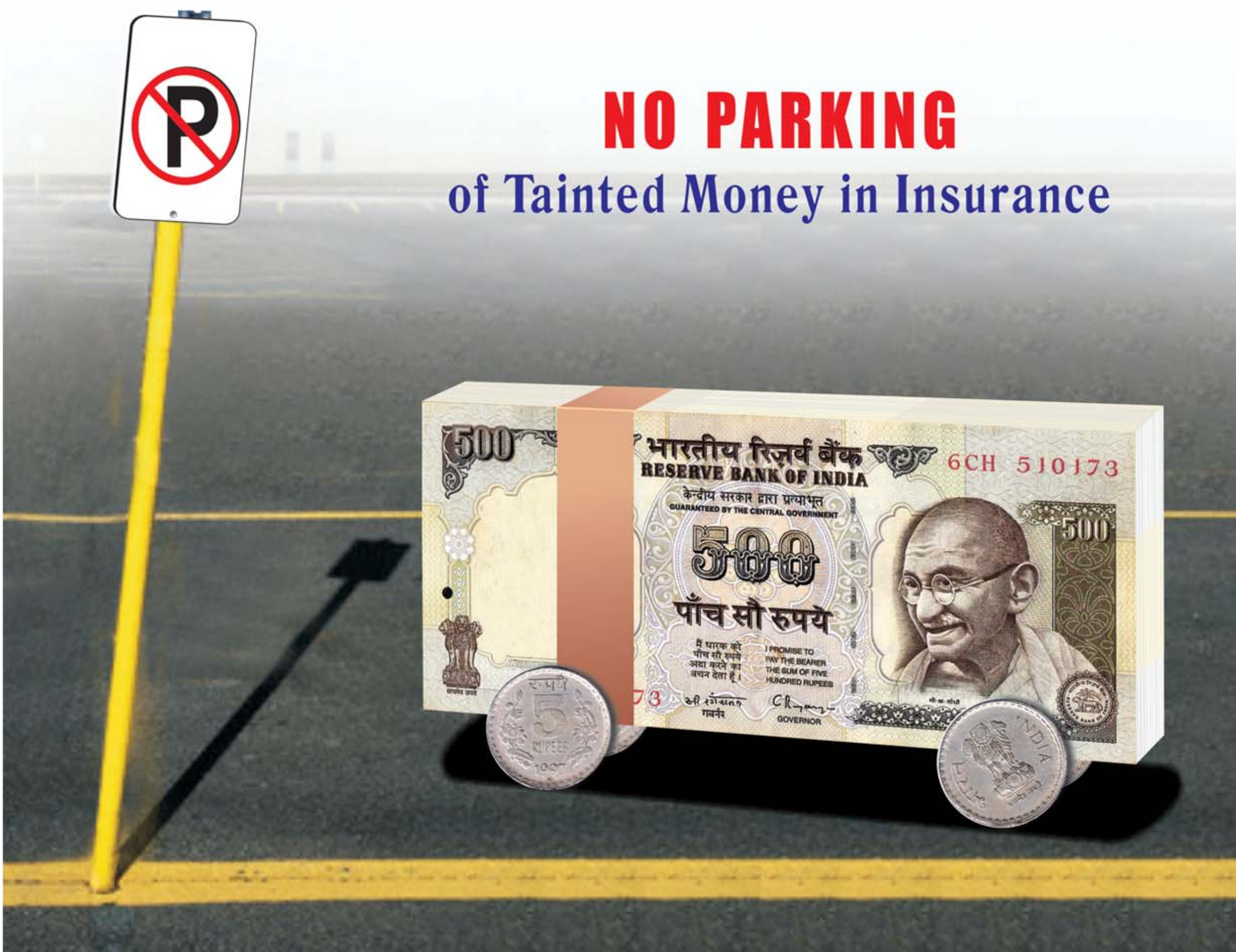
Volume IV, No. 7

Journal

JUNE 2006

NO PARKING
of Tainted Money in Insurance



बीमा विनियामक और विकास प्राधिकरण

Journal

Editor:
U. Jawaharlal

Hindi Correspondent:
Sanjeev Kumar Jain

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Editor: U. Jawaharlal

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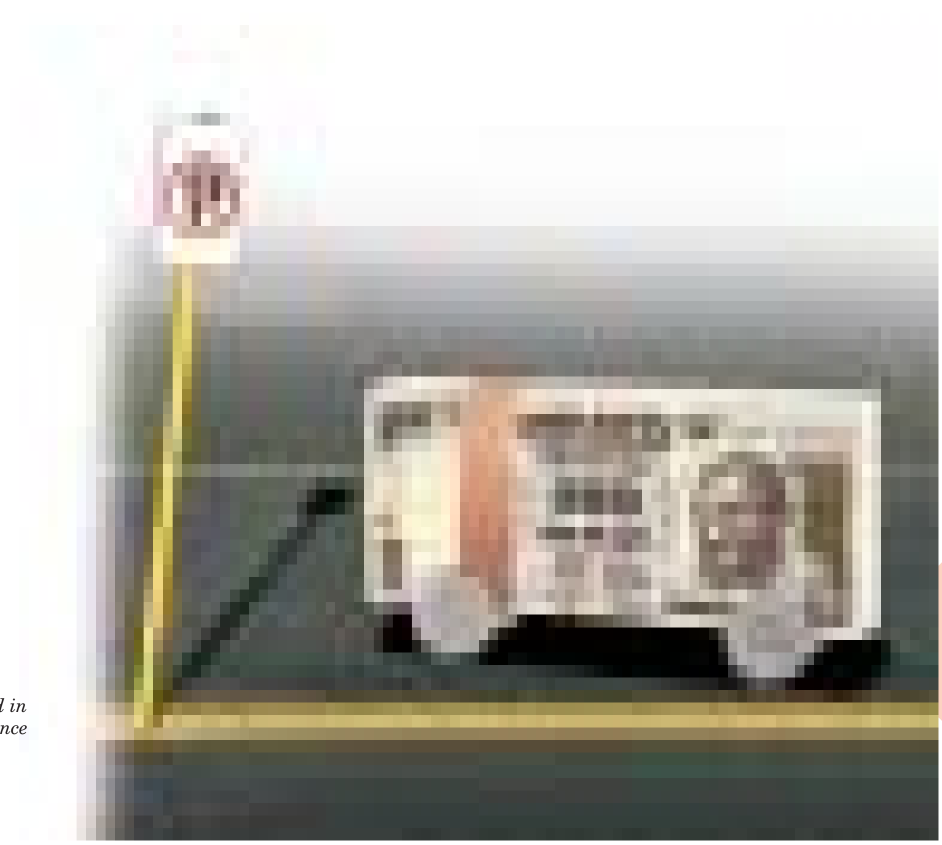
5-9-58/B, Basheer Bagh
Hyderabad 500 004
Phone: 5582 0964, 5578 9768
Fax: 91-040-5582 3334
e-mail: irdajournal@irdaonline.org



From the Publisher

One of the negative fallouts of globalization and liberalization is Money Laundering. The very nature of the financial services industry which provides access to complex financial transactions has, in a way, proved to be an obvious target for defrauders. Money Laundering is the process whereby money acquired through illegitimate acts is routed through various approved channels. Thus, it disguises the illegal origin of the tainted money.

Money Laundering particularly occurs in organized crimes, where the criminals involved in generating huge sums of money, have to look for ways to disguise the nature of the acquired wealth. Historically, insurance has remained almost untouched by the money laundering activities. However, insurers have to remain ever alert in order to thwart any nefarious designs by undesirable elements. Considering the new lines of business, especially in the life class, with the propensity of huge sums of money being paid as premiums upfront; insurers have to be careful as regards the source of such income, identity of the prospect and the purpose behind such contracts. A vast amount of work with regard to preventive mechanism in this area has been done globally and at home. I am sure, by meticulously following these instructions and by ensuring discipline at all levels of operation, insurers would certainly keep the perpetrators at bay.

'Money Laundering and Insurance Industry' is the focus of this issue of the Journal. Several authors have comprehensively explained the role of the insurance industry in fighting this menace.

There is a motive to make a profit in any financial transaction. However, in many cases, this motive transgresses the limits of fair-play; and this leads to perpetration of frauds. Many classes of insurance are particularly exposed to this evil. 'Frauds in the insurance industry' will be the focus of the next issue of the Journal. As always, several industry experts will be contributing their thoughts in this area.

C. S. Rao

C.S.RAO

Inside

ISSUE FOCUS

Towards Establishing a Comprehensive Check...

For any major initiative associated with overall development, there is most likely bound to be a certain amount of its darker side. While we have been witness to so many benefits universally from globalization and liberalization, they are not without their cup of woes. Money laundering is one such evil associated with the progress, which has been bothering the administrative mechanism in the more recent times.

Considering the ease with which trans-border transactions have come to be accomplished, there is every possibility that unless the authorities exercise a thorough check at various stages, huge sums of money acquired through several illegal activities like drug trafficking, smuggling of arms and in an extreme case, a direct or indirect association with terrorism; can get passed off as legally acquired.

Because of its unique functioning pattern of charging only a premium upfront for the promise of a huge contingent payment later, insurance has not been a favourite hunting ground for large scale money laundering operations. Nevertheless, in view of the rapidly changing styles of functioning like charging single premiums upfront, issuing policies for huge amounts etc., there is need for insurers also to be on the guard. Money Laundering and the involvement of insurance form the focus of this issue of the journal.

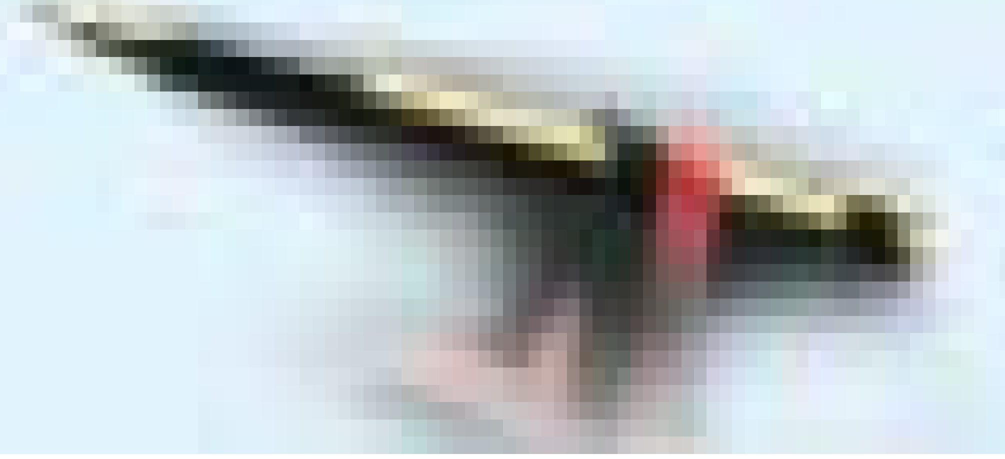
Mr. S.V. Mony brings in his vast experience in the industry to highlight the areas that are vulnerable and suggests measures to ensure that insurers do not fall prey to the evil designs of money launderers. Ms. B. Padmaja discusses the possible smart overtures of money launderers and the historical development of anti-money laundering measures seen across the globe. Technology, when rightly utilized, helps corporate entities in every management imperative, combating money laundering not being an exception. This is brought home succinctly by Mr. Ashwin Parekh.

In order that insurers nullify the attempts of prospective money launderers, it is important that they know all their customers. Ms. K.G.P.L. Rama Devi highlights the importance of 'Know Your Customer' (KYC) in fighting the menace. Mr. Sandeep Batra further elaborates this vital function and brings in the concept of Customer Due Diligence (CDD). Following the various guidelines religiously ensures thwarting the nefarious designs of prospective money launderers; Mr. Ashish V. Joshi explains this aspect in detail.

Claims Management continues to be a favourite subject with various people associated with the industry. To add credence to this argument, we have an article by Mr. G. Gopalakrishna on the importance of claims settlement in life insurance; in the 'Follow Through' section. The importance of distribution channels in the insurance industry has come to the fore in the post-liberalization era; Mr. Stuart Purdy discusses the role of bancassurance as a dynamic distribution channel in his article in the Field Force section.

To make a profit somehow in a financial transaction continues to be the sole motive of many. In achieving this, sometimes a customer goes beyond the business ethics. This leads to commitment of frauds. Especially in a business like insurance, a customer sees 'fairness' even in a fraudulent transaction, knowingly as well as inadvertently. 'Frauds in Insurance' is the focus of the next issue of **IRDA Journal**. We will have the opportunity of knowing various viewpoints and perspectives from a vast collection of articles.

U. Jawaharlal



Report Card:LIFE

Premiums Rise 58.41% over April, 2005

Individual premium:

The life insurance industry underwrote Individual Single Premium of Rs.70940.64 lakh during April, 2006 of which the private insurers garnered Rs.13701.64 lakh and LIC garnered Rs.57239 lakh. The corresponding figures for the previous year were Rs.37084.96 lakh for the industry, with private insurers underwriting Rs.3005.00 lakh and LIC Rs.34079.96 lakh. The Individual Non-Single Premium underwritten during the month was Rs.84988.96 lakh of which the private insurers underwrote Rs.42535.18 lakh and LIC Rs.42453.78 lakh. The corresponding figures for the previous year were Rs.57408.41 lakh, Rs.17831.82 lakh and Rs.39576.59 lakh respectively.

Group premium:

The industry underwrote Group Single Premium of Rs.37839.77 lakh of which the private insurers underwrote Rs.2008.76 lakh and LIC Rs.35831.01 lakh, the lives covered being 582113, 60491 and 521622 respectively. The corresponding figures for the previous year were Rs.29748.61 lakh with private insurers underwriting Rs.1107.69 lakh and LIC Rs.28640.92 lakh; and the lives covered being 176913, 26216 and 150697 respectively. The Group Non-Single Premium underwritten during April, 2006 was Rs.5873.43 lakh which was underwritten entirely by the private insurers, covering 299271 lives. The corresponding figures for the previous year were Rs.1787.89 lakh and covering 137010 lives.

Segment-wise segregation:

A further segregation of the premium underwritten during the period indicates that life, annuity, pension and health contributed Rs.135634.03 lakh (68.00%), Rs.8101.59 lakh (4.06%), Rs.55654.65 lakh (27.90%) and Rs.66.85 lakh (0.03%) respectively. In respect of LIC, the break up of life, annuity and pension categories was Rs.77490.41 lakh (57.18%), Rs.7040.17 lakh (5.19%) and Rs.50993.21 lakh (37.63%) respectively. In case of the private insurers, Rs.58143.62 lakh (90.94%), Rs.1061.42 lakh (1.66%), Rs.4661.44 lakh (7.29%) and Rs.66.85 lakh (0.10%) respectively were underwritten in the four segments.

Unit linked and conventional premium:

Analysis of the statistics in terms of linked and non-linked premium indicates that 45.44% of the business was underwritten in the non-linked category, and 54.56% in the linked category, i.e., Rs.90627.17 lakh and Rs.108829.94 lakh respectively. In case of LIC, the linked and non-linked premium was 39.43% and 60.57% respectively, as against which for the private insurers taken together this stood at 86.65% and 13.35% respectively. During the corresponding period of the previous year, linked and non-linked premium indicates that 50.05% of the business was underwritten in the non-linked category, and 49.95% in the linked category, i.e., Rs.48659.42 lakh and Rs.48553.99 lakh respectively. In case of LIC, the linked and non-linked premium was 43.39% and 56.61% respectively, as against which for the private insurers taken together this stood at 70.07% and 29.93% respectively.

