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Monitoring and Supervision in Insurance

बीमा विनियामक और विकास प्राधिकरण

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Parisrama Bhavanam, III Floor
5-9-58/B, Basheer Bagh
Hyderabad - 500 004
Phone: +91-40-66820964, 66789768
Fax: +91-40-66823334
e-mail: irdajournal@irda.gov.in

From the Publisher

A sound regulatory mechanism is an essential prerequisite for the success of any market related reforms, particularly when the sector under consideration is the financial sector. Insurance contracts are long term contracts and the policyholders pay premiums in the hope that the insurer would go to their rescue if the need arises.

For the insurers to meet their obligations, maintenance of the required solvency is vital. Taking into consideration the exact line of business as also the incremental business growth, norms have been laid down for maintaining sufficient capital so that the insurance companies remain solvent at all times. This is an important area where a timely monitoring and supervision are absolutely required. Further, in view of the competitive scenario, it is possible that the players are focused on improving their toplines and in the process, lose sight of the basic norms of business. The Regulator has to closely supervise the working of the companies to satisfy himself that they are financially sound.

Market conduct is another area where the Regulator is expected to monitor the behaviour of the insurers to ensure that undesirable practices for gaining market share are not resorted to by the insurers. In the advanced economies, this is an area which is watched by the insurance councils which consist of all the insurers. While in India, attempts are being made to position the life and general insurance councils on the lines of their western counterparts, it may be necessary for the Regulator to watch the market conduct of insurers for some more time.

One very strong reason for the opening up of the industry is to provide value added services to the client. While it is expected that insurers would do their best to prove themselves in this area, any temptation to gain an advantage by undesirable means should be curbed. By putting in place measures to oversee various operations, managements can effectively implement standards of business propriety. However, it should be remembered that the supervisor would not hesitate to intervene whenever it is called for.

'Monitoring and Supervision' is the focus of this issue of the Journal. Insurers are in the business of taking over risks of others; and in the process, they are themselves exposed to huge risks which they aim to protect by entering into reinsurance contracts. 'Reinsurance' will be the focus of the next issue of the Journal.

C.S. Rao

C.S. Rao

INSIDE

ISSUE FOCUS

FOLLOW THROUGH

THINKING CAP

The Indispensability of Monitoring & Supervision – Emerging Markets

The nationalization of life insurance business in 1956 and general insurance business in 1971 were necessitated mainly on account of the large scale irregularities and the unholy nexuses that were the order of the day. Such betrayal of faith deals a death blow to any corporate activity; and certain deficiencies in the monitoring system can be said to be a strong factor for such an appalling situation. Insurance, which necessarily creates a fiduciary responsibility on the insurers to meet their commitments when they fall due, occupies the prime place in this regard. In order to ensure that the faith reposed in the insurers has a firm footing, it becomes essential to monitor and supervise their operations on an on-going basis. This is particularly more relevant in the current Indian scenario where the market has completed a full circle and has been opened up for private participation.

Statutory compliance is an essential pre-requisite for the players in this competitive regime. However, it should not end at fulfilling the mere formalities but the rules of the game have to be followed in their true spirit. An ephemeral design may not provide the solution to a nagging problem. It should be realized that even a one-time dent in the reputation could result in a long-lasting damage to insurers' business interests.

Insurance companies would do well to develop internal mechanisms whereby the overall external requirements automatically get fulfilled. A system should be in place to monitor constantly to ensure that these internal targets are being accomplished. While the role of a supervisor is not intended to meddle with the day-to-day affairs of a player, it should be realized that the authorities would not hesitate to intervene and take corrective action against an erring player in the overall interests of the policyholders.

The focus of this issue of the **Journal** is on 'Monitoring and Supervision'. We have for you a collection of articles - from different stakeholders of the market. At the outset, Mr. Rajeev Nair, in his article, 'Compliance Monitoring - A Line of Defence' talks about the need for a periodic review of the monitoring program in order that the purpose of supervision in a dynamic environment is served. In the next article, Ms. Shirin Patel throws light on the importance of reputation risk; and how it can be protected by having in place a proper monitoring mechanism. Mr. Ajay Bansal argues that an improper management of funds could lead to mis-appropriation and the resultant frauds in the system which can be kept in check by a proper monitoring agenda, in his article about the general insurance industry in India.

In the next article titled 'Alternatives to Monitoring and Supervision', Mr. Radhakrishna C. writes that by educating the customer about his rights and privileges; a great deal of sense of discipline would automatically set-in thereby reducing the role of external supervision. Mr. Ashvin Parekh describes offsite monitoring and onsite inspection as powerful tools, and takes a look at the various markets across the globe which are at different stages of development. In the last article of the focus, Ms. K.G.P.L. Rama Devi describes the role of on-site inspection, how it has evolved in different markets; and how it is positioned presently in the Indian domain. Mr. M. Balasubramanian explains in detail how de-tariffing can either make or mar the business interests of general insurers in his article in the 'follow-through' section. Takaful insurance has been making rapid strides of progress in several pockets of Asia and Africa, of late; an introduction to what exactly is Takaful insurance, is the central idea of the article by Mr. Balasubrahmanyam Gollapudi in the 'thinking cap' section.

For an insurer to be in business successfully, there may be a need for assuming risks which are not normally within its ambit. The insurers necessarily have to look for reinsurance for risks beyond their retention levels. 'Reinsurance' will be the focus of the next issue of the **Journal.**

U. Jawaharlal

Report Card:LIFE

First Year Premium of Life Insurers for the Quarter Ended June, 2007

Sl No.	Insurer	Premium u/w (Rs. in Crores)			No. of Policies / Schemes			No. of lives covered under Group Schemes		
		June, 07	Upto June, 07	Upto June, 06	June, 07	Upto June, 07	Upto June, 06	June, 07	Upto June, 07	Upto June, 06
1	**Bajaj Allianz**									
	Individual Single Premium	42.28	76.84	298.12	7123	15367	11218			
	Individual Non-Single Premium	279.67	648.74	319.87	224877	521272	190185			
	Group Single Premium	0.74	2.15	1.21	0	0	0	503	1719	580
	Group Non-Single Premium	0.69	4.12	4.42	20	64	39	34876	130877	149918
2	**ING Vysya**									
	Individual Single Premium	1.53	4.13	11.70	124	318	771			
	Individual Non-Single Premium	55.12	111.36	104.05	31964	64926	47249			
	Group Single Premium	0.00	0.85	1.56	0	0	0	0	168	382
	Group Non-Single Premium	0.22	0.95	1.92	2	4	14	6949	30657	4571
3	**Reliance Life**									
	Individual Single Premium	10.52	20.87	42.12	2129	4417	6420			
	Individual Non-Single Premium	70.38	150.38	83.01	46767	101309	43960			
	Group Single Premium	22.60	29.48	5.76	7	14	8	29236	36587	7495
	Group Non-Single Premium	1.03	3.37	1.50	31	76	39	16903	85276	46549
4	**SBI Life**									
	Individual Single Premium	45.59	115.58	47.19	6585	16699	6469			
	Individual Non-Single Premium	87.91	231.43	129.90	30768	82458	54969			
	Group Single Premium	15.45	41.30	37.16	0	0	2	8328	22665	23281
	Group Non-Single Premium	7.81	38.08	42.34	5	11	100	31919	83818	194797
5	**Tata AIG**									
	Individual Single Premium	2.54	5.72	1.70	209	660	0			
	Individual Non-Single Premium	42.48	124.28	106.50	35411	102617	81764			
	Group Single Premium	5.70	16.87	10.51	0	0	1	33281	105601	61710
	Group Non-Single Premium	2.87	7.23	4.48	0	7	36	16146	50208	71658
6	**HDFC Standard**									
	Individual Single Premium	8.43	22.41	33.25	7943	20110	8832			
	Individual Non-Single Premium	118.36	299.30	192.41	44472	107148	52226			
	Group Single Premium	5.82	9.08	11.88	15	27	30	12450	29316	43473
	Group Non-Single Premium	0.62	25.14	11.27	0	9	3	8	12811	1057
7	**ICICI Prudential**									
	Individual Single Premium	27.04	77.42	64.51	4327	12379	10474			
	Individual Non-Single Premium	350.46	802.19	683.13	176737	438453	292008			
	Group Single Premium	7.68	54.43	26.72	11	52	65	25277	81187	61122
	Group Non-Single Premium	38.74	122.41	95.31	24	146	107	48627	176552	93730
8	**Birla Sunlife**									
	Individual Single Premium	2.53	7.20	6.75	4841	11018	2700			
	Individual Non-Single Premium	73.98	143.63	113.14	29544	62086	36952			
	Group Single Premium	0.36	0.76	2.75	1	3	0	845	1318	1693
	Group Non-Single Premium	13.16	23.04	23.10	24	32	15	19384	26230	11457

9	**Aviva**									
	Individual Single Premium	1.84	5.10	6.87	280	753	403			
	Individual Non-Single Premium	63.42	147.02	130.32	30797	65539	49850			
	Group Single Premium	0.22	0.93	0.56	0	0	1	101	343	374
	Group Non-Single Premium	3.24	7.30	9.52	8	19	23	61750	122107	67570
10	**Kotak Mahindra Old Mutual**									
	Individual Single Premium	1.51	4.25	10.57	191	535	1200			
	Individual Non-Single Premium	38.37	96.51	55.95	14879	37219	17852			
	Group Single Premium	1.84	3.96	0.84	0	0	1	16754	28936	5544
	Group Non-Single Premium	5.38	9.90	11.04	13	52	32	38247	103967	26111
11	**Max New York**									
	Individual Single Premium	18.31	46.84	0.17	980	2684	41			
	Individual Non-Single Premium	114.73	240.51	152.10	72030	160609	106538			
	Group Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
	Group Non-Single Premium	0.23	2.39	1.11	16	116	16	45815	89944	10071
12	**Met Life**									
	Individual Single Premium	2.01	5.21	1.20	316	781	220			
	Individual Non-Single Premium	30.73	79.34	36.28	12077	27596	15014			
	Group Single Premium	0.82	2.76	0.00	20	30	0	20617	56769	0
	Group Non-Single Premium	0.00	0.00	3.62	0	0	74	0	0	193218
13	**Sahara Life**									
	Individual Single Premium *	1.83	3.86	3.59	478	1047	914			
	Individual Non-Single Premium *	3.60	8.07	0.94	6060	13544	2152			
	Group Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
	Group Non-Single Premium	0.00	0.00	0.00	0	0	1	0	0	297
14	**Shriram Life**									
	Individual Single Premium	8.69	18.23	0.00	1658	3683	0			
	Individual Non-Single Premium	7.07	22.78	5.95	4367	12229	10261			
	Group Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
	Group Non-Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
15	**Bharti Axa Life**									
	Individual Single Premium	0.04	0.08		4	8				
	Individual Non-Single Premium	2.92	5.16		2451	4569				
	Group Single Premium	0.00	0.00		0	0		0	0	
	Group Non-Single Premium	0.00	0.00		0	0		0	0	
	Private Total									
	Individual Single Premium	**174.68**	**413.74**	**527.73**	**37188**	**90459**	**49662**			
	Individual Non-Single Premium	**1339.22**	**3110.72**	**2113.53**	**763201**	**1801574**	**1000980**			
	Group Single Premium	**61.23**	**162.56**	**98.94**	**54**	**126**	**108**	**147392**	**364609**	**205654**
	Group Non-Single Premium	**74.00**	**243.93**	**209.63**	**143**	**536**	**499**	**320624**	**912447**	**871004**
16	**LIC**									
	Individual Single Premium	1403.26	2723.61	6785.27	368337	744524	1371484			
	Individual Non-Single Premium	1760.79	4520.67	2843.57	2230682	5540270	2850168			
	Group Single Premium	366.92	1336.56	1158.73	2063	4110	3162	1476519	3895830	1630057
	Group Non-Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
	Grand Total									
	Individual Single Premium	**1577.94**	**3137.35**	**7312.99**	**405525**	**834983**	**1421146**			
	Individual Non-Single Premium	**3100.01**	**7631.39**	**4957.10**	**2993883**	**7341844**	**3851148**			
	Group Single Premium	**428.15**	**1499.13**	**1257.68**	**2117**	**4236**	**3270**	**1623911**	**4260439**	**1835711**
	Group Non-Single Premium	**74.00**	**243.93**	**209.63**	**143**	**536**	**499**	**320624**	**912447**	**871004**

Note: 1. Cumulative premium upto the month is net of cancellations which may occur during the free look period.
2. Compiled on the basis of data submitted by the Insurance companies
* June 2006 figures revised by the Insurer in August 2006

Reinsurance - The Life-guard of Insurance Business

'REINSURANCE IS A VERY VITAL LINK IN THE GLOBAL INSURANCE BUSINESS; AND IN THE ABSENCE OF AN EFFICIENT REINSURANCE MECHANISM, SEVERAL BUSINESS ACTIVITIES WORLD OVER MAY BE SEVERELY HAMPERED' OPINES **U. JAWAHARLAL.**

Insurance is a risk transfer mechanism thereby meaning that the risk that one party faces is assumed by another party for a price. When one talks about the assumption of a risk by a party, it goes without saying that all the ingredients of the risk are carefully taken into consideration before arriving at a decision with regard to acceptance of the risk; and then the price at which the risk transfer takes place. These risks are sometimes so huge that insurers do not normally have the financial strength to accept them. But it would amount to poor business acumen if insurers fail to grab these business opportunities. It is exactly in this scenario that reinsurance plays its vital role.

Considering that reinsurers are in the business of taking over the risks of insurers, over and above their retention levels; in most cases these risks could be humongous in size. It is thus very essential that the function of 'underwriting' assumes top priority for them. But then, it may not be possible for the reinsurer to go into the nitty-gritty of each risk and then take a decision with regard to its acceptance and pricing. The relationship that the reinsurer and the basic insurer share has a huge role to play in this regard; and once the reinsurer develops a sustained relationship with the primary insurer, the confidence that has been built over a period of time is sufficient, rather than an avoidable poke with the day-to-day affairs of the primary underwriter.

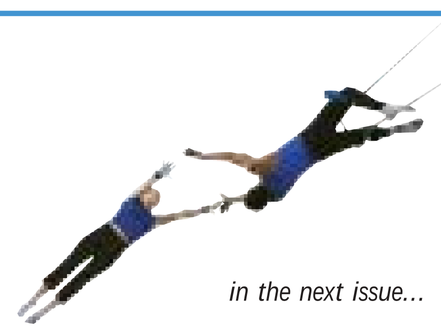
For the insurers, it is essential that they have to transfer the entire risk component over and above their retention levels to the reinsurer; but what would be the ideal limits for the reinsurer to takeover would be a huge challenge. Especially in light of the WTC disaster, concepts like Probable Maximum Loss (PML) have taken a beating; and this may necessitate the reinsurers to take a more conservative view of the risk at their disposal. Besides, they will also have to consider whether it would be advisable to enter into a long-term association with the insurers through 'Treaty' arrangements; or be more selective in accepting only on a 'Facultative' basis.

As said earlier, several of the risks that reinsurers face could be very large in size and even beyond their retention levels. Extending the same logic discussed earlier, these risks will further have to be transferred which the reinsurers accomplish by entering into 'Retrocession' arrangements with other reinsurers. Thus the process of the basic spread of risk is achieved in addition to distributing the risks over a large number of players geographically distributed all over the world.

The primary carriers would do well to keep their long-term interests in view and not get carried away by the initial lure of inexpensive reinsurance agreements or those at softer terms. More recent events have shown that the reputation and the financial strengths of the reinsurers have a huge role to play; and this must be the prime factor for the players to enter into crucial relationships.

'Reinsurance' will be the focus of the next issue of the Journal. There will be several articles from different sections throwing light on various aspects of this very important link in the global insurance chain.

Safeguarding Insurers' Interests



in the next issue...

CIRCULAR

6th July, 2007

Circular No. 022/CIR/IRDA/AML/JUL-07

To

All the Insurers,

Guidelines on Anti-Money Laundering Programme for Insurers

The Central Government in consultation with the Reserve Bank of India has brought about amendment to the Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and intermediaries) Rules, 2005 vide the gazette notification No. G.S.R. 389 (E) dated 24 th May, 2007, available at the following link "The Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2007".

Pursuant to the amendment to the said rules, the words "3 working days" in Para 3.1.7 in the circular no. 043/IRDA/LIFE/AML/MAR-06 dated 31 st March 2006 on 'Guidelines on Anti Money Laundering Programme for Insurers' may be read as "7 working days".

All insurers are requested to take note of the above change and also take the changes in PML Rules on record.

Yours faithfully,

(C. R. Muralidharan)
Member

CIRCULAR

17th July, 2007

Circular No. IRDA/ 024/ Closure-FLO/ 2007-08

Re:Guidelines for Closure of Liaison Office established in India by Insurance Companies registered outside India

Government of India have entrusted the regulatory work pertaining to Liaison offices of Insurance companies w.e.f. 06 th December, 2005 to IRDA. IRDA's framework for approval of opening of Liaison office of foreign insurance companies registered outside India is already placed in the website (www.irdaindia.org). In continuation thereof, the IRDA, now issues the following guidelines for closure of Liaison Office established in India by insurance companies registered outside India.

1 Requests for closure of Liaison Office shall be submitted to Insurance Regulatory and Development Authority in form IRDA-FIC-2 attached as Annexure "1"

2 The application for closure of Liaison Offices shall be submitted along with the following documents:

   a) Certified copy of the IRDA's permission for establishing the branch / liaison office in India.

   b) A Chartered Accountant's certificate:

      i) Indicating the manner in which the remittable amount has been arrived at and supported by a statement of assets and liabilities of the applicant, and indicating the manner of disposal of assets;

      ii) Confirming that all liabilities in India including arrears of gratuity and other benefits to employees etc. of the office have been either fully met or adequately provided for;

      iii) Confirming that no proceeds accruing from sources outside India has remained un-repatriated to India

   c) No-objection/ Tax Clearance Certificate from Income Tax authority for the remittance; or an undertaking from the applicant and a certificate from the Chartered Accountant regarding undertaking to be obtained from a person making remittance of foreign exchange as advised by RBI from time to time (AP (Dir Series) Circular No.56 of 26 th November, 2002 of RBI may be referred to), and

   d) Confirmation from the parent entity that no legal proceedings in any court in India are pending against the Liaison Office and there is no legal impediment to the closure/ remittance.

