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MAY 2004

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From the Publisher

Human needs are complex and, surely, amazing in their range. Today we desperately need things that we did not need yesterday; in fact that did not even exist yesterday. While technology and technology related products lead in this area, it is equally true of financial products too.

Changing needs reflect changes in the environment. Pensions have acquired a new significance because of the way our society is transforming itself and the traditional community and family ties are loosening while longevity is increasing. Health insurance is critical because of the myriad risks we face increasingly due to lifestyle. Liability insurance for businesses including for top corporate management is needed because individuals and institutions are asserting their rights, and seeking redressal of wrongs, through litigation if need be. The list could go on …

As the consumer of insurance is waking up to newer needs, the Indian insurer is also getting there to meet them. Through product and market research and no doubt through observation of consumer behaviour, changes are effected in the kind of products and features coming out into the market. In this issue of **IRDA Journal** we bring you an overview of how products, benefits, features, or even product presentation are changing. Innovation is not only when a new risk can be covered or a financial need is met. It can be, at one level, a simple product like a critical illness ignored for long but dusted up and offered with renewed vigour now. Or it can be the way you describe and illustrate a product that irons out the wrinkles in the sale process, improving chances of a well-informed sale.

In a sense this topic is a subset of what we focused on last month – customer expectations. New trends in product and its marketing also throw light on what the company does internally and to the process of conveying it to the customer in terms of the latter's understanding and acquisition.

And we follow the topic through in the next month. The next issue will be on alternate channels of distribution. Assuming that agency, including the corporate kind, brokerage and bancassurance are 'traditional' channels, we will try to look at new channels in rural and urban markets that the insurance companies are using or creating and the peculiar opportunities and challenges of each one of them. As always, we welcome your participation wholeheartedly.

C.S.Rao

C.S.RAO

Inside

ISSUE FOCUS

Where Dreams are Born...

We have heard enough about the pent up demand for insurance products in India. 'Low insurance penetration' and 'a highly underinsured country' are two of the phrases that crop up regularly when the insurance market is discussed. This issue of **IRDA Journal** looks at new trends in products and product features that the industry is seeing.

While many totally new products have not been introduced there is a distinct trend towards some types of features and benefits gaining prominence. Health related riders for one. And definitely in a bull market such as the one we have been seeing, unit linked products. On the non-life side there has been more interest in liability insurance of the corporate kind, reflecting both Indian corporates' entry into the world capital markets and hence, their area of scrutiny and required level of protection, and also reflecting the new needs dictated by the stress on good corporate governance.

We bring you some articles that outline what's happening in the market and some inferences for the near future. Ms. Nirmala Ayyar uses new products, riders and features of some private sector companies to illustrate how the industry is getting more user friendly while Mr. Dinesh Khansili, Deputy Director (Actuarial) of IRDA focuses on a new policy of LIC to bring out similar lessons.

We bring you the product imaginings of a common, prospective insurance buyer, Corporate Creativity Consultant, R. Sridhar. And in an effort to ground those dreams in reality we present an imaginary sketch of how a product is born, through the eyes of an Appointed Actuary, Dr. R. Kannan of SBI Life Insurance Company.

A new section, Pension Page, seeks to give a snapshot of the reform process in the pensions sector in the country.

In the Follow Through section this month is an interview with Mr. Karl Wittmann, Member of the Board of Management, Munich Re, who oversees the company's activities in Asia, Australasia and Africa, outlining his company's association with the Indian market.

Mr. M. Arunachalam, Advisor, Insurance, HCL Technologies Ltd. starts a four part series in this issue on the application of information technology (IT) in the insurance industry bringing in his long experience with the LIC and as a domain expert on insurance for the IT industry.

We do hope you will find the issue useful and illuminating. Our next issue will be about the newly emerging distribution channels for insurance and their challenges and the potential they hold.

K. Nitya Kalyani

The Ever Shifting Road...

K. Nitya Kalyani

Think of insurance and the first thing that comes to mind is the pesky agent who won't take no for an answer. He tempts you with tax benefits, scares you with the thought of dying and leaving your family on the streets or steps in to get your medical policy just in time for you to leave on that holiday abroad.

Add to that your bank trying to sell you some insurance when you take a housing loan. Or when they find that you have surplus money in your account and could do with more life insurance! And soon brokers will get to the point where they will offer individuals a range of policies from different insurers and find us the one that fits just right.

But these are the well known, by now, channels of reaching insurance as a product to the customer. The new ones that are emerging slowly present an interesting picture.

Take the Internet for instance. Companies are willing to provide quotes for certain types of policies through their website. Not just Life policies or Motor, but Marine Cargo policies….. Go to a bank automatic teller machine (ATM) and you don't come away with just cash. You are bombarded with questions on whether you would like insurance policies… did you check that option? It's right there below the internet hours!

Call your bank's phone banking service and, after telling you your balance or whatever it is you seek, they will try to interest you in a policy or two, or at least in playing host to an agent who is eager to come in and say his piece.

Or these calls out of the blue asking if you are interested in insurance or a personal loan or a housing loan in three days flat!?

In the rural areas there is a different kind of intermediation emerging. The approach there is very community based. The local community's thought leader has been roped in to spread the good word. They could be non-governmental organisations (NGOs) working in education or microfinance in that area, or a company with consumer contact outlets – like one selling fertilisers or consumer goods of varying kinds, or buying the produce of the land for that matter.

They take on the work of distributing insurance adding value to their customers and adding a fee based income to their own revenue streams. Some have met with good success and others are in the process of settling down to what is essentially a tremendous task.

> The new channels that are emerging slowly present an interesting picture.

What does all this add up to? Other than more apparent marketing activity for a product that was mostly bought rather than sold? Other than being pursued for something that you sought out and tried to buy with great difficulty? Other than intermediaries more willing to tell you about the product than before when they just expected to get your signature on a mostly blank proposal form and run?!

Marketers and market theory proponents say that it means better service. That it means better product definition and hence the development of more suitable products for the end customer. That it means that the insurer and his intermediaries work at efficient costs since someone else is always breathing down their necks. …

But it can also mean a loss of privacy. Not just in a personal way, but also in that the confidentiality of your financial data is being shared with people you have not authorised for access. Even if it is the insurance company owned by your bank or represented by your bank. In future it could mean that your financial status could dictate your insurance premiums – as it does in many western countries now – and that your financial status is being shared without your consent or knowledge right now as you read this.

Is this such a big change? Certainly! As big a change as having an insurance agent come to you to sell a policy is from the very early days of insurance when the board members of an insurer personally interviewed new applicants once in six months to decide whether to insure him or not!

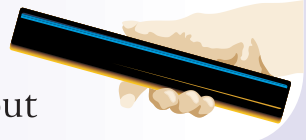
And in the pipeline are policies from your local post office and perhaps through your mobile phone! During an important meeting or an engrossing movie your phone beeps. It's an SMS from your mobile phone service provider. Just SMS 'I want endowment' to the specified number, it says, and download your custom made policy!

Come to think of it, kind of reminds you of that pesky agent doesn't it!

Changing channels...

How Insurance delivery is finding new paths

Thats what our June issue is about



GIC's Commission Rates Changed

IRDA, in consultation with its reinsurance advisory committee, has changed the commission rates for reinsurance placed with the National Reinsurer under the compulsory cessions. While there has been an upward revision in some cases, rates for Motor and Workmen's Compensation have been brought down by five per cent to make the new rate 20 per cent.

The new rates for Fire is 35 per cent (the old rate was 30 per cent), Marine Cargo 25 per cent (22.5 per cent), Marine Hull carries a five per cent commission for net rated risks and 17.5 per cent for gross rated risks (17.5 per cent for both).

Reinsurance commission rates for War and Strike, Riot and Civil Commotion (SRCC) as well as the SRCC cover continue at 10 per cent each, Aviation Hull at 10 per cent, Aviation Liability at 15 per cent, Oil and Energy at 2.5 per cent, Public Liability and Product Liability 25 per cent, other Miscellaneous Engineering risks reinsurance will continue to be given a commission of 25 per cent. Rates for Engineering, Machinery Breakdown, Boiler Explosion, Loss of Profit, Construction All Risk, Erection All Risk, Advanced Loss of Profit and Delayed Start Up have been reduced from 30 per cent to 25 per cent.

The method of computation of profit commissions has also been revised. While earlier profit commissions were computed for the entire portfolio of an insurer as a whole, the new system is to calculate profitability for each class of business and pay a differential commission for each. Accordingly the profit commission rates payable are 20 per cent for Fire, 10 per cent at the end of 36 months for Marine Cargo and 20 per cent at the end of 36 months for Oil and Energy. Other classes of business are not eligible for any profit commission.

IRDA has also urged all insurers to try to utilise the domestic capacity for reinsurance through facultative placements of reinsurance with other Indian insuters and with the National Reinsurer, before seeking coverage in markets abroad.

LAW UNIVERSITY

National Academy of Legal Studies and Research (NALSAR) University of Law, Hyderabad, has launched a Post Graduate Diploma in Insurance Law. The course would include the detailed study of various insurance related laws and touches upon the global scenario of insurance and international insurance regulations based on several conventions and organisations.

The one year course has ten papers, five in each of its two semesters.

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A New Face for Pensions

- An Overview of the Proposed System

Beginning this issue IRDA Journal brings you a new section on the Pensions sector. Pension Page will, from time to time, give a snapshot of developments in the sector to keep readers informed as reform parameters are decided and new systems put in place. These include norms for various participants in the sector like pension fund managers (PFMs), annuity providers, sales outlets, the clearing house and, of course, the customers.

The story thus far:

The Union Government has introduced a new pension system for its employees joining service after January 1 this year (except in the armed forces.) They will come under a new system of defined contribution rather than defined benefit pensions as has been the practice. Further pensions have been placed under a newly formed separate regulatory body. The Pension Fund Regulatory and Development Authority (PFRDA) started functioning on January 1 this year and Mr. Vinod Rai, Additional Secretary, Finance Ministry, Department of Economic Affairs (Financial Sector), has been appointed as its first Chairman.

State governments and public sector units are expected to join the new pension system in due course, as are members of the general public employed in the private sector and the self-employed.

The interim authority – whose status is to be established through a statute – is being advised by the Invest India Economic Forum (IIEF) which has been advising the Finance Ministry on pension sector reforms.

IIEF has released consultative papers concerning various aspects of the proposed new pension system. We bring you in this issue what they have to say about the proposed Central Recordkeeping Agency (CRA) which will serve the pension account holder as a one stop shop for account information and transactions including contributions, switching between funds and switching between pension fund managers. The full version of this consultative paper in PDF format is available at http://www.irdaindia.org/irdajournal.htm. Extracts:

The System

This system will offer two types of accounts (a) a Tier-I non-withdrawable and tax deferred *pension* account, and (b) a Tier-II withdrawable *savings* account with no tax advantages.

This pension system is based on *personal retirement accounts* (PRAs) created by individual members. Each account created in this system will be allotted a unique account number. A member will accrete savings towards his retirement into his PRA through his working life.

This PRA will stay with the member regardless of where he stays or works – including spells of unemployment, self-employment, changes in jobs or location.

He will be able to use a nation-wide network of competing pension service providers (POPs) to access this system for opening a PRA, accreting new contributions, receiving account or system information and for obtaining retirement benefits.

A member will have complete control on how his contributions and savings in his PRA are managed. He will be able to select a professional Pension Fund Manager (PFM) from a pool of competing pension fund managers.

Each PFM in this system will offer a choice of three simple and standard pension schemes with different risk and return profiles. If he desires, the member will be free to allocate his savings across multiple PFMs and schemes. If a member is unable to select a PFM, his savings will be directed to a 'Default' scheme. He will also be free and able to switch his savings seamlessly between fund managers and products as and when he desires.

With individual accounts and complete freedom of choice, a member will be able to easily alter his risk profile in an optimum fashion over time – he will be able to move from a high return scheme with relatively higher risk at a young age, to a low or near zero risk, modest returns portfolio when approaching retirement if he desires. The member will receive periodic, consolidated statements of his PRA which will reflect his notional wealth in his PRA across various products and PFMs. This will be the sum total of his contributions at that point of time and the returns that these contributions have earned.

> A member will accrete savings into his personal retirement account while he is working and use the accumulations at retirement to procure a pension for the rest of his life.

On retirement, the member will be able to use a part of the savings accumulated over the years in his PRA to buy a pension which will finance his post-retirement consumption for the rest of his life.

In this process of accumulating retirement savings, the Pension Fund Regulatory and Development Authority (PFRDA) will provide the members of this scheme with a sound regulatory framework and an umbrella of safety with respect to prevention of fraud and malpractice.

The Participants

1. **Members :** This scheme will target two categories of **individual participants** (members):

a) It will be applicable to employees of the central government (excluding Armed Forces) who join service after January 1, 2004. For these employees, participation and contributions to the Tier-I account will be *mandatory*. Every month, the government will deduct 10 per cent of the salary (basic plus DA) of these new employees, match it with an identical contribution from its side, and transfer this full 20 per cent contribution into the relevant employee's PRA. The employee will select the PFM(s) and scheme(s) to which this 20 per cent monthly contribution will flow.

These employees will also be eligible to open and operate a Tier-II savings account (which will allow withdrawals) on a voluntary basis. The amount and periodicity of contributions into this Tier-II account will be decided by the employee and will be over and above the mandatory contributions into the Tier-I pension account. The government will not contribute to this account.

If a government employee decides to resign from service, he will be able to move into any other service along with the full

balance in his PRA on that date. However, once he ceases government service, he will no longer be eligible for the 10 per cent government contribution and will thereafter be free to contribute voluntarily into his PRA.

b) The second category of members will include all other citizens of India who will participate in this scheme on a *voluntary* basis. This category of members will also be allowed to operate the Tier-I and Tier-II accounts which will be identical to the accounts for central government employees.

However, voluntary investments into the Tier-II (withdrawable) account will be permitted only after a minimum annual accretion into the Tier-I account is achieved. These members will be free to decide the amount and periodicity of their contributions. For these members, there will be no matching contribution by the Government.

However, employers (including private firms, state governments, PSUs and others) will be free to make contributions into the PRAs of their workers if they wish. Unlike in the case of the government, these contributions by employers may not be mandatory.

In both categories of members and account types, the members will a receive a unique account number, accrete contributions into this account, select a PFM and product, switch between PFMs and products, and receive consolidated account statement.

2. **Points of presence** (POPs) will be the service providers for members and will offer a host of services. POPs will open new PRAs with unique account numbers; collect, verify and transfer contributions and/or instructions regarding PFMs and schemes to the CRA with relevant and correct member account information; collect and transfer complaints from members to the CRA; provide performance data as well as account information and statements to members; and communicate changes in personal information of members to CRA. Once a member retires, the CRA may use this same network to deliver the lump sum terminal accumulations to the bank account of relevant member.

Banks, post offices, depository participants and other secure entities which are capable of electronic connectivity with the CRA will serve as POPs.

For central government officers, the Pay & Account Offices (P&AOs) will perform some of the POP functions.

3.The recordkeeping, administration and customer service functions for all members of this pension system will be centralised and performed by the **Central Recordkeeping Agency** (CRA). The CRA will issue a unique account number to each member, maintain a master database of all personal retirement accounts and record the transactions related to each member's PRA. The CRA will receive and consolidate member contributions and instructions and transmit them to the relevant PFM and scheme on a daily basis. The CRA will provide periodic, consolidated PRA statements to each member. The CRA will also enforce operational guidelines of the PFRDA as well as mandatory contributions by government employees.

4. An initially limited number of competing, specialized professional **pension fund managers** (PFMs) will manage the retirement savings of members. The CRA will reconcile and collate all instructions and

An initially limited number of competing, specialised professional **pension fund managers** (PFMs) will manage the retirement savings of members.

funds received from members through the POP network or the Internet. Once all balances are determined, the CRA will remit a single, netted amount to the PFM (which be the sum total of the netted amounts across all three schemes of the PFM) along with a statement specifying the exact amount to be invested under each of the three schemes. PFMs will comply with the investment guidelines issued by the PFRDA for allocating these assets under each scheme. Firms with requisite fund management experience and which satisfy the eligibility criteria specified by PFRDA will be eligible to apply for a PFM license.

5. When a member retires, he will be mandated to use a specified part of his terminal accumulations in his PRA to buy an inflation indexed annuity from a pool of competing **annuity providers** who will be responsible for delivering a regular monthly pension to the member for the rest of his life. Life insurance firms which are registered with the IRDA will serve as annuity providers.

6. **Authorised Retirement Advisors** *(ARAs)* will help in marketing the new system to potential members. They will advise and assist members with opening retirement accounts, as well as with selecting appropriate pension fund managers and products.

The ARAs will conform to a uniform code of conduct and ethics and will have to pass a certificate examination prescribed by the PFRDA in order to obtain a periodically renewable work license. The ARAs may be affiliated to specific PFMs, POPs or may work as independent advisors. Existing agents and financial intermediaries of mutual funds and insurance firms will also be able to serve as ARAs by passing this certification examination.

7. In this entire process of accumulations and withdrawals, a sound **regulatory framework** would give individuals an umbrella of safety with respect to problems of risk management and prevention of fraud. The PFRDA will regulate the POPs, ARAs, CRA and PFMs during the the accumulation phase of this pension system. The process of delivery of pensions to members by annuity providers will be regulated by the IRDA.

However, if a member chooses to not withdraw his savings as a lump sum and decides to instead phase out his withdrawals from his PRA, he will continue to interact with the POPs, CRA and PFMs and will thus remain the responsibility of the PFRDA as wel.

CRA Responsibilities

The CRA will serve as the central administrative entity and will be directly responsible to the PFRDA and members for record keeping, reconciliation, netting and funds transfer, customer services, interconnectivity and access, enforcement and compliance. The CRA will interact with the POPs, PFMs Annuity providers and the PFRDA.

The rationale for CRA are lower transactions costs through centralising the administration and recordkeeping process, e**fficient customer services by providing** a unique account number for portability across jobs and locations (which is only possible with central recordkeeping) and r**egulatory efficiency.**

Report Card:LIFE

Life industry grows at 10.5 % in 2003-04

With a spurt in business underwritten in March, 2004 at Rs.5,670.07 crore, the life insurance industry underwrote first year premium of Rs.18,710.15 crore during the fiscal 2003-04, recording a growth of 10.48 per cent over the previous year.

In terms of policies, the insurers exhibited a growth of 12.83 per cent with 286.27 lakh policies. The shares of premium of private insurers increased to 12.96 per cent as against 5.66 per cent in the year 2002-03. Individually, all the private insurers increased their market share over the previous year. Further, the private insurers recorded a growth of 153 per cent in terms of first year (including single) premium underwritten by them.

Cumulatively the twelve private players underwrote premium of Rs.2,425.46 crore. Amongst the private players, ICICI Prudential led with a market share of 4.01 per cent followed by Birla Sunlife at 2.40 per cent.

LIC underwrote premium of Rs.16,284.68 crore during the year under reporting. LIC's market share for 2003-04 was 87.04 per cent. The business underwritten by LIC under the Varishtha Pension Bima Yojana, announced by the Government of India in July, 2003, was Rs.6070.50 crore towards 3,32,748 policies. This premium has not been included in the first year premium figures. In terms of number of policies, LIC contributed 94.21 per cent. Interestingly, 30 per cent of the business for the year was underwritten in the month of March, 2004, with private insurers and LIC underwriting business of 31 per cent and 30 per cent respectively in the said month.

The premium underwritten by the private players for 16,57,636 individual policies stood at Rs.2,048.66 crore. In case of LIC, the premium underwritten under 2,69,51,919 individual policies was Rs.12,636.86 crore.

A comparison of the individual single premium underwritten by the private players and LIC reveals a decline of 3.42 per cent and 61.29 per cent at Rs.287.97 crore and Rs.1,164.71 crore respectively. The decline was on account of the impact of the change in the provisions of section 10 (10D) of the Income Tax Act.

Under the group schemes, the premium underwritten by the private players and LIC stood at Rs.376.79 crore and Rs.3,647.82 crore with lives covered at 17,35,315 and 45,10,429, respectively. The market share of the private insurers and LIC, in terms of premium underwritten for group insurance, was 9.36 per cent and 90.64 per cent respectively. LIC covered 72 per cent of the lives under the various group schemes. Amongst the private players, SBI Life covered 12.38 per cent of the lives. The total number of lives covered under the various group schemes was 62,45,744.

(Rs. in lakhs)

First Year & Single Premium – Financial Year 2003 - 04 (Provisional)

	Insurer	Premium				Market Share		No. of Policies/Schemes				Market Share	Lives covered Group Schemes		Market Share
		March 04	2003-04	2002-03	% Growth	2003-04	2002-03	March 04	2003-04	2002-03	% Growth	2003-04	March 04	2003-04	2003-04
1	**Allianz Bajaj**	**6,573.59**	**17,970.51**	**6,338.89**	**183.50**	**0.96**	**0.37**	**43,092**	**1,85,350**	**1,15,964**	**59.83**	**0.65**	**45,829**	**1,01,797**	**1.63**
	ISP	1,952.51	2,228.92					2,388	3,099						
	INSP	4,572.63	15,629.14					40,699	1,82,194						
	GSP		0.76						1					781	
	GNSP	48.45	111.69					5	56				45,829	1,01,016	
2	**ING Vysya**	**2,740.59**	**7,260.66**	**1,765.92**	**311.15**	**0.39**	**0.10**	**31,751**	**90,976**	**10,976**	**728.86**	**0.32**	**5,401**	**6,613**	**0.11**
	ISP	53.86	82.26					7,935	12,115						
	INSP	2,643.45	7,088.81					23,813	78,853						
	GSP	24.52	68.29						1				91	163	
	GNSP	18.76	21.30					3	7				5,310	6,450	
3	**AMP Sanmar**	**688.07**	**2,788.16**	**631.52**	**341.50**	**0.15**	**0.04**	**9,439**	**46,282**	**16,344**	**183.17**	**0.16**	**1,772**	**60,341**	**0.97**
	ISP														
	INSP	541.45	2,433.27					9,423	46,250						
	GSP	107.93	107.93					5	5				1,189	1,189	
	GNSP	38.69	246.96					11	27				583	59,152	
4	**SBI Life**	**8,068.07**	**19,590.08**	**7,188.08**	**172.54**	**1.05**	**0.42**	**26,374**	**86,495**	**17,746**	**387.41**	**0.30**	**2,01,947**	**7,73,223**	**12.38**
	ISP	1,148.05	3,149.27					1,791	7,847						
	INSP	2,487.14	5,308.71					24,417	78,099						
	GSP	2,828.66	7,381.00					4	26				24,232	73,109	
	GNSP	1,604.22	3,751.10					162	523				1,77,715	700,114	
5	**Tata AIG**	**3,728.36**	**18,015.47**	**5,220.84**	**245.07**	**0.96**	**0.31**	**24,977**	**1,61,967**	**91,487**	**77.04**	**0.57**	**19,428**	**1,89,587**	**3.04**
	ISP														
	INSP	2,013.12	12,387.07					24,969	1,61,897						
	GSP	54.68	485.92						1				9,581	95,939	
	GNSP	1,660.57	5,142.47					8	69				9,847	93,648	

(Rs. in lakhs)

	Insurer	Premium				Market Share		No. of Policies/Schemes				Market Share	Lives covered Group Schemes		Market Share
		March 04	2003-04	2002-03	% Growth	2003-04	2002-03	March 04	2003-04	2002-03	% Growth	2003-04	March 04	2003-04	2003-04
6	**HDFC Standard**	**5,377.56**	**20,933.26**	**12,931.38**	**61.88**	**1.12**	**0.76**	**35,442**	**2,03,205**	**1,24,837**	**62.78**	**0.71**	**20,142**	**58,335**	**0.93**
	ISP	1,296.59	6,252.06					2,600	38,581						
	INSP	3,974.79	13,045.08					32,832	1,64,523						
	GSP	106.18	1,636.12					10	101				20,142	58,335	
	GNSP														
7	**ICICI Prudential**	**17,364.23**	**75,091.03**	**36,410.67**	**106.23**	**4.01**	**2.15**	**95,683**	**4,36,196**	**2,44,434**	**78.45**	**1.52**	**18,194**	**45,926**	**0.74**
	ISP	2,372.03	12,005.00					1,414	10,417						
	INSP	14,461.00	62,211.00					94,235	4,25,694						
	GSP	10.50	167.33					28	73				12,083	38,852	
	GNSP	520.70	707.70					6	12				6,111	7,074	
8	**Birla Sunlife**	**20,233.76**	**44,986.19**	**12,956.79**	**247.20**	**2.40**	**0.77**	**43,591**	**1,55,598**	**64,758**	**140.28**	**0.54**	**53,595**	**1,98,313**	**3.18**
	ISP	702.58	1,941.33					5,729	28,454						
	INSP	10,580.59	26,741.57					37,806	1,26,990						
	GSP	35.82	392.90										314	3,107	
	GNSP	8,914.77	15,910.39					56	154				53,281	1,95,206	
9	**Aviva**	**1,778.53**	**7,713.84**	**1,346.63**	**472.83**	**0.41**	**0.08**	**14,523**	**71,001**	**17,023**	**317.09**	**0.25**	**36,921**	**88,857**	**1.42**
	ISP	65.12	495.45					80	722						
	INSP	1,685.61	7,154.35					14,434	70,252						
	GSP														
	GNSP	27.80	64.04					9	27				36,921	88,857	
10	**OM Kotak**	**5,763.08**	**12,710.19**	**3,520.96**	**260.99**	**0.68**	**0.21**	**12,232**	**51,071**	**32,767**	**55.86**	**0.18**	**11,565**	**52,924**	**0.85**
	ISP	2,125.80	2,414.74					343	590						
	INSP	3,232.17	9,273.18					11,884	50,453						
	GSP														
	GNSP	405.11	1,022.27					5	28				11,565	52,924	
11	**Max NewYork**	**2,638.08**	**13,148.80**	**6,731.37**	**95.34**	**0.70**	**0.40**	**27,681**	**1,45,581**	**77,531**	**87.77**	**0.51**	**2,693**	**1,17,879***	**1.89**
	ISP	24.59	178.35					31	203						
	INSP	2,600.41	12,560.37					27,640	1,45,298						
	GSP														
	GNSP	13.09	410.08					10	80				2,693	1,17,879	
12	**MetLife**	**509.95**	**2,338.16**	**769.88**	**203.70**	**0.12**	**0.05**	**5,627**	**25,124**	**11,227**	**123.78**	**0.09**	**22,982**	**41,520**	**0.66**
	ISP	9.97	50.49					52	273						
	INSP	478.03	2,236.42					5,563	24,832						
	GSP														
	GNSP	21.95	51.25					12	19				22,982	41,520	
	Private Total	**75,463.88**	**2,42,546.35**	**95,812.93**	**153.15**	**12.96**	**5.66**	**3,70,412**	**16,58,846**	**8,25,094**	**101.05**	**5.79**	**4,40,469**	**17,35,315**	**27.78**
13	**LIC**	**4,91,543.76**	**16,28,468.67**	**15,97,676.15**	**1.93**	**87.04**	**94.34**	**76,26,362**	**2,69,68,069**	**2,45,45,580**	**9.87**	**94.21**	**9,43,823**	**45,10,429**	**72.22**
	ISP	65,669.85	1,16,471.78					1,36,894	2,30,607						
	INSP	2,87,125.35	11,47,214.80					74,85,574	2,67,21,312						
	GSP	1,38,748.56	3,64,782.09					3,894	16,150				9,43,823	45,10,429	
	GNSP														
	Grand Total	**5,67,007.64**	**18,71,015.02**	**16,93,489.08**	**10.48**	**100.00**	**100.00**	**79,96,774**	**2,86,26,915**	**2,53,70,674**	**12.83**	**100.00**	**13,84,292**	**62,45,744**	**100.00**

Note:
1) LIC's business figures do not include Varishtha Pension Bima Yojana.
2) % Growth has been computed over previous year.

