the most out of the system. Each community or specialised knowledge area needs a facilitator to maintain the community. Typically, the job of a facilitator is not full time, but is part of a particular employee's responsibilities, such as the head underwriter overseeing a knowledge area on underwriting.

Key to KM is the control, storage and retrieval of corporate knowledge and its dissemination to where it is needed at the right point of time. In other words, useful technology that is easily accessible to users. So it is very important for a KM solution to stress on the accessibility. If it takes a user more than five minutes to access information on the desktop, the user would rather spend an hour walking around the halls looking for the information the next time a question arises. Once that happens you probably will not get the user back, in the same way that web surfers will not return to a site that did not provide what they needed the first time.

Spending more time focusing on work practice will help the knowledge strategy in the long run. Discovering the way people work and possibly changing it for the better is something that KM has to address. The KM programmes that are effective spend much more time dealing with issues at work place than the ones that just focus on technology.

While developing the KM plan one must take stock of what the infrastructure is (such as what are the tangible things, the network, the portals and the databases), what should go into soft content (such as knowledge, content, information that is distributed ever the infrastructure), and what the communication strategy is (in terms of who the users are, who are going to receive the knowledge, who are the users going to use the knowledge for, how they are going to receive it and what is the value.

Finally, one must keep in mind that the measurement for value is the most important thing. A knowledge management strategy based on a fact-based business case that shows it will create value for the organisation is vital.

The author is Manager-Training with Max New York Life Insurance Company.

Report Card:GENERAL

Monthly growth at 15.4%

G. V. Rao

With just one month remaining before the current fiscal year winds down, the performance of each insurer at the end of February 2005 is something that all market watchers would be keenly looking forward to. But unlike what happened last month, all insurers have furnished their February premium figures; and this should make the analysis of their comparative premium performance complete and more interesting.

Performance in February 2005

The monthly growth rate in February is a healthy one at 15.4 per cent, with a market premium accretion of Rs. 179 crore. The new players have continued to drive the growth momentum, both in quantum by Rs. 97 crore and in their growth rate by 54 per cent. The four established players, in contrast, have together produced a lower quantum of accretion of Rs. 73 crore (6.8 per cent growth), with ECGC having an accretion of Rs. nine crore.

The relative marginalisation of the premium accretions of the established players in quantum growth, as could be seen from their respective shares above, should be a source of mild concern to them since the their market share could now be slipping down faster than in the past.

New India and National with accretions of Rs. 38 crore (14.3 per cent) and Rs. 33 crore (13 per cent) respectively have contributed Rs. 71 crore out of the total accretion of Rs. 73 crore by the established players. United India, wanting to ensure profitability, perhaps as a goal instead of premium growth, has dropped an additional Rs. 10 crore in February taking its total drop in premium to Rs. 101 crore in the year. Oriental has continued its modest growth of six per cent. ECGC with 23.7 per cent growth continues to do well.

Among the new players, the month February of really belonged to Bajaj that has recorded an accretion of Rs. 29 crore, followed by IFFCO Rs. 20 crore, Tata Rs. 19 crore and ICICI with Rs. 17 crore. ICICI has till now been heading the list of monthly accretions almost every month but it has exhibited sudden deceleration. Reliance disappoints with a loss of Rs. two crore in its monthly premium year on year to keep company with United India as the only two insurers with continued negative growth trends in business. May be there is a strategic reason for their being premium-averse and perhaps they have avoided chasing premiums as a goal.

GROSS DIRECT PREMIUM (within India) FEBRUARY, 2005

(Rs.in lakhs)

INSURER	PREMIUM 2004-05 FOR FEB '05	PREMIUM 2004-05 UPTO FEB '05	PREMIUM 2003-04 FOR FEB '04	PREMIUM 2003-04 UPTO FEB '04	MARKET SHARE UPTO FEB, 2004	GROWTH % YEAR ON YEAR
Royal Sundaram	2,304.21	29,304.00	1,770.00	22,902.00	1.79	27.95
Tata AIG	4,314.04	42,951.89	2,401.29	32,450.69	2.62	32.36
Reliance General	705.91	15,369.64	882.19	15,404.34	0.94	-0.23
IFFCO-Tokio	3,756.88	44,134.93	1,747.74	25,953.64	2.70	70.05
ICICI lombard	7,013.63	82,227.53	5,265.51	45,628.13	5.02	80.21
Bajaj Allianz	7,049.85	77,211.77	4,124.94	42,627.43	4.72	81.13
HDFC Chubb	1,548.71	15,846.66	1,155.14	9,549.06	0.97	65.95
Cholamandalam	1,018.75	15,524.14	690.60	8,303.44	0.95	86.96
New India	30,452.00	372,789.00	26,652.00	350,295.00	22.77	6.42
National	28,585.00	349,206.00	25,260.00	302,061.00	21.33	15.61
United India	21,283.00	268,645.00	22,265.00	278,685.00	16.41	-3.60
Oriental	21,516.00	278,181.00	20,320.00	257,389.00	16.99	8.08
ECGC	4,697.94	46,112.56	3,840.65	39,342.20	2.82	17.21
TOTAL	134,245.92	1,637,504.12	116,375.06	1,430,590.94	100.00	14.46