3 Approval for closure and remittance of proceeds is granted provided the Liaison Office has submitted the Annual Activity Certificate for all the years for which it was in operation in India . The certificate is submitted by the Chartered Accountant of the Liaison Office, stating that the Liaison Office has complied with the terms and conditions stipulated by IRDA at the time of granting approval.

(C. R. Muralidharan)
Member

CANCELLATION OF BROKER LICENSE

4th July, 2007

IRDA /DB-117/03

Re: Order under Regulation 38 of IRDA (Insurance Brokers) Regulations, 2002

Paramount Insurance Brokers Pvt. Ltd. (hereinafter referred to as the 'Broker') having its Registered Office at F-7/A, Hauz Khas Enclave, New Delhi-110 016 was granted license by the Authority to act as a Direct Insurance Broker, vide License No.165 on 30.05.2003, pursuant to the provisions of the IRDA (Insurance Brokers) Regulations, 2002.

WHEREAS, the Authority, on receipt of a complaint against the Broker, in exercise of the powers conferred under Regulation 33 of the said Regulations, appointed Mr.K.J.Prabhakar, as Investigator, vide its letter dated 13.06.2006.

WHEREAS, the Investigator conducted investigation and submitted his Investigation Report vide his letter dated 11.09.2006 and has given his findings and whereas the Report of the Investigator was sent to the Broker for his information and comments and whereas the Chairman cum Managing Director of the Broker in his response dated 17.12.2006 substantially denied the findings of the Investigator. It was, therefore, necessary to enquire into the charges leveled against the Broker.

WHEREAS, the Competent Authority in accordance with Regulation 36 read with Regulation 37 of IRDA (Insurance Brokers) Regulations, 2002, appointed Shri. P.Gurumurthy as the Enquiry Officer vide Notice No. IRDA /DB117/03 dated 21.03.2007 to inquire into and report to the Authority on the charges as summarized below.

The Broker has violated the Regulation 9(3) of the IRDA (Insurance Brokers) Regulation 2002 as to the requirements for soliciting and procuring insurance business by employing persons not having requisite qualifications as prescribed under Regulation 9 and not providing the list of such employees as required under the Regulation 9.

While conducting the insurance broking business, the Broker has not adhered to the conditions subject to which the license was granted, thus violating Regulation 11 of the IRDA (Insurance Brokers) Regulation 2002.

The Broker has been indulging in inducements in cash or kind to the clients' Directors and the persons acting as introducers, contravening the provisions of section 41 of the Insurance Act, 1938. The Broker has not complied with the code of conduct as specified under clauses 1, 3 (b) and 15 of Schedule - III of the Regulation 21 of the IRDA (Insurance Brokers) Regulations, 2002, thus , breaching the said provisions of Regulation.

The Broker has breached the provisions of Regulations 24[4] of IRDA [Insurance Brokers] Regulation 2002 as to maintaining adequate limit of Indemnity in Professional indemnity policy obtained by it commensurate with its remuneration.

The Broker has failed to comply with Regulations 26(1) of the IRDA (Insurance Brokers) Regulation 2002 as to the submission of half yearly accounts by not adhering to the stipulated time limit.

The Broker has violated Regulations 25(1), 25(2), 25(4), 25(5) of the IRDA (Insurance Brokers) Regulation 2002 as to the maintenance, preservation and production of books of account, records, vouchers etc.

The Broker has not complied with Regulations 27 of the IRDA (Insurance Brokers) Regulation 2002 as to the maintenance of systems of internal controls and internal audit .

WHEREAS, the Enquiry Officer held an enquiry and submitted his report dated 02.05.2007, holding that above listed charges against the broking company have been established.

WHEREAS, the Authority has carefully gone through the complete records of the enquiry and the report dated 02.05.2007 of the Enquiry Officer, Shri. P.Gurumurthy and have come to the conclusion that charges against Paramount Insurance Brokers Pvt. Ltd., have been fully established.

WHEREAS, the Authority under Regulation 38 (1) of the IRDA (Insurance Brokers) Regulation 2002 issued a show cause notice dated 08.05.2007 to as to why an action under Regulation 34 of the IRDA (Insurance Brokers) Regulation 2002 should not be initiated against the broker.

WHEREAS, the Broker has replied vide his letter dated 31.05.2007. The reply does not set out any defense or explanation to the various acts of misconduct under Regulation 34 (2) of the IRDA (Insurance Brokers) Regulation 2002. It is, therefore, held that all the acts of omissions and commissions mentioned in preceding paragraphs stand established.

NOW THEREFORE, having regard to the nature and the gravity of the charges established and after considering the reply of the Broker to the show cause notice, the Authority in exercise of powers vested in it under Regulation 34 (1) of the IRDA (Insurance Brokers) Regulations 2002, hereby cancels the license No. 165 issued to Paramount Insurance Brokers Pvt Ltd with immediate effect.

Dated this 4 th of July 2007 at Hyderabad .

(K.K.Srinivasan)
Member

CANCELLATION OF BROKER LICENSE

6th July, 2007 77/IRDA/MF Re/06-07

Sub : CANCELLATION OF BROKER LICENSE NO-170.

WHEREAS, M/S. MF Insurance & Reinsurance Services, (hereinafter referred to as the 'Broker') having its Registered Office at 4B-Jeevan Asha, 60-A, G. Deshmukh Marg, (Pedder Road), Mumbai-400 026 has been granted license by the Authority to act as a Composite Broker vide License No. 170 on 30 th day of May, 2003 pursuant to the provisions of the IRDA (Insurance Brokers) Regulations, 2002.

WHEREAS, the Authority, in exercise of powers granted under Regulation 35 of the IRDA (Insurance Brokers) Regulations, 2002, pending further enquiry, has suspended the license of the Broker vide its order dated 9 th February, 2007.

WHEREAS, the Authority received a letter dated 23-05-2007 from the President & Proprietor of M/S. MF Insurance & Reinsurance Services, expressing their decision to voluntarily surrender their Broking License and submitted the original license No.170 for cancellation.

NOW THEREFORE, the Authority after carefully examining the matter and pursuant to the request made by the Broker for voluntary surrender of the Composite Broking License hereby accepts the surrender of license and cancels the Composite Broker License No. 170 granted to M/S. MF Insurance & Reinsurance Services with immediate effect.

The Broker is advised to comply with following procedure.

An undertaking from the proprietor to service the existing clients whose policies are in force for a period of six months from date of suspension order i.e.9 th February, 2007 as required under Regulation 40 of the IRDA (Insurance Brokers) Regulations 2002.

Confirmation from the Broker that no fresh business has been placed after 09-02-2007.

Details of every event that has come to the company's notice where your company may become liable to pay damages or compensation to clients, whether covered by the professional indemnity policy or not, giving the following information.

Date of period of occurrence.
Name of client concerned.
Nature of event likely to give rise to a claim
Brief description of basis of claim
Intimated or estimated amount of claim
Amount provided by the broker in its books for the claim
Present status of claim
Remittance of annual fee due in the year 2006-07.

(K.K.Srinivasan)
Member

Compliance Monitoring

A Line of Defence

RAJEEV NAIR WRITES THAT WHILE DEALING WITH THE INSURANCE SECTOR IN INDIA, RISK MANAGEMENT MERELY BASED ON PAST EXPERIENCES OF RISK EXPOSURE MAY NOT BE SUFFICIENT. HE FURTHER ADDS THAT IT IS IMPORTANT THAT THE MONITORING PROGRAM SHOULD BE REVIEWED PERIODICALLY, CONSIDERING THE INDUSTRY'S DYNAMIC GROWTH.

Compliance risks and the significance of internal control mechanisms to control and mitigate such risks have gained considerable significance in the post Enron and WorldCom era. These cases broke new grounds in the area of accountability of persons at the helm of affairs of large organizations. There is a school of thought which argues that these are 'one off' cases, and the judgments which *inter alia* fastened personal liability on Directors, had to do mostly with the set of facts in the referenced cases coupled with the magnitude of the scam. The question whether these judgments form precedents may be debatable, but what came out clear in the years following the above two cases is that the corporate world realized the need to set new standards in organizational conduct. The need for a strong and effective compliance function which provides an ethical compass to the organization, constantly guiding it in the direction of ethical and compliant practices thereby mitigating compliance risks – was universally accepted.

Monitoring and supervision are terms generally associated with regulators and are often understood as falling exclusively within the regulatory domain. The International Association of Insurance Supervisors (IAIS) in its Insurance Core Principles and Methodology recognizes supervision and monitoring as a key function of the insurance regulator and lays down in detail the conditions for an effective insurance supervision mechanism.

While recognizing the fact that supervision and monitoring are functions that predominantly fall within the regulatory domain, this paper attempts to explain how internal monitoring and supervision of compliance can build a line of defence within the organization that can help to avoid, manage and mitigate compliance risks. The term 'Compliance' used in this paper does not restrict itself to regulatory compliance, but takes in operational compliance aspects too in its

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scope i.e compliance with internal policies and procedures set by an organization. The IAIS Insurance Core Principles and Methodology recognizes the importance of internal control measures as '*critical to effective risk management and foundation for the safe and sound operation of an insurer*'.

Risk Identification and Assessment

The risks of legal or regulatory sanctions or loss of reputation that arise as a consequence of an organization's failure to comply with laws, regulations and codes of conduct constitute compliance risk. Compliance risks occur when an organization fails to identify and put in place measures to mitigate risks that it is exposed to. Every compliance monitoring program therefore has to necessarily commence with a risk identification and assessment exercise. In addition to the regulatory compliance requirements, the monitoring program should also cover the market conduct and operational scenarios which could pose compliance risks. These risks are best identified through discussions and collaborative workshops with the business and operations functions. The objective is to form an understanding as to the scope of business/operational activity, potential control failure areas, and experience as to failed processes/ systems, which could form the basis for the risk identification process.

In the risk assessment phase, the identified regulatory and other compliance risks are graded on the basis of parameters like relevance to business, potential of non-compliance occurring and consequences of such non-compliance. Frequency of monitoring, sample size for monitoring etc are stipulated on the basis of the specific activities involved and also the above parameters. While dealing with a sector like the insurance sector in India which has witnessed rapid growth over the years, risk management merely based on past experiences of risk exposure may not be sufficient. It is important that the monitoring program/plan be reviewed periodically to address evolving risks with new business lines or new activities being added to the business portfolio. The monitoring program should also be able to address regulatory changes and new regulations being enacted.

Monitoring

The primary objective of compliance monitoring is to monitor and validate that the processes, procedures and controls being followed/adopted in relation to the identified risk scenarios, are in compliance with the applicable regulations and internal policies/ procedures. The responsibility of ensuring that the procedures/processes followed by them are compliant rests with the respective functions, with the compliance function's role being limited to carrying out an independent verification and validation of the same so as to determine whether they comply with the applicable regulations and standards. Once monitoring of controls/processes has been completed, specimen transactions should be checked on a random basis to establish the efficacy of the processes and controls monitored. The frequency of this verification, sample size etc should depend on the specific activity being monitored, the level of risk assigned to it during the assessment phase and the outcome of previous monitoring exercises, if any.

The open points noted during monitoring are discussed and a course of action agreed with the function concerned. The monitoring reports along with the agreed plan of action for closure are discussed with the appropriate management. Compliance personnel can play a proactive role during the close out discussions with the function monitored, to identify and implement alternate and compliant solutions thereby aiding the organization not to compromise on its business objectives while at the same time ensuring compliance with the applicable regulations and policies. Points of action are followed-up to ensure closure within the agreed time lines.

The type of processes and controls monitored determine the kind of monitoring activity to be employed and also whether the same requires automated tools. Anti-money laundering (AML) is one area which has been generally recognized in the insurance industry as a compliance area that requires automation to a great extent, as insurers in addition to the initial customer due diligence requirements are also required to constantly monitor their transactions to detect any suspicious pattern of activity. A compliance activity that is automated as in case of AML is advantageous from a monitoring perspective as it permits the monitoring checks and generation of reports to be built into the system. Further, as a business grows and correspondingly the number of customers and transactions also increase, monitoring tools will necessarily require automation.

Internal Audit

It is often argued that since internal audit in any case audits the organization and its processes including regulatory compliances, a separate monitoring of these would not serve any purpose. Internal audit which performs audits as per a predetermined calendar and scope has its own objectives and purposes which it serves and the attempt in this paper is not to establish that compliance monitoring if carried out effectively can or should replace internal audit. What is suggested is introduction of a compliance monitoring system as an additional mechanism within the organization to provide an extra assurance to the organization that it is compliant in all aspects. Compliance monitoring in this regard has the following distinctive advantages:

In addition to the regulatory compliances to be adhered to by the organization, the entire operational and market conduct risk that have a regulatory or reputational impact, are attempted to be identified and addressed in compliance monitoring.

- Frequency: As mentioned in an earlier part of this paper, the frequency and type/measures adopted for monitoring are determined on the kind of function/activity to be monitored. Further as and when a new business model/channel is adopted or a new regulation is passed, the activity could also be brought within the scope of monitoring. Being a monitoring plan internally developed in consultation with the function concerned, necessary changes/modifications can be made to the same as and when required thereby providing the required flexibility for the program.

- Coverage: In addition to the regulatory compliances to be adhered to by the organization, the entire operational and market conduct risk that have a regulatory or reputational impact, are attempted to be identified and addressed in compliance monitoring. The scope and sweep in terms of identifying and addressing risks through such an exercise would be very high since the monitoring does not commence with pre-determined limits or boundaries as to coverage.

- Scope: While the primary objective of an audit is to point out non-compliant and other risk areas for the organization/function being audited, compliance monitoring goes a step further by first involving the function monitored in identifying the risk areas it may be exposed to and secondly by assisting in arriving at alternative and compliant solutions to the issues identified. Being a function which performs the very important role of 'advisor' to management, and also which in many organizations manages regulatory compliance and liaison with the Regulator; the compliance function should be able to suggest compliant solutions to a good portion of the issues identified.

- Compliance culture: Regular monitoring sessions held with a clear objective of ensuring compliant practices, helps in making employees aware of their roles and responsibilities towards regulatory and other internal compliance requirements, which would consequently lead to creation of a compliance culture within the organization. This compliance culture is an essential facet for every organization since the actions and conduct of each and every employee/agent determines how the organization is perceived among the general public and the regulator and therefore its reputation generally, which is directly linked to its success or failure in the market.

Compliance Culture

"Resolving ethical dilemmas in the absence of a black letter rule is the litmus test of a firm's ability to protect its reputation" [1]

Organizations are often faced with situations where decisions are to be taken on business proposals/transactions or requests from customers or advisors on matters where specific regulations are not available. While the mere absence of regulations on the point may not by itself make the transaction illegal, the difficult question which the person/company faces would be to decide in the absence of the regulations what sets the perimeter within which such a transaction should be accepted/processed. Practices followed by competition and other industry conventions may be of limited help here as firstly the same may not be available for all situations and secondly the same need not necessarily be correct.

A very common way of resolving this dilemma is by going into the object of the existing regulations, understanding the general philosophy, approach and direction of the existing regulations, so as to extend the same to apply to the situation in hand. The question generally asked in such a situation would be *'What would have been the regulation on this point, had there been one issued by the regulator?'* While this could be the best approach for an organization, it may not be possible in all situations as not every one in an organization can be expected to have thorough knowledge of the object and purpose of existing legislation; or on account of the short time available for taking and communicating decisions. The compliance culture among the personnel in an organization comes of help here as such situations are also effectively addressed if the employee or agent faced with the situation can decide what is ethical in such situations and proceed on the basis of the same. Certain simple questions that could be asked in such situations are *'Is what I am doing ethical?'; 'Is it in the interests of my customer/client?'; 'Would I have done the same thing had the customer/client been a close friend or relative of mine?'*. In addition to carrying out monitoring exercises, regular training and education which covers instances of real life scenarios where one is expected to take such judgments in discharge of his/her official duties or conduct generally, would go a long way in building this culture.

Compliant behavior is everyone's responsibility and therefore organizations should take proactive steps to create a compliance culture within itself. Managements should realize that effective compliance mechanisms act as a facilitator to business in the long run, therefore investing in building compliance culture would ultimately contribute to building a stronger organization. It may not be possible to state the exact figure/value for this contribution, which will have to be understood from the experiences of the number of organizations which have collapsed on the wake of actions relating to non-compliant and unethical practices.

1 The Role of Compliance – Paul.C.Bourque

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The author is the Legal Counsel & Compliance Officer of ING Vysya Life Insurance Company Limited. The views expressed in the article are his own and do not reflect the position of ING Vysya Life.

Supervision and Monitoring

The Way Forward

'ONE OF THE MAJOR ETHICAL CONCERNS FACED BY THE INSURANCE INDUSTRY TODAY IS THAT OF MISCONDUCT' OPINES **SHIRIN PATEL**. SHE FURTHER ADDS THAT IT GIVES RISE TO A PLETHORA OF COMPLAINTS WHICH NOT ONLY CAUSE MONETARY LOSS TO AN INSURER BUT ALSO RESULT IN LOSS OF TRUST, REPUTATION AND BRAND IMAGE.

Series of company misdeeds in recent years has sensitised stakeholders to corporate reputation, driving down trust and raising scrutiny. A combination of forces — changing regulatory expectations and stricter corporate governance norms subject companies to intense levels of examination; heightened stakeholder sensitivity to and scrutiny of corporate behaviour; and the severity of punishment by financial markets for corporate missteps — push reputation management onto the forefront of the CEOs' agenda. This marked change in the environment leads management to ensure that there are controls built into each and every process to mitigate and safeguard the organisation's reputation.