* The figure for February 2004 was revised by the insurer. Hence the cumulative figure for 2003-04 is not comparable with the figure for upto February 2004.

ISP - Individual Single Premium
GSP - Group Single Premium
INSP - Individual Non-Single Premium
GNSP - Group Non-Single Premium

'Waiting for a Change'

- Interview with Mr. Karl Wittmann, Munich Re

Mr. Wittmann, responsible for Munich Re's activities in Asia, Australasia and Africa (AAA), attended the 14th Insurance Congress of Developing Countries in New Delhi on his fourth visit to India during the last four months! As his office is quick to point out, this shows the importance the world's leading professional reinsurer is attaching to the changing Indian insurance sector.

IRDA Journal asked Mr. Wittmann some questions:

IRDA Journal: What has Munich Re's association with India been like. How has it changed over the years?

Mr. Karl Wittmann: Munich Re has been dedicated to the Indian insurance industry for more than half a century.

We were part of the market even long before nationalisation.

We enjoyed a fruitful co-operation with the public insurance industry, providing capacity and security but also creating jointly new classes of business, e.g. engineering insurance. Generations of Indian insurance experts were participating in numerous seminars we organised in India as well as in Munich.

Since the opening of the market we are of course providing our professional co-operation also to the newly established private insurance sector.

Nevertheless, our concrete business opportunities became limited over the last years. This has to be seen in connection with the increasingly unbalanced and exposed nature of the business accessible international reinsurers and with the fact that the still strongly regulated environment in India makes it difficult for international reinsurers to contribute.

In this regard, to answer your question "has it changed?" we are still waiting for change to come or in other words: "we hope for a level playing field in Indian reinsurance."

Q: Give us an idea of your operations and experience in markets in similar stages of opening up like China...

A: I hesitate to directly compare your situation and our experience in other countries, especially China. India faces challenges and has great opportunities of its own and has all the resources to go ahead in its own way.

But to answer your question: The process of opening and liberalisation in China's economy – initiated only few years ago – has indeed reached an advanced stage. The authorities there appreciate the fact that primary insurers and reinsurers need two different sets of regulations. Reinsurance is by definition a global business. China has acknowledged that and, accordingly, specific regulations for reinsurers are already in place.

Well selected international reinsurers were invited to establish operations in China. Munich Re was the first company to be granted a countrywide licence for Life and Non-Life business. We opened our branch already last year. Our business perspectives are very significant, to the benefit of the local market and the consumers.

> "I am absolutely convinced that the market does not need overprotection."

Q: What's the knowledge, regulatory or operational gaps between these markets and India? And between India and the more developed markets? How (and why) should they be bridged?

A: Apart from the restrictive regulatory environment for reinsurers, there is in my view no specific gaps compared to other countries.

There is certainly no knowledge gap as we know from our regular exchange with representatives from both the public and the private insurance sector.

Having said this, one can of course always learn and benefit from the experiences of others – be it regarding products, statistical database, value based management tools you name it. We are all living in a truly global world. Understanding the global aspects of our business and operating locally – this is how I feel.

I am absolutely convinced that the market does not need overprotection. For a self-confident and professionally acting Indian market there is no reason at all to fear competition, even on international levels. On the contrary: India will succeed! Just take the IT-sector as an example!

Q: What's your view of the Indian direct insurers' position today. All are new to managing reinsurance programmes as individual entities and the market is undergoing considerable churning (tariffs, economic downturn in the last couple of years....) Where does that place reinsurers like Munich Re given the additional backdrop of the changes in the international market from the September 11 incident onwards...?

A: Possibly the capital bases of direct insurers will have to be further strengthened as they continue to grow and to expand their market share. Of course, unsatisfying technical results due to given restrictions and compulsory tariffs would not encourage fresh investments of capital, which is expected to produce an adequate return.

And there lies a real problem : the fast growing Indian economy needs a strong, well developed insurance industry to support investment. I feel there is only one way – a rather simplistic one – to improve this situation : the insured and the insurers need to understand that each risk has its price eg. the direct insurers will have to charge risk adequate prices for their products and services. The focus should be on competitiveness in respect of quality and service rather then just on lowest prices.

We at Munich Re are doing exactly that on an international scale and so we did long before 11 September.

Q: About detariffing. India is already looked at as a market where the direct premium rates are not adequate. In a situation where detariffing is being uneasily debated, what would its possible effects be. There is a fear that a rate war will be inevitable and even traditionally profitable portfolios will suffer.

As a reinsurer how do you view these possibilities and rate them in terms of effects on your business?

A: Detariffing is inevitable and will ultimately be in the best interest of the consumer and the insurance industry. It will of course affect insurers. They have to prepare for this and in effect Munich Re is offering to assist insurance companies in this process as we have done in many other countries before.

In a free market environment, compulsory tariff rates, deductibles etc. will have to be replaced by more sophisticated instruments based on experience and well structured statistical data. The primary insurers will then be responsible for their own prices and efficiency as well as for their ultimate results. Their shareholders, be they from the private or public sector will ultimately ensure that their operations will be profitable - or else...! The solvency of course will have to be strictly monitored by the relevant Indian authorities in the interest of the consumers

A more efficient primary market – whose operation is based on professional risk assessment, pricing and selection – will master these challenges. This will not necessarily lead to increasing rates but it will lead to more efficiency.

In a free market environment, compulsory tariff rates, deductibles etc. will have to be replaced by more sophisticated instruments based on experience and well structured statistical data.

We are aiming to set up a branch office in India with full access to the international experience and backed by the financial strength of our group in order to accompany our clients in this process. We want to become a reliable local partner for our Indian clients.

Q: What were your expectations from liberalisation of the sector in India and have they been realised?

A: As said before, beside a certain opening of the market for private players with limited involvement of international partners – the real liberalisation of the market still needs to be realised. This means in the first place the inevitable abolition of compulsory tariffs but also the opening of the market for selected international insurers and reinsurers, based on specific regulations.

I foresee a fully liberalised Indian insurance industry which plays its rightful role in supporting your strongly growing economy. I see the insurance industry as a necessary basis for local and foreign investment in India. I see the insurance industry assisting an increasing number of private individuals and families to secure their possessions, their lives, to make provision for childrens' education and for old age.

I foresee local and international reinsurers providing the necessary capacity in cooperating with the primary insurers in the Indian market as they do elsewhere. But all this can only happen with the consent of the authorities and the regulators. In am confident that this consent will eventually be forthcoming . I believe that ultimately they see it the same way!

On the Shopfloor...

K. Nitya Kalyani

There is an appropriate time for a product. At that time the customer wants it, the service provider provides it and the price is just right! Each could be the chicken, or the egg.

The time today is for unit linked products. The equity markets are booming and interest rates are falling. The life insurance buyer, who has been accustomed to looking for investment returns from his policy jumps at the chance.

Only, the product is less of a risk cover than a market instrument. In a traditional insurance policy, the insurance company takes two risks. One on the life of the insured, and the other on the investment returns. In the case of a unit linked product, the insurer passes on the investment risks in entirety to the insured.

Premiums in unit linked policies case do not form part of the controlled funds under section 27 of the Insurance Act, 1938 that seeks to protect the policyholder's interest by ensuring a predominantly safe and relatively liquid portfolio mix with a specified exposure to more volatile investments such as the equity markets.

In the case of traditional life products a lion's share of the investments should be invested in Government securities under various categories with a maximum of 35 per cent being allowed to be invested in capital market instruments.

Unit linked policy funds are invested according to IRDA's investment regulations for this class of products. Here, up to 75 per cent of the funds can be invested in approved investments (which include equity and debt instruments in the capital markets which conform to the norms under Section 27 A and 27 B) while the remaining 25 per cent can be deployed in other than approved investments.

It's a product that the customer has to go into with his or her eyes open, just as the insurer does!

The time today is also for liability products for corporate clients prompted by corporate governance issues, sexual harassment dangers, lenders' liability, accountability to shareholders, professional indemnity coverage as a licensing condition (for insurance brokers!) or market pressure (malpractice insurance for medical practitioners and hospitals.)

Most of these continue to be customer driven, and the customer is driven by statutory requirements or in turn by his litigious customers!

Some products extensions and innovations are being experimented with and require marketing anyhow. Like the weather insurance product that ICICI Lombard has been testing out with Agriculture Insurance Company of India not far behind.

> The Appointed Actuary has to endorse that "the terms of the product are workable and sound."

One of the recent product extensions is the introduction of third party administrators (TPAs) to handle hospitalisation insurance claims. The system is going through teething troubles yet and the feedback is that 'cashless' policies, where the hospital bills are directly paid by the insurer to the healthcare provider rather than the pay and seek reimbursement model that was prevalent till now, has not yet materialised in full.

With customer pressure driving hospitalisation premiums upwards, these support services and the creation of preferred provider network (PPN) hospitals are bound to find their rightful place and receive due credit in the short term.

Behind any new product (or the withdrawal of an existing product) sits the file and use procedure devised by the IRDA. An insurer has to file extensive product information including terms, benefits, exclusions and pricing. Depending on the type of policy (for example, unit linked) charges also should be given with details. For non-life products information on reinsurance, excess, overinsurance and the like will also have to be given. Both categories have to give financial projections including pricing assumptions from the point of view of claims, expenses and capital and solvency requirements.

Moreover, the Appointed Actuary of the company has to endorse that "the premium rates, advantages, terms and conditions of the product are workable and sound, the assumptions are reasonable and premium rates are fair."

The Appointed Actuary is a special kind of employee of an insurance company (in a general insurance company in India today he can be a consultant). The AA is bound by his profession as an Actuary to follow the code of conduct of his professional institute, the Actuarial Society of India (ASI). Morever his appointment to the company is cleared by the IRDA under its 'fit and proper' procedure – a screening for certain top level appointments in any insurance company. He has the duty to be the eyes and ears of the IRDA inside the company and has the responsibility to keep the board of directors fully briefed on the workings of the company relating to pricing, solvency, capital requirements, profitability and related compliance matters.

Coming back to the file and use procedure, in the case of general insurance today in India, about 80 per cent of the products come under the tariff set out by the Tariff Advisory Committee (TAC). So it is only for products that do not come under a tariff that new product filings need to be done. For new tariff products or modifications

to existing tariff products, it is the TAC that goes through the file and use formalities just like any other insurance company.

The Tariff rates should be certified by an Actuary appointed by the TAC together with policy wordings including exclusions at least 30 days before implementation of these rates. Similar formalities apply to the TAC, as for the companies, relating to withdrawal of products.

The file and use procedure, followed by most insurance regulators the world over, serves several purposes. The end objective of most of them is to see to it that the policyholders' interests are protected.

The regulator does this by checking if the product terms and benefits are acceptable with some minimum standards being prescribed for some benefits.

Pricing is evaluated from the point of view of whether it will be a remunerative product for the insurer. It may be puzzling that the regulator should be bothered whether a product makes profits or not. But an insurance product, unlike a manufactured item for instance, is really delivered only at the time of a claim. And sufficiency in pricing is what will determine whether the insurer will have the money to pay the claim as and when it arises. For the policyholder to receive his benefits, the company should be and stay healthy.

Another advantage of a file and use procedure is that the regulator can check pricing and benefits across the board. This acts as a natural balance (but possibly secondary to the one provided by a competitive market where the customer has a choice of insurers) for companies to charge premiums and other charges on an even keel rather than being distinctly out of line with what his costs justify.

Over time, the information got through the file and use procedure accumulates pricing and cost information and profitability indications about the industry that help the system understand the nature of the market.

After all, it is past trends and experience that form the backbone of the insurance business!

"I wish..."

R. Sridhar

The other day I was looking for a book in my collection. I searched for three days and I still could not find it. I have had the book for 15 years and it is currently out of print. I cannot get this book for love or money. Either, it will take a lot of time or cost me a lot of money.

How do I make up this loss?

Could I have insured the book? I wondered. I then realised that I had several things that were dear and valuable to me. I could lose them. Can I insure those?

This thought led me to a new trail. If a genie were to appear in front of me and ask, "If you had wish that I will grant, what kind of insurance product would you like?"

Therefore, here is my wish list. I do not know how insurance products are conceived and launched. The only thing that I know is what an insurance expert told me. The current range of insurance products is no different from what we have had for the last several decades. Therefore, read the list as the naïve wish list of a customer. If you are an insurance expert, apply your insurance expertise to see how many of these can be introduced. Do not use your expertise to explain why these wishes cannot be fulfilled!

If you are an insurance expert, apply your insurance expertise to see how many of these can be introduced.

1. I would certainly like an insurance cover for my book collection. (Individual as well as collection).
2. If I was a politician, I would like a policy to cover the risk of my losing the election.
3. If I was applying for a US visa, I would like a policy to cover the risk of not getting the visa.
4. I had a laptop I would like a policy covering the risk of the battery running out on me at the most critical moment.
5. If I had a cell phone, I would like a policy covering the risk of my missing critical conversation because of poor network coverage.
6. I would like an insurance policy covering internet downloads without interruption.
7. If I was a film producer, I would like a policy covering the risk of the film becoming a flop.
8. I would like my computer/laptop insured for my business worth and not just the hardware. (Here is an interesting story. Nicholas Negroponte well known author of the

book Digital was once asked to declare the value of his laptop, at the entrance of a scientific facility. When he mentioned a couple of million Dollars, the attendant apparently remarked that the model of laptop that Mr. Negroponte carried retailed at just US$1,000. Why was he talking about amillion Dollars? Mr. Negroponte explained that content on his machine was worth much more than the hardware !

9. If I was a student, I would like an insurance cover for exam papers not leaking on the exam day and creating havoc.
10. If I was organising a wedding in my family I would like a policy that covers the risk of the whole function being derailed because of poor attendance, rains, riots etc.
11. I would like a policy to protect me from flight delays that not only cause inconvenience and anxiety but also result in loss of business opportunities.
12. If I were a young parent, I would like a policy to protect how my child will grow up. We do not know what they could become in their later years !
13. I would like a policy that covers my allergy risks. Most people do not know what they are allergic to, until they are hit by a severe bout. (I recently met some one who is allergic to the sun's ultra-violet rays!)

> Make insurance more accessible, inexpensive and easy to use. By doing so, you would get several million people coming into the net for a variety of reasons.

14. If I were a young girl in Delhi, I would like an insurance policy that covers the risk of eve-teasing and perhaps gang rape.
15. If I were a journalist, I would like a policy that protects me from influential politicians, authorities and rich men.
16. If I were a breadwinner for my family, I would like a medical insurance, which not only pays my expenses but also covers my loss of income.
17. I would like to insure my holiday from being ruined because of poor attitude and service from travel agents, airline staff, hotel staff etc.
18. I would like an insurance policy that covers the risk of illnesses like Alzheimer's, Parkinson's disease etc that make me dependent on others.
19. I would like an insurance policy covering the risk of my suddenly losing my eyesight or hearing or speech.
20. I would like an insurance policy covering the risk of paralytic attack.
21. I would like an insurance policy covering the risk of my not being able to eat all that I like because of

It should be possible to insure just about anything - as long as a company is able to quantify the risk and charge the appropriate premium. The whole underwriting business is logic, understanding risk and deciding where the exposure is. Insurance companies don't pick numbers out of thin air. There has to be data to support it.

Malfunction of computers due to the Y2K problem was a risk that businesses around the world would have loved coverage for. But insurance companies actually started sending out endorsements excluding the risk! Or reluctantly agreeing to cover it for exorbitant premiums! That it turned out to be an excellent opportunity for the Indian information technology industry to establish itself is history!

You must have heard of Bruce Sprinsteen's voice or US pianist Liberace's hands being insured for millions of dollars. Or that businessmen in places like South America taking out kidnap and ransom insurance. These out of the way, one of a kind, risks are actually covered by specialised companies called surplus lines insurers. Regular insurance companies do write these policies too, once in a way. In India, insuring cricket matches against rain washing out play, or major entertainment events have become more familiar in the recent years.

White Christmas: A car dealership in the US state of Nebraska took out a $1.5million insurance policy at Lloyd's after offering $10,000 to anyone who bought a car from it during December, provided it snowed on Christmas Day. More than 65 customers would have qualified for the offer if the town of Omaha, where the dealership is based, had experienced a snowfall of at least four inches on the day.

conditions like diabetes and cholesterol.

22. I would like an insurance policy covering the risk of my favourite film star or sports stars losing their popularity and talent.
23. I would like an insurance policy to cover the risk of my losing valuable relationships due to misunderstandings.
24. I would like an insurance policy to cover the risk of my prematurely going grey, baldor, losing my teeth.
25. I would like an insurance policy to cover the risk of premature burnouts in the high-pressure fields like films and advertising.

I could go on to create a list of at least 100 such wishes.

As I run through my list, I realise that my wishes seem to be falling into two broad categories. Fear of losing my physical or mental abilities that would render me disabled. Fear of losing things that I hold dear. Some very basic, and some very fancy.

I know the fancier my wish gets the more it will cost me. Here is where I wish insurance companies applied the 'hotmail' logic. Make insurance more accessible, inexpensive and easy to use. By doing so, you would get several million people coming into the net for a variety of reasons.

I find two books on the subject of new product design very interesting and inspiring.

1. The Art of Innovation : Lessons in Creativity from IDEO, America's Leading Design Firm by Tom Kelly
2. Blockbusters – Five Keys to developing Great New Products by Gary S. Lynn, Richard R. Reilly

Here is one more wish. I wish some one from the insurance industry would read and apply the principles in these books. Develop new insurance products that makes insurance interesting, user friendly and meaningful to the customers.

Part of the product design must cover the process as well. One big step would be to make the insurance form simple and easy to use. What if I do not need to fill up an elaborate form if I have a credit card? My submission is that you need innovation not just in the product design but also in the marketing and sales processes. How about using the Internet and ATMs more effectively? Why not reduce dependence on agents for policies less than a certain amount?

My favourite quote these days is: "One man's bug is another man's business."

All that the insurance companies have to do is to meet their customers and listen to what bugs them most in life. What do they hold dear and fear to lose?

Insights that can lead to some great new insurance products, will be their instant reward.

The author has been in advertising, direct marketing and brand consulting for over 30 years now. His professional consulting firm, Ideas-RS (www.ideasrs.com), works in the area of corporate innovation and creativity and focuses on "helping individuals and organisations benefit from the power of ideas."

With high profile and multi-crore weddings, it is possible to cover the entire event. Against weather occurences that could end up in poor attendance and more traditional upsets like fire, sickness and the like. You can even take a liability cover when the wedding is conducted in public places!

There is a case of a wedding disaster in which all the negatives were stolen from the photographer's car, and the insurance company paid for the entire wedding party to reassemble at the original location - in Hawaii - to re-create the scene for new photos! Anything, as insurance companies say, except a change of heart. And there is no refund for divorces!

A Hawaiian insurance company sought coverage from Lloyd's to cover the transport of a giraffe from the Honolulu Zoo being exchanged with an elephant from India. Unfortunately, the giraffe died on the way here.

A subtle but apparently widespread corporate practice came to light recently when the family of a deceased warehouseman of a famous chain store in the US learned that the company had taken out a $64,000 life-insurance policy on him, naming the company as beneficiary. Companies often buy policies for their top executives, but so-called "dead janitor" policies are usually purchased in secret, as tax dodges. Critics say that such companies lose the incentive to make their workplaces safer if they stand to collect on employees' deaths. This company purchased about 3,50,000 such policies but cancelled them after the practice was exposed.

Behind the Scenes

- How an Insurance Product is Born

R. Kannan

Monday, April 2: Ramlagan, Insurance Advisor with Nakula Life Insurance Company Ltd. which has substantial life business in both eastern and western India, is returning thoughtfully to his office after his third meeting with a leading businessman in Ranchi.

The businessman has categorically told Ramlagan that unless he is offered a healthcare rider, in particular one that covers, interalia, the risk of heart attack, he would not buy his company's famous endowment insurance product from him. Ramlagan does not want to lose business!

On reaching office he calls his Regional Chief and explained the position. The latter calls central office's Product Development Cell (PDC) for a detailed discussion. The Chief of the PDC immediately puts him at ease saying that other requests for this product have been there and that the issue is already engaging his attention!

Tuesday, April 3: The PDC Chief calls for a meeting in his department to discuss the basic features of this rider product. The PDC also discusses another health related rider, this one for covering non-surgical hospitalisation expenses. The views that emerge make their way to the Marketing Department.

Saturday, April 7: Marketing discusses these two riders and likes the ideas! It even adds one more new rider to the list, to cover advanced dental and eye treatment. This is not uncommon in the insurance companies, that they start discussing one product and finally end up with a number of products.

Opinion from the joint venture partner's office is also obtained as, in their country, they have marketed a number of such products successfully.

Finally the Marketing Department prepares a detailed note for the Actuarial Department listing out product features they want in these three riders, mainly focusing on which diseases / medical treatment would be covered; what benefit structure could be offered under each rider etc.

Meanwhile PDC also collects necessary details about reasonably similar products (one may not always find exactly comparable products) available in India, which are offered by other insurance companies.

