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Journal

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From the Publisher

In the middle of January, an unfinished item on the agenda of the Authority was completed when we issued licences to the first of the insurance brokers, two years after the first new insurance company was registered.

Brokers are an important, and sophisticated, intermediary in the market and, though delayed, we hope that their introduction into the scheme of things has completed the initial wish list of insurers. Brokers not only sell insurance but, with their vast knowledge of risks and the market, advise clients and help insurers fashion new products to suit the needs of the customer. With this we hope the insurers will find they have sufficient channels through which to take their services to an insurance starved society.

Our society is insurance starved not only because of the internal and external constraints under which the insurance industry, and indeed the whole financial system, was working. It is also because the society at large has not become aware of the value of insurance and the critical role it plays in securing assets and financial well being. Building up public awareness of insurance and pensions is something that we in the Authority are planning to do in a sustained manner. I had mentioned last month about our initiative with Prasar Bharati in this direction.

We are also working with consumer groups, and may do so with the Consumer Affairs Department of the Government of India, to reach out to the public. In one such effort last week we organised, along with FORTE, a joint venture of the Federation of Indian Chambers of Commerce and Industry (FICCI) and ING Insurance, a consumer awareness session where IRDA's Policyholders' Protection Regulation was discussed among other things.

It is always distressing to hear complaints about the apathy and mistakes of omission and commission of the insurance industry. It was particularly so to hear the Secretary, Consumer Affairs, pointing out that the single largest category of complaints before consumer forums and consumer courts related to insurance.

This kind of a reputation with customers and the public is hard to live down. Nevertheless, I am sure that the very intelligent members of this proactive industry will prove themselves to be consumer friendly as well, and hence business savvy, because you cannot have a healthy industry without happy and confident customers.

The focus was also on emerging markets and on fraud in two other conferences co-hosted by the IRDA last week in Delhi. The former was a meeting of the regulators of insurance from all over the world, under the banner of the International Association of Insurance Supervisors (IAIS). What became apparent was that regulators in emerging markets were slowly, but confidently, finding their feet and their own path to prudential regulation of the industry in their countries. What was also gratifying was that Indian regulations were found to be on par with most standards and indeed ahead of the rest of the world in some areas like corporate governance, which is a subject of no small concern at the present time.

Fighting frauds and anti-money laundering are priority areas for the IAIS not only because of the losses they cause to the insurance industry and to the economy of the country they occur in, but also because of the backdrop of terrorism, specially post 9/11.

Indian legislation is yet to catch up. Insurance frauds are not covered under the recently passed legislation on money laundering, which awaits Presidential assent, since cheating is not mentioned as an offence under this Act. Hopefully this will be corrected and the industry will have the protection it needs under the law.

N. RANGACHARY

Contents

Setting the agenda

The insurance industry in India is reinventing itself in so many ways that there are burning topics to discuss all the time. We need more, and professional, intermediaries, specialised training for them, better accountability, more investment avenues and better returns for our money (which of course who doesn't?)

We also need more freedom to decide on our own rules. So codes of conduct for various sections of the industry are being drawn up so that the industry can move towards self-regulation and the regulator is gearing up for on-site inspections in accordance with the 'trust but verify' principle of regulation.

We also need freedom to decide on our own pricing. Or do we? This is the debate – on detariffing in the general insurance industry – that we outline this month in the Issue Focus section.

But before that, in our new section, Follow Through (which will carry reactions to and extensions of the logic of earlier Issue Focus articles) we look at an important question on Health Insurance, the focus of the January issue.

And the question is: How do you revive and nurse the health insurance business back to health? Mr. Aloke Gupta presents more of his views on Mediclaim and how it can be cured and what course he thinks the health insurance market evolution will take over the next few years. We have begun to get reader feedback, and you will find it in this issue.

The Issue Focus for February is "Detariffing – do we need it, can we survive it?" Detariffing is a much loved and much hated word. Does it protect the bottom line or does it constrain marketing? Does it give companies wings to fly or is it just a beguiling invitation to crash and burn?

Does it give the small consumer, who has no bargaining voice, a fair chance at an equitable premium in a personal line product, or does it merely blur the lines between good and bad customers?

In this issue of **IRDA Journal** we present the views of all general insurance companies on detariffing.

We also present insightful and frank views on the subject by two veterans in the industry. Mr. S. V. Mony, Chief Executive, AMP Sanmar Assurance Company, who spent over 45 years in the Indian general insurance industry and headed the General Insurance Corporation of India (GIC), says that we need detariffing, but with stability. Mr. C. N. S. Shastri, who retired as Managing Director, GIC, says that technologically we are still a long way away from being able to implement it.

Both of them look at the pros and cons of detariffing through years of experience in the Indian and foreign insurance industries and a reflectiveness that the industry will benefit from.

What we have tried to offer you in this month's 'Issue Focus' section is a range of angles from which all of us should view the topic before making a decision on detariffing. A decision that could well be the single most disruptive, as well as far reaching, one in the life of the general insurance industry.

We will try in each issue to bring you a thought provoking short article on the Issue Focus of the subsequent month. The thin end of the wedge this time is being hammered in to further the cause of training of intermediaries. Mr. V. Krishnan of Tata-AIG General Insurance Company looks at the training requirements for marketing intermediaries from his experience in putting together marketing channels for his company in the last two years. And we hope to hear from you readers, about various types of intermediaries and thoughts on their training requirements, both met and unmet.

Meanwhile, thanks to all of you who wrote in with comments and suggestions, and of course for requests for subscription information and copies. To repeat, the **IRDA Journal** is a free service. We will put you on the mailing list. But don't forget that you will get a richer magazine only if you contribute your thoughts and feedback to us continuously!

K. Nitya Kalyani

On AIR and DD!

The consumer awareness publicity campaign planned by the IRDA is soon to be underway. It will take the form of special programmes, sponsored programmes and commercials during prime time on All India Radio and Doordarshan.

Mr. K. S. Sarma, Chief Executive, Prasar Bharati, told a gathering of insurers and international insurance supervisors and their officials that the media of radio and television had an immense reach in a country like India where about 99 per cent of the population was covered and would be the suitable medium to spread awareness and information.

For instance, he said, even his own organisation did not know that its transponders in the border areas, which were exposed to damage could be covered at a very nominal cost. This was because of a lack of information from the side of the industry to customers and a lack of awareness of potential customers on the availability and the benefits of various kinds of insurance.

He went on to say that during the course of his work on the awareness campaign on insurance, he realised that this topic would attract much more interest and response than even the ones on literacy and primary education. Audience interest was high, he said, since this was an immediate tool of financial security and was a very powerful economic weapon.

The IRDA's awareness campaign is to run over three months starting shortly. It will be repeated over the next nine months, drawing attention to insurance and pensions as important investment and security avenues, specially for the lower middle class people for whom financial stability is both a dream and a basic necessity.

Reaching Out to the Consumer

Apparently it is not only the IRDA, but the Department of Consumer Affairs, Government of India too, that is preparing to reach out to the consumer through a massive multimedia publicity initiative.

Mr. Wajahat Habibullah, Secretary, Department of Consumer Affairs told the gathering at a Conference on Consumer Awareness: Insurance Sector, held on January 22, 2003, at Delhi that his Department was not anymore trying to provide benefits but was in the business of ensuring customer satisfaction.

Mr. Habibullah was speaking at the conference organised by the IRDA along with FORTE, a joint venture between the Federation of Indian Chambers of Commerce and Industry (FICCI) and ING Insurance, and said that he would be glad if the two initiatives could work together.

Mr. N. Rangachary, Chairman, IRDA, noted that the IRDA had planned its activities for the near future around consumer awareness and that if consumer awareness grew it would not be impossible for insurance premiums in the country to double in 4 to 5 years.

The conference had other speakers stressing the importance of taking insurance to the consumer and making it easy and accessible to them. Mr. T. K. Viswanathan, Member-Secretary, Law Commission, and also part time member of the IRDA, said that insurance policy wordings were unnecessarily complicated and that something like the Plain Language Movement was urgently needed so that the consumer not only knows what he gets but more importantly what he will not get.

Mr. Jairam Ramesh, Economic Advisor to the All India Congress Committee, (AICC), said that the entire focus of the new players in insurance has been on life insurance and that the health, rural and pensions sectors needed a lot more activity and attention.

The opening up of the insurance sector has been the single success story from India that is being recognised abroad he said, and attributed it to the way the regulator functioned, keeping in close touch with the Government but not incestuously so.

Mr. Rangachary launched the second issue of FORTE Insurance, a magazine published by FORTE. The issue focusses on rural insurance and also carries the results of a survey conducted by the organisation on trends in customer expectations in insurance after the advent of new players.

Fraud Concerns

The International Association of Insurance Supervisors (IAIS) is concerned about how supervision can control fraud said Mr. Peter Van der Broeke, Chairman of the Frauds sub-committee of the IAIS.

Speaking at the valedictory of the two day conference on Frauds and Anti-money laundering held in Delhi on January 20 and 21, Mr. Van der Broeke said that cross border movement of money had to be monitored closely as there were potential links with activities like terrorism and drug trading.

The conference was organised by the Frauds sub-committee of the IAIS along with the IRDA.

Mr. N. Rangachary, Chairman, IRDA, said in his valedictory address that the industry has to create an awareness of rights and obligations in the minds of insuring public. He also said that insurers cloud their policy documents with fine print and no insurance company even in a liberated regime today says tersely what an insured has to do for a claim.

Under the circumstances, an anxiety about having paid for insurance coupled with the prospect of not getting a legitimate claim paid, or a feeling that the premiums are an investment that should bring a payback leads the insureds to inflate claims highly, he said.

This becomes a vicious circle with insurers developing a phobia, rejecting claims on silly grounds leading to delays in dispute settlement.

Apart from frauds small and big, he said, money moving in out of an economy due to pricing mechanisms, the prevalence of a cash economy and unreported, illegal, trade in drugs and arms contributed to money laundering which could damage economies.

It would be the greatest benefit of such a conference, he said, if at the end of it the participants could form an organisation to fight frauds and money laundering with which the IRDA could align itself.

Mr. T. K. Viswanathan, Member-Secretary, Law Commission of India, and Part-time Member of the IRDA, pointed out earlier that cheating was not mentioned as an offence in the Indian Penal Code (IPC) and as such insurance frauds could not be dealt with under the law.

About Emerging Markets

Why do insurance regulators, unlike other regulators, meet so often? Mr.Yoshihiro Kawai, Secretary-General designate, International Association of Insurance Supervisors (IAIS) cites the example of the recent failure of a Japanese insurer, with $3 billion assets under management.

The management knew the underwriting business but was felled by one reinsurance contract that led to a $600 million payout, far above the capital base of the company.

“Insurers have to know not only their own territory but also that of others,” Mr. Kawai said, and that is why Supervisors should communicate closely and co-operate so that they set the right standards and the rules of the game.

These common concerns were among those discussed at the Third Emerging Markets conference held in Delhi on January 20 and 21 jointly by the IRDA, the IAIS, the Institute of Insurance and Risk Management (IIRM), the Malaysian Insurance Institute (MII), Organization for Economic Co-operation and Development (OECD), United Nations Conference for Trade & Development (UNCTAD), Insurance Institute of India (III), Financial Stability Institute (FSI) and the International Insurance Foundation (IIF), USA.

Speaking on the risk of terrorism and the question of insurability of such risks, Mr. Andre Laboul of OECD said that better governance of financial institutions was the key to confidence in the financial markets and would be on the policy agenda of countries.

Inaugurating the conference, Mr. N. Rangachary, Chairman, IRDA, said that the penetration of insurance in emerging markets was low because of the non-recognition of insurance as a social and economic tool to remove disparities and for the development of a very active capital market that would help the economy.

“During this period of strife,” he said, “the regulator’s ability to carry the players together will be tested.”

Speaking of India he said that insurance would not be considered as just a commercial business in this country and that he wanted insurers to take insurance to the masses and the weak.

The various concerns of emerging markets, he said, included a lack of awareness both among the regulators and the regulated, a tremendous assymetrical pattern of communication between the insurers and the insureds and the need for delinking ownership and regulation and a sensitive handling of the old and new players during the period of readjustment from a command economy to a market economy.

Need to Know Basis

Attracting and building good distribution in non-life insurance

V. Krishnan

All of you are familiar with FM 98.3, 97.5, 92.5 and the many other stations that vie with each other to grab your attention and your ears. So what is new about WIIFM ? It's not a radio station, just an acronym. It's been there for years, and takes centre stage every time you interact with an institution, organisation, unit, individual, and even in your own personal relationships, as you seek to build partnerships.

WIIFM stands for "what's in it for me"! We all know that there is no such thing as free lunch, but in today's fast changing world all things depend solely on what's on the table for lunch. Well, if it's good enough to add value you can have company for lunch, or else end up eating alone.

This is just to put in perspective that, thanks to development, globalisation, opening up of various sectors and technological revolution, the socio-economic landscape has surely changed dramatically in the major and mini metros and to a discernible extent in the towns and the countryside.

With these changes have come opportunities for business that never existed years ago.

Just look around and see how things have changed in our own lifetime, in just the last 15 years. It has been boom time for car, house and personal loan direct sales agents (DSAs), distributors for SIM cards, mutual funds and mobile phones, STD booths, travel agents, supermarkets, franchisees of fast food joints, ATM booths, internet kiosks, white goods dealers, mobile super markets, mobile banks, multilevel distribution, Amway, Tupperware and Oriflame. A host of opportunities have all sprung up.

If this is not enough you have direct marketing, telesales, direct mail and work site marketing, all vying to sell products and services to the customers. This is not to mention various websites that deliver everything from train bookings, cinema tickets, fresh vegetables and books, do match making and what have you. If there is a need for good service, there is an entrepreneur ready to open shop!

What do all these distributors have in common? They realise the future is in the service industry. They have entrepreneurial minds, are ready to embrace new technology and services, are ready to commit time and resources, provide the very best services to their customers and thus build a good solid revenue model for themselves.

In such a highly competitive marketplace, where every new sector vies to build and attract a good distribution system, one of the new entrants is the insurance sector. There has been so much talk and debate on how the opening of the insurance industry is really going to benefit the customer in a big way and drastically improve quality of service delivery – both policies and claims – and also bring a host of new products to the stable. Here is where a good distributor asks, WIIFM?

For the sake of focus and brevity this article shall restrict itself to the non-life distribution. Life distribution in India has evolved well with lots of investments in training and development of life insurance agents with a good, rewarding, first commission structure and good future accruals. Non-life distribution on the other hand is more like a bonsai plant. There was no specific focus on building distribution and, despite having a good talented Development Officer force (who are in-house employees of insurance companies), it was required to recruit, train and build an agency force.

Commission payouts became more and more restrictive, direct discount to customers became a rule rather than exception, growth of large number of branches and divisional offices lead to direct servicing of the client by the Branch Manager/Divisional Manager, thus stunting agency development. The Malhotra Committee report had researched and analysed this aspect very well and concluded that the creation of a vibrant and productive agency force is crucial for customer service and growth of the retail market.

What we have today in non-life insurance sector are:

- Commissions are restricted to only 15 per cent of the annual premium.
- Despite every policy document strongly proclaiming that no rebates are permitted, insurers continue to provide a 5 per cent direct discount if the client deals directly with the insurer.
- "Any one who sells, solicits and procures insurance" must undergo 100 hours of IRDA approved training, pass the exam and only then will be eligible for an agency licence.

Let us look at the situation from a distributors point of view: The prescribed textbook for non-life training addresses, besides basics of insurance and sales skills, as many as 20 different Acts and 32 different policies!

Now here is a distributor, either a small partnership firm or a limited company, say a travel agency, primarily involved in issuing tickets, arranging visas, foreign exchange etc., who would be keen to extend one more service, that of selling overseas travel policies, to his customers.

Similarly, an outfit which primarily does car loans for banks and motor car dealers would be keen to offer auto insurance to its customers, those in home loans to offer Householders' insurance and so on.

They are called 'monoline producers' and will like to restrict themselves to their core business and offer policies relating to their core to begin with.

Why, pray, should they be called upon to learn about silkworm insurance or a marine transit policy and also be tested in an exam for this? What this leads to then, is a discouraging bar for many good monoline producers.

When things turn discouraging enough, and still a 'requirement' is to be satisfied, then a host of unfair practices creep in, which only defeats the purpose of such all-round training. To perfect the mistake we have an alarmingly large number of training institutes which are 'agreeable to bypass' the 100 hours of training, and the advent of online exams gives less scope to test the depth of knowledge, thereby churning out a large number of 'half hearted learners' who are then let loose on an unsuspecting insuring public.

The laudable objectives of having a trained and qualified insurance distributor has thus been killed by an overdose of subjects to be learnt.

The solution therefore lies in having various training modules, say for 30 hours each, which are very intensive in one line of business like travel, auto, home, etc., so that it not only attracts good quality distributors but ensures that they find their investment of time in this training useful and practical.

It shall be the responsibility of the insurance companies to ensure that these producers sell only the licensed line of products, and if they want to move to other lines, that they subsequently qualify themselves suitably. Of course, a distributor who wishes to go 'multilane' immediately needs to go in for the full 100 hours of training.

We all know that there is no such thing as 'one size fits all' in any business. And that is true of training as well. What the industry needs urgently today is to induct more specialised distributors who can sell insurance as an additional product/service to their existing clients for other products and services so that insurance is sold when and where the need arises and to an existing database of customers. There has to be sufficient and suitable training for them.

In so short a compass as the present article, the discussion has been only suggestive and not exhaustive.

Is anyone listening to the WIIFM station ?

The author is Vice President and National Head of Branch and Agency Operations, Tata AIG General Insurance Company.

Agent trainees' burden!

Agent trainees have to study as many as 20 Acts & 32 Policies

- Insurance Act, 1938
- Marine Insurance Act, 1963
- The Carriers' Act, 1865
- The Merchant Shipping Act, 1958
- The Bill of Lading Act, 1855
- The Carriage of Goods by Sea Act, 1925
- Indian Railways Act, 1989
- The Indian Ports (Major Ports) Act, 1963
- Multi – Modal Transportation Act, 1993
- The Motor Vehicles Act, 1988
- The Workmens' Compensation Act, 1923
- Public Liability Insurance Act, 1991
- Sale of Goods Act
- Consumer Protection Act, 1986
- The Indian Stamp Act, 1899
- Indian Post Office Act, 1898
- The Carriage by Air Act, 1972
- General Insurance Business (Nationalisation) Act, 1972
- Insurance Regulatory & Development Authority Act, 1999
- Indian Steam-Vessels (Amendment) Act, 1977
- Standard Fire & Special Perils Policy
- Floater Policy
- Declaration Policy
- Industrial All Risks Policy
- Consequential Loss (Fire) Policy
- Contractors All Risks (CAR) Policy
- Erection All Risks (EAR) Policy
- Machinery Breakdown Policy
- Boiler & Pressure Plant Policy
- Machinery Loss of Profits Policy
- Advance Loss of Profits (ALOP) Policy
- Deterioration of Stock Policy
- Electronic Equipment Policy
- Personal Accident (PA) Policy
- Group PA Policy
- Janata PA Policy
- Raj Rajeshwari Mahila Kalyan Yojna
- Bhagyashree Child Welfare Policy
- Mediclaim Policy
- Cancer Policy
- Bhavishya Arogya Policy
- Overseas Mediclaim Policy
- Cattle Insurance
- Sheep & Goat Insurance
- Poultry Insurance
- Aqua Culture Insurance
- Sericulture (Silk Worm) Insurance
- Horticulture/Plantation Insurance
- Agricultural Pump Set Policy
- Salt Works Insurance
- Animal Driven Cart Insurance
- Hut Insurance

WHAT do you think about our training needs as an industry?

The IRDA, in a pioneering attempt to professionalise and upgrade the standard and standing of insurance intermediaries introduced standard minimum training and licensing requirements.

After two years it's time to take stock. Is what we are doing enough? And is it appropriate? Has the market developed – or should it be developed – in innovative ways which require a different approach to training? Do we need a mid-course correction? These and other questions will be discussed in our March issue. You can write to us your views too, we would be delighted to publish them!

Exempted Insurers

should they stay exempt?

R. C. Sharma

Insurance as a business started in India in the 19th Century with the establishment of various life and non-life insurance companies primarily in Calcutta. Companies mushroomed thereafter and ultimately, the Insurance Act, 1938, was passed to govern the business.

Life insurance business was nationalised and all managements taken over by the Government in September, 1956, by an Act of Parliament which led to the setting up of the Life Insurance Corporation of India (LIC). Subsequently, non-life insurance business was also nationalised in 1972 and the General Insurance Corporation of India (GIC) and its four subsidiaries came into being, all registered under the Companies Act.

On the recommendations of the Malhotra Committee on Reforms in the Insurance Sector (1994), advocating liberalisation of the insurance sector in India, the Insurance Regulatory and Development Authority (IRDA) was established by an Act of Parliament, the IRDA Act, in 1999 to ensure orderly growth of the insurance market in India. With this Act in place, the Government's monopoly in, and regulatory powers over the insurance business ceased. The IRDA as sole regulator of the business registers and oversees insurance companies, both publicly and privately owned.

However, Section 118 of the Insurance Act, 1938, exempts some entities as described below from the provisions of this Act.

i) Trade unions registered under the Indian Trade Unions Act, 1926

ii) Provident funds to which the provisions of Provident Fund Act, 1925, apply

iii) Any insurance business carried on by the Central Government or a state government or a government company as defined in Section 617 of Companies Act, 1956, as ordered by the Central Government

iv) Any approved superannuation fund as defined in clause (a) of the Section 58 N of the Indian Income Tax Act, 1922, as ordered by the Controller of Insurance

v) Any fund in existence and officially recognised by the Central Government before the January 27, 1937, maintained by or on behalf of government servants or government pensioners for the mutual benefit of contributors to the fund and of their dependents, as ordered by the Controller of Insurance

vi) Any mutual or provident insurance society composed wholly of government servants or of railway servants which has been exempted from any or all of the provisions of the Provident Insurance Societies Act, 1912, as ordered by the controller of Insurance

In addition, Section 36 of the General Insurance Business Nationalisation Act, 1972, (GIBNA), also exempts the application of this Act in relation to any general insurance business carried on by a state government to the extent to which such insurance business relates to properties belonging to it or undertakings owned wholly or mainly by the state government, or to properties belonging to any semi-government body, or any board or body corporate established by the state government under any statue or any industrial or commercial undertakings in which the state government has substantial financial interest, whether as shareholder, lender or guarantor.