First Year Premium Underwritten by Life Insurers for April, 2006

Sl	Insurer	Premium U/W (Rs. In Lakhs)		No. of Policies / Schemes		No. of lives covered under Group Schemes	
		April, 06	April, 05	April, 06	April, 05	April, 06	April, 05
1	**Bajaj Allianz**						
	Individual Single Premium	7,638.26	1,198.86	2,820	2,132		
	Individual Non-Single Premium	6,838.49	1,571.41	42,098	12,305		
	Group Single Premium	32.88	0.00	0	0	169	0
	Group Non-Single Premium	90.84	147.09	6	8	45,369	4,319
2	**ING Vysya**						
	Individual Single Premium	604.15	0.31	331	46		
	Individual Non-Single Premium	3,186.40	186.96	13,612	669		
	Group Single Premium	69.56	7.15	0	0	143	45
	Group Non-Single Premium	41.22	3.66	5	3	2,565	264
3	**Reliance Life**						
	Individual Single Premium	1,380.37	545.58	1,927	896		
	Individual Non-Single Premium	2,170.12	209.44	10,903	3,093		
	Group Single Premium	35.26	21.69	3	0	509	0
	Group Non-Single Premium	104.43	70.95	25	6	28,163	16,121
4	**SBI Life**						
	Individual Single Premium	630.77	101.26	824	80		
	Individual Non-Single Premium	1,910.25	289.82	8,119	2,423		
	Group Single Premium	722.74	906.20	0	0	4,885	8,016
	Group Non-Single Premium	222.30	18.46	30	44	40,923	8,512
5	**Tata AIG**						
	Individual Single Premium	43.40	0.00	0	0		
	Individual Non-Single Premium	3,289.83	2,572.41	26,531	23,458		
	Group Single Premium	274.28	62.79	0	0	10,203	7,541
	Group Non-Single Premium	104.27	110.56	22	27	23,907	72,590
6	**HDFC Standard**						
	Individual Single Premium	707.04	552.63	2,080	2,434		

	Group Non-Single Premium	222.30	18.46	30	44	40,923	8,512
5	**Tata AIG**						
	Individual Single Premium	43.40	0.00	0	0		
	Individual Non-Single Premium	3,289.83	2,572.41	26,531	23,458		
	Group Single Premium	274.28	62.79	0	0	10,203	7,541
	Group Non-Single Premium	104.27	110.56	22	27	23,907	72,590
6	**HDFC Standard**						
	Individual Single Premium	707.04	552.63	2,080	2,434		
	Individual Non-Single Premium	4,426.77	1,884.78	12,037	10,029		
	Group Single Premium	326.72	33.86	8	13	22,957	5,488
	Group Non-Single Premium	640.49	565.30	2	5	638	5,599
7	**ICICI Prudential**						
	Individual Single Premium	2,159.42	394.99	3,746	274		
	Individual Non-Single Premium	9,906.84	6,170.10	73,334	37,194		
	Group Single Premium	409.29	15.48	23	9	19,879	4,679
	Group Non-Single Premium	2,230.86	587.80	41	6	26,300	963
8	**Birla Sunlife**						
	Individual Single Premium	143.31	122.23	388	1,976		
	Individual Non-Single Premium	2,127.88	1,577.75	7,510	5,426		
	Group Single Premium	98.27	50.92	0	0	568	357
	Group Non-Single Premium	505.81	64.53	1	10	10	547
9	**Aviva**						
	Individual Single Premium	85.75	12.42	80	168		
	Individual Non-Single Premium	2,528.69	1,048.33	10,574	3,806		
	Group Single Premium	20.19	9.61	0	0	146	90
	Group Non-Single Premium	625.27	18.69	8	0	28,432	5,955
10	**Kotak Mahindra Old Mutual**						
	Individual Single Premium	233.19	45.96	377	92		
	Individual Non-Single Premium	1,305.18	545.95	3,695	3,034		
	Group Single Premium	19.57	0.00	0	0	1,032	0
	Group Non-Single Premium	951.72	50.51	19	5	9,822	5,353
11	**Max New York**						
	Individual Single Premium	3.95	13.92	7	16		
	Individual Non-Single Premium	4,135.56	1,538.69	31,064	19,336		
	Group Single Premium	0.00	0.00	0	0	0	0
	Group Non-Single Premium	100.27	49.20	11	8	5,205	4,128
12	**Met Life**						
	Individual Single Premium	18.64	16.84	43	23		
	Individual Non-Single Premium	626.26	229.12	3,156	1,990		
	Group Single Premium	0.00	0.00	0.00	0	0	0
	Group Non-Single Premium	255.95	101.15	28	16	87,937	12,659
13	**Sahara Life**						
	Individual Single Premium	53.39	0.00	145	0		
	Individual Non-Single Premium	7.17	7.06	349	317		
	Group Single Premium	0.00	0.00	0	0	0	0
	Group Non-Single Premium	0.00	0.00	0.00	0	0	0
14	**Shriram Life**						
	Individual Single Premium	0.00		0			
	Individual Non-Single Premium	75.73		1,404			
	Group Single Premium	0.00		0			
	Group Non-Single Premium	0.00		0			
	Private Total						
	Individual Single Premium	**13,701.64**	**3,005.00**	**12,768**	**8,137**		
	Individual Non-Single Premium	**42,535.18**	**17,831.82**	**244,386**	**123,080**		
	Group Single Premium	**2,008.76**	**1,107.69**	**34**	**22**	**60,491**	**26,216**
	Group Non-Single Premium	**5,873.43**	**1,787.89**	**198**	**138**	**299,271**	**137,010**
15	**LIC**						
	Individual Single Premium	57,239.00	34,079.96	99,555	110,101		
	Individual Non-Single Premium	42,453.78	39,576.59	540,333	578,338		
	Group Single Premium	35,831.01	28,640.92	790	616	521,622	150,697
	Group Non-Single Premium	0.00	0.00	0	0	0	0
	Grand Total						
	Individual Single Premium	**70,940.64**	**37,084.96**	**112,323**	**118,238**		
	Individual Non-Single Premium	**84,988.96**	**57,408.41**	**784,719**	**701,418**		
	Group Single Premium	**37,839.77**	**29,748.61**	**824**	**638**	**582,113**	**176,913**
	Group Non-Single Premium	**5,873.43**	**1,787.89**	**198**	**138**	**299,271**	**137,010**

Note: Cumulative premium upto the month is net of cancellations which may occur during the free look period.

The Lure of Additional Benefit

The policyholder should not get lured by an initial short term gain as it would invariably lead to the industry's detriment in the long run observes **U. Jawaharlal**.

While it cannot be said that the tendency to gain at any cost and in whatever manner is inherent in every human being, it is certainly the motive to make a profit that propels most of the fraudulent transactions that are perpetrated in society. The occurrence of several major frauds in large corporate entities in recent times has brought frauds into a great deal of prominence universally.

If the managements are not alert about the possibility of fraudulent attempts being made on them, and put in place measures to tackle such happenings; they can become victims of the evil designs of the perpetrators. The menace is universal in nature; and the intensity of frauds depends upon such factors as the level of economic development, awareness levels of the people in general, and above all, the level of preventive measures adopted by the respective administrators.

Insurance industry is uniquely placed in the matter of fraudulent attempts made by the clients, especially in an emerging market like the Indian one. The policyholder, having paid the premiums for a certain number of years, gets a feeling that there is nothing wrong in enforcing a claim. The realization that insurance contracts are aleatory in nature (that is, they are based on uncertainty) and as such, the payment of a claim is contingent upon the happening of an event, does not appeal to them. How strange that time and again, several ills point towards one common handicap - the lack of awareness!

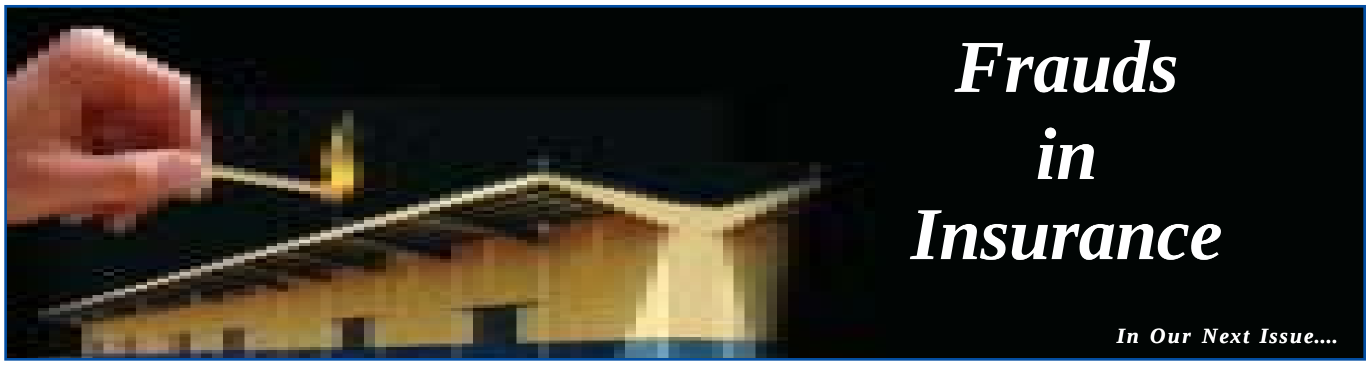
While all classes of insurance are exposed to frauds, there are some classes which are additionally vulnerable to the evil. In life insurance, where the assured amount is payable on the death of the policyholder, frauds are limited to a great extent for the simple reason that no one is prepared to sacrifice one's own life in exchange for a certain sum of money, however large. Nevertheless, the underwriter has to be careful with regard to the purpose of insurance, affordability of premium, need for insurance etc. so that the insurer is not exposed to any attempts of defrauding.

Among the non-life classes, almost every line of business is exposed to fraudulent claims, although the frequency and the amounts involved can vary a great deal. Marine insurance is believed to be a very fertile ground for perpetration of frauds, not just for the huge amounts involved, but also for the unique nature of the business itself. Insurers should remain alert always to ensure that no foul-play is involved, particularly in major transactions across the borders.

Some classes of insurance where the incidence of frauds is very high all over the world are motor and health. While the amounts involved may not be very high, the sheer number of fraudulent claims can put the insurers on the back-foot. There is need for every force involved to exercise the greatest caution - the insurer, the hospitals, the TPAs etc. in the health class; the insurer, the surveyors, the motor garages etc. in the area of Motor insurance - to avoid the high incidence of fraudulent claims.

Above all, it is essential that the policyholder does not get carried away by the lure of an initial additional benefit. Rate-making in insurance is dependent on the eventual claims paid by an insurer, which means that costs tend to go up. Further, it also amounts to some other sincere policyholder subsidizing the fraudulent claim. On both counts, it is detrimental to the overall success of insurance in the long run.

'Frauds in the Insurance Industry' is the focus of the next issue of the **IRDA Journal**. We will get to see a rich collection of articles about frauds across the entire industry.



Circular

28th April, 2006

IRDA/INV/CIR/005/2006-07

Re: Investment in Innovative Perpetual Debt Instruments of Bank's Tier-1 Capital & Debt Capital Instruments of Bank's Upper Tier-2 Capital.

The Reserve Bank of India [vide Master Circular DBOD.No.BP.BC.57/21.01.002/2005-2006 dated 25th Jan, 2006] has allowed banks to raise Capital through issue of Hybrid Instruments as under for augmenting their Capital Adequacy:

1. Innovative Perpetual Debt Instruments for inclusion as Tier 1 Capital
2. Debt Capital Instruments eligible for inclusion as Tier 2 Capital
3. Perpetual Non-Cumulative Preference Shares for inclusion as Tier 1 Capital; and
4. Redeemable Cumulative Preference Shares eligible for inclusion as Tier 2 Capital

Insurance Companies, in general, have long term liabilities and require Instruments of Investment with matching maturities to optimally manage their assets and liability position. The above Instruments, which are likely to be issued by both Public and Private Sector Banks would have a minimum maturity period of 10 and 15 years, and would provide adequate flexibility to the Insurers in their Asset-Liability Management, with reasonable returns and hence provide Insurance Companies with appropriate Investment opportunity.

The Authority had therefore examined the various aspects of these instruments and have decided that the above Instruments may be deemed as a part of 'Approved Investments' for the purpose of Section 27A and 27B of Insurance Act, 1938, under powers vested in Section 27A(s) and 27B(j) of Insurance Act, 1938, subject to the following conditions:

1. The Debt Instruments issued by Banks in Private Sector shall be rated not less than 'AAA' by an independent, reputed and recognized Rating Agency and those issued by Banks in Public Sector shall have rating not less than AA.
2. Preference shares issued by the Banks shall satisfy the conditions specified under section 27A (1) (i) and 27A (1) (j) of Insurance Act, 1938 in the case of Life Insurers and 27B (1) (e) and 27B (1) (f) of Insurance Act, 1938 in the case of Non-Life Insurers.
3. In the case of a Life Insurer, investments in the various Hybrid Instruments shall at all times not exceed 10% of Investment in Approved Category which are subject to Exposure Norms (i.e., 10% of 35% which is 3.5% of Life Fund) and not more than 5% of respective fund size of other than Life Fund, namely Pension & General Annuity Funds, Groups excluding Group Pension and Group Annuity Funds and Unit Linked Funds.
4. In the case of Non Life Insurers, all Investments in such Hybrid Instruments shall at any point of time not exceed 10% of Investments under Approved Investments which are subject to Exposure Norms (i.e., 10% of 55% which is 5.5% of Investment Assets)
5. All exposure Norms applicable for Approved Investments shall be applicable for these Hybrid Debt Instruments / Preference Shares Issued by the Banks.
6. If the Hybrid Debt Instrument is down graded below AAA, in the case of Private Sector banks and (below AA in the case of Public Sector Banks) such investments shall be re-classified as 'Other than Approved Investments' apart from reporting in FORM 2 of IRDA (Investment) Regulations, 2000.
7. In case the Interest on the Instrument is not serviced on due dates, the Investment in such Hybrid instruments are to be re-classified as 'Other than Approved Investments' from such date for reporting to the Authority through FORM 3A (Part A) or FORM 3B (Part A) of IRDA (Investment) Regulations, 2000 in respect of Life and Non-Life Insurers respectively and all guidelines for Classification, Income Recognition and Valuation of Assets issued by RBI shall be applicable for such Investments.

The necessary changes to incorporate the Investments made as per this circular have been given in Guidelines

INV/GLN/001/2003-04 (ver.02 - 28/04/2006) and

INV/GLN/002/2003-04 (Ver.02 - 28/04/2006)

Sd/-

(C R MURALIDHARAN)

Memeber

Circular

26th May, 2006

Re: Expression of Interest

TAC has collected data from the general insurance companies on motor / health insurance for the years 2003-04 and 2004-05. The statistics thus collected need to be analysed from actuarial and rate making point of view which could be useful in the ensuing detariffed regime. Before a final analysis is contemplated, it becomes necessary that a preliminary exercise need to be conducted on the collected data so as to assess the usefulness of the data from the analytics point of view and for rate making purposes. Agencies based on the in-house technical capabilities and with proven experience in the analysis of general insurance data will be short listed as service provider(s) at a later date. This will be based on the preliminary exercise that they will undertake now on the available data.

Any agency with proven experience in the analysis of general insurance data may express their interest by approaching IRDA within 21 days from today (26.5.06). For further details contact H. Ananthakrishnan, OSD, IRDA at hananthakrishnan@irdaonline.org.

Sd/-
(V. Vedakumari)
ED(Admn.)

CIRCULAR

26th May, 2006

009/IRDA/BRO/MAY06

To,
All Insurance Brokers.

SUB :BROKERS -ON-LINE-FILING OF ANNUAL RETURNS

The Authority has designed and tested an automated system for Broker's Annual returns submissions and in this connection the Authority requires the brokers to submit their annual returns through our portal hosted under the following website address which will be ready for filing from 1st April 2006. http://www.irda.gov.in

The user manual for submission of 'Data' has been made available in our website under the following link: http://www.irdaindia.org/ibmain/brokermanual.zip.

The instructions mentioned in the user manual must be adhered and ensured the data is submitted as per the requirement of Authority. The brokers are required to formally register with our portal for the purpose of filing returns and the procedure for the same has been made available in user manual.

At the first instance, you are requested to submit the data on-line for the financial years 2003-04, 2004-05 and also for the year during which the license was granted. This activity should be completed on or before 30th June, 2006. The data submission for the year 2005-06 should be completed by 30th September, 2006. For all the above years, brokers shall send signed hard copies (generated from the portal) to IRDA duly signed by the principal officer.

In case of any clarifications on the technical aspects, you can send your queries to Mr. Deepak Khanna, Sr.A.D.(IT) at deepak@irdaonline.org or call him on 040-55681125. Any clarifications on the formats etc. may be addressed to Mr. Suresh Nair, Sr.A.D at nairs@irdaonline.org

Sd/-
(C.S.Rao)
Chairman

COMMITTEE CONSTITUTED

10th May, 2006

No. 006/IRDA/GRV/MAY-06

ORDER

The Authority hereby constitutes a committee to look into the existing grievance redressal systems in the PSUs and formulate guidelines for adoption by the insurers and suggest modifications to the regulations for protection of policyholders' interests. The committee shall comprise of the following members

- Sri Vepa Kamesam, Managing Director, IIRM, Chairman
- Dr. H. C. Jain, Executive Director. LIC of India, Member
- Mrs. Asha Nair, DGM, The New India Assurance Co. Ltd., Member
- Mrs. Pushpa Girmaji, Consumer Activist, Member
- Mrs. Yegnapriya Bharath, OSD, IRDA shall be the Convener/Secretary

The terms of reference of the committee shall be as follows:

1. Study of the existing redressal systems in the PSUs to identify the good features and the shortcomings.
2. Study of the systems of private insurers to identify the good features and the shortcomings.
3. Study the published information/web based systems existing in insurance companies abroad.
4. Study the published information/web based regulations and guidelines existing abroad on grievance redressal systems in insurance.
5. Formulate guidelines for implementation of grievance redressal systems in insurance companies.
6. Suggest modifications, if any, in IRDA Regulations relating to Protection of Policyholders' Interests, 2002.

The committee shall submit its report within three months of the date of this order.

Sd/-
(C.S.Rao)
Chairman

Processes in Money Laundering

-- Lessons for Insurers

In a market that is rediscovering itself after nearly five decades, the emphasis on securing market-share first and risk management afterwards is a normal feature argues **S.V. Mony**; and goes on to suggest that AML measures are important for the enterprise and for the country as a whole.