Friday, April 13: The note from Marketing and PDC are seen by Mr. Gokulakrishnan, Appointed Actuary, for pricing the riders and taking them forward. The AA has doubts about some of the diseases listed there, as he afraid that they are difficult to establish and hence many false claims could emerge.

Further, morbidity rates for some diseases are not available with the Actuarial Department.

Saturday, April 14: The AA consults the Chief Medical Officer (CMO) and discusses these riders. The latter says that while the incidence of heart attack is well-defined, that of non-surgical hospitalisation is difficult to define and could result in many false claims. Unless the definition of insured events are strictly outlined and enforced, it would not be possible to allow the policyholders to avail the benefits they pay for.

> Reinsurance companies help insurers to develop very sophisticated products. They contribute to defining the benefits, defining the events under which benefits are payable and the maximum amount of benefit that could be entertained

Regarding sophisticated dental and eye treatment, the CMO agrees that although such insurance products are available in countries like the US, the issues are to be handled carefully when they are applied to India. Some amount of clarity emerges in the mind of AA consequent to this discussion.

Tuesday, April 17: Mr. Gokulakrishnan meets with the reinsurers who represent an insurance company's lender of last resort in such instances.

The role of a reinsurance company has to be duly recognised here. Reinsurance companies help insurers to develop very sophisticated products. They contribute to defining the benefits, defining the events under which benefits are payable, the maximum amount of benefit that could be entertained, exclusions etc.

Due to their international experience they have the necessary expertise and also they provide the required morbidity rates (morbidity rates are nothing but the probability values that a given size of population will be affected by a particular disease in a given duration of time, at various ages and separately for males and females).

Nakul's reinsurer totally agrees with the AA about the parameters of the proposed covers and the difficulties of pricing the desired benefits.

Tuesday, April 24: The reinsurers get back to the AA saying that while the morbidity rates for the first two rider products are available or one could arrive at them with a reasonable degree of confidence, the third one – advanced eye and dental treatment - is difficult.

They admit that it is not clear how well the morbidity rates in the US could be modified to suit Indian conditions and also that the implementation of this product could be very difficult. However they promise to help the AA in this task. After a few days they send him details including morbidity rates for the first two riders.

Meanwhile the AA the has a detailed discussion with the Investment Department and gets an estimates of the interest rate that he can use in pricing the product. Furthermore, from the

Finance Department he obtains the first year fixed expenses, variable expenses and renewal expenses. For arriving at this he asks the Finance Department to use very cautious estimate of sales volumes projected by the Marketing Department, because he has experienced earlier that huge sales volume were initially committed to by the Marketing Department, but that final sales figures were much lower.

Monday, April 30: The Actuarial Department starts work on pricing of the products using the information from the reinsurer, the Investment, Finance and Marketing Deparments.

In the pricing any life insurance product, three key variables are mortality / morbidity rates, interest rates and expenses. Their relative importance and weightage depends upon the nature of the products. For example, in the case of a savings dominated products (say endowment, money-back policies), interest rate assumption is critical whereas for life cover dominated products (say pure term, critical illness) mortality / morbidity assumption is critical.

Also for products, which are not entitled for bonus all the three assumptions must be considered carefully as the premium rates can be directly compared in the market. After taking a reasonably final view on these issues, the pricing is done by the Actuarial Department.

After initial pricing, the Actuarial Department carries out some important related calculations. They include profit generated from the product and additional capital required to meet the solvency margin. This department also ensures compatibility of this product with other products which the company sells in the market.

They also carry out scenario analysis, which tests whether the product will fetch minimum profits even under adverse conditions related to investment returns, expenditure overrun and higher than expected claim rates. Till a satisfactory profit level is reached, the pricing is changed. They also ensure that the rider premium rates are within IRDA permissible limits, viz., the rider premium cannot exceed one- third of the base product premium. However this rule is not applicable to health rider products.

Saturday, May 5: The AA is now ready to take the product to Mr. Sohib Lal, Managing Director, to brief him about its features, pricing and profitability. He tells him that although he was asked by the Marketing Department to develop three riders, only two are possible. The third one, the advanced eye and dental treatment had to be discarded as the reinsurer is not sure about such a product and hence it could not be offered now.

As usual Mr. Lal tells his AA: "Look, this is your responsibility and I still do not understand all these calculations. Can you assure me this profit level from these products? Do not ask for huge capital injection."

In the pricing any life insurance product, three key variables are mortality / morbidity rates, interest rates and expenses.

The AA says, "If these sales figures materialise, this profit is sure".

Monday, May 7: After obtaining concurrence from the MD, the premium table and definitions of various benefits including exclusions are given to Marketing for comments. On comparing the premium with other companies' premium rates for similar products, Mr. Dharm Veer Singh, Chief Marketing Officer, dashes to the AA's cabin in annoyance and says that the premium rate for "heart attack rider" is acceptable, but the exclusions are very tight and the field force will find it very difficult to sell it!

He asks the AA to dilute the exclusions. The AA is willing, but says that the price will have to be revised upwards. The marketing chief is not agreeable to this.

Regarding the second rider too he has a problem. The premium rates are very high!

"Other companies don't have such high prices and exclusions, why you are suggesting such things. We cannot sell this product," he says.

Further he is very upset to note that third rider is not going to be available and declares that the sales figure for the year will definitely be affected!

"We should be more innovative and should not depend on the reinsurer always," he tells the AA.

The AA is used to such sweet exchanges with the marketing chief!

Thursday, May 10: The AA and the Marketing Chief go together to the MD for freezing the features. The MD is little nervous seeing both of them in his cabin as he is aware that he has to mediate now!

In the MD's opinion, the AA and the Marketing chief are part of a system of checks and balances. And when he finds they are in agreement, he promptly seeks an independent opinion from the Chief Financial Officer!

After a detailed discussion among the MD, the AA and the Marketing chief, it is decided to market the first rider now and consider the other two at a later point of time.

This is a very interesting development. While one product proposal could emerge as final product, other two could not.

For one the pricing was done, but it was found that given the definitions, the price was felt very high. Hence the life company felt that they might not sell sufficient volumes. The other rider could not be developed as acceptable basic morbidity rates are not available and no comfort could be obtained from the reinsurer. In the development of products, such abortions are common. We must recognise that product development is a continuous exercise. No product is competitive / successful at all points of time. Changing competitive position, macro economic changes, changes in tax advantages given to life insurance products and changes in regulations contribute to this dynamism.

We must recognise that product development is a continuous exercise. No product is competitive /successful at all points of time.

Friday, May 11: After detailed discussions, parameters like definition of diseases and benefit structure are finalised for the first rider. The premiums are reworked with reference to these final features and all related calculations are done again. Now the product is almost frozen.

While the Marketing Department provides the 'sales literature,' which explains to the buyer of this product various features including benefits payable and when benefits are not payable with clear numerical examples of the benefits structure. Benefit illustration occupies an important position in the sales literature.

The legal department provides the policy document. In the case of a rider product, it is also decided to which base products this will be attached. The Actuarial Department then examines these documents to ensure that the product features given in the sales literature are not misleading and also the terms and conditions in the policy document are in line with the design of the product.

Friday, May 18: The AA now prepares the 'file and use' application for product approval from IRDA. Usually approval is obtained within 30 days.

The Actuary's Creed

Ever wondered why the actuary occupies an important position in the insurance industry? This is because of the 'ten commandments' he has to follow.

He is expected to ensure that:

(i) the product design is compatible with the resources available with the company and its risk profile

(ii) the pricing of the product is done in a prudent way so that premiums are sufficient to generate profits for the company and at the same time it is also competitive. In this respect he has to monitor regularly the profitability of products and variability of profits, for given premium rates

(iii) the company has necessary policy data which are complete in all respects and accurate

(iv) when new products are designed, that there is sufficient return on capital employed by the company

(v) so far as the existing products are concerned, that the contract design including the premium rates produce sufficient profitability

(vi) benefit payments to those who withdraw their contracts during the term do not put undue pressure on the profitability of the company and hence there is reasonable equity between those who withdraw and those who continue their contracts till the end

(vii) the company has sufficient supervisory reserves including solvency margin, not only at a given point of time, but on a continuing basis

(viii) the investment of the company is done in an optimal manner so as to derive maximum return given the risk profile of its liabilities

(ix) the capital of the company is managed in a prudent manner so as to achieve the long-term objectives of the shareholders

(x) various risks are properly identified and necessary steps are taken to mitigate them in a timely fashion, which also requires adequate attention towards underwriting and reinsurance.

Monday, June 18: Once approval is received, the AA sends the final product features to all the departments, especially to Operations, information technology (IT) and Accounts. Marketing Department prepares for imparting necessary training to the field staff for launching this product.

They also ask the advertising agency to prepare the sales literature with suitable photos for advertisement. The Operations Department prepares underwriting rules for this product with the consultation of the Chief Medical Officer and the AA.

Accounts department ensures that necessary accounting entries could be done in the system once the product is sold. IT takes care of all data requirements of various departments including MIS. The Actuarial Department finalises reinsurance arrangement for this product.

The Actuarial Department also explains to other departments their requirement of data and other information after the product is launched, so that at intervals of six months they are in a position to analyse the reactions of field staff and examine whether any modification is required in this product. Necessary data for conducting actuarial valuation is also ensured at this stage, keeping in view regulatory requirement.

It is amazing to see how insurance product development works. In the entire gamut of the financial market, an insurance product is the only one which involves specialists like actuaries, accountants, investment experts, lawyers, doctors, advertising agencies, medical clinics, marketing personnel, IT personnel, underwriters, general administrators to man the operation departments, etc. I cannot think of any other parallel. This exhibits clearly the complexity involved in designing, marketing and follow up actions involved in designing an insurance product.

> The actuary has to follow 'ten commandments' that ensure that insurance products are priced to be profitable and competitive.

Thursday, June 28: At this stage, Mr. Sohib Lal, the Managing Director, looks for a 'muhurat' date to launch the product. Usually products are launched close to a Board Meeting day so that all board members could participate in the launch, which is an important event for the company.

More than the launch ceremony, the MD usually enjoys the press meet, because this gives him an opportunity to elaborate on his future plans and he derives immense pleasure from sharing all details with the press people.

Monday July 8: New product launch!

Mr. Ramlagan is specially invited for this function as he was one of the forces behind introducing this product. He feels very honoured.

Mr. Sohib Lal holds a successful press meeting and he is confident that this product launch will be covered well in the newspapers next day.

As he leaves office after the hectic day, he sees the Chief Marketing Officer and the AA coming out of the nearby coffee shop sharing a happy moment.

As he goes away to celebrate the launch over a peg of Glenfiddich he remembers the AA's frequent remark: "we all have a common objective – the company's prospects. Either we all swim together or sink together." Yes," he thinks, "we have a good team in place!

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Rogue trader cover: Lloyd's underwriters provide cover for a loss sustained by a bank as a result of unauthorised trading which has been concealed by a trader or falsely recorded in the institution's records. The so-called 'rogue trader' cover extends to commitments in excess of permitted limits, trading in unauthorised instruments and trading with unapproved counter-parties.

Chinese vintage: For a French exhibition of Chinese artifacts, underwriters insured a 2000-year old wine jar complete with contents which had turned blue with age.

Coverage of unusual and hard to quantify risks is done by specialised insurance companies called surplus lines insurers. Not all insurers offer surplus lines. Most will write the policies after referring to knowledgeable brokers and/or reinsurance companies whose experience is wider. Lloyd's of London underwriters' willingness to introduce new types of insurance cover is well known around the world.

Dreaming the 'Healthy India' Dream

- Identifying the Need Gaps in Health Insurance

Aloke Gupta

Health insurance in the country is mostly equated with the Mediclaim policy of the public sector general insurance companies. Mediclaim was introduced in 1987 and has not seen major structural changes except the one in 1999, when the internal benefit sub-limits were done away with.

That change ushered in major distortion in the health insurance market making it unprofitable for the insurers. It also curtailed the ability and willingness of insurers to introduce new products – no product could simply match the low price and wide cover that the 1999 change rendered to the Mediclaim policy. Insurers are still reeling under the impact and measures are now afoot to contain claims through Third Party Administrators (TPAs). It is still not clear that these efforts will yield results on a long-term sustainable basis.

This article attempts to look into the existing health insurance products in the country and seeks to identify need gaps from customer viewpoint.

Health insurance has been a battle of turf between life and general insurers, with general insurers claiming it to be their exclusive domain. However, life insurers have come up with health insurance products that are benefit policies in nature and which are in the form of riders to life covers like critical illness or hospital cash benefit.

Critical Illness Insurance

Critical illness (CI) insurance is a life benefit intended to provide policyholders with a lumpsum payment upon diagnosis of any one of the 'covered' critical or life threatening illnesses. Commonly covered critical illnesses are Heart Attack, Stroke, Cancer, and Kidney Failure. The number of critical illnesses covered varies from insurer to insurer, ranging from a basic four to over a dozen.

CI insurance was first developed in South Africa in the 1960s after it was discovered that many people who survived these illnesses often suffered severe financial hardships. In real life situations, financial assistance is more meaningful to a person as he battles a critical illness than when he is no more or has been physically disabled or mentally traumatised due to it.

It was documented by Dr. Marius Barnard that patients and their families who had undergone an episode of critical illness were often overwhelmed with debt and a reduction in their capacity of earning the same level of wages prior to the episode. This led to lowering of living standards, ensuing hardships and at times financial ruin. The situation in India would be no different.

It would not come as a surprise if a study found that majority of patients become aware about the need of health insurance after they have had an episode of expensive hospitalisation.

> Insurers should not market standalone CI covers or riders as a panacea for all healthcare related expenses.

Post the liberalisation of the insurance sector, life insurers have introduced and aggressively marketed CI riders. CI riders have met with cautious response from the policyholders though some life insurers claim that almost 65 percent of their policyholders have opted for CI riders. CI riders are not always the most optimal way of covering hospitalisation expenses.

CI insurance is a poor substitute for a more comprehensive health insurance policy. CI insurance does not cover helthcare related expenses or hospitalisation expenses due to accidents, infections or acute illnesses. The coverage is more towards illnesses caused due to a typical lifestyle. In a country like ours, it seeks to mostly address urban oriented lifestyle diseases, and hence becomes a marketing gimmick to sell mostly to uninformed, unsophisticated semi-urban or rural policyholders.

CI insurance can be effectively used as a 'top-up' or supplementary cover to a comprehensive health insurance cover. In other words, it has to be layered over a comprehensive health policy. Critics of CI insurance have compared buying a CI policy to playing the lottery rather than managing financial risk.

Insurers need to educate policyholders about CI insurance limitations and encourage them to use these as supplementary covers only. They should not market standalone CI covers or riders as a panacea for all medical related expenses.

Additionally, with the rise of the retail credit culture in the society, it may be worthwhile to link CI insurance to mortgage redemption. At present, mortgage redemption covers are mainly limited to housing loans on life policies. This needs to be extended to mortgage redemption due to critical illness covering housing and other mortgages too.

There is also a wide difference in definitions of critical illnesses from insurer to insurer. From policyholders' protection point of view, it is essential that IRDA undertakes standardisation of medical definitions across all critical illness products from different companies.

Various socio-economic factors would continue to fuel growth of CI insurance in the country. Main drivers for growth would be

(1) Advancement in medical technology leading to longevity of life, and increased probabilities of surviving a critical illness (e.g., Cardiac disease)

(2) Changing epidemiological profile of the society with increased incidence of lifestyle and chronic diseases (e.g. cancer)

(3) Increasing awareness about lumpiness of medical expenses in CI situations, adversely affecting financial status and earning capacity, and

(4) Absence of public funded social or health security mechanism in the society

Similarly, Hospital Cash benefit rider *kicks-in* during hospitalisation episodes. A daily benefit amount is paid per day of hospitalisation. The per day benefit or policy benefit limits are generally small and are better utilised in deferring out-of-pocket expenses incurred by the patient and the family, which are not payable under health policies.

Comprehensive Health Insurance

The Mediclaim policy of 1987 vintage qualifies to be termed as a comprehensive health insurance policy. It covers episodes of hospitalisation due to almost all conditions, with few exceptions. The policy has served the policyholders well, though there have been issues regarding delay in claims settlement, lower limits of benefits and absence of tie-ups with health providers to render the experience of cashless hospitalisation. Many of these issues are being addressed now.

However, the policy as it stands is lopsided in terms of benefit and cost/premium as far as insurers are concerned. This mismatch has led to high claims and combined ratios, becoming the proverbial albatross around the neck of the insurers. This has forced non-life insurers to use the low-cost-high-benefit Mediclaim policy as an inducement to get more profitable insurance premiums relating to fire/property.

This cross subsidisation, unviable for a company wishing to do only Health insurance, has been a major factor in preventing global specialist health insurance companies like Aetna, Bupa and Cigna from setting up shop in India. Not only this but such a situation has also left little scope or incentive for existing players to spend time and energy to develop new products. Whichever company breaks the vicious circle will lose in the short run. This uncanny situation actually harms the consumer even as it does little to alleviate the woes of the health underwriter.

From policyholders' protection point of view, it is essential that IRDA undertakes standardisation of medical definitions across all critical illness products from different companies.

Increase in health insurance penetration is socio-economically desirable in the Indian context in view of continued reduction of public sector healthcare expenditure and a dearth of health security. Therefore the churning of health insurance products that cater to different segments of the society, both in terms of benefits and costs/premiums, is imminently necessary.

Premiums *need* to be a function of cost of claims, largely. In our healthcare set-up, where hospital charges are a derivative of type of room occupancy, it is pertinently important that premiums

be linked to type of room occupancy that a policyholder wishes to avail of in case of a hospitalisation episode.

Sections of policyholders that aim to occupy 'top-floor' rooms in the event of hospitalisation, need to pay commensurate premiums, whereas, those who feel '*comfortable*' with their social milieu in a general ward, levy lower claims burden and hence should pay lower premiums.

The existing Mediclaim policy design encourages higher utilisations in absence of occupancy type restrictions, eventually bleeding the insurers. Let us also be candid enough to appreciate that high utilisations under a Mediclaim policy are also health provider driven – a supplier driven phenomenon due to asymmetric information, so typical of health sector.

The Product Churn

Insurance companies, like other financial institutions constantly strive to develop and provide product and services to clients as per changing needs of the times. Transforming and evolving societies demand differing security instruments at differing times and, insurers have risen successfully to the challenge by offering ever-new products.

Development of Managed Care in the US is an example of evolution of insurance products in the health insurance segment, when year to year increasing claims made it difficult for employers to keep up with employee healthcare benefits.

Our healthcare system has changed substantially over the last decade and continues to evolve. Medical cost inflation and rapidly changing medical technology require the development of strategies that make healthcare accessible and affordable to larger sections of society. The need of the hour is health insurance products that address the requirements of old age health care, long term care, disability income, mental care, hospital plans, etc.

Old Age Healthcare: Old age health care is a critical need of the society, more so in absence of a comprehensive social security regime. Insurers restrict entry of new policyholders at an older age to avoid adverse selection against them. Techniques need to be developed to counter adverse selection while providing this cover. Bundling pension products with health insurance riders can provide old age financial and healthcare security. This needs to be tested through a pilot. Defined contribution health plan dovetailed with a defined contribution pension plan may well be the answer.

Long Term Care (LTC) : LTC insurance plans cover physical or mental incapacity that prohibits the insured's activities of daily living. Though age lessens an individual's ability to fully take care of oneself, most elderly persons require no assistance with their activities of daily living, whereas there are instances of many younger persons requiring assistance.

LTC insurance not only has relevance to the rapidly ageing population but it also has a bearing on middle age and younger persons experiencing similar exposures due to accidents or medical conditions such as some critical illnesses and debilitating diseases.

Disability Income Insurance: This seeks to provide income benefit to the insured where physical or mental incapacity prevents him/her from being able to work.

A growing number of individuals at least in urban India, are concerned about the possibility of incurring high medical expenses and therefore, are seeking to maintain medical expense insurance coverages. In fact, financial consequences of a disability can be more debilitating for the family of the patient than his death itself!

Similarly, large proportions of the wage earning population are purchasing group and life insurance to relieve or mitigate their dependents of financial hardships following upon their (wage-earner's) possible death.

The need of the hour is health insurance products that address the requirements of old age health care, long term care, disability income, mental care and hospital plans.

However, due to absence of a disability income product in the market, wage-earning populations are not able to cover the possibility of losing their income due to disability caused by accident or disease.

The need for disability income insurance and LTC is increasing per se, more so due to declining family support as a result of disintegration of the 'extended family' and economic development.

The institution of joint family, which provided social security for centuries to Indian families, is fast withering away. Tragically, it is not being replaced rapidly enough with a social security net sufficiently wide to take in its fold all those who are the worst affected.

Epilogue

With changing demographic profile and epidemiological disease burden, technological advancements in healthcare and rise in healthcare costs, persistent reduction in public provision of healthcare allocations and growing dependence of population on the private healthcare delivery, it is expediently necessary for government regulators and consumer advocate groups to ensure that a larger range of health insurance products see the light of day.

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A New Way of Thinking

- Innovation in Product Design and Pricing by the LIC

Dinesh Chandra Khansili

Innovation in the life insurance market is generally attributed to initiatives taken by private companies. Today the Indian life insurance market is vibrant. Private life insurance companies have joint venture partners from the countries operating in the US, UK, Germany, Canada, Australia, France and South Africa and, naturally, the practices of the life insurance market of these countries are reflected in the products being made available in our country by these private life insurance companies.

This is reflected in all the products, be it individual life products, pension products, different riders, group products, unit linked products, universal life products or health products/ riders. The national life insurer, Life Insurance Corporation of India (LIC,) has also contributed to the life insurance market by making it more competitive by bringing out innovative products.

Not long ago it had introduced a novel product for women, Jeevan Bharati, covering congenital diseases. Recently it has brought out a new product named Jeevan Saral which is considered a unique product not only in India but in most developed countries also. The highlights of the product are as follows.

In the life insurance world today, endowment products (without profit) promise the same sum assured on exit due to death or maturity, usually given in the premium table as premium per Rs. 1000 sum assured for different ages.

But in Jeevan Saral the premium is kept the same maturity value changes in the premium table giving the sum assured per Rs. 100 premium paid per month. The maturity value depends on the entry age and terms but death risk coverage is the same irrespective of age. This reflects a change in the product pricing concepts of LIC and an interest in introducing something new in the face of competition.

The attempt here has been to make decision making simpler for customers, especially those opting for the Salary Saving Scheme. This appears to be customer friendly for a section of employer-employee groups which was absent till date in LIC.

Age at Entry	Policy Term			
	10 years	15 years	20 years	25 years
20	11,156	19,628	28,039	36,839
30	11,053	19,300	27,345	35,492
40	10,431	17,839	24,598	30,854
50	8,442	13,444	16,164	--

> Life Insurance Corporation of India has also contributed to the life insurance market by making it more competitive by bringing out innovative products.

Specimen maturity sums assured per Rs.100 monthly premium are given below for some of the ages and terms :

The sales literature of the product describes the product offering higher cover, smooth return, liquidity and considerable flexibility. The benefit to be payable to the nominee(s) of the life assured on death of the life assured is promised as 250 times the monthly premium plus return of premiums excluding extra/rider premium and first year premium plus the loyalty addition, if any.

Whereas if the life assured survives the term of the policy shall get guaranteed maturity sum assured, plus loyalty additions, if any.

Some of the features like the guaranteed surrender value (GSV), free look period, grace period to pay the premium, loan, revival of the policy are offered as in their existing plans.

However the policy declares upfront what the special surrender value shall be. This is a new feature and points to a transparent approach since discontinuance terms are made known to the customer only at the time of surrender.

In the case of Jeevan Saral the special surrender value will be the sum of (a) and (b) as under:

9a) Discounted value or accumulated value, as the case may be, of the following:

80 per cent of maturity sum assured if less than four years' premiums have been paid, 90 per cent of the maturity sum assured, if four or more years but less than five years' premiums have been paid and 100 per cent of the maturity sum assured, if five or more years' premiums have been paid.

The maturity sum assured for this purpose will be the maturity sum assured corresponding to the term for which premiums have been paid under the policy. If the premiums have been paid for a fraction of a year, the maturity sum assured shall be worked out by way of mathematical interpolation.

The above amount shall be discounted from the due date of the

next instalment premium to the date of surrender if the duration elapsed from the date of commencement of the policy to the date of surrender is less than the term for which the premiums have been paid.