There are about thirty such entities enjoying these exemptions, with the status of 'exempted insurers' on the grounds that they were exempted at the time of nationalisation of the insurance business and, therefore, are not required to be governed by the regulations of the IRDA. They have further shown their disinclination to function as registered insurers on the grounds that the IRDA Act came into force subsequent to their exemptions.

These exempted insurers may like to seek refuge in the imbroglio of different and conflicting views and opinions on the applicability of the various provisions of the Insurance Act, 1938, GIBNA, 1972, IRDA Act, 1999, and its subsequent regulations. But the fact remains that numerous conditions forming part of these clauses themselves preclude these exemptions.

A very fair and reasonable stand could be that these insurers should not escape the application of the provisions of the Insurance Act, 1938, and the regulations of the IRDA. However, in cases where funds belong to the state government, application of regulations with regard to solvency margin, investment and financial statements may be relaxed to the extent that these funds are maintained separately and separate financial statements/audit reports are submitted to the Authority. Also, state governments must ensure their financial viability and ability to meet their liabilities. They are also allowed to restrict their field of activities, as per the exemptions enjoyed by them.

The importance of regulations in the insurance sector, more so in India, need not be overemphasised, particularly when the insurance sector is vulnerable to market failures. One of the roles of the regulator is to ensure that competition is fair. Past experience shows that among the four subsidiaries of the GIC, competition was only notional. Exempted insurers too, with state governments as their promoters, fall in the same category.

Competition is widely accepted as good, but still needs to be regulated. Specially in insurance, failures can affect larger and diverse segments of the society. It is a long term and very complex contract between the insured and the insurer, which needs to be carefully watched by the regulator to make sure the insurer can meet an eventuality under adverse conditions.

Another role of the regulator is to ensure efficiency with competition. Most exempted insurers work like government departments with a very conservative approach towards the client and the business. The insurance business must be so carved out that each participant gets due benefit out of the activity. When insurance is offered indiscriminately, there are chances of some wrong selections too. These companies may not even take into account many finer aspects common to the business like deductibles, co-insurance and exclusion of coverages.

Regulations, strictly, do not mean an enforcing of laws, but rather are for the development of the industry by putting into practice prudential business norms. The IRDA plays the role of a developer of insurance business also. In fact, regulatory supervision and development go hand in hand, and are complementary to each other. Robust supervision is imperative for healthy growth of the business.

There are some finer elements which are interwoven into the regulations and form part of the regulatory regime, which cannot be thought of in isolation. For example, issues like fit and proper, file and use, compulsory disclosure of information etc, go a long way in strengthening the system and are aimed at an orderly and healthy development of the insurance business market.

It is bit difficult to fully justify the intrusive role of the regulator, but what we gather from past experience, present inconsistencies and the likely future scenario, is a convergence of financial services under a single regulatory authority. This is already being implemented in some countries. It is not out of place to mention that bringing all insurance activity under a single regulatory head is of paramount importance.

At this stage, exact data with regard to the number of policies and the amounts insured by these exempted insurers is not available. However, it is widely understood that the volumes of policies and insured amounts involved in their transactions are colossal. The magnitude of the business itself is a pointer to the urgent need to apply regulatory provisions.

Immunity to a system from regulation brings stagnation, frustration and sometimes retrogression. Regulations are basically to infuse professionalism and efficiency in the insurance industry and to provide an open and hassle free market. They are, in a way, aids to help the industry to grow and develop healthily, and are definitely not impediments.

There is a strong case to bring these exempted insurers into the mainstream of the insurance business without any prejudice. Fiduciary responsibility is the main pillar on which the insurance industry is built, and applies to the relationship between any insurer and insured. It is regulations that provide strength to the pillar.

This is the time to give thought to whether it is desirable to continue to allow the exemption enjoyed by these 'exempted insurers.' In fact it is for them to come forward and join the other insurers by shedding their 'exemption' and contribute their bit to the development and growth of the insurance industry in India, reaping the benefits of regulations themselves in the process.

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

Reinsurance: Cessions and Acceptances

We present some reinsurance statistics pertaining to the year 2001-2002 for the Indian general insurance industry.

As a backgrounder, under Section 101 A of the Insurance Act, 1938, the General Insurance Corporation of India (GIC) has been notified as the Indian reinsurer. As per the decision of the Reinsurance Advisory Committee, the IRDA requires a compulsory cession by general insurers to the GIC at 20 per cent (subject to limits) in Fire, Engineering and Energy businesses. Cessions in respect of Public and Product Liability business should also be 20 per cent on quota share basis without any limits. The IRDA requires that reinsurance be placed only with reinsurers who enjoy a rating of at least BBB with Standard & Poor.

The IRDA has also mentioned in its Annual Report, 2001-2002, that it is an issue of concern to the Authority that insurers cede abroad only after the utilisation of national capacity and on competitive international terms, and that the business placed with any one reinsurer should not be excessive.

Class-wise Retentions

(General Insurance 2001-2002)

Class	Net Retention In India (%)
Fire	92.42
Marine Cargo	96.25
Marine Hull	60.75
Aviation	34.21
Engineering	86.16
Motor	99.90
Miscellaneous	96.91
Total	92.05

Fire Business Written in India

(Year ending March 31, 2002)

(Rs.in millions)

Particulars	Bajaj Allianz	Reliance	ICICI Lombard	Royal Sundaram	Tata-AIG	IFFCO-Tokio	National	New India	Oriental	United	Total	Retention within India
Gross direct	45.56	454.00	98.88	90.18	113.08	215.60	4921.00	8598.90	5216.67	5810.07	25563.94	92.42%
Fac RI accepted					19.36	0.20	396.00	28.03	238.50	33.45	715.54	
Treaty RI accepted							535.00	318.36	213.55	826.22	1893.13	
Total	**45.56**	**454.00**	**98.88**	**90.18**	**132.44**	**215.80**	**5852.00**	**8945.29**	**5668.72**	**6669.74**	**28172.61**	
Treaty RI ceded in India	13.28	345.00	50.02	24.53	23.41	90.60	2074.00	1653.93	1522.43	1817.65	7614.85	
Treaty RI ceded outside India	19.31	97.00	35.76	31.99	55.12	58.70	24.00	296.57	293.16	178.83	1090.44	
Fac RI ceded in India	9.57		11.05	6.02	36.28	38.30	119.00	1469.06	333.33	321.04	2343.65	
Fac RI ceded outside India					22.23	18.90		350.11	90.16	366.87	848.27	
Net	3.40	12.00	2.05	27.64	-4.60	9.30	3635.00	5175.62	3429.64	3985.35	16275.40	

Marine Cargo Business Written in India

(Year ending March 31, 2002)

(Rs.in millions)

Particulars	Bajaj Allianz	Reliance	ICICI Lombard	Royal Sundaram	Tata-AIG	IFFCO-Tokio	National	New India	Oriental	United	Total	Retention within India
Gross direct	2.17	13.00	0.02	13.89	57.37	15.84	1610.00	2063.95	1386.14	1762.77	6925.15	96.25%
Fac RI accepted							0.20	0.37		1.87	2.44	
Treaty RI accepted							19.20				19.20	
Total	**2.17**	**13.00**	**0.02**	**13.89**	**57.37**	**15.84**	**1629.40**	**2064.32**	**1386.14**	**1764.64**	**6946.79**	
Treaty RI ceded in India	0.46	8.68	0.01	2.87	16.24	8.20	475.00	498.10	326.56	501.16	1837.28	
Treaty RI ceded outside India	0.95	1.64		0.39	17.55	7.62	22.00	53.77	22.90	54.86	181.68	
Fac RI ceded in India					0.70			7.10		1.84	9.64	
Fac RI ceded outside India					4.51		9.00	3.51	20.86	40.07	77.95	
Net	0.76	2.68	0.02	10.63	18.37	0.02	1598.40	1501.84	1015.82	1166.71	5315.25	

Marine Hull Business Written in India

(Year ending March 31, 2002)

(Rs.in millions)

Particulars	Bajaj Allianz	Reliance	ICICI Lombard	Royal Sundaram	Tata-AIG	IFFCO-Tokio	National	New India	Oriental	United	Total	Retention within India
Gross direct							460.00	1329.06	670.36	1032.78	3492.20	60.75%
Fac RI accepted							12.00	31.96	7.25	3.28	54.49	
Treaty RI accepted							153.00	82.64	82.52	99.69	417.85	
Total							**625.00**	**1443.66**	**760.13**	**1135.75**	**3964.54**	
Treaty RI ceded in India							192.00	429.99	160.52	332.00	1114.51	
Treaty RI ceded outside India							46.00	61.54	36.14	115.33	259.01	
Fac RI ceded in India							210.00	438.71	19.00	71.46	739.17	
Fac RI ceded outside India							10.00	242.97	388.50	470.36	1111.83	
Net							167.00	270.45	155.97	146.60	740.02	

Aviation Business Written in India

(Year ending March 31, 2002)

(Rs.in millions)

Particulars	Bajaj Allianz	Reliance	ICICI Lombard	Royal Sundaram	Tata-AIG	IFFCO-Tokio	National	New India	Oriental	United	Total	Retention within India
Gross direct	0.29	16.00					556.00	857.83	1251.03	361.88	3043.03	34.21%
Fac RI accepted	0.00	0.40					9.60	0.72	0.61	0.28	11.61	
Treaty RI accepted						402.00	22.88	14.16	14.97	454.01		
Total	0.29	16.40					967.60	881.43	1265.80	377.13	3508.65	
Treaty RI ceded in India	0.07	1.50					85.00	130.93	118.18	36.32	372.00	
Treaty RI ceded outside India												
Fac RI ceded in India	0.22	6.70					615.00	264.72	31.63	7.87	926.14	
Fac RI ceded outside India		5.80					198.00	398.01	1093.09	307.13	2002.03	
Net		2.40					69.60	87.77	22.90	25.81	208.48	

Engineering Business Written in India

(Year ending March 31, 2002)

(Rs.in millions)

Particulars	Bajaj Allianz	Reliance	ICICI Lombard	Royal Sundaram	Tata-AIG	IFFCO-Tokio	National	New India	Oriental	United	Total	Retention within India
Gross direct	17.96	60.00	18.05	47.70	16.97	63.47	1229.00	1645.62	1428.92	1496.70	6024.39	86.16%
Fac RI accepted					10.48		0.10	7.69	11.45	5.36	35.08	
Treaty RI accepted							109.00	90.53	115.68	116.14	431.35	
Total	**17.96**	**60.00**	**18.05**	**47.70**	**27.45**	**63.47**	**1338.10**	**1743.84**	**1556.05**	**1618.20**	**6490.82**	
Treaty RI ceded in India	5.24	42.00	6.14	8.02	5.78	34.97	306.00	642.22	520.10	428.18	1998.65	
Treaty RI ceded outside India	5.59	10.00	9.41	3.17	14.11	21.64	36.00	313.45	50.31	119.61	583.29	
Fac RI ceded in India	5.06	4.00	0.38	35.38	6.18		15.00	39.82		16.52	122.34	
Fac RI ceded outside India			1.48		2.01		63.00	29.29	34.77	119.81	250.36	
Net	2.07	4.00	0.64	1.13	-0.63	6.86	918.10	719.06	950.87	934.08	3536.18	

Motor Business Written in India

(Year ending March 31, 2002)

(Rs.in millions)

Particulars	Bajaj Allianz	Reliance	ICICI Lombard	Royal Sundaram	Tata-AIG	IFFCO-Tokio	National	New India	Oriental	United	Total	Retention within India
Gross direct	72.34	7.00	31.32	70.49	112.50	5.45	9132.00	12055.67	9294.38	9226.16	40007.31	99.90%
Fac RI accepted										0.66	0.66	
Treaty RI accepted										0.40	0.40	
Total	**72.34**	**7.00**	**31.32**	**70.49**	**112.50**	**5.45**	**9132.00**	**12055.67**	**9294.38**	**9227.22**	**40008.37**	
Treaty RI ceded in India	14.47	1.50	20.25	14.09	26.87	3.80	1826.00	2426.11	1881.67	1872.58	8087.34	
Treaty RI ceded outside India	23.90		2.60								26.50	
Fac RI ceded in India					1.39						1.39	
Fac RI ceded outside India					12.53						12.53	
Net	33.97	5.50	8.47	56.40	71.71	1.65	7306.00	9629.56	7412.71	7354.64	31880.61	

Health Business Written in India

(Year ending March 31, 2002)

(Rs.in millions)

Particulars	Bajaj Allianz	Reliance	ICICI Lombard	Royal Sundaram	Tata-AIG	IFFCO-Tokio	National	New India	Oriental	United	Total	Retention within India
Gross direct											0.00	NA
Fac RI accepted											0.00	
Treaty RI accepted											0.00	
Total	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	
Treaty RI ceded in India											0.00	
Treaty RI ceded outside India											0.00	
Fac RI ceded in India											0.00	
Fac RI ceded outside India											0.00	
Net	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	

Miscellaneous Business Written in India

(Year ending March 31, 2002)

(Rs.in millions)

Particulars	Bajaj Allianz	Reliance	ICICI Lombard	Royal Sundaram	Tata-AIG	IFFCO-Tokio	National	New India	Oriental	United	Total	Retention within India
Gross direct	15.72	209.00	27.30	103.14	90.21	85.40	5392.00	8572.60	5217.29	5911.67	25624.33	96.91%
Fac RI accepted		4.00					80.00	55.48	67.00	53.87	260.35	
Treaty RI accepted							137.00	54.51	-0.78	19.03	209.76	
Total	**15.72**	**213.00**	**27.30**	**103.14**	**90.21**	**85.40**	**5609.00**	**8682.59**	**5283.51**	**5984.57**	**26094.44**	
Treaty RI ceded in India	2.96	16.10	7.14	20.56	25.85	36.80	1250.00	1716.83	1079.82	1268.12	5424.18	
Treaty RI ceded outside India	2.22	1.60	3.76		7.75	1.07	7.00	18.33	17.96	32.49	92.18	
Fac RI ceded in India	0.80		0.84	0.76	13.37	6.40	41.00	121.42	105.11	112.85	402.55	
Fac RI ceded outside India	0.83	172.40	12.60	1.00	1.40	14.30	14.00	203.19	131.51	149.29	700.52	
Net	8.91	22.90	2.96	80.82	41.84	26.83	4297.00	6622.82	3949.11	4421.82	19475.01	

Total Business Written in India

(Year ending March 31, 2002)

(Rs.in millions)

Particulars	Bajaj Allianz	Reliance	ICICI Lombard	Royal Sundaram	Tata-AIG	IFFCO-Tokio	National	New India	Oriental	United	Total	Retention within India
Gross direct	154.04	759.00	175.57	325.40	390.13	385.76	23300.00	35123.63	24464.79	25602.03	110680.35	92.05%
Fac RI accepted		4.40			29.84	0.20	497.90	124.25	324.81	98.77	1080.17	
Treaty RI accepted							1355.20	568.92	425.13	1076.45	3425.70	
Total	**154.04**	**763.40**	**175.57**	**325.40**	**419.97**	**385.96**	**25153.10**	**35816.80**	**25214.73**	**26777.25**	**115186.22**	
Treaty RI ceded in India	36.48	414.78	83.56	70.07	98.15	174.37	5755.00	7498.11	5609.28	6256.01	25995.81	
Treaty RI ceded outside India	51.97	110.24	51.53	35.55	94.53	89.03	113.00	743.66	420.47	501.12	2211.10	
Fac RI ceded in India	15.65	10.70	12.27	42.16	57.92	44.70	1009.00	2340.83	489.07	531.58	4553.88	
Fac RI ceded outside India	0.83	178.20	14.08	1.00	42.68	33.20	1883.40	1227.08	1758.89	1453.53	6592.89	
Net	49.11	49.48	14.13	176.62	126.69	44.66	16392.70	24007.12	16937.02	18035.01	75832.55	

Behind the Life Insurance Policy

V. Sesha Ayyar

After the opening up of the insurance sector to private players there has been an increasing interest in insurance from the consumers' side. My article attempts to throw the search light on the actuarial profession and the role of the actuary in the insurance industry for its health and financial viability. I shall go into some basics of the business for the understanding of the uninitiated.

Every person with earnings plans for his future to provide for (a) the family in the event of his/her unfortunate early demise (the risk of dying too young) and (b) own expenses and that of the family after his/her retirement (risk of living too long).

The latter risk is as real today as the former one, because people are now living much longer and one would not like to depend on children for financial assistance. These are risks dealt with by life insurance companies. There are other risks like fire hazard to residential and business premises, theft/burglary, risk of loss of goods for importers/exporters and so on. These are handled by general insurance companies.

How does one identify, analyse, deal with and manage these risk exposures? Insurance is the main accepted method of dealing with them.

What is insurance? The basic function of insurance is to protect the few against the heavy financial import of anticipated misfortune by spreading the loss among the many who are exposed to risk of a similar nature. This is true of life insurance and general insurance (like insuring a house against fire hazard and perils of theft). While it is not possible to forecast which individual among the many participants are likely to be the victims of misfortune, it is possible to forecast the quantum of loss which the group as a whole will suffer.

As a consequence, the heavy and uncertain loss to some is neutralised by the defined contribution of moderate amounts which every participant is required to make (ie: the premium). Insurance is thus a co-operative coming together of individuals exposed to risk and the insurance company is the medium to bring them together and to administer the business.

Certain expressions like 'peril', 'hazard' and 'probability' appear frequently in insurance terminology and we may define them for a better understanding of the subject. The cause of loss is referred to as a peril. For instance if a house is destroyed by fire, the peril is the fire. In the case of life insurance the peril is invariably premature death. 'Hazard' is a condition or an event that creates or increases the probability of loss. So while the peril in the aforesaid example is fire, the hazard may be faulty electrical wiring, improper storage of combustible material etc. These can increase the chances of fire. In the case of life insurance, hazard is said to be present when there are adverse health conditions in respect of the person wanting insurance.

> Every person with earnings plans for his future to provide for the risk of dying too young and of living too long.

What does probability or likelihood stand for? We often assign some form of measure of the likelihood of an event happening. This crops up in daily conversation when we talk about 'a good chance of rain' or 'reasonable likelihood of passing examination'.

Probability theory is a formal mechanism for measuring likelihood precisely and mathematically. Likelihood is measured on a scale from zero to one. Points along the scale indicate the measure or likelihood and the closer one gets to one, the more likely the event becomes.

To give an example, if you are asked about the possibility of rain in Mumbai in the month of February you will say rain is highly unlikely. In fact you are saying that the likelihood of rain is almost zero. If, on the other hand, you are asked about the prospects of rain in the month of July, you will say it is very likely, which in fact means that the chance of rain is nearly one.

When you toss a coin, the probability of heads coming up is ½ and that of tails coming up is ½. If you have a cube with its sides marked 1, 2, 3, 4, 5 and 6 and you toss it, the chance of number 3 coming up on top is 1/6. If you make two tosses the chance that 3 comes up in the first toss and 4 comes up in the second is 1/6 x 1/6 = 1/36, i.e., a compound probability.

Two students in a hostel studying for examinations the next day are tired of continuous studying. One comes up with an idea of tossing a coin and going to a film if heads comes up and going out for coffee if tails comes up, and of studying if the coin stands on its edge. Thus they voice their reluctance to take up their books!

The theory of probability and the related risk theory are basic to the operation of insurance whether it is to evaluate fire hazard or hazard of accident or to forecast the likely number of deaths among a group of life policyholders. The last is based on the mortality table of assured lives computed on the basis of past experience.

It is worthwhile to understand the limitations of these forecasts. While it is realised that death is a certainty for an individual what is uncertain is when it will occur. Insurance organisations cover a large number of similar risks and with the help of actuarial techniques can approximately evaluate the possible number of claims which will take place in a given period of time. The larger the number exposed, the better will be the accuracy of the forecast. To understand the role of the actuary in the computation, the meaning of the term actuary is relevant.

The dictionary defines 'Actuary' as

an expert who calculates insurance risks and premium (by studying the rates of mortality and frequency of accidents, fires, thefts etc).

Actuarial science forms the foundation of critical decisions for administering life insurance business. These include the bases of premium structure, judging the health and viability of the business portfolio, and finally determining the quantum of surplus and the level of bonus. Prudent management envisages control of basic factors which constitute the premium or the pricing of the insurance product. They are (a) interest that will be earned on the funds (b) the mortality rates that are likely to be experienced (c) expenses of management studied separately for the first year of placing the insurance policy on its books and for subsequent years, and (d) taxation.

The methods of actuarial science have their origin in the application of the doctrine of the probabilities relating to survival and death and to consider all monetary questions involving, separately or in combination, this mathematical probability and interest forecast. Thus the actuarial examinations (to qualify as an actuary) contain a large number of subjects (besides a written entrance examination which requires proficiency in written English and a fair background in Mathematics).

The subjects are Statistical modelling, Financial mathematics, Stochastic modelling, Survival models, Actuarial mathematics, Economics, Finance and Financial reporting, Financial Economics, Communications, Investment and Asset management, Life insurance, General insurance, Pension and other employee benefits and India specific legislation. There are also advanced subjects like Investment and Asset management, Life insurance, General insurance and Pension and other employee benefits.

(The second and last part of this article, dealing with the other aspects of the financial operations of a life insurance company, will be carried in the next issue.)

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

Correction

The address of the Mumbai Insurance Ombudsman is as follows and not as it appeared on page 13 of the January issue of IRDA Journal.

Office of the Insurance Ombudsman
III Floor, Jeevan Seva Annexe,
S. V Road, Santa Cruz West
Mumbai 400054

Fixing Mediclaim

Aloke Gupta

*In the earlier article, carried in the January issue of **IRDA Journal**, the author outlined the various stages of health insurance, which form a continuum. In this article he elaborates on the lines along which the products should evolve in the Indian market.*

Mediclaim, the mainstay of private health insurance in the country is a policy that offers free choice, and is the starting point of the healthcare continuum. It is a hospital-surgical type of indemnity policy, edging towards managed indemnity, prompted by the introduction of Third Party Administrators (TPAs). To propel it towards managed indemnity, the TPAs are in the process of creating provider networks, enabling access to those networks by providing proof of identities and facilitating 'cashless medical transaction' for the policyholders by issuing pre-hospitalisation authorisations as a guarantee and limit of coverage to the network provider.