In the last decade we have seen progressive reduction if not removal of barriers to trade and commerce and facilitation of free movement of money across countries. No doubt these have

- Helped to expand trade;
- Encouraged transparency ;
- Raised efficiency levels; and
- Improved overall quality.

These have, however, also created more avenues of certain harmful activities across nations. The impact of money-laundering, particularly in the context of the threats of terrorism and drug peddling, cannot be under estimated. The international organisations such as World Bank, ADB, IAIS and others recognised the problems early and have initiated mechanisms to detect control and prevent activities that are used as tools for money laundering across nations. Insurance is considered as one of the fields which offer potential for misuse in the context of money laundering.

ADB has done considerable work in this regard; and they have defined money laundering as:

" -----the conversion of property that is the proceeds of either all crimes or certain designated crimes into money or property that has the appearance of being legitimately obtained, to hide the true nature and origin of the money."

Smuggling, drug traffic, illegal arms deals, bribery, international frauds, and any activity of organised crime can generate large illegitimate profits. The perpetrators are always looking for avenues to circulate such funds into legitimate money and circulate them back in the financial system. One of the dreaded uses of such money is to support and finance acts of terrorism across the globe. It is the duty and responsibility of each country; and each enterprise to systemically prevent such money laundering. This can be done by the introduction of suitable strong mechanisms to detect and control such activity. Developing countries are perceived to be more vulnerable.

> The impact of money-laundering, particularly in the context of the threats of terrorism and drug peddling, cannot be under estimated.

The OECD has set up a Financial Action Task Force (FATF) to establish international standards to fight money laundering. The ADB has developed a 'Toolkit" for use by countries. The objectives include the availability of material, resource centre for training and learning, and an on-line forum to assist continuous improvement for ADB staff knowledge on the subject.

The IAIS has taken several initiatives and considerable work has been done in respect of the subject as it relates to insurance. This article briefly touches upon the operational aspects of money laundering in insurance field; and the objective is to assist all stakeholders in becoming aware of the risks of money laundering through their insurance organisations and employees; and set up detection and prevention mechanisms.

It is mentioned in literature on the subject that life insurance business offers more potential for misuse rather than non-life sector. IAIS have given a very detailed list of "examples of money laundering and suspicious transactions involving insurance". Some of these are mentioned below:

- Premiums exceed apparent means
- Choice of product with values inconsistent with the proposer's insurance needs
- Transactions resulting in conspicuous increase of investment contributions
- Large flow of funds through non-resident accounts
- Early termination of contract resulting in high refunds, perhaps to a third party
- Benefit transfer to an unrelated third party

- Clandestine change of beneficiaries (possibly without knowledge of insurer)
- Premiums paid by unrelated third parties
- Cash top-ups or large top-ups
- Reluctance to provide legitimate information
- Many policies with different insurers
- Large-value single premium policies and early cancellation even at a loss.

Single premium contracts and large value annuity contracts are mentioned as two main areas that can be misused. Insurers and intermediaries, therefore, have to be particularly watchful in these areas and set up systems to detect trends that may be associated with money laundering.

Some points are elaborated in the following paragraphs.

IAIS warns that cancellation of policies with refund of premium has been known to be used for laundering. The signals could include the use of several policies by same insured and or agent, for relatively low amounts but totalling in the aggregate to large sums. If taking out such policies and cancellations occur with some frequency or regularity it is important for the insurer to detect such cases and/or trends in good time; and take steps accordingly. Large overpayment of premiums in general insurance and even in life insurance; and seeking refunds is also known to be a potential source of laundering.

Assignment of policy benefits to unrelated third parties is an avenue for laundering. In seeking growth of premium field personnel may easily be persuaded by client to agree to such assignments. It is believed that insurers in India exercise adequate caution in not allowing any such practice under pressure to grow. Time will, however, tell.

In the Indian market we saw a sudden spurt in what is known as 'Keyman' insurance which has the potential for misuse from the laundering angle. This did attract quick intervention from the regulator. With the introduction of some conditions these practices appear to have receded, but their resurfacing in some different form is a possibility. Companies and regulators have to be alert.

The IAIS paper mentions that high commissions or brokerages can also be used to benefit unrelated third parties. In India, because of statutory caps on commissions and brokerage, potential for this is rather low.

The signals could include the use of several policies by same insured and or agent, for relatively low amounts but totalling in the aggregate to large sums.

In general insurance, fraudulent claims are a source often resorted to. Voyage insurance of non-existent cargo is known to have been a method often used to get large values in fraudulent claims on the back of which a laundering layer may be present. Such claims often help to legitimise the illegal gains.

As in any unlawful activity, the criminals are always a few steps ahead of the regulators or investigators. To minimise, if not completely avoid, the possibility of insurance transactions becoming a conduit for money laundering; it is important that managements of all insurance companies set in place mechanisms for early-warning. Among the proposals recommended is the submission of regular information through what is termed as 'Suspicious Transaction Reports' (STR) by each insurer to the designated body and for a market as a whole. Such information needs to be treated cautiously and in confidence.

Among the various annual publications from IAIS the report on information and analysis of what they call 'typologies' is an important one. The following typologies have been identified:

1. Use of Single premium policies
2. Early redemptions of large policies
3. General insurance claim fraud involving illegal or non-existent goods or assets
4. Cash payment of premium; sometimes agents convert cash into their own cheque thus masking a true risk.
5. Cooling off periods which offer an avenue for legitimised full refunds when the premium may have been paid out of illegal moneys
6. Collusion between customer and intermediary or employees of insurer
7. Premiums paid by third parties including agents and benefits paid to third parties

It has also been reported that laundering risks exist at different stages of a contract of insurance such as purchase (e.g. cash payment); underwriting (income vs. policy value); benefit distribution (assignment) etc. It is therefore necessary to list out possible vulnerable areas, slot them against the stage of the cycle of an insurance contract, and set up robust monitoring processes.

In this context customer profiling assumes importance. The KYC (Know Your Customer) guidelines become a very valuable tool in the early detection exercise. It is important to understand the behaviour and characteristics of customers from the point of view of money laundering. The traditional and standard requirements relating to confidential report by agent, references from the area, income verification in a case of large sum insured, reasons for choosing a product or options in a product (e.g. early redemptions), change of beneficiary at any time during a policy tenure, early claims in life insurance and close proximity claims in general insurance, multiple cheques for paying premiums, large top-ups in a policy etc. are all key areas that should be captured in the system to detect potential cases of money laundering; and this could eventually result in the insurer taking up investigation at an early stage of the contract.

The problem areas call for a risk management approach and reporting channels should be well set. In a market that is rediscovering itself after nearly five decades, the emphasis on securing market-share first and risk management afterwards is a normal feature, as we have seen. AML measures are important for the enterprise and for the country as a whole. Players in the financial services sector including insurance have a clear larger responsibility to ensure that satisfactory measures are introduced and implemented to minimise the risk of money laundering through insurance.

The enterprise itself is exposed to a threat of reputation and financial consequences if any major incident occurs; and its funding is post-facto traced to an insurance transaction.

It is important for each insurer to undertake steps to create awareness at all levels of the organisation; and impress upon staff and field personnel the need for them to follow the in-company procedures to prevent their being used as a conduit in illegitimate activates such as money laundering. The enterprise itself is exposed to a threat of reputation and financial consequences if any major incident occurs; and its funding is post-facto traced to an insurance transaction. Considerable work is being done by international agencies and the IAIS. Government has issued legislation and IRDA has already been issuing necessary guidelines in this important area of the sector.

Insurance companies and employees, particularly senior management and Directors should be aware of the vulnerable areas in insurance; and ensure that safeguards are in place and compliance is monitored. No doubt these involve additional work and costs; the cost of non-observance of guidelines and risk management measures could even be much higher.

The author is Secretary General, Life Insurance Council.

The Devil of Money Laundering

- Vulnerability of Insurance Business

Money laundering facilitates corruption and can destabilize the economies of susceptible countries, opines **B. Padmaja.**

Back ground:

Attacks on the twin towers of World Trade Center and Pentagon are still fresh in the memory of whoever has witnessed them either in person or as was covered by the media. International concern about the cruelty of terrorism mounted thereafter. There was a fillip in the international efforts to combat financing of terrorism.

Profit-motivated crimes span a variety of illegal activities from drug trafficking and smuggling; to fraud, extortion and corruption. The scope of criminal proceeds is significant - estimated at some $500 billion to $1 trillion (U.S.) worldwide each year. How do such huge amounts from illegal activities go unnoticed?

Money Laundering (ML):

There is a thin line of separation between a genius and a criminal. Proceeds of illegal activities are washed in a stream of transactions to give them a legal look and origin, in a process that is termed 'money laundering'.

Terrorists use techniques to evade authorities' attention and to protect the identity of their sponsors and of the ultimate beneficiaries of the funds. Targeting the money laundering aspect of criminal activity and depriving the criminal of his ill-gotten gains means hitting him where he is vulnerable. Without a usable profit, the criminal activity will not continue.

Money laundering, a transnational activity requires international co-operation to fight it out. A number of initiatives have been established for dealing with the problem. Initially, the first international convention concerning money laundering had drug trafficking offense as the only predicate offense1. As many more types of crimes have become international concerns now, most countries now include a wide range of serious offenses as predicate offenses. Prevailing legislations at the national level following the two international conventions one at Vienna and the other at Palermo are The Narcotics Drugs and Psychotropic Substances Act, 1985; and The Prevention of Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988.

> Proceeds of illegal activities are put to a series of transactions to distance it from their sources; and they are integrated and put to use when it gains the legal exterior.

Origin of Money Laundering:

Money Laundering dates back to 1930's. It initially started as a method of tax evasion. Alphonse Capone, a brilliant brutal Chicago crime czar, who could be termed as the 'Father of Money Laundering' used Laundromats (self service, coin-operated washing machines) to disguise the proceeds from illegal activities. More intricate mechanisms for laundering money came into being, along with passage of time.

How it happens:

Money Laundering is a process involving three stages namely placing, layering and integration. Proceeds of illegal activities are put to a series of transactions to distance it from their sources; and they are integrated and put to use when it gains the legal exterior.

To move their funds, terrorists use the formal banking system, informal value-transfer systems, Hawalas and Hundis; the oldest method of asset-transfer; the physical transportation of cash, gold and other valuables through smuggling routes. Technological advances in e-commerce, the global diversification of financial markets and new financial product developments provide further opportunities to launder illegal profit and obscure the money trail leading back to the underlying crime.

A Few techniques of money laundering:

- Smurfing - having people deposit random amounts of less than due diligence limits of that nation (say $10,000 in USA) into variously named accounts at many different banks. They also buy bank drafts from various financial institutions to circumvent thresholds for transaction reporting. Then a middleman can ship the compact negotiable instruments for deposit elsewhere. Due diligence rarely catches this activity.

- Shipping Money Abroad - in bulk cash or less bulky items like diamonds, gold, precious stamps etc., then arrange to get it back.
- Placement Through Banks - wherein banks and other financial institutions may unwittingly be used as intermediaries for the transfer or deposit of money derived from criminal activity.
- Use of "Pass Through" or "Payable Through" accounts for placement, especially in opening accounts in foreign banks which enable their clients to deposit cheques, which the domestic bank may not have sufficient knowledge of, to conduct financial transactions.
- Placement Using Electronic Wire Transfers - that permit criminals to transfer instantly millions of dollars though personal computers and satellite dishes without leaving any tracking systems especially when non-customers and non-correspondent banks transfer to equally unknown third parties.
- Placement using Insurance Products - especially single premium products.
- Placement using Investment Related Transactions -like large or unusual settlements of securities in cash form and buying and selling a security with no discernible purpose.

Effects of Money Laundering:

Money laundering facilitates corruption and can destabilize the economies of susceptible countries. It also compromises the integrity of legitimate financial systems and institutions; and gives organized crime, the funds it needs to conduct further criminal activities.

If funds from criminal activity can be easily processed through a particular institution, the institution could be drawn into active complicity with criminals and become part of the criminal network itself. As for the potential negative macroeconomic consequences of unchecked money laundering, the International Monetary Fund has cited inexplicable changes in money demand; prudential risks to bank soundness; contamination effects on legal financial transactions; and increased volatility of international capital flows and exchange rates due to unanticipated cross-border asset transfers.

If funds from criminal activity can be easily processed through a particular institution, the institution could be drawn into active complicity with criminals and become part of the criminal network itself.

The economic and political influence of criminal organisations can weaken the social fabric, collective ethical standards, and ultimately the democratic institutions of society.

Vulnerability of insurance business:

Money launderers enjoy doing business with companies with a large customer base, increasing the potential for them to hide the real purpose behind their insurance purchases. The value of assets in the entire industry and the volume of transactions also make the insurance sector a logical place for investing significant amounts of illegal profits which can go unnoticed.

Life insurance is more vulnerable to money laundering than general insurance. The nature of life insurance transactions normally does not allow disproportionate sum assured in view of the financial underwriting norms of a life insurer, however it is vulnerable in some areas like the following:

1. Unit linked products which provide for withdrawals and unlimited top up premiums;
2. Single premium products-where the money is invested in lump sum and surrendered at the earliest opportunity;
3. Free look cancellations - especially the big ticket cases.

In December 2002, a typical typology of money laundering in life insurance business was brought out when, Authorities from the United States, the Isle of Man, and Colombia announced that they have exposed a sophisticated criminal scheme that targeted life insurance companies in the United States, the Isle of Man, and other locations to launder some $80 million worth of Colombian drug proceeds over the past few years.

Called 'Operation Capstone' in US; 'Operation Basking' in the Isle of Man and as 'Operation Fan' in Colombia; the two year investigation revealed that Colombian drug trafficking organizations, through a small number of insurance brokers, were purchasing investment-grade life insurance policies in the United States, the Isle of Man, and other locations, with cartel associates as the beneficiaries. These policies were funded with tens of millions of dollars worth of drug proceeds sent (in the form of cheques and wire transfers) to insurance companies by third parties around the globe.

Operation Capstone revealed that cartels were routinely liquidating their drug-financed life insurance policies after relatively short periods of time. The reason as it can be seen, is that, despite paying stiff financial penalties for early liquidation, the cartel beneficiaries would receive a cheque or wire transfer from the insurance company that, on its surface, appeared to be legitimate insurance / investment proceeds.

General findings indicated that the independent insurance sales brokers operating internationally had little or no training in anti-money laundering issues.

Counter Measures:

Sound financial systems and strong anti-money laundering regimes are essential in the fight against money-laundering.

Counter measures to fight money laundering at the institutional level basically involve:

- Designing policies and procedures to identify customers;
- Training the workforce to implement the same;
- Record keeping and
- Reporting to Financial Intelligence Unit (FIU).

At a national level, it requires:

- Suitable legislations/guidelines supporting implementation of FATF recommendations and
- International co-operation.

Financial Intelligence Unit (FIU):

Money Laundering involves a series of transactions comprising of relatively smaller amounts. The process can be detected only at a macro-level.

> Sound financial systems and strong anti-money laundering regimes are essential in the fight against money-laundering.

FATF Recommendation No. 26 requires setting up a FIU, which collects and disseminates information of suspicious activities at the national level. FIUs across the world have been set up under various departments of their nation like Police, Ministry of Finance, Central Bank or Authority of Justice and have different nomenclatures across the globe like: Financial Crimes Enforcement Network (FinCEN) in USA; Financial Transactions and Reports Analysis Centre (FINTRAC) in Canada; National Criminal Intelligence Service (NCIS) in UK; Joint Financial Intelligence Unit (JFIU) in Hong Kong; Australian Transactions Report and Analysis Centre (AUSTRAC) in Australia; Financial Intelligence Unit of India (FIU-IND) in India.

Financial Action Task Force (FATF):

Financial Action Task Force was set up in 1989 after G-7 summit. It is a policy-making body presently with 33 member nations2 which has come out with 40 recommendations initially against money laundering and added 9 special recommendations after '9/11' which emphasizes combating the financing of terrorism.

These 40+9 recommendations as they are popularly called, list out various measures to be implemented by member nations in their battle of anti-money laundering and combating of terrorist financing (AML/CFT). It details the measures to be adopted by the countries both at the national level and at financial institutional level.

At the national level the basic emphasis on the member countries are:

- To criminalize the act of money laundering
- To set up a centralized unit to collect, analyze and disseminate data on money laundering
- To protect those who report money laundering
- To fix up threshold limits for reporting purpose
- Mutual legal assistance among the member nations

At the institutional level they emphasize

- Customer due diligence (CDD)
- Record-keeping and
- Reporting to FIU

International Association of Insurance Supervisors (IAIS):

The need to implement 40+9 recommendations in the insurance industry is strongly realized by insurance supervisors around the world. Though the vulnerability of the insurance sector is not as high as that of other sectors of the financial industry, it is a possible target for money launderers and financiers of terrorist acts. Hence, the insurance sector should take adequate measures to prevent its misuse. Insurance Core Principles (ICP) 28 Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) was introduced, in this context. It is applicable at a minimum to those insurers and intermediaries offering life insurance products or other investment related insurance products.

The guidance paper offers a range of possible measures, procedures and best practices from which the supervisor should select those most appropriate to deal effectively and efficiently with the risks.

