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From the Publisher

One of the measures of the effectiveness and success of an industry is its ability to meet the needs of its customers.

Products and pricing is one side of this issue while reaching out to customers who are geographically and economically harder to reach is also equally a challenge and an opportunity in this quest.

One of the justifications of liberalising the insurance industry was that a larger and more competitive industry would serve better the vast rural hinterland and offer security products to the economically weaker sections of society.

This issue of the Journal takes a look at where the industry is with regard to this and some thoughts on how to achieve these objectives.

If rural markets are underserved so is the health insurance market. There is need and latent demand for products to cater to a cross section of the population. There are, however, real obstacles to this in the form of lack of information and standardisation in the healthcare industry. When the underlying service is not standardised and its pricing consistent and transparent, it is difficult to build an effective financing mechanism for its cost to its customers in the form of insurance.

The insurance industry and healthcare providers should work together to realise the potential of this business which is being put at Rs. 90,000 crores a year. This too was one of the significant benefits that the society expected from the process of liberalising the insurance sector. The IRDA is willing to play the role of a facilitator to make this happen and has appointed a working group to examine the issues involved in this area.

It is only by conscious endorsement and encouragement that society-wide issues can be solved and I am sure that will be the case with healthcare. The fact that in the process of solving this issue the doors will be opened to a large market for health insurance should mean that the entire insurance industry will cooperate in finding the right solutions for our specific needs.

C. S. Rao

C.S.RAO

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Going the Distance

This issue of the **IRDA Journal** comes to you with some very interesting thoughts and ideas on taking insurance to the rural areas of the country. Doubtless many companies are using these and other inspired and innovative ideas, but the ideas and experiences outlined here offer a glimpse of the nature and size of the potential involved in the rural markets.

Mr. Apparao Machiraju expounds a new marketing method, almost centuries old in other markets, and not unknown in the marketing system of other products in India, called Debit Marketing. For serving the rural markets – as opposed to just selling to the rural markets – this seems to be a workable idea to try.

Mr. G. V. Rao outlines the size of the market as exploited by other industries and urges that using the networks created by those others would be a good way for the insurance industry to get a foothold and flourish in the rural areas.

And that is exactly what Mr. R. Krishnamurthy of SBI Life seems to have done and to his satisfaction too. Read about his experience in developing the regional rural banks' presence and local knowledge in his company's quest to capture premium from the villages of India.

Whether it is a regulatory obligation (which it is) or not, the rural market is obviously the goldmine waiting to enrich the daring thinker and doer. And our insurance companies are probably only rallying their resources to make a determined and sustained attack on the markets very like what the consumer goods and banking industries have done, and see the same if not more success.

The next issue will take a look at advertising of insurance. The topic is bound to be interesting both from the point of view of the message to the consumer as well as the intentions of the Regulator to make sure that any communication is not misleading.

Statistics constitute a sizeable part of the offerings this month and tracking what is happening in the market gets more interesting all the time.

The professional development piece in the last issue by Mr. Shiva Belavadi has elicited a lot of interest. Read more about it on page 46. Read also a new piece on developing professionalism in this issue by Ms. Anasuya Chaudhuri-Ghosh who positions the underwriter as marketer!

We have received some response to the survey published last month. We would like to hear from more and more of you, so we give you the format this month too. Please take a few minutes and fill it up to help us make the magazine more to your liking and more useful to you. You can also e-mail us your responses.

We move towards our first anniversary shortly and would like to hear from you to ascertain what more you want us to do.

K. Nitya Kalyani

Catching the Star

K. Nitya Kalyani

Dreams and aspirations. Of the idyllic life without worries, fear or hardship. Trials melting away, threats staved off..... Isn't that what insurance promises? But then, isn't dreams what advertising too sells?

If the advertising industry is known for its dream merchants, insurance is not far behind, in a sense, giving the shape of hard cash and a helping hand in the time of financial need, and most likely, deep personal or professional emotional distress and disaster.

And the combination of the two, advertising for insurance can be highly flammable indeed!

With a larger industry, advertising insurance is a happening activity now and that is apparent if you open any print publication, but more so if you switch on your televisions or the radio.

And why not? Supposedly, a mouthwateringly major part of the insurable population is not insured. And that is only for life insurance. Do many of us know lots of people who have other insurance except for their vehicles and a life policy or two.

What an opportunity! Both for the new insurers and the advertising industry.

And it is interesting to see the gamut of advertising tones and hues, and messages that are chosen to carry the message of security.

A lot of it is based on emotional appeal and dreams and hopes and aspirations for a safe, and maybe better, future. Pensions are not the least a part of this package that the two original dream merchants offer from every hoarding, magazine, newspaper and TV channel, not to speak of radio stations, but that is a game that is yet to even start in right earnest!

> Selling dreams can be dangerous. Not only for the buyer but for the sellers also. In the plural. And we are not talking advertising here!

Selling dreams can be dangerous. Not only for the buyer but for the sellers also. In the plural. For one broken promise or failed dream merchant can maim all the rest. And we are not talking advertising here!

The insurance industry, or any industry that has a fiduciary responsibility, hardly relishes a failure. Even that of its rivals. For the feeble hearts of the customers will break. And they will line up in front of their bank branches to withdraw their life savings or place those sell orders the moment they wake up to bad news.

Which is why financial advertising has so many rules and constraints. Ephemeral as a single art pull, TV commercial or radio jingle is in the life of an insurance company or an advertising agency, it can be the turning point in the life of a potential customer. The one that makes him write that cheque. The purchase he either lives to rejoice over or regret.

It's hard enough making dreams come true, but keeping an eagle eye on the kind of dreams you can promise to make come true is what the advertising regulations of the IRDA for instance is meant to do. That's the Regulator's promise.

Because advertising offers you a dream of a dream. A promise of a promise. All meant to come true in the misty future. And none of them should let you down. And the only way to ensure that is to look with a clear eye and an inquiring mind at anything that is promised to you. Whether by an advertisement, or otherwise, by an insurance company.

LOOK,

THE STARS ARE OUT!

Which one should you hitch your wagon on?

How do you make out what they are?

Our next Issue Focus is on advertising and insurance. Want to write in it? Send us your thoughts by October 20, 2003.

Welcome!

After an eight month wait, the IRDA got a new Member (Life). Mr. T. K. Banerjee, who retired in the end of August from the Life Insurance Corporation of India (LIC) as Executive Director (Marketing and International Operations), took over his new post in early September.

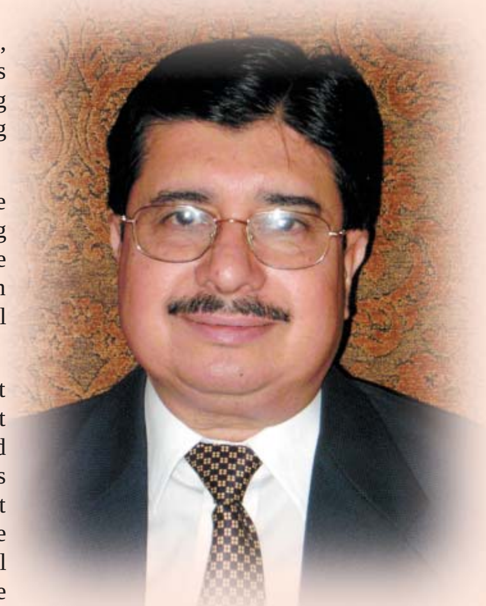
A 1966 recruit to the LIC, Mr. Banerjee has been in charge of its largest zone, the western zone, among other assignments during his 37 year long tenure with the company.

Looking forward to his stint with the IRDA, he envisages his role here as trying to bring in the best practices from the world over to the Indian industry in addition to financial and actuarial monitoring.

Publicity and information aimed at the policyholder should be an important part of IRDA's activities, he feels. And not an easy task either, given that it is an intangible financial instrument that we are talking about. "Building the confidence of the policyholder is critical and for this the credibility of the insurance companies is important," he points out.

People should also be made aware that the growth that is taking place in some areas, like unit-linked policies, are new to the country and they should be given a clear understanding of the risk levels involved in those investments. That awareness building, he feels, is important.

As for the industry, he views the challenges as two-fold. One is that there are new marketing channels and the industry has the facility and responsibility to use them wisely. The Regulator should see to it that bancassurance develops. Products



aligned to banking products have to be developed by insurance sector specially for marketing through this channel he prescribes, or else the channel could suffer due to its impersonal nature.

One pet area of his is health insurance. Whether through the general insurance industry as health covers or through life insurers as riders, this class of insurance has to grow as only the top five per cent of the population is now covered.

The IRDA is an important stakeholder in the development of this class of business due to the important social implications it holds, says Mr. Banerjee, who chaired the first IRDA meeting on healthcare and health insurance development that was attended by all the stakeholders like hospitals, the Employee State Insurance Corporation (ESIC), officials of the health and finance departments of the Union Government, insurers, Third Party administrators-health services (TPAs), non-governmental organisations (NGOs) and institutions interested in micro-insurance.

This is a huge issue and needs a bigger dialogue to be solved, he says.

Mr. Banerjee's only son works in Mumbai in the software industry. His wife, a homemaker, will move to be with him in Hyderabad shortly. This will be, for her another dreaded act of moving home in her lifelong moves with him literally every two years as he was transferred during his LIC service!

But once this good-humoured Bengali gentleman settles down in a home and they start listening to that traditional favourite, Rabindra Sangeet, things should all be back to normal for her as well!

Profit sharing in group schemes

The IRDA has stipulated that only group life insurance policies covering at least 1000 life years can offer profit sharing.

In schemes where the available experience is less than this, profit sharing arrangements are to be deferred until the end of the scheme year in which the minimum number of life years of 1000 is reached on a cumulative basis prospectively. Profit sharing will not be allowed except on a scheme year basis.

This guideline, effective from September 1, 2003, has been issued by the IRDA after consulting with the chief executive officers (CEOs) and appointed actuaries (AA) of life companies in order to establish a standard market practice with regard to profit sharing/ experience rating.

Where schemes have commenced before this date and profit sharing arrangement is provided it can continue and the formula and assumptions for these should be filed immediately with the IRDA. But if it is yet to be provided for the first time then the new guidelines will apply.

The decision on whether to carry forward losses or not shall be decided by the AA taking into account related factors like pricing basis, percentage of profit sharing formula and assumptions for profit sharing.

Also, the guidelines state that the profit sharing percentage shall not exceed 75 per cent if the number of life years for a scheme is less than one lakh and shall not exceed 90 per cent if the number of life years is equal to or more than one lakh.

The mortality assumption for this purpose shall not be lighter than 60 per cent of the rates under the standard mortality table prescribed for the pricing assumptions which is currently the LIC (94-96) ultimate mortality experience.

The experience rating/ profit sharing formula and related assumptions should be furnished at the time of filing the product with the Authority.

Self Discipline

- Life Insurers Agree on Code of Conduct

In keeping with the IRDA's approach to ensure the healthy growth of the industry by encouraging strong self-regulatory systems, the Life Insurance Council, comprising all registered life insurance companies in the country, has been working towards adopting a code of conduct and good practice.

In its meeting on August 14, the Council decided on various areas of operation where the code of conduct applies, and outlined its standards.

The primary requirement is for companies to provide illustrations based on gross investment return assumed on the policies they are trying to sell to customers. These illustrations – mandatory from January 1, 2004, must be prepared in consultation with the Appointed Actuary and authorised for use by the management of the company. They should be reasonable and fair to enable the customer to make an informed decision.

The illustration should contain at least two views of the returns on the policy, a higher rate and a lower rate. Both these rates will be decided by the Council from time to time and have to be adhered to by all life insurers in that an insurer can use a lower rate than what the Council has decided but not a higher rate.

All charges in respect of fund management and policy charges are to be deducted from these return assumptions, and such deductions included explicitly within the illustration tables.

The illustrations should also contain the company's policy on surrender values. A company may show illustrative surrender values if it wishes and may indicate whether or not they are guaranteed.

Further, the illustrations must be reviewed at least once a year in April. The Council, if required by the IRDA, may revise illustration rates more frequently than annually.

The illustrations should also carry the following standardised warning on the front page in the same size type as the rest of the text.

The warning should read: Some benefits are guaranteed and some benefits are variable with returns based on the future performance of your life insurance company. If your policy offers guaranteed returns then these will be clearly marked 'guaranteed' in the illustration table on this page. If your policy offers variable returns then the illustrations on this page will show two different rates of assumed future investment returns. These assumed rates of return are not guaranteed and they are not the upper or lower limits of what you might get back as the value of your policy is dependent on a number of factors including future investment performance."

> Illustrations should be reasonable and fair to enable the customer to make an informed decision. They should carry a standardised warning relating to returns and benefits.

Other code of conduct standards come into effect immediately and apply to product design, brochures, premium receipts and information to policyholders like policy information statements and periodic statements.

Standards relating to product design include the condition that riders should not be made compulsory at any time during the term of the policy. Where an insurer proposes to defer the policyholder's rights to participate in surplus, the insurer is to make a clear statement to that effect in the sales brochure.

Sales brochures should be written in simple and unambiguous language and be discontinued or updated in order to ensure it is never misleading. The information in brochures should be consistent with the terms and conditions filed with the Regulator.

Further, any reference to past performance should be appropriate to the product being illustrated and should carry a disclaimer that past performance may not be a guide to future performance which may be different.

Sales material should clearly distinguish between guaranteed and non-guaranteed benefits and state that the quantum of benefits in respect of non-guaranteed products may vary.

All sales material is to be reviewed at least once a year and revised it where it is not valid.

There are aspects of the code covering premium receipts too. Where coverage starts only on acceptance of the proposal but the payment is already made, the receipt shall state that insurance protection will only be effective from the date of acceptance of the risk. Similar information should be made clear to the prospective customer when a deposit is made along with the proposal.

A policy information statement should be given by the life insurer along with a life policy. If the policy document does not contain it, then the policy information statement shall contain information on the facility available for mode and periodicity of payment of premium, the person or office to be contacted for any enquiry or service relating to the policy, the importance of advising the insurer of any change of address or the policyholder or nominee and the availability of a mechanism to address complaints and grievances of policyholders and information about the Insurance Ombudsman system for dispute resolution if the need arises.

The life insurer should also inform all policyholders of the status of their policy annually.

Broking Committee in listening mode

The Expert Committee on brokers, agents and their remuneration, formed by the IRDA in August has been holding public hearings in metropolitan cities to elicit the views of the various stakeholders on the issues they are deliberating upon.

While meetings in Delhi and Mumbai were held on September 19 and 20 and 27 and 29 respectively, a meeting in Chennai is scheduled for October 10 and 11 at Chennai (Park Hotel, Nungambakkam High Road, Chennai - 34) and at Kolkata on October 13 (National Insurance Co. Ltd. 3, Middleton Street, Kolkata). All hearings will be held between 10 am and 7 pm.

Those wishing to contact the Secretariat of the Committee may e-mail Mr. Prabodh Chander, Executive Director, IRDA, on pchander@irdaonline.org or Mr. Arup Chatterjee, Deputy Director, IRDA on arup@irdaonline.org or write to the Authority's Head Office at Parisrama Bhavanam, Basheer Bagh, Hyderabad - 500004.

The Committee would like to have the benefit of the advice of stakeholders and members of the public who are requested to communicate their point of view in writing to the Committee via post or by e-mail.

The Committee would also be happy to have a personal discussion with interested parties on any one of the dates mentioned above subject to prior appointment.

The Committee was formed on September 1, 2003, following the receipt of representations from various interests such as insurers, insurance consumers, field officers of insurers, chambers of commerce and members of Parliament on its Notification/ Order dated May 30, 2003, which modified its earlier notification of March 22, 2003.

The former notification was made effective from June 15, 2003, and it withdrew the facility of the special discount earlier being paid in all classes of business to non-public sector entities and also stopped brokerage or commission payment in respect of business emanating from public sector undertakings (defined as Government companies under Companies Act). The insurer, in the latter case was permitted to grant a discount on the face of the policy if he so chooses.

The Authority examined the representations and concerns shown on the subject and decided to keep the notification under abeyance with immediate effect and issued orders to that effect on July 16, 2003.

Since, the subject in question relates not only to special discount, agency commission, brokers' remuneration, differential rates/ scales of procurement of insurance business and rebates but to a wider range of issues, it was decided to constitute an expert committee with the following terms of reference:

1. To make specific recommendations:

- Whether the discount in lieu of agency commission and remuneration currently enjoyed by certain segments of policyholders should continue or discontinue or be modified in the interest the of future growth of insurance market.
- Whether any special dispensation is required to be given for Government, public sector unit and corporate clients.
- Whether there should be linkage of this discount/ commission/ remuneration with the paid up capital of the insured.
- Whether the kind of commission/ remuneration encourages rebate and its effects on business development and procurement cost as compared to the services to be rendered by the intermediaries.
- Whether there should be a differential rate of commission/ remuneration to agents/ brokers in general and with special reference to health insurance, personal lines, social and rural sector insurance business.

2. To examine the role of intermediaries viz. agents and brokers in the current insurance market scenario and to make suitable recommendations:

- Clarifying their utility to the future growth of the insurance industry in spreading risk awareness and widening the customer base in respect of both tariff and non-tariff business.
- On the value-added services to be provided to justify compensation received in terms of commission and brokerage.
- On the regulatory safeguards to be considered to eliminate unhealthy practices of rebating and other undesirable market practices inhibiting competition by fair means.

3. To examine the feasibility of referral fee/ charges arrangements in the context of co-operatives, panchayats, banks, non-governmental organisations (NGOs) and other such marketing intermediaries while specifying their role and duties.

4. If any legislative/ regulatory changes are needed in pursuit of the objectives.

5. Any other matter as the Committee may consider relevant for the market conduct and long-term development of the distribution channels by creating an efficient and viable intermediary channel-mix in the best interests of the future growth of the market, the insurers and the insuring public.

Report Card:LIFE

Based on the statistics furnished by life insurers for the five months ended August, 2003, here is a brief analysis of the trends of the first year premium (including single premium).

The thirteen life insurers have garnered first year insurance premium of Rs.4,33,456.11 lakhs towards 67,72,402 policies. Of this, individual business accounted for Rs.3,54,678.91 lakhs for 67,68,134 policies. The group business accounted for Rs.78,777.19 lakhs towards 4,268 policies.

An analysis of individual business statistics further reveals that LIC accounted for 88.80 per cent of the business in terms of premium and 94.22 per cent in terms of policies. As against this, the private insurers captured 11.20 per cent of the premium and 5.78 per cent of the policies.

In terms of group business, LIC captured 93.79 per cent of the premium and 93.70 per cent of the policies. The twelve private insurers captured only 6.21 per cent of the premium and 6.30 per cent of the policies underwritten during the period for group business.

ICICI Prudential continued to lead with a 3.07 per cent market share of the premium underwritten and 1.34 per cent of the number of policies, followed by HDFC Standard Life in terms of number of policies and Birla Sunlife in terms of premium underwritten.

For the two-month period of July and August, 2003, the Varishtha Pension Bima Yojana launched by the LIC, procured premiums of Rs.1,64,224.72 lakhs for 89,691 policies.

The private players have, during the first five months of the current financial year, underwritten 46.56 per cent of the first year premium (including single premium) of the business they did in the entire previous year. In comparison, LIC has achieved 24.34 per cent of the business it wrote for all of last year.

Traditionally, LIC writes the bulk of its business during the last quarter of any given year. In terms of market share, during the first five months the market share of the private players has gone up to 10.29 per cent as against 5.66 per cent in FY 2002-03.

First Year Premium – August 2003

(Rs. in lakhs)

S.No.	Insurer	Premium u/w		% of Premium	No. of Policies		% of Policies
		August	Upto August	Upto August	August	Upto August	Upto August
1	**Allianz Bajaj**	**908.41**	**3,473.53**	**0.80**	**14,639**	**53,323**	**0.79**
	Individual Single Premium	33.69	239.90		99	623	
	Individual Non-Single Premium	868.29	3,213.69		14,538	52,685	
	Group Single Premium						
	Group Non-Single Premium	6.43	19.94		2	15	
2	**ING Vysya**	**233.59**	**951.25**	**0.22**	**3,825**	**15,576**	**0.23**
	Individual Single Premium		18.30			2,692	
	Individual Non-Single Premium	233.59	932.95		3,825	12,884	
	Group Single Premium						
	Group Non-Single Premium						
3	**AMP Sanmar**	**117.31**	**481.23**	**0.11**	**2,777**	**9,512**	**0.14**
	Individual Single Premium						
	Individual Non-Single Premium	109.40	417.05		2,774	9,505	
	Group Single Premium						
	Group Non-Single Premium	7.92	64.18		3	7	
4	**SBI Life**	**732.84**	**2,079.08**	**0.48**	**4,355**	**10,979**	**0.16**
	Individual Single Premium	107.45	288.76		148	432	
	Individual Non-Single Premium	191.14	566.04		4,177	10,463	
	Group Single Premium	286.99	771.53		6	10	
	Group Non-Single Premium	147.26	452.75		24	74	
5	**Tata AIG**	**1,164.87**	**4,789.94**	**1.11**	**12,508**	**47,760**	**0.71**
	Individual Single Premium						
	Individual Non-Single Premium	953.34	3,728.14		12,503	47,731	
	Group Single Premium	40.02	157.81		0	0	
	Group Non-Single Premium	171.51	904.00		5	29	

(Rs. in lakhs)

S.No.	Insurer	Premium u/w		% of Premium	No. of Policies		% of Policies
		August	Upto August	Upto August	August	Upto August	Upto August
6	**HDFC Standard**	**974.26**	**5,496.73**	**1.27**	**10,504**	**59,922**	**0.88**
	Individual Single Premium	318.85	1,933.71		705	4,589	
	Individual Non-Single Premium	611.56	3,350.83		9,791	55,286	
	Group Single Premium	43.85	212.19		8	47	
	Group Non-Single Premium						
7	**ICICI Prudential**	**3,426.90**	**13,310.55**	**3.07**	**18,146**	**90,505**	**1.34**
	Individual Single Premium	934.00	2,928.00		755	3,420	
	Individual Non-Single Premium	2,490.00	10,374.30		17,388	87,078	
	Group Single Premium	2.90	8.25		3	7	
	Group Non-Single Premium						
8	**Birla Sunlife**	**2,521.46**	**6,547.39**	**1.51**	**8,350**	**29,125**	**0.43**
	Individual Single Premium	119.72	362.45		1,741	4080	
	Individual Non-Single Premium	1,268.80	4,477.03		6,601	25,019	
	Group Single Premium	38.37	134.29				
	Group Non-Single Premium	1,094.57	1,573.62		8	26	
9	**Aviva**	**503.21**	**1,672.96**	**0.39**	**5,279**	**21,843**	**0.32**
	Individual Single Premium	31.20	102.10		53	218	
	Individual Non-Single Premium	469.16	1,565.45		5,224	21,621	
	Group Single Premium						
	Group Non-Single Premium	2.84	5.41		2	4	
10	**OM Kotak**	**588.00**	**2,114.71**	**0.49**	**3,618**	**13,114**	**0.19**
	Individual Single Premium	13.85	176.14		16	109	
	Individual Non-Single Premium	520.21	1,505.25		3,599	12,992	
	Group Single Premium						
	Group Non-Single Premium	53.95	433.32		3	13	
11	**Max New York**	**829.40**	**3,156.67**	**0.73**	**7,975**	**34,245**	**0.51**
	Individual Single Premium	11.58	41.67		18	63	
	Individual Non-Single Premium	788.72	2,965.23		7,948	34,146	
	Group Single Premium						
	Group Non-Single Premium	29.10	149.77		9	36	
12	**MetLife**	**136.34**	**542.59**	**0.13**	**1,482**	**5,481**	**0.08**
	Individual Single Premium	2.88	11.96		15	69	
	Individual Non-Single Premium	133.46	529.53		1,467	5,411	
	Group Single Premium						
	Group Non-Single Premium		1.10			1	
	Private Total	**12,136.58**	**44,616.63**	**10.29**	**93,458**	**3,91,385**	**5.78**
13	**LIC**	**92,238.30**	**3,88,839.48**	**89.71**	**17,82,484**	**63,81,017**	**94.22**
	Individual Premium*	78,018.57	3,14,950.43		17,81,383	63,77,018	
	Group Single Premium	14,219.73	73,889.05		1101	3999	
	Group Non-Single Premium						
	Grand Total	**1,04,374.88**	**4,33,456.11**	**100.00**	**18,75,942**	**67,72,402**	**100**

* Break up into Single and Non-Single Premium not available.