If the duration elapsed from the date of commencement to the date of surrender is greater or equal to the term for which premiums have been paid then the above amount shall be accumulated with interest for the period from the due date of the first unpaid premium to the date of surrender.

The period for which the amount is to be discounted or accumulated shall be taken in complete months and fraction of a month will be ignored. The rate of interest to be used for discounting or accumulating, as the case may be, will be announced by the Corporation at the start of every financial year.

b) The loyalty additions, if any, as announced while declaring the results of the Corporation's valuation as at March 31, immediately preceding the date of surrender.

The policy also offers a paid up value:

If after at least three full years' premiums have been paid and any subsequent premium is not duly paid, the policy shall not be wholly void, but shall subsist as a paid-up policy for a reduced sum. The benefit payable on death/maturity under such policies would depend on the number of years for which premiums have been paid and shall be the greater of:

- a sum that bears the same ratio to the full maturity sum assured as the number of premiums actually paid shall bear to the total number originally stipulated in the policy
- the surrender value as described above assuming that the policy has been surrendered on the date of death / maturity, as the case may be.

The policy carries the options to choose the riders by making an additional payment dependent on age/ term and health conditions of the individual-

- Accidental death and disability benefit
- Term Assurance benefit.

There are other benefits under the policy and some of them constitute new features or point to new, user-friendly thinking. They include:

Auto Cover :

The plan offers auto cover of 12 months after the policy has been in force for a period of three years or more. This is a new dimension which was earlier available in a different form for the Jana Raksha Plan.

> LIC appears to be accepting the challenge of competition thrown at it after opening up of the insurance market.

Flexible Term:

The policyholder can choose a maximum term but can surrender at any time without any surrender penalty or loss. The flexible term is also a new dimension which was not available in their existing products.

Partial Surrenders :

The plan will allow partial surrender from fourth year onwards subject to certain conditions as this will be effected by reducing the annual premium under the policy and corresponding reduction of maturity and death benefit sum assured. The surrender value corresponding to the amount by which the annual premium is reduced shall become payable on surrender. Due to existence of the flexible term and partial surrenders the policyholder will enjoy a higher liquidity under the plan.

Loyalty Additions:

The plan offers loyalty additions on the condition that the minimum term after which a policy can earn loyalty addition will be 10 years. However, loyalty additions will also be payable if death occurs in the 10th year of the policy provided that the policy is in force at the time of death. Loyalty additions will be subject to the Corporation's experience, and may be paid in case of death, maturity and surrenders. This is as per the existing practice of the LIC for their maximum participating (With Profit) policies.

Thus LIC appears to be accepting the challenge of competition thrown at it after opening up of the insurance market to the private players by bringing innovations into the market. It will be interesting to see how the customers react to such innovations.

The private players are expected to follow suit and to sharpen their skills to make the life insurance market more competitive by offering the wide range of the products to the customers.

The author is Deputy Director (Actuarial), IRDA. The views expressed here are his own. Nothing contained in this article may be construed as an endorsement of the product(s) of insurance companies named by authour, IRDA or IRDA Journal.

A Spicy Bouquet of Benefits

- New products and features from life insurers

Nirmala Ayyar

The second week of March 2004 appeared to have been one of hectic activity for the Indian insurance industry. There was the Global Conference on Insurance in Delhi and a Health Insurance seminar at Chennai, helping to focus the attention of the Indian public on the issues that concern the public no less than the insurance industry.

The papers have been full of reviews of insurance products, as well as advice to the public as to how to select the right product from the many. To quote from one of the articles: "The biggest benefit of liberalisation has been to the customer, who now has a wide choice in terms of product range."

Choice is the sole symbol of freedom and it is required for its own sake. People need to choose even if it is the same product, but from a vendor of their choice, for whatever reason. The reason is irrelevant, but the act of choosing is not.

In a market economy, this freedom is expected to push the market towards better service to the consumer, better value for his money, and preferably, in respect of a financial product, better security for his money, and maybe better returns. That the privatisation of insurance has catered to this vital need of the insuring public needs to be accepted without any qualifying condition whatsoever.

That the generic products are common to all is a simple truth the acceptance of which is unavoidable. But the successful inventors are those who have been sensitive to the limitations facing them and have found a solution. The limitations are: (1) having to create and train a sales force in the shortest possible time; (2) to develop back office processes and train staff to handle customers efficiently, again in the shortest possible time, and (3) to install software and hardware to handle these processes and to train people to use them in the shortest possible time.

Each one of these objectives in itself provides a formidable challenge, and to face all of them together and come up on top is a tremendous achievement one could legitimately be proud of. We can, without hesitation, pay homage to such achievement, and hope that these companies will grow to the stature of the erstwhile insurance giants like Oriental, Prudential, United India, New India etc, half a century ago, companies that made people proud to say that they belonged to them.

As one scans through the many products of the different companies, one becomes aware of the conscious strategy adopted in meeting the challenge of training a sales force. There are either limitations in number of products or limitation in the number of features.

For instance, quite a few companies have announced products that are limited in choice of policy or premium paying terms, or other options. Tata AIG's Nirvana Plus has a number of features, but there is no choice with regard to the features, which are all built in.

The choice is limited to the Sum Assured. The attractive sales pitch says: "First choose among three levels of cover: Rs one lakh, Rs. two lakh and Rs. four lakh. This amount is your sum assured.

There is a conscious strategy adopted in meeting the challenge of training a sales force. There are either limitations in number of products or limitation in the number of features.

Once you have done so, just sit back and watch the guarantees come your way."

It is very easy for the sales person to explain this product to the prospect, even though it offers a variety of covers.

Similarly ING Vysya and SBI have announced products that have only specified policy terms, the choice in many cases being limited to four or five, and therefore having simplified premium tables which are easy for the novice salesman to understand. It is a sound beginning and helps build a strong sales force.

Tata AIG's Mahalife has only one premium paying term, and another of their strategies is to offer four or five age bands having the same premium tables, which fans out to individual age premium only at the higher end. This again is a strategy, apart from other considerations, to make it simple for the sales force to handle. It certainly appears to be an intelligent way to handle a highly sensitive and vital aspect of the business.

There are interesting variations of the same basic benefit type too. The Waiver of Premium benefit (WOP as it is commonly called), gets attached to different riders in different ways, apart from being offered as a standalone. For instance, ICICI offers Waiver of Premium benefit under the Accidental Death Benefit (ADB) rider, only in respect of Whole Life Policies. Under other plans, it is limited to TPD benefit offered as 10 per cent of Sum Assured as annual benefit for ten years. It also limits waiver benefit to the ADB premiums.

ING Vysya has an interesting variation too. It offers WOP as an incidental benefit under the Critical Illness rider, towards disability arising as a consequence of the critical illness. Birla Sunlife offers it as a rider on rider under ADB or CI as per option of the life assured.

LIC used to offer WOP to the extent of Rs. 40,000 on a single life. However, some recent literature indicates this as reduced to Rs.20,000. HDFC limits the availability of this benefit to age 60, and offers WOP as an option under its Child protection plan, like the Premium Waiver Benefit under LIC's old Children's Deferred Assurance.

AMP Sanmar offers WOP as an incidental benefit of TPD to the extent of Rs.40,000, of the total instalment premium on one life under all its plans except its Child Protection Plan., under which it is offered as a built in benefit for the duration of the policy from the date of death of the proposer, without any upper limit on the premium. HDFC will not consider WOP if a claim occurs during the first 12 months of the policy.

In respect of the Accident Benefit Rider, more or less all companies have the same standard features with only minor variations. ICICI limits the

maximum on one life to Rs. 10 lakh. LIC limits it Rs. 25 lakh on a single life. AMP Sanmar offers ADB upto Rs. 50 lakh on one life. The exclusions, age at entry etc are practically the same for all companies. That minors are more prone to accidents and therefore should be excluded from the purview of ADB is a dictum of the reinsurers to which all companies have proved compliant.

Tata AIG has the maximum exclusion clauses among all the insurers operating in India today. Some of the interesting exclusions added by them are: Food poisoning or bacterial infection; physical handicap or mental infirmity existing at the time of insurance application or reinstatement of the policy; any kind of sickness, disease or congenital anomalies; complications of surgical procedures or accidents occurring during surgical or therapeutic procedures; ionising radiation or contamination by radioactivity from any nuclear fuel or nuclear waste; radioactive, toxic, explosive or other dangerous properties of equipment; any underwater or subterranean operation or activity; deliberate acts of policyholder, nominee or insured; violation of the law or resistance to arrest.

Some of these exclusions reflect hazards arising out of a modern lifestyle. For instance accidental deaths or disabilities arising out of surgical procedures/medical negligence are certainly becoming more common nowadays. The remedy for the affected person should lie in civil or criminal law. But it cannot be denied that it is an unfortunate accident as far as the victim is concerned.

Similarly, the law has it that a person cannot benefit from his felony, and therefore the nominee, the policyholder or other beneficiary gets automatically excluded from even basic benefit, not to say ADB. Some of the occupational hazards or physical or mental disabilities would be excluded normally for the specific person at the time of underwriting. The general exclusions found here are perhaps connected with the decision making processes specific to the company.

ICICI offering Double Accident Benefit in respect of death while travelling by mass surface transport is again a reflection on the hazards of modern life. The wording in the brochure leaves it open to interpretation that if a person dies of heart attack in a train or bus also the claimant becomes eligible for the benefit. Perhaps the detailed policy conditions take care of this aspect.

The Critical Illness Rider is of the greatest interest since it is expected to bring in the long awaited health benefits. This is an area where even the reinsurers tread with caution, as the anti-selection experience in other countries has been on the high side. Here again, the general guidelines given by the reinsurers have been followed in the main, but the variations are also quite interesting. Minors are excluded, as also all existing illnesses. The upper limit for the benefit, a significant element in this context, varies from company to company.

Some of the exclusions reflect hazards arising out of a modern lifestyle.

While AMP Sanmar offers a maximum of Rs. 10 lakh, ING Vysya has pegged it at Rs. 20 lakh. However, ING Vysya offers it as accelerated benefit rather than as Critical Illness Rider *per se*, in the sense, the benefit paid reduces the basic sum assured to that extent, and is limited to 50 per cent of the basic benefit. HDFC is one exception in offering the benefit up to age 70, while all others terminate the benefit at age 65.

It is SBI Life that offers the most interesting variations in respect of limits. CI cover is offered only for NRIs and their dependants, under its Sethubandhan Plan, and is not available as a rider under any of its other plans. CI cover is available to NRIs and their dependants on non-medical basis for upto Rs. five lakh for ages upto 35 years, and upto 45 for Rs. three lakh. NRI lives and their dependants other than these are subject to satisfactory medical examination for CI cover. Further, the CI cover is limited to a maximum term of 10 years.

With the exception of a few, most sales brochures offer minimum possible information regarding the CI cover. Many do not mention the wait period before onset of illness from commencement of policy, nor do they mention the wait period from diagnosis to claim entitlement. Everyone mentions the illnesses covered and exclusions. Illnesses covered by all companies without exception are: Cancer, CABG, Myocardial infarct, Kidney failure, Stroke and Major Organ Transplant. Additions that are quite common are: Paralysis, Aorta surgery, Heart valve replacement and Coma.

Blindness is covered by ING Vysya, Birla Sunlife, Aviva, MetLife and LIC. Though the details are not known and therefore it is difficult to guess at exclusions, in our country where the incidence of blindness due to eye diseases are rampant, this is a valuable option though difficult to administer. The causes could be many including Retinal detachment, Glaucoma, Diabetic retinopathy, and it is reasonable to assume that there must be many restrictions for eligibility to the benefit. Only LIC offers CI cover against third degree burns. This is a bold step in a country where death by burning is becoming a natural phenomenon! The problem here will be aggravated if the claim occurs during the period of restriction against suicide.

Birla Sunlife, Max NewYork and Allianz Bajaj offer CI cover against multiple sclerosis. Aviva covers not only blindness but deafness as well. It is also special in that it offers cover against terminal illness, though details are not known as to how this is determined or administered. Only Allianz Bajaj offers cover against Alzhiemer's. ING Vysya, Birla Sunlife, and Aviva offer CI cover against benign brain tumour also. HDFC excludes pregnancy related illnesses from CI cover.

In the matter of the wait period from date of risk commencement, while common practice seems to be six months, MetLife is an exception since its wait period is only 90 days from issue date of policy. Almost all companies stipulate a survival period of 30 days from diagnosis of stipulated condition, for eligibility to

CI benefit, except ICICI which has pegged it at 28 days. ICICI also offers a Major Surgical Assistance Rider. The wait period from commencement is six months. Benefit expiry age is 65. Depending on nature of surgery, 50/20/30 per cent of Sum Assured is paid as a lumpsum. This appears to be an attractive option though the limitations are not known.

One interesting aspect of the riders is the extent to which they are influenced by the limitations of existing software. The reason why Critical Illness or other riders cannot be given beyond the premium paying period is that the software system will not permit a greater term for the rider than that for the basic cover, especially where the non-forfeiture system opted for is that of automatic paid up.

While this is a fundamental safeguard and is therefore not wrong to implement, it does not follow that the rider should be limited to the premium paying term. This is due to the fact that the software should permit separate term set ups for the basic policy and riders and validate them against each other as well.

As it is, it is complicating software implementation to ensure that certain rider premiums should not exceed set percentages of the basic premium while others can. To add complications regarding term validations as well calls for protracted effort in software development and testing. These things can evolve at a later stage perhaps, but for now, others things claim priority.

In unit-linked policy software, the natural set up is automatic premium loan from the units available. When the amount is not sufficient to cover one basic cover premium, the system can provide a term cover for the duration permitted by the available amount. For the time being the only two companies which have used the automatic provision of extended term cover (ETI), are ICICI and SBI for its Unit-linked policy.

The reason that ETI which is so popular in South East Asia, is not popular in India lies in the experience in India in the days immediately following nationalisation of life insurance. Many people had to be informed, either on a death claim or on maturity, that the value of the policy had been exhausted by the automatic premium loans (APL) and consequent interest, and that nothing was payable under the policies.

The fact that they were regularly kept informed of the position did not provide any consolation, or, recognition of the legitimacy regarding the situation.

After having paid vast sums as premium they expected some return, and the failure to do so resulted in rage and disappointment. The difficulty in convincing people led to the rejection by LIC of the APL as a viable non-forfeiture option, and uniform adoption of the auto paid up method.

This does not mean that the APL or ETI options need to be given up, as demonstrated by ICICI and SBI. It is quite possible that APL method is adopted for unit-linked policies, not as a matter of conscious choice, but because that is what the software does!

One interesting aspect of the riders is the extent to which they are influenced by the limitations of existing software.

With the levels of sophistication in software now available, it should be possible to let the policyholder choose his non-forfeiture method and also change it mid-term if he so desires.

A lot of thought and study needs to go into what is good and what is viable, and of course what proves popular in the area of APL *vs* auto paid up. This is an area that will see a lot of experimentation in the years to come. It is also an area that would require better training of the sales force to adequately explain the situation to the prospects.

One more area that will become important, in times to come, in the context of extended term covers, is linked to add-on or top-up policies in connection with housing loans. Increase in sum assured is not an established practice in India.

In other countries where it is practiced also there are hidden costs to the policyholder of which he is not made aware. The limits to so called increases are defined at the outset, and the underwriting risk assessment is inclusive of future possible increases. In such a case, if the policyholder does not avail of the option to increase the risk cover, he has paid unnecessarily for the medical examination.

However, the common man is not aware of it, and even well educated people feel that it will be a very attractive feature, if they are permitted to just add additional risk cover at any date in the future. Because of the popular perception, this will also be an area where we can see new things happening in the not distant future.

The study does throw up interesting possibilities as the companies will continue to innovate by drawing inspiration from each other. Some have taken a bold step and structured benefits they feel will appeal to the public. Some have taken precautions but in such a way that the product retains its appeal.

If experience is favourable, the restrictions will slowly go and benefit coverage would increase. These would be in terms of relaxations in applicable age group, conditions restricting payment and the way benefits are structured. There is a need for the parties concerned to come together to build up a reliable database simultaneously so that the growth in the area is more scientific and structured, thereby benefiting one and all.

The author retired as Head, Data Collection and Purifcation, LIC. The views expressed here are her own. The article seeks to explore the variety of new products in the market today. It is not an exhaustive list and does not constitute a direct or indirect recommendation by the author, IRDA or IRDA Journal.

प्रकाशक का संदेश

व्यक्ति की आवश्यकताएँ जटिल है तथा अपने आप में अद्भुत व चेतनामय है। आज हमें उन सभी वस्तुओं की तीव्रता से जरूरत है जिनका कल तक हमारे लिये कोई उपयोग नही था। वास्तव में उसका कल तक कोई अस्तित्व भी नही था। तकनीकी तथा तकनीक से संबंद्ध उत्पाद इस क्षेत्र में नेतृत्व करते हैं। यह वित्तीय उत्पादों के लिये भी समान रूप से लागू होता है।

बदलती आवश्यकताएँ वातावरण में परिवर्तन को प्रतिविम्बित करती है। जिस प्रकार हमारा समाज बदल रहा है। उसके कारण पेंशन को नये संदर्भ मिले हैं। परंपरागत समुदाय तथा पारिवारिक बंधन कमजोर होने तथा जीवन अवधि बढ़ने के कारण भी ऐसा हुआ है। स्वास्थ्य बीमा गंभीर है क्योंकि हम जो बड़े खतरे अपनी जीवन शैली के कारण झेल रहे हैं। जोखिम बीमा हमारे उच्च प्रबंधन के लिये जरूरी है क्योंकि व्यक्तिगत तथा संस्थायें अपने अधिकारों के प्रति सजग है और गलतियों के शिकायत निवारण के लिये मुकद्दमेबाजी का सहारा ले रही है। और यह सूची इसी प्रकार चलती रहेगी...

अब जबकि बीमा उपभोक्ता नयी आवश्यकताओं की तरफ जा रहा है। भारतीय बीमाकर्ता भी उसे पूरा करने की तैयारी में है। यह उत्पाद बाजार अनुसंधान तथा ग्राहक की प्रवृति के अनुसार उत्पादों की विशेषताओं में परिवर्तन आ रहा है। जो उत्पाद बाजार में आ रहे हैं। आईआरडीए जर्नल के इस अंक में हम एक विहंगम दृष्टि दे रहे हैं कि कैसे उत्पाद की लाभ विशेषतायें अथवा उत्पाद का प्रस्तुतिकरण किस प्रकार परिवर्तन प्रस्तुत कर रहा है।

नवोन्मेष केवल तभी नही है जब एक नये जोखिम को आवरण प्रदान किया जाये अथवा वित्तीय आवश्यकताओं की पूर्ति की जाये। यह एक स्तर पर हो सकता है। एक साधारण उत्पाद के लिये जैसे गंभीर बीमारी को लंबे समय तक अवज्ञा की गयी हो तथा उस पर से धूल हटायी जाये तथा नये जोश के साथ उसको पुर्नस्थापन किया जाये। अथवा यह एक ढंग हो सकता है जैसे आप व्याख्या करें और एक उत्पाद को समझायें जिससे उसकी बिक्री से बाधायें हट जाये तथा एक सारगर्मित बिक्री का अवसर मिले।

एक प्रकार से यह विषय उस विषय का एक भाग है जिस पर पिछले अंक में हमने प्रकाश डाला था - ग्राहक की अपेक्षायें। नये रूझान उनका विपणन भी कंपनी प्रारंभ में क्या करती है पर प्रकाश डालते हैं और उस प्रक्रिया में जिसमें ग्राहक को एक समझ तथा अधिग्रहण की शर्तें दी जाती है।

हम अगले माह इस विषय का पीछा करेंगे। अगला अंक वितरण के विकल्पों पर आधारित होगा। मान लें कि एजेंसियाँ जिसमें निगमित प्रकार भी शामिल है, ब्रोक्रेज तथा बैंकाइंश्योरेंस परंपरागत चैनल है। हम नये चैनल जानने का प्रयास प्रयत्न करेंले। ग्रामीण तथा शहरी बाजारों के लिये जिनका उपयोग बीमा कंपनियाँ कर रही हैं अथवा विशेष रूप के अवसर तथा चुनौतियाँ हर एक के लिये है। जैसा हमेशा होता है, हम आपकी सहभागिता का हृदय से स्वागत करते हैं।

सी. एस. राव

भंजन के विरूद्ध

साधारण बीमा कंपनियों द्वारा प्राशुल्क के बाजार में टैरिफ के भंजन किये जाने को रोकने के लिये प्राशुल्क सलाहकार समिति (टीएसी) एक नये, सख्त नियम के साथ सामने आयी है जिससे इन अस्वस्थ परिपाटियों को दूर किया जा सके।

16 फरवरी को टीएसी की बोर्ड मीटिंग में इन नियमों को अंतिम रूप दिया गया जिसमें बीओटी कंपनियों के लिये टीएसी की बीओटी शिकायतों के निपटान के लिय समयबद्ध कार्यक्रम बनाया गया।

यदि समिति यह निर्णय ले की भंजन हुआ है तो बीमाकर्ता को प्रीमियम में हुई कमी को प्राप्त कर पॉलिसी को ठीक करना होगा। दूसरा विकल्प कानूनी रूप से पॉलिसी को रद्द किया जाये तथा प्रीमियम कमी को रिफंड में समायोजित किया जाये। इनमें से एक कदम बीमाकर्ता को टीएसी से संप्रेषण प्राप्त होने के 30 दिन के भीतर करना होगा।

यदि बीमाकर्ता 30 दिन में प्रीमियम की कमी को एकत्र कर लेगी तो टीएसी द्वारा 1000 रूपये नियम तोड़ने वाले बीमाकर्ता पर जुर्माना किया जायेगा। यदि वह ऐसा करने में असमर्थ होता है तो जुर्माना कम लिये प्रीमियम के बराबर होगा जो कम से कम 1000 रूपये होगा।

बीमाकर्ताओं को प्राशुल्क भंजन के मामले निदेशक मंडल के समक्ष रखने होंगे अपनी अगली बैठक में तथा उस पर अनुपालन तथा उठाये गये कदमों की जानकारी अनुपालन अधिकारी द्वारा 15 दिनों के भीतर टीएसी को देनी होगी। जिसमें बैठक के कार्यवृत की सत्यापित प्रतिलिपि भी भेजनी होगी।

उससे आगे यह अपेक्षा है कि वह टीएसी को जाँच पड़ताल के लिये पॉलिसी के नवीकरण की प्रतिलिपि भेजे। टीएसी आईआरडीए के ध्यान में किसी बीमाकर्ता द्वारा नियमित रूप से प्राशुल्क भंजन के मामले लायेगी।

सर्वेयरों के लिये नई संस्था

सरकार के निवेदन के आधार पर आईआरडीए सर्वेयर तथा हानि निर्धारकों की मदद के लिये एक संस्था बनाने के लिये प्रक्रियाबद्ध है। इन्होनें श्री जी वी राव, सेवानिवृत्त अध्यक्ष व प्रबंध निदेशक, ओरिएन्टल इंश्योरेंस कम्पनी लिमिटेड को इस परियोजना का सलाहकार नियुक्त किया है।

इस प्रक्रिया में सरकार द्वारा गठित भंडारी समिति की सलाह को मानते हुये कार्य किया जायेगा। कमेटी के प्रतिवेदन में मुख्य रूप से यह सलाह दी गयी है कि एक नयी संस्था प्रारंभिक रूप से आईआरडीए द्वारा संप्रवर्तित की जाये जो व्यवसायियों द्वारा स्व-वित्त की जाये, जो एवँ स्व-विनियामक निकाय हो जो भारतीय संनदी लेखा संस्थान (आईएसीआई) अथवा भारतीय कंपनी सचिव संस्थान की तर्ज पर कार्य करे।

इसका कार्य मानक तथा शर्ते तैयार करना, परिक्षायें आयोजित करना, शिक्षण तथा अनुसंधान करते हुये सदस्यों के लिये एक आचार संहिता प्रस्तुत करना होगा।

संस्था की कार्यप्रणाली को प्रत्येक तीसरे वर्ष के पूर्व पुर्ननिरिक्षित किया जायेगा। उसके बाद निर्णय लिया जाये की उसका संवैधानिक दर्जा संसदीय अधिनियम द्वारा तय किया जाये।