Customer Due Diligence or Know Your Customer (KYC), as it is known in many nations, takes the center stage in the guidance paper. A money launderer initiates placement disguising himself as a 'Customer'. Revealing his true identity can check the laundering process at step one. Hence enormous thrust is placed on the identity of a customer.

The paper also stresses the importance of training requirements of the staff of the financial institutions, who actually deal with the 'Customer'. Record keeping and reporting to FIU follow suit.

Why New Legislations in India?

The FATF and other FATF-style regional bodies3 which include Asia Pacific Group (APG) are part of a global network that is committed in AML/ CFT. India is a member of APG.

In its Mutual Evaluation Report, March 2005, APG has set out India's levels of compliance with the FATF recommendations. It has pointed out that India has not undertaken any comprehensive threat assessment of money laundering or terrorist financing; and that its legislative efforts have been concentrated on fighting tax evasion and large 'black money' component in its economy. It has also come up with various recommendations most of which have been addressed now. It has pointed out that the Prevention of Money Laundering Act enacted in 2002, was not effective. The PMLA 2002 was then made effective on 1st July 2005. With AML guidelines issued to insurance sector, the last entrant in the line of financial institutions that are determined to fight AML, legislations/ guidelines are in place encompassing all the reporting entities. Requirement of the hour is effective implementation. Thus, a proper ground has been prepared; let us wait and watch the progress that the efforts make and how they fructify.

> Though the vulnerability of the insurance sector is not as high as that of other sectors of the financial industry, it is a possible target for money launderers and financiers of terrorist acts.

1. A predicate offense is the underlying crime that produces the proceeds that are the subject of money laundering
2. List of FATF Member nations: Argentina, Australia, Austria, Belgium, Brazil, Canada, Denmark, the European Commission, Finland, France, Germany, Greece, the Gulf Co-operation Council, Hong Kong, China, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, the Kingdom of the Netherlands, New Zealand, Norway, Portugal, the Russian federation, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States. The peoples Republic of China is an observer since January 2005
3. FATF-Style Regional Bodies: Asia / Pacific Group on Money Laundering (APG); Caribbean Financial Action Task Force (CFATF); Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL) (formerly PC-R-EV);Eurasian Group (EAG) ; Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG); Financial Action Task Force on Money Laundering in South America (GAFISUD); Middle East and North Africa Financial Action Task Force (MENAFATF)

The author is Asst. Director (Life), IRDA. The views expressed in the article are her own.

CORRECTION

D.V.S. Ramesh, the author of the article 'Ensuring Fair Claims Management - Issues for Quick Disposal' published last month, is Sr. Asst. Director (Life), IRDA; and not as reported earlier. We regret the error.

Technology in Anti Money Laundering

- Enabling Compliance…. and more

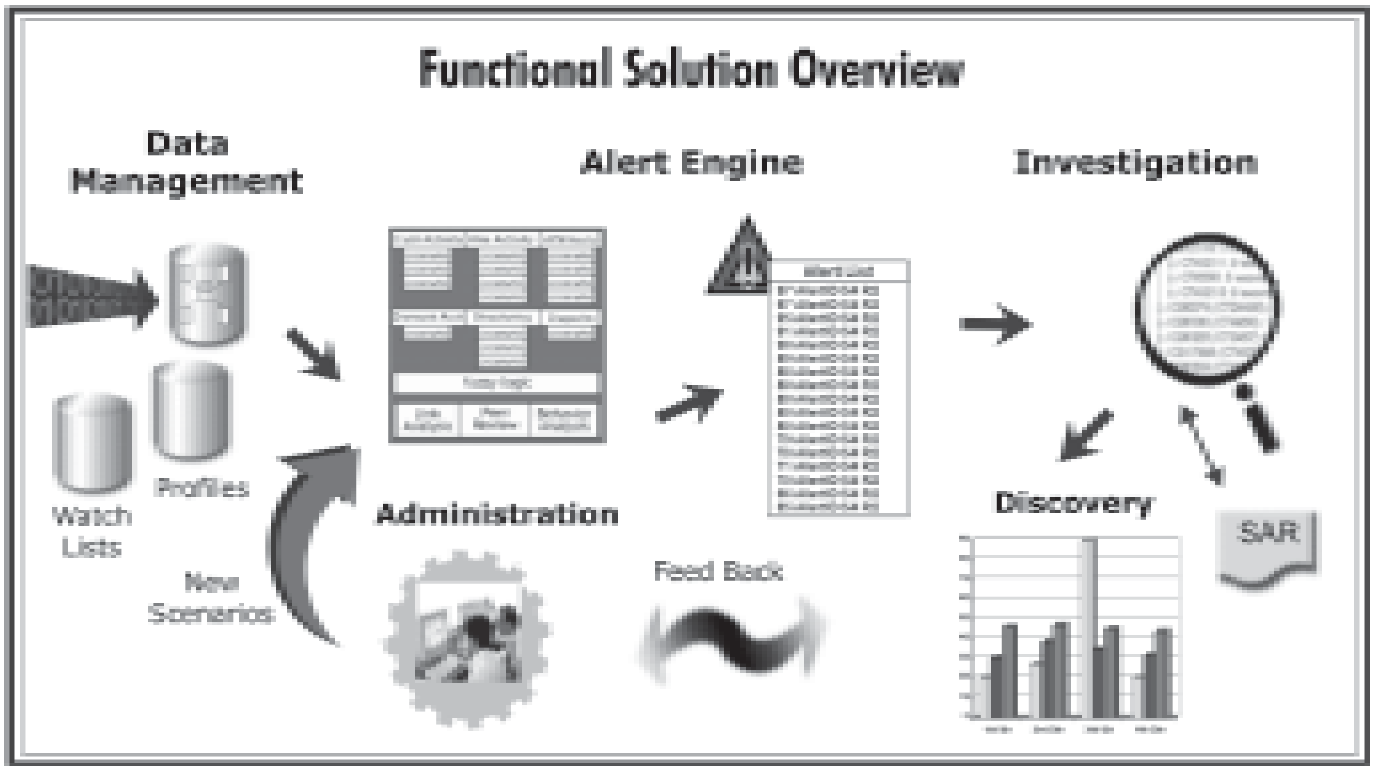
It is very critical for a financial institution to know, who they are dealing with; and ensure that the proposed customer is not conducting his business with the aim of placing, layering or integrating the funds, argues **Ashwin Parekh.**

Technology does provide a critical enabling environment to combat money laundering. Let us see how technology can be made to work towards that object. In its simplest sense, money laundering would imply legitimization of illicit proceeds derived from criminal activity. It has three parts to it: The placement, layering and integration. In the placement anatomy, the funds are introduced into the insurance companies with a view to launder. It is then layered i.e. it is moved around to hide the source and make back-tracking as difficult as possible. That done, funds are then introduced into legal economy.

As we can see therefore, it is very critical for a financial institution to know, who they are dealing with; and ensure that the proposed customer is not conducting his business with the aim of placing, layering or integrating the funds. Knowing all essential detail of a customer is therefore a significant aspect of anti-money laundering initiative.

> Compared to other players in the financial sector namely the banking companies, the insurers are on weaker grounds.

In case of insurance companies, the customers are introduced by the intermediary. An agent or a broker knows or is expected to know his customer. Compared to other players in the financial sector namely the banking companies, the insurers are on weaker grounds, due to this remoteness.



In addition, Indian insurance companies will have to cope up with the issues of geography and dispersed distribution network. The contact points through the agency force would be spread across the country. To keep a trail of acquisition and transaction behaviour would be a challenge. In addition to knowing their customers (KYC), there will be challenge in knowing the agents (KYA) and keeping a track of the customers they acquire.

Insurance companies will have therefore greater challenge in the verification and identification of suspicious activity, reporting and conducting enhanced due diligence for intermediary and customers. The technology and AML solutions therefore have to have larger focus on the following four environments. They are expected to facilitate compliance with the regulator requirements. They have to minimize the false positives (suspects). It could hurt the business otherwise. They have to be dynamic (to fresh data) and scalable.

A typical solution will have the following functional architecture.

1) Data management

2) Alert engines

3) Analysis and investigation

4) Administration and reporting

A typical functional solution design will look as follows. A closer look at the design would suggest that the alert engines are the backbone of a good AML solution.

The data for the purpose of AML will typically have two streams from which there is flow. The customer data and profile which is gathered at the time of acceptance of a proposal is the beginning of data management process. The transaction data will then flow in from different applications and likewise there will be product data application. Both are essential for the purpose of profiling a customer at the time of acceptance / rejection, then analysing his transaction behaviour and preparing for any reporting subsequently. The data management environment will preferably have open architecture metadata drivers, robust data access engines and transformation suites to ensure data quality. More significantly the data management will have open framework for executing behaviour or business rules and creating alarms. The success lies in the framework for rules management. Then there will be the logical and physical data models.

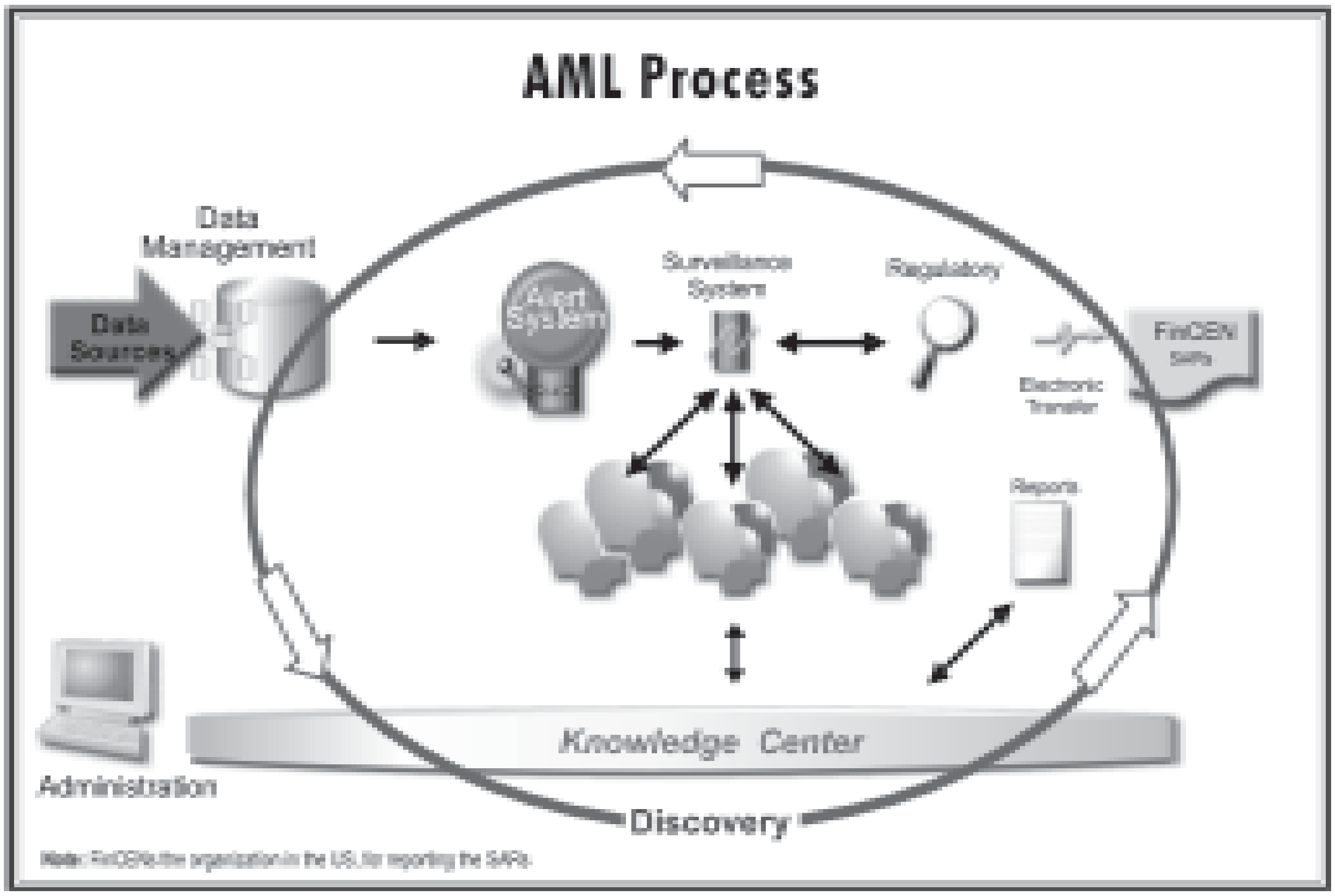
> Insurance companies will have therefore greater challenge in the verification and identification of suspicious activity, reporting and conducting enhanced due diligence for intermediary and customers.

The AML alert engines play a significant role in the overall solution. The alert engines also largely determine the outlay or the total spend on the technology solution for insurance companies. A typical alert engine will have the following functional design:

- Verification
- Business /Behaviour rules scenarios
- Profiling
- Analytics - the advanced versions comprise of artificial intelligence for complex business rules

The verification function will normally examine whether the customer to be admitted / accepted is free from the watch list. The watch list is normally evolved by an insurance company over a period. The ready database of blacklisted identities by various countries / jurisdictions and regulators is available. Likewise database of politically influential persons (PIP) is also available for a price. The scenario building tools work on dynamic data and new business / behaviour rules evolve. As the companies articulate the rules to watch for compliance, the culprits evolve smarter ways to beat them. The tool has to have a high order of parameterisation and scalability. In as much as the rules and scenarios (which are developed as rules are violated) of combinations of rules are developed to study the profile and behaviour of the customers, it is important that the redundant ones are removed. Tools which facilitate these are normally preferred.

The analytics are the heart of the AML solution. They help in profiling the customers. They trigger the "unusualness" of behaviour and link it to a class or group of customers or a geography or a product which is targeted by the criminals. The expensive tools, which are available in the market place have larger capability and are sometimes used to profile customers for positive relationships such as selling. To this extent it becomes an important management tool and in addition to compliance it supports the management in its business requirements. This perhaps is used as a good



justification by the CIOs (Chief Information Officers) of the insurance companies to invest in an AML solution.

Finally the AML solution should have good reporting / administering capability. The evidence gathered by the insurance company has to be reported and the regulator has to be equipped with adequate data for him to proceed with the matter. Once the analytics suggest a certain behaviour through the Security Alert Report (SAR), the compliance team will have to resolve the investigation and thereafter submit the evidence to the necessary authority.

The process of AML is a dynamic and to a very substantial extent a cyclical one. The discovery could influence the surveillance process which in turn will influence the discovery. The process would therefore look like the one depicted as above:

The evidence gathered by the insurance company has to be reported and the regulator has to be equipped with adequate data for him to proceed with the matter.

To conclude, the companies have compliance and environment risks to evaluate in determining and planning for their technology solution for AML. There can be a larger object as well, beyond the risk of reputation and compliance. The customer profiling may be utilized for its sales and business.

The author is a Partner, National Industry Leader- Financial Services with Ernst and Young Pvt. Ltd. The views expressed by him may not necessarily be those of his firm.

Know Your Customer

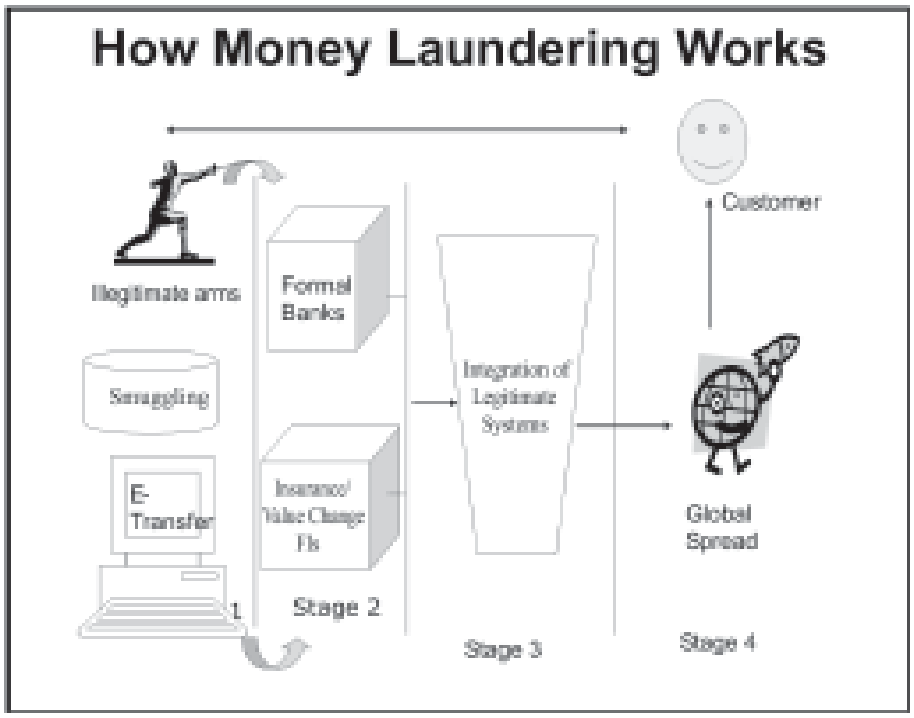
- A Step in the Right Direction

Insurer's strategic policies will determine its exposure to risks such as underwriting risk, reputation risk, operational risk, concentration risk and legal risk, writes K.G.P.L. Rama Devi.