Doctor's Duty of 'Care'

H.K. Awasthi

A doctor has several duties towards his patient and if he does not attend the patient with care and diligence then he certainly has committed negligence.

In the case of Dr. Laxman Balkrishna Joshi Vs. Dr. Trimbak Bapu Godbole & Anr., AIR 1969 SC/28, the Honourable Supreme Court has observed that 'a person who holds himself out ready to give medical advice and treatment impliedly undertakes that he is possessed of skill and knowledge for the purpose.

Such a person when consulted by a patient owes him certain duties, viz., a duty of care in deciding whether to undertake the case, a duty of care in deciding what treatment to give or a duty of care in the administration of that treatment.

The practitioner must bring to his task a reasonable degree of skill and knowledge and must exercise a reasonable degree of care. Neither the very highest nor a very low degree of care and competence judged in the light of the particular circumstances of each is what the law requires. The doctor has a discretion in choosing treatment which he proposes to give to the patient.

An experienced eye surgeon decided to treat the patient. He operated and kept the patient admitted in the government hospital and, after five days, discharged her.

When an infection developed he referred the patient to a specialised centre. Referring the patient thus revealed that the doctor was vigilant about the condition of the patient.

Hence, this cannot be treated as negligence (Dr. P.C. Dwivedi Vs Smt. Kamalabai Pandey, III (2003) CPJ 170). Moreover, Mrs. Kamalabai was treated in a government hospital where no fees was charged from her. She was not consumer within the definition of consumer as defined under Sec. 2(1) (d) of the Consumer Protection Act, 1986.

However, there is another example where the doctor failed to carry out the care in the administration of a particular treatment. Mrs. Santosh Bai, pregnant wife of Mr. Ramesh Chandra Prajapati, was admitted to Ujjain Charitable Hospital on the advice of Dr. Jaya Mishra, a gynaecologist, who got the sonography test done on March, 30, 1999 at 1 pm.

The patient was admitted at 3 pm. The doctor found the foetus dead. Dr. Jaya Mishra again examined the patient and prescribed medicines and injections for inducing vaginal delivery within 12 to 14 hours and, if contingencies arose, caesarian delivery was to be done. She then went home.

> In terms of technology, healthcare resembles a marathon being run like a sprint. There is a lot of ground to cover and the pace keeps picking up.

The nurses administered injections as recommended by the doctor. After sometime the patient was restless and there was much bleeding from vagina. The nurses reported the matter to the doctor who said that the bleeding was usual and there was no need to worry.

After sometime, there was excessive bleeding and the matter was reported to the doctor again but she did not pay any attention to the request. The patient remained unattended by Dr. Mishra, only the nurses were attending her and the patient expired on March 31, at 8.30 pm. The matter was reported to the police.

A complaint was lodged before the district consumer disputes redressal forum claiming a compensation of Rs. three lakhs for death due to negligence and Rs.7,500 and Rs.500 as costs of the proceedings.

The district forum held Dr. Mishra responsible for medical negligence and, therefore, awarded a compensation of Rs.80,000 to be paid jointly or severally by Dr. Mishra and Ujjain Charitable Hospital and also Rs.500 as costs. However, Dr. Mishra and Ujjain Charitable Hospital preferred an appeal before the Madhya Pradesh State Consumer Disputes Redressal Commission, Bhopal, which did not find any reason to interfere with the finding of the district forum as, on analysis of the details, the doctors and the hospital were negligent in administration of treatment to the patient.

The Commission observed that when the bleeding started and the condition of the patient became serious and unmanageable it was the duty of the hospital staff as well as of Dr. Mishra to attend the patient on an emergency basis and, if there was excessive bleeding she should have made efforts to check the bleeding or decided on an immediate caesarean section, the removal of uterus and packing of the bleeding point. That means administration of the treatment was the duty which should have been performed by the doctor and staff which they failed to do.

This failure in their duty amounts to negligence on the part of Dr.Mishra and the hospital staff. (Ujjain Charitable Trust Hospital vs. Ramesh Chandra & Ors., III (2003) CPJ 181). Since the relationship of doctor and patient is of mutual faith and trust, doctors have to become more careful towards their duties and conscious of their responsibilities towards patients.

In terms of technology, healthcare resembles a marathon being run like a sprint. There is a lot of ground to cover and the pace keeps picking up. Keeping together patients, doctors, healthcare systems and technology developers poses a challenge. Someone is always lagging behind while others surge ahead.

How to deliver excellent clinical quality care in compassionate and respectful ways is the most challenging task of any health provider.

Apart from appropriate scientific and technical competence and skill on the part of the medical establishment and its staff, the perceptions of patients are an important part of defining quality. In order to assess any healthcare system, five questions are pertinent from the patients point of view:

1. Were you treated with respect and dignity, and as a partner in healthcare process?
2. How well did the hospital staff address your fears and anxieties?
3. How organised and efficient were the doctors and nurses?
4. Did the hospital staff explain treatment options and test results clearly and completely?
5. Did the doctors and nurses explain what to expect after you left the hospital?

If these questions are answered and point to the satisfaction and comfort of the patient, then the doctor's (and his institution's) duty of 'care' begin to get accomplished.

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For Better Disclosure

Some years ago, mutual funds and public issue offer documents were directed to carry a statutory warning to the effect that past performance is not a guarantee of future earnings. The warning on cigarette packs hung in the air as the incongruous predecessor to this.

But the warnings are there with good reason. Whether in mutual fund offer documents or on packs of cigarettes. And soon will be on material intended to sell you any life insurance policy.

From January, 2004, any brochure or material that a life insurance company, its agent or representative gives a customer should carry certain mandatory features.

The first is two illustrations – of how the returns on the policy will fare assuming a lower and a higher return rate – and the second is a warning in standardised wording. The warning clarifies that some benefits are guaranteed and others are not, and that the relevant information would be available in the mandatory illustration and that the illustrations themselves are only based on an assumption and do not constitute a promise of a return.

These rates for the illustration will be decided by the Life Insurance Council, a self-regulatory association of all life insurance companies registered in India. This will be done from time to time with reference to the interest rates in the economy, and companies have to review and, if necessary, revise their illustrations at least once a year, in April, and more often if the existing illustrations are rendered invalid. The Council has taken these disclosure decisions and it is binding on all its members. Other decisions were taken by the Council (See page 6 for full details) also related to disclosure and information to customers.

What is this system of providing illustrations with prescribed rates aimed at achieving?

The underlying idea is that companies should be transparent about the benefits that customers get from a policy, and that the likely returns on various policies across companies should have a common plank for comparison. The illustrations should give a fair and reasonable picture of the policy returns to enable the customer to make an informed decision.

A financial product is not easy to understand. And, unfortunately, most of the buyers of financial products do not take the precaution and the trouble to try to understand it.

There are lacunae in information from the providers' side as well and this is what the Council is making an effort at bridging in the case of life insurance products.

The purpose that the illustration system will serve is that once all companies use the same reference rates for illustrations (they can illustrate using rates lower than those given by the Council, but not higher rates) and explicitly state the charges (policy charges and funds management costs) that will then be applied on it, then the customer is better placed to understand the advantage of one product over another and make an informed decision.

In other markets in the world, companies have had to bear heavy penalties and charges for the mis-selling of life and pension products. With competition being still in its infancy in the Indian insurance market, the introduction of these good practices are aimed at creating a healthy atmosphere for the growth of the industry and the security of the customers through informed consent.

And whether it is the purchase of financial products or, indeed, tobacco, the exercise of free will in the pursuit of one's own definition of needs, wants and happiness will be that much safer with some information and warnings!

Quarter One, 2003

Based on the first year premium (including single premium) statistics furnished by the insurers for the first quarter ended June 30, 2003, an analysis of the performance of the private players and LIC has been carried out.

With most of the private insurers being in the second/third full year of their operations, they are positioning themselves to create a niche in the competitive life insurance industry.

During the period under reference, there continued to be thirteen life insurers, i.e., twelve private sector insurers and one public insurer (LIC). It is of keen interest to the various stakeholders of the insurance industry to study the initial performance and penetration of the business in terms of the various lines of business.

A total premium of Rs.2,22,984.03 lakhs for 32,08,295 policies was written for the period, of which LIC's share was Rs. 2,00,479.47 lakhs for 30,03,096 policies capturing 89.91 per cent and 93.60 per cent respectively. In comparison, the private players wrote a premium of Rs.22,504.56 lakhs for 2,05,199 policies making for a share of 10.09 per cent and 6.40 per cent respectively of the entire pie.

Broadly, the business underwritten by the insurers is categorised into individual and group business. Further, both these categories have been classified into non-linked and linked business with each having sub classifications of life, general annuity, pension and health business, with profit and without profit respectively.

PUBLIC SECTOR

Total Individual business

Life Insurance Corporation of India underwrote total individual premium of Rs.1,57,543.87 lakhs for 30,01,154 policies, i.e.: 78.58 per cent of the business underwritten by them.

Total group business

The total group premium of Rs.42,935.6 lakhs covering 3,99,508 lives for a sum assured of Rs.1,44,481.61 lakhs under 1,942 policies was underwritten by LIC. The entire business under the group segment was underwritten as non-linked business.

Group Non-linked business

Without profit policies of life, general annuity, and health were more popular in this class of business. No health policies were underwritten in this category. Life without profit policies accounted for a premium of Rs.24,911.76 lakhs covering 3,68,420 lives for a sum assured of Rs.1,43,344.81 lakhs for 1,792 policies. Pension without profit policies accounted for a premium of Rs.1,971.74 lakhs covering 28,449 lives for a sum assured of Rs.1,136.8 lakhs under 146 policies. General Annuity without profit premium underwritten was Rs.8,824.31 lakhs covering 1,451 lives as against General Annuity with profit premium underwritten at Rs.7,227.79 lakhs for four policies covering 1,188 lives.

Overall Analysis

In terms of the total business underwritten by the life insurers, individual premium accounted for 80 per cent of the market share and 99.93 per cent of the number of policies for the quarter ended June, 2003. As against this, Group business accounted for 20 per cent of the premium underwritten during the quarter with a mere 0.07 per cent of the total policies.

Analysis of rural and social sectors looks a bit premature at the moment, as insurers have still to underwrite major business in these segments.

PRIVATE SECTOR

Total Individual business

Total individual business of private insurers accounted for Rs.20,406.92 lakhs for 2,05,062 policies and sum assured of Rs.4,84,240.47 lakhs i.e., 90 per cent of the business underwritten by them.

Individual Non-linked business

A total premium of Rs.12,777.69 lakhs for 1,63,976 policies and Rs.3,89,544.59 lakhs sum assured was written in this category. Life with profit policies contributed 80 per cent of the entire business underwritten in this category, with premium of Rs.10,197.13 lakhs for 1,21,020 policies and sum assured of Rs.1,93,563.16 lakhs. As against this, life without profit accounted only for Rs.853.48 lakhs for 31,139 policies and Rs.78,234.77 lakhs sum assured.

Pensions with profit accounted for premium of Rs.1,290.39 lakhs towards

(Contd. on Pg. 14)

INDIVIDUAL BUSINESS (INCLUDING RURAL & SOCIAL)

SINGLE PREMIUM

(Rs. in lakhs)

S.No.	Particulars	Premium	Policies	Sum Assured
	Non-linked*			
1	**Life**			
	with profit	1,300.67	2,986	1,524.19
	without profit	135.68	3,632	2,925.76
2	**General Annuity**			
	with profit	54.19	83	83.44
	without profit			
3	**Pension**			
	with profit	175.21	186	166.46
	without profit	3.92	1	0.10
4	**Health**			
	with profit			
	without profit			
A.	**Sub total**	**1,669.66**	**6,888**	**4,699.95**
	Linked*			
1	**Life**			
	with profit	24.05	37	24.29
	without profit	1,329.62	1,854	1,284.39
2	**General Annuity**			
	with profit			
	without profit			
3	**Pension**			
	with profit			
	without profit	188.57	144	69.88
4	**Health**			
	with profit			
	without profit			
B.	**Sub total**	**1,542.24**	**2,035**	**1,378.56**
C.	**Total (A+B)**	**3,211.90**	**8,923**	**6,078.51**
	Riders:			
	Non-linked			
1	Health#	0.99	3	5.00
2	Accident##	0.57	14	41.50
3	Term	0.03	3	1.38
4	Others			
D.	**Sub total**	**1.59**	**20**	**47.88**
	Linked $			
1	Health#		6	15.75
2	Accident##		6	13.00
3	Term		4	14.75
4	Others			
E.	**Sub total**		**16**	**43.50**
F.	**Total (D+E)**	**1.59**	**36**	**91.38**
G.	****Grand Total (C+F)**	**3,213.49**	**8,923**	**6,169.89**

NON-SINGLE PREMIUM

(Rs. in lakhs)

S.No.	Particulars	Premium	Policies	Sum Assured
	Non linked*			
1	**Life**			
	with profit	8,896.46	1,18,034	1,92,038.97
	without profit	717.80	27,507	75,309.01
2	**General Annuity**			
	with profit	31.20	326	672.76
	without profit			
3	**Pension**			
	with profit	1,115.18	10,906	21,340.84
	without profit			
4	**Health**			
	with profit			
	without profit	7.68	315	505.00
A.	**Sub total**	**10,768.33**	**1,57,088**	**2,89,866.59**
	Linked*			
1	**Life**			
	with profit	430.31	7,031	11,321.99
	without profit	4,833.41	23,990	63,013.33
2	**General Annuity**			
	with profit			
	without profit			
3	**Pension**			
	with profit	26.88	397	
	without profit	796.24	7,633	3,998.44
4	**Health**			
	with profit			
	without profit			
B.	**Sub total**	**6,086.85**	**39,051**	**78,333.76**
C.	**Total (A+B)**	**16,855.16**	**1,96,139**	**3,68,200.35**
	Riders:			
	Non-linked			
1	Health#	120.58	15,142	9,731.13
2	Accident##	136.05	65,665	78,270.53
3	Term	38.87	5,973	3,351.87
4	Others	42.62	6,438	3,576.64
D.	**Sub total**	**338.11**	**89,298**	**94,930.17**
	Linked			
1	Health#		1,264	5,471.35
2	Accident##	0.01	4,291	6,691.45
3	Term	0.14	1,444	2,655.41
4	Others		1,937	121.86
E.	**Sub total**	**0.15**	**8,936**	**14,940.07**
F.	**Total (D+E)**	**338.26**	**98,234**	**1,09,870.24**
G.	****Grand Total (C+F)**	**17,193.43**	**1,96,139**	**4,78,070.58**

* Excluding rider figures. ** for policies Grand Total is C.

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

The premium is actual amount received and not annualised premium.

$ The break up of the premium underwritten is not available. MetLife: Includes only first premium.

Note: The break up of the individual business for LIC is not available.

11,092 policies and sum assured of Rs.21,507.30 lakhs, with a nominal Rs.3.92 lakhs premium underwritten towards pensions without profit.

Under the General Annuity segment with profit, policies were preferred to General Annuity without profit. This segment captured premium of Rs.85.39 lakhs for 409 policies and sum assured of Rs.756.20 lakhs.

In this segment, the health segment alone garnered without profit business at a nominal premium of Rs.7.68 lakhs for 315 policies and Rs.505 lakhs sum assured.

Individual Linked business

An overall premium of Rs.7,629.24 lakhs for 50,038 policies and Rs.94,695.89 lakhs was underwritten in this category. In contrast to the non-linked business, without profit policies were more popular than with profit policies. Moreover, only life and pension policies attracted attention in the market. Life with profit captured a premium of Rs.454.36 lakhs for 7,068 policies and sum assured of Rs.11,346.28 lakhs whereas, life without profit garnered a premium of Rs.6,163.03 lakhs for 25,844 policies and Rs.64,297.72 sum assured.

Pension with profit policies garnered premium of Rs.26.88 lakhs for 397 policies was underwritten, as

GROUP BUSINESS (INCLUDING RURAL & SOCIAL)

SINGLE PREMIUM

(Rs. in lakhs)

		Private Insurers				Life Insurance Corporation of India			
S.No.	Particulars	Premium	No. of Schemes	Lives Covered	Sum Assured	Premium	No. of Schemes	Lives Covered	Sum Assured
I	**Non linked***								
1	**Life**								
a)	*Group Gratuity Schemes*								
	with profit								
	without profit					9,314.34	236	14,037	10,398.40
b)	*Group Savings Linked Schemes*								
	with profit								
	without profit					187.08	97	15,601	33,975.92
c)	*EDLI*								
	with profit								
	without profit					61.35	159	43,824	21,900.13
d)	*Others*								
	with profit								
	without profit	556.41	39	41,543	76,806.56	15,348.99	1,300	2,94,958	77,070.36
2	**General Annuity**								
	with profit					7,227.79	4	1,188	
	without profit					8,824.31		1,451	
3	**Pension**								
	with profit								
	without profit					1,971.74	146	28,449	1,136.80
4	**Health**								
	with profit								
	without profit								
	Total	**556.41**	**39**	**41,543**	**76,806.56**	**42,935.60**	**1,942**	**3,99,508**	**1,44,481.61**
II	**Linked***	**No business underwritten**							
	Riders:								
	Non-linked								
1	Health#	10.22	7	1,486	11,221.42				
2	Accident##	9.34	12	2,918	15,126.76				
3	Term	8.58	7	2,095	14,211.24				
4	Others								
	Total	**28.14**	**26**	**6,499**	**40,559.42**				
	**Grand Total	**584.55**	**39**	**41,543**	**1,17,365.98**	**42,935.60**	**1,942**	**3,99,508**	**1,44,481.61**

against which business underwritten for Pension without profit at Rs.984.81 lakhs for 7777 policies and sum assured of Rs.4,068.32 lakhs.

A reclassification of the individual business underwritten by the private players in terms of single and non-single premium further reveals that premium of Rs.3,213.49 lakhs towards 8,923 policies was underwritten in the single premium category as against Rs.17,193.43 lakhs for 1,96,139 policies in non-single premium category.

Total Group business

The private players underwrote a total group premium of Rs.2,097.64 lakhs for 137 policies covering 4,87,972 lives for a total sum assured of Rs.7,48,185.92 lakh.

The entire business in the group segment was underwritten in the non-linked category.

NON-SINGLE PREMIUM

(Rs. in lakhs)

S.No.	Particulars	Premium	No. of Schemes	Lives Covered	Sum Assured
I	**Non-linked***				
1	**Life**				
a)	*Group Gratuity Schemes*				
	with profit				
	without profit	415.49	13	2,661	151.69
b)	*Group Savings Linked Schemes*				
	with profit				
	without profit	57.99	6	6,625	14,087.00
c)	*EDLI*				
	with profit				
	without profit	60.43	5	64,466	2,239.26
d)	*Others*				
	with profit				
	without profit	894.99	69	3,72,468	6,07,814.00
2	**General Annuity**				
	with profit				
	without profit	36.23	2	69	36.23
3	**Pension**				
	with profit				
	without profit	43.10	3	140	
4	**Health**				
	with profit				
	without profit				
	Total	**1,508.23**	**98**	**4,46,429**	**6,24,328.19**
II	**Linked***	No business underwritten			
	Riders: Non-linked				
1	Health#	1.23	4	1,282	2,697.50
2	Accident##	1.88	8	828	3,617.25
3	Term	1.67	1	354	177.00
4	Others	0.08			
	Total	**4.86**	**13**	**2,464**	**6,491.75**
	****Grand Total**	**1,513.09**	**98**	**4,46,429**	**6,30,819.94**

Note: LIC has not underwritten any business in this category.

How Much?

- Valuation of Indian Life Insurance Companies

Sanket Kawatkar & Heerak Basu

It is now over two years since the Indian insurance market has been open to new private sector players and a question promoters of some companies have started asking themselves is "How much is the company worth?"

This is particularly relevant given the large amounts of capital that the promoters have had to subscribe in the knowledge that it will likely take many more years before the company can expect statutory profits to emerge. Furthermore, certain joint venture companies have already indicated that as and when the foreign equity cap is raised to 49 per cent, foreign partners will be allowed to increase their stakes to this level, implying dilution and/ or sales of equity by the Indian partners.

While there are various factors driving interest in the value of life insurance companies it is important to recognise that it is inherently a subjective process possibly leading to a wide range of valuations.

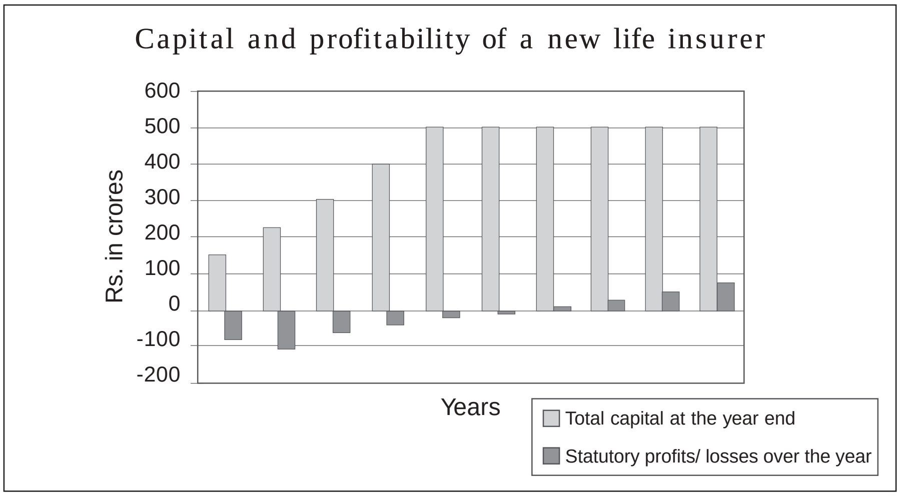
This is particularly the case in the valuation of young companies as there is little operating experience from which to derive valuation assumptions; the choice of some assumptions (e.g. mortality and persistency) based on the past experience of the industry may not be particularly relevant for predicting future experience. Long term expenses and sales compensation levels are also notoriously difficult to predict at the early stages of a new operation.