Talking of the insurance business – every area of the business is susceptible to various risks prime among them being reputation risk. Compliance and risk officers take on the onus in their roles to focus more on proactive damage control - assessing risks, creating controls, ensuring implementation of the controls by establishment of supervision and monitoring procedures thus leading to mitigation of the occurrence of the risks. As the maxim goes – "It is better to prepare and prevent than to repair and repent".

This article briefly highlights a few of the challenges with respect to the proactive role of insurers – it profiles how insurers try to move beyond reactive damage control to develop supervision and monitoring systems and protocols that head off negative events before they materialise.

Hurdles seen in the Insurance Sector

With minimal insurance penetration in the country, the insurers see a huge and untapped business opportunity and an upward growth curve for their individual businesses. Concurrently, the insurers also perceive the following as hurdles in making this a growing and a 'clean' business:

- Sales teams that are geographically spread out in the country with the

With minimal insurance penetration in the country, the insurers see a huge and untapped business opportunity and an upward growth curve for their individual businesses.

challenge of training them on the basics of finance and insurance and the huge challenge of monitoring and supervising them;

- Heavy attrition of the sales teams and the consequent challenge of recruitment and re-training;
- Providing education on the rather complicated insurance products particularly the unit linked insurance products requiring financial acumen on the part of sales teams;
- Increased awareness of the customers and their sometimes unreasonable expectations from insurance service providers;
- Top line driven insurance business with aggressive targets leading to curtailed trainings, low awareness and compliance by sales teams of the legal and regulatory framework;
- Aggressive competition among insurance players spawning unethical and bad practices in the market place.

Earlier, supervision meant ensuring adherence by the supervised to a pre-ordained standard of behaviour or course of action. The newer approach is to consider supervision as an essential component of achieving the growth and viability of an organisation.

Supervision and Monitoring

Supervision and monitoring have become clichés in management. They were considered as the givens in any management discussion. But as in any other sphere of human activity, these concepts have evolved over time to acquire new meanings, newer nuances and demanding greater dexterity in application. As Philip Kotler and Gary Armstrong have stated in "Principles of Marketing" (10th Edition, 2004) "through supervision, the company directs and motivates the sales teams to do a better job". The above analysis of the content of supervision will show how different it is from the earlier autocratic approach towards supervision. Earlier, supervision meant ensuring adherence by the supervised to a pre-ordained standard of behaviour or course of action. The newer approach is to consider supervision as an essential component of achieving the growth and viability of an organisation. Organisations adopt different approaches to supervise their processes and people (more particularly sales teams). However, differences in approach apart, the aim is to effectively channelise sales efforts of the organisation towards achievements of the goals.

Monitoring on the other hand involves benchmarking the performance and practices of the sales teams in respect of their adherence to the organisation's business practices, its culture, ethical standards and the like as well. If in the process of achieving the sales targets, the sales teams disregard the goodwill the organisation enjoys in the society, the negative impact created will have an enduring effect on the organisation's standing in the society and may stretch deep into its future. Hence monitoring involves a holistic assessment of the performance of the sales teams.

Towards attainment of this holistic goal, insurers have set in place processes and models for supervision and monitoring, some of which are detailed below:

- Designing and instilling compliance and risk management programs;
- Creating an effective structure to measure, monitor and control risk across the organisation and ensure that the action plans are implemented in a timely manner
- Staying abreast of changing stakeholder expectations and opinions;
- Integration of a culture of risk awareness, ethics and best practices;
- Enforcing strict disciplinary action and sanctions against offenders;
- Ensuring a system driven approach throughout the organisation.

Let's check how the above mitigants broadly work in the current insurance business:

A. Risk Management Programs

Insurers are designing compliance and risk management programs to proactively and continually identify, assess, manage, design and review business and administrative processes that may carry risks related to legal and normative regulations and assure the effective management of present and potential significant risks. Each operation identifies its significant compliance risks and assesses the adequacy of the controls for these risks. Where appropriate, action plans are developed and compliance is monitored to ensure that the action plans are implemented in a timely manner.

This program can assure management that:

- business processes are designed to assure compliance with laws, regulations and company policies;
- appropriate supervision exists to assure that business processes are executed as designed and that issues and exceptions are appropriately handled
- the appropriate level of independent oversight is applied to each identified risk.

B. Risk management structure-measure, monitor and control risks

- **Increasing resources for risk management:** Attention from management towards monitoring and supervision has increased and so have compliance resources. Insurers are increasing the amount of resources available to risk and compliance functions, dedicating full time personnel exclusively to train, supervise and monitor sales teams.
- **Prioritising focus on key risks:** Insurers focus resources on the key risks as agreed during risk assessment exercises. Insurers ensure structuring of processes, driving local adoption and ensure implementation of the same.
- **Growing compliance presence in new business processes:** Compliance and risk officers have growing authority to evaluate transactions (e.g. new products or services, entry into new markets, new distribution relationships) that may raise long-term compliance issues.
- **Embed escalation processes:** Insurers are instilling (escalation) processes that reduce the effort required of line managers to recognise and report wrongdoings. Given that risks can arise in multiple locations and functions, the line is better positioned to identify, mitigate and prevent them. Insurers have also established whistleblower policies to ensure that escalation of events can be done without reprisals to the whistleblower.
- **Partner with the business:** Compliance and risk officers engage directly and at an early stage with those involved in tactical and strategic decision-making to ensure the business raises transactions with a significant risk profile to compliance or risk committees.

C. Tools for monitoring and supervision

Armed with the authority provided by the management, compliance and risk officers of insurers are creating and providing simple tools that aid in effective supervision and monitoring of the business activities thus recognising and mitigating threats to the organisation's reputation particularly on market conduct. Tools used by compliance and risk officers in the insurance business include the following:

Tool 1: Framework to assess, quantify and monitor risks

Compliance and risk officers provide businesses with a risk management question-

Insurers are increasing the amount of resources available to risk and compliance functions, dedicating full time personnel exclusively to train, supervise and monitor sales teams.

naire designed to assist in the identification of enterprise wide risk issues. Once a risk issue is identified, there is a process for further evaluation of the risk, structuring of processes and establishing controls as mitigants.

Compliance and risk officers try to ensure that senior management is committed and involved in the monitoring and supervision process.

Tool 2: Best practices and superior processes: Insurers are putting in place internal policies and procedures which help in monitoring the various risks, some of which are illustrated below:

- Policy on business conduct and ethics
- Policy for prevention of money laundering and terrorist financing
- Policy on complaints handling and resolution
- Policy on publication review process
- Policy on fraud control
- Risk management policy
- Whistleblower policy
- Information security policy

Tool 3: Compliance and self assessment questionnaires
Compliance and self assessment questionnaires to be completed by distribution and marketing teams aid compliance and risk officers in integration of a culture of risk awareness, ethics and best practices within the organisation and understanding the awareness levels on risk issues. The distribution and marketing teams understand that compliance with laws, regulations and best practices is in their interest too and that market conduct is everyone's responsibility.

Tool 4: Survey stakeholder perceptions
Compliance and risk officers through surveys of stakeholders can understand the level of the culture of compliance and risk in the organisation. Stakeholders would include management, policyholders, customers, employees, media, regulators, consumer forums and the insurance ombudsmen. Stakeholders' surveys or customer assessment programmes are tools which enable the organisation to gauge the perception of the stakeholders.

Tool 5: Forums to discuss stakeholder perceptions and review significant transactions
Compliance and risk officers try to ensure that senior management is committed and involved in the monitoring and supervision process. They ensure that top management committees like Sales/Distribution Compliance Committee meet on a monthly basis for reviewing significant matters, key stakeholder concerns, emerging industry/regulatory issues and internal issues with significant risks. The issues raised at these forums are monitored and discussed at appropriate risk management committees and the Board Audit Committee.

D. THE MONITORING AND SUPERVISION ACTIVITIES

Compliance and risk officers as a part of the supervisory and monitoring mandate among others carry out the following activities:

> **The communication has to be consistent and accurate, be clear as to purpose, honest and fair as to content and presentation and should provide ease in understanding.**

- **Review of product literature and advertisement material:** Review of all sales material, recruitment and customer communication and other publication to ensure that the documents and product literature used at the point of sale contain facts, not false promises. The communication has to be consistent and accurate, be clear as to purpose, honest and fair as to content and presentation and should provide ease in understanding.

- **Due diligence reviews before appointment of sales teams:** These reviews evaluate the character, work experience, sales conduct and reputation of the proposed sales person. These reviews ensure building of a quality sales teams leading to a qualitative and long running book of business.

- **Needs Analysis:** Monitoring the need based selling process to ensure that sales person identifies and appropriately addresses customers' financial needs and objectives thus delivering the right service and solutions at the point of sale and thereafter. Compliance and risk officers in their monitoring role need to review a sampling of customer files to determine whether the customer's needs analysis has been carried out, that all required signatures are present on the needs analysis form and that the product sold appears appropriate in line with the customer's needs.

- **Market Conduct training:** One of the major ethical concerns faced by the insurance industry today is that of misconduct. Misselling, false or misleading representation of products/ services in the sales efforts give rise to a plethora of complaints which not only cause monetary loss to an insurer but also result in loss of trust, reputation and brand image. Insurers, through their in-house training facilities, should ensure that their licensed sales persons understand and implement good pre-sale, point of sale and post-sale market conduct every time.

- **Complaints:** Monitoring complaints and their resolution provide an opportunity to the insurer to understand and identify the flaws in the processes, products or communication, identify the areas of improvement and help solidify the insurer-customer relationship. The number, type, source and category of customer complaints aid in effective monitoring of the sales teams. Periodic monitoring of individual responses to complaints ensures that the customer is treated fairly. Sales practice issues related to individual complaints are appropriately addressed, e.g. through additional training and/ or appropriate disciplinary actions. Potential sales practices issues identified through analysis and tracking of complaints, their categories, trends and patterns are appropriately addressed.

- **Internal controls:** Controls like internal and external audit reports, their findings and ratings, reportable control deficiencies help in monitoring and supervision of the sales teams.

- **Training and education:** Supervision of training centres and the training material acts as a proactive measure towards the training by third party service providers.

- **System driven monitoring:** Systems can be effectively used for analysis of data providing clues to bad practices such as replacement, frequent free looks and surrenders.

- **Compliance reviews:** Compliance reviews form an integral part of the monitoring and supervision process. The purpose of the reviews that sales teams/business and administrative processes are in line with the company's internal standards and policies. Reviews inter alia aid in ensuring the accuracy of information supplied by the sales person as well as help in gaining additional information about the sales person's integrity, competence, sales conduct, awareness of products and company policies and methods for sourcing customers. One-on-one meetings, interviews with sales persons to discuss issues and concerns during on-site review helps in the monitoring process. Compliance and risk officers test a sampling of sales literature, sales pitches, to ensure that only pre-approved material is used by the sales person.

- **Examinations:** Supervision of sales teams could entail periodic tests on topics including market conduct, awareness of product features and basic knowledge of the regulatory scenario. This helps the insurer in understanding the efficacy of its training programs and the current state of health of the sales teams.

- **Establishment of process to ensure appropriate and consistent disciplinary actions to be taken by management:** An established process should be in place for issuing strict disciplinary action and sanctions against offenders of good market conduct; and monitoring the implementation of the same. Supervision can take over through disciplinary measures like issuance of show cause and warning letters; and in extreme cases, issuance of termination letters.

The above are highlights of the supervision and monitoring activities to be carried out by insurers. Depending on market dynamics, a graduated response may be required to ensure that the supervision and monitoring framework is capable of addressing the challenges of a fast growing industry. This framework should be a part of a robust enterprise wide risk management program.

Supervision of sales teams could entail periodic tests on topics including market conduct, awareness of product features and basic knowledge of the regulatory scenario.

The author is Company Secretary & Vice President-Legal & Compliance, Bharti AXA Life Insurance Company Limited.

Supervision, Monitoring and Control of Non Operating Leakages

General Insurance Industry

AJAY BANSAL FEELS THAT BY HAVING IN PLACE A PROPER INTERNAL MONITORING AND SUPERVISION MECHANISM, THE PROFUSE BLEEDING THAT SOME CLASSES OF GENERAL INSURANCE ARE USED TO, CAN BE ARRESTED.

The General Insurance Industry in India was opened up for the private sector in the year 2001. With the opening up of the sector, a few large Indian business groups ventured into the general insurance business by forming alliances with established international insurers. The number of insurers consequently increased from four to twelve presently which led to a surge in competition. The increased competition resulted in competitive pricing, efficient policy servicing and faster claim disposal. It also resulted in increased used of technology and use of on-line policy issuance systems. A combination of these factors coupled with healthy economic growth, enhanced awareness of insurance and improved distribution system, resulted in the Industry registering a cumulative annual growth of over 15% during the last six years.

In spite of the robust growth in the last six years, the insurance penetration in India continues to be abysmally low with the general insurance industry constituting only 0.6% of the GDP. The low penetration is also an indication of the huge potential the industry offers for future growth. In order to realize the actual potential, the insurance industry will need to focus on increasing their scale of operation and distribution. This would be accompanied by increase in number of offices, employees, agents and increase in the number of surveyors working on claim assessment. The widening of distribution will enhance the access to insurance products; however, decentralization of operations and delegation of authority will become essential for better customer service. This evolution will bring along with it challenges of control and supervision. Thus most insurers have to struggle with the paradoxical situation of "more control and better disposal".

The very nature and operation of the industry further intensifies these challenges. The insurance industry works on the concept of pooling of interest

The low penetration is also an indication of the huge potential the industry offers for future growth. In order to realize the actual potential, the insurance industry will need to focus on increasing their scale of operation and distribution.

where premium is collected from many and the same is in turn used to pay claims to the deserving few. Hence the onus is on the insurance companies to supervise and control the management of funds and administration of claims. The controls set-in should substantially eliminate possibility of mis-appropriation and frauds in the system.

The importance of controls is further accentuated by the leakages, which have been reported in the general insurance industry across a large number of countries. The extent as well as the nature of such leakages is similar across countries. It is believed that almost 10% of the premium of the industry is consumed on account of premium leakage or fraudulent claims.

Thus with growth in volumes and with faster and more efficient claims settlement, there is an increasing requirement for insurers to adopt efficient monitoring and supervision in order to cast out the cases of manipulation and frauds. If this is not done properly it could lead to premium leakages or increased outflow on account of exaggerated and fraudulent claims.

Premium Frauds

The monitoring and supervision system needs to be put in place both at the policy issuance stage and the claims stage. The policy issuance fraud deals primarily with premium leakage of the insurance companies. Certain examples of premium leakages are:-

- Issuance of fraudulent policies by unscrupulous individuals/entities without any interface with the insurance companies.
- Issuance of fraudulent policies or manipulation of the policy's terms and conditions and coverages by employees or agents.
- Embezzlement of the premium collected from the customer.

The industry may graduate to electronic issuance of policy. In doing so, an analogy may be drawn from the securities market where introduction of the concept of demat resulted in better control and monitoring.

This offers a challenge more so as the industry is in the developing stage and the awareness of the customer with respect to product coverage, contract of insurance and operations of the industry is still at a nascent stage. The basic stimulants of premium frauds are:-

- In most products, claim gets reported only in 3% to 4% of the policies. This encourages manipulative practices as probability of fraud detection is low.
- Insurance is a contract of good faith and hence very little due diligence is done at the times of policy issuance, and
- The insurer-insured interaction is limited, being restricted primarily to claims and policy issuance.

In order to effectively monitor, supervise and control the premium leakages the industry could do the following:-

- The industry may graduate to electronic issuance of policy. In doing so, an analogy may be drawn from the securities market where introduction of the concept of demat resulted in better control and monitoring.
- All the cover notes and the policies issued by the industry may carry on them a common hologram, which as a concept should also be advertised and promulgated,
- The policies issued by the insurance companies should be in a non-editable format, which will prevent manipulation and result in better control, and
- The industry may move to issuance of policies only on clearance of cheques and hence policy issuance would happen on confirmed receipt of premium.

Claims Frauds

The exaggeration of claims and incidence of fraudulent claims is a global phenomenon that afflicts the general insurance industry, across a large number of countries. Therefore insurers should

A robust control system should have preventive controls in the form of underwriting checks and detective controls in the form of Investigation, Audit and Fraud Analytics.

have strong and multi-faceted mechanisms to identify and segregate fraudulent claims, so that the rest of the claims which are genuine could be expeditiously and efficiently settled.

Claims fraud can be categorized in the following three categories:-

- Exaggeration of Claim: A practice of inflating claims with the belief that:

  a) The insurer would certainly moderate the claim, or

  b) Higher claim may yield payment of more than the loss

- Non payable claims: A practice of manipulating an otherwise genuine incidence with the intent of projecting the same as being covered within the scope of policy, which normally falls beyond its scope. For example: A motor own damage claim of an un-insured vehicle, where the insured takes a policy and then claims the accident to have happened in the policy period.

- Fraudulent Claims: A practice of fabricating an entire incident with the intention of triggering a claim and duping the insurer. The torching of assets by a financially distressed client is one such example. The Motor Third Party claims is another area which is highly susceptible to this category of frauds.

The basic stimulants of fraudulent claims are:-

- It is easy to create the fraud situation and support the same by documents such as Panchnama, medical reports etc,

- It is difficult to detect and very difficult to prove, and

- Lack of will of the insurers to initiate appropriate legal action even after identification of fraud.

A robust control system should have preventive controls in the form of underwriting checks and detective controls in the form of Investigation, Audit and Fraud Analytics. This should be further aided by initiatives taken by the industry collectively.

A series of underwriting checks should be built-in on the basis of the fraud susceptibility of the products. Some of the checks and controls which could be built at the underwriting level are:

- An analysis of industries across various geographies should be done on the basis of their claim history. An appropriate due diligence should be done while underwriting risks pertaining to industry/geography prone to high/regular losses.

- Inspection or examination of risk where there is possibility of anti-selection, and

- Compilation and examination of data pertaining to other industries such as financial defaulters of banks, in order to more effectively profile risks and their owners.