वित्त मंत्रालय के अंतर्गत आर्थिक कार्य विभाग के बीमा खंड तथा आईआरडीए इस पर चर्चा सन् 2000 से कर रहे हैं कि वर्तमान संस्थान को वैधानिक संस्था का दर्जा कैसे दिया जाये। इसका उद्देश्य इसे स्वंय विनियमित संगठन बनाना है उन पेशेवरों के लिये जो साधारण बीमा उद्योग की सेवा अपनी अभियांत्रिक वित्तिय तथा जोखिम प्रबंध कुशलता से करते हैं। तदुपरांत सर्वेयरों का संगठन दो भागों में बँट गया तथा आईआरडीए इनमें से किसी को भी मान्यता प्रदान करने में अपनी सीमाएँ दिखाई है।

इसी संदर्भ में दिसम्बर 2002 में एक समिति का गठन न्यू इंडिया एश्योरेंस कंपनी के पूर्व सीएमडी तथा साधारण बीमाकर्ता (सार्वजनिक क्षेत्र) संगठन (जीपसा) के अध्यक्ष श्री के एन भंडारी की अध्यक्षता में किया गया। वह विषय को समझ सके तथा अपनी सलाह संस्थान की जिसे संसंद के अधिनियम द्वारा मान्यता प्रदान की जा सके।

समिति में तब के आईआरडीए के सदस्य (गैर-जीवन) श्री आर सी शर्मा, नेशनल इंश्योरेंस कंपनी के निदेशक श्री मधु चढ्ढा तथा श्री जी भुजबल निदेशक (बीमा)। समिति ने अपनी रिपोर्ट जून 2003 मे प्रस्तुत की।

देश में लगभग 12000 सर्वेयर है। इस पेशे का उद्देश्य अन्वेषण में तटस्थ विशेषज्ञता स्थापित व1ारना है तथा उन कारणों तथा परिणामों को जिन्होंने साधारण बीमा में दावे तथा सुविधापूर्ण न्याय संगत बन कर उचित बराबर रूप से लाभ निर्धारण करना है।

उद्योग के विस्तारिकरण के कारण पेशे में पेशेवरानापन तथा समेकिता लानी होगी। मल्होत्रा समिति ने भी बीमा कंपनियों तथा उपभोक्ताओं के लिये सर्वेयर के पेशेवराना तथा उत्तरदायी होने की बात कही थी।

“कुछ तो लोग कहेंगे”

लोग जो एसबेस्टोस उद्योग से सच में बीमार हो चुके हैं तथा मजदूर जो कंपनियों में जो बढ़ते हुये जाले में फसते जा रहे हैं। वे इंतजार कर रहे हैं तथा अनुमान लगा रहे हैं कि कांग्रेस इस वर्ष उनके कार्य को अंतिम रूप प्रदान करेगी।

श्री रॉबर्ट ई वैगली, अध्यक्ष, अमेरिकन इंश्योरेंस एसोशियेस, यूएस सीनेट के उस बिल पर जो व्यक्तिगत दुर्घटना मुकद्दमों का खत्म कर देगा जिन्हें एसबेस्टोस उद्योग के कार्यकर्ताओं ने दायर किया है।

एक दु:स्वप्न बिल एसबेस्टोस प्रभावित का तथा एक साधारण बिल एसबेस्टोस बचाने का।

1000 से अधिक एसबेस्टोस प्रभावितों का प्रतिनिधित्व करने वाली अर्टोनी।

मेरे लिये पर्यावरण का प्रश्न शांति तथा युद्ध की अपेक्षा अधिक अशुभ है। हमारे लिये प्रादेशिक संघर्ष हो सकते हैं जिसके लिये बल प्रयोग की जरूरत पड़े। लेकिन पर्यावरण वह एक मंद खतरा है। मुझे अधिक चिंता वैश्विक चेतावनी की है किसी सेना के संघर्ष की अपेक्षा।

श्री हंस बिलिक्स, इराक में अपने कार्य मुख्य हथियार निरीक्षक पर।

जीवनशैली के चुनाव में प्राय: मोटापा एक है। समाज ने धूम्रपान से कई प्रकार निपटा है जिसमें शिक्षा तथा अनुनय शामिल है। मोटापे से लड़ना अभी उसी प्रकार का अनुनय कार्य है जिसके लिये सभी दलों से एकत्रित तथा संकल्पपूर्ण प्रयास आवश्यक है... जब तक मोटापे का अभिभाव नियंत्रण में आयेगा, उपभोक्ताओं को संपूर्ण लागत वहन करनी होगी। एक उपभोक्ता की दृष्टि से शरीर घन-फल का सूचकांक बढ़ता है उसी प्रकार उसका प्रीमियम भी।

श्री रोनाल्ड केलिन, विश्व स्तर पर मूल्य निर्धारण के मुख्य, स्वीस री लाइफ एंड हेल्थ बिजनेस ग्रूप।

युनिट लिंक पॉलिसी की सफलता के लिये... आहर्ता यह है कि पॉलिसीधारक को अच्छी प्रकार सूचित किया जाये। निवेश का जोखिम पूरी तरह से पॉलिसीधारक द्वारा उठाया जाता है... अंतराष्ट्रीय रूप से, ऐसी योजना बहुत सुरक्षित कहलाती है तथा पूँजी अधिक्य रखती है। भारत में बाजार के खुलने के परिणामस्वरूप भविष्य इन्हीं उत्पादों में है।

श्री एस बी माथुर, अध्यक्ष, भारतीय जीवन बीमा निगम

सितम्बर 11 के बाद अंतरराष्ट्रीय बीमा प्रीमियम बाजार, प्रीमियम से भर गया। जिसमें कोई बड़ी अंतरराष्ट्रीय हानि नही हुई तथा अंतरराष्ट्रीय बाजार में अधिक क्षमता बन गयी। आज हम एक नरम बाजार में परिचालन कर रहे हैं।

श्री एच एस वाधवा, चैयरमैन तथा प्रबंध निदेशक, नेशनल इंश्योरेंस कंपनी

ग्राहक की सुनें

पुष्पा गीरीमाजी

कुछ वर्ष पहले एक निजी कंपनी के दो अधिकारियों ने मेरे कार्यस्थल का दौरा किया। उन्होंने कहा वह भारत में दुकान लगा रहे हैं और जानना चाहते हैं कि उपभोक्ता बीमाकर्ता से क्या चाहता है। हमारी परिचर्चा के दौरान मैनें उनसे कहा वाहन की पॉलिसी को छोड़कर जो वैधानिक रूप से आवश्यक है मैने कोई पॉलिसी नही ली है और आगे भी मैनें ऐसा करने का निर्णय लिया है जब तक की बीमाकर्ता द्वारा सेवा में उत्कर्ष न दिखे। दोनों व्यक्तियों ने मुझे विश्वास दिलवाया कि उनकी सेवा सर्वोत्तम होगी और वह अपनी पहली पॉलिसी मुझे ही बेचेंगे और मुझे इसके लिये कभी पछताना नही पड़ेगा। वह कभी वापस नही लौटे और मेरी धारणा इनकी उत्कर्ष सेवा के संबंध में कभी बदल न सकी।

एक व्यक्तिगत अनुभव ने मेरी इस धारणा को पुनस्थापित किया। मेरे कॉलम को उपभोक्ता पढ़ते हैं और वह बीमा कंपनियों की शिकायत करते हैं। अभी जब मेरी कार चोरी हो गयी मैनें सोचा मेरे लिये यह व्यक्तिगत रूप से अच्छा अवसर है यह जानने का कि बीमा कंपनियाँ ग्राहकों के साथ कैसा व्यवहार करती हैं।

मैनें जो देखा व उससे भी बुरा था जो मैनें सुना था। सर्वप्रथम मैनें यह देखा कि कंप्यूटर के इस युग में सार्वजनिक क्षेत्र बीमा कंपनियों की दो शाखायें आपस में ई-मेल से संवाद नही करती है। विपरीत स्ने मेल से इससे उन्हें अवसर मिलता है, देरी का दावा, निपटान करने के लिये इस आधार पर की अभी तक संप्रेषण प्राप्त नही हुआ है।

मेरे वाहन का बीमा दिल्ली में हुआ था तथा कार की चोरी बैंगलोर में हुई। बैंगलोर से इन्वेस्टीगेटर ने अपनी रिपोर्ट भेजी, लेकिन उसने वाहन की मूल्य लागत का अनुमान नही भेजा। हमने बैंगलोर कार्यालय को लिखा तथा अनुस्मारक भी भेजे लेकिन एक मानक उत्तर मुझे सदैव मिला जब मैनें दावे के बारे में पूछताछ की। मुझे यह कहना पड़ेगा कि यह उत्तर मुझे जो प्रतिबिम्ब इन कंपनियों का बनाने पर मजबूर करता है वह 20 वर्ष पहले की समय मशीन का है।

मैनें यह निर्णय लिया की इस पूरी प्रक्रिया मैं में गुस्से में नही आऊँगी चाहे इसके जो भी परिणाम निकले और कोशिश करूँगी सभी बातें साधारण तौर से चले। मेरी यह धारणा बनाये रखना नि:संदेह कठिन कार्य था।

मुझे याद आता है वह गर्म दिन जब मैनें अपना संपूर्ण कार्य एक तरफ छोड़कर अपने घर से 30 किमी की यात्रा बीमा कंपनी के कार्यालय तक की उस फार्म पर हस्ताक्षर करवाने के लिये जिसे प्रादेशिक यातायात कार्यालय (आरटीओ) में जमा किया जाना था।

बीमा कंपनी में पहुँचने के बाद मुझे बताया गया कि संबंधित व्यक्ति कार्यालय नही आया है। मुझे किसी दूसरे दिन आना होगा। जिस तरह से यह कहा गया, यह उत्तर अत्यंत साधारण था, उस कार्यालय में । मैनें कार्यालय के लोगों के प्रति सहानुभूति वापस ले ली। उनके पास ग्राहक सेवा जैसी कोई चीज नही थी और उन्हें इसके लिये कोई अफसोस नही था।

मैनें वहाँ से हस्ताक्षर प्राप्त किये बिना जाने से इंकार कर दिया, तथा एक लंबा वाद-विवाद हुआ। अंतत: मैनें उनमें से एक को पकड़ लिया कि वह फार्म पर हस्ताक्षर करे।

लेकिन उसने उसका बदला लिया जब मैं आरटीओ गयी तो उन्होने बताया की बीमा कंपनी का पीएएन नम्बर फार्म पर नही है। मुझे दोबारा वहाँ जाना होगा।

दूसरे अवसर पर मैनें यह सुझाव दिया कि ग्राहक से आरटीओ ऑफिस से फार्म लाने के बजाय यह अधिक अच्छा होगा कि बीमा कंपनियाँ यह फार्म अपने पास रखे। यह हमारा कार्य नही है। हम ग्राहक की मदद क्यों करें? यह प्रश्न उस व्यक्ति ने पूछा जो मामले को देख रहा था। मुझे और अधिक प्रमाण बीमा कंपनियों का ग्राहक के प्रति व्यवहार जानने के लिये नही चाहिये। मुझे अंत में जो याद आया वह था आईआरडीए की सलाहकार समिति ने व्यापक समय तथा उर्जा बीमा धारक के संरक्षण के लिये विनियमन बनाने के लिये बनाये हैं।

मैं सच में यह जानना चाहती हूँ कि क्या कंपनी उपनी शाखाओं से इन विनियमनों के अनुपालन के संबंध में सांख्यिकि एकत्र करती है तो उसकी रिपोर्ट क्या है? एक दावा निपटान के लिये औसत समय क्या है और कितने मामलों में बीमाकर्ता ने एच्छिक रूप से दावे के भुगतान में देरी के लिये ब्याज दिया है? मेरे अपने अनुभव से और जो मैनें ग्राहकों से सुना कि बीमाकर्ता इन विनियामकों के शब्दश: था भावनात्मक रूप से अनुपालन में असफल हो गये हैं तथा उन्होनें दावा देरी से देने के बहाने विनियामक में ही ढूँढ लिये है तथा वह देरी के भुगतान के लिये कुछ भी नही रहे हैं।

यहाँ कुछ सुझाव विनियामकों के अनुपालन के लिये दिये जा रहे हैं

1. पहला तथा महत्वपूर्ण आईआरडीए सभी बीमाकर्ताओं से एक मासिक रिपोर्ट विनियामक के अनुपालन मैं देरी के लिये मँगाये।
2. आईआरडीए एक स्वतंत्र अध्ययन इस संबंध में करवाये तथा इन विनियामकों को तोड़ने वालों को कड़ी सजा दे।
3. यह अध्ययन सार्वजनिक किया जाये जिससे ग्राहक केवल वही बीमाकर्ता चुनें जो ग्राहक के अधिकारों का सम्मान करते हों।
4. आईआरडीए और बीमाधारक संरक्षण विनियामक का पुन: निरीक्षण करना चाहिये तथा ग्राहक के विचारों के अनुसार उसमें व्याप्त कमियों को दूर किया जाना चाहिये।
5. विनियामक की मुख्य विशेषताओं के संबंध में एक संक्षिप्त नोट सभी बीमाधारकों को दिया जाना चाहिये।
6. आईआरडीए एक फीडबैक कार्ड बनाये, तथा इसे अनिवार्य करे प्रत्येक बीमाधारक को भरने के लिये तथा उसे आईआरडीए को भेजा जाये। इस कार्ड का उद्देश्य हो कि ग्राहक से जानकारी प्राप्त की जाये की कैसे पॉलिसी बेची गयी, क्या उन्हें विभिन्न शर्तों तथा नियम के बारे में बता गया।

   यह बीमाकर्ता को पॉलिसी बेचते समय गलत प्रकार की प्रथाओं में जो पॉलिसी बेचने के लिये उपयोग होती है से बचेगी। अमेरिका में कई वर्ग प्रभाव मामले बीमाकर्ताओं के विरूद्ध यूटीपी के लिये डाले गये और इनमें से कुछ भारत में भी अपना कार्य संचालन करते हैं।
7. आईआरडीए को दावा निपटान करते समय फीडबैक फार्म भरने पर भी जोर देना चाहिये। यह आईआरडीए को पर्याप्त सूचना देगा, जिसके अनुसार दावे के लिये लिया गया समय मालूम होगा। दोनों फार्म एकीकृत रूप में बीमाकर्ता के कार्य निष्पादन का मूल्यांकन करने में मददगार होगें और साथ ही साथ विनियामक के भी।

लेखिका उपभोक्ता अधिकारी स्तंभकार है तथा आईआरडीए की बीमा सलाहकार समिति की सदस्या भी है।

आत्म निरीक्षण

निर्मला अय्यर

(गतांक से आगे...)

ग्रामीण व्यवसाय पर जाने से पहले हमें निवेश सम्बद्ध योजना पर चर्चा करनी चाहिये।

आज भी कई लोग है जो यह महसूस करते हैं कि भारतीय पूँजी बाजार परिपक्कन नही हुआ है तथा यह निवेश सम्बद्ध योजना के लिये तैयार नही है। यदि यह सच्चाई है, बढ़ती हुई अर्थव्यवस्था में तो दशक या दो दशक पूर्व इसके बारे में क्या कहा जा सकता है? लोगो की यही अभिवृत्ति भी है। सोने के बढ़ते दाम, ज्वैलर्स द्वारा तीव्र गति से सोने की बिक्री तथा ज्वैलरी की दुकानों पर भारी भीड़ एक चमत्कारी विशेषता है।

अपराध की बढ़ती दर के बावजूद लोग आज भी सोने को सुरक्षित निवेश समझते है। किसी मुद्रा प्रपत्र की अपेक्षा मुख्यत: सतं प्रतिभूति घोटालों के कारण। कुछ दिन पूर्व दक्षिण भारत में छोटी लाभ के फंड का घोटाला भी सामने आया तथा कुछ पश्चिम के सहकारी बैंकों में भी जिसने बिना जाने हुये लोगों से मुद्रा सौदा होना बंद हो गया।

यदि लोग निवेश संबंद्ध योजना के प्रति आकर्षित हो रहे हैं यह सरकार के प्रति आकर्षित हो रहे हैं। यह सरकार की उपभोक्ता गैर बचत वित्तीय नीति के कारण पृथक जनसंख्या के लिये कोई दूसरा विकल्प नही बचा है। डर से संचालित पूंजी बाजार न तो अच्छा हो सकता है न ही लम्बे समय तक चल सकता है। हम यह समझ सकते हैं कि इन निवेशों के लिये अच्छा बाजार है। यदि अन्य अच्छे विकल्पों के उपलब्ध होने पर भी चुने यह वर्तमान में मामला नही है।

किसी को यह भी नही भूलना चाहिये कि एलआईसी का जीवन बीमा बेचने में एकाधिकार है, इसकी प्रतिस्पर्धा हमेशा अन्य बचत प्रपत्रों जैसे म्यूचल फंड, डाक घर योजना तथा राष्ट्रीय बचत पत्र से प्रभावित होता है। यह अपने वृहद आकार में पहुँच चुका है क्योंकि लोग यह महसूस करते हैं कि आजकल यह एक अच्छी तथा सुरक्षा का प्रपत्र है।

जीवन पॉलिसी में आये हेल्थ राईडर के बारे में भी सोचें। व्यवहारिक रूप से सभी बीमाकर्ता प्रतिस्पर्धात्मक लाभ उपलब्ध करवा रहे हैं। जिसमें अकस्मिकता के लिये महँगी बीमारी पद्धति होती है। इसमें अधिक विविधता नही है।

लेकिन यदि हमें हाल के दिनों में मेडिसिन के संबंध में हुई घोषणाओं पर विश्वास करें जैसे कैंसर के लिये टीकाकरण अथवा हृदय की समस्याओं के लिये इंजेक्शन यह बहुत हद तक संभव है कि यह स्वास्थ्य लागत के नेता ऐसा करना बंद कर दें। इस अवस्था में हेल्थ राइडर अपनी विशेषता को खो देंगे।

क्या हम तैयार हैं बढ़ती हुई हेल्थ लागत से दो चार होने के लिये जो मानसिक स्वास्थ्य से संबंधित है। एलजिमेर अथवा पार्किसन बीमारी अथवा कैंसर या बच्चों में मधुमेह के लिये? क्योंकि यदि उपलब्ध सेवायें सच में जरूरत पर आधारित होगी। क्योंकि दी गयी सेवायें आवश्यकता के अनुसार हो यह वह क्षेत्र है जिस पर संपूर्ण आवश्यकता महसूस की जायेगी आने वाले समय में।

लेकिन यह बहुत आसान तथा संतोषजनक है। हृदय तथा कैंसर लागत को आवरण प्रदान किया जाये। पश्चिम का अनुभव लंबे समय की देखभाल के

जीवन पॉलिसी में आये हेल्थ राईडर के बारे में भी सोचें। व्यवहारिक रूप से सभी बीमाकर्ता प्रतिस्पर्धात्मक लाभ उपलब्ध करवा रहे हैं। जिसमें अकस्मिकता के लिये महँगी बीमारी पद्धति होती है। इसमें अधिक विविधता नही है।

लिये अधिक उत्साहजनक नही रहा है व्यवसाय के नजरिये से। भारत में यह सस्ता विकल्प होगा। यह भी जब अनुपालन की अवस्था होगी तो यह आयु का समानार्थक बन जायेगा। आज के जीवनकाल में बढ़ोतरी की परिदृश्य में इसको गंभीर उत्पत्ति की समस्याओं तथा अखंड पारिवारिक यूनिट से जोड़कर देखा जाता है तथा एक हानिकारक व्यापार प्रस्थापना अथवा यह पद्धति दूसरे प्रकार से पॉलिसी बेचने ता ढंग बनेगी। क्या मूल्य बीमा उद्योग इस महत्वपूर्ण क्षेत्र में जोड़ना चाहता है?

इस भ्रम को तोड़ने के लिये इस अवधारणा को विस्तृत विश्लेषण की बीमा विक्रय पूरी तरह से आवश्यकता आधारित है और अब तक इन लोगों की आवश्यकताओं पर पूरी नही उतरे हैं।

क्या अंतिम विश्लेषण हेतु, किसी व्यक्ति की व्यक्तिगत जिंदगी के अनुसार होगा? जल्द मृत्यु, दुर्घटना मृत्यु, धन आवश्यकताओं को संरक्षण प्राप्त करने के लिये अपेक्षित व गैर अपेक्षित धनराशि की आवश्यकता मध्य जीवन के लिये अथवा बुढ़ापे के लिये। मध्यकाल के खर्चे मेडिकल खर्च, शिक्षा के खर्च, गृह ऋण आदि हो सकते हैं। इससे अधिक कोई भी आवश्यकता पाखंड ही कहलायेगी।

लोग चालाक हैं, एलआईसी अपनी बहुप्रयोजन की पॉलिसी जो अमेरिका की सार्वभोमिक पॉलिसी के बराबर थी को बेच न पायी। एलआईसी के पास 58 उत्पाद अपनी सारणियों के अनुसार है लेकिन जो अभिकर्ता बेचते हैं तथा लोग खरीदते हैं वह केवल कुछ पुरानी एंडोमेन्ट पॉलिसियों तक अथवा संपूर्ण जीवन बीमा पॉलिसियों तक आप इसे जो भी नाम देना चाहें।

गुलाब को किसी भी नाम से पुकारा जाये वह वही खूशबू देगा जैसा कवि ने कहा है यह ठीक है कि हम कमीशन का ढांचा बदल कर एजेंट की बीमा बेचने की प्राथमिकताओं को बदल सकते हैं। हम यह बीमा के खरीददार के लिये नही कर सकते वह लागत को उँगलियों पर गिनता है यह सच नही है कि विश्व भर में परिवेश समान है।

और अब ग्रामीण व्यवसाय पर आते हैं।

आईआरडीए जर्नल का वार्षिक विशेषांक स्पष्ट कहता है कि हम अपने उद्देश्यों में ग्रामीण बीमा के क्षेत्र में सफल नही हो सके हैं। एलआईसी का लंबा इतिहास ग्रामीण व्यवसाय में प्रयोग करने का है तथा उसमें उसे सफलता भी मिली है। आगे हम इससे सीखे गये सबक को जाने तथा प्रयोग करें जिससे इस संबंध में लक्ष्य प्राप्त में आने वाली समस्याओं को समझा जा सके।

असली समस्या ग्रामीण व्यवसाय के संबंध में यह है कि ग्रामीण व्यवसाय किसे कहा जाए इसका वर्गीकरण कैसे हो। शहरों में तीव्रगति से प्रगति को देखते हुये आस-पास के क्षेत्रों में लेबर का प्रवास दूर-दराज के गाँवों से तेजी से हो रहा है। इसका वर्गीकरण इतना स्थायी नही है जितना होना चाहिये। हमारी जनसंख्या के आंकड़े पुराने पड़ जाते हैं जब तक की उनको संग्रहित तथा प्रकाशित किया जाता है। इनमें कृषि आधारित गाँव के

आधार पर क्या प्रकाशित किया जाता है जिसमें अब तक प्रवासी लेबर तथा उद्योग की बात नही की जाती। एक समस्या क्षेत्रों को पुन: नाम देने की भी है। जनसंख्या में दिये गये नाम वर्तमान में प्रयोग नही होते। दूरस्थ गाँव की पहचान पिन-कोड नम्बर से भी नही हो पाती।

इसलिये यह आवश्यक है कि छितरी हुई प्रणाली ग्रामीण प्रश्नों के लिये हो। क्या वस्तुपरक है, क्या ग्रामीण क्षेत्रों में बचत को साफ करने के लिये है या यह ग्रामीण क्षेत्रों में बीमा का लाभ पहुँचाने के लिये है? वास्तव में यह दो अलग अलग प्रश्न हैं। क्योंकि दो प्रकार के लोगों को संबंधित करते हैं जो भारत के गाँव से संबंधित है। कही भी अमीर-गरीब में इतना अंतर नही है जितना की दूरस्थ गाँव में है। या तो आप जमीनदार होते है या मजदूर। यहाँ कुछ अन्य जुड़े हुये पेशे भी होते हैं लेकिन वह भी मजदूर के समान ही होते हैं।

पंजाब तथा हरियाणा में स्थिति इतनी बुरी नही है लेकिन इस समस्या की जड़े उड़ीसा, महाराष्ट्र, आंध्र, केरल, कर्नाटक, तमिलनाडु में है। इन स्थानों पर डर दिल में है और यह प्रश्न है कि क्या ये लोग बीमा चाहते हैं? हाँ ये चाहते हैं। क्या ये इसके लिये भुगतान कर सकते हैं? नही श्रीमान वे इसको दे सकने की स्थिति में नही हैं, यदि हमारे पास ग्रामीण बीमा का कोटा हो भी तो इन परिस्थितियों में क्या अपेक्षायें की जा सकती है।