A further reason for carrying out a valuation may be for the promoters to consolidate the worth of their insurance operations into a group balance sheet or include in their broader financial reporting.

In Asia Pacific, the disclosure of embedded value in accounts is becoming increasingly common; as an example Great Eastern, the largest company in Singapore and Malaysia, first disclosed its embedded value in 2000. Multinationals Allianz, Aviva, AXA, Commonwealth Bank/ Colonial, Fortis, ING, Manulife, National Australia Bank/ MLC and Prudential, all disclose embedded value results of some form to the investing public.

Another driver for future valuation work would be the legislative requirement in India for promoters to dilute their stakes to 26 per cent after 10 years, implying a likely sale in the future. It is also common in some markets for senior executive long term incentive plans to be linked to measures such as the value of the company to ensure that their interests are aligned with those of the shareholders.

For life insurance companies' valuations, some of the conventional methods of company valuations are not appropriate. The Price/Earnings ratio is considered to be not directly applicable due to the nature of life insurance profit emergence that we will illustrate below.



As indicated in the diagram above, the statutory 'earnings' or 'profits' of a life insurance company emerge later than in many industries, with significant capital support required in the early years to support the new business and to maintain the statutory solvency. For these reasons a realistic long term cash-flow projection approach is required in order to determine the inherent 'profitability' and value of a life insurance company.

Given the subjectivity of the valuation process as discussed above, it is important that promoters have an understanding of the valuation principles and methodology employed together with an understanding of the key assumptions which drive the value of the company. These issues are discussed below.

Valuation principles

The valuation of a life insurance company is often carried out based on the following principles:

- Going concern
- Market consistent value of assets
- Best estimate assumptions
- Current legislation

Going concern

The valuation assumes that the company continues as a going concern and continues to write new business. This is critical for arriving at the long-term unit expense assumptions (which would be much lower as compared to the unit expenses in the event that a company stopped writing new business) and also enables a value to be placed on new business. A going concern assumption may also be necessary to arrive at the withdrawal/ lapse rates that may be experienced under normal circumstances, rather than those for a company closed to new business.

Market consistent value of assets

A life insurance valuation usually assumes that assets are marked to market. In particular, this may require the company to carry out valuations for property. For unlisted securities, desktop valuations may be required. In setting the investment return assumption, market consistent assumptions are required.

Best estimate assumptions

Best estimate assumptions need to be made regarding future experience, which are then used to project future cash flows and profit streams. Best estimate assumptions are normally derived from specific company and industry experience where these are available and credible. Thus, the profit streams so derived give a realistic projection rather than the conservative projections obtained using the prudent statutory basis.

Current legislation

The valuation is usually carried out on the basis of current legislation. In areas where the legislation is not clear (e.g. life company taxation) the actuary will normally make assumptions having regard to company practice, following discussions with the joint venture partners. A valuation may take account of future changes in legislation but the impact on the valuation may be conditional on these changes being enacted.

Valuation methodology

In valuing a life insurance company, there are usually three main components of value:

- Adjusted net asset value
- Value of in-force business
- Value of new business (often called "goodwill" or "structural value")

The sum of the three components gives the overall value of the company, which is usually termed "appraisal value" or "economic value" (the sum of the first two components is termed the embedded value"). In our experience the majority of life insurance transactions around the world are based on embedded/ appraisal value techniques, at the very least as the starting point for negotiations.

Diagrammatically the approach can be represented as follows:

Adjusted net asset value

+

Value of in-force business

+

Value of one year's new business X Capitalisation factor

=

Total economic value of the company

The determination of the value of in-force business and the value of one year's new business will normally require an actuary to build models to project the future cash flows that are then discounted back to the valuation date. A key assumption in the whole valuation process is therefore the discount rate.

One conceptual approach to derive the discount rate is to build up from the risk-free rate on government securities using a margin for the inherent risks attaching to future earnings which could include market, company and currency specific risk elements. It will inevitably depend upon the rate of return required by shareholders.

Buyers and sellers often have very different views on the risk discount rate to be used. This would not be uncommon in India where a domestic partner's view on risk may differ significantly from the views of its foreign partner. In the context of a foreign company seeking to increase its stake in a joint venture, the foreign partner may have group target rates of return, which may drive its assessment of an appropriate discount rate. As mentioned above, the foreign company may require a margin for political and currency risks, which a domestic company may not. The taxation position of each investor should also be considered.

Actuarial advisors usually illustrate results using an agreed range of discount rates, which would present a framework for informed negotiations between the parties concerned.

We now discuss each of the components of the economic value in further detail:

Adjusted net asset value

This is normally taken to be equal to the net assets in the shareholders' fund. As mentioned above assets would be marked to market, which can be quite different from the value placed on the assets in the company accounts. For example, bonds which are commonly carried at amortised cost can be very different to market values, especially in light of the fluctuating interest rate environment which India has been experiencing in recent times.

Value of in-force business Methodology

This relates to the present value of future transfers to shareholders from business that has already been written ("in-force business"). There are often adjustments for expense overruns and the cost of capital (cost of solvency margin), which can be very significant for a young company. As in the case of the adjusted net asset value, assets in the life (policyholder) fund normally need to be marked to market.

More specifically, the value of the in-force business commonly could include the following components:

- The present value of transfers to shareholders
- An adjustment in value due to any expense overrun
- An adjustment for the cost of the solvency margin relating to the in-force business

Transfers to shareholders

The actuary models the various products that have been sold by the company and using a set of best estimate assumptions projects the cash flows, reserves and surplus that are expected to arise each year. The present value of transfers to shareholders is equal to the present value of any amounts that are projected to be available for distribution to shareholders. In India, the amount available for distribution to shareholders is governed by the following statutes:

- Insurance Act, 1938,
- Life Insurance Corporation Act, 1956
- Insurance (Amendment) Act, 2002

Following the passing of the Insurance (Amendment) Act, 2002, and the subsequent regulations framed by IRDA, in respect of non-participating and unit-linked business, shareholders can receive up to 100 per cent of the surplus whereas for participating business, shareholders can receive up to 10 per cent of the surplus distributed.

The LIC is governed by separate legislation, namely, the Life Insurance Corporation Act, 1956, which stipulates that at most five per cent of the surplus arising may be received by the shareholder, which in the case of LIC, is the Government of India.

Expense overrun adjustment

For a start-up company, actual expenses will inevitably be higher than the long term unit costs assumed by the company. This is because the company will not have achieved the economies of scale necessary to operate at expense levels equal to the assumed long term unit costs. The excess of the projected actual expenses over the long term unit costs is typically called the "expense overrun".

When carrying out valuations, it is important to reflect the expense overrun adjustment and to deduct this from the value of the company, since it will not have been allowed for in the projection of the surplus above. When doing this, the actuary normally will divide the overrun between the value of existing (in-force) business and the value of new business (structural value).

Expense overruns have a very significant impact on the value particularly for young companies and can continue for several years.

> It is important to recognise that valuation is inherently a subjective process possibly leading to a wide range of valuations.

Given the limited operating experience of the joint venture life insurance companies it is extremely difficult to forecast future levels of expenses. In our experience of valuing companies in Asia Pacific this is an extremely critical area in the whole valuation process and a very subjective one.

It will also be important to apportion expenses fairly between acquisition and maintenance costs and to identify separately the impact of any 'one off' costs, which may require special consideration.

Cost of solvency margin adjustment

Each company is required to set aside capital in the form of a solvency margin. As the after tax investment return on the solvency margin is usually lower than the required rate of return as measured by the discount rate, this leads to an economic cost of capital relating to the need to hold the solvency margin.

It would be normal to allow fully for the cost of capital in the valuation. In the event that a company has significant retained earnings or surplus, it may be possible to offset this against the cost of capital.

Structural value

This relates to the ability of a company to generate future new business. It is often taken to be the value of one year's new business multiplied by an appropriate capitalisation factor but can also be directly derived by projecting several years' of future new business. As for the value of in-force business appropriate adjustments are made to the structural value for the cost of the solvency margin and expense overruns.

The value of one year's new business represents the present value of the stream of after tax distributable profit to the shareholders that is projected to arise from the sale of one year's new business.

Key issues regarding the determination of the structural value are the following:

- Typical year of new business
- New business profitability
- Capitalisation factor

Typical year of new business

It would be typical to value the new business sold in the twelve months preceding the valuation date. While for a mature company, such a year of new business would usually be 'typical', for a young company this may not be the case. The product suite may be rapidly expanding, which may make the profile of the last twelve months' business unrepresentative of the future. As a result, the actuary may need to make appropriate adjustments to the new business data provided.

New business profitability

New business profitability will obviously be driven by the assumptions chosen. For portfolios with significant protection business, the mortality/ morbidity assumptions will be important. In respect of savings contracts, the interest rate assumption is usually the most important. In our experience persistency is a key assumption for almost all lines of business.

The actuary will tend to choose his assumptions having regard to the market yields for financial assumptions and industry/ company experience for demographic assumptions. A particular area of difficulty is the area of persistency. It appears that this is worsening for the industry as a whole relative to the experience pre-liberalisation. However, there does appear to be a wide variation in experience for different companies. At this early juncture it is therefore difficult to accurately predict the long-term trend in persistency for a particular company leading to significant uncertainty with this assumption. Other particularly difficult areas of operating experience, as mentioned earlier, are operating expenses and total sales compensation.

As well as vetting the assumptions individually, the actuary will be concerned to see that the level of emerging profitability is reasonable in an overall market context. It is therefore important to view the valuation holistically rather than mechanistically.

Capitalisation factor

A capitalisation factor estimates the number of years over which the new business performance and its profitability over a typical year may be repeated in future. It reflects the shareholders' expectations regarding future growth of the business and return required.

Long term expenses and sales compensation levels are also notoriously difficult to predict at the early stages of a new operation.

The capitalisation factor is usually a commercial decision and negotiated between the parties having regard to future profitability, likely growth in business and the additional risks attaching to business not yet sold. Where possible it may also be set with regard to other life insurance company valuation precedents. Any estimate of structural value is therefore highly subjective and a significant range of values could be considered appropriate.

Conclusions

With the likelihood of changes in the shareholding pattern in several of the life insurance companies in India rising, the valuation of a life insurance company has become a topic of increasing interest for the promoters of such companies.

In this article, we have outlined the valuation framework highlighting the subjectivity inherent in the valuation process and touching upon some of the likely areas of contention, especially in the valuation of such immature companies with limited operating track record. It is therefore not surprising that perceptions of value can often differ widely between buyer and seller, particularly in emerging markets like India, where there is a great degree of uncertainty.

It is critical, therefore, that actuarial input is sought as early as possible in the tricky process of valuation so that the parties concerned have an understanding of the possible ranges of value and the key assumptions driving the valuation.

It would be nice to be able to leave readers with a simple "rule of thumb" P/E ratio approach but unfortunately the mechanics and long term nature of life insurance make that impossible.

The authors are Consultants with Watson Wyatt Insurance Consulting Private Limited. The views expressed here are their own.

CORRECTION

In the article 'How a Life Insurer Invests' (**IRDA Journal**, September, 2003), by Mr. P. A. Balasubramanian, an error had inadvertently crept into the solvency margin stipulations for insurance companies. The IRDA stipulated minimum solvency ratio is 1.5 for both old and new insurers. The views that were expressed in that article were his own.

1) Go to Page 48
2) Fill the Survey Form
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Thank You

Taking it Forward
- A look at the Rangarajan Committee Report

D. Gowri Jayaraman

One of the branches of insurance that has been most talked of, discussed, maligned, and perhaps occupies the most mindspace among insurers is Motor Insurance. This is also a class of insurance that affects the common man the most.

Hence, according the importance that this class of business deserves, the Justice Rangarajan Committee had been formed consisting of honourable members from different walks of life.

The committee has brought out various issues connected with this branch of insurance business in an attempt to arrive at a timeframe for, and a roadmap to, detariffing of Motor Insurance.

The committee has made some very telling points. Some of the salient ones are brought out here and analysed.

A very relevant and deep issue that has been deliberated upon by the committee is the juxtaposition of compulsory unlimited Third Party liability (TP) for bodily injury and a tariff laying down rates and terms at which such unlimited TP liability has to be underwritten; this, along with the fact that this being compulsory insurance no insurer can really refuse such cover creates an anomaly in underwriting this cover.

Any which way the insurer goes, the odds are against him. If the insurer necessarily has to provide a cover without a cap for the liability, then he should be allowed to provide this insurance based on its risk perception and long-term risk bearing capacity. There was a recent case where an amount of Rs. 6.63 crores was awarded by the court for the death of a passenger in a road accident case. Imagine a payment of around Rs. Six crores in return for a premium of a few hundred rupees. It may be argued that tariff rates are only minimum rates and insurers are at liberty to charge higher premium; but in a competitive market the minimum premium also becomes maximum premium, and further there is also a cap on the loading one can impose.

A very interesting point raised by the committee is the origin of the concept of unlimited liability. The original intention of the courts was to ensure that an insurance policy exists in respect of every vehicle to take care of TP liabilities, which will compensate the victim for actual financial loss irrespective of the class of vehicles. The unlimited liability clause has crept in silently. Even other Acts governing various liabilities like the Public Liabilities Act and the Workmen's Compensation Act set specific amounts of liabilities for specified circumstances.

Any which way the insurer goes, the odds are against him. If the insurer necessarily has to provide a cover without a cap for the liability, then he should be allowed to provide this insurance based on its risk perception and long-term risk bearing capacity.

The committee has very rightly agreed that under the given circumstances only a Government insurance company could have borne such liabilities so far, without becoming insolvent.

The committee has also come out with a viable and reasonable alternative: to legally limit the liability amount to be compulsorily provided by the TP insurance and allow the excess liability to be insured at market pricing. This could very well be a precursor to complete detariffing of TP insurance. It may be argued that the sufferer would be the victim of the accident and not the owner of the vehicle; but then, insurance can and should take care of only financial and economic loss, even though any life is invaluable. Further, in the case of hit-and-run accidents as well as no fault liability cases, liability is limited and specified. Thirdly, any person likely to claim a high amount as the economic and financial loss would necessarily have to be earning that much more, and hence can afford to take that extra insurance by way of a personal accident cover. On the other hand, a person who cannot afford to take a personal accident cover for himself and his family would be eligible, based on the earnings, for a commensurate amount under TP liability insurance in case he is the victim of an accident.

Even market pricing can be restricted to reasonable levels, if, as enjoined in the basic principle of insurance, all the vehicles are insured at least for the compulsory TP insurance. As per estimates, if all vehicles on the road were to avail of TP insurance at least, as per present tariff rates, the premium should be more than Rs. 7,000 crores; which means, less than half the vehicles have been insured today!

The committee has looked at two suggestions to ensure the spread of insurance:

(a) long-term coverage with one time collection of insurance premium at the point of sale.

(b) collection of premium as a cess along with fuel.

While analysing the pros and cons of both alternatives, the committee has rightly laid its finger on the most important immediate requirement: availability of accurate and realistic data. This has led to the recommendation of the committee for the setting up of a data bank, and the advisability of separate accounting of TP premium and claim figures, so that meaningful analysis of the data can be made leading to risk-based pricing.

While considering the detariffing of the Own Damage (OD) rates, the committee has very rightly commented that the TP liability and OD premium rates need to be separately considered and cross-subsidy of TP with OD premium to be avoided. This leads us again to the same point of availability of statistics and adequate data. Before detariffing can be initiated, separate premium figures of TP and OD are necessary, so that there can be a meaningful analysis of the data to arrive at justifiable rates. Unfortunately, despite adequate details being available at the operating office level, there has been no mechanism to consolidate such valuable data.

The committee has lamented that even the present rates after revisions are ad-hoc!

Different members expressing different views about the need or otherwise of detariffing of OD premium, reflects the need for an in-depth study of the whole issue before arriving at any conclusion.

The committee has remarked that even though the tariff lays down only floor rates and premium can be loaded, the loading as per IRDA instructions can be made only on the vehicle where the claim ratio is high; a general loading on all vehicles cannot be done with the concept of 'portfolio profitability.' This restriction is, however, necessary to take care that the common man can afford the premium until such time that such loading is done on the basis of accurate data and actuarial calculations.

In conclusion, the committee has carried out a very meaningful and in-depth analysis of the various issues involved, and it is for all of us to carry forward the whole exercise, so that rates charged are scientifically arrived at.

> The committee has very rightly agreed that under the given circumstances only a government insurance company could have borne such liabilities so far, without becoming insolvent.

Way Forward

To ensure a scientific path for the detariffing, insurers need to play a crucial role; the following could be the immediate steps ahead:

- Have a standardised format for collection of relevant statistics, and ensure that data is collated accordingly. The accuracy of the figures needs to be given special attention.
- Work hand in hand with the motor data and vehicle safety projects proposed by the IRDA as they can play a major role in research activities for minimising motor related losses and thus contribute to reduction in the motor claims also.
- Evolve a mechanism by which the road-worthiness of the vehicles plying on the road can be ensured. Following the introduction of the system of one-time road tax payment, there is hardly any checking of the vehicles plying; like the pollution control certificate which is to be renewed periodically, there should be a process for checking of the road worthiness.
- Standardisation of costs of parts as a measure of control of claims.

A coordinated effort on the part of all of us will certainly ensure a wholistic solution to all these related issues.

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A Specialised Approach

- Selling Life Policies in Rural Areas

Apparao Machiraju

The Debit System is a specialised marketing method for selling and servicing insurance plans to the rural segment of population and low-income groups of industrial workers. It is not a new system of life insurance. It is essentially a marketing development. In fact, its special handling of the marketing function makes it a serious deviation from orthodoxy.

Marketing life insurance in the rural areas has been the subject of research, debate and discussion in recent times. The Federation of Indian Chambers of Commerce and Industry (FICCI) in association with ING Insurance has published the outcomes of their research studies and recommendations which is a pointer to deficiencies in marketing.

In the context of the requirements as stipulated by the IRDA in selling insurance services to rural population, the companies need to examine alternative and innovative marketing methods be able to serve the rural markets.

The study cited observed in particular that "inadequate success in establishing their credibility in rural markets has made life tough for private insurance players.

The key finding of the study is that the word 'private' has a very negative image among rural folk, causing worry and posing challenges to private insurance companies. The public sector companies in life and general insurance sectors are well known. They have not however taken the advantage of their brand equity in paying attention to the needs of rural population resulting in a wide gap.

This article presents the working of 'the home service method of marketing' which is also popularly known as 'debit agency system' which is worth examining for adaptation in India's rural market segments.

In the US and Canada it was felt long ago, as early as around 1875, by a few men of vision that there should be a different marketing approach to get across the idea of insurance to the rural population and industrial workers.

Though the Debit Concept has originated in the UK, it has had its major development in the North American continent. Now about one third of the individual life insurance in North America is written through 'debit' or combination agents. Approximately 100 companies utilise this method. Some of the largest insurance companies were built on the combination or Debit System.

> In the US and Canada it was felt as early as around 1875, by a few men of vision, that there should be a different marketing approach to get across the idea of insurance to the rural population and industrial workers.

It was Metropolitan and Prudential insurance companies who pioneered this method. Six per cent of the population in America has less than average income, and the Debit System has been a successful method in catering to their insurance needs. It is relevant and interesting to quote here the recordings of J.Owen Stalson, author of 'Marketing of Life Insurance – Its History in America,' published by Harvard University.

According to the historian Stalson, "... when Prudential started selling small policies under Debit System, it was called by many as a peanuts insurance company." Subsequent events proved that other companies overlooked a wonderful market, for the Debit System has demonstrated an enormous growing power, although nothing in that system would have debarred them from undertaking it. Stalson further commented, "that this neglect could be attributed to – marketing backwardness, inertia, timidity, or lack of vision, or another aspect of merchandising insufficiency..." enough for history. In the US alone there are 71 million policies for a total sum assured of $39 billion marketed through this method.

The rural segment of population is certainly different from urban residents because of environmental factors, traditional views, conservatism, and to some extent because of their suspicion of new concepts. They need exposure to regular, interested, dependable insurance guidance, collections and selling. Added to this, communication facilities are poor in these areas. We should therefore have a different marketing plan and method to reach full potential in this market.

Specially in these areas, the policyholder or a new prospect regards the agent as the company because the agent constitutes the only real contact to him.

He quite rightly expects the agent to be a professional advisor whom he can trust to recommend an insurance programme best suited to his needs and objectives at a reasonable cost. The policyholder also expects the agent to keep in touch with him and make any changes desirable in the light of changing circumstances.

To quote a highly regarded management consultant, "You do not find the efficiency of an insurance company at its Home Office.... It is at the remotest point, the agent in the field." This is more true in rural areas.

The Debit System

1. All the existing policies in a specified area are assigned to an agent for service. This includes collection of premiums according to mode of payment.
2. The responsibility is fixed. Every policyholder has an agent.
3. The area so assigned is termed as the Agent's Debit. In India, depending on the potential and area, one or two community blocks can be assigned.
4. Services are provided for the policyholders at their homes. This takes the form of beneficiary designations and changes, policy loans, proof of age and other related aspects.
5. Agents are paid to render home service through collection and service commissions, debit expense allowance, and conservation commissions. Over and above these commissions, the agent will receive regular commissions on the new business generated by him from the existing policyholders and new prospects.
6. Agents handle the accounting for a significant number of policies. The agent is charged, i.e. debited, with premiums due on the policies assigned to him. He is credited when he deposits collections he receives against the premiums due. The agent keeps the financial records.
7. Agents are closely supervised. The supervision of and help given to agents by assistant managers is much greater than in respect of ordinary career agencies.
8. Agents are treated as company employees. They are subject to strict scrutiny and regulations. They are given paid vacations, and are not permitted to do any other work.

Advantages of the System

A pool of prospects for the agent is created by assigning to him the existing policyholders in the area for servicing. He will have a built-in market to start with and have enough activity. He can set up a systematic plan for prospecting on his own, and through references from the existing policyholders. He will have franchise as the agent of the designated area in all matters relating to insurance.

Service keeps policies in force. Research and experience shows that higher persistency is maintained on account of regular contact of the agent with the policyholders.

> Specially in rural areas, the policyholder or a new prospect regards the agent as the company because the agent constitutes the only real contact to him.

Policyholders Service

The Debit System provides extensive service to policyholders. This helps to build loyalty to the institution of life insurance. In many instances a close relationship is formed, and the agent is welcomed into the homes. There are no 'orphan policy owners,' as the agent is replaced by another agent in case of transfers, resignation, or termination.

Stability of Earnings to Agents

The debit agent will have four sources of commissions built-in into his compensation plan – service commission, debit expense allowance, conservation commission, new business commission and, in addition, a training subsidy in the initial years. The turnover among debit agents is much less as compared to regular agencies.

To sum up, the Debit System has proved to be a very successful method, and has performed an outstanding job of marketing life insurance up to the present. Assigned territories and regular service-type of approach are the unbeatable advantages of the Debit System, and a still brighter future is foreseen to this method of marketing life insurance.

Many executives of ordinary companies are looking at the Debit System for ideas, and some have even talked about creating "an ordinary Debit System" for their own marketing operations. This kind of interest is a tribute to the solid virtues of the Debit System not only for the built-in opportunities it provides for service and client-building but greater stability of income and job security it affords the agent.