In addition to the preventive controls, the insurers should also have mechanisms for detective supervision. The detective supervision of the insurer could include:-

- Investigation: The intensity of claim investigation may be determined based on the specific product/claim's susceptibility to fraud. The claims which are less susceptible to frauds can be investigated based on exception, as determined by the surveyor. For these claims, triggers can also be defined based on the basis of which investigation can be initiated. All claims which are highly prone to frauds, such as Motor Theft and Motor Third Party, should be thoroughly investigated.

- Audit: An effective audit function should assess on a continuous basis if the prescribed guidelines and processes are being adhered to. The testing of sample transactions help assess the adequacy of and compliance to the defined processes. Wherever gaps are identified, suitable processes changes should be undertaken.

- Fraud Analytics: Strong analytics can also help an insurance company identify areas of probable frauds. Study of aberrations in areas such as cheque bounce, close proximity claims, loss ratios etc may give indicators based on which investigation can be triggered.

In addition to the efforts of the individual insurers, concerted efforts are required at the industry level to supervise, monitor and curb leakages on various accounts. Some of the areas which require industry level efforts are:-

- Sharing of information on all claims exceeding a certain value.

- Creation of common live database across all insurers to prevent payment of a single loss by multiple insurers.

- Sharing of information by all insurers pertaining to moral hazard cases identified by them to prevent other insurers from insuring these cases. The existence of such a process would serve as a strong deterrent.

- Identification and back-listing of tainted service providers such as motor garages, and hospitals. There should be a collective will and determination to penalize entities who cause undesirable leakage in the general insurance industry.

- Formation of an industry level task force to handle organized crime issues by way of stern legal action.

Despite all supervision and control, identification and elimination of such leakages continues to be a challenge for the entire industry. In a number of fraud claims, even though the insurer is reasonably certain about the fraudulent nature of the claim, it is often difficult to prove the same and even more difficult to adduce evidence.

A number of developed countries have promulgated laws to deter insurance frauds and this could well be a single most important initiative which could lead to a significant reduction in such leakages. Instituting laws which are specifically constituted for insurance fraud in the context of the Indian market would give the required leverage for insurance companies to combat and discourage the incidence of these frauds.

Over the years there has been increased focus on various industry issues such as competitive pricing, efficient policy servicing and speedy claim disposal. The issues pertaining to customer service have also been addressed effectively through various forums. It is now time for us to focus on the issue of non-operating leakages which, in the form of premium and claims frauds, directly impact the bottom line of insurance companies and eventually reflect in higher policy premium for the insured. It will require the collective and concerted effort of the entire industry to minimize these leakages to the benefit of all stakeholders with the ultimate beneficiary being the genuine end customer.

Study of aberrations in areas such as cheque bounce, close proximity claims, loss ratios etc may give indicators based on which investigation can be triggered.

The author is Head – Internal Control & Loss Minimisation, ICICI Lombard General Insurance Co. Ltd.

Alternatives to Monitoring & Supervision

Difficult, not Impossible

'THE BEST LONG TERM SOLUTION TO ENSURE COMPLIANCE AND HEALTHY PRACTICES WOULD BE TO EMPOWER AND EDUCATE CONSUMERS OF ALL SEGMENTS ON WHAT THEY SHOULD EXPECT FROM THE PLAYERS AND WHAT CONSTITUTES BEST PRACTICES' WRITES **RADHAKRISHNA C.**

In the mid twentieth century, Douglas Mc Gregor put forward his path-breaking hypothesis on Human Resource Management – known popularly as **Theory X** and **Theory Y**. In brief, Theory X & Y were two different and diametrically opposite viewpoints on how workers could be motivated to perform at their peak potential. While Theory X believed in the "Stick" (*workers always need to be closely supervised*); Theory Y prefers the "Carrot" (*workers are normally self-motivated and will perform best when barriers are removed*). The debate on which is the better motivator still continues and can never probably be settled, because in the final analysis, all human interaction is contextual and there is no "one size" that "fits all".

The debate on whether industry players (in any industry, for that matter) can function in an orderly manner on their own initiative (Theory Y??) or whether they need to be monitored and supervised by an external authority, with attendant penalties etc (Theory X??) runs on similar lines.

A Case for Initial Supervision

To begin with, let us assume that Monitoring & Supervision is required for an industry to function in an orderly manner so that the various stakeholders can feel confident in dealing with the industry players. This is especially true of fledgling industries which are in the midst of massive upheaval and high growth. The Non Life insurance industry – encompassing not just the insurers, but the other major players like brokers, agents, bancassurance channels, Third Party Administrators, and Surveyors – having been recently liberalized is witnessing turbulence and growth together and qualifies for the above assumption. (The Banking sector in India is an example of how close supervision by the RBI over the decades has generated substantial goodwill among customer segments - both retail and commercial.) The turbulence and the attendant confusion can best be handled through an alert and watchful authority which writes the rule-book for the players to abide by; and executes it in a fair and objective manner. There are bound to be issues of understanding and

The turbulence and the attendant confusion can best be handled through an alert and watchful authority which writes the rule-book for the players to abide by; and executes it in a fair and objective manner.

interpretation and the sheer size; and diversity of the market will pose various challenges forcing the authority to perhaps modify and update the rules of the game on quite a few occasions. It is in this period that supervision is most important. New participants would have entered the market and there would always be a couple of 'short-run' players who could be testing the limits (much like a child testing the patience of a teacher or parent through willful defiance). It is during this evolutionary stage that examples would need to be made out of gross and willful defaulters and violators through stringent action against them. Needless to say, the emphasis here should be on "wilful" violations and not on bona fide failures to keep in step with the law due to interpretation or execution issues. Through objective and firm action, the authority can send the right message to industry, thus preventing any further temptation for anybody to circumvent the rule-book.

A Case for Self-Supervision

Having made a case for close Supervision in the initial growth stages, let us also recognize that this model is not sustainable for the long term growth of any industry. No regulator is equipped to keep track of, review, and punish every small bit of violation in the functioning of each player in the market. In the long run, the industry will have to be driven by better corporate governance and clean track record of the players. Healthy business practices (best practices) will go a longer way in creating confidence among the insuring public than the spectre of a tough and no-nonsense regulator. It is widely recognized that the growth of the Capital market in recent years has more to do with cleaner balance sheets and better corporate governance than with the manner in which the authorities handled the Harshad Mehta or the Ketan Parekh scams.

No regulator is equipped to keep track of, review, and punish every small bit of violation in the functioning of each player in the market. In the long run, the industry will have to be driven by better corporate governance and clean track record of the players.

There is therefore a strong case for Self-Regulation and supervision among the industry players. And the timing is perfect too. The industry has been re-born, if you will, and several new categories have come up virtually out of thin air - Brokers, Corporate Agents, TPAs, Bancassurance - all of which were unheard of just around six years ago. Most of these players are still wet cement and we can write what we want on them (and create the right culture and habits) - before they become hard & rigid.

Let us examine some measures which can be taken in the near future:

Ensure quality at entry

- Prevention is better than cure. Licensing of new players should become stricter. Track record (including qualifications and experience in successfully running other businesses, if any), and not rosy projections alone, should become the dominant parameter for eligibility. The regulator should keep in mind that every new entrant who commences operations at this stage has the potential to make or mar our industry.
- While I am aware this borders on subjective judgment, a panel of eminent people should be put together to judge every promoter and top management team over a couple of sessions on whether they are likely to add value to the industry or otherwise. The emphasis should be on attitude and ethics and willingness to invest for the long term and not on insurance knowledge.

Self-Regulate

- We already have industry associations for the major components of the Non Life industry - the GIPSA, General Insurance Council, the IBAI and the TPA Association.
- We could consider setting up compliance cells in each of these bodies which could keep an eye on their members and gently nudge them where necessary. They could also encourage compliance by instituting annual awards for their members.

Encourage cross pollination among Industry associations

- The insurance industry will do well to learn lessons from the erstwhile-NBFC industry. Back in the nineties, a flourishing NBFC sector suddenly meandered and lost its way. Among several reasons, what one remembers strongly is the lack of unity and collaboration among the industry players. Borrowers with arrest warrants against them would raise money from multiple lenders against the same asset and lenders would vie with each other to oblige. Normally hard-nosed lenders ended up doling out large chunks of money to borrowers who were already defaulters with other NBFCs.

- The industry associations should encourage exchange of useful information among members. The regulator could encourage setting up of a separate advisory body to discuss problems being faced and suggesting best practices for the industry to follow. The body would have nominated (not elected) members from across all segments (insurers, brokers, agents, bancassurance, TPAs, surveyors etc. **NASSCOM** is an outstanding example of a Self-Regulatory Non-Statutory body pro-actively helping to build an industry virtually from scratch into a world-beater today.

Introduce Standardisation

- One way to assist the supervision exercise is to Standardise as many components and sub components of the Insurance activity as possible. A concept akin to the Acord standards should be introduced so that everything from Proposal forms to claim forms to Survey Reports to TPA MIS Reports could be standardized to the minimum extent possible. Data capture and analysis would be far easier and anomalies and deviations would be easier to detect.

Invest in Training & Development

- There just isn't enough investment happening in training, especially in the Non-Life segment. This is primarily due to the lack of training infrastructure. There are just a handful of institutes imparting broker training across the country (in fact there are none in Bangalore and Hyderabad).
- IRDA and NIA would do well to set up (as a public-private partnership) satellite institutes in every major city in India offering capsule-courses in various technical areas and soft skills. There should be evening classes for working people.
- It is such an irony that, while Brokers are required to field ONLY trained and qualified employees in the market, insurers have no such obligation. With manpower attrition rates being where they are, it's not unusual to see fresh, young, "green-behind-the-ears" Insurance executives (representing Insurers) sitting with seasoned CFOs discussing the intricacies of MBD insurance or Errors & Omissions Insurance.

Educate Consumers on the duties of various Insurance players

In the final analysis, the person or entity who suffers most due to malpractices in the market are the customers. In this context, the best long term solution to ensure compliance and healthy practices would be to empower and educate consumers of all segments on what they should expect from the players and what constitutes best practices as defined by industry bodies and/or the regulator. The customer could then judge for himself whether he is getting a fair deal or not - and vote with his feet if he finds he is getting deficient service or a mala fide transaction.

Conclusion

A lot of what has been said above is utopian and difficult to implement in the short run. Self-regulation and self-supervision are easier said than done. For every shining example of a NASSCOM, we also have examples of a badly run Health care sector, which is notorious for malpractices.

This should however not deter us from dreaming at least. Maybe, if there are enough dreamers around, the sheer positive energy created by them may help build the momentum for change.

Maybe then the horse will fly, after all.

There just isn't enough investment happening in training, especially in the Non-Life segment. This is primarily due to the lack of training infrastructure.

The author is Director, India Insure Risk Management Services P Ltd.

Regulatory Approaches to Supervision and Inspection

A Look at Different Markets

'THE INSURERS WHO HAVE SOUND GOVERNANCE INFRASTRUCTURE AND THE COMPETENCY WILL BE ABLE TO MEET WITH THE CHALLENGES ARISING OUT OF THE INHERENT RISKS IN THEIR PORTFOLIO, OPERATIONS AND BUSINESS MODELS' ASSERTS **ASHVIN PAREKH.**

This article attempts to examine the approach and vision with which regulators in different markets supervise the industry. Both developed and comparable developing markets have been considered in the conduct of this examination.

The insurance business is characterized by a reversal of conventional operating cycle - insurance companies take in premiums, ie. the remuneration and charge for insurance cover and services rendered, before paying out any benefits or compensation in respect of claims. The claims arise out of compendium of risks covered in the insurance policy contract. When the companies invest the funds thus collected, insurers run certain risks in respect of depreciation, liquidity, interest rates, duration matching, credit etc. In addition to these risks, which are common to all financial institutions, there are risks unique to the insurance business. These would include insufficient premiums, miscalculation of technical provision, adverse change in loss frequency, catastrophic losses, reinsurance risks etc. Lastly, like any business, an insurance company is subject to risks of governance nature such as incompetent or dishonest management or poorly managed growth and operations.

The insurers who have sound governance infrastructure and the competency will be able to meet with the challenges arising out of the inherent risks in their portfolio, operations and business models. They create adequate evidence to satisfy themselves and to the external world of how effectively they can meet with these challenges. They create measurable parameters and reporting for their day-today management as well as their senior management; and at the same time for the regulators on one side and the policy holders and other stake holders on the other. The areas on which they create the evidence include the aspects of solvency management, financial parameters, strategic aspects and compliance.

The supervision on the other hand will aim at an ongoing initiative to regularly examine this evidence and also conduct a continuous evaluation of the market and the insurers to check its health. The key ongoing supervision components would include the following.

Like any business, an insurance company is subject to risks of governance nature such as incompetent or dishonest management or poorly managed growth and operations.

Key Ongoing Supervision Components

Market Analysis	· Making use of all available sources, the supervisory authority monitors and analyses all factors that may have an impact on insurers and insurance markets. · It draws conclusions and takes action as appropriate.
Offsite monitoring	· The supervisory authority receives necessary information to conduct off-site monitoring and to evaluate the condition of each insurer as well as the insurance market
Onsite Inspection	· The supervisory authority carries out on-site inspections to examine the business of an insurer and its compliance with legislation and supervisory requirements
Preventive and corrective measures	· The supervisory authority takes preventive and corrective measures that are timely, suitable and necessary to achieve the objectives of insurance supervision.
Enforcement or sanctions	· The supervisory authority enforces corrective action and, where needed, imposes sanctions based on clear and objective criteria that are publicly disclosed.

The emphasis on the components will vary with the markets. Different markets will be at different points of evolution and development. Many markets have taken fresh initiatives in developing their approach to supervision. In some of these markets, there has been a convergence of the regulatory bodies within the finance sector. These markets have now one umbrella organization to regulate banking, insurance, pension and capital markets. In other markets where there are separate regulatory bodies, there has been a convergence of the financial institutions they regulate. These markets have also been re-examining the emphasis on different components of the supervision.

The China Insurance Regulatory Commission (CIRC) has, for instance, re-articulated its supervision approach and vision. It considers risk identification, assessment and prevention as a project of systemic engineering. It has announced the following five lines of defense against risk.

5 Lines of defense against Risk (China -CIRC)

RISK AREAS	DEFENCE
Internal Control	as the basis
Supervision of solvency adequacy	as the core
Onsite inspection	as the front line
Fund management	as a key link
Insurance security fund	as a protective screen

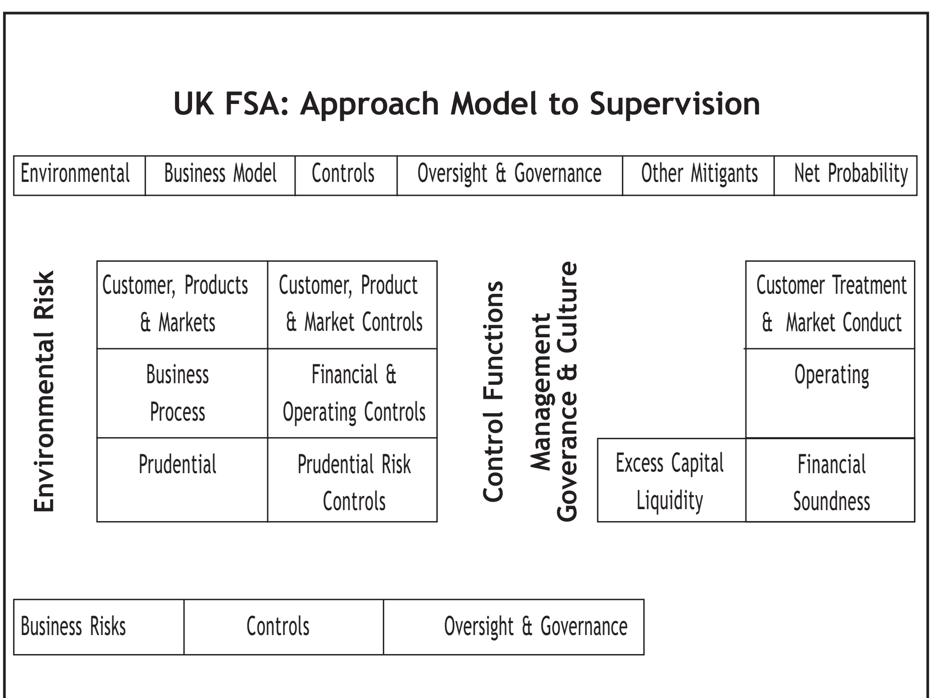
The insurance industry in China is in its evolution stage. Several reforms and therefore regulatory announcements are expected to be made. The approach for the supervision will be entirely guided on these major policy issues. The pricing of insurance equity will also weigh on the minds of the policy makers and the regulator. The shareholding offerings made by the insurers are at a certain pricing level. The regulators will have to continuously keep an eye on the share holder compensation and therefore the insurer performance. The present approach to supervision will therefore have to place a certain level of emphasis and balance it with the policy holders' interest and protection.

When we examine the supervision approach and vision for the insurance sector in Japan, we see now a larger focus on compliance. With the unification of the regulatory process across the sectors within financial services, the new regulator has decided to conduct a much more involved level of supervision. In the last two years we have witnessed a series of sanctions and penalties imposed on the insurers. The supervision process is oriented to clean up the financial standing and reporting of the insurers and there has been a larger emphasis on inspection and collection of evidence to compliance. The suspension process is now laying a renewed emphasis on the frame work and process of control and risk management, articulation of policy on all the aspects of the insurance business. The regulator has obtained a written undertaking from the insurers on their plans to initially create this frame-work, share it with the regulator and also provide a clear implementation road map.

The supervision process is oriented to clean up the financial standing and reporting of the insurers and there has been a larger emphasis on inspection and collection of evidence to compliance.