इस समस्या का एक सकारात्मक पहलू भी है ज्यादा से ज्यादा सहककारी प्रयास ग्रामीण क्षेत्रों में दिखाई दे रहे हैं। ऐसे प्रयास ऐसे अवसर पर समृद्धि दे रहे हैं। आगे परिवार की झोली में बहु योगदान परिवार के लिये आता है। खाली हाथों को कम आय वर्ग में प्रोत्साहित नही किया जा सकता। दूसरी तरफ अल्कोहल की लत तथा भोजन की दशा जीवन काल को प्रभावित कर रही है।

सकारात्मक तथा नकारात्मक को साथ लेते हुये यह विवेकपूर्ण होगा की ग्रामीण गरीब को सामूहिक बीमा उपलब्ध करवाया जाये जबकि व्यक्तिगत पॉलिसियों को आर्थिक समृद्धि के आरक्षित रखा जाये।

कोटा नियतन करने का संकल्प अपने साथ प्रादेशिक विस्तृता तथा प्राकृतिक विपदा ग्रामीण अर्थव्यवस्था दर को शामिल नही करता। अभिनव घटनाओं में शामिल है। ग्रामीण अर्थव्यवस्था में कठिन पॉलिसियों को निर्यात करना।

महाराष्ट्र को ध्यान में रखते हुये धनी चीनी की पट्टी काफी बड़े बीमा व्यवसाय को समर्थन कर सकती है लेकिन वह जो अन्न फसलें असिंचित क्षेत्र में एक निम्न जीवन स्तर प्रदान करती है। इसी प्रकार कर्नाटक अपनी सूखाग्रस्त जिलों से संचालित होता है जबकि नगदी फसलें धनी व्यवसायों काफी तथा जिन्सों को समर्थन देती है। जब व्यवहारिक नही होगा कि क्षेत्रानुसार कोटा निर्धारित किया जाये।

फिर भी यह सत्य है कि प्राकृतिक विपदायें ग्रामीण अर्थव्यवस्था पर बड़ा प्रभाव डालती है तथा उसको सतर्कता से समझने की जरूरत है। बाढ़अथवा अकाल का बुरा प्रभाव फसल तथा जानवरों पर होता है। एक घटना पूरे वर्ष की आय पर पानी फेर सकती है - नारियल की फसल केरल में। ग्रामीण व्यवसाय जो नयी कंपनियों से पूछा जा रहा है ज्यादा नही है। लेकिन इसको परिवर्तित करने की जरूरत है। लगातार बदलते हुये, यदि किसी विशिष्ट क्षेत्र में प्रगति बतानी हो तब। इन मामलों में एक स्पष्टता की जरूरत है अन्यथा व्यवसाय की गुणवत्ता ही शक के घेरे में आ जायेगी।

एक जरूरत यह भी है कि भ्रम तोड़ा जाये और वह है आधुनिक तकनीक का प्रयोग कर। विदेशी साझेदारों ने न केवल नयी तकनीक दी है वरन् तकनीक के प्रति नयी अभिवृत्ति भी वह आधुनिकतम हार्डवेयर व सॉफ्टरेयर प्रयोग करने के लिये ज्यादा खुले है और वह इसके लिये लागत की गणना नही करते। यह प्रबंध के ढंग को भी प्रभावित करता है जो भारतीय परंपराओं से जमता नही है। और वह बदल रहा है। वस्तुपरक गैर व्यक्तिगत प्रबंध तरीके में। जिसका आधार केवल गुणवत्ता में दिखता है। इसके अच्छे तथा बुरे तथ्य प्रबंध सेमिनार में बात करने की है और उन्हें इस संबंध में जानने की जरूरत नही है। क्या आधुनिक तकनीक लोगों को बेहतर सेवा देने में सक्षम हुई है? यह प्रश्न है क्योंकि यही मल्होत्रा समिति का मानना भी था।

इसका उत्तर इमानदारी से देने के लिये हमें स्पष्ट होना चाहिये कि अच्छी सेवा से हमारा क्या अभिप्राय है।

यह एस संकेत है सरल व्यवहार अथवा अच्छा व प्रभावशाली लेन-देन ग्राहक के साथ करने के लिये, यह मानव अभिवृत्ति कार्य करने से संबंध रखता है तथा तकनीक से नही। यह कार्य ज्ञान तथा तकनीक के प्रयोग के लिये सामर्थ से भी संबंधित है। यह पूर्व में भी तकनीक के अतिरिक्त भी उपलब्ध रहा होगा और आज भी यह तकनीक के बिना भी उपलब्ध हो सकता है। जो पूरी तरह इस बात पर निर्भर करता है कि ग्राहक के साथ किस प्रकार का व्यवहार किया जा रहा है। किसी हद तक अभिलेख तथा यांत्रिक मध्यवर्ती ग्राहक के लिये अच्छी सेवा के लिये प्रतिफल प्रदान करेगा।

इसके लिये आसानी से दो दृष्टिकोण हो सकते हैं। यदि यह प्रश्न ऑन-लाइन से संबंध स्थापित करने से हो, देश के दूरस्थ स्थान से तो यह पूर्ण रूप से ढांचागत सुविधायें उपलब्ध करवाने पर निर्भर करेगा।

उदाहरण के लिये मान लें हमारा सामर्थ ऑन लाइन राशि स्थानांनतरित करने अथवा इंटरनेट द्वारा प्रीमियम अदा करने अथवा वेबसाइट पर उत्पाद की विशेषताओं के बारे में ब्राउजिंग करने के लिये। इसके लिये निश्चित समूह क्या होगा और यह कितना बड़ा होगा? बिना किसी शक के आज से 50 वर्ष के बाद भारत के सभी गाँवों में ऐसा करना संभव होगा क्योंकि इस बारे में प्रारंभ हो चुका है।

एलआईसी ने एक तकनीक सेवा स्कंद अन्य देशों को सलाह देने के लिये प्रारंभ कर दी है क्योंकि इसके लिये प्रतिस्पर्धात्मक माँग थी जो बीमा व्यवसाय में बन गयी है। लेकिन अनुपालन प्रशिक्षण किसी भी तकनीकी आधारित परियोजना में लागत के आधार पर महत्व रखता है। तकनीक की पूजा अपने लिये ही नही होनी चाहिये पर उस बात के लिये होनी चाहिये कि क्या अच्छा कर सकती है ज्यादा से ज्यादा संभव लोगों के लिये।

यह भारत उदय है तथा प्रगति की राह पर आगे चल रहा है। प्रगति को प्रचंड करने के लिये प्रवाहों पर सतर्कता बरतनी होगी जैसे एक बच्चा मिठाई का भाग चाहता है वह पहले के पाठ से कुछ सबक नही लेता किसी भी नयी परियोजना में सतर्कता जरूरी है और विशेष रूप से जब यह सार्वजनिक राशि हो जिसको हम खर्च कर रहे हो सारांश में काफी कुछ प्राप्त किया गया है अल्पावधि में। हमें धन्यवाद देना होगा सभी संबंधितों को। देश तथा देश के बाहर लेकिन कवि कहते हैं - सोने से पहले मीलों चलना है अब विचार बदल गये हैं, एक आवश्यकता है सच्ची खोज की अच्छे समाधान के लिये।

लेखक, सेवानिवृत्त मुख्य (डाटा कंट्रोल तथा प्यूरीफिकेशन), भारतीय जीवन बीमा निगम ।

ग्राहकों की अभिवृति: कंपनियों के समक्ष चुनौतियाँ

आर कृष्णमूर्ति

अमेरिका के रक्षा सचिव डोनाल्ड रमस्फैड ने हानि नजरिये के संबंध में व्याख्या करते हुये हाल ही में एक चारित्रिक बयान दिया: कुछ जानी हुई जानकारी है। यह वो चीजें हैं जो हम जानते है कि हम जानते हैं। हम यह भी जानते हैं कि कुछ जानकारी है जो हम नही जानते है। उसके लिये कहना होगा कुछ चीजें हैं जो हम नही जानते और नही कहते - जो हम नही जानते हम नही जानते।

बीमा खरीददारी में अधिकांश ग्राहक बीमा समझौते के प्रति अपनी जानकारी उपरोक्त प्रकार से प्रकट करते हैं। ग्राहक साधारणत: यह जानते हैं कि पॉलिसी आवरण क्या है? वह यह भी जानते हैं कि बीमा समझौते में कुछ स्पष्ट मुद्रण होता है जो वह नही जानते हैं अथवा जानने की कोशिश नही करते हैं - क्रय करते समय। जब किसी दावे के भुगतान की स्थिति होती है तो वह किसी निष्कर्ष पर पहुँच जाते हैं। यहाँ कुछ बिना जाने मामले भी है जिनके बारे में वह प्रथम दृष्टि से पॉलिसी खरीदते समय अनभिज्ञ होते हैं।

उपभोक्ता अपेक्षा में परिवर्तन:

पिछले तीन वर्षों में ग्राहक के ज्ञान स्तर तथा अपेक्षाओं में बड़ा परिवर्तन आया है। फोर्ट द्वारा किये गये अध्ययन के अनुसार जो संयुक्त प्रयास था एफआईसीसीआई तथा आईएनजी वेश्या बीमा कंपनी के मध्य जो उपभोक्ता की उदारीकरण के पूर्व तथा बाद में प्रवृति के संबंध में था ने उपभोक्ता की अकांक्षाओं में बड़े परिवर्तन आये है। ऐसा लगता है कि योग्य एकरूप बीमा उपभोक्ता एकदम से परिवर्तित हो गया है। यहाँ तक की आर्थिक क्षेत्रों में भी बड़े परिवर्तन उपभोक्ता आकांक्षाओं में (पिछले 5 वर्षों में भारत में वाहन खरीददारों की मनोवृत्ति में महत्वपूर्ण परिवर्तन हुये है) बीमा उद्योग ने इसका साक्ष्य दिया है कि कुछ अपूर्व पक्ष जैसे विनियामक - जिनको बीमा क्रय करने वालों को प्रोत्साहित करने के लिये बनाया गया तथा कुशलता में बड़े पैमाने पर बदलाव उन मध्यवर्तियों की क्षमता जो वितरण के कार्य में लगी है।

बीमाक्रय करने के लिये मूलभूत उत्प्रेरक कारक

जीवन बीमा के संदर्भ में भावी क्रयकर्ता तीन कारणों से पॉलिसी खरीदता है। तीन मुख्य कारक हैं निवेश किये गये धन की सुरक्षा, एक या अधिक कारणों से बचत, तथा उपलब्ध कर लाभ। ग्राहक धीरे-धीरे कर लाभ के ऊपर कम आश्रित हो रहे हैं तथा जरूरत बता रहे हैं सुरक्षा कारकों तथा अंतिम प्रयोग विषय वस्तु की।

बीमा कंपनियों को यह चुनौती है कि वह उत्प्रेरक कारकों की तरफ तुरन्त ध्यान दें तथा यर्थात्परक समाधान के साथ सामने आये। उदाहरणत: उपभोक्ता का उद्देश्य पॉलिसी लेने के पीछे जिससे धनराशि की बचत की जा सके अपने बच्चों की उच्च शिक्षा के लिये जो नये बीमा समझौतों के विक्रय के लिये कई अन्य देशों में महत्वपूर्ण कारक है, विशेष रूप एशिया मे। एक भावी कार्यकर्ता प्राथमिक रूप से यह अपेक्षा करता है कि बचत एक बिना दर्द की प्रक्रिया होगी तथा बचायी गयी पूंजी पूरी तरह सुरक्षित होगी। चुनौती केवल सुलभ भुगतान विकल्प उपलब्ध करवाना ही नही है लेकिन एक ऐसी प्रक्रिया भी तैयार करना है जो सुरक्षा के कुछ तरीके और ग्राहक को राहत और उस पर दबाव डाला जाये कि वह भुगतान व्यवस्था को ऐसे कारण जो दिखाई न देते हो से राहत दिलवा सके।

उपभोक्ता द्वारा निवेश की गयी धनराशि की सुरक्षा के दृष्टिकोण के कारक के संबंध में दो महत्वपूर्ण बाते हैं पहली यह कि किस प्रकार बीमा समझौते के विभिन्न विशेषतायें क्रयकर्ता के सामने प्रस्तुत की है (चाहे वो युनिट लिंक पॉलिसी हो अथवा एंडोमेंट पॉलिसी हो) दूसरा यह कि कैसे प्रभावशाली ढंग से नये युग की कंपनियों को संबोधित किया जाये बिक्री के समय नयी कंपनियां के प्रति क्रयकर्ता का रूझान देखा गया है। (विशेषत: महानगरों के बाहर तथा छोटे नगरों में जिसका कारण विज्ञापन जाल है जो बी तथा सी वर्ग में ज्यादा है) बीमाकंपनी तथा विनियामक दोनों को इस अभिवृति चुनौती को अधिक प्रभावशाली ढंग से लेना चाहिये।

उपभोक्ता का अभिकर्ताओं से तथा अन्य मध्यस्थों से अनुभव उदारीकरण पूर्व के दिनों से अभिकर्ताओं के दृष्टिकोण में बड़ा परिवर्तन आया है। पूर्व में अभिकर्ता अनौपचारिक संबंध भावी खरीददार से बनाते थे तथा अधिकांश संबंध मित्रों, परिवार सदस्यों के संदर्भ में लिये जाते थे। नये युग की कंपनियाँ पेशेवर पर जोर देती है तथा सामान्यत: आक्रमक दृष्टिकोण अपने विक्रय स्टाफ के संबंध में रखती है।

उपभोक्ता की अपेक्षाओं तथा इस संबंध में दो कारकों की धुरी पर घूमती है पहला कि क्या ग्राहक एजेंट से सच्चाई पूर्वक सलाह लेते हैं अथवा वह एक ऐसे उत्पाद को आगे बढ़ा रहे हैं जो उन्हें अधिकतम कमीशन दर प्रदान करेगा। कुल मिलाकर आज ग्राहक बीमा एजेंट से अपेक्षा करते हैं तथा अन्य मध्यवर्तियों से जैसे बैंकाएश्योरेंस बिक्री स्टाफ इत्यादि से कि वह उपलब्ध उत्पादों का तुलनात्मक अध्ययन दे तथा एजेंट यह कैसे कह सकता है कि उसके द्वारा सुझाया गया उत्पाद दूसरों से श्रेष्ठ है।

बीमा आवश्यकताओं की आवश्यकतानुसार विशलेषण कितना हुआ कि नये युग का विक्रय स्टाफ प्रशिक्षित है उसे प्रस्तावित करने के लिये वह भावी बीमा क्रयकर्ता के लिये संबद्ध तथा उपयोगी होगा। इसका उत्तर महानगरों तथा छोटे शहरों में मिलता है। साधारण प्रचार को धन्यवाद देना चाहिये नयी बीमा कंपनियों को जिसमें बीमा का संरक्षित कारक है। बड़े शहरों में ग्राहक उच्च स्तर के बीमा आवरण की आवश्यकता अपनी आय के संदर्भ में करने लगे हैं अपने कार्यशील जीवन से जोड़ते हुये। फिर भी महानगरों के बाहर ग्राहक बचत-संबंधित पॉलिसियों के लिये स्पष्ट दृष्टि रखते है तथा उसकी जरूरत महसूस करते हैं। बाजार को यह अनिच्छा भी है कि व्यक्ति के सच्चे व्यक्तिगत वित्तीय प्रतिष्ठा को प्रकट करवाया जाये जो बीमा विक्रयकर्ता की संबद्ध बीमा जरूरत है।

ग्राहक का दूसरा दृष्टिकोण नये युग की बीमा कंपनियों का विक्रय के पश्चात निरंतर सतत् विक्रय

के बाद सेवा है। भावी बीमा खरीददार इसके लिये आश्वस्त नही है कि वह उसी अभिकर्ता से संबंध रखेंगे जिसने उन्हें पॉलिसी एक अवधि के लिये बेची है। वह साधारणत: अधिक निर्भर इस बात पर है कि कंपनी द्वारा कैसे वचन सेवा के संदर्भ में भरे गये हैं।

यह बीमा कंपनियों के लिये महत्वपूर्ण संदेश है क्योंकि बीमा ग्राहक बड़ी मात्रा में ऐसे प्रबंध कर रहे हैं कि उनके प्रीमियम सीधे इलेक्ट्रॉनिक पद्धति से अथवा स्वचलित पद्धति से उनके बैंक से स्थानांतरित हो जाये जिसके बिक्री के बाद की सेवा जो एजेंट से अपेक्षित है से बचा जा सके। ग्राहक कंपनी से सीधे सेवा पर अधिक निर्भर होना चाहता है। उदाहरणत: ग्राहक चाहते हैं कि एजेंट उनके लिये पॉलिसी पर ऋण की व्यवस्था करे अथवा नामांकन बदले आदि बहुत कम होते हैं इसलिये कंपनियों को इसके लिये तैयार होना पड़ेगा कि वे स्वंय मानक की सेवा उपलब्ध प्रत्यक्ष रूप से करवाये।

प्रीमियम खरीददारी

मूल्य अथवा प्रीमियम दर जो पॉलिसी पर होती है वह बीमा क्रयकर्ता के लिये निर्णय पर आने का महत्वपूर्ण कारक होता है। यह मूल्य संवेदन बाजार में जो हमारा है अधिक होगा। कई जगहों पर ग्राहकों ने अपनी आवाज बुलंद की है कि यह साधारण संवेदना है कि एक बीमा उत्पाद जब अधिक जटिल हो जाये जब उन्हें बहुत से राइडर के साथ बंडल प्राप्त होता है यह संभव नही है कि वे मूल्य का मिलान कर सके विभिन्न कंपनियों के मध्य।

अब ग्राहक यह भी पूछने लगे हैं कि ग्राहक द्वारा इंटरनेट से प्राप्त अथवा अन्य चैनल जैसे बैंकाएश्योरेंस से प्राप्त पॉलिसी की प्रीमियम दरें दूसरी पॉलिसी के समान क्यों हो।

कंपनियों के पास एक तर्क है कि वे बची हुई लागत को ग्राहक के साथ बांट सकें। यह समय है जब विनियामक को ग्राहक की अपेक्षा के अनुसार अलग-अलग प्रीमियम दरें रखने की परंपरा के बारे में सोचना चाहिये। उदाहरणत: विदेशों में यह आम बात है कि बैंकों द्वारा उच्च ब्याज दर इंटरनेट प्रयोग करने वाले ग्राहकों के लिये की जाती है। इसलिये ये संभव है कि बीमा क्रयकर्ताओं को प्रीमियम में छूट दी जाये।

जो सतर्क रूप से यह निर्णय लेते हैं कि कंपनी को सीधा संपर्क किया जाये जिससे पॉलिसी को क्रय किया जा सके (पहले यह दिक्कत उठाना की उन्हें शिक्षित किया जाये उत्पाद तथा उसकी विशेषताओं तथा अन्य पहलुओं पर) तथा यह चुनाव किया जाये की उस कंपनी से प्रत्यक्ष रूप से संबंद्ध हुआ जाये अपनी सेवा आवश्यकताओं के लिये।

हार्वड बिजनेस रिव्यू (जुलाई 2002) में प्रकाशित किये गये नये युग के उपभोक्ता अभिवृतियों के संबंध में दो अध्ययन ग्राहक की स्वामीभक्ति कारक को झूठलाते है जिस पर अब तक विपणण साहित्य में बल दिया जाता था।

लेखक ने यह निष्कर्ष निकाला की लंबे समय से जुड़े ग्राहक उसी उत्पाद के लिये ज्यादा देने को तैयार नही होते न ही यह ग्राहक सेवा पर कम लागत कटवाते हैं।

दावा सेवा के समय उच्च अपेक्षाएँ-

नये युग की बीमा कंपनियों का एक दृष्टिकोण यह भी है कि उन्हें दावा देने के रिकार्ड के लिये जाना जाये। ग्राहक इस बात को लेकर संतुष्ट है कि बचने का लाभ जीवन बीमा पॉलिसी में देय हो जायेगा तकनीकी रूप से सक्षम कंपनियों द्वारा बीमा अभिकर्ता की जरूरत को समझते हुये वे अभी भी विश्वास नही करते की दावे का भुगतान बिना किसी कष्ट के हो जायेगा चाहे वह जीवन बीमा पॉलिसी हो अथवा साधारण बीमा पॉलिसी। यह अधिक सत्य होगा राइडर लाभ जैसे नाजुक बीमारी अथवा अस्पताल लाभ की स्थिति में।

गैर जीवन बीमा उत्पादों के संबंध में दावे भुगतान की बात अधिक जटिलता से कही जाती है जैसे हाउस होल्डर पैकेज पॉलिसी अथवा मेडिक्लेम पॉलिसी जो गैर जीवन बीमा के उत्पाद हैं।

बहुत अधिक कार्य इस क्षेत्र में किये जाने की आवश्यकता बीमा कंपनियों था विनियामक द्वारा है।

अपनी पुस्तक कार्पोरेट क्रिटिक में माइकल फ्रीडिट तथा स्टीव मिंचड ने इसका वर्णन किया है कि ग्राहक की आवश्यकताओ में परिवर्तन गति तथा बाजार की गतिशीलता ने अधिकांश कंपनियों की योग्यता को आगे बढ़ाया है जब तक कंपनी एक नीति का विकास करती है तथा इस नीति को आगे बढ़ाने के लिये निवेश करती है। अवसर हाथ से निकल जाते हैं। असलिये यह आवश्यक है कि नये युग की बीमा कंपनियाँ गतिशील संस्था बने जो पूर्वानुमान न लगाये जाने वाले ग्राहक की माँग तथा अप्रत्याशित बाजार कारकों को तुरन्त देख सकें। यह व्यापक रूप से भारतीय बाजार के लिये महत्वपूर्ण है जहाँ बीमा उपभोक्ता तीव्रता से ज्ञान प्राप्त कर रहे हैं।

लेखक सेवानिवृत्त प्रंबध निदेशक तथा मुख्य कार्यकारी अधिकारी, एस बी आई लाइफ इंश्योरेंस कंपनी।

Technology & the Indian Insurer

M. Arunachalam

Insurance companies with their voluminous transactions, are the earliest dominant users of modern computers and their ancestral calculating machines the world over. Insurance is a data-rich industry, with the ability to generate useful information to improve business and societal benefits.

Application of information technology (IT) based business processes has exploded in the global insurance market as most industries and businesses no longer feel secure without it. This has resulted in improved efficiencies, cost-cutting, reduced time to market and better understanding of customers needs. The collaboration of technology and business practices has produced countless new efficiencies and identified new revenue sources. Gone are the days when IT was a separate entity from other functional departments; technology has become increasingly intertwined in the business processes, people and organisation of insurance companies.

Globally, insurance companies who are early adapters of IT have found it an increasing means to make faster and more cost effective the processes by they create, maintain and discharge policies. Increasing automation of document management, workflow systems, and Web-based technology have been increasingly implemented.

On the transaction side, 'electronic data interchange' (EDI) has created the ability to exchange and access information from policy records, wherever they are held. In the US, ACORD has brought insurance-specific standards for data interchange for life and general insurance, and HIPAA has laid down statutory standards for healthcare and health insurance. For many insurers, organisations have now changed from hierarchical to task group-based systems, with individuals being involved with several tasks at a time, thanks to the power of IT.

The opening up of insurance in India and the subsequent entry of private players into the market have drastically changed the entire approach to customer service. Before privatisation, only a small number of agents offered complete post-sales customer service. The insurance buyer essentially found it hard to get any policy support, especially at the time of claim settlement.

Three years into an open market, there has been paradigm shift in these roles. Many sellers approach a buyer of insurance. The focus now is on offering a variety of products supported by rigorous service initiatives across the life of the product. With privatisation, customers often gauge insurers in terms of their products, premium rates and service.

This paper discusses the problem faced by the insurers, Global Best Practices and the learning therefrom for the Indian insurers.

Key Issues faced by insurers

Some of the problems faced by insurers in general are:

Operational Issues

- Profitability – High operating cost and slow growth
- Overcapacity
- Error rates
- Transaction delay
- Product launches – Selecting a product with low premium, high return/coverage, matching higher customer expectations

Indian insurers can leapfrog to current technologies as they are not saddled with legacy systems and can avoid the difficulties that were encountered by advanced countries.

- Channel management

Environment Issues

- Competition
- Unforeseen issues – SARS, catastrophe, terrorism etc.
- Strategic issues
- Using data intelligently
- Moving from paper to electronic data creation and storage

All that are listed above also apply to India also to a large extent. IT can certainly help and has helped overcome many of these hardships.