Introduction:

Organisations are an integral part of the society; and they are responsible to the society as a whole. Good business decisions in terms of profit earnings, may be short term, but ethical / moral standards compel long term focus, which could mean sometimes painful choices. For e.g. All those companies who did good business in landmines and indirectly helped in capacity building of Iraq were required to close down, post-gulf war. It should be appreciated that everyone has a freedom to choose a profession of one's interests; and status in the society, but no one should make a living indulging in such activities which put larger interests of the society at stake. 9/11 is one such event, which has made an entry into the annals of history, and caught global attention on terrorism.

> It is important to have detailed information about customers, but knowing customers does not mean only understanding their reasons for buying the product/service. The organisation should have sufficient information about its customer, his/her profession, means of income etc.



Need for knowing your customer:

Customer behaviour, like normal human behaviour, is complex and driven by too many factors - known and unknown. One of the most important factors for determining market feasibility of an organization is the customer base for the business. Identifying potential customers and their locations helps businesses determine if these customers can be reached. Often it is argued that Customer Relationship Management (CRM) is very effective in tracking and centralizing what we know about our customers -- purchase history, service-level agreements, previous support issues, demographic data, etc. -- but not so effective in making that knowledge actionable or measurable in terms of business value. It is important to have detailed information about customers, but knowing customers does not mean only understanding their reasons for buying the product/service. The organisation should have sufficient information about its customer, his/her profession, means of income etc.

Of late, crime has become a lucrative business for many. There's a lot of money to be made and the risks are far outweighed by the rewards. Money Laundering is nothing but the process of moving illegally acquired money/ cash through financial systems so that it appears to be legally acquired. But one can fight this menace by stopping the perpetrators of crime from cleaning their ill-gotten gains through legitimate financial service products, thus making it harder for criminals to benefit from the proceeds of their crimes.

Financial Action Task Force (FATF)[1], in their 40 + 9 recommendations mentioned the measures to be taken by financial institutions (FIs) and non-financial business and professions to prevent money laundering and terrorist financing. Customer Due Diligence (CDD) is one of the measures suggested by regulatory agencies at international level as a key element in anti money laundering efforts and combating terrorism. It is stated therein that the financial institutions should not keep anonymous accounts; accounts in fictitious names; and should undertake customer due diligence measures, including identifying and verifying the identity of their customers before or during the course of establishing business relations; or conducting occasional transactions; or if the financial institution has doubts about the veracity or adequacy of previously obtained customer identification data; or in case there is a suspicion of money laundering or terrorist financing.

Customer Due Diligence (CDD) :

The Customer Due Diligence (CDD) measures to be taken are as follows:

1. Identifying the customer and verifying the customer's identity;
2. Identifying and verifying the beneficial owner;
3. Obtaining information on the purpose and intended nature of business relationship;
4. Conducting ongoing due diligence on the business relationship.

Financial institutions should apply each of the CDD measures, but may determine the extent of such measures on a risk sensitive basis depending on the type of customer, business relationship or transaction.

Enhanced measures should apply to all higher risk business relationships, clients and transactions. For e.g. in relation to Politically Exposed Persons (PEPs), in addition to performing CDD measurs, the FIs should obtain senior management approval for establishing business relation; take reasonable measures to establish the source of wealth and source of funds; and conduct enhanced ongoing monitoring of business relationship. FATF, in its recommendations, defined Politically Exposed Persons as 'those individuals who are or have been entrusted with prominent public functions in a foreign country, for example, Heads of State or of Government; senior politicians; senior government, judicial or military officials; senior executives of state owned corporations; important political party officials etc. Business relationships with family members or close associate of PEPs involve reputation risks similar to those with PEPs themselves. The definition is not intended to cover middle ranking or more junior individuals in the foregoing categories.

As a matter of principle, insurers should not offer insurance to customers or for beneficiaries that obviously use fictitious names or whose identity is kept anonymous.

Documents for Customer Identification

Know Your Customer (KYC) Norms:

Though customer remains the king in the new paradigm of global business, one should have sufficient information about the customer, before assessing his relevance to the business. As a preventive measure against usage of insurance policies by money launderers, the insurer must identify all their potential by obtaining as much information from the proposer as possible. Based on this assessment, the insurer should decide whether or not to accept the business relationship. As a matter of principle, insurers should not offer insurance to customers or for beneficiaries that obviously use fictitious names or whose identity is kept anonymous. By adopting Know Your Customer (KYC) norms as a part of prudent CDD measures, the insurer first looks into the important factors, such as

a. Type and background of customer and/or beneficial owner;
b. The customer's and/or beneficial owner's geographical base;
c. The geographical sphere of the activities of the customer and/or beneficial owner ;
d. Nature of the activities etc.

If the company comes across instances such as customer insisting on anonymity; reluctance to provide identifying information, or providing minimal, seemingly fictitious information; or in cash based suspicious transactions for payment of premium and top ups over and above Rs.5 lakh per person per month; or if there are frequent free look surrenders by customers; or in case the policies are assigned to unrelated parties without valid consideration; or in any other doubtful circumstances, steps should be taken to find out whether there is any ground / circumstantial evidence that should cause reasonable suspicion. Sometimes, suspicious transactions can also arise from the following:

- If there is any inconsistency with the needs of the customer or if there is request for a purchase of policy in amount considered beyond the customer's apparent need;
- In case there are abnormal circumstances in a transaction which indicate an inappropriate end-use;
- Changing of addresses frequently;
- Overpayment of premiums with a request for cancellation/ refund of the amount etc.

KYC norms would be equally applicable for all customers, whether it is a company, partnership firm or Trust/ Foundation. In such case, it is essential to obtain the Certificate of Registration, Power of Attorney granted for transacting business on behalf of the organization, Permanent Account Number (PAN) and other relevant documents which the organization is legally required to obtain for their activities.

International Guidelines for insurers:

A committee of UN Security Council has consolidated a list of individuals/ organizations associated with terrorism (complete details of the same were made available on their website viz. http://www.un.org/Docs/sc/ committees/1267/ 1267ListEng.htm). It is expected that all financial transactions involving any of the individuals/entities listed, should be reported immediately for necessary action. In the words of International Association of Insurance Supervisors (IAIS) Guidelines[2], the Insurer's strategic policies will determine its exposure to risks such as underwriting risk, reputation risk, operational risk, concentration risk and legal risk. As a matter of such policy, prior to the establishment of a business relationship, the insurers should know the customer with whom they are dealing, assess the characteristics, the purpose and nature of the business relationship and any other relevant factors; in order to create and maintain the risk profile of the customer. This is all the more important because unlike banks which insist on compulsory introduction of a customer by an existing account holder, any person can walk in or use his/her agent to get himself/herself an insurance cover, without the insurer even knowing him/her.

Unlike banks which insist on compulsory introduction of a customer by an existing account holder, any person can walk in or use his/her agent to get himself/herself an insurance cover, without the insurer even knowing him/her.

Domestic scenario:

As a part of the financial sector, insurance industry has an important role to play in preventing money laundering, preventing flow of illegitimate money into the market in the interests of society and nation at large. The guidelines issued by IRDA place responsibility of having robust Anti Money Laundering programme (AML) on the insurers. Insurers have been advised to designate an officer as 'Principal Compliance Officer' who would be responsible for ensuring compliance of the provisions of the Prevention of Money Laundering Act, (PMLA) 2002. Under the PMLA 2002, all the financial institutions including insurance companies, shall furnish details of suspicious transactions whether or not made in cash immediately after identification to the Office of the Director-Financial Intelligence Unit, Govt. of India, New Delhi. Suspicious transaction means a transaction whether or not made in cash which gives rise to a reasonable ground for suspicion that it may involve the proceeds of crime. Factors to consider when creating a risk profile include:

- Type and background of customer/ beneficiary;
- Geographical base of customer/ beneficiary;
- Nature of activities;
- Means of payment as well as type of payment;
- Source of funds;
- Source of wealth;

- Whether or not payment to be made to third parties;
- Suspicion or knowledge of money laundering, financing of terrorsim or other crime etc.

Having KYC information, an insurer can refrain himself from entering into a contract with a person indulging in such activities. The insurer should also perform CDD measures at the time of redemption of policy or surrender of the same. KYC can prove to be an essential tool in checking most of the Anti-Money Laundering practices and is the most effective weapon against the company being used to launder the proceeds of crime. In addition to minimising the risk of being used for illicit activities, it provides protection against fraud, enables suspicious activity to be recognised, and protects individual firms from reputational and financial risks. These initiatives not only protect the image of the company, but also indirectly help in improved underwriting, thereby preventing moral hazards; and finally integrate the functioning of organisation with public good.

The concept of AML should be made part of in-house training curriculum both for the staff and agents of insurance company. The onus lies on insurer to train their intermediaries about the KYC norms and put in place proper controls on their performance.

Principle of Utmost Good Faith:

Insurance businecss is basically risk transfer mechanism from the insured to the insurer, through various insurance products. It is a contract between the policyholder and the insurer, valid at law. Normally, insurance contracts are governed by principle of utmost good faith. Most of the life insurance contracts are long term contracts and it is important for the insurer to ensure that the insurance products should not be used as a channel for money laundering. The KYC proposal requires that all financial institutions determine the "normal and expected" transactions for each of their customers. This includes determining the source of funds for each transaction and reporting any "suspicious" activity in an account to enforcement authorities. People know the difference between being treated as a normal citizen and being treated as a suspect.

Towards compliance, each insurance company has to establish and implement policies, procedures, and internal controls which would also integrate its agents in its anti-money laundering program.

The other side of "Know Your Customer" poses a unique threat to principle of utmost good faith, because under the provisions of PML Act, 2002 there are power of arrest and prosecution, and to demand asset forfeiture, based on the information furnished by the insurer. In cases where it has been eventually found that no foul play is involved, the applicants can contend that the need for confidentiality that goes with the contract has been flouted. Thus, the concept of "Know Your Customer" can foster mistrust and resentment, and also can be alleged to be in violation of human rights, particularly among certain groups. However, insurers should observe safeguards intended to prevent the abuse of the power to collect information towards maintaining good customer relations with their policyholders, while complying with the provisions of PML Act, 2002[3].

Conclusion:

One must be aware that in terms of PMLA, 2002, financial institutions shall not only have KYC norms, but it is also essential to maintain the records of the identity of clients (in hard and soft copies) for a period of ten years from the date of cessation of transactions between the client and the financial institution. Towards compliance, each insurance company has to establish and implement policies, procedures, and internal controls which would also integrate its agents in its anti-money laundering program[4]. To conclude, undisputedly customer plays an important role in all business activities including insurance. But, beware of fictitious customers, else you may become a convenient conduit for any anonymous person, facilitating quick conversion of his illegitimate earnings through a valid contract of insurance.

References:

[1]Information from website of FATF

[2]IAIS Guidance paper on AML&CFT

[3]Prevention of Money Laundering Act, 2002

[4]IRDA Guidelines on Anti Money laundering Programe for insurers

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

Money Laundering Through Life Insurance

- Establishing an Effective Apparatus

An efficient 'Know Your Customer' (KYC) programme, also called Customer Due Diligence or CDD, can be considered to be the bedrock of a robust AML framework, observes **Sandeep Batra.**

Money Laundering (ML) - as the name suggests - is the process through which criminals attempt to disguise the true origin of the proceeds of their criminal activities. To this end, they use the financial institutions (like banks, insurance companies, etc.) in a manner that after a series of transactions; the tainted money, its ownership and the income earned from it appear to be legitimate.

ML is often achieved by converting the original illegally obtained proceeds from their original form, usually cash, into other forms such as deposits or securities, or even life insurance; and by transferring them from one financial institution to another using the account of apparently different persons or businesses.

Money Laundering Cycle

ML happens in three stages, namely, Placement Stage when the tainted money is placed in a financial institution; Layering Stage, with objective of further separating the illicit proceeds from their illegal source involving conduct of multiple, complex, financial transactions. Layering disguises or eliminates the audit trail; and Integration Stage -during which tainted money will be integrated into the economy as a legitimate money. Once the tainted money is integrated, it might become extremely difficult for someone to distinguish between illicit funds and legitimate funds.

In response to the international community's growing concern about this problem, most global organisations and national governments who are members of the United Nations General Assembly have been actively pursuing programs to deter ML.

International Developments:

Financial Action Task Force: Rising threat posed by money laundering activities to the economies of the West prompted G-7, in their meeting of 1989 in Paris, to establish Financial Action Task Force (FATF) (www.fatf-gafi.org), an inter-governmental body with a mandate for development and promotion of policies to combat money laundering and terrorist financial activities. Set up in 1989, it works to generate necessary political will to bring about necessary legislative and regulatory reforms in the area of money laundering. Currently, 33 countries, mostly from OECD, are the members of FATF.

Once the tainted money is integrated, it might become extremely difficult for someone to distinguish between illicit funds and legitimate funds.

Asia-Pacific Group on Money Laundering (APG) (http://www.apgml.org/), whose members include India, has an Observer status with FATF. APG was established in 1997 to coordinate efforts for combating money laundering in the APAC region.

FATF came out with a list of 40 recommendations in 1996 to contain money laundering and terrorist financing activities. More than 130 countries have endorsed the recommendations. Amongst these 40 recommendations, 11 are relevant to the life insurance sector. Some of the recommendations require financial institutions to carry out the following:

- Undertake customer due diligence (or KYC)
- Enhanced due diligence for politically exposed persons
- Assess money laundering threats due to technological advancement
- Relying on intermediaries to carry out customer due diligence
- Maintaining records for certain years
- Paying special attention to large, unusual and complex transactions
- Reporting suspicious activity to regulators
- Develop programme against money laundering.

USA Patriot Act: Events of 9/11 brought money laundering / terrorist financing into sharp focus and led to US government legislating USA Patriot Act (http://www.epic.org/privacy/terrorism/hr3162.pdf). The USA Patriot Act, under Title III, makes it obligatory for financial institutions to have a framework to prevent and detect money laundering. It requires covered entities to develop internal policies, procedures and controls as regards prevention and detection of money laundering; designate a compliance officer; put in place ongoing training programmes for employees; and create independent audit function to test the efficacy of the AML programme. It further requires identifying the customers with whom entities deal and continuously monitor their transactions.

In September 2002, the Patriot Act's provisions as regards anti-money laundering were made applicable to insurers, thus bringing out significance of insurance sector in the anti-money laundering scheme of things.

Legislative framework in India

Money laundering law

In response to the Political Declaration adopted by the Special Session of the UN General Assembly held in June 1998, the money laundering law - The Prevention of Money Laundering Act, 2002 - was passed and it came into force from July 1, 2005.

Section 3 of The Prevention of Money Laundering Act, 2002 (PML Act) defines the offence of ML as:

"Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money-laundering."

Under PML Act, the incidence of ML arises by generation of 'proceeds of crime'. Money or property generated through activity that violates laws listed in the Schedule to the PML Act will result into 'proceeds of crime'. Laws covered are:

- Narcotics Drugs and Psychotropic Substances Act, 1985,
- Indian Penal Code, 1860
- Arms Act, 1959,
- Wild Life (Protection) Act, 1972,
- Immoral Traffic (Prevention) Act, 1956, and
- Prevention of Corruption Act, 1988.

The PML Act addresses a range of issues including:

- the definition of and punishment for the offence of ML,
- attachment and confiscation of property tainted by ML, and
- Obligations of banking companies, financial institutions and intermediaries in connection with ML issues.

Under PML Act, rules have been framed which requires:

- Appointment of compliance officer,
- Carrying out KYC process to establish identity and address of customers,
- Putting in place framework for preventing tainted money to enter into the system, and where such money has entered into the system, detect the same,

The customer's requirements of insurance should be considered in the background of his socio-economic status and financial status.

- File reportable and suspicious transactions with the AML authority.

Basis the PML Act and Rules, IRDA recently introduced Anti money laundering (AML) Guidelines for insurers laying down roadmap for insurers to put in place money laundering prevention framework.

Regulatory Authorities

The Financial Intelligence Unit, Dept of Revenue, Ministry of Finance is the apex authority for administering the anti-money laundering law. Suspicious and Reportable transactions are required to be reported to the FIU. Director, Enforcement (as notified under FEMA) has been vested with powers of prosecution.

RBI and SEBI have also come out with anti-money laundering guidelines for banking and capital markets sector requiring similar measures to be implemented.

Insurance Regulatory and Development Authority, being the insurance industry regulator, also has powers to prescribe rules and regulations in this regards.

Risks associated with inadequate anti-money laundering framework:

Failure to prevent or detect money laundering can expose an organisation to multitude of risks including:

- Reputation Risk- Risk of loss due to severe impact on the Company's reputation. This may be of particular concern given the nature of the Company's business, which requires maintaining the confidence of Policyholders and regulators in particular and other stakeholders in general.
- Compliance Risk- Risk of loss due to failure of compliance with key Regulations governing the Company's operations.
- Operations Risk- Risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.
- Financial Risk- Risk of loss due to any of the above risks or combination thereof resulting into the negative financial impact on the Company.