The fresh reporting frame-work now requires a periodic submission in regards the results and outcome of the implementation, the reporting on performance of the implementation, losses, increase in risks, frauds, damages, etc. When we examine the approach to supervision adopted by the Japanese regulator, we evidence a larger element of entity level focus. The supervision process seems to collectively evidence in regards whether the senior management understands the existence and nature of risks and whether it allocates the necessary resource to mitigate the risks and whether there are adequate controls in place. The entity level focus is a renewed effort to strengthen the industry in regards its financial soundness and solvency.

If we examine the approach taken by the regulator in supervising the industry, the UK Financial Services Authority (FSA) has adopted the following method:



UK FSA: Approach Model to Supervision

The approach requires the supervisory organization to regularly assess the industry environment and fresh environmental risks. It will then examine the business model of the insurers in regards the customers, products and markets, the business processes and prudence in its business model. Then there will be evaluation of controls. The oversight and governance will be examined and other mitigants such as capital and liquidity will be studied.

The Indian approach will also be in its evolution stage. The policy reforms in the sector including the detariffication of the general insurance market, the participation of retail investors by way of public offerings which will be made by the insurers and liberalization of investment regulations including introducing new financial instruments and derivatives into the investment portfolio will have its influence upon the regulator's approach and objectives as regards the supervision. Likewise, we will see policy changes in products and distribution channels as well as in the areas of intermediaries (including brokers) and reinsurance. An articulation of the regulator's approach and its continuous updation will be interesting to participate with.

The author is National Industry Leader, Global Financial Services, Ernst & Young.

On-site Inspection

A Powerful Regulatory Tool

'THE MAIN OBJECTIVE OF SUPERVISION BY REGULATORS IS TO PROVIDE A HIGH DEGREE OF SECURITY TO THE POLICYHOLDERS AND TO MAINTAIN THE CONFIDENCE IN THE INDUSTRY' ARGUES **K.G.P.L. RAMA DEVI.**

Introduction

Market failure can be due to market problems. But not all market problems need necessarily lead to market failure. For example: Greater financial risks are involved in "destructive competition" which means players cut their prices to retain the markets, resulting in inadequate pricing. Such a situation may in turn affect the solvency of insurers. As market failures affect the policyholders adversely, the regulators need to correct the market failures, minimize the negative effects and improve the efficiency of the players. In other words, the main objective of supervision by regulators is to provide a high degree of security to the policyholders and to maintain the confidence in the industry.

The International Association of Insurance Supervisors (IAIS) sets out principles that are fundamental to effective insurance supervision. The Insurance Core Principles provide a globally-accepted framework for the regulation and supervision of the insurance sector. On-site inspection is included as part of the Insurance Core Principles (ICP). Under ICP 13 i.e. On-site inspection, it is stated that the supervisory authority shall carry out on-site inspections to examine the business of an insurer and its compliance with legislation and supervisory requirements.

In the Indian context also, one of the important purposes of regulatory supervision is to protect the interests of the policyholders. Under the powers vested by the contents of Sec.14(h) of the IRDA Act, the Authority in discharging its duties to regulate, promote and ensure orderly growth of insurance business in India, is empowered to call for information, undertake inspections, conduct enquiries and investigations including audit of the insurers, intermediaries, insurance intermediaries and other organizations connected with insurance business. Further, Section 110 C of the Insurance Act 1938 empowers IRDA to call for any information relating to reinsurance treaties and other insurance contracts entered into by an insurer.

On-site inspection is a vitally important part of the supervisory process, closely related to the on-going monitoring process. It is one of the regulatory tools employed to monitor performance of insurers adhering to certain standards and to promote proper functioning of insurers in the market. The basic purposes of carrying out Inspections are:

(1) To determine compliance with Insurance Act, Regulations, circulars and other statutory requirements;

On-site inspection is a vitally important part of the supervisory process, closely related to the on-going monitoring process. It is one of the regulatory tools employed to monitor performance of insurers adhering to certain standards and to promote proper functioning of insurers in the market.

(2) To detect any early warnings arising out of inspections; and

(3)To compile the information needed for timely and appropriate regulatory intervention.

Inspections are necessarily preceded by pre-inspection preparation with a review of the reports submitted by the companies to the Authority as a part of normal on-going surveillance process, feedback obtained from the market and other qualitative and quantitative information available from the industry.

Nature of Inspections: According to ICP 13.5; a full-scale onsite inspection includes, at a minimum, the following activities:

- evaluation of the management and internal control system
- analysis of the nature of the insurer's activities, e.g. the type of business written
- evaluation of the technical conduct of insurance business or an evaluation of the organization and the management of the insurer, the commercial policy and the reinsurance cover and its security
- analysis of the relationships with external entities, such as through outsourcing or with respect to other companies in the same group
- assessment of the insurer's financial strength, notably the technical provisions
- Evaluation of compliance with corporate governance requirements.

In the US, the National Association of Insurance Commissioners (NAIC) provides the broad guidelines, which form the basis of supervision for most of the States. As a matter of practice, off-site financial analysis of all domestic insurers is done as an on-going process. It consists of an overall analysis of the insurer and its operations. At the end of the analysis, the analyst will be in a position to develop and document an overall conclusion regarding the financial condition of the insurer and recommend the priority status. Once prioritized, before starting the field work, the team overviews the company operations, line of business, review the audit papers, and establishes communication with the monitoring team. The Exam Coordinator would be an Empowered Official, having knowledge of operations, products, and personnel; and such coordination would require significant time and commitment. The reports would be discussed with the insurer and submitted to the department for regulatory consideration.

The on-site inspection can include but not limited to the examination of the insurer's market conduct to prevent market abuse and examination of the financial condition to prevent insolvency.

The goals of a full scope examination are to:

- Perform an examination that identifies significant deviations from statutory accounting practices that affect solvency;
- Perform an examination that identifies significant deviations from standard insurance laws, regulations and department directives;
- Perform the examination in accordance with standards prescribed in the revised NAIC *Financial Condition Examiners Handbook*, NAIC Accreditation Standards and department policy;
- Identify and report on significant operational and internal control deficiencies;
- Complete the examination efficiently within the budgeted time and within scheduling requirements;
- Provide on-the-job training and professional development of department staff.

Domestic Scenario

The Authority has designed its inspection programme in consistency with the international parameters as bench marks. Accordingly, the on-site inspection can include but not limited to the examination of the insurer's market conduct to prevent market abuse and examination of the financial condition to prevent insolvency. An inspection can also be done towards making of an assessment required for appropriate regulatory intervention to resolve some problem. For convenience, they can be classified as Comprehensive /Financial Inspections, which focuses on the overall financial aspects of the company so as to find out the financial strength and solvency position of the company; Focused/ Specific Inspections to check the compliance/ implementation of a particular provision of Act, Regulations, Circulars or guidelines; and/or Market Conduct Inspection, which verifies the operational aspects of the insurance, including business procurement, policy issuance, claims settlement and other servicing aspects of insurance business. On-site inspection enables the regulator to obtain information and detect problems that cannot be obtained or detected through an on-going monitoring. Tentative scope of examination under financial and market conduct inspections are briefly indicated below:

While the purpose of financial inspection is to verify or capture reliable data and information in order to assess a company's current and prospective solvency, the market conduct inspection evaluates the conduct of insurance business by examining all operational aspects of insurer's business viz. business procurement, underwriting, claims, customer servicing, internal management policies/controls and assessment of expenses incurred in conduct of its business and to determine whether unlawful or improper activities are engaged in at the expense of policyholders' or public interests etc.

Inspection Procedures

- **Prioritizing the company:** In general, the companies to be inspected are decided on the basis of the following:
  - i. Volume of business
  - ii. Volume of grievances
  - iii. Complaints from other insurers, market or industry
  - iv. Inter-departmental feedback or
  - v. To verify statutory compliance and
  - vi. To check the performance of the company

  However, not withstanding the above, the Authority can take up a specific targeted inspection of any insurer, if it desires so.

- **Identifying teams/personnel going for inspection:**

  The persons who possess the required technical expertise are normally assigned the task of conducting on-site inspection. Besides, there are a number of measures being taken up including imparting training in association with reputed national and international bodies to improve and enhance the efficiency of conduct of inspections. If required, the Authority may also include external professionals, to be part of their inspection teams for conducting inspections.

The persons who possess the required technical expertise are normally assigned the task of conducting on-site inspection.

- **The process of inspection :**

  The process of conducting inspection is briefly illustrated as under:
  - i. Notice of Inspection: Every inspection will start with a letter of request for information that will be sent out with the letter announcing the inspection. Normally, the insurers are informed about the inspection well in advance, unless situation warrants jump-starting of inspections, waiving notice requirements.
  - ii. Introductory meeting with CEO and/or other Senior Officials and briefing them about the purpose, scope and possible time frame of completion of the inspection.
  - iii. Interacting with the coordinator for logistical support needed for smooth conduct of inspection
  - iv. General examination of the desired documents furnished by the company
  - v. Analysis of the documents and seeking clarifications, if required. It includes, but is not limited to the review of the company's corporate policies, delegation procedures, and processes related to insurance sales and service, evaluation of the compliance of guidelines/ policies, internal procedures, systems, monitoring, reporting and controls etc., and any other activity required to be verified from a regulatory perspective.
  - vi. Selecting the samples required for examination: There is no stand-alone method prescribed for selection of samples. The officials can use their judgement based on their requirements for selecting adequate sample size. It can also

vary depending on the nature of inspection, number of records available and the time available for scrutiny of documents etc.

vii. Analysing the sample records and documenting the irregularities, if any.

viii. Submitting the Exit Report to the CEO: In an attempt to make the reports transparent and acceptable, the inspection team prepares an outline of its inspection findings in the form of Exit Report and discusses it with the CEO and his team on the last day of the inspection. The clarifications or explanations, if any, are taken into account in preparation of the final report.

ix. The Completed Final report of the findings along with any possible suggestions/ recommendations, and with all supporting documents needs to be submitted within the prescribed time to IRDA for regulatory follow-up action.

x. The authority takes over the reports and reviews the same for necessary follow-up and compliance. At times, on the basis of the findings and recommendations made, IRDA can initiate suitable action against the company or can issue suitable directions/ guidelines to insurers.

It is essential to have efficient, safe, fair, financially sound and stable insurance markets to win the confidence of the consumer.

Conclusion

It is essential to have efficient, safe, fair, financially sound and stable insurance markets to win the confidence of the consumer. In order to protect the interests of policyholders and to promote growth and healthy competition in the sector, the Authority takes on-site inspections, which enable the regulator to obtain information, detect and identify problems or irregularities in a range of areas that cannot be obtained or detected through on-going monitoring. It helps to initiate preventive and corrective measures that are timely, suitable and necessary to achieve the objectives of insurance regulation.

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The author is Senior Assistant Director (Inspection), IRDA. The views expressed in the article are her own.

Detariffing the Industry

Bane or Boon?

'DETARIFFING IS A DOUBLE-EDGED SWORD WHICH HAS TO BE HANDLED WITH CARE' WRITES **MANICKAM BALASUBRAMANIAM.** HE FURTHER ADDS THAT THE UNDERWRITERS HAVE TO PROCEED WITH A GREAT DEAL OF CAUTION WHILE ACCEPTING THE RISKS.

General insurance industry in India has witnessed significant development since January 2007 with the advent of detariffing of Fire and Engineering branches of insurance along with Motor insurance. In fact, detariffing of general insurance business was started as early as 1994 in Marine Cargo and a part of Miscellaneous Insurance - mainly Personal Accident Insurance, Jewellers Block Insurance, Bankers Indemnity Policy etc. Now it is history that immediately after detariffing of Marine Cargo business, the market witnessed a chaotic situation. Underwriters were quoting premiums at abysmally low rates. Then GIC, which was a holding company in respect of four public sector insurers who were, in a sense, monopolizing the general insurance market in India; had to initiate rectification measures to curb the devastating trend. Consequently, it was agreed to quote a minimum rate and a phrase has been coined for this purpose as a benchmark rate. Thanks to all-round scientific development, and sophistication in packing and mode of transport; the market has now stabilized after a period of ten years. This could perhaps be the prelude to the opening up of general insurance industry to private players.

Second stage of detariffing was introduced in respect of Marine Hull Business from April 2005. Again, history was repeated and the hull market had witnessed a steep fall in the premium payable in respect of hull insurance. The fall was to the extent of almost 70%. On personal enquiries with some of the fleet owners, it was conveyed that the expectation towards reduction of premium was to the extent of 25 to 30% due to detariffing of hull business. This time, however, along with public sector insurers, private players have also played their role, rather contributed in bringing down the premium of hull business drastically; hull business was considered to be complex in nature and the market is also a limited one, both in India and outside the country.

The recent detariffing of Fire and Engineering along with Motor, with effect

Now it is history that immediately after detariffing of Marine Cargo business, the market witnessed a chaotic situation. Underwriters were quoting premiums at abysmally low rates.

from 01/01/2007 sets in motion the era of detariffing of general insurance industry in full, at least in regard to rating and charging of premium. We should not forget that the detariffing of general insurance business by way of detariffing is limited to premium only and not on terms, scope of cover, etc. Besides, detariffing even on charging of premium in respect of Motor OD and TP was not as per the wishes of the underwriters. The Regulator had to take into account the pressure brought in by the influential motor trade and to a certain extent pressure from the Government.

The above is a brief narration of detariffing of general insurance business in India since 1994.

We shall see the possible consequences of detariffing of general insurance. The direct beneficiary due to detariffing of insurance is the Customer/Client. Let us take a look at some of the changes that are brought in with the advent of detariffing in the insurance market:

- Every insurer starts wooing the customers. The market has become buyer driven and it is customer focussed.
- Remarkable change in the attitude of the insurers towards the customers and thereby improvement in the services. Core insurance solution by companies is the offshoot of detariffing.
- Customer oriented techniques have been followed and new terms have been coined like Customer delight, Customer centricity, Customer experience management and Customer relationship management.

The underwriters may reduce the premium without any rationale only to procure the business or to retain the existing customers. This trend would perhaps go to the extent of eliminating them from the business.

- Introduction of customised products to cater to the specific needs and requirements of the client i.e. product differentiation.
- Involvement/participation of the client in devising the cover and working of premium.
- Substantial reduction in the premium.

No doubt, the above are a welcome sign in the insurance industry. At the same time, it also poses a threat; reduction in rate of premium should not be the only criteria in procuring the business. If so, the underwriters may reduce the premium without any rationale only to procure the business or to retain the existing customers. This trend would perhaps go to the extent of eliminating them from the business.

The rates were slashed in respect of profitable business like Fire and Engineering. The intention of the underwriters is that each business has to sustain on its own i.e. practically putting an end to the concept of cross subsidising. In their over enthusiasm, if the underwriters choose to do the business at the most unviable rate, it would be difficult for them to survive.

It is also not out of place to mention that the insurers should not try to insure those risks which are uninsurable. The market is already witnessing some of the covers which were unheard of in the early 90s. If any new cover is found on the principle of sound insurance, it will not pose any problem to the underwriters. The resultant of detariffing of marine cargo business was uneconomical rate. This directly affected the companies to the extent that the overseas underwriters / reinsurers were not ready to accept our business which they were doing before detariffing, without reservation. Therefore the underwriters in India have lost the advantage of deciding independently, with the hope of obtaining necessary support from reinsurers without difficulty. Definitely this is not a laudable position to the Indian insurers. In the pretext of competition, the market should not axe the tree which had been providing shade all these years. Detariffing is a double edged sword which has to be handled with care.

Companies should grow with profit; public sector undertakings must ensure that they have profitable growth. Growth without profits will make them sick by draining their resources; and profits without growth will marginalise them, as new players will rush into, to fill the market share.

The author is Regional Manager, United India Insurance Co. Ltd.

Takaful Insurance

An Introduction

'THE INTRODUCTION OF TAKAFUL INSURANCE IN INDIA MAY PROVIDE A LONG-LASTING SOLUTION TO THE PROBLEMS OF LOW PENETRATION IN VIEW OF THE VAST POTENTIAL WAITING TO BE TAPPED' FEELS **BALA SUBRAHMANYAM GOLLAPUDI.**

Insurance is more often seen as being sold than that being bought. The need for life insurance is much felt in third world nations where illiteracy levels are higher and voluntary social welfare measures from the government bodies are nominal. In India, the Herculean task of educating people about the needs and benefits of insurance has been taken up by Insurance Regulatory and Development Authority (IRDA), the regulatory body of Indian insurance segment.

Still, insurance is either instantly tagged to "death" or presumed as one more vehicle to mitigate the income tax burden. The basic tenets of the Islam community do not encourage the concept of profit sharing and hence insurance products were unable to honor their feelings, historically.

The concept of "Takaful Insurance" has taken its birth on Islamic principles and is widely popular today in most of the Islamic countries. There exists a need for introduction of this concept in India and the market potential is huge. Let us try to understand what "Takaful Insurance" is all about.

What is "Takaful"?

Takaful is an Arabic word meaning "**guaranteeing each other**" or joint guarantee.

The word al-takaful is derived from a verb Kafala, which means to help or to take care of one's needs. Takaful is operated based on shared responsibility, brotherhood, solidarity and mutual cooperation or assistance, which provides for mutual financial security and assistance to safeguard participants against a defined risk.

The basic fundamentals underlying the takaful concept are very similar to cooperative and mutual principles, to the extent that the cooperative and mutual model is one that is accepted under Islamic law.

In its simplest form, a takaful scheme can be seen as an arrangement made possible by a group of people with common interest to protect each other from certain defined mishaps through a collective pooling of their resources.

Why Takaful Insurance?

A conventional insurance contract was considered as a contract of exchange under a 'buy and sell' agreement containing, in one form or another, elements of uncertainty, gambling and interest, all of which are unacceptable under Islamic law.

In the year 1985, the Islamic academy of jurisprudence (majma al-fiqh) in Makkah Mukarrama has declared that insurance based on the application of cooperative principles, Shari'ah compliance and charitable donations was acceptable; though conventional commercial insurance was denied.

The concept of "Takaful Insurance" has taken its birth on Islamic principles and is widely popular today in most of the Islamic countries.