The IT scenario in global insurance

The IT scenario is not totally problem free even in developed countries. The insurance systems are legacies running on multiple environments, working in 'silos.' They have enormous problems in maintenance and integration. A good deal of effort is required to maintain the system incrementally and integrate them.

For instance, a century old New Zealand insurer has 16 different policy administration systems to service his 1000+ products taken over from ten different companies. The cost of maintaining these systems is much higher than that involved in any new initiatives. A company rarely dares to redesign its systems because of the cost, risk and pain involved. However, insurers in advanced countries:

- Derive maximum advantage of IT to ensure superior customer service notwithstanding the legacies of the systems. All customer-facing systems now have a higher priority.
- Make enormous efforts to make available any kind of information that the executives at different levels need on regular intervals or on an ad hoc basis, unlike in the earlier years where insurers concentrated on transaction processing rather than management information.

Indian companies do not have such difficulties; they have neither multiple systems nor heterogeneous environments as with the insurers in advanced countries. But a comparison with them would indicate that Indian insurers have a long way to traverse in establishing efficient systems to improve customer service, reduce paper based processes and manual intervention, effect better control and produce better management information.

Indian insurers can leapfrog to current technologies as they are not saddled with legacy systems (except a flat file system) and can avoid the difficulties that were encountered by advanced countries. The best system not only serves their current needs but also acts as a foundation for flexible enhancement according to market dynamics. Are such systems in place?

The technological progress of Indian companies could be assessed in two ways. One, by comparing them with other service industries and in particular with the banking industry. The other, by examining the technological changes in terms of global insurers (with examples of US practices which would apply to advanced countries also) and

more relevantly in relation to expectations set forth within our country.

A comparison with the banking industry

The business requirements of banks and those of insurers are very different. Both of them, however, render a variety of financial services to a massive customer base. Now in the business environment of bancassurance, the dividing lines between banks, brokers, insurers and other types of financial service providers have become blurred. A comparison between banks and insurers is logical because both institutions, among other things, expect at least basic functions to be conducted online and have the objective of offering excellent customer service.

The Reserve Bank of India (RBI) has been instrumental in getting Indian banks to take to IT in a big way. Most of the banks in India have made significant progress in technology upgrade, and have achieved a state of excellence. The technology initiatives of banks with emphasis on customer service, ATMs in convenient locations, online banking, direct links to corporate customers, inter-branch transactions for customers, and a variety of service committments have helped them to capture market share, increase customer retention and lay the leadership foundation.

Technology has helped banks in several areas. Transaction processing has been made user-friendly and customer-oriented, with utmost controls built in. Customers are happier today than a few years ago. Although a detailed review is outside the scope of this discussion, a few noteworthy points are:

Customer-related:

- Reduced average transaction time, fast clearance through MICR and cost reduction using the online Real Time Gross Settlement system (RTGS)
- Increased networked operations, SWIFT, electronic fund transfer
- Customer account generation, timely and on demand
- Quick processing of loan and interest calculation with precision
- Tracking of trade finance helping importer and exporter customers
- Alternative delivery channel for less remunerative customers
- Joint marketing efforts with petrol bunks, airlines etc and new services like online bill payment
- One-stop service centre as a financial supermarket
- Differentiating customers and segment-based selling
- Utilising Customer Information Files (CIF) to reach out to customers and their associates, viewing all the dealings of a customer in an integrated manner
- Services on the basis of 'ability to pay' concept

MIS-related

- Centralised pool of information available subject to hierarchy discipline
- Ability to drill down a GL balance for various industries
- Profitability – customer-wise, marketing manager-wise etc
- More informed decisions in the area of credit in terms of concentrations
- Ability to respond to new challenges like risk management and asset liability management (ALM)
- Ability to download the required information by operating units

> The best customer service is delivered through single window processing where all the processes are delivered in an integrated way and not in 'silos.'

Incidentally, it could be mentioned that among other service industries, Railways and airlines in India have made their operations customer friendly. Services involving high public interest like travel booking, bill payment (telecom etc.) and related services have become extremely easy and have delighted the customers beyond expectations.

Malhotra committee's expectations

The report of the Committee on Reforms in the Insurance Sector headed by Mr. R. N. Malhotra as Chairman (popularly referred to as the Malhotra committee report) was submitted to the Government of India in early 1993. This report indicates several expectations that Indian insurers should aim to fulfil. It is 10 years since the report was submitted and over three years since the IRDA was set up. It is time to look at the developments in IT that have occurred since then. Extracts from the Malhotra committee report have been included in italics.

The reforms committee dealt with technology aspects in an exclusive chapter of the reforms report because of its importance. Its opening paragraph states: "*If used imaginatively and prudently, information technology could be a valuable aid for efficient customer service, effective management and meaningful regulation.*"

It is relevant to examine the technological changes and operational improvements that were brought out thereby in terms of

A. Customer service
B. Business intelligence
C. Pricing
D. Controls and fraud detection
E. Regulatory compliance and
F. Societal needs

A) Customer service

"The resultant improvement in customer service would raise the public image of the industry and its staff. Besides, computerization should improve the work environment and job satisfaction within the industry. The spread of computer culture…depends on the number of computer literates…Computer handling should not become a closed preserve of a few specialized officials…achieve desired levels of customer's service."

In the past few years, there has been perceptible increase in PC usage amongst employees working in customer service because of the front office package in LIC offices, package solutions in the public sector general insurance offices, and PC based operation that has been introduced by private players. This has significantly improved the efficiency of the functioning of the insurance offices.

The steps that are needed to complete insurance functions ideally require a seamless, automated process. The following are the instances of such automated processes:

When a change is desired in the policy conditions, the change itself should be underwritten, including premium calculation and printing of endorsement schedule,

accounting of premium, adjustment of commission entry and so on. These should be performed in a single stretch or in phases with very little human interventions.

Calculation of maturity payments including adjustment of bonus, excess/short payments, policy loan, interest for delayed payments, flow of reminders if advance discharge receipts are not received in time, cheque printing or automated credit to banks and so on.

Every process in insurance invariably acts with reinsurance. The processes discussed above should automatically link with reinsurance transactions. For example, when a claim is booked, loan repayment accounting is performed, and when a claim discharge is received and entered, payment process and recovery process from reinsurer should be automatically triggered.

Customer service needs to be proactive in its approach and should detect certain scenarios that may not be good for the health of the company and/or detrimental to the interest of customers. A few examples based on the practices in the US/advanced countries are as below:

When the policyholder requests a surrender quote, the option of loan (if applicable) on the policy is an advisable alternative. If the surrender quote is still insisted on, an e-mail is triggered to the agent for discouraging surrender. The system should allow for this kind of beneficial interactions.

If a policy has been allowed to lapse and the policyholder takes another policy in its place, the system should point out the earlier lapse of a policy. This is not effective as of now, unless the applicant himself faithfully mentions it.

Regulators in the US discourage the practice of replacing a policy from one insurer with another, since it is often against the interest of customers. Replacement of policies across life insurers should go through a series of steps supported by appropriate information systems that have been put in place. The customer gets complete information about the impact of his replacement action before he finally decides to exit, and is usually contacted by the original agent/company. Such steps and IT systems required in India since now multiple insurers are competitively transacting insurance business.

A US company rendering insurance services exclusively for their military personnel declares that their members can be in the middle of the ocean on a ship, and can meet their financial needs in an efficient manner, with one phone call or by going to the website. They measure quality from their members' point of view by indices such as: lost members, complaints and customer satisfaction surveys. They spend a great deal of resources on their customer-facing processes and heavily bank on the technology that enables those processes.

The best customer service is delivered through single window processing where all the processes are delivered in an integrated way and not in 'silos.' When a customer walks in, he need not visit multiple departments to get what he needs but gets his request executed from a single window.

Technology is an effective, and probably the only, way to achieve this. How do the technology/tools that have been used in these processes have a bearing on customer service? Some examples stated below would provide an answer to this question.

> In non-life insurance rule based underwriting systems are in extensive use with access to a common repository for information on motor vehicle, drivers, and claims history.

1) Product Life Cycle Management (PLCM)

In a competitive environment, the time taken to market a product is critical. IT should be used effectively to allow easy introduction of new products while maintaining the existing ones. Insurance companies spend a lot of time in introducing a new product in the market due to the complex structure of the product. This results in delayed marketing loss of business opportunity or an advantage to the competitor.

Severe Acute Respiratory Syndrome (SARS) engulfed parts of Asia resulting in hundreds of casualties. A few insurers were quick to respond to the market conditions by introducing a product 'SARS Cover' against this dreaded disease for a nominal premium. Business is driven by political and economic conditions and/or the evolving customer demands. Hence an insurance system should be flexible to meet these dynamics. Also, technology will enable a paradigm shift in products offering, from standard, uniform policies to 'mass customisation' where insurance coverage and financial services will be configured to meet needs of insuring prospects.

Product-related services such as rating, underwriting, and policy administration, should not be isolated technology projects. Instead, these services should be byproducts of the PLCM process.

Both life and general insurers use a large number of actuarial systems. Among them, asset share calculations for new products of life insurance provide assurance that the product will be financially sound. It simulates the way in which the assets of a block of policies should grow, depending on various assumptions about future interest rates, mortality, expenses, lapses, etc.

Actuaries can determine whether the product will be sound, fair, and competitive over time. Such calculations for products like universal life, adjustable life, and variable life, under a variety of scenarios pose challenges. Actuaries need an IT system to perform asset share calculations effectively. Groupware facilitates communication among actuaries, marketing executives, and others working on new products though they reside in different locations.

Are companies able to introduce new products as and when necessary? Are the technology systems so tuned to accommodate new products without undue delay?

2) Illustration

Almost all companies overseas allow printing of illustration, providing different options, benefits and rates which the agent hands over to the prospect. Incidentally, the illustration system is a customer-oriented tool for selling insurance, used by agents actively to project the future benefits of the policy, which he generates from his own PC or from a centralised system.

The sales presentation can be personalised by incorporating the household's demographic data, which could also be

transmitted online from the company's database to the agent's computer. Most companies are beginning to use this in a small way but the system has to be developed so as to meet requirements such as automate the process wherein once the customer accepts the illustration, the data is automatically transferred to the backend system.

3) Proposal Processing

Shifting into gear with the right technology could result in greater efficiency and simplified new business processes.

To quote an example of a company in the US, new business under some select plans such as term and annuity are sold through brokers' offices with web-based system that handles the entire sales and back office processing. The broker responds to the customer/agent with a set of quotes, for a variety of options in terms of product, term, coverage etc.

Even before the quote is released, the validity of agent's license against the line of business and appointment with the company are verified in terms of statutory requirements. Various quote options are displayed and can be selected. The selected option is sent to the mailbox of the agent in rich text format. When the customer selects one of the options, complete proposal data is captured, and the whole data files flow to the head office (HO) of the insurer for further process.

The HO staff reviews the proposal, and in case of any underwriting requirement, the workflow system allows electronic interface with the respective third parties such as laboratories, paramedical services, inspection and tele-interview agencies and MIB. When the proposal requirements are complete, underwriting is performed through the insurer's expert system. The whole process is very user friendly, and is performed with speed and accuracy. Insurance companies install the software in broker offices proactively.

The system is scaleable to accommodate multiple products and multiple brokers with minimum code changes. Agents can access the system for all their sales activities from anywhere. Some insurers use such a system even for complex products as variable annuities. This web application uses a centralised rule engine for underwriting as well as rating system, which are common for the company as a whole, thus avoiding any redundant systems.

The proposal processing also has an application tracking facility. This captures every step of the proposal processing as it proceeds until the policy issuance stage. For example, if the underwriter orders an attending physician's statement, the physician's name and address are included in the record. Many companies use an Application Tracking System (ATS) to facilitate inquiries.

In most cases, it is the agents who enter data into their systems and transmit data at end-of-day to an intermediate system in operating offices, which validate the data before it is submitted to an underwriting system.

In India, the alternative distribution channels such as bancassurance and brokers are being stabilised. Selling through the Internet has just started with at least one insurer initiating the process. Such systems as above will therefore be of value when placed with partners such as banks and broker offices.

> Product-related services such as rating, underwriting and policy administration should not be isolated technology projects.

4) Underwriting

The underwriting process of Indian insurers is considerably manual although a set of validation rules is in place. Every policy issuance requires meticulous human intervention, which involves long turnaround time and tedious process. Complaints of delay and inconvenience are often heard. There is a need to conceive a faster policy processing and issuance system in both life and non-life insurance.

Most of the major global insurers use expert systems, built in or purchased from third parties, to assess risks and suggest possible decisions automatically. The following examples will indicate the scope to improve underwriting capabilities in general.

- In the recent initiative of National Health Service (NHS) of UK with British Telecom (BT), a national health database of all its citizens can be accessed electronically.
- In the US, the Medical Information Bureau (MIB) stores all medical information and is available (with certain limitations) to member companies for underwriting
- In non-life insurance rule based underwriting systems are in extensive use with access to a common repository for information on motor vehicle, drivers, and claims history. Credit history is retrieved and credit-score based rating is on the rise.
- Fixing loading/rebates based on past claims experience.
- Reinsurance based on the sum assured and retention capacity per risk.

When a proposal passes through automated underwriting, if any health check/ documents are required, a letter is printed automatically. When the requested documents are received and recorded, the system automatically initiates further processing of the policy issuance. Rule based underwriting (expert system) results in automated policy issuance in more than 70 per cent of the cases.

Some proposals may require HO approvals and they are passed on electronically through a workflow tool. E-mail can be sent on issuance of policy to the policyholder/ agent. Technology plays a major role in the process discussed above, although high-end facilities like OCR for proposal data capture are not taken into consideration for the moment.

Technology integrates new business processes from the application process through contract delivery. Insurance products requiring sophisticated risk assessment can be issued in much shorter timeframes due to automated workflow. This eliminates redundant tasks and processing time lag by managing and tracking workflow, essentially recognising that several people may be working on the same case simultaneously. All these phenomenally increase the processing efficiency and make the job easier.

(To be continued)

The author is Advisor, Insurance, HCL Technologies Ltd. The views expressed here are his own.

Report Card: GENERAL

Non-Life Industry ends year with 13 % accretion

G.V. Rao

Performance in March 2004

The four public sector players have sprung the biggest surprise of the fiscal by turning out an extraordinary premium performance in March 2004.

Despite the distractions associated with the exercise of implementing the Special Voluntary Retirement Scheme (SVRS,) the month of March 2004 has turned out to be the most productive for them. An increase in their monthly premium by Rs. 204 crore (17 growth) out of a total accretion for the industry of Rs. 278 crore (20 per cent) in March 2004 is clearly a major feat.

New India Assurance that had low growth rate trends as late as even up to the end of February 2004 (it was 0.06 per cent) has recorded a growth in premium in March 2004 of Rs. 105 crore (25 per cent), followed by National Insurance with Rs. 70 crore (20 per cent), Oriental Insurance with Rs. 16 crore (seven per cent) and United India with Rs. 13 crore (six per cent). Public sector companies have clocked a growth of 75 per cent for the month of March 2004.

The two companies that need to be watched in the next few months are New India Assurance and National Insurance for the scorching pace of growth they have generated in March 2004. Will they maintain the momentum? Has SVRS been a shot in the arm for them to rediscover their capabilities and potential? These are questions that will be answered in time.

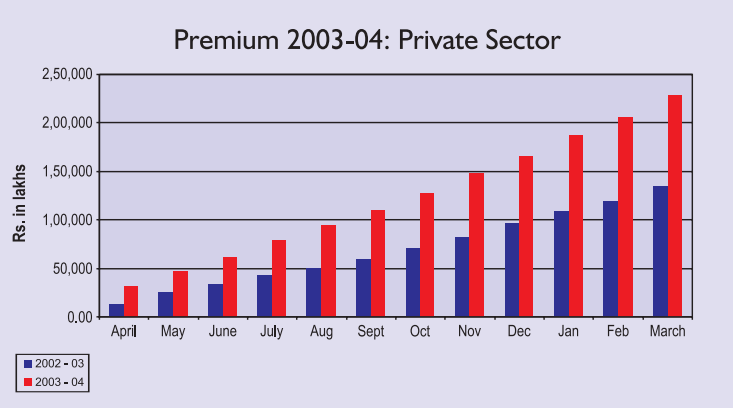
The private sector companies for the first time appear to have lost a little bit of their sheen in growth terms. The growth in their premium was about Rs. 78 crore (49 per cent growth). Tata AIG has surprisingly shown a fall in premium Rs. 10 crore and Reliance Rs. seven crore. ICICI Lombard, Bajaj Allianz, IFFCO-Tokio and HDFC Chubb are the other players that have done well in the month as they did in the past.

By any reckoning the performance of the two sectors in March 2004 has belied the usual public expectations that their relative earlier performances had generated—that the private players always outstripped the accretions of the public players on a regular basis. The public sector companies have bounced back in March 2004 showing a surprising capacity to upset the averages. With private sector companies assuring improved market

Gross Direct Premium (within India) Provisional - Financial Year 2003 - 04

(Rs. in lakhs)

Insurer	Premium 2003-04		Premium 2002-03		Market share 2003-04	Market share 2002-03	Growth% Year on Year
	March 04	2003-04	March 04	2003-04			
Royal Sundaram	2,899.94	25,801.76	1,579.54	18,177.28	1.60	1.27	41.95
Tata-AIG	3,025.70	35,476.39	4,056.19	24,087.42	2.20	1.69	47.28
Reliance General	694.66	16,123.96	1,434.02	18,501.70	1.00	1.30	-12.85
IFFCO-Tokio	4,063.36	32,529.73	2,426.47	21,332.91	2.02	1.50	52.49
ICICI Lombard	5,044.05	50,672.18	2,390.13	21,522.10	3.14	1.51	135.44
Bajaj Allianz	5,003.43	47,630.86	3,016.45	28,928.45	2.96	2.03	64.65
HDFC Chubb	1,617.72	11,166.78	341.49	943.98	0.69	0.07	1082.95
Cholamandalam	1,364.87	9,668.31	668.16	1,477.79	0.60	0.10	554.24
New India	52,806.00	4,02,832.00	42,287.00	3,92,124.00	24.99	27.50	2.73
National	37,091.00	3,41,700.00	30,172.00	2,86,358.00	21.20	20.08	19.33
United India	26,668.00	3,06,817.00	25,262.00	2,96,807.00	19.04	20.81	3.37
Oriental	24,786.48	2,86,907.75	23,251.24	2,78,289.43	17.80	19.52	3.10
ECGC	5,170.70	44,512.90	5,500.91	37,465.11	2.76	2.63	18.81
PRIVATE TOTAL	23,713.72	2,29,069.97	15,912.44	1,34,971.63	14.21	9.46	69.72
PUBLIC TOTAL	1,46,522.18	13,82,769.65	1,26,473.15	12,91,043.54	85.79	90.54	7.10
GRAND TOTAL	1,70,235.90	16,11,839.62	1,42,385.59	14,26,015.17	100.00	100.00	13.03



discipline, 2004-05 promises to be an interesting year for the public players.

Though the private players have slipped up a bit in March 2004, it is too early to call it a trend.

Performance 2003-04

The industry has recorded a premium of Rs. 16,120 crore with an accretion of Rs. 1,860 crore (13 per cent growth) in the fiscal 2003-04. The share of the four public sector companies is Rs. 13,380 crore with an accretion of Rs. 850 crore (seven per cent growth). The private companies have contributed Rs. 2,300 crore with an accretion of Rs. 940 crore (70 per cent growth). ECGC's contribution has been Rs. 445 crore with an accretion of Rs. 70 crore (19 per cent).

Out of the increase of about Rs. 850 crore shown by the public players, National Insurance alone has contributed Rs. 550 crore, New India Rs. 107 crore, United India Rs. 100 crore and Oriental Rs. 86 crore. New India has, in one month in March 2004, recorded an increase of Rs. 105 crore, almost their entire annual accretion, except for Rs. two crore.

The growth trend of the public sector companies continues to be uneven. And in the absence of information on which portfolios have contributed to the increases, it is difficult to highlight their specific business strategies and forecast the future trends of business development in the Indian market for the next fiscal.

Is a growth rate of seven per cent satisfactory for the public sector against the industry average of 13 per cent? Even this growth rate of seven per cent has been made possible due to the performance of National Insurance that recorded a growth rate of 20 per cent with an accretion of Rs. 550 crore out of the total accretion of Rs. 850 crore for all the four public players. Will National Insurance be able to sustain the momentum it has so far generated in the next fiscal? Is it now the turn of the other three public players to opt vigorously for the growth strategy?

There have been several industry initiatives external to the performance of the players; viz. the Universal Health Insurance scheme announced by the Government, a spate of bancassurance tie-ups, corporate agency arrangements, the boom in the sale of auto sector all have contributed to the growth in business. What new initiatives are in the offing for 2004-05?

The private companies' performance has been remarkable. ICICI Lombard has maintained its top position throughout the year with an accretion of Rs. 293 crore. Bajaj Allianz has recorded an accretion of Rs. 188 crore, Tata AIG Rs. 115 crore and IFFCO-Tokio Rs. 112 crore.

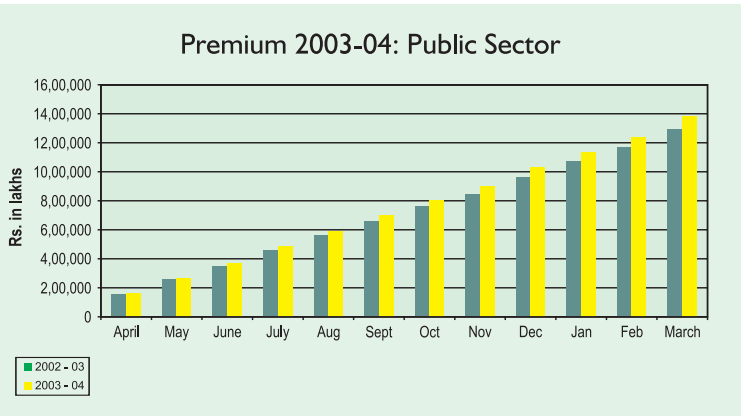
Comment on the performance in 2003-04:

2003-04 has been an interesting year for the private players with their market share rising to15 per cent against the eight per cent or so in the previous year. Despite their low capital base and inadequate infrastructure, the private players have demonstrated they are a powerful and vigorous competitive force to reckon with. They are likely to intensify the competitive pressures in 2004-05. They are currently on a roll.

Despite their impressive performance in March 2004, the public players need to do a lot more to get out of the defensive mode that seem to have enveloped them till now. For this, they have to recast their organisational structure, revamp their HRD practices, and deliberately become market and customer savvy.

On all this will depend which way the will market move in 2004-05 and how it will make a difference to the public.

The author is retired CMD, The Oriental Insurance Company.



SBI, LIC GET TOGETHER FOR INFRASTRUCTURE FINANCING

In a recent meeting held between State Bank of India (SBI) and Life Insurance Corporation (LIC), the latter has agreed to provide cheap finance to infrastructure projects during their construction period, it is reported.

To start with, LIC will pick up power projects where the SBI and other public sector banks have extended finance, banking sources are reported saying.

Upon the completion of the project, banks will exit so as to avoid asset-liability mismatches in their books and the life insurance major will replace them by taking the full exposure on itself.

Although this scheme — called takeout financing — has been discussed earlier, what hindered matters was getting finance at below market rates.

But LIC, which has offered cheaper finance, has also asked comfort in the form of a guarantee from banks which, in turn, are averse to taking long-term exposure to infrastructure projects without any viable exit route.

This guarantee will help the LIC to cut down the risk exposure on projects. Sources said this is to compensate for the cheaper finance that the LIC will be providing for the initial five-year period till the project is commissioned.

However, once the project starts, the full risk exposure and capital will be provided by the LIC when the banks move out.

Sources said that once an infrastructure project starts, the return on investment will be very lucrative.

Infrastructure financing has been a significant foray for both SBI and LIC as the Government, in its mini-Budget, had asked both banks and financial institutions to participate in project financing in a big way for using the abundant liquidity in the financial system.

It has also proposed setting up of a Rs 50,000 crore core fund to finance infrastructure projects.

INDIA TO BE 2ND HOTTEST FDI SPOT: UN SURVEY

India is set to be world's second hottest destination for foreign direct investment after China in the next four years, according to a UN-sponsored survey.