Manpower Development

Through the 'Debit' method of marketing, a virile, dynamic, and well-knit sales force can be organised all over the country. A majority of them may have to be recruited from outside. A marketing career in the Debit System has definite advantages making it possible for many average calibre young candidates to succeed over their counterparts – the career agents, operating in urban areas, and open market. Under Debit System it is possible to organise marketing to a great extent into a system of duties that could be mastered by reasonable proportion of able men within a short period of time.

There are several thousands of young and qualified candidates seeking employment opportunities in India, and large number of them have only the vaguest notion of what life insurance marketing career offers. They have no concept of the way an agent's career may evolve from one of simple package selling into a highly specialised and professional occupation, which is richly rewarding in both money and social service.

This is more a problem of communication gap because the life insurance industry has not talked about itself as it should and has not stressed its career potential to the public. To those who are skeptical, the Debit Marketing System offers a career track, confident base with built-in market, stability of earnings, and ample scope for advancement in sales and sales management careers.

Administration

Implementing Debit Scheme involves formulating administrative procedures, training agents in sales and policyholder servicing, and designing suitable compensation plans, etc., which can be worked out.

In the US and Canada many companies are utilise this scheme exclusively, or in combination with ordinary agency operations. Prudential Insurance Company of America administers this scheme through separate marketing departments, one for debit operations and the other for ordinary agencies through a network of separate offices. Debit market is administered through district offices. Each district office is manned by a district manager assisted by assistant managers who are directly responsible for supervising the debit agents.

So, a factual picture emerges of a healthy and vibrant marketing system for a "different market" – a market which may not have the same disposable income, but one that certainly has, as great a need, or possibly a greater need for insurance coverage.

Life Insurance Corporation of India (LIC), and now private insurance companies are charged with the responsibility for life insurance business in rural markets, also have a continuing "corporate duty" to make life insurance available to all eligible people. What method of distribution is best suited than the "Debit System" to meet this great challenge?

It is relevant and interesting to know in this context that on the lines of Postal Life Insurance (administered by Government of India's Department of Postal Life Insurance) Rural Postal Life Insurance (RPLI) was introduced in the year 1995 to make life insurance available to rural folks. The policies available under RPLI are similar to those under PLI, with some minor variations.

A pool of prospects for the agent is created by assigning to him the existing policyholders in the area for servicing. He will have a built-in market to start with and have enough activity.

Over the years, the business of RPLI has been increasing tremendously. So has been its reach that the all India business procured by RPLI was Rs.3,613 crores for the year 2002-03. India Post has been able to achieve this high growth due to its vast work of 1.5 lakh post offices. It is quite surprising that all this was achieved without adding any more post offices since 1983.

Let me conclude my article with the optimistic note of J.Owen Stalson.

"....the work of marketing has become a huge and delicate assignment: it is the marketer who walks the land in advocacy, the marketer who shakes the public hand, meets the public eye, and puts a good face upon the industry's performance. Relations with the public are of prime importance, increasingly so in an age when corporate as well as natural persons are sternly invited to shape their ways both wisely and discreetly. Today, no issue is beyond the public interest, and the chief executive of a life company may well make marketing and public relations his first concern. Life insurance marketing and public relation problems are deep and complex; many of them, moreover, are with us today because the industry lacked far-sighted marketing management during its formative and growing years. There is need, then, to be candid and careful, to look at many issues simultaneously, to look at once both forward and back, before we determine our life insurance goals and set the course we are to steer. The conscientious modern marketing executive, therefore, seeks to conduct the marketing function in his company's affairs so wisely as to effect the most agreeable compromise between the long and the short-term objectives of each party at interest – whether employee, policyholder, the industry, or society itself..."

The author has had inter-disciplinary background in life insurance in India and abroad in the US for over four decades in Management, Marketing and Research, Training and Teaching. He is at present the Director of International Institute of Insurance and Finance (www.iiifindia.com) located in the Osmania University campus. He has assisted Ferguson & Co., as advisor in developing their study of Postal Life Insurance (urban and rural) and formulating recommendations for revamping.

How Big is the Rural Market?

- And How Do We Get There?

G. V. Rao

Whether rural markets are important for insurance marketers is no longer a popular seminar topic. In view of the fierce, and sometimes unhealthy, competition for insurance products and services sold in the urban areas, it has become a compelling necessity for insurers to explore, organise and sell affordable insurance covers in other economically thriving but, till now unorganised (in terms of target sales), sectors such as the rural sector.

With public sector banks having penetrated the rural areas through the medium of regional rural banks to make micro-credit facilities available to a variety of productive centres, the field for selling goods and services has been opening up rapidly. To understand the rural sector better the following developments are worth noting.

For fast moving consumer goods (FMCGs) and durables the rural markets are reportedly larger than the urban markets, at about 55 per cent of their turnover. FMCGs consider any town with a population of 20,000 as rural; for durables it is 50,000. Hindustan Lever Limited (HLL) derives 50 per cent of its Rs. 10,000 crores turnover from rural areas. Arvind Mills sold 50 lakh jeans kits to youths in rural areas in 18 months. FMCGs and durables selling companies have organised the rural market in a more effective way.

Insurers need to interact with them to understand the aspirations, values and buying habits of the rural folk better, as also the types of distribution channels that will be effective. Affordable, easy to understand and mass-oriented products need to be designed.

Recent developments in rural areas

Bharat Sanchar Nigam Limited (BSNL) claims that out of its twenty lakh mobile phone connections, 50 per cent is in rural areas. LIC sold 55 per cent of its policies in 2002 in rural India. 2.4 crore Kisan Credit Cards have been issued in rural areas and that is more than all the credit and debit cards in urban India which amount to about 1.77 crores. Rs. 52,000 crores have been sanctioned under Kisan Credit Card scheme till now.

The share of electricity consumption of rural areas is reported at 29 per cent against the urban 35 per cent. Village road programmes costing Rs. 60,000 crores have been introduced recently to benefit 1.9 lakh villages. The non-farm sector accounts for almost 50 per cent of the rural incomes that is not dependent on rains.

'Nirma' was the pioneer to exploit the rural market for soaps and detergents with a success that left everyone astounded; followed by HLL with their project Shakti. ITC, through its e-choupal, is spreading awareness relating to their products in the rural areas. The rural areas constitute 35 per cent of the market for shampoos and the market is growing at 16 per cent, whereas the urban growth is about 10 per cent. School going children, educated youth and those with growing incomes are transforming the rural landscape much faster than urban areas.

> Insurers need to concentrate on the richer rural pockets where there is an increased awareness of the need for insurance, through networks already created by others for marketing their products.

The key parameters for success in insurance penetration are affordable products, access to users, creating awareness, communication and building trust in after-sales service. The key to marketing is 'knowing your customer' whose lifestyle is different from the urban dweller. The insurers have to invest time and money to understand the potential of the rural markets better, as a deliberate means of expanding the insurance markets rather than consider selling insurance covers as just a social obligation. The mindset has to change to make a paradigm shift towards future marketing efforts.

There are 10 lakh self-help groups (SHGs) in rural areas of the country and these groups have access to micro-credit facilities from banks. In Andhra Pradesh alone there are 4.5 lakh SHGs that cover 58 lakh village women. These SHGs have acted as catalysts for promotion of a variety of services and goods in the rural areas in return for remuneration.

SHGs have recently been put on par with Mutually Aided Credit Societies in AP enabling rural women to manage finances upto Rs 2,000 crores of bank linked commercial credit and grants benefitting the 4.5 lakh SHGs.

Insurance and rural markets

With the urban markets getting more competitive, insurers, such as the public sector players, who already have an infrastructure laid out and who have rural experience in selling Janata Personal Accident policies (JPA), cattle and those covering agricultural pumpsets have an important role to play in taking advantage of the rising rural incomes and pioneering the development of rural markets that have a bright future in terms of volumes.

Low level of insurance awareness and lack of dedicated agency force to educate people on the need for insurance are hindering their efforts which, now, are only superficial. Insurers need to concentrate on the richer rural pockets where there is an increased awareness of the need for insurance, through networks already created by others for marketing their products such as banks and SHGs.

Communication

Rural folk read language papers and believe in the truth of news items published rather than the slogans in the advertisements. Word of mouth spread of news by people who are respected in their community as leaders carry more conviction. There is a definite need to understand the rural markets better, including their current infrastructure, their credit generation, asset creation and perceptions.

This is a good opportunity for them to work with these agencies that others have built up for the purpose of channeling their products. Creating insurance awareness through visual publicity in mandis, melas and haats is necessary. Working through credit organisations is another measure to create linkages for sale of cost-effective insurance covers with their credit offerings. Insurance companies, to hawk their wares, have to interact with commercially connected and savvy, local business entities like TV cable operators, auto-dealers, SHGs, district central co-operative banks (DCCBs), non-governmental organisations (NGOs), and regional rural banks.

A more scientific market study of the perceived needs of the rural public, their attitudes to contingent financial product of future needs, such as insurance is the first imperative. This has to be supported and quickly followed up by designing mass products that are affordable and easily understood.

They have also to be easy to explain and service using the distribution channels in the insurance and other sectors like FMCGs and durables. This is the first major initiative that needs to be undertaken.

Strategy

The insurers should target those regions that have already been developed by other market agencies that have their own interests to serve, such as HLL, ITC, TTK, regional rural banks, kisan credit card holders, DCCBs, producers' co-operative societies and NGOs. Their advice, services and guidance should be sought liberally by insurers to gain a measure of understanding the rural perceptions. Motor vehicle insurance, tractor insurance, personal accident (PA), health covers and insurance of farm assets could form a basket of policies.

Standardisation of policies and affordable pricing will make policies saleable. Rural folk accept that insurance is either lender-driven or mandatory by government directive. Insurers should primarily rely on these support resources and the distribution channels should tap such business in the initial stages to gain acceptance and familiarity and later broaden their marketing to sell optional insurances.

Who is better placed?

The public sector insurance industry has done a remarkable job in developing networks in the rural markets that has been the envy of the developed countries. Expertise from India has been sought by adjoining countries for developing their own rural markets.

While there already exists the infrastructure needed for tapping the rural markets better, public sector insurers have failed to notice the recent happenings and developments that the private sector consumer giants are making in their own interests. There has been a waning of emphasis and a pursuit of misplaced priorities, leading to working harder in organised urban markets for volumes than to organise and develop the rural market that has more potential for the future.

The delinking from the GIC has made public players lose their interest in developing the rural markets, as it is hard work with lesser revenues for them. The

> Agency recruitment norms to work in rural areas need to be liberalised. Training has to be targeted for sale of covers of interest to rural folk and not the whole gamut of insurance products.

Government has recently come up with the Universal Health Insurance policy for the rural public and insurers are finding it tough to sell them, as they seem to have lost touch with the rural markets and their rural distribution channels are rusty. Their marketing force is not in touch with the agencies that are spearheading developments in credit, education, health and the SHGs.

It is hoped that the public players will not squander the edge that they now enjoy in terms of infrastructure by neglecting the rural market potential. The Government needs to stress that their efforts at developing rural incomes should be aided by spread of risk awareness by insurers.

Regulation

The current definition of what is rural needs to be looked at not from the point of census but by economic and other criteria as is done by FMCGs and consumer durables if only to judge the relative performance of the insurance sector in both life and non-life.

Agency recruitment norms to work in rural areas need to be liberalised. Training has to be targeted for sale of covers of interest to rural folk and not the whole gamut of insurance. Rural agency norms have to be different to make it easier for the new distribution channel to perform. SHGs, and other corporations need to be dealt with separately for distributing rural covers. There is a need for designing specific rural insurance covers that are standardised, priced and sold by all insurers as identical to avoid creating confusion among the buyers that may cause loss of trust and credibility. Claim settling procedures have to be simplified to ensure that insurers do pay claims and quickly as well.

Conclusion

In rural markets, it is important that credibility and trust are built in a sustained way. Insurance has a bad image and this adds to its marketing problems. But the potential is so huge, as others have shown, and this is a sector that cannot lie outside the mainstream for long. Rural marketing is at once a great challenge and an opportunity. The IRDA has a responsibility to look at this sector afresh to create conditions for spread of risk awareness. None can advise the IRDA better than the insurers themselves. But the role of others in the vast linkage of credit developers, credit users and the beneficiaries is equally important. They need to be tapped as well.

The ultimate question is: will the rural market develop by the fresh initiatives of insurers and others involved in the process or will they develop by themselves, as is witnessed in the urban sector? Insurance spread, as an insurer-driven process, has been a poor starter in India till now, as marketing and management have been always on traditional lines. The new challenges seem exciting to those that can spot the opportunities.

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

How We Do It

R. Krishnamurthy

We believe that rural business is not an obligation but an opportunity. Rural business takes time to develop, and needs considerable investment in terms of capital, managerial time and other resources. It is also not big ticket. Most insurance companies in the start-up phase find it important to get a footing and develop volume through the metro markets. However, they are known to make a conscious search to take on the rural market through various cost effective initiatives.

On our part, SBI Life has taken several steps from the very beginning to tap the rural business. We now sell both group and individual products in several untapped rural regions. As on date, we have covered about 3,00,000 lives in rural market and collected a premium income of Rs.8.2 crores.

The intermediary

We sell in the rural market principally through the institutional mechanism, viz., the regional rural banks (RRBs). We find RRBs to be the best agencies. They are sponsored by big banks. They have proper systems and procedures, and they operate in pockets, in one or two districts. Most importantly, RRB employees hail from the local villages, and they have absolute familiarity with the people and their requirements. We are in fact pleasantly surprised that the RRBs have taken to insurance selling far more easily and earnestly than their city counterparts. As on date, we have tied up with about 20 RRBs, sponsored by various banks.

We also started a novel practice of recruiting dedicated rural agents with the help of the state administrative machinery in Andhra Pradesh. With the help of the district officials, we selected about 50 unemployed rural youth in the Krishna District. The selected candidates were trained by us to become insurance advisors to cover solely identified villages. We're now planning to expand the initiative.

The products

We cover rural customers through two principal products: pure term insurance through a group scheme, and our individual endowment product, *Sudarshan*. The group term insurance is offered to customers of RRBs. All customers are covered till they reach the age of 60. And all of them pay the same premium, viz., Rs.10 per month for a cover of Rs.25,000. There is no medical requirement or other formalities and the customer gives a good health declaration letter. More than three lakh customers have been enrolled under the scheme during the last 12 months.

We also sell *Sudarshan*, an endowment product under which the policyholder makes savings over a period to target the sum assured. There is a big demand for such long-term saving products, and most customers choose a term of 15 years and longer. The average sum assured is about Rs.75,000 per policy. We're now planning to roll out more saving products. Here again, we've simplified the medical procedure and other aspects.

> RRBs have proper systems and procedures, and they operate in pockets. Most importantly, RRB employees hail from the local villages, and they have absolute familiarity with the people and their requirements.

As far as pension products to, we have done some innovation. We came out with a successful pension product – '*Lifelong Pensions*' – for all customers in March this year, and customised the product for the rural market by offering to the kisan credit card holders. There are more than two crore kisan credit cards issued by commercial banks. The card is proof that the customer has a good credit standing and he has a long term relationship with the bank concerned. We offer retirement saving facility to these cardholders through a group pension arrangement. The farmer needs to save a minimum of just Rs.2,000 per year. The cardholder can convert the accumulated saving any time from the age of 60 into lifelong pensions for himself, or into a family pension.

There are two novel features: life cover built in the product till the age of 60 up to a sum assured of Rs.One lakh, and the scope for break in making contribution up to three successive years due to drought or other reasons without losing any benefit under the policy. The pension contributions are directly collected through debit to bank account at a low transaction cost.

The claims

Initially it was somewhat high under the group term insurance scheme where some RRBs had enthusiastically enrolled people for high sum assured without verifying their economic status or even their health condition. We intervened to tighten the procedures to avoid adverse selection. We also launched a massive training programme for the RRB staff and persuaded them to don the role of unofficial underwriters for us to ensure quality of the lives covered. We've so far paid about 600 claims of small amounts in the rural markets. Compared to the number of lives covered, this is an acceptable experience from the actuarial viewpoint.

Support

Rural marketing is a fascinating subject. All our product literature for rural markets are written in the local language, in a simple manner. We offer training in the local language, and we recently launched vernacular radio spot publicity. We simplified the age proof procedures, since most villagers do not have acceptable documentation. We also give various non-monetary incentives to well performing sales staff in RRBs.

The author is MD and CEO, SBI Life Insurance Company.

प्रकाशक का संदेश

उद्योग की सफलता तथा प्रभावशीलता के लिए उपाय ग्राहक की आवश्यकताओं को पूरा करने की योग्यता हैं।

इस मामले में उत्पाद तथा दरें एक तरफ हैं तथा दूसरी तरफ हैं भौगोलिक तथा आर्थिक रुप से कठिन क्षेत्रों में ग्राहक तक पहुँचाना। यह समान रुप से एक चुनौती तो है ही तथा एक अवसर से परिपूर्ण प्रश्न भी हैं। बीमा उदारीकरण के तर्क को न्यायसंगत बनाते समय यह तर्क दिया गया था की बड़ा तथा प्रतिस्पर्धापूर्वक उद्योग बड़े ग्रामीण क्षेत्र को अच्छी सेवा प्रदान कर सकेगा तथा समाज के आर्थिक रुप से पिछड़े लोगों को सुरक्षा उत्पाद भी उपलब्ध कराये जा सकेंगे।

जर्नल के इस अंक में इस बात पर दृष्टिपात किया जा सकता हैं कि इस संबंध में उद्योग की स्थिति क्या हैं और विचार करते हुए इन लक्ष्यों को कैसे प्राप्त किया जा सकता हैं।

यदि ग्रामीण क्षेत्र में सेवाएँ कम होती हैं तो उसका प्रभाव स्वास्थ्य बीमा क्षेत्र पर भी कम नहीं होगा। यह एक आवश्यकता है तथा अंतर्निहित माँग हैं कि जनसंख्या के सभी वर्गों के लिए उत्पाद तैयार हों। इसके लिए रुकावटें भी वास्तविक हैं जिसका कारण सूचना में कमी तथा स्वास्थ्य सेवा उद्योग का मानकिकृत होना हैं। यदि दी जाने वाली सेवाएँ मानकिकृत न हों तथा उसकी गत में पारदर्शिता न हों तो एक प्रभावशाली वित्तीय व्यवस्था का निर्माण स्वास्थ्य देखभाल लागत के रुप में बीमा तैयार करना कठिन हैं।

बीमा उद्योग तथा स्वास्थ्य देखभाल उपलब्ध करवाने वालों को मिलकर कार्य करना चाहिए। इस क्षेत्र में बीमा क्षमता 40,000 करोड़ रुपये आंकी गई हैं। यह भी एक सार्थक लाभ है जो समाज अपेक्षित करती है। जिससे बीमा के पूरे क्षेत्र का उदारीकरण किया जा सके। आई आर डी ए एक सुविधा उपलब्ध करवाने वाले की भूमिका अदा करने को तैयार है जिससे यह संभव हो सके तथा उसने एक कार्यकारी दल की स्थापना इस मुद्दे से संबंधित विषयों को परीक्षित करने के लिये की है।

केवल चेतनापंरकिता तथा प्रोहत्साहन द्वारा समाज के बड़े मुद्दो को सुलझाया जा सकता है और मुझे यह विश्वास है कि हैल्थकैयर के मामले में ऐसा ही होगा व यह तथ्य कि इस मुद्दे को हल करने की प्रक्रिया में बड़े हेल्थ बाजार के दरवाजे खुलेंगे। हैल्थ बीमा के लिये यह अर्थ है कि पूरा बीमा उद्योग यह जानने में सहयोग करेगा की आवश्यकता का ठीक समाधान क्या है?

सी. एस. राव

किलर इंस्टिक्ट

1. व्यक्ति 100 प्रतिशत नही 200 प्रतिशत मेहनत कोशिश करे।
2. जीत के लिये विपक्षी की गलती का फायदा उठाये। लेकिन जीत के लिये कुछ खेल के नियमों को तोड़कर या उल्लंघन करना किलर इंस्टिक्ट नही सरासर बेईमानी है।

   अनुचित जीत सफलता तो दे सकती है पर संतुष्टि नही।

“ कुछ तो लोग कहेंगे ”

हम वित्तीय रिपोर्टिंग की परवाह क्यों करें। सादे शब्दों में हम परवाह करते हैं क्योंकी पूँजी ही अर्थव्यवस्था का इंजन हैं तथा सूचना उसका तेल हैं जिससे वह निर्विघ्न रुप से चल सकें।

श्रीमती स्थैया ए. ग्लासमैन (यू एस प्रतिभूति तथा विनियमन कमीशन, एस.ई.सी. की कमीश्नर)

हमें अनिश्चितता के लिए दरें ठीक प्रकार निर्धारित करनी होगी। पूर्व में उधोग ने निवेश विवरणी का उपयोग एक परोक्ष के रुप में लम्बे अनुलग्न व्यवसाय की अनिश्चितता के लिए किया हैं और हमने देखा है कि यह प्रक्रिया अंशधारकों के हितों को परिदान प्रस्तुत करने में असफल रही हैं।

श्री नाइक प्रीट्रजॉन, मुख्य कार्यपालक, लायड्स आफ लंदन

यहाँ पुरस्कार निसंदेह बहुत बड़ा हैं। यदि धारित उपभोक्ता संयुक्त रुप से कार्यवाही करें तो एक बड़ी प्रभावशाली ताकत बाजार में हो सकती हैं तथा परिणामस्वरुप विनियमन की कठोरता कम हो जाएगी।

जान टिनर, मुख्य कार्यपालक, वित्तीय सेवा प्राधिकरण, यूके मुख्य वित्तीय विनियामक

गरीब के लिए बीमा एक कठि्न कार्य हैं लेकिन माइक्रो वित्तीय संस्थान बीमाकर्ता से सहयोग कर सेवा तंत्र द्वारा ऐसी योजनाओं के लिए आने का कह सकते हैं।

सी.एस.राव, अध्यक्ष, आई आर डी ए

श्रोता का माध्यम (रेडियो) से अन्तर्कार्यवाही बिल्कुल व्यक्तिगत हैं। इसलिए यह आवश्यक हैं राडियो की तरफ देखा जाए अपने नियमित मीडिया योजना को बनाते समय।

श्री एस वी मोनी, उपाध्यक्ष, ए एम पी सनमार एश्योरेंस कंपनी

यदि बीमा अमीर के लिए वांछनीय हैं तो यह गरीब के लिए अनिवार्य हैं....एल आई सी तथा अन्यों के बड़े प्रयत्न। ग्रामीण जनसंख्या के लिए बीमा सुरक्षा अपर्याप्त हैं। हमें एक माइक्रो बीमा योजना की आवश्यकता हैं।

एन एस सिसोदिया, बैंकिंग सचिव, भारत सरकार

देरी के लिए भुगतान

एच. के. अवस्थी

जब बीमित को इस अधिकार से वंचित रखा जाए कि वह अपने पैसे को व्यापार में अथवा अन्यथा निवेश कर सके तो इस की क्षति पूर्ति अवश्य ही बीमा कंपनियों द्वारा ब्याज के रुप में की जानी चाहिए। इसी बात की पुष्टि सर्वोच्च न्यायलय ने युनाइटेड इंडिया इंश्योरेंस बनाम एम के जे कार्पोरेशन केस संख्या 111(1996) सी पी J8 (एस सी) के मामले में निर्णय दिया।