TPAs are stepping in to fill the need gap of customer service for health insurance policyholders and, hopefully, will increase health insurance penetration. However, expectations that the TPAs will bring down medical claim ratios may not entirely be well placed in the short to medium term. Most TPAs at present lack medical management skills and the leveraging strength to negotiate better rates based on Diagnosis Related Grouping (DRG) or Length of Stay (LOS) protocols with healthcare providers. Moreover, lack of accreditation of healthcare providers at various levels of the healthcare delivery chain has lead to unilateral and vast variations in user charges, accompanied by a plethora of billing systems and homegrown software, making integration of provider chains an onerous task.

Mediclaim, which was introduced in 1987, has undergone numerous changes, the most fundamental of them being the one in 1999 when internal sub limits were removed, making it a single benefit limit policy. The policy since has seen a steadily rising claims ratio. One of the measures to arrest the rise in claim ratios is the need to co-relate premium to the type of bed occupancy chosen by the policyholder. The usual practice of healthcare providers is to charge for services depending on the type of bed occupied by the patient. Hence, for the same procedure, a patient in the general ward would pay far lower charges than one in a single or deluxe room. With the process of accreditation of healthcare providers taking roots in the country, it may be worthwhile for insurers to introduce policies that are linked to different levels of healthcare providers based on cost of care, with quality of care remaining the same.

Mediclaim, because of the single benefit limit, in fact prompts policyholders to choose the costliest level of bed occupancy when hospitalised. It is important that premiums and benefits are so structured that policyholders make a conscious decision of choosing benefits and paying for them. The existing single benefit limit is *elitist* in nature and has an element of reverse cross subsidisation of higher benefit policyholders by those who buy lower benefit policies.

Mediclaim also needs to have some form of co-insurance, by way of straight line or sliding scale deductibles, to discourage small claims. At the cost of repetition, it needs to be reiterated that Mediclaim, in its present *avatar*, suffers from an inherent structural imbalance in choice and price, which has limited the scope of creation of a new range of health insurance products.

Public sector general insurance companies are the major providers of health insurance today, and have seen their medical loss ratios rise steadily from 71.4 per cent in 1995-96 to 89.5 per cent in 1999-00 and 93.1 per cent in 2001-02. Since these companies are market leaders in this segment, they owe a responsibility to the insuring public to correct the choice-price imbalance that would enable introduction of newer and contemporary health insurance products into the market. These insurers need to mine the enormous and valuable data on morbidity, costs and regional variations that they have generated in over more than a decade. The data also has relevance for health planners in the country since there is lack of actual user health data, most of the data available being sample based.

Two specific products that have relevance to the country are the Medical Savings Account (MSA) and Long Term Care (LTC). The objective of the Medical Savings Account is to provide health security especially to self-employed persons, by meeting medical expenses that arise mainly out of catastrophic or chronic conditions afflicting them in their old age.

The organised sector has cornered most of the benefits of social security in the country. Of the total working population of 30.6 crores in 1991 (Main workers 27.89 crores and Marginal workers 2.71 crores) the organised sector consists of only 2.81 crores i.e. nine per cent. Thus, around 90 per cent of the working population does not have any form of social security, more so health security. Indebtedness due to sickness is common in rural as well as urban areas.

MSA as practiced in the US, Singapore and South Africa, and now being experimented with in China, is a tax-sheltered savings account, but earmarked for medical expenses.

Deposits are 100 per cent tax-deductible and can be used to pay catastrophic or large medical expenses. Larger medical expenses are covered by a low-cost, high deductible, health insurance policy. Unutilised amounts in the account each year stay in the account and earn interest on a tax-favoured basis to supplement retirement incomes. The combination of the MSA and a low-cost, high-deductible, health insurance policy is meant to replace traditional high-cost health insurance policies with its low deductibles and the multitude of restrictions imposed on health insurance policies. The concept, the product and its administration require to be modified to align with indigenous needs and aspirations.

Longevity has steadily increased over the decades and parents are now living longer. It is paradoxical that the epidemiological pattern of the country reflects the disease profiles of both developing and developed countries, manifested by the simultaneous presence of a heavy load of acute and chronic diseases. With the rise in chronic disease load, a larger population is now in need of old age and long term care.

Insurers should introduce such covers which have long contribution and waiting periods and defined benefits. Insurers may broaden group risk coverages by providing extension to meet medical expenses relating to preventive healthcare, critical illness (for multi-layering), dental and mental expenses and home healthcare.

There is an impending need to structurally modify the Mediclaim policy by removing the choice-price anomaly. Mediclaim has set the benchmark and a ceiling for coverage and premium levels in the health insurance market despite witnessing an escalating claims ratio, a phenomenon that is limiting its growth. This in turn is hindering the process of introduction of new products that are viable, contemporary and have the potential to increase health insurance penetration. In the interregnum of reform and restructuring, it is the consumer who is the final loser.

The author is a health insurance consultant.

A peep into the future

The face of healthcare in the country is fast changing and the evolution in healthcare financing and integration is slowly yet surely under process. As health insurance penetration increases insurers, in partnership with TPAs, will get a grip of medical management technology and the critical mass for negotiating with the provider community on hospital charges and various protocols. They would catalyse the change in the delivery of healthcare by benchmarking quality, outcomes, and costs and, in the process, provide a stimulus to the growth of the healthcare sector as a whole.

The structural changes predictable in financing and delivery of healthcare are:

- Purchasers of healthcare (individuals and insurers) would demand lower costs, improved performance and accountability in terms of both healthcare outcomes and patient satisfaction.
- This would lead to consolidation of providers, both hospitals and professional practices, into large integrated systems of care.
- Insurers, individuals and healthcare integrators (TPAs) would demand the adoption of best practices relating to treatment and length of stay protocols, and the adoption of international codification like International Classification of Diseases (ICD) and DRG and International billing formats for greater transparency.
- Employer liability issues, healthcare cost inflation, and dissatisfaction with current coverage would lead to introduction of managed care type of plans Preferred Provider Network (PPN), Health Maintenance Organisation (HMO), and Point of Service (POS) plans.
- With the introduction of managed care type plans, providers would undergo a paradigm shift from fee-for-service revenue models to a risk-sharing revenue model.
- This paradigm shift would encourage the 'wellness' approach to healthcare than the present 'sickness' approach.
- Providers would form strategic alliances with other providers and different constituents of the provider delivery chain to float community based health plans. These would be in partnerships with insurers or reinsurers based on the plan complexities.
- With the growing longevity of the population and increase in geriatric and lifestyle diseases, health insurance plans like old age care, long term care and critical care would be demanded and delivered.
- Upward pressure on healthcare costs is unlikely to abate due to continued medical innovation aimed at prolonging life, seeking new drugs and diagnostic interventions. This would bring about increasing healthcare costs for individuals and employers, and hence demand for newer healthcare financing instruments.

Reserve for Unexpired Risks

R. Anand

The business of insurance is synonymous with the word *"uncertainty"*. It is highly capital intensive and generation of profits is a mixture of prudent business policy and conservative accounting policies.

It is after the opening up of this industry that the whole gamut of insurance has subjected itself to closer examination and introspection. The regulations of the Insurance Regulatory and Development Authority (IRDA) have prescribed various formats and disclosures in the matter of accounting.

In this industry, premiums are collected in advance, but claims can arise at any time during the period of the policy. One of the fundamental principles of accounting is to ensure expenses are matched in line with the recognition of revenue. The subject of unexpired risks reserve (URR), generally referred to as unearned premium reserve (UPR), is relevant since creating a reserve for unexpired risks is the backbone on which the bottom line of the insurance business is managed.

Schedule B, Part I, of The IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, stipulates that premium shall be recognised as income over the contract period or the period of the risk, whichever is appropriate. Premium received in advance, which represents premium income not relating to the current accounting period, shall be disclosed separately in the financial statements.

On the subject of reserve for unexpired risks, the regulation states that "a reserve for unexpired risks shall be created as the amount representing that part of the premium written which is attributable to, and is to be allocated to, the succeeding accounting periods and shall not be less than as required under Section 64(V)(I)(ii)(b) of the Act," that is, The Insurance Act, 1938. This section which deals with valuation of assets and liabilities for determining solvency requirements of general insurance business requires reserves for unexpired risks to be created at the rate of 50 per cent of the premiums net of reinsurances in respect of Fire, Miscellaneous and Marine Cargo business, and 100 per cent for Marine Hull business during the preceding twelve months

The need for UPR arises from the fact that generally policies are issued annually. Insurers close their accounts on a particular date but not all risks under policies expire on that date and liabilities may occur later.

It must be noted that the IRDA regulations strictly provide for a pro-rata basis of allocating unexpired risk reserve over the recognition of income. If this basis is higher than the minimum limits fixed by the Act (Section 64V) then, strictly speaking, the amounts arrived at as per the regulation should be provided for. This also is in accordance with the principle of conservatism, which is the bedrock of accounting.

Premium deficiency

The regulation also provides that premium deficiency shall be recognised if the sum of expected claims cost, related expenses and maintenance costs exceeds the related reserve for unexpired risk. For example, in a case where the premium for a product is Rs.100 and UPR is Rs.50, but the expected claim cost and other expenses would come to Rs.75, additional UPR of Rs.25 needs to be provided as premium deficiency apart from the required UPR of Rs.50.

An interlinked issue is whether this provision is to be made on a policy to policy basis or on a global basis. If on a global basis there is no deficiency, but on a policy to policy basis there is, can we say that there is no case for making a provision for premium deficiency?

There are specialised insurance policies where UPR is not calculated on a pro-rata basis but on the basis of risk involved, like engineering project insurances. Though the regulation is silent on this, considering the risk and the nature of the business, such practice can be considered appropriate.

Income tax provisions

The profits of non-life insurance business is governed by Section 44 of the Income tax Act, 1961, which represents a code by itself. The computation mechanism is spelt out in the first schedule of this Act. Rule 6E of the Income Tax rules lays down the limits up to which the reserve for unexpired risks is allowed as a business deduction. The rule says that the amount carried over to a reserve for unexpired risks including any amount carried over to any such additional reserve which is to be allowed as a deduction under clause (c) of Rule 6E of the first schedule, shall not exceed 50 per cent of the net premium in Fire and Miscellaneous businesses and 100 per cent in the case of Marine Hull business.

It also says that any reserve created that is not allowed will not be included in the total income for the assessment year relevant to the immediately next succeeding previous year.

So, if, for example in Marine Cargo business, a company provides 50 per cent in accordance with regulation but the income tax rules allow 100 per cent of the net premium as a deduction, can the company claim 100 per cent deduction though in the books it has provided only 50 per cent? There are enough precedents in other industries where certain expenditure is charged on a particular basis in the books of accounts but is allowed as higher figure in income tax.

In case a company provides more than what is prescribed in Rule 6E, it will be allowed only to that extent prescribed in Rule 6E and the disallowed portion would not be treated as income in the subsequent assessment year.

It is difficult to have a common formula for UPR for all agencies since it depends on whether it is used for MIS purposes or for accounting and regulatory requirements. Allowability of UPR as a deduction for income tax purposes is a straightjacket formula leaving no scope for flexibility. At best the quantum restrictions prescribed in the respective statutes can be reviewed on an ongoing basis taking into account the nature of business, the period of policies and so on. There is no doubt that in the statement of accounts this figure attracts the maximum attention.

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

FEAR OF FREEDOM – DO WE WANT DETARIFFING?

K. Nitya Kalyani

It's one of those questions that are invariably answered with a "Yes, but...."

The question is whether the Indian general insurance industry should go off the tariff.

Both parts of the answer are valid. That detariffing is the only move aligned with liberalisation is clear. It is also true that there are many things that the Indian market has to do before it can safely step out into the sunshine.

As the saying goes, Freedom should be enjoyed with responsibility. In fact, that is the only way it can be enjoyed.

Here is a cross section of views of general insurance company chiefs on detariffing and how they think we should go about it.

Shrirang V. Samant, CEO,
HDFC Chubb General Insurance Company

The rationale of liberalisation was that the customer had to have a choice. And this won't be fulfilled unless there is choice also in prices and products and not just in companies. The tariff does not allow product or price differentiation.

Is the market ready for it? Sometimes the market has to be driven for new initiatives.

What we mainly don't have is a very solid database to decide on rates. But then we have four very large companies and it should not be too difficult for them to solve this problem. The new companies have very good parentage and they can take a call on that.

The data that the Tariff Advisory Committee (TAC) has is not drilled down deep enough, not differentiated enough, for segmentation and fine pricing.

If the market is opened up, then in three or four years companies will acquire the experience for scientific pricing. Until then they will do their pricing based on expertise and judgement.

The sooner the better.

Marine detariffing in 1994 went awry primarily because other businesses like fire were under a tariff. If they had not been, then the ridiculous price competition we saw would not have happened. You had give Marine cover at a low rate to get other business.

But earlier the companies were very much top line focused. Bottom line issues were not so apparent as now, so we should not worry too much about it.

Dalip Varma, Chief Executive,
Tata AIG General Insurance Company

My view is that liberalisation and tariffs are contradictory. The market is inexorably moving towards detariffing.

When is the right time is the question. At present a big bang detariffing is not in the best interests of the consumer or of the industry. Big players with big balance sheets can drop prices.

So, instead of rushing into detariffing it should be done softly, softly. It should be done over the next two years step by step.

If you are speaking of Motor it is all a question of how the Third Party (TP) issue is going to be handled. You cannot have one under a tariff and the other not.

Apart from unlimited liability we have to resolve many other issues first. Drunken driving, bad roads, overloading ... all add up to the TP loss ratio.

But a TP motor pool is the biggest mistake that we can make. Such pools elsewhere have collapsed and customers have suffered.

We need to rework the Motor premium structure. In the UK market the TP premium is almost 88 per cent of the comprehensive premium and reflects the risk, here it is the reverse. These fundamental issues have to be resolved. Just detariffing won't help.

Both public and private sector insurers are scared that if the market is just opened up but if infrastructure remains the same, we will get all the losses.

Arun Agarwal, Chief Executive,
Cholamandalam General Insurance Company

As I said to the Justice Rangarajan Committee (on detariffing the Own Damage (OD) business), tariff and detariffing should be seen in the context of what is good for us as consumers.

Detariffing will help us develop a range of merit rated products since we can have the independence to set rates.

Look at it in a different context. If you take any portfolio and it is not doing well as a whole for the industry and you want to detariff it the fear in the public minds is that rates will go up. That you will wind up with stiffer rates and terms and conditions.

If the business is doing well then there will be a general apprehension among insurers that real competition will erode the bottomline.

If detariffing is being approached as a concept and we accept it, let's do it across the board. But if it's left to me then I would be selective.

We have already wasted eight years.

H. S. Wadhwa, CMD, *National Insurance Company*

We should detariff. I am a strong advocate of it. In any advanced country you find no tariffs. If you are a captive of the tariff you cannot flourish.

Let a competitive market be free from constraints because constraints are not good for both sides.

The industry has been making underwriting losses and surviving on investment profits, if we don't do anything on the underwriting side we will perish. I am very sure that unless you give this autonomy we will be left behind in the globalisation race. We claim to be part of the global market, why not follow its tenets?

We have already wasted eight years. Private companies are here and with international exposure, public sector companies are also strong. The earlier you start, the better.

We cannot do it overnight, we should take about three months for informing the market and so on. If you try to phase it out you cannot do anything, anytime.

Companies have to devise norms for pricing and for reinsurance protection. Measures like strong solvency margins and investment patterns are already prescribed. No Indian company, public or private can down its shutters with these norms in place and this is sufficient consumer protection.

R. Beri, CMD,
New India Assurance Company

Detariffing at the present moment is not desirable. We detariffed marine and there has not been any growth at all in the marine business in the last decade.

The market is not mature enough for detariffing.

The other reason is we don't have the data. And if IRDA continues its file and use policy then insurance companies do not have the data that would determine the pricing of the products and so the profitable business rates will be brought down.

TAC even till today has not got 100 per cent data. In New India we have some data. But have to build up data for a number of years. After all one or two years won't show you the trend.

Unless we have cogent data for five years we should not detariff. Then we will know which way business is going and what our management and intermediation costs are. All these things have to stabilise in the market and only then will I know the impact on the market.

Private players will be guarded since they have no acquisition costs and their network is small. In our case our branch spread is high and we cannot monitor all of them.

Theoretically I can cut rates but what is the return? Investment income is dwindling so I will only have further losses.

Anthony Jacob
Deputy Managing Director,
Royal Sundaram Alliance Insurance Company

Detariffing is the way for any international market to grow. But it should be taken as a slow process.

The Indian market has been gearing up in the past two years. Competitive rating should be based on historical data analysed with statistical tools etc. Or the exercise will be just one of picking a number to please the client and not a scientific one. There are lots of blanks now and information on a few thousand vehicles cannot be the basis for pricing decisions.

We don't make a distinction between a world class factory and any other. Take the easiest example of Motor cover: a 65 year old who drives to the temple or bank twice a week pays the same premium as a 25 year old who drives everyday also for recreational purposes. We believe the risk is different but we have no way to prove it.

In five years the public sector will be in a much better position to use the database and the market should be able to complete the process of detariffing. They have the information but it is all over the place. They can't press a button and get an answer.

We don't make a distinction between a world class factory and any other. We believe the risk is different but we have no way to prove it.

Larger players can drop prices and sustain losses. That is the biggest fear for private players.

Sam Ghosh, CEO,
Bajaj Allianz General Insurance Company

Detariffing should take place. Ultimately the customer should pay the price that is fair to him based on the claims experience for that class of business. Today the corporate customer is subsidising the Motor customer. Corporates compete in the world market, and it makes sense for them to have lower premium costs. Even within Motor, commercial vehicles rates should be higher as we are incurring the highest claims costs on their account.

Public sector unit (PSU) insurers are very strong and private companies have just started operations. The easy way for PSUs to make the private insurers go out of the market is to just reduce rates by one or two per cent for just six months

My personal opinion is that we should do it after two years. New players have hardly been around long enough to establish their service levels. Once that happens, customers will stay with a company even if the price is higher.

On the other hand market can go completely mad. In Australia when Motor TP business was detariffed about eight years ago, premiums dropped by 30 per cent. Every company was making $30-40 million losses. They slowly realised what was happening and turned around. And then it took two to three years for market to change.

Vijay Pawar, President,
Reliance General Insurance Company

At the moment I am not in favour of detariffing. It is not advisable to detariff Fire and Engineering businesses. The reason is new companies have very small capital bases and have not yet been able to establish themselves. If done suddenly rates will drop because of competition and that is not advantageous either to the public sector or the private.

Motor, yes, we must detariff it so that good clients can be rewarded and bad clients penalised by charging according to risk perception.

But the data for this is not yet properly mapped. We need to know the geographical risk exposure, how much of the business has flowed to the new companies. At this moment authenticity of the data is not there.

The PSUs are computerising and they can supply this data in about a year's time. Then in two or three years we can go in for detariffing.

It is not advisable to detariff Fire and Engineering businesses.

S. L. Mohan, CMD,
The Oriental Insurance Company

As far as I am concerned detariffing will squeeze margins. But the client will benefit because he will get a better product for better value.

Brokers' role will be known better only in a detariffed market.

We are already running into losses, and this will only further erode our performance. If at all detariffing should be done in a phased manner. Or it will be a disaster like the marine detariffing which should have been done slowly.

I would say detariffing should be done over two to three years and the market should show some discipline. They should not let the premium go below a certain benchmark.

There is a lack of data although I won't say that totally we don't have any data. We have data vehicle wise, make wise and area wise but we may not be able to submit in the form TAC wants, may be because we have not fully implemented information technology.

And we need actuaries in a detariffed market, but where is the data for them to use?

We are already running into losses, and this will only further erode our performance.

It should be done in one go. There will be some displays of insanity, we will stumble and fall and get bruised. But we will survive.

Sandeep Bakshi, MD and CEO,
ICICI Lombard General Insurance Company

Detariffing has to happen sooner or later seeing the experience in other sectors.

When interest rates were unshackled there was a clamour for business in the banking industry. This led to an over-enthusiasm for cost cutting and bypassing the risk management mechanism.

There was a bit of a bloodbath. This is common. It is for organisations to maintain prudence and sanity. They have to. Risk management will be the prime driver in a detariffed regime.

Before we detariff we have to increase solvency margins from the present 1.5 times to 2 or 2.5 times. With tightened control managements which infuse capital will set up self-regulatory barriers. There will be limitations to doing business so they will start cherry picking. But two to three years later a robust business will emerge, and the industry will be stronger after turbulence.

V. Jagannathan, CMD,
United India Insurance Company

Detariffing is not desirable at this stage according to me. I feel we can wait. Only in the case of Motor TP should we resort to detariffing immediately.

We should leave Fire as it is for some time. We have a very good spread in Fire business and if it is detariffed all will quote as they please and all companies will perish.

If there is responsibility then we can go for detariffing. If companies know their administrative and claims cost and can build in their profit margins as well they can quote the correct rate.

After the Fire tariff was revised downward the market has now stabilised, if we detariff it now, Fire cover will be given free with other covers. After Marine was detariffed in 1994 there has been no premium growth. Even now after almost ten years Marine premium rates are coming down because of competition.

As it is, except Motor and Fire there is really no tariff. Miscellaneous and Marine work only under a market agreement.

Motor TP detariffing is more urgent, not OD. Just detariff it and let it be for each company to decide. As far as my company is concerned Motor TP can be detariffed and you can leave the pricing to me. I know what to charge because I know what I am getting and what I am giving.

We are confident of quoting the right rate, of conveying to all our offices and maintaining the business.

Motor Third Party detariffing is more urgent, not Own Damage.

Ajit Narain, CEO & MD,
IFFCO-Tokio General Insurance Company

The Indian market is not ready for detariffing. The main problem is the absence of a database. The big companies have the information but someone will have to do the homework and put it together.

Private players are small and they are picking up information on claims, on the demands of consumers and so on. I am not at all comfortable with this level of information, but that is all I have.

But the point is that if you let it continue under the tariff regime only five per cent of the business will be personal lines. There is no way the coverage will grow because each company has to protect its bottomline.

If a database is put in place and definitive answers are available, you are looking at a five year timeframe in which you can detariff.