According to news reports the survey points to the US having fallen to the third spot, while Thailand ranks fourth, followed by Poland and the Czech Republic (with equal points), Mexico and Malaysia (equal points) and the United Kingdom, Singapore and South Korea (ranked equal).

These results are based on a joint survey conducted by the UNCTAD in Geneva and by Corporate Location Magazine in London.

More than four out of five international location experts from around the world believe that FDI inflows are about to take off again, following three years of continuous decline in global FDI.

The survey, which polled 87 investment analysts worldwide, gave no figures for investment flows, but said volumes were seen improving after three poor years between 2001 and 2003.

For India and China, major FDIs are expected in the manufacturing sector. Prospects for motor vehicles and other transport equipment, machinery and equipment, chemicals and, to a lesser extent, electrical and electronic products, publishing and media service are brighter.

In the services sector, banking and insurance, business services, tourism, transport, computer-related services, retail and wholesale trade will take the lead in attracting FDI in the years to come, experts said in response to the survey questions.

Asia-Pacific garners the most optimism of all regions in terms of its future FDI prospects.

The survey findings predict that the most likely options for business expansion overseas are evenly divided between mergers and acquisitions (41 per cent) and greenfield investments (37 per cent). Other modes of international business expansion such as licensing and strategic alliances were mentioned by only 22 per cent of the respondents.

Despite the fact that the outsourcing of white collar jobs has become a major issue in many countries and dominates international business headlines, the respondents still see the bulk of relocation occurring in lower value-added corporate functions.

Processing activities, logistics and supply functions are the most frequently mentioned corporate functions likely to relocate abroad.

MULTIMEDIA AD CAMPAIGN FOR NEW PENSION SCHEME LIKELY

The Government, it is reported, has decided to launch a multimedia campaign to create an awareness about the new pension scheme. It is in talks with the Confederation of Indian Industry (CII) and various other non-governmental organisations for the campaign which will be launched in the year-end, it is reported.

The amount to be spent on the campaign is yet to be decided. It is likely to be finalised at the time of regular Budget for financial year 2004-05.

The Government, it is reported, has decided to put in about Rs. 70 crore as its contribution for the new scheme in the first year. At present, it will be operational only for the new Central Government employees.

LIC board adopts Deloitte report

Newspaper reports say that an equity offering by the Life Insurance Corporation of India (LIC) is in the offing.

Reports also say that in a move that would spark off a massive recast of the Indian insurance giant, including corporatisation and a large dose of recapitalisation by the Government in the run-up to a subsequent public offering, the LIC board of directors has adopted the restructuring report prepared by its consultants, Deloitte Touche Tomahatsu India.

The LIC Chairman, Mr S.B. Mathur, has been quoted confirming that the corporation has adopted the restructuring report of the consultants virtually in toto.

Mr. Mathur confirmed that among its major proposals was the corporatisation of the entity with an eye towards accessing the capital market to meet its future requirements.

"The Government might not be willing to continuously recapitalise LIC. The additional capital may have to come from other shareholders."

After corporatisation and before the IPO, LIC might have to seek recapitalisation from the Government to make the pricing of its shares attractive for public participation, reports say.

The recapitalisation would be required to dilute the earnings per share, since the paid-up capital of Rs. five crore that the corporation operates with currently would result in abnormal pricing of its shares during a public float.

The other major suggestion in the consultants' report is that the sole public sector insurer in the country should not have the advantage of the backing of Government guarantee in order to create a level playing field with other private sector players.

Should the Government work towards this, the corporation would have to ensure that is has the paid-up capital and meets the solvency margins to back its operations that captures over 90 per cent of the Indian life insurance market.

LIC is already set to meet the solvency margins by March 31, 2004 by providing for an amount in excess of Rs. 10,000 crore to back up operations since its inception.

"In the insurance business, the paid-up capital requirement is a dynamic concept," Mr Mathur is reported saying, pointing out that some of the new private players have already hiked their capital to much above the mandatory minimum level despite handling much less business than LIC.

INDIAN INSURERS TAKE ADVANTAGE OF LOW GLOBAL INSURANCE RATES

Air India has reportedly secured an insurance cover for its 33 aircraft fleet for around 20 per cent less than the $11.6 million premium paid last year.

A few months ago, Reliance Industries had bought its Rs 40,000 crore risk policy for Rs 142 crore, about 10 per cent less than last year's annual premium of Rs 156 crore.

Air India and Reliance are among the several Indian companies which sought insurance cover overseas to reap the benefits of a softened global insurance market.

The cost of acquiring covers overseas has fallen by 15 to 20 per cent. Indian companies can seek insure overseas if domestic insurance firms cannot cover them.

Domestic insurance firms need a greater ability to cover new businesses. So they too buy reinsurance overseas — and are getting lower premiums now. National Insurance Companyhas also reportedly finalised its reinsurance programme at a 15 to20 per cent lower rate.

"The international insurance market had jacked up premiums after September 11. With no major international losses and excess capacity in the international market, we are today operating in a soft market," National Insurance Company Chairman and Managing Director Mr. H. S. Wadhwa has been quoted saying.

Over 40 per cent of National Insurance's portfolio has been reinsured with the General Insurance Corporation of India (GIC).

The fall in global insurance premiums won't benefit corporates that seek cover in the Indian market, because 65 to 70 per cent of Indian insurance business continues to be under the tariff regime — premiums are fixed by the Tariff Advisory Committee (TAC), and do not change in line with global trends.

So though most domestic insurers have been able to secure cheaper reinsurance covers, the benefit will not be passed on to all corporates.

Visva-Bharati files Rs. 2.39 crore insurance claim

Visva-Bharati authorities filed an insurance claim of over Rs 2.39 crore for the theft in March of Gurudev Rabindranath Tagore's Nobel Prize medal and memorabilia, university Vice-chancellor Mr. Sujit Basu is quoted saying.

News agency reports quote him saying to newspersons after an emergency meeting of the Visva-Bharati Karma Sabha convened to take stock of the situation following the theft, "We have filed an insurance claim of 2,39,70,000. The total insurance coverage for the museum is Rs 3,59,13,402".

NEW INDIA TO OPEN NEW ZEALAND BRANCH

New India Assurance, the largest domestic general insurance company is opening a new branch in New Zealand and winding up 20 of its nationwide branches following the exit of some 1100 officers due to VRS, it is reported.

On the total premium income in 03-04, the company will be collecting over Rs 4,000 crore from the domestic market and Rs 800 crore from the overseas operations.

SWISS RE REPORTS NET INCOME OF CHF 1.7 BILLION

Swiss Re's net income increased to CHF 1.7 billion in 2003. It also posted increase in premiums to CHF 30.7 billion. Property and casualty business was especially strong with premiums up 25 per cent in original currencies and a combined ratio of 98.4 per cent.

John Coomber, Swiss Re's Chief Executive Officer said in a press release that "Swiss Re's 2003 results reflect good performance from all three business groups. Property and casualty lines in particular developed positively reflecting favourable market conditions. We expect further improvements across the Group in 2004."

Particular progress was made in non-life reinsurance where underwriting profitability improved significantly, said the press release. Overall net premiums increased six per cent, or 16 per cent at constant foreign exchange rates, to CHF 30.7 billion. Operating efficiency improved across all business groups in 2003 and cost initiatives will further benefit 2004 and beyond, it added.

Swiss Re's Property & Casualty Business Group increased premium income by 16 per cent to CHF 17.4 billion. In original currencies premiums grew by 25 per cent, attributable to higher premium rates and organic growth. Earnings grew to CHF 1.8 billion (including capital gains of CHF 0.4 billion), reflecting a six percentage point improvement in the combined ratio to 98.4 per cent.

Swiss Re's Life & Health Business Group maintained its earnings record with a return on operating revenues of 8.7 per cent or CHF 1.2 billion. Premium growth was flat in original currencies (-9 per cent in Swiss Francs) reflecting the continued run-off in some health lines, declining interest rates and the first effects of Swiss Re's repricing actions.

Return on investments increased to 5.1 per cent, from 4.7 per cent in 2002 which was heavily affected by impairment charges on equity securities. Swiss Re continued its strategy of concentrating capital on its core reinsurance business and has further reduced its exposure to equity markets in 2003.

The company's Board of Directors will recommend a dividend of CHF 1.10 per share (up from CHF 1.00 per share for 2002) at the Annual General Meeting on 14 May 2004.

At the Annual General Meeting Swiss Re will propose Kaspar Villiger for election to the Board of Directors. Kaspar Villiger is a former President of the Swiss Confederation and Federal Councillor of Switzerland.

Swiss Re is one of the world's leading reinsurers operating through more than 70 offices in over 30 countries. It is based in Zurich, Switzerland.

JAPAN POST SEES INTERNATIONAL BUSINESS AS CORNERSTONE

Japan Post aims to beef up its international business to survive intensifying global competition ahead of its planned privatisation beginning in 2007, according to Mr. Masaharu Ikuta, President of the Japan government-owned entity.

"Our international business is small right now. But we are trying to establish the business as an important cornerstone in the future," Mr. Ikuta, the 69-year-old former Chairman of shipping company Mitsui O.S.K. Lines Ltd., is reported saying.

Of Japan Post's 2 trillion yen in sales in postal services, 1.7 per cent comes from the overseas parcel business. But Japan Post expects the global market to grow 1.9 times from the 4.9 trillion yen in 2002 to 9.2 trillion yen in 2012.

Notably, the delivery business within Asia is expected to grow 3.1 times in that period.

It has been a year since Japan Post was born as a public corporation after taking over the governmental Postal Services Agency's mail delivery, postal savings and "kampo" life insurance services.

Japan Post is also the country's biggest financial entity, with its postal savings and insurance policies standing at about 350 trillion yen. As a result, it has been criticised for hampering the private insurance and banking sectors.

Mr. Ikuta is opposed to separating the savings and insurance operations from the postal system after its privatization, and running its post office network solely by selling a variety of financial products, such as investment trusts. This idea, put forward by some experts, would not provide enough money, he said.

Fees from selling government bonds and providing settlement services stood at 80.4 billion yen for fiscal 2003, while it cost four trillion yen to maintain the nationwide post office network. Even if Japan Post boosts its lineup of financial products, the expected revenues would show an increase of only 300 billion yen at most, Mr. Ikuta said.

"It is true that the postal network is a precious treasury of the people," Mr. Ikuta said. "But it is also a fact that the revenues we can obtain from sales of financial products is too small to run the postal network."

IASB ISSUES STANDARD ON INSURANCE CONTRACTS

The International Accounting Standards Board (IASB) recently issued International Financial Reporting Standard 4 Insurance Contracts (IFRS 4). The publication of this IFRS provides, for the first time, guidance on accounting for insurance contracts, and marks the first step in the IASB's project to achieve the convergence of widely varying insurance industry accounting practices around the world.

In developing IFRS 4, the IASB balanced the urgent need for an international standard on accounting for insurance contracts with the recognition that developing a global consensus on a rigorous and comprehensive approach would require extensive consultation beyond the time frame available. In particular, consultation on a completely new international approach could not be completed in time to meet the starting date of 2005 set by the European Union and other jurisdictions. In that light, IFRS 4 completes only the first phase of the IASB's insurance project. It is aimed at introducing improved disclosures for insurance contracts, and modest improvements to recognition and measurement practices, without requiring extensive changes that might need to be reversed when the IASB completes the second phase of this project.

In the second phase, the IASB will address broader conceptual and practical issues related to insurance accounting. These will be the subject of IASB deliberations and consultations with interested parties that will resume in the second quarter of 2004. The IASB's next step will be the establishment of an international working party of about fifteen members. The working party will be composed of experts active in the insurance industry and the accounting profession, representatives of the appropriate regulatory and supervisory authorities, and investment analysts. Although the completion of any long-term solution for insurance contracts may take several years to complete, the IASB is willing to revise IFRS 4 in the short term in the light of any immediate solutions arising from the working party's discussions. Further details of the insurance working party will be announced shortly.

SWISS RE WARNS ABOUT OBESITY

The increasing prevalence of obesity is too significant for the life insurance industry to ignore, according to a Swiss Re study. The report analyses the impact of obesity on mortality trends, and identifies the implications of this escalating global epidemic on the pricing and underwriting of life insurance products.

With links to cardiovascular disease, hypertension, diabetes and many types of cancer, obesity is now a major public health concern world wide. Recent estimates put the prevalence of obesity in the developed world at around 10 per cent to 20 per cent for men and 10 per cent to 25 per cent for women. In the United States and United Kingdom, obesity has increased two to threefold in the last 20 years and other developed countries show similar patterns of increase.

Obesity is not, however, confined to these countries. In the developing world, the prevalence of obesity is around 5 per cent and is expected to rise in the future.

The problem is particularly acute amongst the younger generation, where the overweight child population is on the rise. In the United States, the number and prevalence of obese children aged six to 11 has doubled over the past two decades.

Life insurers must address the growing epidemic The rising levels of obesity run counter to the overall decline in mortality rates seen in most developed nations in recent decades. Mortality improvements have been driven by progress in medical treatment, a reduction in heart disease and declining tobacco use. It is highly probable, according to the study, that mortality improvements could have been greater if obesity levels had remained stable.

Looking ahead, the life insurance industry must tackle issues associated with increases in obesity by ensuring that the related risks are accurately assessed and rated, and that consumers are charged an appropriate premium to reflect the risk they present. This will present challenges for underwriters and actuaries in an increasingly competitive environment. For existing life insurance cover, the detrimental effect of increasing obesity is expected to be offset by continued overall mortality improvements.

Obesity must be tackled by society at large The increasing prevalence of obesity has financial implications for consumers of life insurance products and society as a whole.

Ronald Klein, Global Head of Pricing at Swiss Re's Life & Health Business Group, explained: "Obesity usually stems from a lifestyle choice. Society has dealt with smoking through a variety of measures including education and persuasion. Confronting obesity is now an equally pressing task, calling for a combined and determined effort from all parties. Governments, the medical profession, food manufacturers and consumers - particularly parents - need to be alert to this emerging risk and to play a role in confronting it.

"Unless the prevalence of obesity is brought under control, consumers will bear the ultimate cost. As consumers' Body Mass Index goes up, so too will their premiums," he warned.

The Balancing 'Act'

P. S. Prabhakar

In the earlier parts of this series, we have seen the various aspects of 'pure revenue' items appearing in the general insurer's financials. In this part, what will be discussed are the items appearing in the Balance Sheets, which are essentially 'capital' in nature.

The financials of any enterprise always consist of three important segments – (a) Profit & Loss account for a period, which is the statement from which we can know the operational results of the enterprise; (b) Balance Sheet as on a date, which details what the enterprise owns (assets), what it owes (liabilities) and consequently what it is worth (owners' funds); and (c) Cash Flow Statement, which spells out how physical funds have flowed in and out.

A fundamental postulate of accounting theory is the delineation between Capital and Revenue items. However, in practice, there can be situations of overlap between these two, resulting in the Profit or Loss as shown not being what it actually is and the Balance Sheet items worth being different from what they appear as. And the extent of this practical overlapping is what normally puts the 'true and fair view' certification of the auditors under strain.

With this brief intro, let us see some of the components of the Balance Sheet, those which are less noticed and much less analysed, with specific reference to the published Balance Sheets of insurance companies.

Insurance companies' Balance Sheets look innocuous, at the first glance, with the figures dovetailed from the various schedules attached. (Staid items like Shareholders' Funds, Reserves and Surplus, Fixed assets etc. do not need any detailed dissertation.)

When we come to Current Assets and Current Liabilities, it will become necessary to put the schedules concerned under the magnifying glass, to understand what the individual balances could broadly contain within them. In the absence of availability of any further break-up of the balances in the form of sub-schedules, it is indeed difficult to fathom what could have been parked under the hazy sub-headlines.

For instance, every company will show both in Current Assets and Current Liabilities, the balances with "other persons/entities carrying on insurance business." Insurance, being a global business by nature, is all about spread of risks far and wide and hence every insurer parts with certain a shares of his premium with other insurers, by way of co-insurance (where the preference of the customer plays a role) as well as by reinsurance, both at home and abroad. Reciprocally, he also accepts risks ceded to him. The wider the spread, the better it is for all.

> A fairly good portion of (coinsurance and reinsurance accounts) are not only unreconciled but also irreconcilable.

However, such transactions between insurers (and reinsurers) mostly take place by way of correspondence and accounting entries only. While the Balance Sheet items refer to the 'net' balances as on a date, the corresponding effect should have gone to the revenue. There are always some transactions pending accounting for want of full information and especially when the number of transactions is huge, there can be understandable differences in balances between entities having such transactions.

If periodical reconciliations take place and such pending items are accounted for in the way they should be, then there will be some excuse in hiding behind the concepts such as *going concern* and *consistency*.

But, in reality, such reconciliations never happen and balances are always allowed to mount, with differences ever swelling, resulting in massive sums that should have found their rightful places in the revenue accounts and in the P&L accounts of the insurance companies being held captive in 'Capital' accounts. (For instance, a claim settled by company A on behalf of company B is debited to company B without charging it off to Revenue and because full details are not made available, even the company B does not account it as claim).

Though, every insurance company has such transactions with hundreds of their counterparts across the globe and such problems are not unique to our country or our insurers alone, certainly it is no excuse that "Due to / Due from Insurers" continues to be a perpetual legacy. The financials of the PSU insurers for 2002-03 in these accounts show the following figures and a fairly good portion of them are not only unreconciled but also irreconcilable.

Forgetting the reinsurers abroad, the PSU companies cannot even claim that the balances among the four of them are reconciled and differences identified for accounting. (It has to be acknowledged that in certain regions, sincere attempts are made to have inter-company accountants' meetings to thrash out co-insurance accounting issues). So, it is anybody's guess that how much of the 'revenue' is in such 'capital' accounts and consequently why the operational results shown are not what they actually are.

Rs. in crores

Head	United	New India	National	Oriental	Total
Due from other insurers	337.75	705.56	277.83	187.76	1,508.91
Due to other insurers	192.72	602.86	127.44	91.42	1,014.44

For 2002-03

The statutory auditors, however, seemed to have 'reconciled' to this malady and are reporting this nonchalantly year after year. As many of the readers of the financials do not realise the impact, no serious questions are asked from any quarter.

There is another item called as Agents' balances, both in Current Assets and in Current Liabilities. There is no official sanction in the Insurance Act or from IRDA that insurance companies can have running balances with agents. In fact, no agent is authorised to collect any money on behalf of the company. At best, there can be one month's commission dues that may stand as credit balances. Or there could be continuing aberrations of what has long since been prohibited viz., balances under Agents' bank guarantees.

But the actual extents of such balances (shown below) defy such perceptions. Whether these balances are what they are really supposed to be or whether the head of account is a convenient parking place for several para-revenue items, pending (for how long?) accounting as revenue etc. are but kept closely guarded secrets.

Rs. in crores

Head	United	New India	National	Oriental	Total
Agents' Balances (Dr)	1.61	59.56	1.54	(netted)	62.71
Agents' Balances (Cr)	19.00	28.39	22.20	20.05	89.65

For 2002-03

Earlier, we discussed the unreconciled balances in 'inter-company accounts' shown under 'Amounts due to / due from other insurance companies.' Even this, perhaps, we can understand to some extent as there has to be necessarily involvement from the other companies for such reconciliation attempts.

> A long form audit report like in the case of banks, can be introduced by IRDA to make it obligatory on the part of the auditors to report on several such issues.

However, in the matter of such non-reconciliation of balances, charity does not begin at home. There are always transactions of (a) claims settled - mostly Marine Cargo and Motor Third Party (TP) claims - by one office of the company on behalf of the other and (b) expenses incurred on behalf of another office. There are eternal issues of non-reconciliation between offices of the same company and at any point of time, significant amounts stand wrongly 'capitalised' in these accounts, commonly called Inter Office Accounts. (There are a few other issues in the Balance Sheets about which we shall see in the next issue.)

In view of the sheer size of the balance sheets of the PSU companies, these items, though normally coming under intense scrutiny of the statutory auditors, do not get commented on adversely and, as already mentioned, auditors are quite nonchalant about them.

It is, of course, the earnest belief of the author that the new generation regulations on accounting and financial reporting, as they evolve further in the days to come, will address such issues also.

A long form audit report like in the case of banks, can be introduced by IRDA to make it obligatory on the part of the auditors to report on several such issues. The industry, both in the public and private sectors, which manages large portions of public funds, will have to be kept on toes always in terms of accounting and, consequently, accountability.

The author, who used to work with the nationalised general insurance industry, is a practicing Chartered Accountant. In this series he discusses the process of analysing the balance sheet of a general insurance company.

INAUGURATION

The new conference hall of the National Insurance Academy (NIA), Pune was inaugurated on March 11, 2004. The Academy has launched a two year MBA course for Indian and international students from the forthcoming academic year.

L to R: Dr. K. C. Mishra, Director, NIA, Mr. S. B. Mathur, Chairman, LIC and Mr. R. K. Vashistha, MD, LIC at the function where Mr. C. S. Rao, Chairman, IRDA, cuts the ribbon to inaugurate the new conference hall of the NIA.

FAIR!

The Federation of Afro-Asian Insurers and Reinsurers (FAIR) and NIA, Pune, held a seminar on "Risk Management and Loss Prevention" on March 12 and 13 at the latter's campus at Pune.

L to R: Mr. L. P. Mehta, Editor, Asia Insurance Post, Dr. K. C. Mishra, Director, NIA, Dr. Ezzat Abdel Bary, Secretary General, FAIR, Mr. J. R. Joshi, Ex-Member, Governing Board, NIA, Mr. P. C. Ghosh, Chairman, GIC and Mr. H. Ansari, Chair Professor (General Insurance), NIA look on as Mr. T. K. Bannerjee, Member (Life), IRDA lights the lamp to inaugurate the seminar.

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People who are truly sick from asbestos and the workers at companies caught in the ever-expanding litigation web all are waiting and hoping that Congress finishes their job this year.

Mr.Robert E. Vagley, President of the American Insurance Association on a bill in the US Senate that would end personal injury lawsuits filed by victims of asbestos instead of compensating them from a $ 124 billion trust fund supported by the asbestos and insurance industries

A nightmare bill for asbestos victims, and a simple bail-out bill for the asbestos industry.

An attorney who has represented more than 1,000 asbestos victims commenting on the same bill.

To me the question of the environment is more ominous than that of peace and war. We will have regional conflicts and use of force, but world conflicts I do not believe will happen any longer. But the environment, that is a creeping danger. I'm more worried about global warming than I am of any major military conflict.

Mr. Hans Blix, following his assignment as chief weapons inspector in Iraq

Obesity usually stems from a lifestyle choice. Society has dealt with smoking through a variety of measures including education and persuasion. Confronting obesity is now an equally pressing task, calling for a combined and determined effort from all parties... Unless the prevalence of obesity is brought under control, consumers will bear the ultimate cost. As consumers' Body Mass Index goes up, so too will their premiums.

Mr. Ronald Klein, Global Head of Pricing at Swiss Re's Life & Health Business Group

...for a unit-linked policy to be successful, the pre-requisite is that the policyholder is well-informed. The risk on investment is entirely borne by the investor...Internationally, such plans are considered very safe and capital intensive. With markets opening up in India, the future lies in these products.

Mr. S. B. Mathur,
Chairman, LIC

The international insurance market had jacked up premiums after September 11. With no major international losses and excess capacity in the international market, we are today operating in a soft market.

Mr. H. S. Wadhwa,
Chairman and Managing Director,
National Insurance Company

RNI No: APBIL/2002/9589

Events

3 - 5 May, 2004
Venue: Pune
Financial Derivatives by National Insurance Academy (NIA), Pune

10 - 15 May, 2004
Venue: Pune
Agricultural Insurance by NIA

17 - 18 May, 2004
Venue: Pune
Cyber Laws by NIA

17 - 22 May, 2004
Venue: Pune
Prevention of Insurance Frauds by NIA

24 - 29 May, 2004
Venue: Pune
Regulations & Frauds in Insurance Sector by NIA

27 -28 May, 2004
Venue: Hong Kong
5th Conference on Alternative Risk Transfers in Asia with Captives Workshop

6 - 8 June 2004
Venue: Kuala Lumpur, Malaysia
LOMA Strategic Issues Conference

6 - 9 June 2004
Venue: Bermuda
World Insurance Forum 2004

7 - 12 June 2004
Venue: Pune
Health Care Management by NIA

14 - 15 June, 2004
Venue: Taipei
Construction & Engineering Insurance Conference

16 - 19 June 2004
Venue: Taipei
IFRIMA, FAPARMO & RMST International Risk & Insurance Management Conference