Performance up to February 2005

The growth rate of the non-life industry up to February 2005 is 14.5 per cent, (Rs. 2,069 crore accretion) with contributions coming in from new players of Rs. 1,197 crore (59 per cent growth) and from the four established players of Rs. 803 crore (6.8 per cent), with ECGC adding another Rs. 68 crore (17.2 per cent).

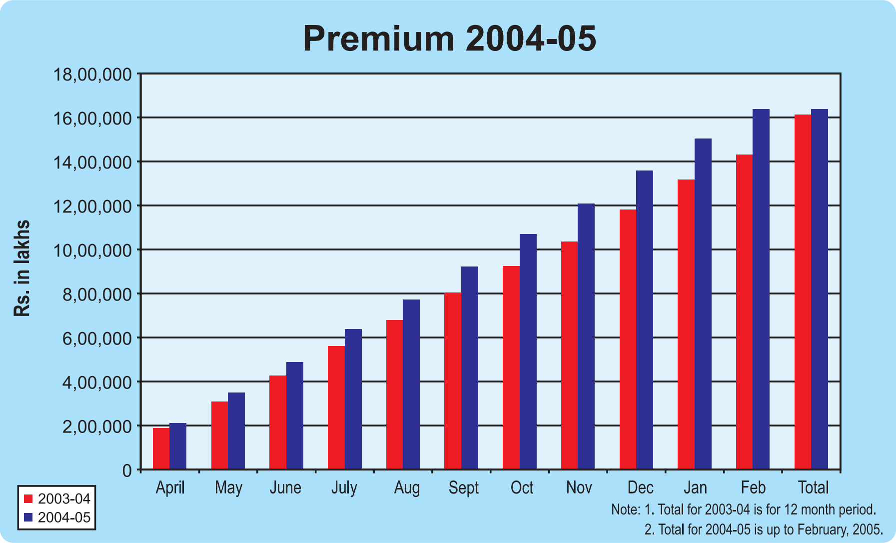
National with an accretion of Rs. 471 crore (15.6 per cent) towers among the four established players and the rest of the market. New India is a distant second with Rs. 225 crore accretion (6.4 per cent). Oriental with a growth rate of eight per cent and United India with a fall of 3.6 per cent in business represent a spectrum of widely varying contributions from each established player.

The new players, led by ICICI with an accretion of Rs. 366 crore (80 per cent) and Bajaj with Rs. 346 crore (81 per cent) dominate the growth segment; followed by IFFCO with Rs. 181 crore, Tata with Rs. 101 crore. Royal Sundaram, Chubb and Cholamandalam have all accretions ranging between Rs. 60 to Rs. 70 crore each. Reliance currently ranks as the lowest in premium levels among the 13 insurers.

Market Share

The market share of the new players at the end of February 2005 is an impressive 25 per cent (without reckoning ECGC's premium) up from 17 per cent as at the end of February 2004. The indications that ICICI and Bajaj will easily cross the threshold of Rs. 1,000 crore-premium mark in 2005-06 are very strong.

Will the market share of the new players rise further in 2005-06? With brokers having been given more incentives from April 2005, and the public sector units gradually deciding to woo premium quotations from new players, the scene is set for the established players to literally scramble to retain their corners.



With tariffs remaining in place in Fire and Engineering, the new players will be able to strike better deals with brokers and corporate insureds much faster on selected accounts. It is the incumbent that is always under pressure; and it is showing up in the graph of market shares.

Outlook

It took more than three decades for each of the four established players to achieve their current levels of premiums of around Rs. 3,000 to 4,000 crore. It now seems almost certain that at least a couple of new players will achieve more than one-third level of the premiums of the established players next year — and that is in less than half a decade. That is what makes the competitive scene in the non-life market so formidable to the established players, who seem to be grappling with a new set of problems of change with the management tools and mental models of the past.

Having established supremacy in the monthly quantum accretions and also in rapidly raising market shares, the new players have now begun to focus better on the use of their strategies for fine-tuning the current distribution channels. Their new models of doing business are clashing with the old models that worked better but in the past.

Customers are now found to be increasingly opportunistic in their expectations of current and future service, with little or no regard for the past good services received. The market is changing too fast in favour of the corporate customers. Where this will this lead the established players is an interesting question.