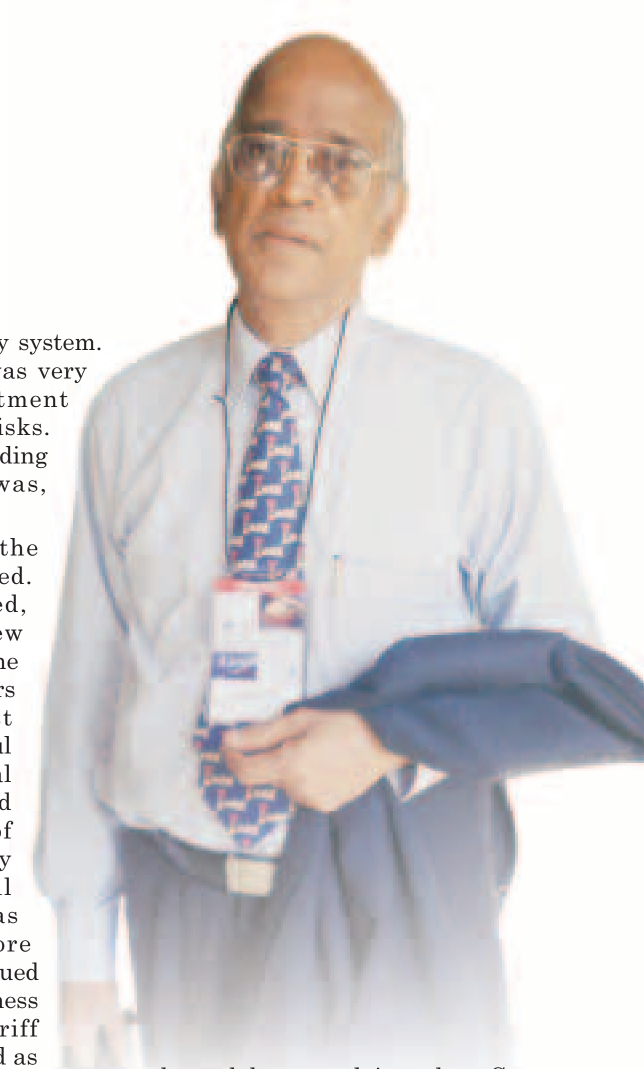
The Fire Tariff, when it was set up under the British, was a work of art. It was so even 30 years ago. Today no rate, even in fire insurance, is scientific.

But why should we worry? In an open market let each company determine what the pricing is going to be all about. Anyway it is going to be vetted by regulator under the file and use rules.

If we do nothing then we are NOT going in the spirit of the regulations. We have to force the pace blindly and companies have to swim or sink.

TARIFFS : Riding the TIGER

S. V. Mony



The process of developing rates and terms in general insurance in India is conspicuous by the absence of scientific practices. The pricing system appears to be wholly driven by market forces! This contrasts very much with the orderly world of life insurance where every decision has an ultimate arbiter in the person of an Actuary who follows strict scientific discipline in his approach!

General insurance is short term in nature, it has multiple outcomes of widely varying intensity and frequency, quantification is often difficult to assess, project or predict, and the composition of the subject matter is constantly changing due to technology and innovation. With such diversity, general insurance is quite complex. Historically, rates of premium have been rather arbitrarily founded and progressively refined as experience was gained. Statistics on the frequency and intensity of claims were built over long periods and amorphous rate schedules constructed. Elsewhere in the world, statistical methods are being used increasingly and this ensures the emergence of mature and informed competition that benefits customers, broadly based on the merit of each risk.

A free market in goods and products implies freedom in pricing. Over time market mechanisms emerge to limit competition and ensure a minimum profit to most players, without unduly worrying about the customer's interest. Cartels develop. This applies to insurance as well. In the distant past, under a regime of 'live and let live', insurers got together under a tariff umbrella and made sure that rates and terms followed a structured and predictable pattern. This ensured stability of rates and profitability to insurers.

Based on statistics, rates were revised periodically and customers' specific needs met to some extent, though large enterprises were the main beneficiaries. Orderliness prevailed over mindless competition, though some viewed it as cartelisation! Availability of up-to-date statistics was the very foundation of such an orderly system. The merit was that there was very little discriminatory treatment among similar classes of risks. Strict confidentiality surrounding the entire tariff system was, however, unexplained!

After nationalisation, the tariffs stayed and prospered. Confidentiality remained, though anybody with a few connections got hold of all the tariff books and other circulars regularly! But the most essential part, nay the very soul of the system, viz. statistical information, disappeared overnight! Submission of statistics to the Tariff Advisory Committee (TAC) by all insurers, which was meticulously regular before nationalisation, was discontinued thereafter. This major weakness notwithstanding, the tariff stayed, and India was praised as a stable market.

Administered pricing became flawed in the absence of data. This very feature boomeranged on the insurers when they were unable to increase Motor insurance rates even as experience deteriorated alarmingly! In the absence of statistical evidence, the courts were not persuaded to approve increase in rates. Poor results were attributed partly to inefficiency of operations and more! This is the present state. In the absence of statistics none of the rates prevalent today can be justified either way. The only way to comment on the adequacy of rates in each class is by looking at the profitability of companies by studying published accounts of insurers. It is therefore critical that an effective machinery to obtain statistics is set in place immediately. IRDA has taken some steps in this area and it is learnt that positive outcome is yet to be seen.

In the chapter on Pricing, the report of Malhotra Committee traces the history of tariff in India. The tariff was a product of the times when what was prevalent in England was automatically adopted here and in other Crown colonies. In the present era of borderless trade and free competition the relevance of the tariff needs a careful review. Here again Malhotra Committee's report recommends logically that "..the areas under tariff should be **progressively** reduced…"

Let us briefly examine what may have been the possible objectives in the early days in setting up and maintaining the system of tariff. These could be:

- Ensuring the long-term financial solidity of insurance enterprises
- Maintaining the stability of the market
- Ensuring that rates and terms are equitable and non-discriminatory
- Building a statistical base for the entire insurance industry
- Ensuring moderate competition

It is important to ask whether these objectives could not have been met in a non-tariff regime. Many markets have shown that it is possible. We in India can too.

How are the Indian insurers likely to react to a proposal to remove tariffs?

The four Government insurers are strong and well-established, and they should have staying power in the face of severe competition. It was clearly brought out that they lack the corporate will to develop and enforce internal disciplines in rating and underwriting. These are essential elements in a non-tariff regime. It is foreseeable that, in a non-tariff regime they would compete severely, retain or capture business at uneconomic rates and suffer permanent damage in the long run. I feel therefore, that while they have the strength and technical manpower to benefit from a non-tariff regime, lack of control over internal disciplines is likely to motivate them to seek the protection of tariff for as long as possible, leaving the responsibility for pricing in the hands of the TAC.

Their present system does not seem to encourage decisions based on data, experience or underwriting features. This was painfully demonstrated a few years ago when, after several consultations, the Marine Cargo business was moved out of the tariff. Despite assurances and commitment at the highest levels of management, all good sense, judgement and prudence were thrown to the winds and a mindless rate war was launched. All these at a time when the market was fully in the hands of the State-owned companies and there were no private sector competitors! Most of the Marine Cargo tariff was reinstated soon! This was a pointer to what might happen if the discipline of tariffs were to be removed without some alternative disciplines put in place.

The newcomers may like to see the continuation of the present state of tariff-induced stability at least for some time. They can then concentrate on issues relating to establishment and consolidation without the anxiety of combating runaway competition in their early years here. It is realistic to assume that dismantling of tariff howsoever gradually is some time away, though for very different reasons in relation to the two categories of players.

There is a major exception to these observations. In Motor, every insurer would like to see a realistic increase in rates. This has not been easy, primarily because there are no statistics to support the increase and convince the users, lobbyists, Government or the Courts. In the past, the case of the truck operators in fighting increase in motor premium rates was anchored on the fact that insurance was a monopoly and they had no choice and that there was no reliable data. Now that the market has other players, their main argument becomes untenable and there should be a reasonable case for increase in Motor rates, provided the case is substantiated by statistics. To succeed in getting an increase based merely on the fact that insurers are losing money does not take one very far, as we have seen in the past.

Administered pricing became flawed in the absence of data. This boomeranged on the insurers when they were unable to increase motor insurance rates even as experience deteriorated alarmingly!

Perhaps the answer lies in taking the Motor business out of the tariff altogether. This will place the burden of rating the automobile insurance business squarely on the shoulders of the insurers. This should apply to the Own Damage (OD) portion at least. It will be up to the boards, shareholders and top management to make sure that good sense and responsibility prevail in fixing rates and terms. Freedom from tariff in Motor would, one hopes, lead to merit based rating by class, ownership, category of risk and past experience in terms of claims. Dismantling the Motor Tariff can now become a reality. This step, however, will have to be preceded by suitable mechanisms to ensure that say, the directors are responsible for approving a justifiable regime of rates in each company and also that the behaviour of field personnel and management in terms of compliance is monitored.

What about tariffs in other classes of business? The absence of statistics and the consequent lack of credibility of the rates apply equally well to all other classes that are governed by tariffs. The fact that insurers were generally making decent underwriting profits in other lines such as Fire tended to deflect attention to the loss-making section viz. Motor. This sense of relative well-being got a jolt when, in the recent past, Fire rates were significantly reduced by the TAC, much to the happiness of the insuring public. It is not clear whether this decision was supported by analysis of statistics in respect of Fire insurance business. This development brought about a higher level of urgency in campaigning for increase in Motor rates.

The regulator's prime concern is the protection of policyholders and claimants and the continued solvency of insurers. There is also the issue of fairness of rates for each class or segment of the insuring community. For instance, Fire policyholders have subsidised Motor for a long time. The regulator would have to keep this in mind if tariff is to be retained and his office continues to have an important role in its administration. Further, the regulator has to have adequate machinery and technical and actuarial support to monitor and approve rates and terms in general insurance.

Let us consider the consumer and the tariff. I believe consumers in general insurance, can be grouped broadly into four segments. They are: large corporates, medium and small companies, individuals and special interest groups.

The large corporate sector pays a substantial part of the total premium and they have the means to achieve their ends even in the present rigid tariff structure. They have much to gain from the free play of competitive forces. Even though in their own respective sectors they argue against free competition, they would like to get the benefit of unfettered competitive rates in insurance. This sector would be well served by a more responsive system of tariff and in due course by a non-tariff system.

Here again there is a sub-sector consisting of some very large industries. They are able to get the benefits of internationally competitive rates. These rates are brought-in through the tariff by means of a charade or a 'retro-fit'! This segment would want to be the first one to be taken out of the tariff.

The medium and small enterprises are held captives of the tariff. In some cases they continue to enjoy low rates despite poor experience and in others they pay high rates though experience suggests a downward review. It therefore stands to reason that planned and progressive measures are introduced to give the benefits of competition to these sectors as well, by minimising the influence of tariff.

Individuals and the small sector are least served by insurance. They should get the full benefit of competition. There is a view that insurance to these sectors should be completely outside of any tariff system. This is already the case in most respects. It is necessary to demonstrate this aspect through appropriate statements addressed to the public.

The last segment of the consumers is the 'special interest groups'. These would constitute the agricultural sector, rural population, co-operatives, unorganised labour etc. These do not lend themselves to a tariff structure. At present these are not under any such constraint. It may be left where they are, to benefit from the competitive ingenuity of insurers.

Ideally individual insurers should quote their rates and terms based on their underwriting assessment. If they are wrong very often, they suffer and take corrective steps or soak up further capital if promoters are willing. If they are right most of the time, they grow well and get good market shares. The basic character of a free market is that as far as possible, each entity is left to itself to determine their pricing which is made subject to approval by the regulator. Consistent poor performance should have the regulator examine a company's rating closely and enforce revisions in rating structure.

Making everyone subject to a tariff is not a desirable long-term solution. The so called technical rating exists only in text books. The technical norms are universally ignored in the face of competition. Mature long-term objectives would in fact make companies follow underwriting principles and grow in health. Rate control is not the solution. In the present scenario the market should move towards a free rate regime according to a transparent plan to be worked out by the TAC and the industry. As the statistical base grows, the need to rely on tariff controls will diminish. Till then the present system should function with careful scrutiny. In due course the rates will fall in line with international trends. This process should be encouraged.

> While (insurers) have the strength and technical manpower to benefit from a non-tariff regime, lack of control over internal disciplines is likely to motivate them to seek the protection of tariff.

Reliance on an increasing number of tariff sections has virtually killed the development of technical and underwriting skills. In other words tariff has been the crutch the insurance industry has relied upon. This process shifts underwriting responsibility to a vacuum where no one is responsible for poor results.

If each company had its own rate regime, it would conduct a review each year and the customers would get what they earned, positive or negative. The tariff has become a standard alibi for poor performance in some classes even as the credit for good results elsewhere is not given to the tariff but to underwriting skills! Irony indeed!

Where do we go from here? Using tariff is like riding a tiger. One cannot get down at will. One has to plan a phased withdrawal.

Motor tariff has been causing problems. It is urgently in need of a major overhaul. It is not merely the rates. Issues relating to selection, driver's record of accidents, role of no-claim discounts, choice of deductibles, fleet-rating norms etc., are equally important. IRDA has already set up a group, to study this problem in its entirety. It is hoped that the recommendations of this group will help bring-in the current norms applied in developed markets for underwriting Motor insurance both for OD and TP sections. It is high time that changes are introduced as a prelude to dismantling the Motor tariff.

While the above will address the issues in respect of OD section, the TP section will continue to cause problems. Any proposal to limit liability under the policy will not succeed. In fact from the point of view of the public it will be a retrograde step. That insurers are losing money is no argument! Even here a phased and transparent increase in TP rates is a necessity. In the long run, the 'liability' section of Motor must stand on its own. It is important to begin the journey. Pooling may help initially; but evidence from across the world indicates that pooling has been unsuccessful in resolving the issues. Lasting solution to the runaway liability claims situation would to a great extent lie in the wider arena of road safety, driver training, speed of legal system, etc. It is not merely a question of tariff or non-tariff. Claims management by insurers, particularly the new insurers would drive towards a non-tariff system in due course.

The journey to determine the fate of a tariff-driven regime has begun. It will not be smooth or quick. Issues will arise and will be resolved. It is significant that a debate has begun. In the end a non-tariff regime with emphasis on corporate accountability will emerge. Let us hope a road map will be drawn soon and agreed to by the stakeholders in the exercise.

The author is Chief Executive, AMP Sanmar Assurance Company. He has spent 45 years in the insurance industry and was Chairman, General Insurance Corporation of India.

Freedom from Tariffs

C. N. S. Shastri

Life insurers have always operated with tariffs, which they call premium tables. It is inconceivable that life insurers can operate without premium tables. No one ever thought of life premium tables as a hindrance to competition. So, what makes general insurance different? Why do the champions of freedom consider tariffs as a barrier to giving the public a fair deal?

A tariff is merely a schedule of premium rates and policy terms and conditions applicable to risks in a class of business. But in common parlance only those schedules of rates and terms issued by a central authority, and requiring compliance by all insurers, are called tariffs.

Some persons consider tariffs to be a hindrance to competition. In my career in insurance, both in India and elsewhere, I have found marketing personnel, ably supported by underwriters, happily competing on premium rates and terms despite the tariffs. The tariff merely becomes a point of reference.

Illustrations are, a Class II risk being rated as Class I, or failure to take note of and charge for a hazardous process requiring extra premium, or allowing an FEA (fire extinguishing appliances) discount even where not eligible and so on. There is no limit to human ingenuity in getting round hurdles. Insurance executives and brokers have even been known to poison the minds of a client against the underwriter of the client's current insurer, saying that he did not present the case of the client properly at the tariff committee meeting!

Markets with an active broking community have added pressures arising from competition among brokers being superimposed on competition among insurers. The same community of human beings works for brokers as for insurers and brings in the same qualities of greed and selfishness. So, we have desk quotes and development of reinsurance terms before finding insurers to front for those terms, and hand it substantially back to the broker, selecting insurers in the best interest of the broker rather than the client and so on. While competition is good to ensure the best possible terms for clients, we have to guard against competition becoming unprincipled under market pressures and greed for premiums.

One major deficiency of the Indian market has been the indifference shown by insurers to compilation of statistics by the Tariff Advisory Committee (TAC). It arose in the days of manual operation when reporting of statistical information to the TAC was an additional manual work for no apparent benefit. Naturally, the work was assigned to the least competent staff within the insurer and that too with a low priority, resulting in loss of credibility for the data filed with the TAC.

The inability of the TAC to enforce full, correct and prompt reporting of data added further to loss of credibility of the entire exercise. It has led to totally unscientific review of tariffs whenever the exercise has been undertaken. Insurers have not been reviewing the tariffs on a regular periodic basis in the light of emerging experience but have done so only under external pressure. We are now in a situation where insurers will find it difficult to support the existing tariffs based on credible current data. So, the tariffs appear to be arbitrary in any case.

> Responsible behaviour in a non-tariff market cannot be taken for granted.

The general demand for abolition of tariffs is fuelled by the perception that insurers are making a high level of profit because of the tariffs. The same persons, however, will demand adherence to motor tariffs and insist that insurers should not charge more than the tariff. So, I believe that the objection to tariff from the public is not to tariffs per se, but to tariffs that are considered unfair to consumers.

Of course, brokers would like tariffs to be thrown out totally because it is only in such a market that they can really force insurers to compete on the visible basis of premium rates rather than the intangible basis of service standards. Brokers do not also like uniform policy wordings because it helps them to demonstrate superiority through introduction of 'manuscript wording' to impress the client. Where rates for large risks are driven by reinsurance rates in the international markets, one often forgets their extreme volatility based on the moods of the international underwriters. I wonder how many finance managers truly enjoy widely varying allocations in their budget for insurance cost. If tariffs are maintained at demonstrably appropriate levels at all times, then competition will be based on quality of service to clients, which is a good thing.

The attack on tariffs has been not only from the public but also from within insurers. There are many insurance executives who feel uncomfortable when faced with statistical analysis or evaluation of hazards. Naturally they become great advocates of underwriting by 'judgment' or by 'intuition'. They dislike tariffs, which recognise every significant factor in rating a risk, consider them to be complicated and demand 'rationalisation and simplification' of tariffs. Perhaps they are unaware of the requirement in the Law to recognise every significant hazard factor in rating of risks. When such persons come to power, they mutilate the tariff to an extent where an elephant and a cat are put in the same risk category of 'animals with four legs!'

I know of at least one market which abandoned tariffs and soon slid into chaos with near total loss of reinsurance support. It even tried for a while to work with a system of 'guide tariffs' without success, and had to come back to tariff. Human beings are well known not to learn from experience. So, I will not be surprised if Indian insurers slide into serious trouble before they wake up and behave more responsibly.

Even with tariffs in place, Indian insurers, although all were owned by the Government, had acted quite unwisely by throwing in non-tariff covers at senseless prices. This is why the large risks cargo and the large risks engineering tariffs were created. I am sure that current day insurance executives are no different from their predecessors. Responsible behaviour in a non-tariff market cannot be taken for granted.

Tariffs are not always considered high. Motor tariffs are quite often regarded as inadequate. Since tariffs are generally the minimum rates chargeable, insurers tend to load the rates to levels that they consider reasonable. This leads to an outcry and the authorities step in with curbs on loadings that can be charged. This, in turn, results in insurers withdrawing from those sections of the business that are considered inadequately rated and, generally, getting more difficult in dealing with claims as a means to avoid making a loss.

Let us assume that the law is amended to prohibit any tariff being followed from tomorrow. Even the most knowledgeable underwriter will find it difficult to rate risks without reference to the rates that existed before the prohibition came into force. The most common basis of rating probably will be five paise less than the tariff and the next underwriter will quote five paise less than his competitor and this will go on until the reinsurers crack the whip.

In times of inadequate rating, underwriters generally tend to write on the back of reinsurance support leading to under-utilisation of the insurer's retention capacity. In a non-tariff environment, especially if the broking community becomes active, insurers will soon play around with policy terms and scope of cover and exclusions. Then, a Fire policy of insurer A will cease to be comparable to a Fire policy of insurer B and so on. At some stage, the reinsurers or the authorities will step in to restore some order by requiring uniform policy wordings with variations therefrom being clearly spelt out. It will be a sad day if the reinsurers of Indian insurers have to tell us how to behave.

Insurers will find it difficult to operate without maintaining an in-house tariff even if tariffs are not allowed at the market level. This brings us to the question of how insurers can compile these in-house tariffs. As we all know, premium rates are derived from the expected claims cost, with appropriate loadings for commission, expenses and profit. This requires statistical and analytical skills in addition to knowledge of the business, and such skills may not be universally available with underwriters. Even if such skills are widely available, sufficient data of adequate credibility may not exist at the individual company level to derive credible claims costs for each hazard factor in a class of business.

In such classes of business, collection, compilation and analysis of sums insured, premiums and claims data with full information on risk categories and hazard factors, centrally for the whole market is inescapable. In classes of business where sufficient credible data can be generated at individual company level, such analysis to establish the expected claims cost, and thence the rates, can be undertaken at individual company level.

The author was in the insurance industry for 48 years and was Managing Director of the General Insurance Corporation of India (GIC) and Consultant on Insurance to Bank Negara, Malaysia. While in the GIC, he was associated with the Tariff Advisory Committee (TAC) for five years.

It could happen this way

I expect the Indian insurance market, acting as a responsible non-tariff market, to be organised as follows:

- Basic policy terms and conditions will be uniform for all insurers in the market. Any departures from the basic terms will be clearly marked out and shall be in unambiguous language. Likewise, the wordings for any extensions of cover will be uniform for all insurers in the market.
- Every insurer will have an 'in-house' tariff for each class of business. Departures from the rates and terms as per the in-house tariff will require the approval of a senior underwriter who is not concerned with achieving any set premium targets. Such departure will not be on the basis of five-paise-less-than-the-terms-of-the-competitor.
- Classes of business will be divided into two broad categories, namely, class rated risks and individual experience rated risks. The individual experience rated risks may also start with a class rate and be modified by good experience discounts and adverse experience loadings.
- The class rates will be derived from expected claims cost with loadings for commission, expenses and profits. The extent of such loadings will be filed with IRDA, who will ensure that the loadings are reasonable in the light of the insurer's operations. Inadequate loadings can cause a financial strain to the insurer, which may eventually affect solvency.
- As required by law, every significant hazard factor will be recognised and will be reflected in the expected claims cost subject to credibility factors.
- Clients wishing to carry a deductible under their insurances will be enabled to do so with a commensurate reduction in premium.
- Every effort of the client resulting in a significant improvement in risk will be recognised and rewarded through a commensurate discount in premium. Similarly, good experience discounts and adverse experience loadings will reflect the impact on claims cost subject to credibility factors.
- There will be a Central Statistical Office, which will receive data on sums insured, premiums and claims, by class of risk and by each hazard factor. This data should reach the CSO without delay. The software used by insurers should be modified to capture information on class of risk and hazard factors and to enable transfer of data to CSO electronically, on a frequent basis.
- The CSO should be staffed by statisticians trained in underwriting. These statisticians will be responsible for compiling and analysing the data and publishing the information on "burning cost" for each class of risk and hazard factor. Insurers will use such data in reviewing their internal tariffs.
- The marketing staff and frontline underwriting staff will be trained to collect appropriate risk information at the time of rating and acceptance.
- Underwriters should be trained in a logical approach to rating, making full use of statistical data and statistical techniques.
- Boards of directors and top managements should be enabled to review quality of underwriting, besides looking at premium targets.