केवल यही नहीं सार्वजनिक प्राधिकरणों द्वारा परेशान किए जाने पर क्षतिपूर्ति किए जाने के परिणामस्वरुप व्यक्ति संतुष्ट होता है तथा यह सामाजिक बुराई को दूर करता है। यह कार्य संस्कृति को उन्नत बनाता है तथा अभिवृति को बदलता है।

श्रीमती बसंत पांडे अन्य बनाम एल आई सी (शिकायत संख्या 3(एम) वर्ष 2001) आदेश दिनांक 29-5-2003 जिसका निर्णय खंडपीठ ने किया जिसका सभापतित्व न्यायमूर्ति एन एस सिंह ने किया जो मेघालय राज्य का राज्य उपभोक्ता शिकायत निवारण कमीशन था। एक विधवा जिसे पहले ही अपने पति की मृत्यु के कारण शोक था ने अपने पोते के साथ 6 वर्षों तक एल आई सी से भुगतान प्राप्त करने के लिए पीछे लगे रहे और अम्ततः उन्हें राज्य उपभोक्ता कमीशन के दरवाजे पर दस्तक देनी पड़ी जिससे उस उद्देश्य की हार हुई जिसके लिए जीवन बीमा पालिसी बनाई गई थी तथा अनुपालित की गई थी।

इस मामलें में श्री राम पाण्डे ने अपने जीवन काल में 15 वर्ष की अवधि के लिए 3 लाख रुपये की जीवन बीमा अगस्त 28, 1993 से अगस्त 28, 2008 तक के लिए ली थी उन्होनें ठीक समय पर तीन किश्तें भी भर दी थी। दूर्भाग्य से श्री पांडे का निधन 12 अक्टुबर 1995 को हो गया जिसका कारण हृदयगति रुकना था। इसके उपरान्त उनकी पत्नी श्रीमती बसंत पांडे तथा पोते श्री चन्द्र भूषण पांडे जो नामित थे ने एल आई सी को दावा इस उम्मीद से प्रस्तुत कर दिया की जल्द प्रक्रिया में आकर भुगतान कर दिया जाएगा।

क्योंकि दावे का भुगतान नही किया गया इसलिए नामित ने 26 अप्रैल 1999 को एक अनुरोध नोटिस भेजा लेकिन एल आई सी फिर भी निष्क्रिय रही। श्रीमती बसंत पांडे ने 8 अगस्त 2000 को एक स्मरण पत्र भेजा तथा एक अनुरोध नोटिस 6 जुन 2001 को भेजा परन्तु एल आई सी से कोई भी उत्तर प्राप्त नहीं हुआ।

अत्यधिक देरी दावे के भुगतान में यदि होती है तो एल आई सी को इसकी जाँच करनी चाहिए तथा व्यवहार करने वाले का उत्तरदायित्व निर्धारित करना चाहिए।

कुल मिलाकर दावा 6 वर्षों तक निपटाया नहीं गया तथा इतने समय तक कोई उत्तर भी नहीं दिया गया।

तदुपरान्त संयुक्त नामित ने राज्य कमीशन के समक्ष एक शिकायत 20 जुलाई 2001 को प्रस्तुत की जिसमें एल आई सी की तरफ से सेवा में असावधानी तथा कमी का आरोप लगाया गया जिसका आधार उनके दावे का भुगतान न होना था जिसनें कमीशन से अनुरोध किया

गया की दावा राशि 18 प्रतिशत प्रतिवर्ष ब्याज के साथ दी जाए और यह मृत्यु के दिन से दी जाए और दावा देन की तिथि तक साथ ही 50,000 रुपये की क्षतिपूर्ति उस मानसिक उत्पीड़न के लिए दिया जाए जो एल आई सी द्वारा दावा न दिए जाने के कारण याचिकाकर्ता को हुआ।

मामला कई बार आगे बढ़ाया गया इसी बीच एल आई सी ने दावा राशि बोनस के साथ 3,60,300 रुपये 11 सितम्बर 2002 को कमीशन के पास जमा किए जो 14 सितम्बर 2002 को याचिकाकर्ता के पास पहुँच गए। कमीशन ने अपनी सुनवाई के समय यह निश्चित किया की यधपि एल आई सी द्वारा दावा राशि शिकायतकर्ता द्वारा याचिका दायर करने के बाद जारी कर दी गई लेकिन मामला इससे समाप्त नहीं हो जाता क्योंकि याचिकाकर्ता की शिकायत का निपटान लंबी अवधि के पश्चात किया गया इसलिए याचिकाकर्ता का क्षतिपूर्ति का अधिकार बना रहेगा। उपभभोक्ता फोरम को इस पर विचार कर उचित निर्देश जारी करने चाहिए। यह पाया गया की बीमा कंपनी ने अपनी सेवा उपलब्ध करवाने में लापरवाही की और ऐसी देर की जिसको तर्कसंगत नहीं बताया जा सकता और दावे की क्षतिपूर्ति के साथ ब्याज का भुगतान भी करना चाहिए। इसलिए राज्य कमीशन नें एल आई सी को निर्देश दिया की 3,60,000 रुपये की राशि पर 12 प्रतिशत की दर से 33 मार्च 1996 से सितम्बर 11, 2002 तक 30 दिनों के भीतर दिया जाए।

दावा निपटान में अक्रमबद्द देरी होने के कारण एल आई सी को जाँच पड़ताल करनी चाहिए तथा व्यवहार करने वाले के साथ उत्तरददायित्व को निर्धारित करना चाहिए। एल आई सी के लिए सिटिजन चाटर्ड का अनुपालन भी जरुरी है - अपनी भावना तथा शब्द के रुप में जिससे अधिक ग्राहक मित्रता का परिचय दिया जा सके। दूरदराज क्षेत्रों में एल आई सी अधिकारियों को अधिक प्रभावशाली बनना चाहिए जिससे तीव्र सेवा उपलब्ध करवा कर प्रतिष्ठा प्राप्त करें।

विधि का अबोध

एच. के. अवस्थी

नेशनल इंश्योरेंस कम्पनी द्वारा 339 दिन की अंचभित करने वाली देरी जिसके पास बड़ा विधि विभाग है। एक पुर्नविचार याचिका दाखिल करने के लिये राष्ट्रीय उपभोक्ता विवाद निवारण कमीशन के समक्ष यह बताता है। कम्पनी बीमाधारक के दावों को कितना हल्का तथा जीर्ण समझती है।

यह विषय राष्ट्रीय कमीशन के समक्ष आया पुर्नविचार याचिका के.टी. लुकोसे के लिये दायर इस याचिका पर निर्णय लेते समय आवेदनकर्ता द्वारा देरी के लिये माफी कर देने की बात थी जिन्होने नेशनल इंश्योरेंस कम्पनी से मेडिक्लेम पॉलिसी ली थी, अपनी पत्नी तथा बच्चों के लिये बीमा पॉलिसी अवधि के दौरान उनकी पत्नी की सर्जरी हुई जब उन्होनें उस पॉलिसी में दावा किया तो उनका दावा यह कह कर निरस्त कर दिया गया कि पॉलिसी धारा 4.3 के अंतर्गत दावा देय नही है।

जिला फोरम तथा राज्य कमीशन ने बीमा कम्पनी की दलील को नही माना। जिला फोरम ने कम्पनी को निर्देश दिया खि वह 25,760.04 रूपये की धनराशि 15 प्रतिशत ब्याज के साथ उस दिनांक से जबसे शिकायत दर्ज की गई है दिया जाये। राज्य कमीशन ने इस बात को स्वीकार किया की बीमा कम्पनी द्वारा 339 दिन के पुर्नविचार याचिका दाखिल की गई।

राष्ट्रीय कमीशन द्वारा पुर्नविचार याचिका को अस्वीकार करते समय पहले दो फोरम में हारने के बाद बीमा कम्पनी के लिये यह जरूरी नही है वह फिर अपील करे। उसी समय कमीशन के सामने यह तथ्य भी आया कि पुर्नविचार के लिये याचिका प्रस्तुत करने की समय सीमा 90 दिन है। इससे पहले पुर्नयाचिका दाखिल करने की कोई समय सीमा नही थी। कमीशन ने कहा यह कहना ठीक नही होगा। बीमा कम्पनी कमीशन के आदेश को जानती नही थी, जबकि उनके पास इतना बड़ा विधि विभाग है। सर्वोच्च न्यायालय के निर्णय में यह बिलकुल स्पष्ट है। जब कोई सीमा निर्धारित नही कि जाये तो लिमिटेशन अधिनियम लागू होगा। ऐसा नही था कि देरी एक शाखा से दूसरी शाखा पहुँचाने में हुई हो या एक व्यक्ति की सलाह से दूसरे व्यक्ति के कारण हुई हो। बीमा कम्पनी एक साधारण याचिकाकर्ता नही है। जहाँ फाइल को सलाह के लिये एक सार से दूसरे स्तर पर ले जाया जाये।

एपेक्स न्यायालय कि टिप्पणी उपभोक्ता संरक्षण अधिनियम 1986 के अंतर्गत थी जो कई बीमा कंपनियों के विरूद्ध अनेक मामलों में सामने आती है। यह न्यायसंगत होगा यदि बीमा विनियामक विकास प्राधिकरण ठीक दिशा निर्देश बनाये। दावों के संबंध में बनाने चाहिये जिससे मुकद्दमेबाजी से बचा जा सके जो न केखल दावा करने वालों को परेशान करते हैं वरन् कम्पनी को वित्तीय हानि भी करवाते हैं।

लेखक (प्रबंध विधि) उपभोक्ता आवाज संस्था। उनसे cvvoice@vsnl.net पर संपर्क किया जा सकता है या वेब साईड www.consumer-voice.org पर जानकारी प्राप्त की जा सकती है।

यात्रा

शिवकुमार बेलावदि - सीआईआई, लंदन फैलोशिप

यह केवल चुनौती नही है इसने भारतीय बीमा पेशेवरों को प्रतिष्ठा तथा आवश्यक अंतर्राष्ट्रीय येग्यता से नवाजा है लेकिन यह भी एक तथ्य है कि उद्योग में पेशेवर विकास कभी माँग नही उठी है। पिछले कई दशकों से जबसे हमने अंदर की तरफ देखने की कोशिश की है। यहाँ एक कहानी अपने शब्दों में जो चिन्ता या सावधानी है।

इस संरक्षित डिप्लोमा को प्राप्त करने का प्रयत्न एक अनुभव है। वर्ष 1907 में बदलते परिवेश के चलते मैनें महसूस किया व्यक्ति पेशेवर मान्यता जरूरत है। मैनें बहुत से विकल्पों के बारे में सोचा जिनमें आई सी एफ ए आई, एमबीए तथा पीसीयू शामिल थे।

अंततः मैनें चार्टेड इंश्योरेंस इन्सटीट्यूट (सीआईआई) लंदन की फैलोशिप योग्यता प्राप्त करने के बारे में सोचा। आज भी एशिया, यूरोप तथा एशिया-प्रशांत के प्रतिष्ठा प्राप्त संस्थानों में यह प्रमुख भूमिका रखती है।

पहला कदम दाखिला था एक तीसरी दुनिया के देश में सार्वजनिक उपक्रम में काम करने वाले के लिये 550 पौंड इकठ्ठा करना एक कठिन कार्य था। इतने घनत्व की विदेशी मुद्रा दिल की धड़कन को बढ़ा देती थी। मेरे कुछ मित्रों ने मुझे सहयोग दिया और मैं अपेक्षित धनराशि जुटाने में सफल रहा। वह समय विदेशी मुद्रा के मामले में काफी कठिन था। कुछ प्रयत्नों के बाद में स्टेट बैंक मैसूर बैंगलोर से विदेशी मुद्रा जुटाने में सफल हो सका। मैं आज भी बैंक के कर्मचारियों के उस सहयोग को नही भूला हूँ। जब कार्यसमय समाप्त होने के बाद भी उन्होनें मेरे लिये विदेशी मुद्रा में माँग पत्र जुटाया।

एक विद्यार्थी के रूप में दाखिला पाने के बाद मुझे पाठ्य सामग्री मिलती थी। एक विषय के लिये लगभग 75 पौंड जिसे खरीदना एक कठिन कार्य था। कुछ मित्र दुबई में सामने आये। मेरे साथी ओरिएन्टल इंश्योरेंस कम्पनी ने मदद की। मेरी मदद के लिये नेशनल इंश्योरेंस अकादमी पूना भी सामने आयी। इस सबके बाद मुझे तिमाही में पाठ्य सामग्री प्राप्त हो गयी।

इसके बाद थी पढ़ाई तथा परीक्षा। मैं अक्टूबर 1999 में मुंबई आया मैनें तीनों परीक्षाएँ लिखनी थी। (बाकी में मुझे पूर्व योग्यता होने के कारण छूट मिल, भारतीय बीमा संस्थान का फैलो होने के कारण)। भाग्य स्वरूप मैनें तीनों परिक्षाओं को उर्तीण किया। जिसमें मैरिन बीमा में प्रबंधन सिद्धांत में डिस्टिंगशन।

मैं अब चार्टेड बीमाकर्ता था। एसीआईआई में आया और एफसीआई मुझे प्राप्त हुई।

भारत में बीमा उद्योग खुला और मैनें अपने आप को टाटा एआईजी साधारण बीमा कम्पनी मुंबई में पाया। मैनें अपने लिये फैलोशिफ प्राप्त करने का लक्ष्य वर्ष 2003 रखा है।

साधारण में यह कठिन कार्य है क्योंकि इसके लिये परीक्षा पास नही करनी होती लेकिन इसके लिये 3 वर्ष तक सीआईआई को संतुष्ट करना होता है जिसका निर्णय पेशेवर कमेटी क्षमता देख कर करती है।

मुझे एक योजना जमा करनी होगी कि मैं कैसे फैलोशिप के लिये काम करूंगा और उसके बाद इस योजना को कार्यान्वित करने की बात आती है और इसके वृहत रूप से निम्नलिखित कदम आते हैं।

सतत् पेशेवर विकास (सीपीडी)

सीआईआई के शब्दों में फैलोशिप के सीपीडी भाग की संरचना व्यक्तियों के वास्तविक विकास के लिये की गयी है। किसी को भी 180 प्वाइंट तीन वर्षों में चुनी गई गतिविधियों के द्वारा अर्जित करने होते हैं। किसी एक वर्ष में 50 प्वाइंट अर्जित करने जरूरी होते हैं। इसका कारण है कि आप इस बात से सतर्क रहें कि आप निरंतर अपने पेशे से जनता को लाभ पहुँचा रहे हैं इसके लिये जरूरत है प्रतिबद्धता के प्रदर्शन तथा अंशदान कि बीमा पेशेवर के रूप में।

यह गतिविधियाँ हमारे नियमित कार्यालय कार्य के अतिरिक्त होनी चाहिये।

इस आवश्यकता को पूरा करने हेतु मैने व्यवसायिक संस्थान में बीमा की कक्षाएँ ली। मुझे प्रत्येक व्याख्यान पर 3 अंक मिलते हैं लेकिन इसकी तैयारी, प्रस्तुती तथा भागेदारों से मेल-जोल मुझे नई अंर्तरोशनी देता है तथा शालीनता सीखता है। मैं भाग लेता हूँ महत्वपूर्ण अंतर्राष्ट्रीय सेमिनारों में जिसमें पेट्रोलियम व्यवसाय तथा कार्गों में कमी तथा अंतर्राष्ट्रीय विधि शामिल है। मैनें अपनी कंप्यूटर उपयोग कुशलताओं को कक्षाओं में उन्नत बनाया है। लेख लिखे हैं तथा व्यवसायियों के साथ आदान-प्रदान किया है व जिसके लिये अंक भी अर्जित किये हैं।

यह विशुद्ध एक दावत है चाहे इसके लिये वर्षा हो या धूप हो। यह पक्का है कि सफलता मिलेगी।

पेशेवर कार्यक्रम का आचार - विचार

यह कार्यक्रम डॉ. स्टेनबर्ग द्वारा तैयार योजना के अनुसार औपचारिक व्यापारिक आचार - विचार को बताता है। व्यवसाय का उद्देश्य क्या है तथा व्यापार की नीतियाँ उस पर कैसे प्रभाव डालती है। इस प्रारूप के मूल में है। यह तकनीकी प्रक्रिया को अपनाते हुये प्रतिदिन के व्यवसाय के लिये कर्मचारी प्रारूप पेश करता है। जिसमें निर्णय लेने की बात भी शामिल है। विषय सूची की जाँच करने के लिये दो परिस्थितियाँ दी गयी हैं जिनके ऊपर विश्लेषण करना होगा तथा निर्णय पर पहुँचा जा सकता है। यह सीआईआई के मूल्यांककों के पास जमा करवानी होगी जिसके लिये संरचना प्रस्तुत फार्मेट उपलब्ध है। विश्लेषण तथा कैस स्टडी आँख खोलने वाली थी और मैं उसके मूल्य को सराहना चाहूँगा जिसके साथ में जीवन भर के लिये बंध गया।

यह सभी सीआईआई मूल्यांककों को भेजी तथा बिना किसी रूकावट के इसकी अनुमति प्राप्त हो गयी।

सीआईआई को संक्षिप्त शोध प्रस्तुत करना

मैं भारतीय अवस्थाओं से संबंधित कोई कार्य करना चाहता था जो मेरे कार्यक्षेत्र को भी स्पर्श करता था। कार्गो कैरियर से मैरिन रिकवरी को भारत में अधिक ध्यान नहीं दिया गया है विशेष रूप से सड़क मार्ग के कैरियर द्वारा। जिसमें विधि - पत्र अपने आप में बहुत बड़ा है। लेकिन परिणामस्वरूप प्राप्त रिकवरी बहुत कम है। इसलिये मैनें निर्णय लिया कि मैं संक्षिप्त शोध मैरिन रिकवरी रोड कैरियर भारत में पर प्रस्तुत करूंगा।

मुझे इसके लिये आंकड़ों इकठ्ठे करने थे जिसके लिये स्त्रोत में शामिल थे नेशनल इंश्योरेंस अकादमी पुणे, विधि फर्म, बीमाकर्ताओं के कार्यालय, पुस्तकालय, समाचार पत्र, पत्रिकाएँ तथा इंटरनेट।

संक्षिप्त शोध को पूरी दिशा देने के लिये मुझे भारत के परिवहन उद्योग पर शोध करना था उसके विधि संरचना तथा पर्यावरण पर विढि प्रक्रिया पर बीमा कंपनियों की पद्दतियों पर तथा उनके पुराने रिकार्ड पर एक बड़ा कार्य निःसंदेह। इस सब को इकठ्ठा करते हुये तथा मौलिक कारणों को देखते हुए तर्क के साथ व्यक्तिगत प्रतिबद्धता जरूरी थी। सीआईआई को यह बताने के लिये की मैं फैलोशिप का हकदार हूँ।

मैनें पूरी प्रक्रिया जनवरी 2003 में पूरी कर ली और सभी आवश्यक सामग्रीयाँ प्रेषित कर दी। अपनी व्यक्तिगत उपलब्धियों की सूची के साथ जो उन कोशिशों का एक विश्लेषण था जो मैनें फैलोशिप प्राप्त करने के लिये की थी तथा अपने अंतिम कोरियर बिल रूपये 1850 के साथ घर लौटा मुझे अब केवल एक काम करना था वह था इंतजार।

2 अप्रैल को मुझे सीआईआई से एक संचार प्राप्त हुआ कि सीआईआई के मानदंडों को पूरा करने के परिणामस्वरूप मुझे चार्टेड इंश्योरेंस इंस्टीट्यूट की फैलोशिप प्रदान की जाती है।

इस प्रक्रिया में समय तथा धनराशि की माँग है। कभी कभी कुठित करने वाला है लेकिन अंततः बड़ी संतुष्टि देने वाला इन 3 वर्षों के परिश्रम ने मुझे बीमा के विविध तथा गहरे परिदृश्य को समझने की समझ दी है। मिशन पूरा होने पर व्यवसाय के प्रति प्रतिबद्धता और पेशेवर की यात्रा प्रारंभ होती है।

मैनें कुछ समय पहले सीआईआई से फैलोशिप से सफलता प्राप्त व्यक्तियों का विवरण इकट्ठा किया (देखें सूची)। इसमें भारत से 23 लोग हैं। जिन्होंने 1938 के बाद से यह उपाधि प्राप्त की है। पिछले 27 वर्षों में केवल 2 लोगों ने भारत से यह उपाधि प्राप्त की है। उमने हैं श्रीमती सुसन आलूवालिया 1989 में तथा एचडीएफसी चब्ब साधारण बीमा कंपनी के कार्याकालीन प्रबंध निदेशक श्री शैरग वी. सामंत ने 1995 में और श्री एस वी मोनी पूर्व अध्यक्ष साधारण बीमा निगम तथा उपाध्यक्ष एएमपी सनमार इसके फैलो बने।

कई मित्रों साथियों तथा प्रशंसकों ने इस प्रक्रिया में मुझे मदद की है मैं उन सबके प्रति आभारी हूँ जिन्होनें इतनी लंबी यात्रा को संभव बनाया।

मुझे खुशी होगी कि मैं अपने मित्रों को सहायता कर सकूं जो इस रास्ते को अपनाना चाहते हैं।

लेखक चार्टेर्ड इंश्योरर है तथा सहायक उपाध्यक्ष दावा (व्यवसायिक लाइन तथा उर्जा) टाटा एआईजी साधारण बीमा निगम लिमिटेड है। आप उन्हें shiva.belavadi@tata-aig.com पर ईमेल कर सकते हैं। यदि आप भी फैलोशिप की यात्रा करना चाहते हैं।

ब्रोकिंग अभी शैशव है

एन रविन्द्रन

संजीव झा के लेख के संदर्भ में (छूट पर बट्टा न लगायें, आई आर डी ए जर्नल अगस्त 2003 पृष्ठ 36) मैं मध्यस्थों के संबंध पर कुछ बिन्दु सामने रखना चाहता हूँ।

बीमा एक समझौता है तथा इसको संभालने के लिए विशेष कुशलता की जरुरत है। हम अच्छे पेशेवर लोग बीमा कार्यपालक के रुप में नहीं प्राप्त कर पाते हैं इसका अर्थ यह नहीं है कि इनकी पहली दृष्टि में आवश्यकता ही नही हैं। क्या कभी वकीलों के साथ जिंस व्यापारी का सा बर्ताव किया जा सकता है।

संपूर्ण विश्व में नवजात क्षेत्रों नें हमेशा संरक्षण तथा देखभाल की जरुरत पड़ती है। पर्याप्त विनिमय के अभाव में चमकते हुए सैक्टर के लिए यह संभव नहीं होगा की किसी उपयुक्त बात पर पहुँचे।

एक बार हानि होने पर एजेंट/ब्रोकर की सलाह प्रतिशोध पूर्वक होगी लेकिन जब तक कुछ करने के लिए बड़ी देर हो चुकी होगी। कंपनियां जिन्हें बड़े नुकसान हुए हैं वे इस बात को लेकर पश्चाताप करती हैं कि उन्हें पालिसी लेते वक्त ठीक सलाह नहीं दी गई। अच्छी सलाह के लिए अच्छे पेशेवर चाहिए जिन पर धनराशि खर्च करनी पड़े।