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

Taxing the 'not-yet-a-service'

—Defining problems of insurance service tax

A consumer buying insurance does not buy a service but only the promise of a service, which he can avail of when the need arises. That being the case, why should insurance be taxed at the time of premium purchase, argues *P. S. Prabhakar.*

The nation has a huge family of taxes and a decade old, successful addition is Service Tax. With the contribution of the services sector to the GDP steadily increasing to cross the 50 per cent mark, Service Tax has been one of the Government's stories of triumph.

With the Government hitting this gold mine a few years ago, North Block has been working overtime to spot more and more services to pull into the service tax net, year after year. Except 'lip service' and 'social service,' almost all services, (save those like truckers and lawyers, whom the Government has not touched) stand identified for taxing.

A service? Not quite

One of the first three 'services' that bore the brunt of this tax was general insurance. However, the insurance industry did virtually nothing to convince the Finance Ministry, under which it is operating, that insurance as a business is not about offering any service but only about a promise to deliver service, at a future date, should a need arise. By its very nature, it is a contingent contract.

A consumer buying insurance does not buy aservice but buys only a promise. In effect, he only pays for 'peace of mind' – a feeling of comfort that, should an unfortunate situation arise, he would have someone to lean on for financial solace. And if no such situation arises, then the consumer receives no 'service' and no value for the money. He just becomes one of the many contributors to the common pool of funds, from where the losses of a few are met.

The term 'service' itself is a debatable one. Applying the term 'service' to the business of insurance was not effectively argued by the industry when the service tax came into being in 1994. Thus Service Tax on general insurance came to stay, largely due to non-appreciation of the concept of insurance by the bureaucrats and to the silence of the industry captains.

One of the major arguments that was advanced while the industry was sought to be privatised, was that insurance had a very low penetration in India. The per-capita general insurance premium was just about $2.1, as against the world average of $170 plus. And even this figure was because of the mandatory insurance for Motor Third Party risks and financial institutions' covenants in the 'funding' contracts. The personal lines were ineffectively marketed and hardly bought. In such a scenario, the escalation of premia by over 10 per cent, by a tax that can effectively and even successfully be litigated for its very validity, is anything but a help to the industry.

> Applying the term 'service' to the business of insurance was not effectively argued by the industry when the service tax came into being in 1994. Thus Service Tax on general insurance came to stay.

Of course, there are several other practical problems an insurer has to face in shop floor situations and some of these have already been articulated brilliantly in the May 2003 issue of *IRDA Journal(********)* by Mr. R. Anand, and hence those are not ventured into now.

Life gets a line

In Budget 2002, there was a failed attempt to bring the entire life insurance premium under service tax. As this was stoutly opposed, there was a watering down of the proposal in Budget 2004. Accordingly, now, service tax is leviable on the risk component of the premium. However, as there can be no fool-proof mechanism that the insurance companies can employ (especially in unit-linked plans) to determine the risk component of the premium, it appears that a 'rough' distinction is applied for the purpose of service tax.

With a life insurance industry offering myriad products that do not come under any common or fixed tariff structure, how can they exactly split the premia as risk component and savings component, without making their pricing strategy open to the scrutiny of competitors? So, only a ballpark distinction is made, which may not necessarily be beneficial to the policyholder. Also, it is not clear as to how the credits for the input services taken can be distributed to the customers, if at all the service tax burden is to be passed off to them. Perhaps because of this, some insurance companies seem to be charging it off the customer while some are absorbing the toll themselves. (The largest life insurer, LIC, absorbs it in its account).

When life insurance itself has been conceived as a social security measure, when the awareness of the benefits of life insurance is yet to dawn on the very large proportion of the populace (nearly 70 per cent of the population that can afford life insurance has not opted for it), when there is no state-sponsored social security measure in the country, and when the sweetener for life insurance marketing viz., tax breaks, is almost gone, subjecting life insurance to service tax, ultimately burdening the end-user, does seem unreasonable.

Criteria for exemptions

Coming back to general insurance, another interesting topic is exemption from service tax under certain circumstances.

Earlier, there was a specific exemption from service tax, in respect of general insurance policies for which premium was receivable in convertible foreign exchange. However, there was a rider to this — that the premium so received should not be repatriated outside India. (This can actually create problems, as most of such forex premia will only be for risks that may have to be heavily and facultatively reinsured and such reinsurance premia will necessarily have to be remitted abroad). However, for a brief period – from March to November 2003 — this was kept suspended.

The position has undergone a comprehensive change with the Government having notified the Export of Services Rules, 2005 (vide notification no. 9/2005 dated March 3, 2005) which are coming into force from March 15, 2005. According to this notification, "any taxable service may be exported without payment of service tax," provided such a service is treated as "export" in accordance with the conditions contained in the notification, mentioned below.