This has resulted into the creation of new insurance concept called 'Takaful', providing risk protection and savings products to the world's Muslim population.

All participants have a common interest to protect their livelihood leading to financial protection of their families and businesses.

How Takaful works?

The basic condition under Takaful Insurance model is that the contributor loses the right over one's individual contribution in return for a pledge of solidarity that each contributor makes collectively for a pool of money or "benefit" that is definitely payable to any one or more of them on the happening of pre-defined events. These events can be deaths due to natural reason, natural disasters, calamities, accidents etc. that can happen to anyone, leading to irreparable financial loss and social consequences.

All participants have a common interest to protect their livelihood leading to financial protection of their families and businesses. In the broader perspective, if every one followed this, it becomes a noble social cause in providing much needed financial security and solidarity to the community and the country.

There are two important modes of financing under Takaful – the Mudharabah and the Wakalah.

According to the mudharabah principle, an owner of capital may let an entrepreneur use his or her capital within Islamic guidelines and share in the profits with the entrepreneur. Here the Takaful operator manages the operation in return for the share of surplus on underwriting and a share of profits from investments. However only the owner of the capital will be responsible for all losses as a related principle (sharakah) rules that losses are to be shared strictly in proportion to the capital contributions (Maysami, 1997). Malaysia widely uses this model.

In the Wakalah model, the Takaful operator acts as an agent for the participants and manages the Takaful/ retakaful fund for a fee. This model is more prevalent in Middle east region.

Important Takaful terms to know

al – 'Aqd – Contract
al – Amanath – Trust
al – Bay' - Sale
al – Bay' Bithamal al – Ajil – Sale by deferred payment
al – Gharar – Unknown or uncertain factors
al – Ijarah – Service/ Hiring/ Employment
al – Ju'alah – reward for service
al – Kafalah (or) al - Daman – Guarantee, surety
al – Maisir – Gambling
al – Mudarabah – Profit and loss sharing
al – Musharakah – Partnership
al – Riba – interest
al – salam – Sale by deferred delivery
al – Tabarru' – Donation, Charity, Gift
al – Waidiah – Deposit
al – Wala – Clientage
al – Wakalah – Agency

Types of Takaful business

There are generally two types of takaful business, managed by the takaful companies –

- Family Takaful:

  The family takaful business is generally long term in nature. Family Takaful risks are predictable in nature. There are rigorous applications of scientific methodology in determining the risks involved.

  Family Takaful offers a maturity plan of 10, 15, 20, 25, 30, 35 or 40 years. Supplementary contracts in the form of hospitalisation, accident and permanent total disability may be incorporated in the plan. Other supplementary contracts in the form of 'family rider' may also be attached to the Family Takaful Plan such as Takaful Mortgage Plans, Takaful Plans for Education and Group Takaful Plan.

- General Takaful:

  The various types of General Takaful scheme for both individuals and the corporate sector provided by a Takaful company are shown as follows:

  a) Fire Takaful scheme - basic fire, house owners, house holders, industrial all risks.

  b) Motor Takaful Scheme - motor car, motorcycle.

  c) Accident/Miscellaneous Takaful scheme - personal accident/group personal accident, personal accident for pilgrims all risks, workmen's compensation, public liability, money equipment all risks, employers' liability, plate glass, fidelity Takaful, sprinkler leakage.

  d) Marine Takaful scheme - cargo.

  e) Engineering Takaful scheme - machinery breakdown, erection all risks, boiler, pressure vessel, contractors all risks, bond.

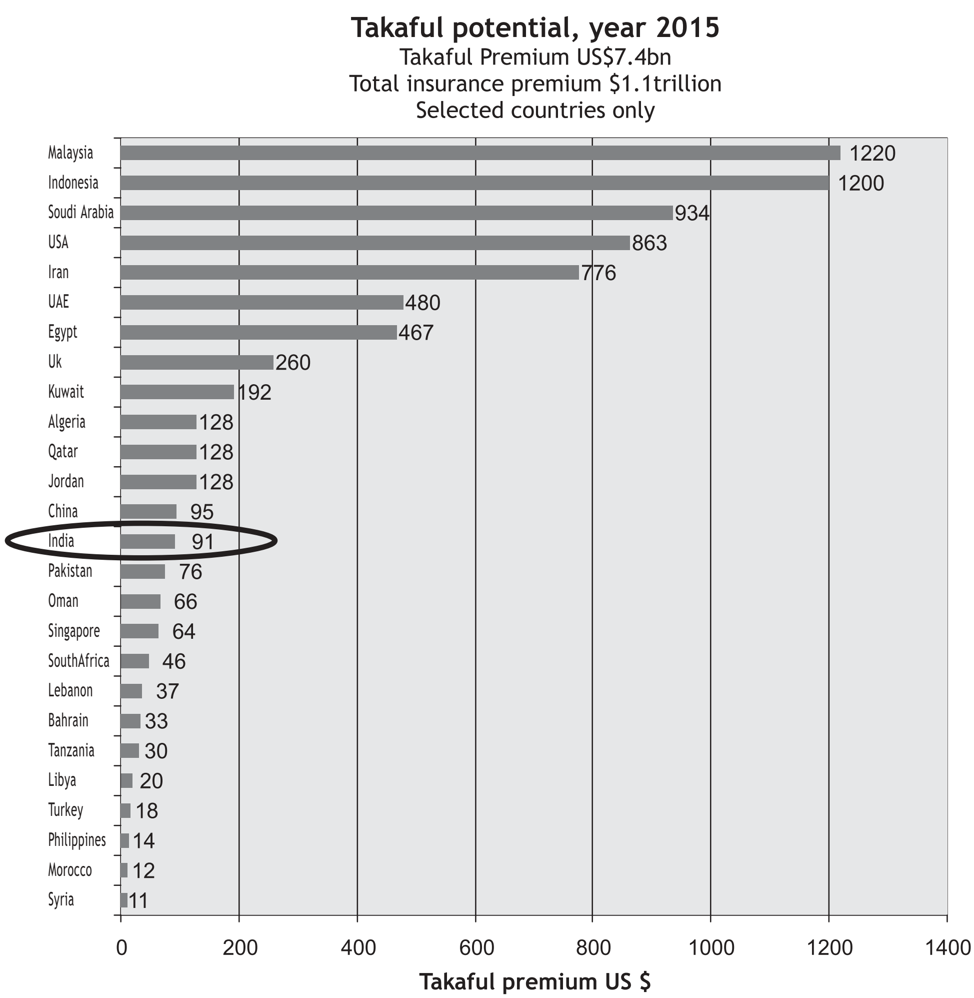
What is the global scenario?

During the past two decades, Takaful operations opened up in Islamic countries and countries with a large Muslim community. In the Far East, Malaysia has been at the forefront of Takaful development. Singapore, Indonesia, Brunei have all followed with the development of Takaful operations.

In the Middle East, Takaful operations have developed in Saudi Arabia, Bahrain, Iran, Qatar and Iran with new operations opening up in Egypt, UAE, Kuwait, Bangladesh and Srilanka in recent years.

Outside these two primary regions, Takaful has also been introduced into Europe and the USA but, as yet, development of Takaful in the western world has not met with any major degree of success.

According to the 2005 Global Takaful Review, the Takaful industry is projected to grow at 20 per cent per annum during the next decade. Total worldwide Takaful premiums covering both non-life and life insurance are expected to reach $7.4bn by 2015. Global insurance statistics indicate that the insurance penetration and per capita premium density in the Muslim world is com-paratively low and this would sug-gest that there is a huge market for Islamic products among Muslim clients, provided the industry is pre-pared to offer consumers a wider range of products and services that is more affordable and simple to understand as an alternative to con-ventional insurance products.



[Source: http://www.salaam.co.uk/themeofthemonth/november02_index.php?l=8]

What is the Indian context?

Surprisingly Takaful insurance has not yet stepped into India. According to the CIA world fact book, India is the third largest Muslim populated country (12.1 crore) in the globe after Indonesia and Pakistan!

As evident in the above graph, the projection for Takaful premiums in India is much below that of many other countries which are not even in the top 10 ranking list of highest Muslim population.

It is believed that the insurance penetration in India (in terms of population) is around 26% and a huge chunk of around 74% of the insurable population is still uncovered. Illiteracy, awareness levels, affordability issues due to irregular income and the beliefs and practices are prime causes of concern. The innovative and acceptable concepts like Takaful Insurance would be handy in Indian insurance scenario to insure a good number hitherto uncovered.

Conclusion:

There is a need to immediately attend to the insurance needs of Muslims in India, valuing their beliefs around this concept. This fact opens up a tremendous business opportunity for the insurers in India. A few companies are trying to tap this untouched domain and are conducting surveys about this concept through their officials.

With the insurance sector growing at a healthy rate and several new insurance companies trying to open their shops; can we expect the entry of Takaful insurance in India in the near future?

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Takaful in the new Millennium

The author is Associate Business Consultant, Infosys Technologies Ltd.

प्रकाशक का संदेश

किसी भी सफल बाजार में सुधारों के लिये एक सशक्त विनियामक तंत्र पहली आवश्यकता है। बीमा एक लंबे समय का संविदा है तथा पॉलिसीधारक इस आशा के साथ प्रीमियम अदा करता है कि बीमाकर्ता उसकी मदद में उस समय आयेगा जब उसकी आवश्यकता होगी।

बीमाकर्ता के लिये अपने दायित्वों को पूरा करने के लिये शोधन क्षमता को बनाये रखना महत्वपूर्ण है। उच्च व्यवसाय वृद्धि तथा व्यवसाय की सही परिधि को ध्यान में रखते हुये ऐसे मानक बनाये गये हैं जिससे बीमा कंपनियाँ पर्याप्त पूंजी मार्जिन बनाये रखते हुये सदैव शोधित रहें। यह एक महत्वपूर्ण क्षेत्र है जिसमें समयबद्ध निगरानी तथा निरीक्षण आवश्यक रूप से जरूरी है। आगे प्रतिस्पर्धा के परिवेश में यह संभव है कि व्यवसायी प्रक्रिया के रूप में अपनी उच्च व्यवसाय वृद्धि पर ध्यान देते हुये व्यवसाय के मूल मानक से दृष्टि ओझल कर लें। विनियामक को निकटता से कंपनियों के कार्य का निरीक्षण करना होगा जिससे वह स्वंय संतुष्ट हो सके कि वे वित्तिय रूप से सक्षम हैं।

बाजार संचालन एक अन्य क्षेत्र है जहाँ विनियामक को बीमाकर्ता के व्यवहार को जांचना होगा जो कि प्रत्यक्ष रूप से बाजार अंश को बढ़ाने के लिये होगा और बीमाकर्ता इसके लिये सब कुछ करेंगे। उच्च अर्थव्यवस्था में यह एक क्षेत्र होता है जिस पर बीमा काउंसिल नजर रखती है जोकि बीमाकर्ताओं से बनी होती है। भारत में ऐसे प्रयास किये गये है कि साधारण तथा जीवन बीमा काउंसिल को उनके पश्चिमी प्रतिरूपों के अनुसार ही स्थितिगत किया जाये, विनियामक के लिये आवश्यक है कि वह बाजार के व्यवहार को कुछ और समय तक दृष्टि में रखे।

उद्योग को खोले जाने के लिये एक बहुच बड़ा तर्क ग्राहक को मूल्य जमा सेवा (वेल्यू एडेड सर्विस) उपलब्ध करवाना था। यह अपेक्षित ही था कि बीमाकर्ता क्षेत्र में अपने आप को साबित करने के लिये सबसे अच्छा करेंगे, कोई भी लालच जो अवांछनीय साधनों द्वारा लाभ उठाने का हो उसे रोका ही जाना चाहिये। प्रबंध ऐसे उपायों तथा कार्यो को ठीक प्रकार रखते हुये प्रभावशाली रूप से व्यवसाय के मानकों को सुनिश्चित कर सकते हैं। लेकिन यह भी स्पष्ट हो जाना चाहिये कि पर्यवेक्षक वहाँ हस्तक्षेप करने से पीछे नहीं हटेंगे जहाँ उनकी आवश्यकता होगी।

अनुवीक्षण तथा पर्यवेक्षण इस जर्नल के अंक के केन्द्र बिन्दु में है। बीमाकर्ता दूसरों के जोखिम को अपने ऊपर लेने के व्यवसाय में है और इस प्रक्रिया में वे स्वंय उच्च जोखिम के सामने खड़े हो जाते हैं जो वे पुनर्बीमा संविदा के माध्यम से सुरक्षित करते हैं। जर्नल के अगले अंक में केन्द्र बिन्दु में पुनर्बीमा होगा।

सी. एस. राव
अध्यक्ष

" दृष्टि कोण "

आस्ट्रेलिया की प्रूडेंशियल विनियामक प्राधिकरण (एपीआरए) द्वारा लगाई गई जोखिम प्रबंध नीति तथा हमारी बोर्ड पर निर्भरता दोनों ठीक प्रकार से काम करती है और हम जारी रखेंगे और आगे बढ़ाएंगें अपने संबंधों को विनियामित संगठनों के साथ।

श्री जॉन ट्रोब्रिज,

सदस्य, एपीआरए

यह रूचिकर है कि बीमा बाजार में नरम चक्र जबकि वह वाणिज्यिक उद्योग की क्षमता बढ़ाते हुये निगमित कवच चाहने वालों को सस्ता आवरण प्रदान किया जाये, कैपटिव बीमा सदा फलता-फूबता रहेगा।

सुश्री टीयो स्वेन लैयन,

उप प्रबंध निदेशक, सिंगापुर मोनेटरी अथोरिटी

उपभोक्ता जो अपनी संपत्तियों को आवरण प्रदान करना चाहते हैं तथा परिवार के सदस्यों पर निर्भरता कम करना चाहते हैं और इस पर नियंत्रण करना चाहते हैं कि वे कैसे नर्सिंग अथवा गृह देखभाल प्राप्त करेगें उन्हे लंबे समय के कैयर बीमा पर ध्यान देना चाहिये।

सुश्री सैंडी पैरिगर,

एनएआईसी, अध्यक्ष- इलेक्ट तथा कंसस बीमा कमिशनर

कॉमर्शियल बीमा के साथ कार्य करते हुये बीमा उद्योग को स्वास्थ्य बाजार में उपलब्ध अवसरों का फायदा उठाना चाहिये।

श्री वू डिगफू,

अध्यक्ष, चीन की बीमा विनियामक कमीशन

इसमें कोई संदेह नही है कि बीमा उद्योग आधुनिक अर्थव्यवस्था में एक महत्वपूर्ण भूमिका अदा करता है। यह न केवल व्यवसायों तथा व्यक्तियों को बड़े जोखिमों से बचाता है वरन् यह आधुनिक समाज की सुरा की रीढ की हड्डी के रूप में अधिकांश देशों में काम करता है।

श्री यूंग जूग डायन,

अध्यक्ष-वित्तिय पर्यवेक्षण कमीशन, कोरिया

वित्तिय उद्योग में पिछले कुछ दशकों में हुये परिवर्तनों से सतत् रूप से वित्तिय क्षेत्र में पुर्नगठन घरेलू तथा अंतर्राष्ट्रीय रूप से जुड़े हुए हैं।

डॉ जिटी अख्तर अजीज,

गवर्नर, बैक निगारा, मलेशिया

भारत में कृषि बीमा

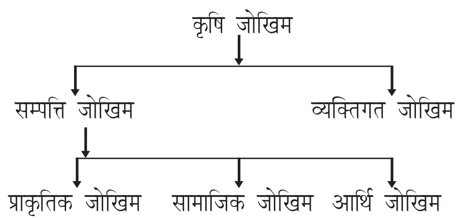
प्रमोद कुमार वर्मा
लिखते हैं कि कृषि बीमा उन छोटे कृषक परिवारों एवँ किसानों की आवश्यकता है जो जोखिम के विरूद्ध अपने उत्पाद को स्थायी रूप से सुरक्षित करना चाहते हैं।

भारत कृषि प्रधान देश है। यहाँ की कृषि प्रकृति पर निर्भर है। कृषि उत्पाद में सबसे अधिक जोखिम प्रकृति की अनिश्चितता के कारण होता है, प्रकृति फसलों की वृद्धि में अपनी महत्वपूर्ण भूमिका अदा करती है, प्रकृति कृषि को विभिन्न प्रकार से प्रभावित करती है, जिसके कारण उत्पादन कम हो जाता है, सूखा, बाढ़, अपर्याप्त असमय एवँ अत्याधिक वर्षा, बादल गिरना, ओलावृष्टि तथा तूफान, शीत लहर, बर्फबारी व अचानक मौसम का परिवर्तन जिसकें कारण उत्पाद प्रभावित होते हैं। प्रकृति की अनिश्चितता के केराण भारतीय किसानों को कृषिगत समस्याओं का अत्याधिक सामना करना पड़ता है। इन समस्याओं को कम करने के लिये कृषि बीमा के माध्यम से कृषिगत तथा किसानों से संबंधित हानि एवँ अनिश्चितता को कम किया जा सकता है। कृषि बीमा एवँ फसल बीमा दोनों अलग-अलग है। कुछ लोग इसे एक ही मानते हैं। कृषि बीमा एक व्यापक शब्द है जबकि फसल बीमा कृषि बीमा का ही एक भाग है।

कृषि बीमा के प्रकारः-

- फसल बीमा।
- पशु बीमा जैसे गाय, बैल बीमा आदि।
- पशु धन बीमा जैसे मुर्गीपालन, बकरी पालन, भेड़ पालन इत्यादि।
- कृषिगत उपकरण बीमा जिसमें पम्पसेट बीमा को शामिल किया जाता है।
- किसानों का व्यक्तिगत दुर्घटना एवँ बीमारी बीमा आदि।[1]