Know Your Customer (KYC)

An efficient KYC programme (also called Customer Due Diligence or CDD) can be considered to be the bedrock of a robust AML framework. Sound KYC processes facilitate establishing that the customer is genuine and his requirement for insurance is bona fide.

During KYC process, it will be essential to validate the identity and address of the customers by taking appropriate documents. Further, the customer's requirements of insurance should be considered in the background of his socio-economic status and financial status. If required, necessary information may have to be obtained as to source of funds.

Role of Intermediary

Intermediaries, whether agents or brokers, are significant links in the distribution and product servicing chain. Since they interact with customers on behalf of the insurer, they are in a position to get relevant information and also have the first hand impression of the requirements of the proposer.

Money laundering can be prevented / detected through three lines of defense. Intermediaries constitute the 1st line of defense since they interact with the client directly and can obtain valuable information which can be the basis of proper assessment of the case from a money-laundering perspective. It will be the duty of intermediary to bring any suspicious activity to the notice of the insurer.

While the IRDA Guidelines cast the responsibility of managing AML framework on the insurers, intermediaries constitute integral part of the insurer's AML framework. Intermediaries are expected to discharge their responsibilities by carrying out KYC and obtaining relevant information, and feeding the proper information into the insurer's database.

Inadequate or unsatisfactory KYC directly exposes the intermediary; and in turn the insurer, to risks arising out of money laundering. This may also lead to prosecution of the intermediary.

Money laundering and life insurance:

Internationally, it is increasingly being recognised that the insurance sector is also susceptible to money laundering as much as the other entities in financial sector such as banks, mutual funds etc. This is because of the fact that the insurance products also offer the stored value similar to certain banking products and are largely dependent on the third parties for sourcing of business.

Money laundering can happen thru life insurers in a variety of ways. A part of this can be attributed to the fact that most of the business is brought by intermediaries and thus the insurer never deals with the client directly. Advancement of technology also creates attractive opportunities for the money launderers.

FATF's typology report provides insight on how insurance is used for money laundering. The report cites certain typologies of money laundering which include:

- Use of single premium products policies,
- Early policy redemption, especially when uneconomic or early,

> While the guidelines illustrate a few typologies of suspicious transactions, many more types of transactions will emerge as 'suspicious' over a period of time.

- Cash payment to purchase insurance,
- Seeking refund of premiums during free-look period,
- Collusion between customer, intermediary and / or insurance company employees,
- Third party payment of premiums

Insurance products can be used as money laundering devices both in placement stage and in the layering stage. Cash may be used in placement stage while in layering, illicit funds, placed in other financial institutions can be routed into insurance products to disguise the source of funds.

IRDA's Guidelines on AML:

IRDA came out with its Guidelines on anti-money laundering measures for insurance sector. The Guidelines go into effect from August 1, 2006. The highlights of the Guidelines are captured below:

- Every insurer has to put in place an AML Policy which should address the following:
  - Internal Policies, controls and procedures for prevention and detection of instances of money laundering,
  - Appointment of a Principal Compliance Officer,
  - Recruitment and Training,
  - Internal control and audit of the AML framework.
- Establish processes for carrying out 'Know Your Customer' including,
  - Identify the customers, which requires obtaining relevant documents to provide his identity and address,
  - Conduct detailed due diligence for customers with annual premium of greater than Rs 1 lac,
  - Careful look at cash transactions,
  - Conduct KYC also at payout stage.
- Create a risk matrix (high, medium and low risk) for various classes of customers, and also to classify products basis their perceived propensity of enabling money laundering through such products.
- Defining suspicious transactions. This will probably be the most difficult aspect since there are currently no precedents available for insurance, particularly in Indian context. While the guidelines illustrate a few typologies of suspicious transactions, many more types of transactions will emerge as 'suspicious' over a period of time.

- Reporting of cash transactions and suspicious transactions as per prescribed formats and timelines to Financial Intelligence Unit (FIU-IND).
- Records retention for 10 years.
- Mandatory for intermediaries to carry out KYC and observe insurer's AML program. Non-compliance by intermediaries will result in action against them.
- Framework for training of employees and intermediaries on AML related matters.
- Internal Audit to deploy modules to test the efficacy of AML framework and give suitable recommendations.

Risk based AML Framework:

AML framework should take cognizance of risk profile of various classes of customers as also potential of money laundering through a particular product. A risk-based AML framework becomes all the more necessary considering that the number of transactions may be huge. This implies that the customers should be categorized into high and low risk categories. Products also should be rated on a risk rating scale. KYC / Customer Due Diligence processes should be commensurate with the customer's risk profile and the product he intends to buy. For instance, a customer with only salary income can probably be categorized as 'low-risk'; whereas an import-export dealer may be a 'high-risk'. The risk metric may also vary basis the geography to which the customer belongs.

Organizational Impact

Though appearing to be simplistic in its scope, establishment of an effective AML apparatus will require insurers to significantly re-engineer their processes and procedures. AML framework is expected to have an enterprise-wide impact including in the areas of distribution, operations, customer services, systems and training. The impact will extend to the intermediaries as well who are obliged to carry out KYC / CDD measures. A few impacts in various areas are listed below:

- Distribution:
  - Processes for eliciting extra information and appropriate recording of the same.
  - Recording customer's income / wealth details.
  - Other relevant checks factors with regard to AML issues.
- Operations / Underwriting / Customer Service:
  - Integrate money laundering assessments with the underwriting assessment framework.
  - Monitor outflows and inflows and carry out further due diligence wherever necessary.
  - Customer behavior and transaction analytics on an on-going basis.
  - Run checks to assess the criminal antecedents of any customer.
- Information Technology:
  - Re-orient and enhance systems to facilitate implementation of various initiatives.
  - Cross-link and cross-reference transactions / policies of a single customer or customers belonging to a group.
  - Subscribing to data base of names of sensitive / black-listed people and verifying customer base against such list.
- Training measures:
  - Impart training to relevant employees and agents; on AML issues and measures; and sensitize on the same.

> Creating and maintaining AML architecture requires resources and top management attention to successfully discharge the onerous responsibilities under the AML law.

Conclusion

As the Chinese proverb says, the journey of thousand miles begins with the first step. Thus, for insurers, there is a long and winding road called AML and this is the beginning. Creating and maintaining AML architecture requires resources and top management attention to successfully discharge the onerous responsibilities under the AML law. Failing this; apart from reputation loss, entities may see regulators tapping on their doors and invoking criminal actions.

Compliance with the statutory/ regulatory provisions requires clear understanding of the regulations in the true spirit and the nature and depth of the menace that the regulations are trying to curb. It may be necessary for insurers to understand the concept of money laundering in general and to analyse the framework that needs to be adopted within the enterprise to mitigate money laundering risks. This will require proactive debate and discussion across the industry; sharing of knowledge and experience in the implementation of AML; and engagement with regulators on a continuous basis through industry associations.

The author is Chief Financial Officer & Company Secretary, ICICI Prudential Life Insurance Co. Ltd.

Money Laundering in Insurance

- Parameters of Control

Both the life insurance sector and the non-life sector are susceptible to money laundering avers **Ashish Vinod Joshi**. Further, he contends that adherence to various measures set out in IRDA guidelines will help companies avoid reputational, legal and financial risks.

1. Introduction: Money is often the reason behind commission of a host of crimes, ranging from extortion, gambling, prostitution, drug/human trafficking and so on. This 'ill-gotten' money needs to be converted to 'legitimate' one, as criminals also need 'legitimate' funds (for ex., for buying a house, without raising questions from tax authorities). The process used towards this end is called as 'money laundering'.

2. Definition: Money laundering has been defined as a three stage process involving placement (placing of funds in financial system), layering (disguising the trail through complex transactions) and integration (bringing the money back into economy as legitimate).

3. Origin of the term: The term perhaps originated in 1920s in the US when street gangs, wanting to hide or protect their income from corrupt policemen or rival gangs, showed their incomes as coming from laundries. It was easy to disguise the money as laundry income, as laundries generated a lot of cash. The money was literally 'washed'- or 'laundered' - of its dirty origin & emerged as 'clean' money.

4. How is money laundered: Money laundering techniques range from the simple ones of lottery or race winnings, being purchased by criminals for a premium; to the more sophisticated ones, involving share market gains. However, all complex transactions require money to be sent out of the borders of a country (through cash couriers, hawala[1], import over-invoicing or may be as donations). Any serious money laundering operation is incomplete without creation of a business corporation in a financial secrecy haven in one country, creating a secret bank account in another bank secrecy jurisdiction (in both, disclosing the beneficial owner of the corporation/ bank account is an offence).

Many techniques are used to foil the trail of money, by creating walking accounts (used as front, with instructions to the banker to transfer money to another account in case of questioning by investigators), withdrawing money in cash and even creating a bank, routing transactions through it and then destroying its records.

> Money laundering techniques range from the simple ones of lottery or race winnings, being purchased by criminals for a premium; to the more sophisticated ones, involving share market gains.

An equally wide variety of techniques are available for bringing money in home country (for ex., using international credit cards, or export over-invoicing).

5. International efforts to curb money laundering: The Financial Action Task Force (FATF) leads the fight in the international arena. It is an inter-governmental, policy-making body that works for adoption of Anti Money Laundering (AML) standards by various countries and monitors their progress. It was established by G-7 countries at its Paris Summit in 1989. FATF, in 1990, came out with its now famous 40-Recommendations , which set the standards in AML and outline a comprehensive plan to fight it.

The recommendations urge countries to criminalize money laundering, enact legislations and regulations to fight it, provide for forfeiture of terrorist assets or criminal proceeds. It also requires financial and non-financial institutions to adopt measures (like KYC, STRs etc. that have been explained in detail in subsequent paragraphs) to prevent misuse of their system for money laundering or terrorist financing activities.

FATF also publishes trends in money laundering in its Typologies Report. Today, 33 countries are its members. Its recommendations on insurance sector have been adopted by **International Association of Insurance Supervisors (IAIS).**

6. Indian efforts towards AML: The Parliament of India enacted Prevention of Money Laundering Act, 2002 and it came into force on June 31, 2005. The Act creates different types of functionaries, most importantly the ones who would enforce the Act. They have been given powers of survey, search, seizure, & arrest. It defines money laundering as "Whosoever…is actually involved in any process or activity connected with the proceeds of crime and in projecting them as untainted property…commits the offence of money laundering…". It provides for imprisonment from 3 to 7/10 years (depending on the class of offence) and a fine of upto Rs. 5 lacs. The Act also provides for confiscation of proceeds of crime.

Companies can also be fined if they violate their obligations under the Act and the officers of such a company (like MD, COO, CFO etc.) can be held accountable.

The **Enforcement Directorate (ED)** has been given the mandate of enforcing the Act, while **Financial Intelligence Unit (FIU)**[2] has been created at N Delhi with Mr. Sunil Bhargava being appointed as its Director.

Rules have been promulgated under the Act, which provide the specifics of various obligations of financial institutions. RBI, SEBI & IRDA have come out with guidelines, in accordance with the Rules.

7. IRDA Guidelines on AML: The IRDA issued guidelines on March 31, 2006, specifying the obligations of insurance companies operating in India. The important elements are:

AML Program: Companies need to have internal policies, procedures and controls (for combating money laundering); should recruit employees/ agents carefully; and provide training to them in AML.

Know Your Customer (KYC): Companies need to determine identity of customers on the basis of specified documents. Customer Due Diligence (CDD) when premium is above Rs. 1 lakh p.a. is must.

Exempt Products: Term-life insurance products, group insurance, re-insurance products and stand-alone medical/ health insurance products are exempt from AML requirements.

Suspicious Transactions Reporting (STR): Suspicious transactions are the ones that may indicate possible money laundering. Such transactions could be; opting for unusually high term cover, payment of cash premium, over-payment and refund of premium, high top-ups, inflated or fraudulent claims etc.

Cash Transactions: No premium above Rs. 50,000 can be accepted in cash. Further, integrally connected cash transactions involving amount more than Rs. 10 lakhs p.m. and suspicious transactions need to be reported to FIU.

Record Keeping: Records of customer identity, Cash Transaction Reports, STRs have to be maintained for 10 years.

Compliance Programme: Companies need to have Customer Acceptance Policy, Customer Identification Procedure etc. It has to be approved by Board and filed with the IRDA.

8. Examples of Money Laundering in insurance sector: (Excerpted from the ones provided by IAIS)

Life insurance: In 1990, an agent in Britain became top producer for his company and also won award. He was part of a money laundering ring which involved placing a sum of USD 1.5mn in a bank account in England and using it to purchase single-premium policies. The agent and his supervisor were charged with the offence of money laundering later.

Suspicious transactions are the ones that may indicate possible money laundering. Such transactions could be; opting for unusually high term cover, payment of cash premium, over-payment and refund of premium, high top-ups, inflated or fraudulent claims etc.

In another case, an insurer offered stock market related products. The customers would move money in and out, paying penalty for early withdrawal. The refund would emerge as cheque or wire transfer. Investigators identified that US$ 29mn were laundered in the scheme. Search and arrest warrants were served on several company officials.

Non-life insurance: While non-life insurance appears to be very safe from the money-launderers from the surface, the following examples would throw light on its vulnerability.

- A money launderer purchased marine property and casualty insurance on a phantom ocean going vessel. He paid large premiums and ensured that claims paid were less than premium received by the company, so that the account appeared profitable.
- A claim was notified for loss of goods in transit. The assured admitted to investigators that he was fronting for persons who wanted to invest 'dirt money' for profit.
- An operation of Drug Enforcement Agency (DEA) of US led to a court order freezing insurance premiums taken by seventeen Colombian and Panamanian air cargo companies and nine individuals. The action named fifty aircrafts, including thirteen Boeing 727s. The aircrafts were used to transport drugs from South to North America.

Conclusion: Thus, both the life insurance sector and the non-life sector are susceptible to money laundering. Adherence to various measures set out in IRDA guidelines will help companies avoid reputational, legal and financial risks.

[1] Hawala refers to alternate transfer of value of money, without going through formal banking channels.

[2] The task of FIU is to collate & analyse all Suspicious/Cash Transaction Reports & coordinate with investigative, intelligence & enforcement agencies, both national & international.

The author is Head of Special Investigations Unit (SIU - Claims) of Tata AIG General Insurance Company. He worked as Dy. Supdt. of Police in Central Bureau of Investigation (CBI) for 7 years. He can be reached at ashish.joshi@tata-aig.com.

Claim Settlement in Life Insurance

- Insurer's Approach and Perspectives

A repeat business from the deceased policyholder's family goes to prove the faith the people have in life insurance, sales efficiency of the agent and the alertness of the office says **G. Gopalakrishna.**

While venturing to write on the importance of claims settlement in life insurance, it is apt to recall to memory what the first Prime Minister of the country Jawaharlal Nehru said on the eve of nationalization of life insurance business in India. "The nationalization of Life Insurance is an important step in our march towards a socialist society. Its objective will be to serve the individual as well as the state.... We require life insurance to spread rapidly all over the country and to bring a measure of security to our people."

Man's economic problems have existed through the ages but today they are more complicated and more difficult to solve than ever before. As a result, life insurance now occupies the foremost place in the economic life of man. It has, in reality, become a prime necessity, because it provides food, clothing and shelter for the family if the breadwinner dies too soon; and for the breadwinner himself and the family if he lives too long.

A Life Insured is a Life Assured. Not that life insurance can avert death. Nor can it prolong the normal duration of life. But it certainly takes away from death its bitter sting and the anxiety of the dying man about the plight of his family when he is gone. Life insurance solves one of the greatest problems of man by building up a provision for an uncertain future. It ensures economic security; and domestic peace of mind and tranquility. It makes the family free from financial stresses and strains.

People buy life insurance to get their claims paid on time to fulfill a need. A life assurance office exists to pay claims. It is natural, therefore, that the promptness with which claims are settled should be considered as one of the major criteria for judging the efficiency of working of such an office.

A claim may occur under a policy either by the death of the life assured or by its maturity i.e. when the term of the policy is completed. At the time of the issue of the policy or during the currency of the policy, the assured is advised to nominate someone to receive the policy moneys in the event of his premature death. He may also assign the policy, in which case all the rights under the policy are transferred to such assignee.

> Life insurance solves one of the greatest problems of man by building up a provision for an uncertain future. It ensures economic security; and domestic peace of mind and tranquility.

In the event of death of the life assured, the claim is paid immediately after submission of proof of death, age (if age is not already admitted) and title of the claimant to the policy moneys. In case of maturity claims, the office advises the policyholder well in advance so that necessary papers are completed in time and payment is received by the assured on the date of maturity itself.

Generally, there are three types of claims - Maturity, Death and Survival Benefit during the term of the policy.