The proper date for changeover to a non-tariff market cannot be determined in terms of time alone, but should be based on the market setting in place and all the above mentioned requirements, for the market to work efficiently in the absence of tariffs. Insurers have to plan and work towards achieving these objectives.

प्रकाशक का संदेश

जनवरी माह के मध्य में प्राधिकरण की एक अपूर्ण कार्यसूची. पूरी हुई जब हमने पहले बीमा दलाल को लाइसेंस प्रदान किया। यह पहली बीमा कंपनी के पंजीकरण के दो वर्ष बाद हुआ।

बीमा दलाल महत्वपूर्ण तथा विवेकशील मध्यस्थ बाजार में है। देर से, लेकिन हमें आशा है कि इनके प्रवेश से बीमाकर्त्ताओं की पहली इच्छाओं की पूर्ति हुई है। दलाल न केवल बीमा बेचते हैं वरन अपने बाजार जोखिम के विस्तृत ज्ञान के कारण अपने ग्राहक को परामर्श देकर उसकी मदद करते हैं, बीमा फैशन के नये उत्पादों को चुनने में जो उसकी आवश्यकताओं के अनुरूप हो। इसके साथ हमें उम्मीद है बीमाकर्त्ता यह अनुभव प्राप्त करेंगे की उनके पास पर्याप्त चैनल है जिनके द्वारा वह अपनी सेवाओं से बीमा वंचित समाज को बीमा उपलब्ध करवा सकेंगे।

हमारा समाज न केवल बीमा उद्योग के आंतरिक तथा बाह्य दबावों के बीमा से वंचित है जबकि संपूर्ण वित्तीय व्यवस्था गतिशील है। इसका एक कारण यह है कि समाज व्यापक रूप से बीमा के मूल्य से अवगत नही हो पाया है तथा इसकी महत्वपूर्ण भूमिका जो संपत्तियाँ तथा वित्तीय सुरक्षा के लिये निभाता है। प्राधिकरण के द्वारा जनमानस के लिये बीमा तथा पैंशन के प्रति जागरूकता सतत रूप से उत्पन्न करना चाहते हैं और मैनें पिछले माह कहा था, हमने प्रसार भारती के माध्यम से इस दिशा में पहल की है।

हम उपभोक्ता समूहों के साथ भी कार्य कर रहे हैं साथ ही भारत सरकार के उपभोक्ता मामलों के विभाग के साथ भी जिससे हम जनता तक पहुँच सकें। इसके चलते हमने पिछले सप्ताह एफओआरटीई के साथ संयुक्त उद्यम किया। जिसमें फेडरेशन ऑफ इंडियन चैंबर ऑफ कामर्स व इंडस्ट्रीज तथा आईएनजी बीमा के साथ उपभोक्ता जागरूकता सत्र चलाये। जिसमें अन्य बातों के साथ आईआरडीए के बीमा धारक संरक्षण अधिनियम पर चर्चा हुयी।

हमेशा यह जानकर दु:ख होता है कि बीमा उद्योग की भूल व गलतियों के कारण अनेक शिकायतें प्राप्त होती है। विशेष रूप से जब भारत सरकार के उपभोक्ता मामलों के सचिव ने यह बताया कि सभी वर्गों में से उपभोक्ता फोरम के सामने सबसे ज्यादा मामले बीमा से संबंधित ही होते हैं। ग्राहक तथा जनता के बीच इस प्रकार से कीर्ति व यश झुकाना है। फिर भी मुझे विश्वास है कि इस प्रगतिशील उद्योग के बुद्धिशील सदस्य उपभोक्ता के मित्र बनेंगे परिणामस्वरूप कारोबार बढेगा, क्योंकि आप एक स्वस्थ उद्योग की कल्पना प्रसन्न व आत्मविश्वासी ग्राहकों के बिना नही कर सकते।

केन्द्र में उभरने वाले बाजार तथा फ्राड पर दो सम्मेलन रहे जिनकी पिछले सप्ताह आईआरडीए ने संयुक्त रूप से मेजबानी की उससे पहले संपूर्ण विश्व के विनियमकों की सभा इंटरनेशनल एसोसियेशन ऑफ इंश्योरेंस सुपरवाइजर (आईएआईएस) के तत्वावधान में हुयी। जो दिखाई दे रहा था वह था उभरते हुये बाजारों के विनियामक धीरे-धीरे लेकिन विश्वास के साथ अपने कदम मजबूत कर रहे हैं तथा अपना रास्ता खोज रहे हैं। अपने देश में विवेकपूर्ण विनियामक तथा उद्योग बनाने के लिये। यह भी प्रदर्शनीय रहा है की भारतीय विनियामकों को विभिन्न मानकों तथा कृत्यों के अनुसार बाकी विश्व से आगे देखा गया कुछ क्षेत्रों में जैसे निगमित प्रशासन, जिस पर इस समय अधिक ध्यान नही दिया जा रहा है।

फ्रॉड से लडाई तथा एंटी मनी लांडरिग आईएआरएस के प्राथमिक क्षेत्र रहे न केवल इसलिये की ये बीमा उद्योग को हानि पहुँचाते हैं तथा जिस देश में घटित होते है उसकी अर्थव्यवस्था को नुकसान भी पहुँचाते है। लेकिन इसके परिपेक्ष में आतंकवाद छिपा है। विशेष रूप से 11 सितम्बर के बाद।

भारतीय विधायिका को अभी आगे बढना है। अभी पास किये गये मनी लांडरिंग विधेयक में बीमा फ्राड को स्थान नही दिया गया है, इसे राष्ट्रपति के अनुमोदन की प्रतीक्षा है क्योंकि इसे इस अधिनियम में एक अपराध नही माना गया है तथा आशा है यह ठीक हो जायेगा तथा उद्योग को इस अधिनियम के अंतर्गत संरक्षण प्राप्त हो जायेगा।

एन. रंगाचारी

एन. रंगाचारी

" कुछ तो लोग कहेंगे "

विनियामक का फोकस विनियमन से हट कर बाजार विकास की तरफ होना चाहिये। विनियम विकास के लिये संयोग मात्र है।

भारतीय प्रतिभूति और विनियमन बोर्ड के अध्यक्ष
- जी.एन. वाजपेयी

निगमित घरानो को ब्रोकिंग हाउस को सीमित सांस्थानिक के रूप में कार्य करने की अनुमति नही दी जायेगी। यह आवश्यक है कि वह स्वतंत्र ब्रोकिंग संस्था स्थापित करे अन्यथा यह केवल एक व्यक्तिगत ग्राहक तक समर्पित होकर रह जायेगा।

बीमा विनियामक विकास प्राधिकरण के अध्यक्ष
- एन. रंगाचारी

9 सितम्बर के बाद के बुरे दिन अमेरिका के बीमाकर्त्ताओं की आतंकवाद तथा संपत्ति के बीमा करने की योग्यता लगभग समाप्त हो गयी। यूरोपियों ने ऐसे समय में वहां प्रवेश किया तथा वह इस शाखा में जुड गये। लायड को एकल बीमाकर्ता के रूप में अधिकतम हानि हुई। आज हमने 2.8 बिलियन डॉलर के बीमा दावे अदा किये है हमें कुल मिलाकर 3.11 बिलियन डॉलर की शुद्ध हानि हुई।

लायड् ऑफ लंदन के अध्यक्ष
- लार्ड पीटर लिविन

वर्ष 2000 के मध्य तक कुत्ते जोर से भौंक रहे थे यहाँ तक कि उन्होनें सबसे अगतिशील तथा नींद ले रहे गार्डियन को सक्रिय कर दिया।

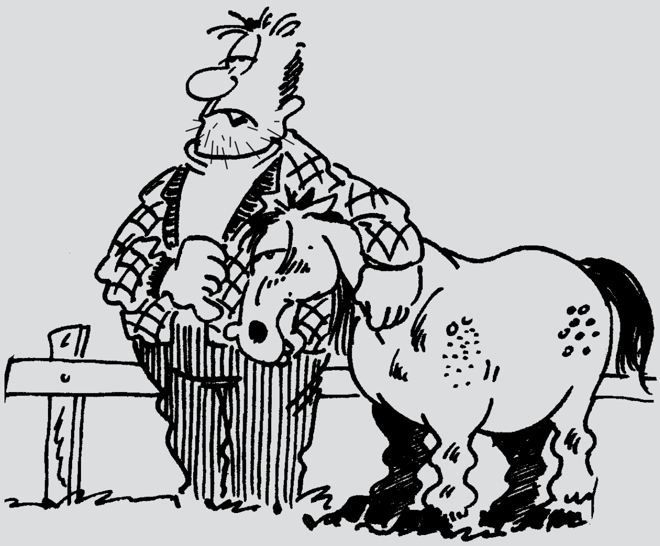
वेयन मार्टिन, रॉयल कमीशन के वरिष्ठ काउंसिल
एच आई एच के ढहने पर, आस्ट्रेलिया बीमाकर्ता,
आस्ट्रेलिया प्रूडेंशियल रेगुलेटरी अथोरिटी

(आरोप थे) असंतुलित,अनुचित, ठीक नही तथा किसी प्रमाण से जुडे नही थे... एच आई एच फैला हुआ है क्योंकि इसके ज्यादातर प्रबंधक तथा बोर्ड सदस्य तथा संबंद्ध अयोग्य तथा बेईमान थे।

आस्ट्रेलियन प्रूडेंशियल अथोरिटी द्वारा वान मार्टिन के प्रतिवेदन को अस्वीकार किया।

यू के मॉडल के अनुसार भारतीय वित्तीय बाजार अभी परिपक्कव नही हुये है। मेरी राय में पहली प्राथमिकता विनियामकों के बीच अच्छा संप्रेषण तंत्र तथा बेहतर संबंध स्थापित करना है जो भारत के वित्तीय बाजार को नियंत्रित कर रहे हैं।

श्री हवर्ड डेविस, अध्यक्ष वित्तीय सेवा प्राधिकरण
(एफ.एस.ए) यू .के.



एक आदमी ने रेस का घोडा खरीदा और उसे अस्तबल में बांध दिया और वहाँ एक साइन बोर्ड लगा दिया जिस पर लिखा था, **दुनिया का सबसे तेज दौडने वाला घोडा।** घोडे के मालिक ने न तो घोडे को दौडाया और न ही उसे फुर्तीला बनाये रखने की कोई ट्रेनिंग दी? उसने अपने घोडे को एक रेस में दौडाया, और घोडा आखिरी नंबर पर आया। मालिक ने फौरन ही साइन बोर्ड बदल दिया, उस पर लिख था, **घोडे के लिये सबसे तेज दुनिया।**

आजादी से डर-क्या हम प्राशुल्क मुक्ति चाहते हैं?

के. नित्य कल्याणी

यह उन प्रश्नों में से है जिसका उत्तर स्वभाविक रूप से हाँ में निकलता है लेकिन... प्रश्न यह है कि क्या भारतीय बीमा उद्योग से प्राशुल्क समाप्त कर दिया जाये? उत्तर के दोनों भाग सही है। प्राशुल्क को समाप्त करना उदारीकरण का लक्षण है यह भी सत्य है कि भारतीय बीमा उद्योग को चमकाने के लिये कई कदम उठाने हैं। जैसी कहावत है कि स्वतंत्रता का मजा दायित्वों के साथ ही लिया जा सकता है तथा यही एकमात्र तरीका है जिससे इसका उपभोग किया जा सकता है। यहाँ पर विभिन्न साधारण बीमा कंपनियों के प्रभारियों के मत बीमा प्राशुल्क को समाप्त करने के बारे में दिये जा रहे हैं। यहाँ इस पर भी विचार किया गया है कि इसे कैसे अमल में लाया जाये।

श्रीरंग वी सामंत, मुख्य कार्यपालक अधिकारी
एच डी एफ सी चब्ब जनरल इंश्योरेंस कंपनी

उदारीकरण का एक उद्देश्य ग्राहक के लिये विकल्प उपलब्ध करवाना था। यह विकल्प केवल कंपनी तक सीमित न रहे वरन उत्पाद के मूल्य में भी यह उपलब्ध हो।

क्या बाजार इसके लिये तैयार है? कई बार बाजार को गहन प्रयास करने पडते हैं।

हमारे पास जो नही है वह है मजबूत आंकडों का आधार जिसके अनुसार दरें तय की जा सके लेकिन हमारे पास चार बडी बीमा कंपनियाँ है तथा उनके लिये इस समस्या का समाधान बडी बात नही हो सकती। नयी कंपनियों के पास बहुत अच्छा संरक्षण है तथा वह इस पर निर्भर रह सकती है।

प्राशुल्क सलाहकार समिति (टीएसी) के पास जो आँकडे उपलब्ध है उनका विश्लेषण नही किया गया है न उसके इससे विभेद है कि अलग-अलग वर्गों तथा अच्छी दरों का निर्धारण किया जा सके।

यदि बाजार खोल दिया जाये तब तीन-चार वर्षो तक कंपनियाँ अपने अनुभव से वैज्ञानिक दर निर्धारण कर सकेगी जब तक उन्हें दरों के निर्धारण का फैसला निपूर्णता से करना होगा।

1994 में मैरिन क्षेत्र में प्राशुल्क हटाने से कोई लाभ नही मिला क्योंकि अन्य व्यापार जैसे अग्नि प्राशुल्क के दायरे में थे। यदि ऐसा नही होता तो जैसी बेकार प्रतिस्पर्धा हमने दरों में देखी ऐसी कभी नही होती आपको अन्य कारोबार प्राप्त करने के लिये मैरिन कारोबार कम दरों पर देना पडा।

पहले कंपनियों के केन्द्र में उच्च मुद्दे थे जिससे अब उठाये जाने वाले निचले मुद्दों पर बातचीत नहीं हो पाती थी इसीलिये हमें अधिक चिंता करने की जरूरत नही है।

जितना जल्दी उतना अच्छा

दिलीप वर्मा, मुख्य कार्यपालक,
टाटा ए आई जी जनरल इंश्योरेंस कंपनी

मेरा मानना है कि उदारीकरण तथा प्राशुल्क विरोधात्मक है बाजार असमीचीन से प्राशुल्क रहित व्यवस्था की और बढ रहा है कब सही समय होगा यही प्रश्न है। वर्तमान समय में एक बहुत बडी प्राशुल्क रहित व्यवस्था उपभोक्ता के हित में नही है और न ही उद्योग के हित में है। बडे कारोबारी बडे तुलन पत्र के साथ दरों में कटौती कर सकते हैं।

प्राशुल्क रहित व्यवस्था की तरफ दौडने की अपेक्षा अच्छा होगा धीरे धीरे इसे सुलभ करवाया जाये। यह चरणों में 2-3 वर्ष में हासिल किया जा सकता है।

यदि आप मोटर की बात कर रहे हैं तो महत्वपूर्ण यह है कि तृतीय पक्ष मुद्दों को कैसे निपटाया जाये आप ऐसा नही कर सकते की एक वर्ग में प्राशुल्क रहे तथा दूसरे में नही।

असीमित देयता के अलावा हमें कई अन्य मुद्दे भी पहले सुलझाने है। मदिरापान कर वाहन चलाना, बुरे रास्ते, ओवर लॉडिंग... अन्य जो तृतीय पक्ष हानि अनुपात को बढाते हैं।

हम तृतीय पक्ष मोटर पुल बना कर सबसे बडी गलती करेंगे एसे पुल अन्य जगहों पर बिखर गये हैं तथा उपभोक्ता को बहुत बडी क्षति हुई है।

हमें मोटर प्रीमियम संरचना को पुनर्निर्धारित करना होगा। यू. के. के बाजार में तृतीय पक्ष प्रीमियम व्यापक प्रीमियम का 88 प्रतिशत होता है तथा जो जोखिम को प्रतिबंधित करता है। यहाँ यह विपरित है। इन आधारभूत मुद्दों का समाधान जरूरी है। केवल प्राशुल्क हटाने से मदद नही मिलेगी।

निजी तथा सार्वजनिक क्षेत्र बीमाकर्ता को डर है बाजार अभी अभी खुला है यदि आधारभूत संरचना ऐसी ही रहेगी हमें पूरी हानि होगी।

अरूण अग्रवाल, मुख्य कार्यपालक अधिकारी
चोलामंडलम साधारण बीमा कंपनी

जैसा मैने जस्टिस रंगराजन के समक्ष कहा था (व्यापक कारोबार को प्राशुल्क मुक्त करने के लिये) प्राशुल्क तथा प्राशुल्क मुक्त को उपभोक्ता के हित के संदर्भ में देखा जाना चाहिये।

प्राशुल्क मुक्त व्यवस्था हमें ऐसे उत्पादों की श्रेणी विकसित करने के लिये मदद करेगी जिसमें हमें दर निर्धारित करने की स्वतंत्रता होगी।

अन्य संदर्भो मे देखने पर यदि आप कोई पोर्टफोलियो ले तथा वह अच्छा न रहा हो और आप उसे प्राशुल्क मुक्त करना चाहे तो साधारण जनता के मन में डर होगा की दरे बढ जायेगी तथा ऐसे में आप कठोर दरें तथा नियम व शर्ते लागू कर पायेंगे।

यदि कारोबार अच्छा चल रहा होगा तो बीमाकर्ता के बीच एक मान्यता होगी की असली प्रतिस्पर्धा निचला आधार प्रस्तुत करेगी।

यदि प्राशुल्क मुक्ति पर एक सिद्धांत की तरह पहुँचा जाये और हम उस स्वीकार कर ले तो इसे प्रत्येक क्षेत्र में लागू किया जायेगा लेकिन यदि यह मुझ पर छोड दिया जाये तो मैं क्षेत्रों का चयन करूँगा।

हमने पहले ही 8 वर्ष खराब कर दिये हैं।

एच. एस. वाधवा, अ.प्र.नि., *नेशनल इंश्योरेंस कंपनी*

मैं इस बात की विशेष वकालत करता हूँ कि हमें प्राशुल्क को हटाना ही होगा। आपको किसी भी विकसित देश में प्राशुल्क नही मिलेगा यदि आप प्राशुल्क से बंधे रहेंगे तो आप उन्नति नही कर सकते।

ऐसे प्रतिस्पर्धात्मिक बाजार का निर्माण है जो किसी भी प्रकार के प्रतिबंधों से मुक्त हो क्योंकि ये प्रतिबंध दोनों तरफ के लिये ठीक नही है।

उद्योग में बीमा लेखन हानि उत्पन्न हो रही है तथा यह निवेश लाभ पर टिका है यदि हम बीमालेखन की तरफ कुछ नही करेंगे तो हम विनाश की ओर अग्रसर होंगे। मुझे यह विश्वास है कि यदि हमें स्वायत्ता नही मिलेगी तो हम भूमंडलीकरण की दौड में पिछड जायेंगे। हम विश्व बाजार के भाग होने का दावा करते हैं क्यों नही हम उसके सिद्धांत को आत्मसाध करें।

हमने पहले ही 8 साल खराब कर दिये है सार्वजनिक कंपनियाँ यहाँ है तथा निजी कंपनियाँ अंतर्राष्ट्रीय अनुभव के साथ मजबूत है जितना जल्दी आप शुरू करेंगे उतना अच्छा होगा।

यह सब हम रातो रात नही कर सकते है। हमें बाजार को सूचना देने के लिये 3 माह का समय चाहिये यदि आप इसे चरणबद्ध करना चाहेंगे तो आप कभी कुछ नही कर सकेंगे।

कंपनियों की दरों तथा पुनर्बीमा संरक्षण के लिये मानदंड बनाने होंगे। उपबंध जैसे सशक्त शोधन क्षमता तथा निवेश पैटर्न पहले से ही आ चुके है। कोई भी भारतीय सार्वजनिक अथवा निजी कंपनी इन मानदंडो के चलते अपनी दुकान बंद नही कर सकती और यह उपभोक्ता संरक्षण के लिये काफी है।

आर. बेरी, अ.प्र. नि, *न्यू इंडिया इंश्योरेंस कंपनी*

वर्तमान समय प्राशुल्क से मुक्ति प्राप्त करने के लिये ठीक नही है। हमने मैरिन कारोबार को प्राशुल्क से मुक्त किया फिर भी इस कारोबार में कोई विकास पिछले दशक में नही हुआ।

बाजार अभी प्राशुल्क से मुक्ति पाने के लिये परिपक्व नही हुआ है। अन्य कारण यह है कि हमारे पास आँकडे नही है और यदि आईआरडीए अपनी फाइल करो तथा प्रयोग करो ती नीति को जारी रखेगी तो बीमा कंपनियों के पास उत्पाद के दर निर्धारण के लिये आँकडे उपलब्ध नही होग और इससे लाभ में चल रहे कारोबार की दरो को कम नही किया जा सकेगा।

टीएसी ने आज तक सौ प्रतिशत आँकडे इकठ्ठे नही किये है। न्यू इंडिया में हमारे पास कुछ आँकडे है लेकिन हमें कई वर्ष के आँकडे तैयार करने होगे। कुल मिलाकर एक या दो वर्ष के आँकडे आपको झुकाव नही बता सकते।

जब तक हमारे पास कम से कम 5 वर्ष के सघन आँकडे नही होंगे हम प्राशुल्क को नही हटा सकते। हम तभी जान सकते है किस तरफ कारोबार जा रहा है। हमारे प्रबंध तथा मध्यस्थों की लागत क्या है। यह सभी चीजें बाजार में स्थिर होनी चाहिये तभी हमें बाजार पर इसका प्रभाव मालूम हो जायेगा।

निजी क्षेत्र को संरक्षण रहेगा क्योंकि उनके लिये अधिग्रहण की लागत नही है तथा उनका नेटवर्क बहुत छोटा है। हमारे मामले में हमारी शाखाओं का फैलाव विस्तृत है तथा हम सभी पर नजर नही रख सकते।

सैद्धांतिक रूप से मैं दरें कम कर सकता हूँ लेकिन इसका प्रतिफल क्या होगा। निवेश आय सिकुड रही है तथा मुझे हानि ही होगी।