कृषि जोखिमों के प्रकार



कृषि जोखिम को दो भागों में बाँटा गया है, सम्पत्ति एवँ व्यक्तिगत संबंधी जोखिम।

- सम्पत्ति जोखिम का अर्थ कृषि उत्पादों एवँ कृषि कार्यों में आने वाले उपकरणों एवँ सम्पत्तियों से संबंधित जोखिम को शामिल किया जाता है। संपत्ति जोखिम को पुनः तीन उपखंडों में विभाजित किया गया है।

  प्राकृतिक जोखिम को प्राकृतिक संकट भी कहते हैं जो कृषि उत्पादों के प्राकृतिक तत्वों एवँ पौधों एवँ पशु की बीमारियों के रूपों में शामिल किया जाता है।

  सामाजिक जोखिम में अग्नि, चोरी, गबन, हड़ताल तथा युद्ध सामाजिक बदलाव तथा तकनीकी बदलाव को शामिल किया जाता है, जो कृषिगत जोखिमों को बढ़ाते हैं।

  आर्थिक जोखिम मुख्य रूप से आर्थिक अनिश्चितता का अर्थ कृषि उत्पादों के मूल्यों में उतार-चढ़ाव से है। कृषि उत्पाद के विकास एवँ बिक्री में अधिक अन्तर होने के कारण भी जोखिम उत्पन्न होता है। कृषि उत्पादों पर जोखिम बना रहता है, जिसके कारण कृषि

1 Raj Musafir Agriculture Insurance, Role Importance programme for multiple risks and benefits, deep and deep publication. New Delhi 1994. P-18

कृषि उत्पादों के मूल्यों में उतार-चढ़ाव से है। कृषि उत्पाद के विकास एवँ बिक्री में अधिक अन्तर होने के कारण भी जोखिम उत्पन्न होता है। कृषि उत्पादों पर जोखिम बना रहता है

उत्पादों को कम मूल्यों पर बेचा जाता है। इन सभी के कारण आर्थिक जोखिम उत्पन्न होता है, जो किसानों के हितों में नही है।

- व्यक्तिगत जोखिम में पूंजी एवँ आय की सम्भावित हानि से होती है, जो अनिश्चितता के कारण होता है। यह अनिश्चितता किसान तथा कृषि कार्यों में लगे लोगों एवँ तृतीय पक्षों से संबंधित होता है, जिनमें उनकी आकस्मिक मृत्यु, बीमारी, वृद्धावस्था एवँ ऐसी कोई भी दुर्धटना जिसके कारण किसान की शारीरिक क्षमता कम होती है, को शामिल किया जाता है, तृतीय पक्ष जोखिम में कृषि उपकरण से किसी व्यक्ति की दुर्घटना होने पर उत्पन्न दायित्व होता है।

हमारे देश की अर्थव्यवस्था में सबसे अधिक योगदान कृषि क्षेत्र का था जब क्रांति का दौर चला तब से भारत की पहचान विश्व में कृषि प्रधान देश की हो गयी। इस समय भारत में कृषि का उतना ही महत्व है जितना की स्वतंत्रता प्राप्ति के समय था। अन्तर केवल इतना है कि वर्तमान समय में कृषि का योगदान 90 के दशक से भारतीय अर्थव्यवस्था पर कम होता चला गया है। अब इसके स्थान पर उद्योग एवँ सेवा क्षेत्रो का योगदान बढ़ता जा रहा है। किन्तु यह उतना ही सत्य है कि भारत की 60 प्रतिशत जनसंख्या आज भी कृषि पर ही निर्भर है। 11वीं पंचवर्षीय योजना में भारतीय सकल उत्पादन के विकास की दर को शुरूआती वर्ष में 8 प्रतिशत से तथा अन्तिम वर्षों में 2012 तक 10 प्रतिशत तक लाना है। किन्तु इस लक्ष्य को प्राप्त करना इतना आसान नही। इसे तब प्राप्त किया जा सकता है जब सकल घरेलू उत्पाद में कृषि का योगदान 4 प्रतिशत से अधिक की हो।

> स्वतंत्रता की प्राप्ति के बाद भारत में कृषि बीमा के लिये मुख्य समस्या यह थी कि कृषि बीमा का परिचय भारतीयों को कैसे कराया जाये।

11वीं पंचवर्षीय योजना में कृषि बीमा क्षेत्र की कमजोरियों को दूर करना उच्च प्राथमिकता होना। सन् 1990 के दशक के मध्य कृषि क्षेत्र में विकास दर 2 प्रतिशत से कम रहा है, जबकि लगभग आधी ग्रामीण जनसंख्या अपनी आमदनी के लिये अभी भी इस पर आश्रित है, कृषि को नयी दिशा देकर ही हम समावंशी विकास की कामना कर सकते हैं। छोटे एवँ भूमिहीन किसान स्पष्ट रूप से आज भी अधिक कठिनाइयों का सामना करते हैं, उन पर विशेष ध्यान दिये जाने की आवश्यकता है। लेकिन समग्र रूप से कृषि में अधिक संकट है। [6]

अतः हमें फसली और गैर फसली किसानों को उच्च उत्पादकता और आय प्राप्त करने में सहायता प्रदान करने के लिये कृषि बीमा अपनी महत्वपूर्ण भूमिका अदा कर सकती है। कृषि बीमा का महत्व इसलिये भी अधिक बढ़ जाता है क्योंकि कृषि विकास की दर 4 प्रतिशत प्राप्त करने के लिये किसानों को पूर्ण रूप से सुरक्षा प्रदान आवश्यक है। यह पूर्ण सुरक्षा कृषि बीमा के माध्यम से आसानी से उपलब्ध करवाया जा सकता है। जिस तरह देश के विकास में कृषि का महत्वपूर्ण योगदान व स्थान है, ठीक इसी तरह कृषि एवँ किसानों की सुरक्षा हेतु कृषि बीमा का महत्वपूर्ण स्थान है।

कृषि बीमा के वर्तमान स्वरूप का परिचय 20वीं शताब्दी के शुरूआत से ही हुआ। कृषि बीमा के क्षेत्र में विवेकपूर्ण कार्य जे एस चक्रवर्ती की किताब कृषि बीमा में वर्णित है। इसे व्यवहारिक रूप से 1920 में उपयुक्त योजना के अंतर्गत लाया गया। उन्होनें ने मैसूर राज्यों के लिये वर्षा बीमा योजना की सलाह दी जिसमें किसानों को पूरी तरह सूखे के विरूद्ध सुरक्षा प्रदान करना था। यह योजना क्षेत्रिय दृष्टिकोण पर आधारित था। चक्रवर्ती जी ने कृषि बीमा के साथ-साथ फसल बीमा तता वर्षा बीमा के महत्वपूर्ण तत्वों को प्रस्तुत किया। [7]

स्वतंत्रता की प्राप्ति के बाद भारत में कृषि बीमा के लिये मुख्य समस्या यह थी कि कृषि बीमा का परिचय भारतीयों को कैसे कराया जाये। इस संबंध में चर्चा 1947 में केन्द्रीय कानून एवँ कृषि खाद्य मंत्रालय ने किया। डॉ राजेन्द्र जी ने कहाँ सरकार कृषि बीमा एवँ पशु बीमा पर निश्चित ध्यान देगी। इस संबंध में जी एस प्रयोलकर को 1948 अगस्त को नियुक्त किया गया कि वे कृषि बीमा एवँ पशु बीमा के लिये व्यवहारिक योजना का निर्माण करें। [6]

भारत की पहली फसल बीमा योजना साधारण बीमा द्वारा जो जीवन बीमा निगम की एक शाखा थी ने सन् 1972-73 में लागू किया। उसी वर्ष साधारण बीमा निगम का निर्माण हो पर

6. योजना अप्रैल 2007, 11वीं पंचवर्षीय योजना एक दृष्टि पेज 8
7. Mishra Pramod Kr. Comprehensive crop insurance scheme Ravat Publiser 1996 P.57

यह फसल बीमा योजना साधारण बीमा निगम के पास आ गयी। यह फसल बीमा योजना सन् 1979 तक लगातार चलता रहा। इसके बाद बी के डंडेकर कमेटी की रिपोर्ट के आधार पर इस नई योजना का परिचय कराया गया जिसे मुख्य फसल बीमा कहा गया।[8]

भारत में कृषि बीमा की स्थितिः किसान अबीमित हानि नही उठा सकता। आज भी निजी कंपनियों की पहुँच कृषि बीमा क्षेत्रों मे बहुत कम है। विशेष रूप से दूर-दराज के क्षेत्रों में जहाँ संचार सुविधाएँ नाम मात्र के लिये है। बीमा कंपनियाँ केवल अच्छे अवसरों को ही हाथ में लेना चाहती है। कृषि बीमा संबंधी समस्या उन करोड़ों परिवारों की सबसे अधिक है। जहाँ ज्वार, बाजरा, कपास, मूँगफली उगाई जाती है और सिंचाई के पर्याप्त साधन नही हैं। इन क्षेत्रों में प्राकृतिक विपदाएँ भी अधिक होती है। जहाँ पर कृषकों की आय बहुत कम होती है जिसके कारण वे कृषि उत्पाद संबंधित कार्यों में अरूचि लेते हैं।[9] यह स्थिति और भी बेकार हो जाती है जब अच्छे कृषि वर्ष में प्राकृतिक आपदाएँ आ जाए। कृषि बीमा की अपर्याप्तता के कारण ही किसान अपना पर्याप्त विकास नही कर पा रहा है। किसानों के कृषि बीमा के प्रति जागरूकता ही इस स्थिति में सुधार कर सकती है। वर्तमान में देखा जा रहा है कि निजी कंपनियाँ कृषि बीमा से बचना चाहती है, क्योंकि बीमा लागत अधिक है और किसान छोटे स्तर के हैं। जो इसके कृषि बीमा उत्पाद को क्रय नही कर पाते हैं।[10]

इन सबके अतिरिक्त कई कारण हैं जिसके कारण कृषि बीमा अभी पीछे है, मुख्य कारण है नैतिक पतन आदि। किसान का एक बार फसल की सुरक्षा के लिये सीमित हो जाता है तो

> कृषि बीमा की अपर्याप्तता के कारण ही किसान अपना पर्याप्त विकास नही कर पा रहा है। किसानों के कृषि बीमा के प्रति जागरूकता ही इस स्थिति में सुधार कर सकती है।

(1) फसल उगाने का कम प्रयास करेंगे- कम

(1) फसल उगाने का कम प्रयास करेंगे- कम अच्छे बीज एवँ कृषि उपकरण का प्रयोग करेंगे जो स्थायी रूप से लाभदायक नही है। (2) किसान उसी फसल की खेती करेगा जिसमें अधिक हानि हो इसलिये बीमादाता कृषि बीमा में और भी रूचि नही लेते हैं। (3) उस बुरे वर्ष के लिये जब हानियों का दावा करने के लिये क्षेत्र विशेष के किसान हानि के लिये एक साथ दावा करेंगें।[4]

कृषि बीमा योजना इस तरह के नैतिक पतन को समाप्त करने का साहस करती है। कृषि बीमा उन छोटे कृषक परिवारों एवँ किसानों की आवश्यकता है जो जोखिम के विरूद्ध अपने उत्पाद को स्थायी रूप से सुरक्षित करना चाहते हैं। बीमा कंपनियों की अग्नि परीक्षा यह है कि वे कृषि उत्पाद का निर्माण किस तरह करें तथा उसे किस तरह कृषकों को क्रय हेतु प्रोत्साहित करें। बीमा योजनाएँ उस समय तक कुछ नही कर सकती जब तक किसानों को आकर्षण कृषि के असफल होने पर दावा करने का होना चाहिये न कि कृषि को असफल बनाने में कृषि हानि प्राकृतिक होनी चाहिए न कि मान निर्मित। कृषि बीमा गरीब किसानो की आय एवँ फसलों को जोखिमों से सुरक्षा प्रदान करती है। कृषि बीमा के पीछे रहने के कारण किसानों में जागरूकता का अभाव, कृषि बीमा सलाहकारों का अभाव, कृषि बीमा उत्पादों का पर्याप्त अभाव, कृषि बीमा योजनाओं का अभाव, बीमा कंपनियों द्वारा पर्याप्त रूचि न लेना, कृषि की भौगोलिक समस्या के कारण कृषि बीमा का अपर्याप्त पहुँच सरकार की कृषि बीमा योजनाओं का कठोरता से पालन न कर पाना, प्राकृतिक आपदायें तथा राजनीतिक कारण इन सभी के कारण कृषि बीमा पीछे है।

भारतीय अर्थव्यवस्था में कृषि की भूमिका

भारतीय अर्थव्यवस्था का आधार कृषि है, भारत के सफल घरेलू उत्पाद में कृषि और उससे संबंधित क्षेत्रों का योगदान लगभग 22 प्रतिशत है जबकि देश की लगभग 65-70 प्रतिशत जनसंख्या अपनी अजीविका के लिये इसी पर निर्भर रहती है। कृषि उत्पादन मानसून पर निर्भर है। वर्ष 2005 के दौरान दक्षिण पश्चिम मानसून अनियमित रहा। समूचे देश के संदर्भ में दीर्घावधि औसत के अनुसार 1 जून से 30 सितम्बर तक मानसून की बारिश 99 प्रतिशत हुई। 5 मई 2006 को जारी खाद्यान्न उत्पादन और व्यावसायित फसलों के तृतीय अग्रिम अनुमानों के अनुसार वर्ष 2005-2006 के खाद्यान्न उत्पादन 1165 करोड़ टन का 5.9 प्रतिशत अधिक है। 2004-05 की तुलना में चावल के उत्पादन का अनुमान 8.988 करोड़ टन रखा गया था। यह पिछले साल की तुलना में 67.5 लाख टन और 8.1 प्रतिशत अधिक है। 2005-06 के दौरान गेहूँ

8. H. Narayanan, Indian Insurance A profile jaico publisher 2006). 438
10 योजना अगस्त 2006, कृषि-12
4 Mishra Pramod Kr. Comprehensive crop insurance scheme Ravat Publiser 1996 P.11

का 7.154 करोड़ टन का उत्पादन का अनुमान रखा गया था, जो कि पिछले साल की तुलना में 29 लाख टन :और 4.2 प्रतिशत अधिक है। मोटे अनाज की पैदावार 3.467 करोड़ टन है जो कि पिछले वर्ष की तुलना में 12.1 लाख टन यानि 36 प्रतिशत अधिक है। इस वर्ष बाजरा की पैदावार 83.1 लाख टन होने की उम्मीद है जो कि पिछले वर्ष के 79.3 लाख टन के उत्पादन से 4.8 प्रतिशत अधिक है। [5]

भारतीय अर्थव्यवस्था में कृषि की संकल पूंजी निर्माण

सन्	कृषि में विनियोग (रू. करोड में)			कृषि में सकल विनियोग		सकल घरेलू उत्पाद
	कुल	सार्वजनिक	का प्रतिशत निजी	प्रतिशत में सार्वजनिक	निजी	कृषि का योगदान
1999-2000	43473	7716	35757	17.7	82.3	2.2
2000-2001	38735	7155	31580	18.5	81.5	1.9
2001-2002	47043	8746	38297	18.6	81.4	2.2
2002-2003	46823	7962	38861	17.0	83.0	2.1
2003-2004	45132	9376	35756	20.8	79.2	1.9
2004-2005	48576	10267	38309	21.1	78.9	1.9
2005-2006	54539	13219	41320	24.2	75.8	1.9

उपरोक्त तालिका से स्पष्ट है कि सन् 1999-2000 में कृषि में सकल पूंजी का निर्माण में कुल योगदान रू. 43473 था। जिसमें सार्वजनिक क्षेत्र का तथा निजी क्षेत्र का योगदान क्रमशः 7716 तथा 35757 करोड़ रूपये था तथा सकल घरेलू उत्पाद में योगदान कृषि क्षेत्र का 2.2 प्रतिशत था। इस तालिका की सबसे मुख्य विशेषता यह है कि कृषि का पिछले 1999-2000 से 2005-2006 तक सकल घरेलू उत्पाद में योगदान लगभग 2 प्रतिशत तक ही रहा। इससे आगे भी नही बढ़ा है।

5.भारत 2007 सूचना एवँ प्रसारण मंत्रालय भारत सरकार। पेज 164.