According to the Export of Services Rules, 2005, there are three different categories:

a. Any taxable service in general insurance business will be treated as Export only if the immovable property in relation to which the services are provided is situated outside India. (Apart from general insurance, four other services such as architecture, interior decoration, real estate agency & construction are also included in this category).

b. The second category deals with several taxable services, where the service is partly or fully performed outside India and here, there is no mention of general insurance service at all. Hence there is no applicability for general insurance business.

c. In the third category, there is a list of 24 taxable services, which includes services such "general insurance auxiliary services," and "banking or other financial service". Here, such a taxable service would be treated as export only if it is provided and used in or in relation to commerce or industry and the recipient of the service is located outside India. For example, if a foreign business entity buys a general insurance policy from an Indian company, then the issue of such a policy will amount to 'export of taxable service.'

> When life insurance itself has been conceived as a social security measure and awareness of its benefits is low, subjecting life insurance to service tax does seem unreasonable.

If, of course, the overseas recipient of such a service has any commercial or industrial establishment or any office in India, the taxable service shall be treated as export only if:

i. The order for provision of such a service is made by the recipient of such service from any of his commercial or industrial establishment or any office located outside India.

ii. The service so ordered is delivered outside India and used in business outside India.

iii. The payment for such service provided is received by the service provider in convertible foreign exchange.

So, if, for example, an Indian insurance company issues a policy to a business establishment that has any office in India, but to their arm outside India, the premium can be collected without attracting service tax liability, if (a) they receive the insurance order (proposal form) directly from the overseas arm; (b) the policy is directly 'delivered' outside India and is used in business outside India by the insured; and (c) the premium is received in convertible foreign exchange.

Interestingly, the 'premium receivable in foreign exchange' condition is not found in the first category viz., insurance of immovable property situate outside India. So, it appears possible for an insurance company in India to insure an immovable property outside India, without attracting service tax, even if the premium is received in Indian rupees. Also, the restriction on repatriability is gone in the case of the third category.

The Regulator, as the custodian of policyholders' interests, should perhaps present a case to the Government that the concessions (Export of Services) available for big premium payers be extended to the poor lot of smaller policyholders also, in the interest of a healthy growth of the industry.

The author, who used to work with the nationalised general insurance industry, is a practising Chartered Accountant.

CROP INSURANCE FOR APPLE GROWERS

The Himachal Pradesh Government is drawing up plans to introduce crop insurance scheme for apple growers in the state to provide protection against weather-related risks, it has been reported.

The project, to be launched by the State Government, the Union Government and ICICI Lombard, would be the first of the kind in India. Once it is deemed successful, it is likely to be replicated in other apple growing areas such as Jammu and Kashmir and Uttaranchal.

Long and harsh winters with plenty of snowfall typically lead to a good apple crop during summer – the trees require about 1,000 hours of chilling each winter. Apple, which is the chief cash crop of Himachal Pradesh, contributes nearly Rs. 10 billion to the state's economy.

PAY UP, 15 BEDS OR NOT

A Vadodara consumer court has ruled that insurance firms cannot refuse payment of medical claims on the grounds that the client was not treated at a hospital with 15 or more beds, it has been reported.

The complainant, Mr. Ramesh Jani, bought a Mediclaim policy for his family in 2000 from New India Assurance Company Ltd., the insurance period being from July 6, 2000 to July 5, 2001. His wife, Ms. Manjula Jani, who had Mediclaim cover of Rs. 50,000 under the policy, fell ill in March 2001 and was admitted to a private hospital in Ahmedabad from March 16 to 24. The hospital bill on discharge amounted to Rs. 21,980.50, for which the Janis made a claim. However, New India denied reimbursement on the basis that the hospital was not registered with it and that it was not a 15-bed hospital, as stipulated in the policy document.

Mr. Jani approached Harinagar Grahak Suraksha Mandal for help and filed a complaint in the consumer court through its advocate, Ms. Rekha Desai. The forum observed in its judgment that the company could not deny claim just because the hospital did not have 15 or more beds. It also ordered payment of the bill amount plus an interest of nine per cent per annum from June 11, 2001. The company was also ordered to pay Rs. 1,000 as litigation cost and Rs. 2,000 for mental agony and stress caused to the complainant.

A RICH YIELD FROM IIM-A'S AGRI-BUSINESS COURSE

The average salaries offered to fresh graduates from the Agri-Business Management (ABM) course at the Indian Institute of Management (IIM), Ahmedabad, witnessed a 35 per cent rise at Rs. seven lakh this year, it has been reported. In 2004, the average salary offered to ABM graduates was Rs. 5.20 lakh.

This is in tune with the recent trend of a significant upswing in the nation's agri-business industry.