आई आर डी ए ने यह स्पष्ट कर दिया है कि ब्रोकर की भूमिका परिदृश होगी। ब्रोकर को अपने ग्राहक को बताना होगा कि वह कितनी धनराशि प्रत्येक लेन-देन पर बना रहा है। ग्राहक के लिए यह जानकारी प्राप्त करना कठिन कार्य नहीं है। ब्रोकर के मूल्य का परिवर्धन अब तक न तो स्पष्ट हुआ है और ज्यादातर ब्रोकर इस कारक को आगे बढ़ाने में सफल नहीं हुए हैं। इसका यह अर्थ नहीं हो जाता की कोई मूल्य परिवर्धन हुआ ही नहीं हैं।

बीमाकर्ता की यह जिम्मेदारी है कि वह यह सुनिश्चित करे कि ब्रोकर ठीक तरह विकसित हो जैसे वकील, चाटर्ड एकाउंटेंट या डाक्टर। यह जानकर खेद होता है कि कुछ बीमाकर्ता व्यापार बढ़ाने के लिए ब्रोकर को छिद्र मात्र समझते हैं। इसके विपरीत बीमाकर्ताओं को निगमित संस्थाओं को यह शिक्षा देनी चाहिए की बट्टा देना अवैध कार्रवाही है।

बीमा कंपनिया तथाकथित बड़े कमीशन को प्रभारित करते हुए अपनी विपणन तथा बिक्री-वर्धन लागत स्थायी रुप से परिवर्ती में बदल रही है। भारत में बीमा कंपनियों के पास बड़े विपणन विभाग हैं जो समानांतर रुप से कार्यरत हैं और कई बार प्रतिस्पर्धा करते हैं। मध्यस्थों के साथ ऐसे कोई आँकड़े उपलब्ध नहीं हैं जो यह बता सके की बीमाकर्ता का विपणन विभाग अच्छे ब्रोकर/आई एफ ए से ज्यादा प्रभावशाली हैं।

बीमा कंपनियां अपनी विपणन गतिविधियों को दूर रखते हुए अपना ध्यान बीमालेखन तथा दावा निपटान की तरफ लगा सकती है जो प्रारंभ से इसका प्रायोजन हैं।

बीमा बेचने के मुकाबले म्युच्वल फंड बेचना बहुत अलग है। एक म्युच्वल फंड में सामान्यत: यह स्वीकार्य है कि आपकी पूँजी न्यायिक रुप से संरक्षित रहेगी (इसके लिए अलग जोखिम प्रोफाइल है)। बीमा द्वारा किया गया संरक्षण भविष्य में होने वाली हानि के संबंध में हैं। म्युच्वल फंड में एक प्रक्रिया है जिसके द्वारा हानि को काटा जा सकता है अपने निवेश को वापस लेकर इसकी तुलना उससे कैसे की जा सकती है जब एक बार हानि हो चुकी हो।

यदि एक हानि घटित होती है तथा बीमाकर्ता उसके भुगतान में असमर्थ रहता है तो सभी संभावनाओं में ग्राहक समाप्त है। इसके लिए ग्राहक के लिए तथा सलाहकार के लिए यह जरुरी है कि विकल्पों में से ठीक उत्पाद चुना जाए।

म्युच्वल फंड के विपरीत बीमा में जो बेचा जाता है वचन जो लघु अवधि के लिए अधिक खर्च वाला तथा दीर्घ अवधि के लिए कम खर्च वाला है। एक म्युच्वल फंड बेचने के लिए व्यक्ति को व्यवसायिक क्षतिपूर्ति पालिसी लेने की आवश्यकता नहीं है। सुन्दरम फाइनेंस तथा चोलामंडलम इसी अनतिम पर निर्मित हुई है।

व्यवसाय में विश्वास सबसे महत्वपूर्ण कारक है इसलिए हमेशा एक निपुर्णता की अथवा एक विश्वसनीय व्यक्ति की आवश्यकता होती है जिससे यह सुनिश्चित किया जा सके की लिया गया निर्णय ठीक था इसलिए मध्यवर्ती को हटाया नहीं जा सकता। यह कहना ठीक नहीं होगा की जमीनी यथार्त अनैतिक है। यदि हम नैतिक नहीं हो सकते, विश्वसनीय नहीं हो सकते तो हमें यहाँ रहने का कोई अधिकार नहीं हैं।

यह सच है कि विनियामक वे होते हैं जो बाजार की परिराटियों की संरचना करते हैं। लेकिन यह भी सच है कि विनियामक परिवर्तन को प्रोत्साहित नहीं करें लेकिन यह तर्क नवजात बाजार पर लागु नहीं हो सकता जो अभी जन्में बच्चे की तरह है। पहले बाजार परिपक्व होनें दिया जाए तब लड़के लड़के होंगे और पुरुष पुरुष कहलायेंगे।

जब तक दरों को संरक्षण देना अनिवार्य है सलाह से दरों को हटाने का परिणाम 'झोलाछाप' का विकास होगा। बाजार तथा ग्राहक कभी उनपर विजय प्राप्त नहीं कर पायेंगे।

लेखक प्रबन्ध निदेशक तथा प्रधान अधिकारी, अलिगोन इंश्योरेंस सर्विस लिमिटेड (एक बीमा ब्रोकर हाउस)

व्यवस्था का जोखिम प्रबन्ध

प्रत्यक्ष विदेशीय निवेश तथा आप्रवासी कर्मियों द्वारा घर भेजे गए पैसे प्रगतिशील देशों के लिए गैर सरकारी उधार से अधिक महत्वपूर्ण वित्त के श्रोत बन चुके हैं। विश्व बैंक की नई रिपोर्ट Global Development Finance 2003 यानी विश्वव्यापी आर्थिक विकास सन् 2003 के मुताबिक सन् 2002 में गैर सरकारी ऋण पर जो अदायगी दी गई वो एक बार फिर नए उधारों से ज्यादा थी, अर्थात प्रगतिशील देशों में गैर सरकारी ऋण का निवल प्रवाह ऋणात्मक साबित हुआ।

ऐसे परिवर्तनों से प्रगतिशील देशों पर बहुत गहरा असर पड़ रहा है। कुछ साल पहले कई देशों पर एक के बाद एक वित्तिय संकटों के बादल गरजने लगे थे जिसका एक महत्वपूर्ण कारण था गैर सरकारी उधार का यकायक बढ़ जाना और फिर यकायक घट जाना। परिस्थिति सन् 1997-98 में पहले तो पूर्वी एशिया में बिगड़ी और इसके तुरंत बाद सन् 2002 में दक्षिणी अमेरिका की ऋण संबंधी समस्याएँ उभरने लगी। लेकिन दूसरी तरफ से देखा जाए तो यह भी सच है कि प्रत्यक्ष विदेशीय निवेश (FDI) तथा आप्रवासी कर्मियों द्वारा घर भेजे गए पैसों का बहुत तेजी से बढ़ने या घटने की कम संभावना होती है, तो जिन प्रगतिशील देशों ने कम बाहरी ऋण के साथ जीना सीख लिया है। उनका वित्तीय वातावरण पहले से स्थिर होता चला जा रहा है।

रिपोर्ट के मुख्य लिपिक फिलिप सटल कहते हैं कि ''सन् 2002 के दौरान गैर सरकारी सरकारी उधार का अभाव बहुत जोरों से महसूस हुआ चूंकि उसी समय दुनिया के बड़े बड़े देशों के शेयर बाजार ठप्प हो गए थे और ये देश भी आर्थिक मंदी की जकड़ से निकलने की कोशिश में लगे थे। प्रगतिशील देशों के लिए ऋण पोषण का विस्तार पहले से बहुत सिकुड़ गया है और यह जल्दी ठीक भी नहीं होगा। ऋण पर अत्यधिक निर्भरता कई देशों के लिए प्रतिकुल रही है। कुछ आगे देखें तो हमे आशा है कि भविष्य में प्रगतिशील देशों में पूँजी का अंतर्वाह पहले से कम अस्थिर रहेगा। अगर ऐसा हुआ तो वृध्दि और गरीबी पर अच्छा असर पड़ेगा।''

विश्वव्यापी आर्थिक विकास सन् 2003 नामक रिपोर्ट बताती है कि प्रगतिशील देशों में आने वाली गैर सरकारी ऋण, यानी बंधपत्र और बैंक उधार, का निवल प्रवाह सन् 1995-96 में 135 बिलियन डालर वार्षिक के शिखर से गिरता चला गया है, और सन् 1998 के बाद अगर निवल संख्या देखी जाए तो अधिकतर वर्षों में देश से बाहर जाने लगा है। एक बार फिर सन् 2002 में गैर सरकारी ऋण का निवल प्रवाह ऋणात्मक साबित हुआ - प्रगतिशील देशों ने पुराने कर्जों पर नए उधारों के मुकाबले 9 बिलियन डालर ज्यादा अदा किए।

हालाँकि प्रत्यक्ष विदेशीय निवेश की निवल मात्रा सन् 1999 के 179 बिलियन डोलर के शिखर से सन् 2002 में 143 बिलियन डालर तक गिर गई, यह भी सच है कि प्रगतिशील देशों के लिए बाहरी वित्त का यही सबसे महत्वपूर्ण श्रोत रहा। निवल पोर्टफोलियो प्रवाह 9 बिलियन डालर था, यानि कुल एक्विटी प्रवाह (प्रत्यक्ष विदेशीय निवेश तथा पोर्टफोलियो) 152 बिलियन डालर से अधिक रहा। आप्रवासी कर्मियों द्वारा भेजे गए पैसों ने 80 बिलियन डालर की रेखा छू दी, जबकि सन् 1998 में यह संख्या 60 बिलियन डालर थी।

शासकीय ऋणदाताओं ने प्रगतिशील देशों को पहले से अधिक उधार दिए, यानी 16 बिलियन डालर, और इसके अतिरिक्त 32.9 बिलियन डालर के अनुदान भी दिए गए।

फिर भी, कुल मिलाकर देखा जाए तो प्रगतिशील देशों के चालू खाते में दुनिया के अन्य देशों के साथ 48 बिलियन डालर की वृद्दि देखी जा सकती है, जो की सन् 2001 के 28 बिलियन डालर के मुकाबले में ज्यादा है, जिसका अर्थ यह हुआ की प्रगतिशील देश पहले की तरह पूँजी के निवल निर्यातक हैं। इसके बढ़ने के कारण आसानी से समझे जा सकते हैं - दक्षिणी अमेरिका में अवमूल्यन और आयात में पतन के कारण व्यापार वृद्दि में तेजी। पूर्वी एशिया के चालू खाते में भी लगभग 43 बिलियन डालर की वृद्दि देखी गई, और तेल के दाम बढ़ने से दूसरे क्षेत्रों में अलग अलग प्रकार के असर दिखने को मिले।

ऋण के कम हो जाने की एक वजह निवेशकर्ता है। बैंक तथा बंधनपत्रधारक प्रगतिशील देशों में ऋण लेने से थोड़ा पीछे हटने लगे हैं। जबकि अवित्तिय संस्थाएँ सचेत होकर आगे बढ़ रही है और अलग अलग देशों का व्यापक मूल्यांकन कर रही है। रिपोर्ट के मुताबिक इन्होनें यह बात समझ ली है कि कई ऐसे प्रगतिशील देश हैं जिनमें संवृद्दि की संभावनाएँ हैं।

प्रगतिशील देशों की प्रत्यक्ष विदेषीय निवेश पर बढ़ती निर्भरता सामान्यत: सकारात्मक समझी जा सकती है क्योंकि प्रत्यक्ष विदेशीय निवेश करने वाले निवेशकर्ता अधिकतर लम्बे अर्से के लिए कटिबद्द रहते हैं और ऋणधारकों के मुकाबले अल्पकालीन दिक्कतों का बेहतर सामना करते हैं। कई देशों में सरकारी उधार अब पहले की तरह विदेश से ना लिए जाकर देश के अंदर से दिए जाने लगे हैं, छाटी परिरक्वता अवधि पर। हांलाकि ऐसा करने से इन देशों में विदेशी मुद्रा के बढ़ने घटने का खतरा अवश्य कम हो जाता है, उधार की अल्पावधि के कारण स्थानीय ब्याज की दरें घटने बढ़ने लगती है। रिपोर्ट यह भी बताती है कि दबाव आने पर स्थानीय निवेशकर्ताओं को परिस्थिति के साथ टिके रहने में दिक्कत होती है।

दूसरी ओर, हांलाकि उधार के मुकाबले प्रत्यक्ष विदेशीय निवेश ज्यादा स्थिर रहता है, यह स्थिरता हमेशा एकसमान नही होती क्योंकि अंतर्देशीय तथा विदेशीय निवेश, दोनो बहुत हद तक इस बात पर निर्भर करता है कि देश में लागत करने का वातावरण कैसा है।

विश्व बैंक के नुख्य अर्थशास्त्री तथा विकास संबंधी अर्थशास्त्र के वरिष्ठ उपाध्याय निकोलस स्टर्न कहते हैं कि '' प्रगतिशील देशों में ऋण से हटकर शेयर बाजार पर जो महत्व डाला जा रहा है उसका मतलब है कि इन देशों में एक ठोस निवेश वातावरण उत्पन्न करने की कोशिश जारी है। प्रगतिशील देशों में निवेश का नौ दसवां हिस्सा देश के अंदर से ही आता है। मगर अंतर्देशीय निवेशकों को भी उसी सकारात्मक कार्य वातावरण की आवश्यकता होती है जो विदेशी निवेशक चाहते हैं। दोनो को सामान्य रुप से स्थिरता, विश्व के बाजारों में प्रवेश, भरोसेमंद आधारिक गठन, सही संचालन तथा सरकारी कर्मियों की ओर से कम उत्पीड़न और भ्रष्टाचार चाहिए।''

देश में निवेश का वातावरण अगर अच्छा है तो कर्मियों द्वारा बाहर से भेजे हुए पैसों का भी सदुपयोग होता है। जिस देश का निवेश वातावरण ठीक नहीं है वहाँ इन पैसों से लोग सिर् ''काम चलाते'' हैं और जहाँ का वातावरण अच्छा होता है वहाँ इस पैसे से लोग खेत तथा छोटे बड़े कारखाने आदि खरीदते है जो की गरीबी कम करने की कुंजी हैं। स्टर्न ने बताया कि ''हर प्रकार की पूँजी, चाहे ये प्रत्यक्ष विदेशी निवेश, कर्मियों द्वारा भेजे गए पैसे, आर्थिक मदद या ऋण क्यों न हो, के प्रभावकारी उपयोग के लिए सकारात्मक निवेश वातावरण होना अत्यंत महत्वपूर्ण है।''

प्रत्यक्ष विदेशीय निवेश की तरह विदेश में बसे हुए कर्मियों द्वारा भेजे गए पैसे ऋण से अधिक स्थिर वित्तिय श्रोत हैं। आदमी यहाँ तक कह सकता है कि आर्थिक चक्र

जब ढलने लगता है तब इन पैसों की मात्रा बढ़ने लगती है और दूसरे आर्थिक आघातों का असर कम कर देती है क्योंकि विदेश जाने वाले कर्मियों की संख्या बढ़ जाती है और जो लोग पहले से ही बाहर होते हैं वे अपने परिवारों को ज्यादा पैसे भेजने लगते हैं। 1990 के दशक में विदेश में बसे हुए कर्मियों द्वारा भेजे गए पैसों की मात्रा अधिकतर सरकारी विकास संबंधी सहायता से ज्यादा साबित हुई। हाल में अनौपचारिक अंतरण पर कड़ाई और बैंक के शुल्कों के घटने से हमारा अनुमान है कि आगे चलकर हैनक प्रणाली द्वारा और भी पैसे भेजे जाएँगे।

हालांकि इक्विटी तथा बाहर से भेजे गए पैसों के प्रवाह में काफी दम है, गैर सरकारी ऋण की दुर्बलता के साथ अनुकुलन करने में कई प्रगतिशील देशों को भारी चुनौतियों का सामना करना पड़ेगा क्योंकि वे विदेशी उधार पर निर्भर हो गए हैं। प्रगतिशील देशों ने सन् 2002 में निजी क्षेत्र के उधारदाताओं को जो 9 बिलियन डालर वापस किया गया वो सन् 2001 के लगभग 25 बिलियन डालर के अलावा था।

हालांकि यह संभव है कि सन् 2002 का तीसरा चौथाई वर्तमान उधार चक्र का अधोभाग था, फिर भी हमें जानना चाहिए की कोई भी उत्थान धीमा ही होगा। सन् 2003 में प्रगतिशील देशों की ओर आने वाले ऋण में कोई खास उतार-चढ़ाव होने की कम अपेक्षा हैं।

सारी चीजें देखी जाए तो प्रगतिशील देशों की अल्पावधिक वृद्दि की आशाएँ बहुत कुछ ऊँची आय के देशों की आशाओं से जुड़ी होगी, जो कि भू-राजनैतिक कारणों से प्रभावित होगी।

विकास पूर्वानुमान समूह के निदेशक यूरी दादूश कहते हैं कि ''अल्प काल, यानि अगर अगले छ: से आठ महीनों पर नजर डाला जाए तो ऐसी कई चीजें दिखती है जो प्रगतिशील देश के नीति बनाने वालों के हाथों के बाहर है। लेकिन अगर मध्यम काल को देखा जाए तो जिन देशों की नीतियों की आधार रचना और निवेश वातावरण में सुधार आएगा, उन देशों में अधिक उन्नति होगी और वहाँ से गरीबी जल्दी हटेगी।

ईराक में सैन्य क्रियाओं के कारण कुछ परिवर्तन, जैसे कि तेल का दाम कुछ समय के लिए बढ़ जाना संभव हैं मगर इन चीजों को पूर्वानुमान में पहले ही सम्मिलित कर लिया गया हैं और हम सोचते हैं कि इनसे कोई दीर्घकालीन या स्थाई दिक्कतें नहीं होगी। इस आधार पर हमारी आशा है कि सन् 2003 में अमीर देशों का राष्ट्रीय उत्पाद सन् 2002 के 1.4 प्रतिशत से बढ़कर 1.9 प्रतिशत हो जाएगा। सन् 2004 के दौरान इसे 2.9 के शिखर को छू लेना चाहिए और सन् 2005 में थोड़ा घटकर 2.6 प्रतिशत हो जाना चाहिए।

सन् 2002 में प्रगतिशील देशों की वृद्दि 3.1 प्रतिशत थी जो कि सन् 2001 के दुर्बल परिणाम की तुलना में केवल 0.3 प्रतिशत अधिक थी। अमीर देशों में निस्तेज आर्थिक सुधार तथा कई बड़े प्रगतिशील बाजारों में वित्तीय तथा राजनैतिक अस्थिरता ने इस वृद्दि पर लगाम लगा दिया। विश्व के व्यापार में केवल 3 प्रतिशत वृद्दि हुई जबकि तेल को छोड़कर दूसरे जिंस उत्पादों का दाम 5.1 प्रतिशत बढ़ गया।

ऋण का निवल प्रवाह बेहद कमजोर रहा, खासकर दक्षिण अमेरिका की ओर, और प्रत्यक्ष विदेशीय निवेश, जो कि अधिकतर ऋण से स्थिर रहता है, वो भी सन् 2002 में सन् 2001 के मुकाबले 29 बिलियन डालर कम हो गया। सन् 2002 के दौरान तेल का दाम 19 डालर प्रति बैरल से बढ़कर 28 डालर प्रति बैरल हो गया। तेल खरीदने वाले देशों के लिए यह चढ़ाव महँगा साबित हुआ क्योंकि इससे उनके कृषि तथा धातु उत्पादनों के बढ़ते दाम तटस्थ हो गए। हमारे पूर्वानुमान के अनुसार सन् 2003 में प्रगतिशील देशों में 4 प्रतिशत की वृद्दि होनी चाहिए और सन् 2004 में 4.7 प्रतिशत की।

पिछले 18 महीनों में प्रगतिशील दुनिया के भिन्न क्षेत्रों का परिणाम काफी हद तक अलग अलग रहा है जिसका प्रमुख कारण अंतर्देशीय वातावरण है। कुछ मुख्य बातें:

- चीन का उत्पाद पहले की तरह मजबूत रहा - सन् 2002 में लगभग 8 प्रतिशत - जापान की तटस्थता तथा यू एस की ओर से अस्थिर माँग के बावजूद। इससे पूर्वी एशिया में उत्थान हुआ। अन्य देशों में लाई गई नीति संबंधी उद्दीपन के साथ साथ चीन ने सन् 2002 में इस पूरे क्षेत्र की वृद्दि 6.7 प्रतिशत द्वारा बढ़ा दी।
- संवृद्दि के तराजू की दूसरी ओर अगर देखा जाए तो दक्षिण अमेरिका तथा कैरिबियन में सरकारी ऋण व्यतिक्रम, आर्जनटीना में बैंकिंग प्रणाली का निपात, ब्राजील के चुनाव के बारे में प्रश्न, वेनेजुएला का बिगड़ता वातावरण, तथा इन सब कारणों की वजह से वित्तीय बाजार के प्रवाह में से 31 बिलियन डालर के निकाल दिए जाने से वृद्दि नियंत्रित रह गई। साल के दौरान सकल राष्ट्रीय उत्पाद 0.9 प्रतिशत गिर गया जिसका प्रति व्यक्ति अनुवाद 2.4 प्रतिशत का पतन हैं।
- हॉलाकि यूरो क्षेत्र की धीमी वृद्दि ने इस क्षेत्र से जुड़े प्रगतिशील देशों की आर्थिक परिस्थिति पर बादल सा डाल दिया, टर्की में महत्वपूर्ण उन्नति हुई उस देश के सन् 2001 की संकट स्थिति के पश्चात तेल के उठते दामों से एशिया तथा सी आई एस देशों के परिणाम भी अच्छे रहे। इन वजहों से यूरोप तथा मध्य एशिया में 4.1 प्रतिशत की वृद्दि हुई।
- भारत की देशीय माँग की मजबूती के कारण दक्षिण एशिया ने 4.9 प्रतिशत की वृद्दि की - अफगानिस्तान की समस्याओं तथा भारत और पाकिस्तान के रिश्तों में तनाव से संबंध रखने वाली क्षेत्रीय दिक्कतों के बावजूद।
- दक्षिणी अफ्रीका और मध्य पूर्वी एशिया तथा उत्तरी अफ्रीका में बहुत सुस्त वृद्दि हुई। सन् 2002 में दोन क्षेत्रों की वृद्दि दर 2.6 प्रतिशत थी।

रिपोर्ट यह समझाती है कि हालाँकि अलग अलग क्षेत्रों के परिणाम भिन्न नजर आते हैं, वास्तव में तो यह भिन्नता एक आवरण है जो इन क्षेत्रों की समानताओं को ढकती है। विश्वस्तरीय उत्पादन, व्यापार तथा वित्तीय लेन-देन में प्रगतिशील देशों के बढ़ते हुए संगठन ने सचमुच एक विश्वव्यापी व्यापार चक्र उत्पन्न कर दिया है। विकसित व्यापार के रिश्ते, समयोचित व्यवस्थापन तथा मध्यम आय के देशों में साझेदारों व प्रदोयकों को साथ मजबूत आर्थिक प्रबंधनों को द्वारा अमीर देशों की आर्थिक स्थिति अब बहुत जल्दी प्रगतिशील देशों में प्रतिबिंबित होने लगी हैं।

सन् 2001-02 के मुकाबले में प्रगतिशील देशों के लिए सन् 2003 का वित्तीय वातावरण बेहतर होने की अपेक्षा की जाती हैं। हमारा अनुमान है कि प्रत्यक्ष विदेशीय निवेश में थोड़ी वृद्दि दिखनी चाहिए, और गैरसरकारी श्रोतों की ओर से भी कुछ अधिक प्रवाह आना चाहिए हालाँकि इसमें कोई खास तेजी नहीं होगी। जैसा कि हमने पहले भी कहा हैं, यह पूर्वानुमान दो बातों पर आधारित हैं - कि ईराक की परिस्थिति जल्दी सुलझ जाएगी तथा सन् 2003 के आने वाले महीनों में तेल का दाम काफी हद तक गिर जाएगा।

Remembering Remaindered Risk

P. S. Prabhakar

The IRDA Act amended the Solvency Margin parameters in the Insurance Act to change the unexpired reserve risk (URR) percentages to bring them in line with the Income Tax Act allowed 50 per cent instead of 40 per cent for Fire and Miscellaneous portfolios and to make it the same 50 per cent for Marine Cargo. Only Marine Hull was reserved for the 100 per cent category.