Claim by Maturity

The office is careful that maturity intimations are sent to claimants two months before the due date. It gives a copy of intimation to its agents. The agents help the policyholders in getting the formalities completed. He gets such claims settled on the day of maturity itself or maximum within a month. The customer-satisfaction brings new business to the agent. A repeat business from the family goes to prove the faith the people have in life insurance, sales efficiency of the agent and the alertness of the office.

Claim by Death

As soon as the intimation of death is received by the office, the office arranges to issue the claim forms to the claimant under advice to the agent. He helps in getting the claim form filled up. The agent's service finds a full play at this time when the family is in difficult circumstances. He pursues the matter so that payment is made at the earliest and possibly within one month from the date of death. If the death claim involves investigation, the office ensures that the investigation is completed and the claim paid within a period of three months at the most. Then there are early death claims occurring within two years from the date of risk. In such cases the investigation and collection of facts take a longer time. The office takes steps to see that such early claims are settled within six months from the date of receipt of claim papers at the office. In case of death claim where legal matters are involved or it is referred to a Court of Law, it may take more time but it would always be the endeavour of the office to provide succour to the needy at the earliest.

Survival Benefit

The intimation enclosing the discharge voucher is sent well in time. On receipt of the policy bond and the discharge certificate duly completed by the policyholder the office checks the latest premium position and ensures that the amount is paid preferably on the due date itself.

The issue of intimations for survival benefit claims and their settlement, issue of intimation of ordinary Maturity Claims two months before the date of maturity and issue of claim forms under death claims are to be attended to promptly by the various offices. The office may have the following objectives in the matter of settlement of claims.

1. All maturity claims under 'In-force' policies be settled within one month of the date of maturity.
2. Maturity claims under 'Paid-up' policies be settled within three months.
3. Death claims other than early claims involving investigation, be paid within a maximum period of three months.
4. Early death claims, where investigation is necessary, be settled within six months.
5. Claims should not remain pending over a year unless legal matters are involved.

The basic policy of settling a claim on time is to give the clients the benefits as early as possible; and to serve the purpose for which they bought insurance. It is a redemption of faith which the people have reposed in insurance. The office is very vigilant in this vital aspect of its function. The insurer knows that just as it sold the policy, it is its responsibility to see that the fruits of the same are passed on to the policyholders/beneficiaries. Therein lies the fulfillment of its noble task.

> The basic policy of settling a claim on time is to give the clients the benefits as early as possible; and to serve the purpose for which they bought insurance.

It won't be out of place to quote from the message of late Prime Minister of India, Mrs. Indira Gandhi on the eve of LIC's 10th Anniversary:

"Life insurance is an ideal form of saving, both from the direct interest of individual and from the interest of the nation …. LIC has done notable work in promoting the saving habit…. The objective of the LIC should be this, as well as constantly to improve its own efficiency in serving policyholders and the national goal."

While playing a vital role in various spheres, the insurer is always conscious of its primary responsibility to the policyholders i.e., to render prompt and better service to them. In this regard the insurer continuously reviews its working and streamlines its procedures. Some of the areas which can be considered by the insurers progressively towards attainment of better customer satisfaction are:

- Certain requirements like age proof and legal evidence of title for settlement of claims up to a particular amount be dispensed with.
- Investigation of early claims be waived for small sums assured in appropriate cases.
- A high level Committee/Body be set up to review claim appeals.

The insurer's efforts at quick settlement of claims need to be both sincere and effective. I find it apt to end this article once again with a quotable quote:

"To know is good, to do is better; but to be, that is perfect."

- The Mother (Aurobindo)

The author is a retired Senior Officer, LIC of India.

Challenges of Insurance Distribution

- Some Indian Trends

Banks have emerged as attractive distribution channels for insurance as they are being driven to increase their profitability and provide maximum value to their customers, states **Stuart Purdy.** He further adds that the banks are themselves looking for a range of products to distribute.

India is a very interesting and challenging market for any insurance company. With a large middle class, high savings rate and low insurance penetration, there is huge untapped potential for insurance in the Indian market. Of the 300 million insurable population, less than 150 million are insured. This in itself gives an indication of the market potential.

Since the entry of private insurers in 2000, the insurance penetration has increased from 1.39 percent in 1999 to 2.53 percent in 2004 (source: Swiss Re). Today private life insurers have almost 30% share of new business. This increase in share is due to the rapid expansion of the distribution network by private insurers along with increase in awareness of insurance as an excellent long-term savings tool.

There has been a plethora of new and innovative products offered by the new players, innovated mainly from the stable of their international partners. Customers have tremendous choice - from a large variety of products like pure term (risk) insurance, to unit-linked investment products. Customers are offered unbundled products with a variety of benefits as riders from which they can choose. Not unexpectedly, customer satisfaction was one area that witnessed the most significant change with the entry of new players.

Till four years back, the only mode of distribution of life insurance products was through agents. While agents continue to be the predominant distribution channel, today a number of innovative alternative channels are being offered to consumers: bancassurance, brokers, the Internet and direct marketing.

Some potential Indian players hope that their anticipated technology advantage will allow them to increase their reach, partly by using remote channels. However, financial services companies globally and in India find that customers are making the shift to such channels slowly and only for less complex transactions.

Some potential Indian players hope that their anticipated technology advantage will allow them to increase their reach, partly by using remote channels. However, financial services companies globally and in India find that customers are making the shift to such channels slowly and only for less complex transactions. In India, insurance, especially life insurance is still a service product. We, therefore, believe that in India technology may not replace a distribution network, though it will offer advantages like better customer service.

We expect changes in distribution along other parameters. Banks have emerged as attractive distribution channels for insurance as they are being driven to increase their profitability and provide maximum value to their customers. Therefore, they are themselves looking for a range of products to distribute. In India, banks hope to maximise expensive existing networks by selling a range of products. Hence, the concept of Bancassurance is seen taking roots in India, and it is emerging to be a viable solution to mass selling of insurance products. A popular concept in the west, Bancassurance put in simple terms means selling insurance products through banks.

Aviva worldwide and Bancassurance go back a long way. In India, Aviva pioneered the concept of Bancassurance, and has leveraged its global expertise in this area successfully. Currently, Aviva has Bancassurance tie-ups with ABN Amro Bank, American Express Bank, Canara Bank, Centurion Bank of Punjab, The Lakshmi Vilas Bank Ltd., Punjab & Sind Bank and with 15 Co-operative Banks in Gujarat, Rajasthan, Jammu & Kashmir and Maharashtra and one regional Bank in Sikkim. Bancassurance contributes 65% of the total sales of Aviva India. Through its branches and its Bancassurance partner locations, Aviva products are available in 378 towns and cities across India. In Aviva there is a dual distribution strategy. The products are sold through the Direct Sales Force and through the Bancassurance partners.

Another potential channel that reduces the need for an owned distribution network is worksite marketing. Insurers will be able to market pensions, health insurance and even other general covers through employers to their employees. These products may be purchased by the employer or simply marketed at the workplace with the employer's co-operation.

Finally, some potential Indian entrants into insurance hope to widen their existing distribution networks and customer bases. For example, financial organisations intend to tap the thousands of customers who already buy their deposits, consumer loans or housing finance. Other hopeful entrants anticipate specific alliances such as with hospitals to provide health cover.

The existing wide network of banks in rural areas can be utilised for selling insurance products since penetration into rural areas becomes easier for banks. Having been accustomed to customer choices, banks are in a better position to understand their needs and sell tailor made policies. Customers, too, find them trustworthy given their long-standing relationship with banks. Servicing of policies would also become easier. Bancassurance works out to be cheaper compared to companies appointing agents for selling insurance products, considering the banks' wide networks and the reach they have compared to the agents.

The greatest barrier to insurance is penetration. The strength lies in building the back end. Products need to be supported efficiently through identification of affinity and social groups and market segmentation.

It must be borne in mind that India is a predominantly rural country and will continue to be so in the near future. New players may tend to focus on the urban population and may well miss a large chunk of the insurable population. A strong case in point is the current business composition of predominant market leader - the Life Insurance Corporation of India. The lion's share of its new business comes from the rural and semi-rural markets. In a country of one billion people, mass marketing is always a profitable and cost-effective option for gaining market share. The rural sector is a perfect case for mass marketing.

> The existing wide network of banks in rural areas can be utilised for selling insurance products since penetration into rural areas becomes easier for banks. Having been accustomed to customer choices, banks are in a better position to understand their needs and sell tailor made policies.

Most insurance companies have launched specific products keeping in mind the rural customer. For rural areas, one has to adopt a differentiated approach that focuses on the special needs of the customer. At Aviva, for example, there are three products specifically meant for the rural population, which are simple, non-medical and low premium products.

Different distribution channels bring their own challenges. First, companies will have to ensure a strong brand identity. Distribution through third parties means that it is those companies rather than the insurers who often reap the benefits of customer loyalty. This accelerates the shift of insurance to a commodity product. Second, since many new companies already offer other financial services products, they will be tempted to sell only their own products. They must balance this against the advantages of offering customers a wide product range.

The real penetration in India will be achieved with strategic decisions in distribution channel.

The author is Managing Director, Aviva Life Insurance.

Spread the word....

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Those wishing to publish it for spreading consumer awareness off
insurance may use tis artwork for reproduction.

प्रकाशक का संदेश

भूमंडलीकरण तथा उदारिकरण का ऋणात्मक प्रभाव मनी लांडरिग है। वित्तिय सेवा उद्योग जो जटिल वित्तिय लेन-देन को उपसाधन प्रदान करता है वह धोखा देने के लिए प्रत्यक्ष निशाना बन जाता है। मनी लांडरिग एक प्रक्रिया है जिसमें गैर-कानूनी तरीके से अधिगृहीत किया गया धन विभिन्न मान्य माध्यमों में लगाया जाता है। अतः यह गैर-कानूनी धन को प्रच्छन्न करता है।

मनी लांडरिग का उदय विशेष रूप से संगठित अपराध से होता है, जहाँ अपराधी बड़ी धनराशि को पैदा करते हैं तथा उसे ठिकाने लगाने के लिए रास्ते अर्जित राशि को प्रच्छन्न करते हैं। ऐतिहासिक रूप से बीमा मनी लांडरिग गतिविधियों से लगभग अस्पृश्य रहा है। फिर भी बीमा को अवांछनीय लोगों की गतिविधियों से सावधान रहना है। व्यवसाय कि नई प्रकृति को ध्यान में रखते हुए, विशेष रूप से जीवन श्रेणी में जिसमें बडे प्रिमियम देने की प्रवृत्ति शामिल है बीमाकर्त्ता को आय के स्त्रोत के सम्बन्ध में सर्तक रहना चाहिये तथा इसके पीछे कि संभावनाओं और प्रयोजन पर ध्यान देना चाहिये।

भूमंडलीय रूप से तथा गृह में भी बडी मात्रा में इसे रोकने के लिए तंत्र बनाने के कार्य हुए हैं। मुझे विश्वास है कि इन अनुदेशों को सभी जगह सख्ती से लागु करने तथा प्रचालन में अनुशासन को सुनिश्चित करने से बीमाकर्ता पूरी तैयारी बता सकते हैं।

जर्नल के इस अंक में मनी लांडरिग तथा बीमा उद्योग केन्द्र बिन्दू में है। कई लेखकों ने इस कुरिति से लडने की विधि को विस्तार से वर्णित किया है।

किसी भी वित्तिय लेनदेन में लाभ कमाना एक हेतु होता है जबकि बहुत से मामलों में यह हेतु उचित व्यवहार का उल्लंघन करता प्रतित होता है और यह धोखाधड़ी के मामले को तैयार करता है। इस पाप के प्रति कई बीमा प्रकार खुले हैं। " उद्योग में धोखाधड़ी " जर्नल के अगले अंक में केन्द्र बिन्दु होगा। हमेशा कि तरह कई उद्योग विशेषज्ञः इस क्षेत्र में अपने विचार व्यक्त करेगें।

सी. एस. राव

सी. एस. राव

“ कुछ तो लोग कहेंगे ”

बीमा कंपनियों के लिए लम्बे समय के लिए देय प्रिमियम के प्रति एक आरामदयक अभिवृत्ति अच्छी नहीं है। यह ऐजेन्ट तथा ब्रोकर के बीच एक शिथिल साख संस्कृति को प्रोहत्साहन देगी तथा बीमा कंपनियों को बेवजह साख जोखिम का सामना करना पडेगा।

लाओ कोव मुन, कार्यकारी निदेशक, बीमा पर्यवेक्षण विभाग, सिंगापुर आर्थिक प्राधिकरण

आंतरिक लेखा परिक्षा कार्य के उद्वेश्यों में संगठन के ढाँचे में वित्तिय तथा जोखिम प्रबन्ध की पर्याप्तता तथा प्रभावशीलता को भी शामिल किया जाना चाहिये।

जान एफ. लेकर, अध्यक्ष, आस्ट्रेलिया प्रूडेंशल विनियमन प्राधिकरण

प्रतिस्पर्धा में बने रहने के लिए कंपनियों को परिवर्तन तथा विकास की स्वतन्त्रता होनी चाहिये। और हाँ, इसका अर्थ हुआ उन्हें अनुमति देना अधिगृहण,पथांतरण,विलयन तथा पुनः बनाना।

अध्यक्ष लायड्स लार्ड लेविन

म्युनिख में 1972 में ग्रीष्म ओलंपिक की घटना के बाद, आतंकवाद ओलंपिक खेलों तथा ऐसे ही आयोजनों के लिए जोखिम निर्धारण एक बडा पैमाना बन गया है। वह सभी प्रयास किये जाते हैं जिससे ऐसे धावों की पुनरावृर्ति न हो सके।

पीटर लुक, बीमालेखन विशेष जोखिम के स्वीस री में शीर्ष, विश्व फुटबाल प्रतियोगिता को दिये गये आवरण पर बोलते हुए

काफी कुछ प्राप्त किया जा चुका है तथा हम इससे संतुष्ट हैं कि अर्न्तराष्ट्रीय मानक जिन्हें हम देखते हैं ने सार्वजनिक हित के लक्ष्यों को प्राप्त करने में प्रगति की हैं।

***स्टोवरोस थोमकईस, अध्यक्ष, सार्वजनिक हित बोर्ड* (पी आई ओ बी) आई ए आई एस**

बीमाकर्ता तथा पुनर्बीमाकर्ता सतत् दबाव सहन करेगें जिससे अनकी अंश पूँजी पर वापसी तथा वह अपनी पूँजी को अधिक प्रभावशाली ढंग से नियंत्रित करना चाहेगें । पूँजी बाजार अपने निवेशकत्ताओं की पूँजी सघनता के कारण तथा नवोन्मेष वित्तिय तकनिक के कारण लगातार बीमा उद्योग की उन्नति में महत्वपूर्ण कार्य करते रहेगें।

ओग चोंग टी, उप प्र बन्ध निदेशक, एम ए एस

पिछले अंक से आगे -

***बॉक्स* 4**

जोखिम और जोखिम प्रबंधन से परिपूर्ण रणनीतिक योजनायें

रणनीतिक सूचना तकनीकी योजना

सूचना जोखिम प्रबंधक

सूचना व्यापारियों की पहचान और वर्गीकरण

विश्लेषण के आधार पर जोखिम प्रबंधन

संभावित खतरों की पहचान

संभावित खतरों की आशंका और उनके उभरने पर आवश्यक उपायों के लिये मूल्यांकम

संभाव्य

परिणाम / प्रभाव

प्रबंधन के लिये रणनीति विकास

जोखिम परिहार

जोखिम शिथिलीकरण

जोखिम नियंत्रण

जोखिम हस्तांतरण

***बॉक्स* 5**

सामान्य जानकारी की बातें

(ए) ***अति उच्च:*** व्यापार की बर्बादी के लिये जिम्मेदार रहे वाली कमजोरियों एवँ उनके उपायों संबंधी जानकारी की उच्च सुरक्षा, गोपनीयता और एकीकरण सुनिश्चित किया जाना चाहिये।

(बी) ***उच्च:*** नुकसान के समय व्यापार के वर्गीकृत उच्च एवँ गंभीर क्षेत्रों संबंधी जानकारी उपयोग में नही लायी जा सकती।

(सी) ***मध्यम:*** संकलित विश्लेषण में त्रुटियाँ कम करने पर व्यापार निश्चित रूप से कुछ हद तक प्रभावित हो सकता है। अंतर्गत उपयोग के लिये सूचनाओं की सुनिश्चिती की जानी चाहिये।

निम्नः सूचनातंत्र को पहुँचने वाले नुकसान का ग्राहकों पर अत्यंत अल्प प्रभाव पड़ सकता है। इसलिये यहाँ गोपनीयता आवश्यक है।

***बॉक्स* 6**

प्राकृतिक (भौतिक) खतरेः जसे बाढ़, तूफान, भूकंप

मानवीय आपदायेंः अंतर्गत अथवा बाहरी सोद्देश्य अथवा सावधानी के साथ किये जाने वाले कार्य (जैसे - द्वेष पूर्ण इरादे से नुकसान पहुँचाना, सॉफ्टवेयर अपलोड, गोपनीय सूचना की अवैध रूप से प्राप्ति आदि अथवा निरूद्देश्य कार्य।