In terms of annual salary, ITC's International Business Division came up with the highest offer in India at Rs. eight lakh. Al Ghanim's, a Kuwait-based corporate, was the top overseas offer, at $55,000. Insurer ICICI Lombard was among the companies, apart from Al Ghanim, KUOK Oils, a business house in Singapore and Malaysia, and National Commodities Derivatives Exchange (NCDEX), the biggest commodities exchange in India, which visited the IIM-A campus for the first time for recruitment this year. Eleven other recruiters, such as Godrej Agrovet, ITC, HDFC, Murugappa Group and National Dairy Development Board, too came calling for recruits.

INSURANCE NET FOR MARINE INDUSTRY WORKERS

Over 40,000 workers in the seafood processing industries will now come under insurance cover, it has been reported. The Marine Products Export Development Authority (MPEDA) and the United India Insurance Company have signed an agreement to this effect, and the scheme has been formally inaugurated in Kollam, Kerala..

Under the scheme, the next of kith will be given Rs. 50,000 if the person covered dies in an accident. In the event of loss due to natural disasters, the amount is Rs. 20,000.

FREE INSURANCE FOR SINGLE GIRL CHILDREN

The Andhra Pradesh State Government has launched a novel way of stemming a decline in the female population – insurance! According to reports the Government is to give Rs. 1,00,000 in the form of an insurance policy to couples who have a single girl and agree to have no further children. The insurance amount will be paid to the girl when she turns 20, provided both parents undergo birth control operations.

The plan also includes an incentive for sending girls to school - a monthly scholarship of Rs. 1,250 for schoolgirls studying in grades 9 to 12. If either parent dies, the state would pay the daughter up to Rs. 50,000. If the parents have a second daughter, each would be paid Rs. 30,000 upon reaching age 18.

BANKS' DEPOSIT INSURANCE RATES SET TO RISE

The cost of deposit insurance for banks is set to increase during April, it has been reported. This is in line with the phased increase in the premium rates for deposit insurance as announced in February 2004.

Until March 2004, banks were paying premium at the rate of five paise for every Rs. 100 of deposits. This was hiked to eight paise for every Rs. 100 of deposits in the first phase from April 2004. The second phase, schedule to begin in April 2005, will see premium rates rising further to 10 paise for every Rs. 100 of bank deposits.

In India, deposits with banks are protected by an insurance cover provided by Deposit Insurance and Credit Guarantee Corporation of India (DICGC), a subsidiary of the Reserve Bank of India. It meets claims through a deposit insurance fund that it maintains.

According to DICGC, 2,629 banks were covered by deposit insurance during 2003-04, of which 2,595 were cooperative banks.

The deposit insurance fund had risen to Rs. 2,754 crore in 1998-99. However, due to large claim payments, it reduced to Rs. 434 crore the following year. Since then, the position of the fund has improved to cross Rs. 800 crore in 2003-04. DICGC has paid out claims of Rs. 1,044 crore as of March 2004.

According to DICGC, it has had to settle claims for large amounts over the past three years due to the failure of cooperative banks. "While there is sufficient corpus in the Deposit Insurance Fund (DIF) for the present, it is necessary to build up a sound DIF in the long term to protect the interests of the banking system," DICGC has been quoted as saying in its annual report.

The corporation has said that it will continuously review the deposit insurance fund and consider revising the premium further from time to time.

Citigroup cancels plans to enter Indian insurance sector

Citigroup has scaled back its plan to enter the Indian life insurance sector, it has been reported. The change of plan happened after the group, in an $11.5 billion deal, sold out its life insurance business, Traveler Life and Annuity, to US-based Metlife.

Citi has decided to focus more on banking, which forms its core area of operations. "Citi will exit manufacturing of insurance products and will be a distribution channel for risk products," company officials have said. Metlife is reported to be talking to Citi's Indian operations to make use of it as a distribution channel in the country.

Earlier, Citigroup had expressed its intention to enter Indian life insurance sector after the foreign direct investment (FDI) cap in the sector was raised to 49 per cent.

LIC TO TAKE THE CROWN AS NATION'S LARGEST FINANCIAL BODY

Life Insurance Corporation of India (LIC) is all set to overtake the State Bank of India (SBI) as the nation's largest financial institution, it has been reported. According to an LIC statement, total assets of the corporation crossed Rs. 4,09,000 crore on December 31, 2004. SBI, which works out the size of its assets once a year, has reported its March figure of Rs. 4,07,815 crore for its December results.