However, all these years, the public sector unit (PSU) general insurers had only provided 50 per cent for Fire and Miscellaneous and 100 per cent for Marine, without distinguishing between Cargo and Hull in their books, possibly to take full advantage of tax provisions.

Glancing through the published audited financials of the PSU general insurance companies for the year ending 31.3.2002 (the author has not been able to acquire the financials of many private insurance companies), it was observed that only Oriental Insurance had made differential provisioning of Cargo and Hull. (Probably to 'contain' its losses in the books rather than to follow the edicts in this regard!).

Now, earlier it was mentioned that the income tax provisions allowed URR at 50 per cent for Fire and Miscellaneous and 100 per cent for Marine (no bifurcation between Cargo and Hull envisaged in the Income Tax Act). In the absence of the sympathetic amendment in the Income Tax provisions, companies are baffled as to whether it would be possible for them to go by IRDA provisions for the financial statements (providing 50 per cent URR for Marine Cargo) and re-compute the taxable income by claiming URR for Marine Cargo at 100 per cent.

The Income Tax Act, for some reason, seeks to reserve a very special treatment for assessing insurance companies. Section 44 and the First Schedule of the IT Act make it mandatory for the Assessing Officer to accept the income shown in the accounts of the Assessee (insurance company), drawn up satisfying the requirements of the Insurance Act and furnished to the Controller of Insurance *read IRDA*. Remember, the requirement is not even the regulator's vetting of the financials. The tax authorities have to, simply, go by the accounts 'furnished' to the regulators. However, this is subject to the provision that the URR provisions cannot be beyond the above mentioned permitted levels envisaged in Rule 6E.

So, it appears that the companies can go by IRDA's parameters and provide 50 per cent of URR for Marine Cargo in the books and spruce up the results and get behind the Income Tax provisions and go for a re-computation of income for the purpose of taxation, until there is a consequential amendment of Rule 6E of IT Rules.

What needs to be clarified is whether the Premium Deficiency (PD) should be calculated and recognised policy-wise, product-wise, portfolio-wise or at a global level.

Perhaps it is a little too early to expect consequential amendments in the tax laws, going by the trend of such consequential amendments in our country! (It may be pointed out here that the Insurance Act, which was passed in 1938, referred to some provisions in the Indian Companies Act, 1913. However, the said Companies Act was replaced by Companies Act, 1956, and even though many amendments were made to the Insurance Act on momentous occasions like setting up of the Life Insurance Corporation of India, general insurance business nationalisation, IRDA formation and so on, the Insurance Act still refers to the Companies Act, 1913, in many places!)

Concept of Premium Deficiency

For the first time, a new concept called 'Premium Deficiency' was brought in by the IRDA. Again, a measure for augmenting Policyholders' Funds, it mandated that if the sum of expected claims costs, related expenses etc. exceed the URR, the said excess is to be recognised as Premium Deficiency. (For better understanding, I have elaborated here. The Regulations have strictly followed the rule that brevity is the soul of wit!).

Neither has the IRDA attempted to explain the concept of this Premium Deficiency and the methodology for providing for it nor has any insurance company really appeared to be breaking their heads over this. What needs to be clarified is whether the Premium Deficiency (PD) should be calculated and recognised policy-wise, product-wise, portfolio-wise or at a global level. Perhaps, as the Revenue Accounts are prepared for Fire, Marine and Miscellaneous portfolios, it would make sense to have the Premium Deficiency also computed in the same breath.

Again, as the reserve for Premium Deficiency will not get qualified to be deducted as a charge on 'profits' for the purpose of Income Tax, choking this down the throat of insurance companies does not seem to be all that fair.

However, with so much confusion reigning over the concept of URR itself, Premium Deficiency, which is linked to the URR, even as a theoretical concept does not exactly thrill any discerning watcher. The Regulator can be sure of an indifferent brushing aside of this by the insurers.

Expectedly, none of the insurance companies seemed to have even mentioned making, or not making, any provision for Premium Deficiency in their audited financials in the last year. And, even from the statutory auditors, there has been only deafening silence, especially in the case of PSU insurers, for whom only the bells of Premium Deficiency, if at all, would have tolled.

If there is a rule it must be clear. However, the only thing clear here is that there is lack of clarity!

Provisions for Outstanding Claims

The Claims Cost (also known as Incurred Claims) of a company is the actual claims paid less adjustments for reinsurance recoveries on them and provisions for Claims Outstanding as on the date of financial reporting.

On the direct side, the operating offices of the insurance companies are expected to make the initial provisions at the time of claims reporting, based on the available information in their systems. The software would perhaps allow the updating of the 'figure,' as and when situations warrant. The sum total of such 'direct' figures, tempered by the reinsurance recovery adjustments and added to the Outstanding Claims figures received from the reinsurers, in respect of 'acceptances' would be the total 'net' outstanding claims, which will form the integral part of the Claims Cost.

Here, the provisioning is to be done by the officials and 'approved' by the auditors. The Regulator's role is rather limited. The management, if it wants, can play around with the figures, (provided they are able to satisfy the auditors) and engineer the underwriting profit or loss as the case may be. Estimations are estimations anyway.

The Motor portfolio that basically determines the underwriting fortunes (read misfortunes) of many a general insurance company, will be mostly to the net account of the insurers as there normally will not be any RI cover for it, save the Excess of Loss cover. And here, it will be possible to 'under-provide' as the insurers please. As the intentions of the owners of insurance companies will manifest in such provisions, the Regulator should seriously think of providing some checkpoint in this crucial area.

As the intentions of the owners of insurance companies will manifest in such provisions, the Regulator should seriously think of providing some checkpoint in this crucial area.

There is a menace called "Orphan Claims," which again is perhaps unique to our country. This points to those Motor Third Party claims that get reported to an office of an insurance company, while the policy, if at all one is there, might well not have been issued by that company.

Prudence would demand that such claims also are provided for. However, as the 'professional chasers' of accident-victims will get these claims reported only to the nearest PSU insurance company, by habit, as also because the private companies will have a way of not entertaining them, there is a clear lack of level playing field between PSU insurers and private insurers, here. But, who cares? Public sector is apathetic, private sector is happy and the Regulator is not in the know.

The author, who used to work with the nationalised general insurance industry, is a practising Chartered Accountant. In this series he will deal with various aspects of financial reporting, disclosure and audit requirements of insurance companies.

RURAL INSURANCE MARKET

Why is the rural market so important in the insurance sector? Not because of the mandatory obligation of the IRDA to write rural business. It is because of the masses of India lives in villages, majority of the population in India is in the rural sector, so a major consumer market is rural India. No marketer can ignore this fact.

But insurance is an intangible product or rather a service which is to be sold. So it becomes more difficult to sell insurance in the rural market where the literacy rate is very low, so the challenge of selling the concept of insurance is the highest in the rural market.

It is the duty of the IRDA and public and private sector insurers to sell the concept of insurance in a very effective manner. It is only the optimistic approach towards the growth of the market and, some points mentioned below, can be effectively used to promote the concept of insurance.

1. The IRDA and other insurers should join hands to promote the concept of insurance in the rural market through bancassurance, agents or advisors.

2. The IRDA, as a regulator, should organise in coordination with the local government some stage shows or plays or skits, which explains the concept of insurance, the significance of insurance and its importance in the life of an individual. This will prove more effective as these plays or stage shows will create a more clear picture of insurance in the minds of individuals, inducing them to purchase policies.

3. The IRDA should make mandatory for the insurers to advertise on the regional channels to spread more awareness in local language.

4. Insurers should target the teenagers of villages, who travel to the cities daily for their studies. Insurers should come forward to arrange seminars in their colleges to promote insurance. Insurers should even try and make them advisors for the company and sell their policies with a personal touch.

5. As part of their social obligation the insurers should try and cover the population in the rural market under a common group with the help of the NGOs performing in the village. These NGOs can even help to spread awareness in the local public.

Miten Shah
Student, PGDIRM, BIM-TECH

Report Card:GENERAL

Slight drop in growth rate

G.V.Rao

Performance in August 2003

The performance of the non-life insurance market during the month of August, 2003, has shown a few pointers of interest, though this cannot be called a trend as yet.

The premium accretion in August of Rs.117 crores (11.4 per cent growth rate) is led by National Insurance (Rs.52 crores accretion) among the public players, and ICICI Lombard (Rs.32 crores accretion), and Tata AIG with Rs.11 crores accretion) and Royal Sundaram (Rs. seven crores accretion) among the private players.

The rest of the eight players seem to have slowed down their growth rates, if their performances in the month of August, 2003, are any indication. The reasons are unclear.

Out of the Rs.117 crores accretion in the premium for August, 2003, for all the 12 players, these three private players alone have contributed Rs. 50 crores with Cholamandalam and HDFC Chubb adding a further Rs.16 crores. The private players have chipped in Rs.71 crores with a growth rate of 90 per cent.

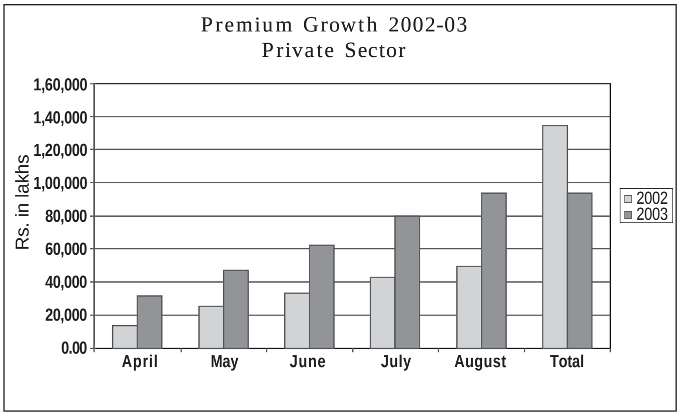
National Insurance leads the public players with Rs.52 crores accretion (24.3 per cent growth rate) followed by New India with Rs. seven crores (2.5 per cent) and UIIC with Rs. two crores (1.2 per cent). Oriental has dropped its premium by Rs.16 crores in August, 2003. The public players' contribution is Rs.46 crores with a growth rate at 5.2 per cent. Has the VRS of Development Officers, the increases achieved last year in facultative premiums and the one-time increase in Motor premium rates effective from July 1, 2002, made it difficult to widen the premium base in the current fiscal?

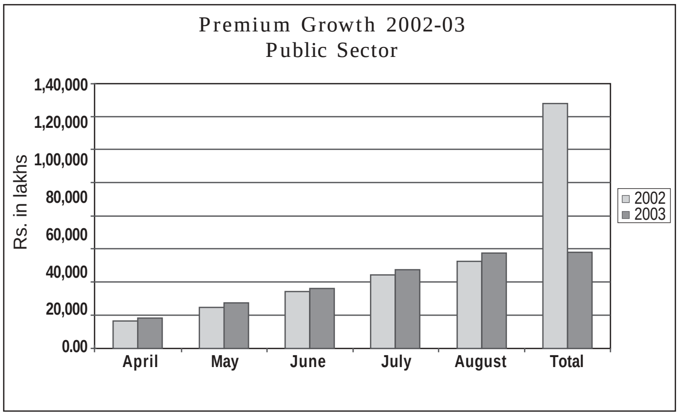
National Insurance among the public players, and ICICI Lombard, Tata AIG, and Royal Sundaram among the private players have been the lead players in

Gross Premium Underwritten – August 2003

(Rs. in lakhs)

Insurer	Premium 2003-04		Premium 2002-03		Market share upto August, 2003	Growth % Year on Year
	For the month	Upto the month	For the month	Upto the month		
Royal Sundaram	2,174.27	11,022.86	1,379.72	7,292.16	1.61	51.16
Tata AIG	2,624.91	16,446.84	1,511.99	10,135.01	2.40	62.28
Reliance General	457.98	7,291.99	342.37	7,088.67	1.07	2.87
IFFCO-Tokio	1,513.91	14,405.19	1,524.72	8,498.06	2.11	69.51
ICICI Lombard	3,789.24	19,547.15	575.87	5,462.10	2.86	257.87
Bajaj Allianz	2,215.91	18,304.22	2,036.98	10,762.57	2.68	70.07
HDFC Chubb	900.24	2,839.19			0.42	NA
Cholamandalam	744.29	3,775.50			0.55	NA
New India	28,800.00	1,64,377.00	28,131.00	1,62,978.00	24.03	0.86
National	26,578.00	1,38,920.00	21,383.00	1,19,413.00	20.31	16.34
United India	24,516.00	1,39,885.00	24,216.00	1,35,153.00	20.45	3.50
Oriental	20,139.00	1,30,379.00	21,698.00	1,27,641.00	19.06	2.15
ECGC	3,412.82	16,804.43	2,306.46	13,772.82	2.46	22.01
PRIVATE TOTAL	**14,420.75**	**93,632.94**	**7,371.64**	**49,238.57**	**13.69**	**90.16**
PUBLIC TOTAL	**1,03,445.82**	**5,90,365.43**	**97,734.46**	**5,58,957.82**	**86.31**	**5.62**
GRAND TOTAL	**1,17,866.57**	**6,83,998.37**	**1,05,106.10**	**6,08,196.39**	**100.00**	**12.46**





their respective sectors during August. Most of the other players appear to have struggled to gain growth rates. Is the market sending any message? It is not yet clear what this development portends in the absence of more data.

Though it is not obligatory – it will be useful for the market analysts and the public at large – if the non-life insurers were to release their comments through press releases routinely on their monthly premium performances with comments on market trends, and of the future prospects, as a matter of public interest and importance and as a part of good public relations.

Performance up to August 2003

The market grew by Rs.728 crores (12.2 per cent) to record a total premium of Rs.6,672 crores. To the overall growth of Rs.778 crores the private players have contributed Rs.444 crores, about 60 per cent of the total quantum. While their overall growth rate is 90 per cent, that of the public sector is 5.2 per cent. This is seen as the trend for the last few months.

Of the total contribution of Rs.280 crores of the public players, National Insurance's share is Rs.195 crores with United India being Rs.44 crores, Oriental Rs.28 crores and New India Rs.14 crores. The reasons for the uneven pattern of growth need to be ascertained by each player. Is competition the reason? New India with five private players having their head offices in the western zone seems to be facing the toughest of competitive fight.

Among the private players, out of the total accretion of Rs.444 crores, ICICI Lombard has chipped in Rs.140 crores, Bajaj Allianz Rs.76 crores, Tata AIG Rs.63 crores IFFCO-Tokio Rs.59 crores and Royal Sundaram Rs.37 crores.

Conclusion

A growth rate of around 11 per cent to 12 per cent seems to have emerged as trend, though August, 2003, has been a tough month for most players. Ninety per cent growth rate for private players and five per cent for public players is emerging as most likely. To the increasing size of the market, the private players are contributing 60 per cent, with the public players contributing 40 per cent. ICICI Lombard and National Insurance are the two star players that are raising the bar for others in terms of increased premium volumes.

In what portfolios is the market developing? The answer to this question can be given only if the industry releases the portfolio premium developments. The insuring public and the market watchers will be keen to know how the health and rural segments are growing.

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

Professional Skills and Half-life

- The life of underwriter as a marketer

Anasuya Chaudhuri-Ghosh

The time elapsed before half the active nuclei decay is called half-life.

- High School Physics textbook

The half-life of a professional skill is equal to the time spent on acquiring the skill.

Let me illustrate, a graduate engineer spends four years studying mechanical engineering. While the basics of mechanical engineering will not change, the applications will be obsolete or be re-engineered in eight years. This means that if an engineer graduated in 1996, by 2000 his portfolio of relevant skills will have halved.

Similarly, the physiology of human anatomy remains the same the world over. By homing in on the life insurance business in India what has to change in this era of liberalisation in the country is the way we have to treat life risk. There needs to be a constant effort to restratify risk according to the dynamics of the medical advancements and the circumstances surrounding the social systems that are peculiar to each state, country or continent.

A similar rate of skill depreciation works in the service industry. To negate it, continuous training is a necessity. Skill depreciation is a function of skill obsolescence and new services inducted into the market by competition.

The easiest word to say is "No" and shirk the responsibility because of what seems to be an apparent disaster in terms of underwriting a life. To be honest, it is one of the reasons why we are looking beyond monopolies. Times have changed and tables have turned. We need to change our plan of action and walk an extra mile to clinch each deal from the fangs of competitors and it is not the responsibility of the marketing team alone. It is we, the underwriters, who will battle over looking at a risk from all angles and possibilities beyond the comprehension of what seems apparent.

With global competition, the benchmark presented to the customer is global in scale. To raise service standards and innovation to a global level, global best practices will need to be adopted. Staff will need to not only learn but experience global best practices.

The focus areas that ought to be covered immediately are:

- Service Automation – Customer Relationship Management (CRM) and Management Information Systems (MIS)
- Market Profiling – Segmentation, Targeting and Positioning
- Complaint handling and Redressal
- Staff Training Procedures, Tools and Measurement of Impact

The focus areas mentioned above have been traditionally weak in the Indian sub-continent in general. Benchmarking against local best practices will bring short-term gains. Implementation of global benchmarks, in products and services, will assure a sustainable competitive advantage.

We have to keep an eye on the hourglass too. Speed is what catches the eye and why not? We are living in the age of the Internet and time to change is running out. The turnover time needs to be better than the best in the business.

Our advantage is that there is no "best" within the country in the business yet as the race is still on. The need to equip the warriors on the battle-field with a quiver full of deadly arrows depends on the chieftain of the army which is comparable to a company that is relying on its staff to give it the edge over the other players.

The only way to win this game is to upgrade their skills and knowledge base by participating in innovative training programmes and seminars, presentations and hands-on experience so as to inculcate the relentless desire to look beyond the problem and focus one's thoughts and energies towards a vision beyond what the eye can see. Let us try and be the best so the others are led by our example and we better ourselves even further through learning and a passion for knowledge and training.

It was about two and a half years years ago when the Insurance Industry was on the threshold of making a start. Joint ventures and alliances were still being formed. My company, Birla Sun Life Insurance (BSLI) has had a slow and steady rise.

In India, till recently, life underwriting was a term known, and activity, performed only in the Life Insurance Corporation of India (LIC). However there is no specialisation there as job rotations happen every three years or so. Also they deal with incredible numbers hence the risk selection is less. The criteria of selecting lives is an art much publicised by the private players as the risk assessment has become more and more technical. I quote Sir William Osler (1849-1919) considered to be the most influential Physician in history and the father of Psychosomatic Medicine, to support this view.

"Medicine is a science of uncertainty and art of probability. One of the chief reasons of this uncertainty is the increasing manifestation of any one disease."

As underwriters, we don't need to diagnose because that is the job of a clinical doctor. We need to prognose or predict the likelihood of a person succumbing to the disease in the future. If the person already has a medical impairment, we predict the probability of his survival till the end of the coverage period.

The job of an underwriter is three-fold. Underwriters should be good at painting pictures! We need to arrive at decisions on the basis of medical, lifestyle and financial information. A decision is not enough – it must be profitable and competitive at the same time. Secondly, the decision needs to be effectively communicated to the marketing personnel and thirdly, help them place the business on the books. An underwriter must be a willing student, analytical and able to handle a reasonable amount of stress.

To arrive at the decision, underwriters need to be well versed with human anatomy and the functions of the body organs. We need to know medications and the effect of the same on the blood enzymes. They say that in underwriting two plus two is not always equal to four but only sometimes. It could be three or even six occasionally. For instance, every diabetic in the same age group will be treated differently depending on many factors like smoking, control, medication, build, ECG etc. Some may impose low risk and some high, some may be declined and some postponed.

"Does it make sense?" That is the Underwriter's Favourite Question.

Apart from the medical information, we need to be able to understand and read Balance Sheets and P&L accounts and prepare a financial profile of a client. The Aviation and Avocation profile also has to be underwritten to identify the susceptibility to accidents and occupational hazards, if any.

BSLI constantly endeavours to train the underwriters. Unlike the Feet-on-Street whom we would identify as our infantry, underwriters represent the artillery, that battles and supports the infantry. Our job is to defend the fortress, i.e., interests of the company, clients and employees.

We have a comprehensive training programme for all underwriters irrespective of whether they are junior or senior. This includes periodical training from the reinsurers. These are intensive four to five day long modules covering major areas of underwriting. Topics that are covered include among many others, impact of liver function tests and significance of complete blood count, interpretation of ECG and TMECG. This helps the underwriters to understand the disease and identify patterns in the blood profile and other specialised tests.

Right after induction each underwriter goes through a self learning programme. Phoenix is an in-house learning module and every underwriter has to pass with a minimum score. There are articles and magazines pertaining to underwriting specific issues that are circulated and discussed regularly. Every new product is discussed in a round-table meeting where all underwriters get to voice their concerns and views.

Each underwriter discusses his or her special cases with the Chief Medical Officer (CMO). This in itself is a learning experience as we have to fish out information on our own and there is a certain satisfaction when the CMO agrees to an underwriter's decision. But we are far behind our US and European contemporaries who can interpret abnormal ECG without the help of a doctor. But we believe that we will get there very soon.

From a modest beginning of three underwriters, we now boast of a team of 21 underwriters excluding the CMO and the Chief Underwriter. When we talk about underwriting in BSLI, there are a few people who have been instrumental in helping us to get on track. Joe Dahl- the Vice President, Underwriting (Sun Life Financial). Writing about our encounters with him will need a separate article. He has taught us how to be a marketing person's underwriter and not necessarily a nightmare for marketing. Another person is Mr. Govindan. Who can forget his inputs and guidance from the time the company was formed?

Sometimes we do take tough decisions which are not liked. But that is a small percentage of decisions and these are unavoidable. Our job is to assess life risk and do it with accuracy. Most companies do not reconsider a single decision but we on the other hand are willing to look at possibilities. However the small percentage of reconsideration requests must have adequate justification and additional medical or financial information.