एंटोनी जेकब प्रबंध निदेशक,
रॉयल सुन्दरम एलाइन्स इंश्योरेंस कंपनी

किसी भी अंतराष्ट्रीय बाजार के विकास के लिये मुक्त प्राशुल्क व्यवस्था एक ढंग है। लेकिन यह प्रक्रिया धीरे धीरे होनी चाहिये।

भारतीय बाजार पिछले दो वर्षों से तैयार हो रहा है। प्रतिस्पर्धात्मिक दरों का आधार ऐतिहासिक आँकडे सांख्यिकी औजारों से विशलेषित किये जाने चाहिये। अन्यथा यह पूरा अभ्यास एक ऐसी संख्या देने की होगी जिससे ग्राहक को खुश किया जा सके और यह वैज्ञानिक नही होगी अभी बहुत सी रिक्तियाँ है तथा कुछ हजार वाहनों की सूचना दर निर्धारण का आधार नही बन सकती।

हम विश्व स्तर की फैक्ट्री तथा अन्य में भेद नही कर सकते हम जानते है जोखिम अलग अलग है। लेकिन हमारे पास साबित करने का साधन नही है। यहाँ मोटर कवर का दृष्टांत लेकर एक 65 साल का व्यक्ति जो सप्ताह में दो बार मंदिर अथवा बैंक जाता है वह 25 वर्ष के उस व्यक्ति के बराबर प्रीमियम देता है जो दैनिक रूप से वाहन चलाता है और उसमें शौकिया ड्राइविंग भी शामिल है। हम जानते है जोखिम अलग अलग है लेकिन हमारे पास इसे साबित करने का साधन नही है।

हम विश्व स्तर की फैक्ट्री तथा अन्य में भेद नही कर सकते ह म जानते है जोखिम अलग अलग है। लेकिन हमारे पास साबित करने का साधन नही है।

पाँच साल बाद सार्वजनिक क्षेत्र आँकडे प्रयोग करने के लिये अच्छी स्थिति में होगा तथा बाजार को प्राशुल्क मुक्त प्रक्रिया को पूरा करना चाहिये। उनके पास सूचना है लेकिन बिखरी हुई है वे बटन दबा कर उतर प्राप्त नही कर सकते।

बडे व्यवसायी दरों में कटोती कर सकते हैं तथा हानि को बदार्शत कर सकते हैं। यह निजी क्षेत्र के लिये सबसे बडा ख़तरा है।

सैम घोष, मुख्य कार्यपालक
बजाज अलायंस जनरल इंश्योरेंस कंपनी

वर्ग विशेष के दावों के अनुभव के आधार पर ग्राहक को उचित दर पर मूल्य चुकाना चाहिये तथा प्राशुल्क मुक्त व्यवस्था स्थापित होनी चाहिये। आज निगमित ग्राहक मोटर कारोबार का वित्तीय पोषण कर रहे है तथा यह युक्ति संगत होता है कि प्रीमियम दरें कम हो यहाँ तक की मोटर तथा व्यावसायिक वाहन बीमा दरें अधिक है क्योंकि हमारी दावा लागत इस मद में अधिक है।

सार्वजनिक क्षेत्र इकाईयाँ बीमाकर्ता बहुत मजबूत है तथा निजी बीमा कंपनियों ने अपना परिचालन अभी प्रारंभ किया है। सार्वजनिक क्षेत्र की इकाईयों के लिये आसान रास्ता यह है कि निजी बीमाकर्ता को बाहर रखने के लिये दरें कम करें जो 6 माह में 1-2 प्रतिशत हो।

मेरी व्यक्तिगत राय यह है कि हमें यह 2 वर्ष के बाद करना चाहिये। नये व्यवसायियों को इस कारोबार में अभी कुछ ही समय हुआ है सेवा मानकों को स्थापित करने के बाद दरें ज्यादा होने पर भी ग्राहक कंपनी विशेष के साथ दरें ज्यादा होने पर भी जुड जायेंगे।

दूसरी तरफ बाजार पूरी तरह पागल हो जायेगा। आस्ट्रलिया में जब मोटर तृतीय पक्ष व्यापार को 8 वर्ष पहले प्राशुल्क मुक्त किया गया। प्रीमियम 30 प्रतिशत कम हो गया प्रत्येक कंपनी ने 30 से 40 मिलियन डॉलर का नुकसान उठाया उन्हें जब मालूम हुआ की क्या हो गया है तो वापसी हुई लेकिन इसमें 2-3 वर्ष का समय लगा।

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इस समय मैं प्राशुल्क मुक्ति के पक्ष में नही हूँ। यह परामर्श नही है कि अग्नि तथा इंजीनियरिंग कारोबार को प्राशुल्क से मुक्त किया जाये। कारण यह है कि नयी कंपनियों की पूँजी बहुत कम है। अपने आप को अभी जान नही सके हैं यदि एकदम से ऐसा किया गया तो प्रतिस्पर्धा के कारण दरें कम हो जायेगी और यह सार्वजनिक क्षेत्र व निजी क्षेत्र के लिये ठीक नही है।

मोटर, हाँ इसे प्राशुल्क मुक्त किया जाना चाहिये जिससे अच्छे ग्राहकों को लाभ पहुँचाया जा सके तथा बुरे ग्राहकों को दंडित किया जा सके।

लेकिन इसके लिये हमें भौगोलिक जोखिम प्रदर्शन, तथा कितना कारोबार नयी कंपनियों की तरफ जा रहा है। इस समय आंकडों की विश्वसनीयता नही है।

पीएसयू में कंप्यूटरीकरण हो रहा है तथा वे इन आंकडों का वर्ष भर में उपलब्ध करवा सकेंगे। फिर 2-3 वर्ष में हम प्राशुल्क मुक्ति की तरफ जा सकेंगे।

यह परामर्श नही है कि अग्नि तथा इंजीनियरिंग कारोबार को प्राशुल्क से मुक्त किया जाये।

एस. एल. मोहन, अ.प्र.नि., *ओरियेंटल इंश्योरेंस कंपनी*

जहाँ तक मेरा संबंध है प्राशुल्क मुक्त व्यवस्था प्रतिफल को बहुत सिकोड देगी लेकिन ग्राहक को लाभ होगा वह बेहतर उत्पाद बेहतर मूल्य पर प्राप्त कर सकेगा।

प्राशुल्क मुक्त बाजार में ही ब्रोकर की भूमिका को बेहतर तरीके से समझा जा सकेगा।

हम पहले से ही हानि उठा रहे है यह हमारी कार्य निष्पादन को आगे खराब करेगा। यदि कभी प्राशुल्क को हटाना भी पडे तो चरणबद्ध रूप से हटाना चाहिये अन्यथा यह एक विपदा होगी। मैरिन प्राशुल्क मुक्ति की ही तरह जिसे धीरे ङ्क धीरे करना चाहिये था।

मैं कहना चाहता हूँ कि प्राशुल्क मुक्ति दो से तीन वर्ष में होनी चाहिये तथा बाजार को कुछ अनुशासन दिखाना चाहिये। एक निश्चित स्तर से प्रीमियम को नीचे नही दिया जाना चाहिये।

मैं ऐसा नही कहूँगा की हमारे पास बिलकुल आकडे नही है लेकिन अवश्य ही हमारे पास कम आँकडे है हमारे पास वाहन के अनुसार आँकडे है लेकिन हम टीएसी द्वारा माँगे गये फोर्मेट में उसे उपलब्ध नही करवा सकते क्योंकि हमने सूचना प्रौद्योगिकी को पूरी तरह से आत्मसाध नही किया है।

और हमें प्राशुल्क मुक्त बाजार में बीमांकक चाहिये लेकिन उनके पास आँकडे कहा है जिनका वह प्रयोग कर सके।

हम पहले से ही हानि उठा रहे है यह हमारी कार्य निष्पादन को आगे खराब करेगा।

यह सब कुछ एक बार में किया जाना चाहिये यहाँ अस्थिरता का कुछ आभास होगा हम हिलेंगे, गिरेंगे तथा चोट खायेंगे लेकिन हम बच जायेंगे।

संदीप बक्षी, प्रबंध निदेशक तथा मुख्य कार्यपालक
आई सी आई सी आई लम्बार्ड साधारण बीमा कंपनी

अन्य क्षेत्रों के अनुभव को सामने रखते हुये प्राशुल्क को जाना ही होगा अभी या कुछ समय बाद।

जब ब्याज दरें पक्की थी तब बैंकिग उद्योग में कोलहल था जिसने लागत कम करने के लिये जोखिम प्रबंध को पार करते हुये उत्साह दिखाया। यहाँ कुछ रक्तपात हुआ जो स्वाभाविक था। अब संस्थाओं पर निर्भर है कि वे विवेकशीलता तथा समझदारी बनायें रखे। प्राशुल्क मुक्त व्यवस्था में जोखिम प्रबंध मुख्य प्रोत्साहक होगा।

हमें प्राशुल्क समाप्त करने से पहले शोधन क्षमता को वर्तमान 1.5 गुणा से बढा कर 2 या 2.5 गुणा तक ले जाना होगा। कठोर नियंत्रित प्रबंध व्यवस्था में जो पूँजी को द्रवित करेगी तथा स्वंय के संचालन के लिये सीमायें निर्धारित करेगी। यहाँ कारोबार की सीमायें होगी इसीलिये वे अन्य कारोबार करेंगे लेकिन 2-3 वर्ष के बाद एक मजबूत कारोबार उभरेगा तथा उद्योग इस मंथन के बाद सशक्त होगा।

वी. जगन्नाथन, अ.प्र.नि.,
यूनाइटेड इंडिया इंश्योरेंस कंपनी

इस समय प्राशुल्क मुक्ति की आवश्यकता नही है। मैं समझता हूँ हमें प्रतीक्षा करनी चाहिये। केवल मोटर तृतीय पक्ष के मामले में जल्द ही प्राशुल्क मुक्ति की आवश्यकता है।

कुछ समय के लिये हम अग्नि को ऐसे ही छोड सकते है हमारा अग्नि बीमा में व्यापक फैलाव है और यदि इसे प्राशुल्क मुक्त कर दिया गया तो यह सभी कंपनीयों के लिये विनाशकारी होगा।

यदि उत्तरदायित्व समझा जाये तो हम प्राशुल्क मुक्ति की तरफ अग्रसर हो सकते हैं। यदि कंपनियाँ अपनी प्रशासनिक लागत तथा दावा लागत को जाने तथा लाभ गुजाइश को समझें तथा सही दरें कोट कर सके।

अग्नि प्राशुल्क के नीचे की तरफ बदलने के बाद से बाजार स्थिर हुआ है। यदि हम इसे प्राशुल्क मुक्त कर देंगे तो अन्य कवर के साथ यह कवर मुफ्त दिया जाने लगेगा। वर्ष 1994 में मैरिन के प्राशुल्क मुक्त होने के पश्चात प्रीमियम में कोई वृद्धि नही है। दस वर्ष बाद भी अब मैरिन प्रीमियम की दरें प्रतिस्पर्धा के कारण नीचे की ओर जा रही है।

मोटर तथा अग्नि के अतिरिक्त कोई प्राशुल्क नही है। विविध तथा मैरिन एक बाजार समझौते के अनुसार कार्य करते हैं। मोटर तृतीय पक्ष प्राशुल्क मुक्ति की जल्द जरूरत है तथा व्यापक की नही। इसे प्राशुल्क मुक्त कर दीजिये तथा सभी कंपनियों को निर्णय करने दें जहाँ तक मेरी कंपनी का प्रश्न है तथा दर निर्धारण मुझ पर छोड दीजिये। मुझे मालूम है क्या वसूल किया जाये क्योंकि मुझे मालूम है मैं क्या प्राप्त कर रहा हूँ तथा मैं क्या दे रहा हूँ।

हमे सही दर कोट करने तथा इसे अपने सभी कार्यालयों तक पहुँचाने तथा कारोबार को बनाये रखने का विश्वास है।

मोटर तृतीय पक्ष प्राशुल्क मुक्ति की जल्द जरूरत है तथा व्यापक की नही।

यदि हम कुछ नही करते है तो हम विनियामक की भावना से कार्य नही कर रहे है। हमें अपनी अंधगति को बल देना होगा। कंपनियों को या तो तैरना होगा या डूब जाना होगा।

अजीत नारायण, मुख्य कार्यपालक तथा प्रबंध निदेशक, *इफ्को टोकियो जनरल इंश्योरेंस कंपनी*

भारतीय बाजार प्राशुल्क से मुक्त होने के लिये तैयार नही है। मुख्य कारण आंकडों का उपलब्ध न होना है। बडी कंपनियों के पास आंकडे है लेकिन किसी को अनुसंधान कार्य करते हुये सब कुछ सम्माहित करना होगा।

निजी कारोबारी छोटे है तथा वह दावों से संबंधित आंकडे एकत्र कर रहे हैं। यह सब उपभोक्ता की माँग पर हो रहा है लेकिन इस सूचना आधार से मुझे कोई संतुष्टि नही है लेकिन यही सब कुछ मेरे पास है।

यदि आप यह सब प्राशुल्क व्यवस्था के आधार पर जारी रखेंगे केवल 5 प्रतिशत कारोबार व्यक्तिगत आधार पर प्राप्त हो सकेगा ऐसा नही होगा की कवरेज बढ सके क्योंकि प्रत्येक कंपनी को अपना आधार मजबूत रखना है।

यदि आंकडों को सामने रखा जाये तो निश्चित उत्तर उपलब्ध होंगे आप पाँच वर्ष की समयावधि रख सकते हैं जिसमें प्राशुल्क मुक्त व्यवस्था स्थापित हो सके।

अंग्रेजों के जमाने में बनाया गया अग्नि प्राशुल्क वास्तव में कला का नमूना था। यह 30 साल पहले तक भी तर्कसंगत था लेकिन आज कोई भी दरें वैज्ञानिक नही है और यह बात अग्नि बीमा पर पर भी लागू होती है।

लेकिन हम चिंता क्यों करे? आज की खुली व्यवस्था में प्रत्येक कंपनी निर्धारित करे कि उसकी दरें क्या होगी तथा उसका पुनरीक्षण विनियामक फाइल तथा प्रयोग के नियमों के आधार पर कर सकता है।

आकाशवाणी व दूरदर्शन

आईआरडीए द्वारा योजनाबद्ध किया गया प्रचार तथा उपभोक्ता जागरूकता कार्यक्रम जल्द प्रारंभ होगा। यह विशेष कार्यक्रम प्रायोजित कार्यक्रमों व वाणिज्यिक कार्यक्रमों के द्वारा आकाशवाणी व दूरदर्शन के प्राइम टाइम पर प्रसारित होगा।
प्रसार भारती के मुख्य कार्यपालक श्री के एस शर्मा ने बीमाकर्त्ताओं व अंतर्राष्ट्रीय बीमा सुपरवाइजरों के जनसमूह में बताया कि रेडियो तथा टेलीविजन की पहुँच भारत जैसे देश में बहुत व्यापक है। 99 प्रतिशत जनसंख्या इस माध्यम से कवर होती है और यह माध्यम जागरूकता तथा सूचना पहुँचाने के लिये श्रेष्ठ होगा।
उन्होनें कहा की उनकी अपनी संख्या भी यह नही जानती है कि ट्रांसपोडर सीमा क्षेत्र में जिनको काफी जोखिम होता है क्या कुछ लागत देकर बीमा सुरक्षा प्राप्त कर सकते हैं। यह इसलिये हुआ कि उद्योग की अपने कार्यक्षम ग्राहकों को अपनी तरफ से बीमा के लाभों के प्रति जागरूक नही किया जाता।
उन्होनें यहाँ तक कहा की अपने जागरूकता के अभियान में यह विषय अधिक ध्यान आकर्षित करेगा। साक्षरता तथा प्राशसनिक शिक्षा की अपेक्षा। श्रोता की रूचि इस विषय में कही अधिक थी क्योंकि यह वित्तीय सुरक्षा का तैयार औजार है तथा एक प्रभावशाली आर्थिक शस्त्र है।
आई आर डी ए का जागरूकता अभियान जल्द प्रारंभ होकर तीन माह तक चलेगा इसे अगले 9 महीनों में पुनः तैयार किया जायेगा। जिसमें बीमा तथा पेंशन के महत्व तथा निवेश तथा सुरक्षा के अवसरों को विशेष रूप से निम्न माध्यम वर्ग के लोगों को यह बताया जायेगा। जिनके लिये वित्तीय स्थिरता एक सपना तथा आधारभूत जरूरत है।

ऐच्छिक सेवानिवृति योजना

सार्वजनिक क्षेत्र की साधारण बीमा कंपनियों के अधिकारियों व कर्मचारियों के लिये ऐच्छिक सेवानिवृति योजना 13,000 विकास अधिकारियों को ऐच्छिक सेवानिवृति देने के पश्चात साधारण बीमा की चार राज्य द्वारा नियंत्रित बीमा कंपनियों ने इसी आधार पर अधिकारियों तथा लिपिक वर्ग के लिये ऐच्छिक सेवानिवृति योजना लाने की योजना बनायी है।
वित्त मंत्रालय ने ऐसा प्रस्ताव साधारण बीमाकर्ताओं की एसोसियेशन से प्राप्त किया है जिसके अनुसार 20,000 के करीब सेवानिवृति के हकदार होंगे।
प्रस्ताव के अनुसार वर्ग 1 के कर्मचारी 50 वर्ष तथा इससे अधिक आयु वर्ग में तथा वर्ग 3-4 के कर्मचारी 45 वर्ष से अधिक आयु वर्ग के कर्मचारियों को दूसरी बार की ऐच्छिक सेवानिवृति योजना के लिये चुना गया है।
सार्वजनिक उपक्रमों के 25 से 30 प्रतिशत स्टाफ इस आयु वर्ग में आते है।
इस पैकेज में प्रत्येक वर्ष किये गये कार्य के प्रतिफल में 60 दिन का वेतन या बचे हुये वर्षों के लिये पूरा वेतन जो भी कम हो देय होगा। यह प्रस्ताव बैंकिग उद्योग को दिये गये लाभों के समकक्ष है।
चारों पी एस यू बीमाकर्ता मंत्रालय से निजी कारोबारियों के आगमन के परिणामस्वरूप अपने स्टाफ में कटौती कर अपने लागत को कम करना चाहते हैं।
ध्यान देने योग्य बात यह है कि पिछले 10 वर्षों में इन पी एस यू में कोई नयी नियुक्तियाँ नही हुईं। इसीलिये 45 से 50 वर्ष आयु वर्ग में बहुत कर्मचारी है।

11 सितम्बर के बाद बीमा लागत बढी

सेंटर फॉर मोनिटरिंग इंडियन इक्नोमिक्स (सी एम आई ई) के अनुसार मार्च 2002 के वित्तीय वर्ष की समाप्ति पर वर्ष 2001 की तुलना में 20-30 प्रतिशत बीमा खर्च प्रीमियम में वृद्धि हुई। इस सूची. में रिलायंस सबसे ऊपर जिसकी व्यापक प्रीमियम वृद्धि हुई जो वर्ष 2002 में 120 करोड तक पहुँच गयी।
बडे निगमित क्षेत्र के बीम खर्चों पर नजर डालने पर हमें अनुभव होगा की बीमा खर्च में तीव्रता से वृद्धि हुई है। स्टेट बैंक ऑफ इंडिया के मामले में यह वृद्धि 32 प्रतिशत हुई। जिसमें प्रीमियम 108 करोड से बढकर वर्ष 2002 में 143 करोड तक पहुँच गया। आजकल भारत में यह सबसे अधिक प्रीमियम देने वाली कंपनी है। तेल व प्राकृतिक गैस आयोग (ओएनजीसी) के साथ भी यही बात है जहाँ प्रीमियम में 28 प्रतिशत की वृद्धि हुई वर्ष 2001 के 90 करोड की अपेक्षा प्रीमियम बढकर 115 करोड तक पहुँच गया। रिलायंस के मामले में प्रीमियम खर्च में 200 प्रतिशत वृद्धि दर्ज हुई जिसका कारण इसकी रिफाइनरी का प्रीमियम बढ जाना था। विशेष रूप से जामनगर स्थित रिफाइनरी का अधिक जोखिम पूर्ण होगा। रिलायंस को वर्ष 2001 में शून्य की अपेक्षा वर्ष 2002 में 53 करोड रूपये के दावे भी प्राप्त हुये। जिसका कारण जनवरी 2001 में गुजरात में आया भूकंप था। आई टी सी के लिये भी प्रीमियम 50 प्रतिशत बढ कर 24 करोड तक पहुँच गया ज्यादातर कंपनी अब आतंकवाद व दंगे के जोखिम को देखते हुये इस वर्ग के कवर को ले रही है। केवल गुजरात के दंगो के लिये न्यू इंडिया को 100 करोड के दावे तथा जी आई सी को 150 करोड के दावे वर्ष 2001-02 के लिये देने पडे। आतंकवाद के लिये अनुमानित प्रीमियम दर 1000 रूपये के लिये 50 पैसे है।
अग्नि तथा इंजीनियरिंग प्राशुल्क के अंतर्गत जारी की गयी पॉलिसियों के अनुसार एकत्र किये गये बीमा प्रीमियम में 10 प्रतिशत की वृद्धि के कारण प्रीमियम में बढोतरी हुई। जिसका लाभ वर्ष 2001 के मध्य में गैर जीवन बीमा कंपनियों को मिला। भूमंडल पुनर्बीमा दरों में 20-30 प्रतिशत विमियम वृद्धि के कारण बीमा लागत में वृद्धि भी दर्ज की गयी। विशेष रूप से उन कंपनियों के लिये जिनका बीमा संरक्षण पुनर्बीमा पर निर्भर करता है जैसे मशीनरी ब्रेक डाउन या लाभ की हानि। पुनर्बीमा दरें अभी बीमित मूल्य के एक प्रतिशत से अधिक है इसकी तुलना में जो पॉलिसी नामक जोखिम कवर प्रदान करती है उनकी पुनर्बीमा पर निर्भरता कम है इसीलिये वे सस्ती है।
अन्य कंपनियों की बीमा लागत में तीव्र वृद्धि हुई है। उनमें शामिल है इडियन ऑयल कोर्पोरेशन,एम टी एन एल, आई सी आई सी बैंक, निरमा, मोजर बेयर, जिदंल विजय नगर, ऐबन लायड, बोकार्ड, मुक्ता आर्ट, बजाज ऑटो, एच डी एफ सी बैंक आदि बोकार्ड जिंदल तथा मोजर बेयर के मामले में बीमा लागत 300 प्रतिशत बढी जबकि मुक्ता आर्ट के मामले में यह वर्ष 2000-01 में 17 लाख से बढकर 4 करोड तक पहुँच गयी। अधिकतर मामलों में जहाँ बीमित मूल्य ज्यादा होता है पॉलिसियाँ विभिन्न निजी तथा सार्वजनिक क्षेत्र के मध्य सिंडिकेट से बनाकर प्रीमियम अनुपातिक आधार पर बाँटा जाता है।

स्वास्थ्य के प्रति जागरूक, आखिर लोंगेटिव में वृद्धि पारिस्थितिक परिवर्तनों में नही होती, जनता में कितने स्वास्थ्य बीमा उत्पादों की खपत की जा सकती है। यदि हम चाहते हैं कि देश की जनता स्वास्थ्य बीमा से परिचित हो तो सबसे पहले उसे स्वास्थ्य के महत्व की जानकारी देनी होगी।

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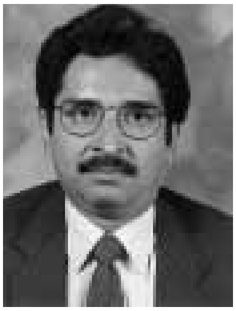
वस्तुतः हम प्रतीक्षारत थे कि कब आईआरडीए से एक ऐसा समाचार संदेश प्रकाशित हो, जो संपूर्ण बीमा के कार्यो का विविध रूप से निरूपण व यथेष्ठ चित्रण कर सके।
असीम प्रसन्नता हुई इस जर्नल के प्रकाशन पर, और अधिक प्रसन्नता हुई – कबीर जी को बीमा से संबंध कर उन्हें उद्धृत करने पर। सबसे महान कौतुहल हुआ श्री रंगाचारी के हस्ताक्षर को परिलक्षित करके।

- **आन्नद वर्धन त्यागी**, सदस्य बीमा सलाहकार समिति, आईआरडीए

How India *Shapes* Up

Arup Chatterjee



In the first part of this article carried in the previous issue, the author tried to identify and monitor developments in global standards and codes in the area of insurance with specific reference to those prescribed by the International Association of Insurance Supervisors (IAIS) and the twenty Insurance Guidelines issued by the OECD.