The gap between the asset size of the two institutions has been constantly narrowing because of the difference in the nature of business. In 2002-03 LIC's assets stood at Rs. 2,90,539 crore while that of SBI was Rs. 3,75,876 crore, showing a difference of Rs. 85,337 crore. In March 2004, the gap narrowed down to Rs. 40,456 crore, as LIC's assets rose to Rs. 3,67,359 crore against SBI's Rs. 4,07,815 crore. For the year ended March 2005, it is projected that LIC will overtake SBI in terms of assets.

Unlike banks which meet their liabilities in the same year through payment of interest, insurance companies pile up liabilities for the future. This means that LIC's assets will keep growing as long as premium from new policies grow. Until December, the corporation's premium from new business grew by 20 per cent to Rs. 11,742 crore. As a result, the bulk of earnings are ploughed back to create more assets. In 2003-04, LIC's total income was Rs. 93,088 crore, of which nearly half came by way of renewal premium.

Since 60 per cent of the policies have been traditionally sold in the fourth quarter of the fiscal, a bulk of the renewal premium and new business premium comes in the fourth quarter.

After renewal premium the biggest earning is investment income, which last year stood at Rs. 27,215 crore.

During the year up to January 31, 2005, LIC has generated a total income of Rs. 73,342 crore — an increase of 16.5 per cent over the corresponding period of the previous year. Total premium income for the 10-month period worked out to Rs. 46,531 crore, an increase of 15 per cent.

Given the trends the income for LIC this year is expected to be in excess of Rs. 1,00,000 crore.

This in line with the trend in the rest of the world, where insurance companies typically have the biggest balance sheets. In India, because of the low share of insurance to GDP, SBI has traditionally been larger than LIC.

SATELLITE LAUNCHES NEW KIND OF INSURANCE COVERAGE

Satellite launches take the world of technology, as well as the insurance industry, to dizzying heights. Take the case of the recent launch of a six-tonne satellite from Cape Canaveral, Florida, to boost the capacity of worldwide broadband data transmission.

Behind the successful launch was years of groundbreaking risk analysis by insurance company Aon's space risk experts, which resulted in a new kind of insurance coverage. It has been reported that Aon teamed up with UK-based Inmarsat to broker a specialised risk coverage for the Inmarsat-4 F-1 communications satellite.

Aon spent several years working closely with company executives to design an insurance programme tailored for the I-4. After being appointed Inmarsat's broker in September 2001, Aon's space risk experts first determined whether the I-4 was even insurable. Once that point was cleared, the next challenge was to figure out what would constitute an actual loss. Several laborious months later this was arrived at, as was the premium involved.

Aon provides risk management and insurance brokering services, particularly in asset and revenue protection to all sectors of the satellite communications industry. It space insurance specialists reportedly have extensive experience in placing coverage for cutting-edge technologies, working closely with engineers who understand the mechanics of satellites and the challenges and opportunities inherent in the space industry.

THE BRITISH PREFER IT ONLINE

Over three-quarters of UK home and car insurance customers scour the web to research the market, according to research published by the Automobile Association (AA). Even those who do not have access to a computer often ask computer-literate friends or family to do the searching for them, but complete the deal offline, it has been reported.

The study also says that competition between online insurers has been keeping premiums competitive.

In the UK, about 40 per cent of all new car insurance and a fifth of home cover are now arranged online. Last year, online sales of car insurance grew by nearly two-thirds (64 per cent) while online home insurance sales grew 50 per cent. In 2004, the average quoted car insurance premium fell two per cent, widening the gap between the cheapest and dearest to 35 per cent.

GLOBAL WARMING CHILLING INSURERS

Throughout the world, natural catastrophes claimed the lives of more than 1,80,000 people in 2004, i.e. more than twice as many as in 2003, it has been reported. At the same time, the number of natural catastrophes analysed was, at 650, no higher than the average of the past 10 years, says a report by Munich Re. Economic losses totalled $145 billion, including insured losses of $44 billion, no less than $40 billion of which was generated by the destructive hurricanes in the Caribbean and the US and the typhoons in Japan.

In terms of the number of natural catastrophes and the losses they generated, 2004 was again dominated by extreme weather events. In addition to the exceptional accumulation of hurricanes and typhoons, there were also cyclones in parts of the Atlantic where they are not typical:

- In March, a hurricane formed off the Brazilian coast for the first time since observations began. This part of the South Atlantic had hitherto been classified as hurricane–free because of the low water temperatures there.
- Another unusual event was Hurricane Alex in August, which on its path northwards gained in intensity far from the Tropics and maintained hurricane force up to a latitude of 42°N.
- Florida was hit by four hurricanes within just a few weeks. With losses of $30 billion in this region alone, 2004 was the most expensive hurricane season ever for the insurance industry.
- Japan was hit by 10 tropical cyclones, a record number that was unequalled throughout the previous century.