Our reinsurer RGA has given us tremendous support over the years. We had our friendly neighbourhood underwriter – Mike Rothenberg available in-house for consultation. Bidding him farewell was sad but we were also happy that RGA is willing to rely more on us without someone to watch over us. Every chapter has to end sooner or later.

BSLI Underwriting is now functioning on its own except for Joe Dahl's bi-monthly visitation that is always welcome. Our work is regularly audited and he gives us valued inputs on our quality of service.

On an average day, an underwriter handles about 25 files approximately. Every life represents a unique challenge and during the month-end rush, the pressure to process and underwrite all possible cases is tremendous for the new ones. The quarter-end and the year-end need a special mention as there are numerous mails to be replied to, and phone calls to be attended by underwriters. There is a lot of pressure in terms of turnaround and accuracy of decisions.

But we take pride in our underwriters because they have proved to be resilient and quick in grasping the functional and company objectives. We focus on quality training and internal development amongst our own underwriters. BSLI products are more sensitive to mortality risk as compared to other companies. The products are high risk and the average size is much larger as compared to the other players.

Effective risk selection will result in the ultimate profitability. Better informed, trained and technically sound underwriters are required to achieve this goal. Well-trained underwriting professionals will bring in better decisions with fewer requirements and faster turnaround times.

The bottom line is profitability and this is the way to go for it...

The author is Manager – Underwriting, Birla Sun Life Insurance Company. The views expressed here are her own.

VRS time is here!

News reports say that the voluntary retirement scheme (VRS) for employees of the four public sector general insurance companies is likely to be notified during the course of this month.

Top officials have been quoted saying that the four companies would be taking it to their respective boards for clearance only after this formal notification. The VRS is intended to help them comply with the statutory management expenses ratio of 19.5 per cent as prescribed in the Insurance Act of 1938.

This management expenses ratio is the expenditure incurred for marketing, advertisement, employee wages and all costs incurred for business procurement as component of gross premiums collections.

Currently, companies have been exceeding this ratio by significant margins and the breach in the statutory guidelines is almost entirely caused by salaries and wages for employees.

The VRS, it is understood, is intended to pare employee strength in the four companies by at least 20 per cent each, especially of officers in the administrative services and at the subordinate levels.

Officials from the insurance companies said that the financial implications would be worked out only after clearance from the respective boards of the four companies.

However, tentative estimates are that the figure would be upwards of Rs. 1,000 crore in view of the package.

LIC to meet IRDA's solvency norms by March 2004

Life Insurance Corporation will comply with the IRDA's norm on solvency by providing Rs. 1,871 crores additional capital by this fiscal, the company management has said.

In the last 46 years of operation, the Corporation was never required to provide for solvency margin. But after the IRDA regulation came into effect from 2000, LIC was asked to provide Rs. 10,371 crores.

"We have already provided about Rs. 5,000 crores by 2001-02 and another Rs. 3,500 crores last fiscal. We will provide the remaining Rs. 1,800 crores till March end 2004," LIC Chairman, Mr. S. B. Mathur is quoted saying.

According to news reports, the insurance monolith is expected to revalue its real estates in prime locations spread across the nation in the next two to three years, which would increase its off-balance sheet reserves further.

LIC has assets of over Rs. 2,70,000 crores, of which Rs. 1,50,000 crores are in Government securities.

The insurer is in the process of strengthening its financial position by closing down high assured return schemes as interest rates have fallen sharply in the last five years.

"Any policy, which is offering over eight per cent return will be closed," Mr. Mathur has said. LIC has identified at least seven such schemes which have become unviable for it in the soft interest regime. Earlier, the insurer had relaunched attractive schemes like Bima Nivesh and Jeevan Shree.

Easier Bancassurance

The Reserve Bank of India (RBI) has said that banks need not obtain its prior approval for engaging in insurance agency business or referral arrangement without any risk participation, subject to certain conditions.

The banks should comply with the IRDA regulations for acting as composite corporate agent or for having a referral arrangement with insurance companies, RBI said in a notification.

However, banks still require the approval of the apex bank for setting up insurance companies or joint ventures with equity participation or for making investments in insurance companies for providing infrastructure and services support.

It has made it clear that the risks, if any, involved in insurance agency/ referral arrangement should not get transferred to the business of the bank.

The RBI said banks should not adopt any restrictive practice of forcing its customers to go in only for a particular insurance company in respect of assets financed by the bank and customers should be allowed to exercise their own choice.

It also stated that banks entering into referral arrangements should also enter into an agreement with the insurance company concerned for allowing use of its premises and making use of existing infrastructure of the bank.

More jobs go offshore

Despite protests from a section of trade unions, more British financial services jobs are destined for India with the bank, Lloyds TSB, announcing that 1,500 jobs will be created in Bangalore and Hyderabad by the end of next year.

Lloyds TSB will expand its Bangalore site, where it currently has 250 staff, and build a new operation in Hyderabad.

LIC to 'take-out' long-term loans

The Life Insurance Corporation of India (LIC) plans to deploy long-term funds through take-out financing in large infrastructure projects that prove to be less risky.

This follows the corporation's recently forged alliance with SBI Capital Markets, whereby the merchant banker will identify good proposals, analyse them and put them up to LIC.

SBI Caps Chairman Mr. D. P. Roy has been quoted saying that LIC has not as yet ventured into take-out financing, but the alliance will help activate the take-out financing market.

"It is easier for us to package the deal if we identify that LIC will be willing to takeover the financing of the long-term project once the project is on stream," he said.

Take-out financing is a mechanism where a financial institution buys out the term loans of another institution, usually a bank, so as to eliminate asset-liability mismatch.

This means commercial banks will provide the start-up finance for infrastructure projects, and these assets will be taken over by long-term lending institutions. This offers banks long-term refinancing for infrastructure projects.

LIC is keen to deploy funds at more competitive rate than those available in the market, provided the risk profile of the project suits the corporation, LIC Chairman Mr. S. B. Mathur said.

LIC is keen to invest large amounts at a cheaper rate in big projects which are less risky, he added. Once a project is on stream, the interest rate on loans automatically decreases as the risk profile is less.

A number of viable infrastructure projects are in the pipeline including airports, roads and ports, which require long-term funds.

Banks have limitation in lending and face asset-liability mismatch when invest long-term funds. Further, added Mr. Roy, there are regulatory restrictions in terms of company exposure and industry exposure.

"The banks cannot lend for more than seven to eight years in any long-term projects and LIC can take over the financing from the banks after this period," he said.

However, take-out financing has been a non-starter. Infrastructure Development Finance Corporation (IDFC), a forerunner in pushing take-out financing, explains this is because many banks are willing to give long-term loans on their own, despite the asset-liability mismatch as they have only short-term deposits.

The alliance with SBI Caps will help LIC meet the stipulated infrastructure lending laid down by the IRDA to the extent of 15 per cent of investible funds.

Apollo health cover for NRIs

Apollo Hospitals is launching a community-based health insurance package for expatriate Indians, it is reported.

"We hope to finalise a community-based package for NRIs and people of Indian origin," Chairman of Apollo Hospitals Dr. Pratap C. Reddy has been quoted saying at a press meet.

Dr. Reddy said the idea originated when an NRI hailing from Ahmedabad asked the hospital to formulate a special health scheme for the large Gujarati population overseas. Apollo then decided to extend the plan to all expatriate Indians.

The company is in touch with Indian associations in the Middle East, Indonesia, Malaysia, Thailand and other places with large Indian populations.

Apollo Hospitals is working on the success of similar community-based projects in Karnataka. These will be replicated in other Indian states with the active participation of state governments, it is reported.

"No individual can afford healthcare today. For it to be affordable, the cost of healthcare has to be a shared burden," Dr. Reddy said.

The community scheme being evolved envisages an individual paying $400 per annum towards insurance premium and getting full coverage for transportation and hospitalisation for almost all medical problems and critical surgeries.

Bank of Rajasthan's life company plans

The Bank of Rajasthan is planning its own life insurance company.

The bank has tie-ups with Birla Sun Life and Bajaj Allianz for life and general insurance distribution.

Now a corporate agent, the Bank of Rajasthan is planning to have its own life insurance subsidiary by 2007, the time by which its net worth is expected to touch Rs. 500 crores.

As per the guidelines of the IRDA, any entity wishing to have an insurance subsidiary should have a minimum net worth of Rs. 500 crore.

The stipulation comes in the backdrop of life insurers likely to face losses in the initial years since they need to bring in more capital with increase in business and maintain high solvency margin.

The bank is aiming to be a one-stop financial super bazar offering wide range of products in the years to come and it is also distributing mutual funds of LIC Mutual Fund.

With interest spreads and margins getting squeezed on account of soft interest rate regime and feeling the need for long-term resources, several banks are keen on foraying into life insurance business.

Singapore's SARS bill

The SARS outbreak could cost the Singapore insurance industry as much as S$130 million, much smaller compared to the US$30 billion (S$52 billion) that it costs insurance firms in East Asia.

The modest cost to Singapore insurers is mainly because the individual claims have been small in size and also because Singapore was swift in bringing the disease under control.

Some insurers may have accumulated losses not only from health insurance, but also from other liabilities like the cancellation of business trips and events, it is reported.

Fresh Australia insurance probes

Two-and-a-half years after HIH collapsed, the federal government in Australia has ordered two fresh inquiries into the insurance sector.

Professor Kevin Davis, from the University of Melbourne, will examine whether a scheme should be introduced to guarantee support for policyholders whenever an insurer fails.

And a former Treasury Officer, Gary Potts, will investigate whether the rules governing general insurance should extend to mutual funds which offer insurance-like products on a discretionary basis and to foreign insurers offering policies direct from overseas.

The reviews were announced by the Treasurer, Peter Costello, in response to the April report of the HIH Royal Commission.

Some of the other 61 policy recommendations made by the Royal Commissioner, Justice Neville Owen, have been captured by the Government's corporate law reform package, due for release next month.

These include issues such as the independence of auditors and pay for company directors.

Costello has referred most of the recommendations to other bodies. He has passed on 15 suggestions to the main insurance regulator, the Australian Prudential Regulation Authority (APRA), many aimed at fixing its failure to pick up HIH's frailty until too late.

The Royal Commissioner, who went into the HIH collapse, Justice Owen, in his report said: "APRA missed many warning signs, was slow to act and made misjudgements about some vital matters."

His recommendations include that the authority become more aggressive in its overseeing of insurers, offer higher pay and better training to its staff, and build up more insurance expertise. Changes have already been made to its top structure.

Justice Owen's recommendations on reducing taxes and levies applied to insurers have been passed on to state and territory governments.

Others will be considered by the Australian Stock Exchange and accounting and actuarial professional bodies.

Swiss Re profits soar

Profits at Swiss Re, the world's second biggest reinsurer, have surged more than five-fold on the back of the stock market recovery and rising premiums.

The company said it made 691 million Swiss francs ($489 million) in the first six months of this year, up from 118 million in the same period of 2002.

The much-improved figures are the result of the reinsurance industry's realignment following the 9/11 tragedy, which cost all the main players dearly, and the stock market slide since 2000.

The heavy losses they sustained in 2001 meant premiums across the sector rose this year, underpinning the gains at Swiss Re.

Munich Re, its larger rival, reported a fifth straight quarter of losses, but said the better premiums meant a profit on its underwriting business, as was the case at world number five Hannover Re.

The contrast with last year is only partly the result of the rise in premiums, which according to Zurich Financial Services could now be running out of steam.

Unlike recent years, there has been no major claim to dig a hole in the results of reinsurance companies, which specialise in taking risk off the hands of front-line insurers.

And the turnaround on world stock markets this year has also played a part, with most major equity indices up sharply on where they were this time last year.

In the first half of 2002, Swiss Re had to write off 917 million francs on its investments.

But this year, the Dow Jones Stoxx 50, a benchmark index for European shares, rose 14 per cent in the three months to the end of June, compared with a 17 per cent fall in the same period last year.

FSA wants to protect consumers better

Mr. John Tiner, the new head of Britain's financial watchdog, the Financial Services Authority (FSA), pledged to give consumers better protection and cut bureaucracy for financial companies, areas where it has faced criticism.

The FSA will try to warn people earlier about risky products and misleading advertising, Tiner said in a speech. The FSA also aims to halve its number of consultation papers and cut unnecessary regulation, he added.

Mr. Tiner took over as FSA chief executive in September, replacing Mr. Howard Davies who had led the watchdog since its creation as a super regulator for banking, insurance and capital markets in 2000. It has been criticised for imposing burdens on companies and reacting slowly to protect customers.

The FSA was attacked last year after thousands lost money with specialist products known as split capital investment trusts, many of which were marketed as being low risk. It was also criticised by customers of life insurer Equitable Life, which nearly collapsed in 2000.

"Speed is of the essence, as consumers might be reading the misleading material and writing the cheques that they later regret," Mr. Tiner said.

Mr. Tiner, who was the FSA's head of consumer investment and insurance products, said he will lead a group that will examine how better to educate consumers about financial products. The FSA is also developing standards to assess product risk and alert customers.

"This is not product regulation through the back door, but a tool to provide an early warning of products... that present particular dangers to consumers," Mr. Tiner said.

Swiss Re gets China national reinsurance branch licence

Swiss Re has been granted a full national reinsurance branch licence by the China Insurance Regulatory Commission.

In a statement Swiss Re said it expected its Beijing branch to be fully operational before year-end. The branch will provide comprehensive reinsurance services to clients throughout China in the property, casualty, life and health sectors.

Swiss Re Chief Executive Officer (Asia division) Pierre Ozendo described the development as a foundation in its Asia strategy.

"The level of focus and commitment demonstrated by China's approach to reinsurance regulation is an example to other emerging markets," he said.

Swiss Re had estimated that China's non-life insurance market will grow by a real average annual rate of 10 per cent between 2003 and 2011 to 23 billion, while the life insurance market will grow by 17 per cent to $120 billion.

The reinsurer has 70 offices in 30 countries. In Asia Pacific, Swiss Re has 14 offices and employs over 600 staff, of which 200 are in China.

NAIC to modernise

In response to congressional pressure to more effectively regulate insurance at the state level or else face possible federalisation, the National Association of Insurance Commissioners (NAIC), (a body formed by the state insurance commissioners who regulate insurance in each of the 50 states in the US) unanimously passed its revised statement of intent, which calls for a broad range of modernisation reforms to be implemented by the states before 2008 is through.

The document, "A Reinforced Commitment: Insurance Regulatory Modernisation Action Plan," is a revised version of a similar document passed by the NAIC in 2000, and was one of a number of items voted on by the commissioners at the opening session of the group's fall meeting in Chicago.

The statement of intent is specifically designed, NAIC President Mr. Mike Pickens (Arkansas) said at the meeting, as a "calling card to demonstrate to federal legislators that we are taking the lead in the effort to make [insurance regulation] less costly, more efficient while protecting consumers. This is not a document intended for regulators or the industry, but for federal legislators."

WTC claim

Mr. Larry A. Silverstein, the developer who controls the commercial leases at the World Trade Center site, suffered a major setback in his effort to collect $7 billion in insurance payouts by having the 9/11 disaster considered as two separate terrorist attacks.

The United States Court of Appeals for the Second Circuit rejected Mr. Silverstein's argument. In addition, a separate ruling, involving three companies that insured the trade center, could make it more difficult for Mr. Silverstein to press his claim against 18 other insurance companies, reports say.

But the Second Circuit upheld a lower court decision that it was by no means certain; a jury must ultimately decide the matter. A trial in United States District Court in Manhattan is not expected to begin before early next year.

Dear Editor

Left out!

It was interesting to read Mr. Shivakumar Belavadi's article ("The Journey" – Earning the CII, London, Fellowship, **IRDA Journal**, September, 2003). I am sure many young professionals would be encouraged to appear for the examinations for this prestigious qualification.

Further, I wish to inform you that I cleared my ACII in 1992 scoring distinction in four subjects and was awarded the coveted 'Alexander Howden' award for the meritorious performance amongst the candidates outside the UK. Subsequently, I successfully completed my FCII in the year 1995 and was awarded the diploma and the title "Chartered Insurer" on 26th March, 1996.

I joined United India Insurance Company as a AAO in 1981 and have since been working with various insurance companies in India and abroad.

We are currently training three of our employees in our company to appear for these exams.

It appears that this information was perhaps not made available to Mr. Belavadi and hence I thought it fit to convey the same. I hope the **IRDA Journal** would be kind enough to mention this fact in the next issue.

It would be my pleasure to assist other aspiring candidates in this region to take up this examination.

Raghavan Krishnan
Managing Director
Foresight Insurance Management
Services (P) Ltd., Bangalore

I was surprised to read that only 23 Indians had been made Fellows of the Chartered Insurance Institute, London. The list I find covers the names of Fellows who had worked in Indian companies either before or after nationalisation of life or general insurance companies in India.

Neither my name (Fellow in 1960), or that of my friends and ex-colleagues who had worked in overseas general insurance companies in India prior to nationalisation in 1973 has been included in the list. In fact, the number of Fellows of the Chartered Insurance Institute from India was quite large. Perhaps the CII would be unaware of the nationality of the Fellows elected by them.

S. K. Seth
Delhi
(Former CMD of New India and National Insurance)

Your article on acquiring the CII Fellowship was interesting. I am sure it will inspire many of us to acquire the prestigious fellowship.

However, on going through the list of fellows from India, I would like to point out that the name of Mr.Praveen Gupta, General Manager, Bajaj Allianz General Insurance Company Limited, is missing. Mr.Praveen Gupta is also Fellow of CII since 2003.

Santosh Balan
Manager - Corporate Communications
Bajaj Allianz General Insurance

This is good news. Mr. Belavadi, as he explains in his letter, acquired the list of fellows from the Institute and it perhaps needs updating. Going by the response we will be carrying news of more new Fellows in the future. - Editor

Shivakumar Belavadi writes:

It is indeed a pleasure to know that more Indians have the coveted Fellowship of CII. It is one of those occasions where one feels happy to be corrected.

I was given a compendium by CII, London, of persons who have completed the Fellowship since inception. This was the basis on which the narrative appeared in 'The Journey'.

I thank you for your advice of putting some depth into the article so that people wanting to pursue this path of FCII would benefit. To date I have received over fifty enquiries seeking help in the process and stating that the process which was vaguely known to them has been detailed.

Mr. M. Arunachalam, who completed his Fellowship in 1965 (no: 11 in the list) has sent me a warm emotional message. It was touching receiving such a message from a person who completed it when I was 2 years old!

It is very satisfying to be of use to people who are eager to pursue the path. Thanks for your suggestion.

Tell us!

Questions, comments or just your reflections on what we published. We would like to hear them, and so would our thousands of readers.Write them down and send to:

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

Forum!

The Institute of Insurance and Risk Management (IIRM) held a one-day Insurance Forum on the topic Current Developments in the Insurance Industry and Future Prospects on September 23 at Hyderabad.

L to R: Mr. S. V. Mony, Vice Chairman, AMP Sanmar Assurance Company, Mr. Venkatesh Mysore, Managing Director, MetLife (India), Mr. T. K. Bannerjee, Member, (Life) IRDA and Mr. C. S. Rao, Chairman, IRDA, huddle together in an informal moment during the Insurance Forum organised by the IIRM

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Have your say!

Dear Readers

The **IRDA Journal** was launched in December, 2002, to serve as the forum for stakeholders of the insurance industry to make their views and experiences known to the Regulator and to teach others. You have supported us with your views and suggestions on various aspects of what is happening in the industry and your experiences and ideas. Where your support has been most visible and encouraging is in the steadily increasing requests for copies that arrive at the office expressing interest in the contents of the Journal, encouraging us to take strength in the belief in which the publication was launched, which is that the industry needs such a medium of communication to listen to its stakeholders.

Once again, as always, we want your opinion. This time on the Journal itself. The Journal is shortly to complete its first year of existence. To help us take stock of where we have come and what needs to be done ahead, please answer the following questions and send it back to us by post to:

Editor
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Or e-mail us at irdajournal@irdaonline.org.

Please transcribe your envelope with the words 'IRDA Journal Survey' or mention this in the subject line of your e-mail. Please feel free to use extra sheets of paper if you need them.

Do you find the IRDA Journal useful in your day to day work?

What sections are the most useful and what can be bypassed in future when we revamp contents?

What new sections or types of articles (including topics) would you like to see regularly featured in the Journal?

Do you find the writing in the Journal easy to read and understand. Is the reading experience enjoyable?

What needs to be done with regard to writing, rewriting and editing?

Your comments on the design, layout and use of visual elements in the Journal.

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"Why do we care about financial reporting? Put simply, we care because capital is the engine of our economy, and information is the oil that keeps the engine running smoothly."

US Securities and Exchange Commission (SEC) Commissioner, Ms. Cynthia A. Glassman

And we must price properly for uncertainty. In the past the industry seems to have used investment return as a proxy for pricing for uncertainty on long tail business. As we have seen, that methodology has failed to deliver shareholder value. It has been argued that backward looking reserving techniques are an imperfect way of dealing with the impact of legal change on indemnity cost. But equally there is an argument that says something will always happen to shift the goal posts. So why not price for it? Or walk away?

Mr. Nick Prettejohn, Chief Executive, Lloyd's of London at the Chartered Insurance Institute, London's Annual Conference

The prize here is very great indeed. If capable consumers acting collectively can be a more influential force in the market, there could be a consequently less rigorous regulatory regime.

Mr. John Tiner, Chief Executive of the Financial Services Authority, (FSA) UK's main financial regulator

Insurance to the poor is a difficult task but the micro-finance institutions can collaborate with insurers for delivery and servicing mechanism to come up with such schemes.

Mr. C. S. Rao, Chairman, IRDA

If insurance is desirable for the rich, it is essential for the poor....despite the efforts of LIC and others, the insurance cover for rural population is still inadequate. We need a micro-insurance scheme.

Mr. N. S. Sisodia, Secretary, Financial Sector, Government of India

The listener's interaction with the medium (radio) is almost personal. It is therefore necessary to look at radio as a part of the regular media plan.

Mr. S. V. Mony, Vice Chairman, AMP Sanmar Assurance Company

RNI No: APBIL/2002/9589

Events

October 20-21, 2003

Venue: Washington, D.C.

NAIC International Insurance Issues Conference

This conference is designed to explore recent developments and progress in international insurance regulation and global insurance markets including trade, international accounting, reinsurance, and solvency regulation.

November 3, 2003

Venue: Tel Aviv

Lloyd's Chairman Lord Peter Levene is to host a Lloyd's seminar. The extended half-day event will include addresses from various underwriters on the development and trends in their particular line of business. The seminar will include a networking lunch and Lloyd's invites any market practitioners interested in the event to attend.

November 3-8, 2003

Venue: Pune

Workshop on Distribution Channel Management (Life) by National Insurance Academy (NIA)

November 10-12, 2003

Venue: Pune

Workshop on Micro Insurance by NIA

November 13-15, 2003

Venue: Pune

Workshop on Distribution Channel Management (Non-Life)

November 24-25, 2003

Venue: Pune

Seminar on IT Governance

November 27-29

Venue: Pune

Programme on Cyber Liability

November 9-12, 2003

Venue: Singapore

The Third International Underwriting Congress

featuring 50 Experts from the World's Leading Insurers and Reinsurers