In this, the second and last part of this article, he sees how they apply to the Indian financial system and chalks out a road map for aligning India's standards and practices to international best practices.

A comparison of the best practices in the field of insurance regulation in India and the Indian insurance legislation at present in light of standards and codes prescribed by the International Association of Insurance Supervisors (IAIS) and the twenty Insurance Guidelines issued by the OECD (See box item) for its members reveal the following:

With respect to the legal form of insurance companies, in India, the joint stock company route is followed, which is not inconsistent with the international practice.

Superannuation business comes under the definition of life insurance business in India. To protect the interests of the members of superannuation funds, no final decision has yet been taken by the Government to bring these funds under some form of clear regulatory arrangements/ mechanisms either the formation of the Occupational Pension Board, as in the UK, or some other institution.

In India even though foreign companies are not allowed to operate directly, they are permitted through joint venture arrangements with an Indian company with a shareholding not exceeding 26 per cent of the paid-up capital of the company. Hence, this departure from the standard international practice of allowing foreign companies to operate either through a branch or on a service basis need not be considered as a material one. The Government is currently considering a proposal to hike the limit on foreign investment in the insurance sector from 26 to 49 per cent.

With respect to the location of head/ corporate office, at present, India's position is consistent with international practice, although with globalisation, integration of markets and developments in communication networks, this stipulation may not be implementable effectively in the future. It is however suggested that with a view to conform to the international practice, a section similar to Section 6(2)(h) of the LIC Act could be considered for incorporation in the Insurance Act, 1938, which would enable Indian insurance companies to provide similar allied services to their customers.

In the field of specialisation, life and non-life businesses are to be conducted by separate companies. The Insurance Regulatory and Development Authority (IRDA) has also decided not to permit formation of composite and captive insurance companies. However, it would be advisable to place an explicit restriction on the formation of composite and captive insurance companies.

With regard to suitability of owners, the sound reputation of owners must be ensured on a continuous basis.

It may be desirable to take a fresh look at the developments in other countries and consider the introduction of a more elaborate classification of life and non-life insurance business by the Law Commission of India as it examines the existing insurance legislation and suggests modifications for an umbrella law.

At present the minimum capital requirement of Rs.100 crores is more than adequate when compared with best international practices. Minimum capital levels may be fixed for each class of business on a scientific and a more transparent basis.

The Indian practice in respect of deposit requirements is in conformity with the best international practice.

A business plan is required to be submitted along with the application for registration (licence), which is quite comprehensive in India at present and is consistent with the international best practice. However, with a view to enhancing transparency, the regulator may, as a general rule, after ascertaining the names of the natural and legal persons holding a direct or indirect qualifying participation in the applicant company and more importantly, make this knowledge public while granting the licence.

With regard to suitability of owners, the sound reputation of owners must be ensured on a continuous basis.

While discussing the suitability of directors and/or members of the senior management, although the present position in India is different from that of the current international practice, necessary steps could be taken in future, to ensure fulfillment of the norms on a continuing basis. Accordingly, the information system needs to be modified and maintained.

The regulations do not permit outsourcing of core functions. It would be desirable to follow the international practice as also other Indian industrial practices, by considering outsourcing of various functions of an insurance company in view of the economies of scale and scope in the future.

There is no uniform international practice as regards the design of products. In India the 'file and use' concept is followed. The certificate, including for the basis of premium, given by the actuary may be treated as a public document and be made available, on demand, to other companies and any practising actuary. Further, the premium rate table and the benefit design may also be treated as 'published information.' A similar procedure could be considered for group business and also for general insurance business.

With a view to ensuring uniformity in the design of products, terms and conditions and marketability and also to bring about a level playing field between insurance companies and mutual funds, there is a need for co-ordination between regulators of these two segments of the financial sector.

In the field of reinsurance, the stipulations appear to be adequate for ensuring healthy reinsurance arrangements and are mostly in line with international practices. The possibility of reinsuring only on risk premium basis may be explored. The Indian prescription of having compulsory cession of risks to local reinsurers may appear to be against the recommendation of the IAIS. However, this prescription may be continued till a satisfactory solution is found for the problem of international reinsurers converting local insurance companies into brokers or fronting companies.

In the matter of estimating the liability under life insurance policies, the Indian standard is on par with the international standards.

Regulations in respect of the linked life insurance business are yet to be developed on a sound basis even at the international level. Unit-linked life insurance business could be brought under the definition of life insurance business, both in letter and spirit, so that life insurance companies do not engage in mutual fund operations under the guise of life insurance. In India, close co-ordination between the regulators is required so as to have an efficient unit-linked insurance business.

Twenty Insurance Guidelines of OECD

RULE No.1 Adequate prudential and regulatory provisions should be enforced in order to ensure the soundness of the insurance markets, the protection of the consumers and the stability of the economy as a whole. Over-regulation should be avoided. The insurance regulatory framework must be adapted to the characteristics of individual countries and encourage the stability, whilst maintaining the necessary flexibility to meet developments in the market.

RULE No.2 Sufficiently strict licensing criteria should govern the establishment of insurance companies. Among these criteria, the testing of the nature and adequacy of the financial resources of insurance companies, in particular through analysis of business plan and the requirement for a minimum level of capital (taking account of inflation) deserves particular consideration. Other key requirements are related to the assessment of the ability of the company to meet legal, accounting and technical requirements and last but not least requirements for a competent management (fit and proper provisions).

RULE No.3 The underwriting of insurance risks should be restricted to the insurance companies, which may transact insurance (and connected) operations only. Life and non-life activities should be separated (in distinct companies), so that one activity cannot be required to support the other. The distribution of insurance products by entities from other sectors may be authorised. Tasks associated with the activities and the structure of financial conglomerates should be adequately monitored.

RULE No.4 Establishment of foreign insurance companies should be based on prudential but non-discriminatory rules. Liberalisation of cross-border operations, at least concerning reinsurance and international risks, should be encouraged.

RULE No.5 Adequate insurance contract laws should be established. Rules governing contractual rights and obligations as well as related sanctions, are essential for the protection of both contractual and third parties and indispensable for the development of legal stability. In the absence of contract laws, the approval of policy conditions by the supervisory authority may prove all the more necessary.

RULE No.6 Due to crucial economic and social role of insurance in the development of an economy, consideration should be given to tax facilities in the life insurance and pensions field in the economies in the transaction.

RULE No.7 The establishment of a supervisory body is essential. The supervisors should be professionally independent and properly trained and impartial. The supervisory body should have sufficient personnel and financial resources as well as adequate powers (including sanctions) to carry out its tasks.

RULE No.8 The examination of records and on site inspections of insurance companies are at the core of the work of the supervisor. An adequate reporting system is essential to achieve this task properly. The secrecy of information communication to and between supervisors should be safeguarded.

RULE No.9 Monitoring solvency margins and capital ratios constitute a key element of dynamic supervision. But adequate tariffication and prudent technical provisions backed by reliable and equivalent assets remain the fundamental requirements for maintaining solvency. Adequate business management and reinsurance activities are also indispensable to safeguard the soundness of the companies.

RULE No.10 Initially at least, it may be advisable for economies in transition to request the submission of premium rates and insurance products for prior approval. Supervision of tariffs and products should however be adapted to the particular situation of each country and reassessed at a later stage according to the development and progress of the market.

For calculation of the Unearned Premium Reserve, some marginal gaps are observed between the Indian and international standards. However, with the passage of time, these could be addressed and appropriate changes be initiated to bring the Indian standard on par with the international one.

In the matter of estimation of the Loss Reserve, the Indian standards could be considered to be on par with the international standards. There are some deficiencies with regard to collection of claims statistics. These could be filled up with experience in the coming years by positioning appropriate data base systems.

With regard to the Incurred But Not Reported (IBNR) Reserve, no comparison can be made at this stage between the Indian and international standards, as the standards at the international level are yet to be evolved.

In the matter of setting up Catastrophe Reserves, an appropriate Indian standard is yet to be evolved on par with the international standard. However, suitable standards could be developed after gaining sufficient expertise in this area. A recent initiative of the regulator to form a terrorism pool after the September 11 events has been one of the singular initiatives in this direction.

The supervisory authority, generally, attempts to protect the interests of both policyholders and shareholders. At best, this role should encompass the investment of assets pertaining to policyholders' funds and assets of shareholders' funds corresponding to the minimum solvency margin stipulated in the governing insurance act. With respect to investment of shareholders' funds, although we have some standards in India, at the international level no standard has been prescribed so far. The current regulations apropos the valuation of assets pertaining to policyholders in respect of life insurance are on par with international standards.

RULE No.11	Supervisory authorities should take adequate, effective and prompt measures to prevent insurance companies from defaulting, and to arrange an orderly run-off or the transfer of portfolio to a sound company. Appropriate winding up procedures should be enforced. Under certain conditions, and particularly if the national market comprises a sufficient number of potential contributors with a broad spread of risks, the creation of a compensation fund could be considered.
RULE No.12	Standardised accounting rules are essential to ensure the transparency and comparability of the financial situation of insurance companies. Adequate insurance accounting rules and requirements for reporting and disclosure have to be set as a priority action. The compilation of statistical data regarding the frequency and severity of losses is an essential condition for computing tariffs and technical provisions accurately. Tariffs should be based on statistical data. Actuarial techniques area key component of insurance management; the role of the actuarial profession could be encouraged.
RULE No.13	Investment regulation should ensure that both security and profitability requirements are respected. It should promote the diversification, spread and liquidity of investment portfolios as well as the maturity and currency matching of assets and liabilities, although some temporary dispensations to the last principle may be necessary. In any case, account should be taken of the country's current economic environment. Regulations might include a list of admitted assets on which ceilings may be set and requirements on the way in which investments should be valued.
RULE No.14	Regulation should not restrict free access to international reinsurance markets. Compulsory sessions of risks to domestic/national reinsurers should therefore be avoided. The collection and monitoring of information relating to reinsurance companies should be established. International co-operation is particularly important to obtain accurate information and should be strengthened.
RULE No.15	Insurance intermediaries should be registered in order to ensure their compliance with selected criteria. Insurance intermediaries should possess appropriate qualifications and provide adequate information to policyholders including disclosure of limits to their independence such as significant ties with insurance companies. Insurance brokers should possess either financial guarantees or professional liability insurance.
RULE No.16	Compulsory insurance may be justified in respect of certain forms of social protection and might be considered in other areas where the risks covered are particularly serious, or where premium payments should be divided on an equitable basis among the policyholders group under consideration. Compulsory insurance is particularly recommended for automobile third party liability. Guarantee funds could be created to compensate victims when there is no insurance cover. Tariffs for compulsory insurance should also be based on statistical data. Adequate monitoring systems should be established. Compulsory insurance should not be restricted to former monopolies or state owned companies.
RULE No.17	Regulations should allow for fair competitions within the insurance and reinsurance market. The process of dismantling monopolies and the privatisation of government owned insurance companies should be strongly encouraged.
RULE No.18	The activities of insurance companies in the pensions and health insurance fields should be encouraged within an appropriate regulatory and supervisory framework. Regulations should endeavour to ensure fair treatment between all private companies operating in these areas.
RULE No.19	Governments should strengthen co-operation in order to exchange information on insurance regulation and supervision, facilitate the monitoring of the activities of foreign insurance and reinsurance companies and promote the development of sound, modern and open insurance markets.
RULE No.20	The insurance industry should be encouraged to set up its own business guidelines and to develop adequate training structures. Self-regulatory principles and organisations, including professional bodies, can complement usefully the public supervisory structure.

The Indian approach to solvency margin requirements could appear to be more stringent than those of other countries. This may be due to the fact that the insurance industry is being thrown open to competition after more than four decades and these requirements may be by way of abundant caution. In the next 2-3 years, as we gain experience, the higher prescriptions may be brought in tune with risk based solvency system, depending upon the evolving situation.

The taxation of the shareholders' share of surplus could be at the corporate rate and the balance surplus could be at a rate below the current rate and this would be fair and equitable. The Indian standard regarding the taxation of life insurance companies is not only on par with the international standards, but is also one of the simplest.

In case of general insurance, if an insurer feels that provision for the Unexpired Risk Reserve as a percentage of premium for different classes of business (which includes the unexpired premium reserve) is not adequate in specific cases and is able to establish the same scientifically, a provision for transferring the additional amount required from the pre-taxed profits could be considered in the regulations.

The importance of providing for catastrophe reserves has been duly recognised by the IRDA and the Government. However, the transfer to this reserve has to be made from profit after tax. As in other countries, the transfer to this reserve could be allowed to be made out of pre-tax profits.

In the matter of taxation of general insurance companies, the Indian standard is marginally below that of the international one.

Conclusion

The economic crisis in the late 1990s, while affecting the insurance industry in the Asian region to a lesser extent than would have been expected, has also generated a momentum for regulatory and supervisory reforms, and provided a basis for further development. The insurance sector, as an important part of the whole financial picture, can influence overall financial stability.

In order to strengthen domestic financial systems, an assessment of observance of the IAIS Core Principles and other financial sector standards has been conducted under the Financial Sector Assessment Program (FSAP) jointly managed by the IMF and the World Bank. Observance of these standards will contribute to financial stability.

On a global scale, insurance markets have become increasingly integrated. This is underpinned by market liberalisation, which is to be promoted in the new round of negotiations by the World Trade Organisation (WTO). In order to reap the benefits of globalisation, however, efforts are needed to ensure it is successful, especially for example, by establishing adequate prudential regulation for insurance.

Private pensions, in which insurance companies play an important role, have recently appeared as a key issue for the future in emerging economies in particular.

Insurance companies are exposed to various risks. Risk management, involving assessment, measurement and active management of risks, must primarily be the responsibility of the company. Supervision aims to ensure the company's compliance with relevant regulations. Solvency supervision should be comprehensive, including assessment of not only solvency ratio and balance sheet soundness but also operating environment and conditions.

Private pensions, in which insurance companies play an important role, have recently appeared as a key issue for the future in emerging economies in particular. In response to this, the International Network of Pension Regulators and Supervisors was created in April 2000. Currently about 100 private pensions' regulatory and supervisory authorities are members of the network which aims to promote international exchange of views and experience in private pensions regulation and to develop relevant best practices.

Private health insurance is another area receiving increased attention. It reflects the ageing of society as well as reforms in health care in some countries; emerging economies will also face these things sooner or later. Private health insurance can supplement public health care systems to give a better quality of health care provision; but this may also pose new challenges for insurance regulators.

The FSAP provides the ICP assessments a useful context for assessing stability and development needs of the insurance system. The macroeconomic and financial vulnerabilities, coupled with a complete assessment of the bank and securities market supervision, allow the insurance sector findings to be placed in perspective. Some further analytical work is, however, required with respect to how insurance enhances financial system efficiency and affects financial stability. Further, while the assessment Methodology should remain the main tool for assessing insurance supervisory systems, the assessors need to supplement it with other IAIS standards and guidance while evaluating risks and vulnerabilities specific to individual jurisdictions. This is especially important while conducting assessments in more complex insurance markets, given the gaps and the need for further improvements in the ICP and the Methodology for assessment.

Assessment of the preconditions is a critical element of the assessment process. However, the criteria for assessing the preconditions for effective insurance supervision need urgent attention. The assessment experience reveals that in cases where significant shortcomings in the preconditions for effective insurance supervision are identified, the focus of the FSAP review could be better directed at reviewing ways to strengthen observance with the preconditions. This would assist the assessment process in focusing on the key issues that would strengthen the insurance supervisory system.

The use of the ICP as a tool in the FSAP needs to be enhanced in several areas. While the ICP sets out the powers and responsibilities that insurance supervisors should have, they do not specifically require that supervisors implement and use these supervisory powers. Some of the principles cover a broad topic while others deal with a narrow issue. The principles dealing with prudential issues (assets, liabilities, capital and solvency, and reinsurance) need to be developed further. Three broad areas in which the IAIS could therefore initiate work to improve the ICP are:

(a) increasing the scope of the ICP (market conduct);

(b) improving the clarity of the ICP (organisation, licensing, cross-border operations etc.) and

(c) removing overlapping criteria (confidentiality).

Critical to success in developing and defining sound international standards in these areas is the work that is under way with the International Accounting Standards Board and the International Actuarial Association. As such, these standard-setting bodies should be encouraged to continue to place importance on their work in setting international standards for insurance enterprises.

A well-defined macroprudential framework relevant to the insurance sector is necessary in order to make determine the important linkages. However, the risks to insurance stability are greater in situations in which the preconditions for effective insurance supervision are not fully met and there is a less than full observance with the prudential principles. This, together with a high insurance penetration ratio, could indicate an important supervisory vulnerability. In addition, in the course of carrying out the FSAPs, a number of potential systemic issues have been identified, some of which have quite subtle operational modalities. This also points to the need for further improvements in the ICP and the development of taxonomy of systemic exposures in the non-bank financial sector.

Several insurance supervisors also had supervisory responsibilities for pension systems which were reviewed as part of the FSAP process. Whereas private pensions normally have limited implications for systemic liquidity (the potential exception being when banks act as fund managers and performance guarantees are required by law), they can have significant fiscal implications where explicit or implicit government guarantees are granted, and under-funding or investment subsidies are involved.

The ICP does not specifically deal with pensions except to the extent that the insurance industry provides products that support the provision of pensions. Guidance is lacking for the insurance supervisors who also oversee the pension system. Furthermore, there are no international standards for pension regulation and supervision, although some regional attempts have been made. However, in future it would be useful, in discussing the financial sector and the role of insurance, to identify and discuss the significance of the insurance and pensions benefits and the extent to which they could impact the resilience and development of the financial sector.

Several factors have limited the efficacy of the assessment process thus far. Assessments were influenced by the changes made in the ICP and the development of various standards underlying the principles. The shortcomings in the ICP and the Methodology, the measurement problems in terms of differing accounting and actuarial practices, and the resources required to actually go beyond assessing formal rules to issues and implementation and enforcement, have also constrained a uniform approach toward these assessments.

The author is Deputy Director, IRDA.

Risk study of Indian states

RMSI, a global IT services company, has carried out a pilot catastrophe risk assessment study for four Indian states, viz. Andhra Pradesh, Gujarat, Maharashtra, and Orissa, as part of World Bank's ongoing regional initiatives for risk transfer in Asia.

The purpose of this World Bank initiative is firstly to assess the financial risks of natural hazards including the exposures, and vulnerabilities of countries in this region to catastrophic shocks; secondly, to evaluate the existing post-disaster funding mechanisms in the region, including catastrophe insurance and reinsurance arrangements; and thirdly, to explore methods of funding the direct costs of natural disasters outside the national budget.

Adityam Krovvidi, Head of the Risk Management Group at RMS said that limited data and domestic research, accessibility and reliability of the data, and also a general lack of appreciation of the benefits of public and private sector collaboration in the country made the task an uphill one.

The project involved a comprehensive risk assessment study of the four Indian states pertaining to the assets of housing and public infrastructure against natural catastrophes like cyclones, earthquakes, and floods.

RMSI successfully developed several probabilistic risk models for hazard assessment, vulnerability analysis and financial implications as part of the study. The comprehensive report submitted to the World Bank consisted of various results that help in decision-making such as exposure value, average annual loss (AAL), probable maximum loss (PML), exceeding probability (EP) loss curves, and hazard/risk mapping.

The findings of the study are expected to serve as key inputs for further analysis & research related to the risk transfer and financing of catastrophe risk in India.

Job loss cover from Bajaj Allianz

Bajaj Allianz General Insurance Company has launched an insurance cover that pays your housing loan instalments if you lose your job.

The product is essentially a cover that protects the mortgage in the event of death or disability with an extension to cover unemployment. The policy also has fire and burglary insurance cover bundled in along with mortgage protection.

Bajaj Allianz has already issued one of these unemployment insurance policies to Apna Loan, a distributor of retail loans of banks and financial institutions.Apna Loan intends to provide this cover free to customers who avail of a housing loan distributed by them. It is now trying to sell this product to other home loan seekers.

Under Bajaj Allianz's policy this cover is available for three months. Although such covers are common in the overseas market this is the first time that any company has introduced a cover for unemployment insurance in India. The cover will kick in only if the borrower loses his job due to a downsizing exercise or withdraws from the market.

Dismissals and resignations would not be covered. However, the company would differentiate between those resignations which are a fallout of downsizing exercise and others.