According to experts, this is evidence that a correlation exists between global warming and the considerable rise in the number of extreme weather events. The insurance industry would need to adjust the scope and price of its insurance covers to the growing risk.

LORD LEVENE AT THE HELM OF LLOYD'S AGAIN

Lord Levene of Portsoken is to serve Lloyd's, the world's leading specialist insurance market, as Chairman for a second term, it has been reported. He became Lloyd's 61st Chairman for a minimum term of three years in November 2002. He has accepted an invitation from the Council of Lloyd's to serve for a second three-year term starting November 2005.

Lord Levene said: "The Lloyd's market has undergone a major transformation in recent years, but we are under no illusion that more needs to be done to cement that progress. I was, therefore, delighted that the Council of Lloyd's has given me the opportunity to help take that work forward.

"This has been a year of substantial progress for Lloyd's including record profitability, upgrades to our financial strength ratings and a highly successful subordinated debt issue. As I take that message around the world, it is clear that this impressive progress is well understood in both developed and emerging markets. Lloyd's is a highly successful insurance market with a global reputation for excellence, and a clear focus now on delivering strong financial performance. I have been honoured to be a part of that development, and fortunate to work with an outstanding executive team led by Chief Executive Nick Prettejohn."

CALL TO REGULATE UK CLAIMS MANAGEMENT

Lord Charles Falconer, the Lord Chancellor of the UK, has said that the Government will introduce legislation to regulate claims management companies. At present, British claims management companies are self-regulated.

The London-based Claims Standards Council, which represents organisations involved in the handling of claims for civil compensation, has welcomed the Lord Chancellor's intention to regulate the claims management industry, it has been reported. So does the London-based Association of British Insurers (ABI).

Stephen Sklaroff, Deputy Director General of the ABI, said in a statement that the move was "the logical conclusion of the failure so far to establish acceptable standards in the claims management sector, which has encouraged many frivolous claims and added greatly to costs."

LLOYD'S BEATS DISASTERS TO POST PROFIT

Lloyd's of London is expected to emerge from the industry's costliest year of natural catastrophes with a £500 million profit, it has been reported.

Lord Levene, the insurer's Chairman, is expected to announced the figures in April. It will mark the third year in succession that the market has reported a profit and underlines its financial revival. The profit will be reached despite a £400 million bill that Lloyd's is expected to pay to Swiss Re and five other insurers over an arbitration ruling relating to the September 11 terrorist attacks.

The profits, however, fell short of last year's record £1.9 billion. This is mainly due to the huge payouts following the four hurricanes that hit Florida in a six-week period last year. Another £100 million has been set aside to cover its exposure to the Asian tsunami.

The recovery at Lloyd's reflects the big changes that have taken place since its exposure to the destruction of the World Trade Center in 2001. The top management has introduced a series of measures to ensure that the 62 businesses that operate in the market do not underwrite unnecessary risk at unprofitable levels.

This has led to the market's capacity this year falling to £13.7 billion from £15 billion the previous year.

AIG ADMITS ACCOUNTING MISTAKES

American International Group (AIG) has said that a five-year-old contract with Warren Buffett's Berkshire Hathaway did not encompass enough risk-transfer to be considered an insurance transaction, and will be reclassified as a loan as part of a broad financial restatement, it is reported.

Formal recognition of that accounting mistake and several others, including a concession that AIG had effective control over two offshore insurance vehicles with which it did ostensibly arm's-length transactions, was contained in a press release.

AIG, whose business practices are being probed by the SEC, the New York attorney general, the Justice Department and the New York insurance commissioner, said it remained unable to codify the full effect of the restatement. It said, however, that preliminary estimates suggest its previously reported shareholder equity of $82.87 billion as of December 31 will fall by about two %, or $1.66 billion.

The news cost AIG its coveted triple-A credit rating at Standard & Poor's. The agency cut AIG's long-term counterparty and senior debt rating to double-A-plus.

Of most significance is the admission regarding General Re, which Berkshire acquired in 1998. Investigators are currently preparing to interview Buffett, one of the most admired businessmen in the world, over what he knew about the 2000 deal, which had the effect of bolstering AIG's reserves by several hundred million dollars.

"Based on its review to date, AIG has concluded that the Gen Re transaction documentation was improper and, in light of the lack of evidence of risk transfer, these transactions should not have been recorded as insurance," AIG said. The company will adjust its financial statements to recharacterize the deals as deposits rather than as consolidated net premiums, reducing the reserve for losses and loss expenses by $250 million and increasing other liabilities by $245 million.

The General Re transactions were carried out in two tranches in the fourth quarter of 2000 and the first quarter of 2001. The first tranche was closed out in November 2004, with a corresponding reduction in premiums and loss reserves totaling about $250 million. The other tranche remains on AIG's books as previously recorded.