कुछ महत्वपूर्ण कृषि बीमा योजनाओं का संक्षिप्त विवरण

"**राष्ट्रीय कृषि बीमा योजना**"(NAIS)**:** इस बीमा योजना को सन् 1999-2000 में लागू किया गया। जिसका उद्देश्य उन किसानों को बीमा कवच तथा वित्तिय सहायता प्रदान करना है जो फसलें प्राकृतिक आपदाओं, कीटों, बीमारियों आदि के कारण खराब व नष्ट सो जाती है। उन किसानों को पुर्नस्थापित एवँ उनकी वित्तिय सहायता के लिये आपदा वाले वर्ष में मदद करना। यह योजना उन सभी किसानो के लिये लागू होगी जो ऋणी एवँ गैर-ऋणी हैं।

राष्ट्रीय कृषि बीमा योजना की संभावना है कि यह योजना सभी फसलों को कवर करेगी। इस योजना के अंतर्गत गन्ना, आलू, रूई, अदरक, प्याज, हल्दी, मिर्ची, अनानास, केला, जूट, इलाइची, लहसुन, धनिया तथा जीरा आदि को भी कवर किया जायेगा। राष्ट्रीय कृषि बीमा योजना क्षेत्रिय दृष्टिकोण एवँ व्यक्तिगत दृष्टिकोण के आधार पर लागू होगी। क्षेत्रिय दृष्टिकोण में उस आपदाओं को शामिल किया जायेगा जो प्राकृतिक आपदाओं के कारण पूरे क्षेत्र को प्रभावित करती है तथा व्यक्तिगत दृष्टिकोण में उन आपदाओं को शामिल किया गया है जो व्यक्तिगत रूप से किसानों को प्रभावित करते हैं। वर्तमान में यह योजना 23 राज्यों एवँ दो संघ राज्यों में लागू है। अब तक प्राप्त जानकारी के अनुसार से 7.5 करोड़ किसानों

इस योजना के अंतर्गत गन्ना, आलू, रूई, अदरक, प्याज, हल्दी, मिर्ची, अनानास, केला, जूट, इलाइची, लहसुन, धनिया तथा जीरा आदि को भी कवर किया जायेगा।

को कवर किया जा चुका है। इस योजना का प्रीमियम दर संपूर्ण जोखिम का 3.5 प्रतिशत बाजरा व तिलहन, 2.5 प्रतिशत खरीफ की फसल हेतु, 1.5 प्रतिशत गेहूँ के लिये तथा 2 प्रतिशत अन्य फसलों हेतु की दर से चार्ज किया जायेगा। गरीब व छोटे किसानों को 50 प्रतिशत की सब्सिडी दी जायेगी जिसका वहन केन्द्र सरकार तथा राज्य सरकार द्वारा बराबर के अनुपात पर वहन किया जायेगा। किन्तु धीरे-धीरे यह सब्सिडी शत प्रतिशत कर दी जायेगी। राष्ट्रीय कृषि बीमा योजना की तालिका से स्पष्ट हो रहा है कि इसका निष्पादन रवी एवँ खरीफ के मौसम में स्न 1997-2000 से 2006 तक कैसा रहा।[11]

राष्ट्रीय कृषि बीमा योजना का निष्पादन

क्र,स.	मौसम	बीमित किसानों की संख्या (लाख)	क्षेत्र (लाख हे)	जोखिम (रू. करोड़)	प्रीमियम (रू. करोड़)	कुल दावें (रू. करोड़)
1.	रवी 1999-00	5.8	7.8	356.4	5.4	7.7
2.	खरीफ 2000	84.1	132.2	8903.4	206.7	1222.5
3.	रवी 2000-01	20.9	31.1	1602.7	27.8	59.5
4.	खरीफ 2001	87.0	128.9	7502.5	261.6	493.5
5.	रवी 20001-02	19.6	31.5	1497.5	30.2	64.7
6.	खरीफ 2002	97.7	155.3	9431.7	325.5	1824.3
7.	रवी 2002-03	23.3	40.4	1837.4	38.5	186.6
8.	खरीफ 2003	79.7	123.6	8114.1	283.3	649.9
9.	रवी 2003-04	44.2	64.7	3049.5	64.1	490.7
10.	खरीफ 2004	126.9	242.7	13170.5	458.9	1037.6
11.	रवी 2004-05	35.3	53.4	3774.2	75.9	160.6
12.	खरीफ 2005	126.7	205.3	13517.7	449.9	1054.8
13.	रवी 2005-06	40.5	72.2	5069.5	104.8	252.3
14.	खरीफ 2006	66.5	101.1	7500.3	233.2	-
	कुलयोग	858.0	1390.1	83327.5	2565.7	7506.6

वर्षा बीमा योजना

कृषि बीमा कंपनी लिमिटेड द्वारा वर्षा बीमा का परिचय 2004 में दक्षिणी -पश्चिमी मानसून के समय कराया गया। वर्षा बीमा जरूरतमंद किसानों के लिये पाँच विकल्पों को प्रदान करती है-

- मौसमी वर्षा बीमा जो जून से सितम्बर माह तक के लिये।
- बुवाई की असफलता बीमा जो 15 जून से 15 अगस्त माह पर आधारित।
- वर्षा योगदान बीमा जो प्रति सप्ताह वर्षा पर आधारित है। जून से सितम्बर माह के लिये।
- कृषि अनुसूची निर्माण जो फसलों की पानी की आवश्यकताओं पर आधारित।
- प्राकृति आपदा को कवर करती अत्यंत विपरीत विचलन का 50 प्रतिशत और इसके ऊपर का मौसमी वर्षा बीमा यह वर्ग बीमा मुख्य रूप से 20 रेन गेंज वाले क्षेत्रों पर लागू होगा जो आंध्र प्रदेश, कर्नाटक, राजस्थान तथा उत्तर प्रदेश से संबंधित है।

वर्ष बीमा 2005 में 130 जिलों में एक साथ लागू किया गया, जिसमें आंध्र प्रदेश, तमिलनाडु, उत्तराखंड, उत्तर प्रदेश, छत्तीसगढ़, गुजरात, कर्नाटक, महाराष्ट्र, मध्य प्रदेश, उडीसा में खरीफ फसल के उत्पादन के समय लागू किया गया। इस योजना ने 2005-2006 में 1.25 लाख किसानों से 3.17 करोड़ रूपये का प्रीमियम प्राप्त किया। जिसमें 55.86 करोड़ रूपये के जोखिम को कवर किया गया था और दावा के लिये 19.96 लाख रूपये का भुगतान भी किया गया। भारत में कुल कृषि उत्पाद का 60 प्रतिशत खेती वर्षा पर निर्भर है, इसलिये भारतीय किसानों के लिये वर्षा बीमा बहुत ही आवश्यक हो जाता

11. Economic Survey 2007 P.173

कृषि क्षेत्र की किसी भी प्रकार से उपेक्षा का अर्थ है, कि हम अपनी प्रगति का स्वंय गला घोट रहे हैं।

है। जिसमें सबसे अधिक अनिश्चितता व्याप्त रहती है, इसे इस योजना द्वारा कम किया जा सकता है। [13]

संपूर्ण फसल बीमा योजना (Comprehensive Crop Insurance Scheme)ः यह योजना उन किसानों के लिये है जिन्होंने कृषि उद्देश्य के लिये किसी वित्तिय संस्थाओं से ऋण लिया हो, को कवर कना है। इस योजना के अंतर्गत प्रति किसान 10000 रूपये तक का 100 प्रतिशत फसल ऋण बीमा किया जाता है। यह योजना उन ऋणी किसानों के लिये अनिवार्य है जिन्होंने कृषि के उद्देश्य से किसी वित्तिय संस्थान से ऋण लिया है। इस योजना के प्रीमियम कवर जोखिम का 2 प्रतिशत की दर चार्ज किया जाता है जो गेहूँ, चावल और जौ के लिये होगा तथा 1 प्रतिशत दाल तथा तिलहन के लिये होगा। इस योजना को लागू करने के लिये अनेक एजेंसियों का सहारा लिया गया है। जिसमें भारत सरकार तथा राज्य सरकार दोनों का योगदान होगा तथा अन्य दूसरी एजेंसियाँ बैंकिंग क्षेत्रों की होगी। केन्द्रीय एवँ राज्य सरकारों का योगदान प्रीमियम एवँ दावों के भुगतान के लिये 21 का होगा। छोटे एवँ सीमान्त किसानों के लिये प्रीमियम भुगतान का 50 प्रतिशत सब्सिडी केन्द्र व राज्य सरकारों द्वारा बराबार-बराबर वहन किया जायेगा। यह योजना 22 राज्यों में लागू है। तब राष्ट्रीय कृषि बीमा योजना 1999-2000 में खरीफ के मौसम में लागू हुआ। शूरू से अब तक इस योजना द्वारा 7.62 करोड किसानो को कवर किया गया। जिसका कुल जोखिम कवर 24992 करोड़ रूपये था, जिस पर कुल प्रीमियम 403 करोड़ रूपये प्राप्त हुआ और 2303 करोड़ दावों के रूप में 22 राज्यों में भुगतान किया गया।

पशु बीमा योजना

आर्थिक मामलों की मंत्रि परिषद् ने 21 फरवरी 2006 को पशु बीमा योजना को स्वीकृति दे दी थी। इस वर्ष 2005-2006 के दौरान कार्यन्वित किया गया था और वर्ष 2006-2007 में देश भर के चुने हुये 100 जिलों में दसवीं योजना के तहत लागू किया गया। योजना के दो प्रमुख उद्देश्य है, किसानों को सुरक्षित तंत्र मुहैया कराना, पशुओं के नुकसान की भरपाई करना और दूसरा पशुओं और उनके उत्पादों में गुणवत्ता सुधार उसके लक्ष्य को लोगों के बीच लोकप्रिय बनाना। योजना के प्रारंभिक स्तर पर गायें और भैसों की उच्च नस्लें तैयार करना भी शामिल है। योजना में प्रीमियम पर 50 प्रतिशत की सब्सिडी भी दी जाती है। बीमा प्रीमियम की सब्सिडी का खर्च पशु चिकित्सक को दिये जाने वाले भुगतान योजना के प्रचार की राशि का खर्च केन्द्र सरकार उठाती है। शुरूआती योजना में बीमा सब्सिडी अधिकतम तीन वर्षो के लिये दी जायेगी और यह सब्सिडी प्रत्येक व्यक्ति को दो पशुओं के लिये ही मिलेगी। दोबारा उसी पशु का बीमा करवाने पर बीमा की सब्सिडी नही दी जायेगी। यह योजना राज्य कार्यान्वियन एजेंसियों गाय-भैस प्रजनन कार्यक्रम का राष्ट्रीय परियोजना और राज्य पशु पालन विभागों द्वारा कार्यान्वित की जायेगी। उपर्युक्त बीमा योजनाएँ सामान्य बीमा कंपनियों के पास उपलब्ध है और किसानों को अपनी सुरक्षा हेतु किसी भी उत्पाद को अपना लेना चाहिये जो उनके लिये सर्वदा अनुकूल हो।

उपसंहारः वर्तमान परिदृश्य में भी यह स्पष्ट है कि कृषि क्षेत्र की किसी भी प्रकार से उपेक्षा का अर्थ है, कि हम अपनी प्रगति का स्वंय गला घोट रहे हैं। अपना देश कृषि प्रधान है किन्तु यहाँ अधिकांश किसान खुशहाल एवँ समृद्ध नही है जैसा कि विकसित देशों के किसान की स्थिति है, सच तो यह है कि कृषि बीमा एक साधन है। जिसके माध्यम से हम कृषकों एवँ उनके परिवारों को प्रकृति की अनिश्चितता एवँ आपदाओं से बचाते हैं। कृषि बीमा के माध्यम से फसल के उत्पादन एवँ वृद्धि को कुछ हद तक निश्चितता प्रदान किया जा सकता है। जब तक हम कृषि क्षेत्रों का विकास प्रतिवर्ष 5 प्रतिशत की दर से अधिक नही करेंगे। तब तक हम दो अंकों की संख्या का विकास दर प्राप्त नहीं कर सकते जैसा कि 11वीं पंचवर्षीय योजना में 10 प्रतिशत के विकास दर लक्ष्य को प्राप्त करने के लिये कहा गया है। इसीलिये कृषि बीमा कृषि का विकास एवँ कृषकों के विश्वास को मजबूत करने में अपनी महत्वपूर्ण भूमिका निभा सकती है। कृषि बीमा कृषि संबंधित सभी अनिश्चितता एवँ जोखिमों को कम करता है तथा संकट की अवस्था में भी किसानों की सहायता एवँ हानि से रक्षा करता है।

लेखक शोध छात्र, वाणिज्य संकाय, बनारस हिन्दू विश्वविद्यालय

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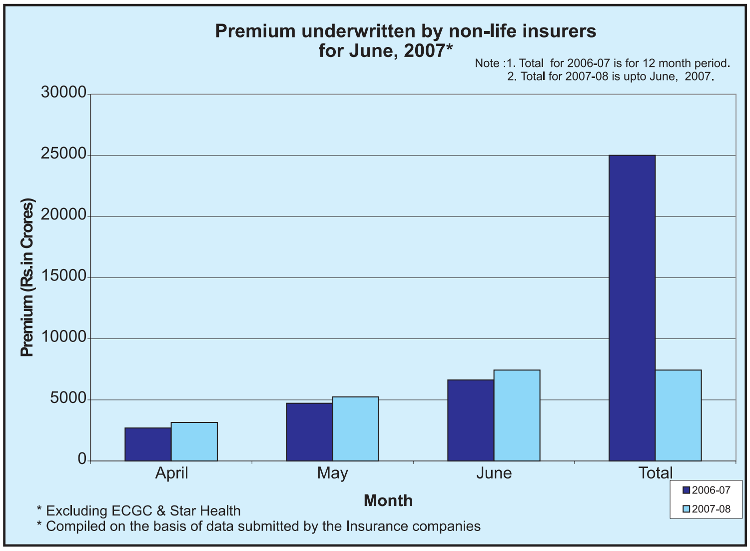
Report Card: General

GROSS PREMIUM UNDERWRITTEN FOR AND UP TO THE MONTH OF JUNE 2007

(Rs.in Crores)

INSURER	PREMIUM 2007-08		PREMIUM 2006-07		GROWTH OVER THE CORRESPONDING PERIOD OF PREVIOUS YEAR
	FOR THE MONTH	UP TO THE MONTH	FOR THE MONTH	UP TO THE MONTH	
Royal Sundaram	50.53	167.80	43.26	155.28	8.06
Tata-AIG	53.28	225.32	51.18	222.17	1.42
Reliance General	166.18	529.04	54.05	164.19	222.21
IFFCO-Tokio*	102.01	310.07	123.28	364.52	-14.94
ICICI-lombard	235.72	886.65	224.22	813.74	8.96
Bajaj Allianz	183.06	573.73	124.37	449.66	27.59
HDFC CHUBB	17.35	52.01	13.70	44.38	17.19
Cholamandalam	38.20	147.93	21.13	79.80	85.38
New India	406.75	1436.39	387.24	1358.55	5.73
National	324.35	1048.66	308.04	970.09	8.10
United India	270.88	1000.98	261.68	971.26	3.06
Oriental	306.17	1049.88	301.20	1036.90	1.25
PRIVATE TOTAL	846.34	2892.55	655.18	2293.74	26.11
PUBLIC TOTAL	1308.15	4535.91	1258.16	4336.80	4.59
GRAND TOTAL	2154.49	7428.46	1913.34	6630.54	12.03
SPECIALISED INSTITUTIONS:					
ECGC	54.20	142.29	60.40	137.10	3.78
Star Health & Allied Insurance	1.53	36.83	0.15	0.17	

Note: Compiled on the basis of data submitted by the Insurance companies
** Data for May, 2007 revised by the insurer*




बीमा पॉलिसियां
मूल्य वर्धन करने के लिये होती हैं।
प्रलोभन और छूट मूल्य ह्रास करते हैं।
बीमा अधिनियम, 1938 के तहत किसी बीमा एजेंट या किसी अन्य मध्यस्थ (जैसे दलाल) द्वारा अर्जित कमीशन या ब्रोकरेज का एक हिस्सा किसी ग्राहक को प्रदान करना प्रतिबंधित है. यदि आपको ऐसी किसी छूट का प्रस्ताव दिया जा रहा है तो, प्रथम दृष्टि में, वो एजेंट या ब्रोकर आपको सही सलाह या सहायता उपलब्ध नहीं करा रहा है. किसी व्यक्ति द्वारा छूट को स्वीकार करना भी प्रतिबंधित है.
इसलिये, ऐसी प्रथाओं से सावधान रहें और प्राधिकरण को एजेंटों व अन्य मध्यस्थों की कार्यप्रणाली को उचित रूप से नियंत्रित करने में सहायता करें.
छूट के लालच में न आयें. अक्सर, तात्कालिक लाभ दीर्घकालिक संकटों में तब्दील हो जाते हैं.
बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND
DEVELOPMENT AUTHORITY

13 - 18 Aug 2007 Venue: Pune	Reinsurance Management By *NIA Pune*
29 - 30 Aug 2007 Venue: Kuala Lumpur	The 3rd International Convention On Takaful And Retakaful By *Asia Insurance Review, Singapore*
30 Aug - 1 Sep 2007 Venue: Queensland, Australia	14th Annual Sunshine Seminar By *The Australian & New Zealand Institute of Insurance & Finance*
03 - 09 Sep 2007 Venue: Pune	Security Analysis & Portfolio Management By *NIA Pune*
05 -06 Sep 2007 Venue: London	Global Middle East Insurance Summit By *Asia Insurance Review, Singapore*
7 - 13 Sep 2007 Venue: Monte Carlo	Monte Carlo Rendezvous By *Asia Insurance Review, Singapore*
8 - 9 Sep 2007 Venue: Mumbai	Asia Pacific/Oceania Financial Advisors Conference By *LIMRA International*
9-12 Sep 2007 Venue: Copenhagen, Denmark	IUMI 2007 Conference By *International Union of Marine Insurance*
17 - 22 Sep 2007 Venue: Pune	Effective Underwriting in Detariff Regime By *NIA Pune*
26-28 Sep 2007 Venue: Brussels, Belgium	ICMIF 2007 Biennial Conference By *International Cooperative & Mutual Insurance Federation*
27 - 29 Sep 2007 Venue: Pune	Workshop on Micro Insurance By *NIA Pune*

RNI No: APBIL/2002/9589

"view point"

The risk management approach that Australian Prudential Regulation Authority (APRA) has been applying and our reliance on the board both work well; and we continue to try to foster open and amicable relationships with our regulated institutions.

Mr. John Trowbridge,
Member, APRA

It is interesting that even during soft cycles in the insurance markets when there is increased capacity for the commercial industry to provide cheaper coverage for corporate protection seekers, captive insurance has continued to thrive.

Ms. Teo Swee Lian
Deputy Managing Director,
Monetary Authority Of Singapore

Consumers, who would like to protect their assets, minimize dependence on family members and control how they receive nursing or home care; should carefully consider long-term care insurance.

Ms. Sandy Praeger
NAIC President-Elect and Kansas Insurance Commissioner

The insurance industry should take advantage of valuable opportunities surrounding health insurance by working with commercial insurers.

Mr. Wu Dingfu
Chairman, China Insurance Regulatory Commission.

There is no question that the insurance industry plays a crucial role in a modern economy. It not only protects businesses and individuals from wide-ranging risks, but it also functions as the backbone of modern social safety in most countries.

Mr. Yoon Jeung-Hyun
Chairman, Financial Supervisory Commission, Korea.

The unprecedented process of convergence and the transformation in the financial industry in this recent decade has constantly reshaped and reconfigured the landscape of the financial sector both domestically and internationally.

Dr. Zeti Akhtar Aziz
Governor, Bank Negara Malayasia.