Safe with Tariffs

Both public and private sector non-life insurance companies are opposed to de-tariffing of motor insurance portfolio by the Insurance Regulatory and Development Authority (IRDA) and have expressed their views to the Justice Rangarajan Committee which is looking into the detariffing of the Motor Own Damage (OD) business.

The motor portfolio, which contributes the largest amount of premium is divided into two categories – OD and Third Party Liability (TP) – and the premium is fixed by the Tariff Advisory Committee (TAC), a statutory body.

Private sector non-life companies fear that detariffing will lead to a price war where the four public sector non-life companies will get to have a massive advantage over them.

The public sector players though they seem to have an advantage seem to be equally reluctant to accept detariffing.

Indian IT company aims to be 3rd party adjudicator

Vetri Software India, the Chennai-based BPO company, has initiated talks with some of its US Fortune 500 customers for a foray into adjudication, thus making it the only third-party BPO vendor globally to achieve this rare distinction. Vetri India is part of the Michigan, US-based $250m Lason Group.

Adjudication involves processing of claims by a third party vendor, but Vetri will be involved right up to the point of management decision on pricing on behalf of the customer.

This would allow it to reach the highest form of partnership between a BPO company and its final customer. For strategic reasons, the pricing decision has always been an in-house process, even for companies like GE which have large outsourced operations. Vetri specialises in processing health insurance claims, as well as in transportation services and survey cards.

GIPSA's VRS plan for officers, staff

After the voluntary retirement scheme (VRS) for its 13,000 development officers, the four state-owned general insurance companies are planning on a similar move for their officers and clerical staff.

The finance ministry has received such a proposal from General Insurers' (Public Sector) Association (GIPSA) and about 20,000 odd would be entitled to the proposed VRS.

According to the proposal, cadre I employees in the age bracket of 50 and beyond and cadre III/IV employees of a minimum age limit of 45 have been identified for the second round of VRS in the four companies.

About 25 to 30 per cent of the staff at the four PSU companies come under the identified age bracket.

The package offers 60 days for every completed year of service or the full salary for the remaining period of service, whichever is less. The proposed benefits are almost similar to that offered under the special VRS in the banking sector.

The four PSU insurers have been asking the ministry to allow them to trim the flab in the wake of new private players having a lean set up and thereby able to keep costs at a minimum.

Interestingly, for the last 10 years there has been no recruitment at the four PSUs.

Insurance costs up after 9/11

According to Centre for Monitoring Indian Economy (CMIE), there has been a rise of around 20-200 per cent in the expenditure on insurance premia for a number of companies for the year ended March 2002 as compared to 2001.

Reliance leads the list with a three-fold increase in insurance premium costs to Rs.120 crores in 2002.

A look at some of the biggest insured corporates shows a sharp surge in insurance premium expenses. In the case of State Bank of India (SBI), there has been a 32 per cent rise in insurance costs to Rs.143 crores in 2001-02 compared to Rs.108 crores in 2000-01. Currently, it is one of the highest premium paying companies in India. The same goes for Oil and Natural Gas Corporation (ONGC), where there is a 28 per cent rise in premium to Rs.115 crores in 2001-02 compared to Rs.90 crores in 2000-01. In the case of Reliance, the insurance premium expenditure is up by more than 200 per cent on account of higher premium for its refineries situated in the risk-prone Jamnagar. Reliance also had Rs.53 crore in insurance claims in 2002 compared to nil in 2001 on account of the damage caused by the January 2001 earthquake in Gujarat.

For ITC too, the insurance premium expense has increased by more than 50 per cent to almost Rs.24 crores. Many companies are opting for additional covers against riots and also terrorism in view of the increasing risk. Insurance claims on account of Gujarat riots alone were Rs.100 crores for New India Assurance and Rs.150 crores for GIC in 2001-02. The rates for terrorism risk are approximately 50 paise per Rs.1,000 assured.

The insurance bill for most companies has risen on account of the imposition of a 10 per cent surcharge on all premia collected under the fire and engineering tariff business by non-life insurance companies from mid-2001. Besides, a 20-30 per cent hike in global reinsurance premia has also resulted in the rise in insurance costs for companies which have opted for covers highly dependent on reinsurance such as cover for machinery breakdown or loss of profit. Reinsurance rates are at currently about 1 per cent of the sum assured. In comparison, policies providing coverage against standard industrial risk have a low reinsurance dependence and are cheaper.

Other companies having a sharp increase in insurance costs include Indian Oil Corporation, MTNL, ICICI Bank, MRPL, Nirma, Moser Baer, Jindal Vijaynagar, Aban Lloyd, Wockhardt, Mukta Arts, Bajaj Auto, HDFC Bank and so on. In case of Wockhardt, Jindal and Moser Baer, insurance costs are up by more than 300 per cent while for Mukta Arts the insurance cost is up from just Rs.17 lakhs in 2000-01 to more than Rs.4 crores. In most cases, where the sum assured is large, the policies are syndicated among various public and private sectors and the premium is also shared proportionately.

Slow pension sales in LIC

After two years of super growth, Life Insurance Corporation of India (LIC) could miss its Rs.21,000 crore new premium income target for the current financial year.

LIC Chairman Mr. S. B. Mathur attributed this to the shortfall in pension sales. Till December 2002, LIC had mopped up a first premium income of only about Rs.5,000 crore as against a target of 40 per cent growth over its Rs.15,000 crores first premium income in 2001-02.

Mr. Mathur was however optimistic that there would be a strong recovery in the company's sales in the last quarter of the financial year, as nearly 45 per cent of the policies are usually sold between January and March. In fact March sales itself accounts for nearly a third of the annual sales.

The fact that last year's last quarter saw a slump in sales following the Government's announcement of five per cent service tax and the confusion following it, and this could mean that the growth for in the same period this year would be higher.

$40 billion global insurance losses last year: Swiss Re

Natural and man-made catastrophes in 2002 caused economic losses estimated at $40 billion worldwide, of which the insurance industry was liable for around $12 billion, according to preliminary estimates derived from Swiss Reinsurance Company's (Swiss Re) sigma report.

However, the report also stated that the losses incurred were well below the average of $68 billion recorded by sigma since 1990.

"After the extraordinary losses of 2001, financial losses resulting from catastrophes returned to more average levels in 2002. However, as the European floods show, large losses remain a real threat," the report said.

Natural catastrophes losses, estimated at $10 billion this year, hit property insurers harder than man-made losses as they have done every year since 1990, with the exception of 2001 and the September 11 crisis.

High profile natural catastrophes in 2002 included the two flooding events in Europe in July and August, which caused insured losses of $3.2 billion. In September heavy rain in France brought additional losses of $440 million.

In the US, a series of tornadoes in April cost insurers $1.5 billion, while hurricane Lili in the Caribbean and the US caused losses of $650 million.

The report said that this year man-made catastrophes accounted for insured losses of $2 billion, which were mainly due to major fires, and aviation and space disasters.

According to sigma statistics, the $12 billion estimate for total insured catastrophes losses worldwide equates roughly to the average since 1970, adjusted for inflation.

"The losses are significantly lower than those experienced during the claim-intensive years since 1990 when annual losses averaged $21.5 billion," the report said.

However, the report cautioned that 2002 should not be seen as signalling a return to lower claims.

"The factors causing higher losses – greater population densities and higher concentration of insured values – still remain," it said.

The report said the flood losses in 2002 highlighted the potential threat presented by risk concentrations. Losses arising out of the 2002 floods totalled $3.9 billion, higher than the average recorded since 1990 ($0.5 billion).

"As a result, the insurance industry has been galvanised into developing insurance solutions to cope with the threat of significant flood losses," the report stated.

On the human cost inflicted by the more than 300 major catastrophes in 2002, the sigma report said that 19,000 people worldwide were killed by natural and man-made catastrophes.

Australian health premia rise

Australian health funds have reportedly approached the Australian Government asking for an average 6 per cent increase in premiums. Last year, the health premiums rose by an average 7 per cent.

MBF, the country's second-biggest fund, covering more than 1.6 million people, was seeking increases of about 7 per cent. Medibank Private had confirmed it had applied for price rises.

These requests would be assessed by an independent committee which meets in March this year and that will be advice taken by the minister for health.

The Federal Government is concerned about any large increase and is particular that the public interest has to be applied.

Most Americans don't understand details of insurance

Most Americans think they have the right amount of insurance, but less than half understand the details of their coverage very well, according to survey results the Kansas City-based National Association of Insurance Commissioners (NAIC). NAIC is a voluntary organization of chief insurance regulatory officials in all 50 states, the District of Columbia and four U.S. territories. The group seeks to protect consumers and foster the insurance industry's financial stability by offering financial, actuarial, legal, computer, research, market conduct and economic expertise. The group was founded in 1871.

Sixty seven per cent of the survey's respondents said they think they have enough insurance, and 34 per cent said they understand the details of their coverage, NAIC said in a written statement.

Respondents aged 18 to 24 were the least likely to understand the details of their insurance "very well," at 15 per cent. Fifty per cent of respondents 65 and older said they understood their coverage very well. Ninety per cent of respondents said peace of mind is a primary benefit of insurance. But the number of respondents who said they strongly agree that peace of mind is a primary benefit fell to 56 per cent from 66 per cent last year.

"It appears peace of mind may be harder to come by in the post-9/11 environment," NAIC President Mike Pickens said in the statement.

Increase in Physicians' Insurance Hurts Care

Americans are beginning to feel the effects of double-digit increases in medical malpractice insurance premiums, which are prompting doctors to flee states with the highest rates, refuse to perform high-risk procedures, retire early out of frustration or stage protests.

Clinics are closing in some places, and hospitals are shuttering trauma centres, maternity wards and other facilities that provide the most lawsuit-prone care. The impact appears to be relatively limited so far.

But in far-flung parts of the nation, pregnant women are having a harder time finding doctors to deliver their babies, teenagers may have to travel farther to find a doctor to mend a broken bone and brain cancer patients may have to travel out of state to find a neurosurgeon. Hardest hit are rural areas, which chronically struggle with shortages of physicians.

"My sense is that in past malpractice crises there's been a lot of talk about a lack of availability of care, but that has largely been to serve political and financial agendas. But this time it seems more real," said Troyen Brennan, a professor of medicine at Harvard Medical School in Boston. "There's really no good empirical data, but I'm less suspicious this time. It's pretty widespread and spreading."

Twenty per cent of hospitals have had to curtail services in some way because of rising insurance costs, and 6 per cent have completely closed or discontinued some service, according to a survey by the American Hospital Association.

Around Las Vegas, millions of people in four states were unable to use a nearby high-quality trauma center for 10 days last summer after dozens of surgeons resigned over the escalating cost of protecting themselves against lawsuits.

The issue has prompted state legislators around the nation to consider limiting the amount of money juries can award to victims of medical mistakes, and has set off an intense battle in Washington between two powerful interest groups — trial lawyers and doctors — over proposed federal caps.

Doctors blame multimillion dollar jury awards and say the answer is limiting the amounts that juries can give plaintiffs. Lawyers blame insurance companies, contending they are raising rates — not because of big jury awards but to make up for money they would be earning if the stock market were doing well.

"Insurers place profits over people and threaten the livelihood of America's doctors," said Mary E. Alexander, president of the Association of Trial Lawyers of America. "It's unfair to ask patients to give up their legal rights so the insurance industry can make higher profits."

More and more states have begun to cap jury awards, including Nevada, Mississippi and Ohio, according to the AMA. As many as 30 states are expected to address the issue somehow this year.

Auto insurance for a Dollar

A Dollar a day. That's what New Jersey's poorest drivers would pay for auto insurance under a plan being proposed in an effort to reduce the number of motorists without coverage.

The idea is to make insurance affordable to those who have the least ability to pay for it.

Under the plan, which requires approval by the Legislature, insurance companies would have to offer minimal annual policies for $365. Policies would pay for medical costs after an accident but not for damage to vehicles.

Part of the premium would go into a state fund that pays claims for people badly injured by uninsured or underinsured drivers.

The plan, which is expected to be part of New Jersey Governor James E. McGreevey's oft-delayed auto insurance reform proposal, could help achieve two of his major objectives – reducing premiums and lowering the number of uninsured drivers.

The Dollar-a-day coverage plan could reduce the amount that good drivers pay to help cover uninsured and underinsured motorists. Currently that comes to $60 a year. Clearly, if more people pay into the fund, the amount that each person has to put in will be somewhat less.

The proposed new bare-bones coverage would be made available only to drivers in the worst economic conditions, with the programme likely limited to those who qualify for Medicaid, a federal and state health insurance programme for disabled and indigent people.

The Dollar-a-day plan would provide up to $15,000 in medical coverage for injuries caused by auto accidents. Policies also would provide $250,000 in catastrophic coverage for permanent severe injuries, such as loss of limbs or brain damage. Drivers who buy the policies would not have coverage if they are sued after an accident.

Brokers' Role

The Insurance Committee of the Bombay Chamber of Commerce and Industry (BCCI) organised a Seminar on 'Insurance Broking in India' on January 7, 2003. The event was attended by the members of the Insurance Committee of the chamber, invitees from other committees and the general membership of the chamber, insurance professionals and representatives from broking entities.

(L to R): Mr. O.N. Venkataraman, Mr. Chandrasekharan, Ms. Manju Sawhney Mahindra, Tower Insurance and Reinsurance Services, Mr. R. Beri, CMD, New India Assurance, Mr. P.C. Ghosh, Chairman, GIC, Mr. N. Rangachary, Chairman, IRDA, Mr. S.K. Kanwar, Advisor, Reliance General Insurance and Mr. B.B. Sawhney, Tower Insurance.

(L to R): Mr. Wajahat Habibullah, Secretary, Department of Consumer Affairs, Government of India, Mr. Yogendra Kumar Modi and Mr. N. Rangachary, Chairman, IRDA, at the inaugural session of the conference on Consumer Awareness:Insurance Sector held by FORTE.

Consumer Awareness

A conference on Consumer Awareness: Insurance Sector was held by FORTE (a joint venture between the Federation of Indian Chambers of Commerce and Industry, FICCI, and ING Insurance), and the Insurance Regulatory and Development Authority (IRDA) at Delhi on January 22.

The conference discussed the IRDA (Protection of Policyholders' Interests) Regulations, 2002, and the changing consumer awareness / expectations from the insurance industry, post liberalisation, and how far they have been met by the industry.

Emerging Markets

The Insurance Regulatory and Development Authority (IRDA) along with the Institute for Insurance and Risk Management (IIRM), OECD and the Malaysian Insurance Institute (MII) held the Third Emerging Markets Conference in Delhi on January 21 and 22. The conference was attended by insurance supervisors and their officials from various jurisdictions, insurers and other members of the insurance industry.

(L to R): Ms. Maizon Omar, MII, Mr. Andre Laboul, OECD representative, Mr. Yoshihiro Kawai, Secretary General designate, IAIS, Mr. D. Varadarajan, Advocate and Mr. Nigel Easton, OECD representative look on as Mr. N. Rangachary, Chairman, IRDA, lights the lamp to mark the inauguration of the Third Emerging Markets Conference.

Event? Send us a write-up!

(L to R): Mr. P. Shankar, Chief Vigilance Commissioner, looks on as Mr. R.C.Sharma, Member (Non-life), IRDA, welcomes Ms. Vineeta Rai, Secretary (Banking and Insurance), Government of India, with a bouquet.

About Fraud

The Frauds Sub-committee of the International Association of Insurance Supervisors (IAIS) and the Insurance Regulatory and Development Authority (IRDA) held a Tripartite Conference on Frauds and Anti-money Laundering at Delhi on January 20 and 21. The conference was attended by insurers, insurance regulators and by law enforcement agencies.

Nivasi Bharatiyas!

Pravasi Bharatiya Divas, a three-day exposition on non-resident Indians (NRIs) was organised by FICCI to engage with all NRIs and persons of Indian origin (PIOs) to understand their expectations and to propose a policy framework to ensure their sustained and productive interaction with India.

(L to R): Mr. N. Rangachary, Chairman, IRDA, Mr. G.N.Bajpai, Chairman, Securities and Exchange Board of India (SEBI), Mr. Bimal Jalan, Governor, Reserve Bank of India (RBI) and Mr. Rajendra Lodha.

(L to R): Mr. V S Thirumalai, Member of ICAI, with Mr. N. Rangachary, Chairman, IRDA.

Auditors & Auditees!

The Auditing and Assurance Standards Board of the Institute of Chartered Accountants of India (ICAI) held an All India Seminar on 'Auditors, Auditees and Regulators – Old Relationships, New Realities,' on January 11 at Hyderabad.

Event? Send us a picture!

Dear Editor

I would like to share my views on health insurance with the regulator and the readers. I worked for 13 years in National Insurance Company and have handled thousands of individuals and big groups covered under Mediclaim policies, the largest being a group with 1.24 lakh members, dealing with about 2,300 claims per year before resigning.

I will share with you what needs to be done with the current malady of the present policy:

1. Limits need to be fixed immediately for every service that the policy offers like doctors' fees, medicines, room rent and nursing charges. Automatically the claims ratio will be lowered because we have seen that doctors charge different amounts for the same ailment in the same hospital depending on the individual's sum insured under the policy.

   The first year exclusions should be made five year exclusions.

   The bonus structure should be done away with.

   Separate policies should take care of the regular treatment in case of terminal ailments. Under the standard Mediclaim policy the sum insured should be paid upfront in case of terminal illness and the policy should be cancelled.

2. Various policies should be designed at various costs:
   We need policies covering pre-existing disesases, policies that will take care of terminal illness, policies that will take care of routine problems like cataract, malfunctioning of prostate, uterine tumour etc. which are in the first year exclusions. This will help us rate the policies correctly.

3. Old age medical insurance:
   This preferably should be done by a life insurance company. This should be linked with the amount of life insurance taken by the individual and plus the actuarial data for the calculation of life covers could be found relevant to rate this kind of insurance policies. Here the insurance companies must take a lesson from the failure of the Bhavishya Arogya Policy (A retirement Mediclaim policy with benefits starting after a vesting period). This policy seriously needs to be worked upon because the current issue in the society is the increasing life-span of men and women.

4. Let us not talk of health maintenance organisations (HMOs), point of service plans (POSs) and preferred provider networks (PPNs) right now because these are popular concepts in countries where the market is already developed. What we need to do is to spread the net wider, that is, increase the sale of this product immediately to at least build a base.

   Health insurance in India should be sold by life companies who are anyway conducting medical tests for underwriting risks. Further, in the case of ailments that cannot be paid for under the normal health scheme, the bonus accrued under a life policy can be used to pay the bills by the insured. But these kinds of conditions need to be underwritten carefully and modifications of some existing policies can be done.

5. The manner in which the regulator wants to monitor the activities of the TPAs will go a long way in building confidence among the insuring public and will also convince the uninsured public to go in for medical coverage. Taking one step at a time will definitely be meaningful:

To sum up:

a) The current policy should be rewritten
b) There is an immediate need to have specialised policies for terminal illness, old age, routine ailments and pre-existing diseases
c) Life insurance companies must step into the health business
d) Once the public has confidence in the TPAs' activities in the cashless settlements in the hospitals, we can go for HMOs, POSs and PPNs

Anamika Roy Rashtrawar
Ordinary citizen and a policy holder.

I had an opportunity to go through the IRDA Journal. I request you to include articles on the following topics: Frauds under a computerised environment, Career ladders in insurance through institutes in India and abroad, Product Management and status of attending mail/letters of surveyors and loss assessors and others at various IRDA Offices.

I wish the Journal all the best.

Dinesh Babel,
D. C. Babel & Associates

Write to us...

about what you want to see in IRDA Journal.

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“ ”

Regulators' focus should shift from the regulations to the development of the markets. Regulations just happen to be incidental to the development.

Securities and Exchange Board of India (SEBI) Chairman,
Mr. G. N. Bajpai

Broking houses will not be used as back office for corporate houses. (Group exposure norms for brokers) is necessary to create independence of the broking outfit, else it will be totally dedicated to one individual customer.

Insurance Regulatory and Development Authority Chairman,
Mr. N. Rangachary

In the dark days that followed 9/11, the ability of many U.S. insurers to write terrorism and property cover almost collapsed. The Europeans were able to step in to fill the breach. Lloyd's has the single largest loss of any insurer. To date, we have paid over $2.8 billion in claims, and we'll ultimately sustain a net loss of $3.11 billion.

Lloyd's of London Chairman,
Lord Peter Levene

Since at least the middle of the year 2000, the dogs were barking loudly enough to rouse even the most inattentive and soporific guardian into action.

Mr. Wayne Martin, Senior Counsel to the Royal Commission into the collapse of HIH, the Australian insurer,
about the Australian Prudential Regulation Authority (APRA).

(The allegations are) unbalanced, unfair, inaccurate and unsupported by the evidence...HIH failed because a great many of its managers and board members and associates were incompetent and dishonest.

Australian Prudential Regulation Authority (APRA), rejecting
Mr. Wayne Martin's submissions.

The Indian financial market is not yet matured for a 'unified regulator' on the UK model. In my opinion, the initial priority should be to have a good communication network and better co-ordination among the various regulators controlling the financial markets in the country.

Mr. Howard Davies, Chairman,
Financial Services Authority (FSA), UK

Events

February 4
Venue: Kolkata
The Bengal Chamber of Commerce and Industry holds its Annual Seminar on Insurance

February 18-19, 2003
Venue: Singapore
First Asian Conference on Corporate Governance and Directors' & Officers' Liability by Asia Insurance Review. Theme: "Increased Exposures of Directors in A World of Greater Corporate Governance?"

February 20-22, 2003
Venue: Singapore
Asia PacificLife conference

February 25-26
Venue: Chennai
National workshop on safety of vehicles in India organised by the Insurance Regulatory and Development Authority (IRDA)

February 27-28, 2003
Venue: Singapore
First Asian Conference on Commutations & Run-Offs by Asia Insurance Review. Theme: "Strategies in Commutations & Run-Offs to Enhance Operational Efficiency."

February 27-28, 2003
Venue: Singapore
Asian Conference on Marine Insurance - Hull, Cargo and P&I (in conjunction with Asia Maritime) The theme is "Reviving Profitability in the Marine Market."

March 25-26, 2003
Venue: Hong Kong
Asia Insurance Review holds the Third CEO Insurance Summit Theme: "Eyeing World Class Standards - The Asian Approach."

March 25-26, 2003
Venue: Mumbai
Asia Insurance Review holds the Fourth Conference on Bancassurance, Theme: "Wealth Management & Alternative Distribution Channels: Leveraging on Distribution as a Key Driver to Get Ahead."

March 23-26, 2003
Venue: Singapore
Third International Underwriting Congress