ACTUARIES MEET

The Federation of Indian Chambers of Commerce and Industry (FICCI) organised the Seventh Global Congress of Actuaries in Delhi on February 15-16.

L to R: Mr. R. N. Bharadwaj, Chairman, LIC of India, Mr. Omkar Kanwar, President, FICCI, Mr. C. S. Rao, Chairman, IRDA and Mr. Alf Guldberg, President, International Actuarial Association at the Global Congress of Actuaries.

Awarded

Disha, the newsletter of the LIC Zonal Training Centre, Hyderabad, was adjudged the Best Newsletter at the national level competition instituted by Public Relations Society of India.

L to R Mr. T. Chattopadhyay, Zonal Manager, South Central Zone, LIC receives the trophy from Mr. A. K. Goel, Principal Secretary, Government of Andhra Pradesh. Ms. Swarna Prabha Sukumar, Principal ZTC, Hyderabad and Mr. K. V. N. Rao, Assistant Secretary, (PR & CC) are also seen in the picture.

“ ”

There was no functioning executive group when we turned up (at HIH). We had to rebuild things. The company was in complete denial. The way they used to assess claims was not pay them. They took the view that it was cheaper to hire a lawyer than pay the claim. "We had to change all that and explain to people that their job was to pay claims.

Tony McGrath, HIH liquidator

Secret payoffs and conflicts of interest that infected the market for property and casualty insurance have taken root in the employee benefits market as well.

Mr. Eliot Spitzer, New York Attorney General

The surge in catastrophic events . . . reminds us of the importance of pricing risk correctly. The critical role of insurance is to pay claims, to assist the process of rebuilding. But the industry can only do that if its balance sheet is strong.

Lord Peter Levene, Chairman, Lloyd's of London

We are in the business of risk. We deal with some of the most volatile, dangerous and significant risks in the world. And yet, ironically, we compound that risk by handling it through a business process that breeds operational risk.

Mr. Nick Prettejohn, CEO, Lloyd's of London on the outdated operational processes in the insurance industry.

Following the Spitzer intervention, who can possibly doubt that we need a transparent, auditable and structured record of the process of a transaction? And following the Tiner intervention, who can doubt that we must have a proper and prompt record of an insurance contract?

Mr. Nick Prettejohn, CEO, Lloyd's of London on the outdated operational processes in the insurance industry.

Many insurers regard a $100 billion industry loss as “unthinkable” and won’t even plan for it. But at Berkshire, we are fully prepared. Our share of the loss would probably be 3% to 5%, and earnings from our investments and other businesses would comfortably exceed that cost. When “the day after” arrives, Berkshire’s checks will clear.

Mr. Warren E. Buffett
Chairman, Berkshire Hathway, on the disciplines followed in his insurance businesses.

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Events

6 - 7 April , 2005
Venue: Singapore
3rd Asian Conference on Claims Management in Insurance
by Asia Insurance Review

20 April, 2005
Venue: Mumbai
IT as a strategic partner for the emerging insurance industry:
Key applications and risk management solutions by Asia Insurance Post

25 - 27 April, 2005
Venue: Pune
Programme For Ombudsman by National Insurance Academy (NIA), Pune

25 - 30 April, 2005
Venue: Pune
Servicing Through Corporate Agents & Brokers Development by NIA Pune
Trainers Training Programme by NIA Pune

2 - 7 May, 2005
Venue: Pune
Agricultural & Rural Insurance by NIA Pune
Relational Database Management Systems by NIA Pune

23 - 28 May, 2005
Venue: Pune
Prevention of Insurance Frauds (Non-Life) by NIA Pune
Public Relations & Publicity by NIA Pune
Website Designby NIA Pune

9 - 14 May, 2005
Venue: Pune
Research Methodology and Market Intelligence (Life)by NIA Pune
Health Care Management by NIA Pune

10 - 11 May, 2005
Venue: Singapore
Insurance Executive's Summit on Technology
by Asia Insurance Review

16 - 17 May, 2005
Venue: Pune
Silver Jubilee C.D. Deshmukh Seminar on Future of Life Insurance Markets by NIA Pune

16 - 21 May, 2005
Venue: Pune
Reinsurance Management (Non-Life) by NIA Pune
Service Differenciation and Relationship Management (Life)
by NIA Pune

30 May - 1 June, 2005
Venue: Pune
Principles of Actuarial Science for Non-Actuarial Executives (Life)
by NIA Pune

2 - 4 June, 2005
Venue: Pune
Programme For Ombudsman Secretaries /Deputy Secretaries
by NIA Pune
Lateral Thinking & Decision Making by NIA Pune

30 May - 2 June, 2005
Venue: Pune
Data Warehousing, Data Mining and Knowledge Management (Life) by
NIA Pune