अन्य खतरेः जैसे बड़े पैमाने पर बिजली आपूर्ति ठप्प हो जाना और सूचनाओं तथा संचालन नियमितता

***बॉक्स* 7**

प्रभाव विश्लेषणः व्यापार प्रभाव विश्लेषण दस्तावेज तैयार करने से सूचना संपत्तियों के साथ उनके महत्व की गंभीरता और संवेदनशीलता का पता चलता है। इसके अलावा ऐसे विश्लेषण से व्यापार की नियमितता और अक्सर समझौता करने से होने वाले नुकसान तथा व्यापार की नियमितता पर गहरा प्रभाव छोड़ता है।

***बॉक्स* 8**

सूचना सुरक्षा नियंत्रणों पर एक दृष्टिक्षेप

1. सूचना व्यवस्थाओं के संरक्षण के लिये तैयार किये गये तंत्र का संरक्षण
2. समस्याओं की पहचान के लिये नियंत्रणों की खोज
3. पहचान की गयी समस्याओं के समाधान के लिये पूर्ण क्षमता के साथ नियंत्रणों की मरम्मती अवांछनीय घटनाओं को टालने के लिये नियंत्रण

प्रभावी दावा निपटारा प्रक्रिया

- समय की मांग

एंटोनी जैकोब कहते हैं कि मुश्किलों एवं कठिनाइयों को दूर करते हुए बीमा कंपनियों को दावों के निपटारे को आसान बनाना चाहिए।

जब आप एक बीमा पॉलिसी खरीदते हैं तो कंपनी के दावा निपटारा करने प्रक्रिया के बारे में आप सबसे पहले जानना चाहते हैं।

पारदर्शिता एवं तेजी जिसके साथ कंपनियाँ दावों का निपटारा करती है, यह देखा जाता है।

प्रतियोगी कंपनी दावों का निपटारा किस प्रकार करती है, यह कंपनी की साख पर काफी प्रभाव डालता है। बीमा-कर्ता की पूरी साख क्लेम के निप-टारे के समय ही सामने आती है। इस समय ग्राहक बीमा कंपनी से पूर्ण सह-योग की अपेक्षा रखता है, क्योंकी एजेंट द्वारा भी ग्राहक को प्रारंभ में यह बताया गया था कि क्लेम का निपटारा आसानी से हो जाएगा तथा हम बहुत ही आसान प्रक्रिया अप-नाते हैं। परन्तु यदि क्लेम के निपटारे के वक्त बीमा कंपनी ने थोड़ी सी भी ढिलाई बरती तो ग्राहक स्वयं को गा सा महसूस करता है, क्योंकि उसने अपना पैसा लगाया है, और उसे अपने पैसे की पूरी कीमत चाहिए।

गैर जीवन बीमा कंपनियों से संबं-धित 2000 से अधिक लिखित शिका-यतें तथा 1500 से अधिक फोन कॉल्स प्राप्त हुए हैं। हम आई आर डीए में ग्राहकों की शिका-यतों का निप-टारा करते हैं तथा हम यह समझते हैं कि क्लेम के निपटारे के वक्त एक ग्राहक की क्या अपेक्षा रहती है। सभी ग्राहक लगभग

यही कहते हैं कि बीमा बेचते समय तो बीमा कंपनी ने काफी उत्सुकता दिखाई, परन्तु जब क्लेम के निपटारे का समय आया तो सारी उत्सुकता धरी की धरी रह गई।

मैं जो यहाँ लिख रही हूँ, वो शिकायत निपटारा अधिकारी के रुप में मेरे स्वयं के अनुभव हैं। यह ध्यान रखने योग्य बात है कि मैनें जो ऊपर शिकायतों के बारे में लिखा है, वो प्राप्त शिकायतों का एक भाग मात्र है। बीमा उद्योग इससे कहीं अधिक शिकायतें रखता है। ग्राहक के पास अपनी शिका-यतें दर्ज कराने के लिए कई चैनल्स हैं, जिनमें आई आर डीए का शिकायत निपटारा प्रकोष्ठ, ओम्बड्समेन, उपभोक्ता अदालत तथा अन्य ज्युडिसियल चैनल्स हैं।

यदि एक शिकायतकर्ता बाहरी श्रोतों से याचना करता है (बीमाकर्ता के अलावा) तो यह इस तथ्य को इंगित करता है कि उस व्यक्ति को बीमा कंपनी में अब कोई विश्वास नहीं रह गया है या फिर उसे वहाँ से कोई उत्तरदायी जवाब नहीं मिला है, शिकायत का निपटारा तो दूर की बात है। कई बार ऐसा भी होता है कि जब तक बाहर शिकायत न की जाए, बीमाकर्ता ग्राहक की समस्या को समस्या ही नहीं समझता है। बीमाकर्ता के लिए यह आवश्यक है कि शिकायतों के निपटारे के लिए एक प्रकोष्ठ का निर्माण किया जाए तथा इसके प्रक्रिया की जानकारी ग्राहकों को दी जाए।

प्राय: सभी शिकायतों को पढ़ने से हमें इस बात का पता चलता है कि ग्राहक यह जानना चाहते हैं कि उनका क्लेम को लेकर एक विशेष निर्णय क्यों लिया गया है, चाहे यह क्लेम की उपेक्षा करना हो या फिर दिए जाने वाले क्लेम में कटौती। कई लोग नहीं जानते की बीमा क्षेत्र में किस प्रकार से कार्य होता है जैसे की वारंटी, शर्तें एवं नियम क्या क्या हैं? यह जरुरी है कि बीमा बेचते समय ग्राहकों को सभी तथ्यों की पूर्ण एवं सही जान-कारी प्रदान की जाए। पारदर्शिता लाकर ही ग्राहकों का विश्वास जीता जा सकता है।

हमें कई शिकायतें ऐसी मिली है जहाँ ग्राहकों को शर्तों एवं नियम की पूर्ण जानकारी नहीं दी गई थी। ऐसी शिकायतें काफी मात्रा में मिलती है। ग्राहकों के क्लेम का निपटारा नहीं किया जाता है।

कई बार क्लेम में कटौती भी की जाती है। ग्राहक के पास वाद-विवाद करने के लिए इतना समय नहीं होता है तथा साथ ही उनके पास क्षमता भी नहीं होती है। मैनें एक आदमी को देखा जिसने उसकी मेडीक्लेम पॉलिसी

प्रमुख शिकायत यह रहती है कि ग्राहकों को क्लेम के समय सही तरीके से गाइड नहीं किया गया या उनकी बात नहीं सुनी गई।

के क्लेम में से 49 रुपये काटे जाने पर कड़ी आपत्ति प्रकट की। उसे 49 रुपये काटे जाने की इतनी चिंता नहीं थी, उसे आपत्ति इस बात से थी की बीमा कंपनियों के कर्मचारियों द्वारा यह कहा गया कि तुम्हें कम से कम बाकी रुपये तो मिल गए, तुम्हें इससे खुश होना चाहिए। उस आदमी ने अपना काफी समय लगाया और अंत में उसकी जीत हुई।

गलत अंडरराइटिंग की भी काफी शिकायतें आ रही हैं। अंडरराइटिंग में गलती माने बिना वे लोग पॉलिसी की वर्डिंग्स के अनुसार ही प्रक्रिया अपनाते हैं। ऐसी भी शिकायत प्राप्त हुई है। इस शिकायतकर्ता को तेज बुखार हुआ था, परन्तु मेडीक्लेम पॉलिसी होने के बावजूद उसे अस्पताल का खर्च देने से मना कर दिया गया क्योंकि उसने अपने प्रोपोजल फॉर्म में यह उल्लेख कर दिया था कि एक बार उसे तेज बुखार एवं डिहाइड्रेशन के लिए एक सप्ताह के लिए अस्पताल में भर्ती किया गया था। ऐसी शिकायतें उन लोगों को सिग्नल प्रदान करती है जो पॉलिसी लेने वाले हैं तथा फिर वे अपने कुछ जरुरी तथ्य प्रोपोजल फॉर्म में छिपाने लगते हैं।

खासकर कई ग्राहकों को यह जानकारी नहीं होती है कि उनकी पॉलिसी गलत हो सकती है, यदि वे कुछ आवश्यक तथ्यों को छिपाते हैं या छिपाने की कोशिश करते हैं। फिर जब उनका क्लेम नहीं दिया जाता है, तो वे स्वयं को गा सा महसूस करने लगते हैं। इसलिए ग्राहकों को बीमा बेचते समय ही इसके सभी नियमों एवं शर्तों के बारे में बता देना चाहिए। यदि ऐसा किया गया तो शिकायतों की संख्या आधी हो जाएगी।

संभा-वित: प्रमुख शिकायत यह रहती है कि ग्राहकों को क्लेम के समय सही तरीके से गाइड नहीं किया गया या उनकी बात नहीं सुनी गई। बीमा कंपनियों को इस बात पर विशेष ध्यान देना चाहिए कि शिकायत निवारण सिस्टम ग्राहकों के समक्ष हो ताकि उन्हें पता चले कि कहाँ शिकायत करनी है। आई आर डीए का शिकायत निवारण प्रकोष्ठ, बीमा ओम्बड्समेन, उपभोक्ता अदालत तथा अन्य ज्यूडिसियल संस्थाएँ ग्राहकों की शिकायतों का निपटारा करते हैं तथा साथ ही बीमा कंपनियों को यह बताते हैं कि उनके उत्पादों में क्या क्या खामियाँ हैं।

लेखक **रायल सुन्दरम अलियोस कंपनी** में प्रबन्ध निदेशक हैं।

केन्द्रीय मुद्दे

दावेदार का दबाव

- जीवन बीमा दावों का एक नजरिया

शिवा बेलावदी कहते हैं कि एक बीमाकर्ता की सफलता इसमें है कि ग्राहकों को किए गए वायदों को पुरा करे। और इसके लिए सर्वोत्तम यह है कि क्लेम का निपटारा सही तरीके से किया जाए।

क्लेम प्रक्रिया को बीमा प्रक्रिया में बीमा चक्र के अंत के रुप में जाना जाता है। पर क्या बीमा कंपनियाँ इसे सही तरीके से पुरा कर पाती है? क्या ग्राहकों के हितों का पुरा ध्यान रखा जाता है? क्या उनके क्लेम का निपटारा आसानी से एवं समय पर किया जाता है? बीमाकर्ता की पूरी साख क्लेम के निपटारे के समय ही सामने आती है। इस समय ग्राहक बीमा कंपनी से पूर्ण सहयोग की अपेक्षा रखता है, क्योंकी एजेंट द्वारा भी ग्राहक को प्रारंभ में यह बताया गया था कि क्लेम का निपटारा आसानी से हो जाएगा तथा हम बहुत ही आसान प्रक्रिया अपनाते हैं। परन्तु यदि क्लेम के निपटारे के वक्त बीमा कंपनी ने थोड़ी सी भी ढिलाई बरती तो ग्राहक स्वयं को गा सा महसूस करता है, क्योंकि उसने अपना पैसा लगाया है, और उसे अपने पैसे की पूरी कीमत चाहिए।

बीमाकर्ता को सबसे पहले ग्राहकों की जिज्ञासाओं का समाधान करना चाहिए। ग्राहकों को पॉलिसी की टर्मस् की पूर्ण जानकारी देने से ग्राहक पॉलिसी को बेहतरीन तरीके से समझ सकेगा और भविष्य में इसका लाभ कैसे उठा सकते हैं, ये जान सकेगा। बीमा बेचने को 'ट्रांसफर ऑफ एन्थुजियाज्म ' की संज्ञा दी गई है। इसकी प्रोसेस प्रोफाइल दर्शाती है कि यह कुछ मात्रा में उत्पाद, उत्पाद ज्ञान, मनौविज्ञान, आंतरिक संवाद, सलाह तथा परिवर्तन को स्वयं में सम्मिलित करती है।

यह कुछ तथ्यों को प्री-सपोज करती है। वह यह है कि ट्रांसफरर एन्थुजियाज्म को प्रथम स्थान देता है। अंडरलाइंग उत्पाद उसमें एन्थुजियाज्म पैदा करता है। वह इसे एक अनुकुल ग्राहक को सफलतापूर्वक बता सकता है तथा वह वित्तीय रुप से, व्यवसायिक एवं सामाजिक रुप से सदैव मोटिवेटेड एवं अपडेटेड रहता है।

बाजार को बनाने के लिए रिटेलिंग अच्छा माध्यम हो सकता है। लोगों तक पहुँचने के लिए बीमा को काफी मजबूत आंतरिक संरचना एवं प्रशिक्षित बीमा एजेन्टों की जरुरत है, जो ग्राहकों को उत्पादों की सही जानकारी दे सके। बीमा मध्यस्थ जिनमें एजेन्ट एवं ब्रोकर शामिल हैं, बीमा के बारे में जागरुकता बढ़ाते हैं तथा साथ ही व्यक्ति, परिवार एवं कोरपोरेट को सही बीमा का चयन करने में मदद करते हैं। आने वाले प्रतियोगी वातावरण मे सफलता प्राप्त करने के लिए किसी भी बीमा कंपनी को प्रशिक्षित एवं उच्च मोटिवेटेड एजेन्सी फोर्स की आवश्यकता है।

> बाढ़ हो, भूकंप हो या फिर सुनामी, बीमा कंप-नियों को नई योज-नाओं पर विचार करना होगा ताकि लोगों को इन दुखद समय में बीमा का कुछ लाभ मिल सके।

एक प्राकृतिक विपदा का परिणाम काफी भयानक हो सकता है। जिंदगी की तबाही, संपत्तियों का नुकसान, आय का नुकसान साथ ही अन्य अतिरिक्त खर्चे, इन सभी पर प्राकृतिक विपदा का काफी असर पड़ता है। अभी हाल ही में दक्षिण भारत में सुनामी ने कहर बरपाया। यह एक ऐसा मंजर था जैसे भग-वान ने ग्लोब के एक हिस्से पर अचानक युद्ध प्रारंभ कर दिया था। सुनामी का यह प्रकोप इतनी आसानी से नहीं भुलाया जा सकता है। यह एक कल्पना के परे दृश्य था, समुद्र ने सब कुछ अपने अंदर निगल लिया। इस प्रकोप से हुई हानि की भरपाई होने में काफी समय लग जाएगा तथा साथ ही काफी धन भी लगेगा। अंतर्राष्ट्रीय बीमा समाज ने इस प्रकोप को काफी गंभीर माना है। बीमा कंपनियों को इस विपदा में मरे लोगों को 500 मिलियन डॉलर से अधिक देने पड़े हैं। जहाँ बीमाधारक के छोटे समाज में जोखिम जागरुकता की कुछ कमी देखी गई, जो लोग इसके प्रति जागरुक थे, उन्होंने लोगों को इसके बारे में कुछ बताने में भी कोई रुचि नहीं दिखाई। बाढ़ हो, भूकंप हो या फिर सुनामी, बीमा कंपनियों को नई योजनाओं पर विचार करना होगा ताकि लोगों को इन दुखद समय में बीमा का कुछ लाभ मिल सके। बीमा को इसके लिए अपने जोखिम प्रबंधन में भी काफी बदलाव करना होगा।

तबाही के बाद लोगों की निगाहें सीधे बीमाकर्ता की ओर जाती है। लोग यह समझते हैं कि बीमा कंपनियाँ उन्हें नुकसान से बचा सकती है तथा वे लोग अपने द्वारा कराई गई बीमा रकम की प्रतीक्षा करने लगते हैं। प्राकृतिक विपदा की परिस्थिति में लोगों की मदद के लिए तत्काल कार्य करने वाली बीमा कंपनी बाजार में अपनी साख को बढ़ाती है तथा साथ ही बीमा उद्योग को भी बढ़ावा मिलता है। क्या बीमा कंपनियाँ उन उम्मीदों पर खरी उतर पाती है? एक बीमाकर्ता को तबाही के समय न सिर्फ लोगों को बीमा की रकम उपलब्ध कराने में जल्द से जल्द मदद करनी चाहिए, बल्कि यह उपाय भी किया जाना चाहिए कि यह सरलता से संपन्न होना चाहिए। इसके लिए बीमाकर्ता को पर्याप्त योजना तैयार करनी होगी।

वे लोग जिन्हें भारत में बीमा विकास के चरणों के बारे में जरा सा भी याद है, उन्हें ज्ञात होगा कि, दंगों एवं हड़ताल के लिए किया गया बीमा कवर फायर पॉलिसी पर ही अतिरिक्त प्रीमियम था। कई बीमाधारकों ने इसे क्रय नहीं किया क्योंकि बीमा को एक अति-रिक्त खर्चे के रुप में देखा जाता था न कि वित्तीय सुरक्षा की नजर से। देश में लगा-तार दंगे होने लगे। कई दुकानें एवं घरों को लुकसान पहुँचाया गया, इनमें से कई का रिस्क कवर नहीं था। तब सरकार के आदेश से इसे फायर कवर के साथ जोड़ा गया। इसके लिए फायर पॉलिसी को परिवर्तित किया गया। जब पंजाब एवं उत्तर-पूर्वी देशों में आतंकवाद सिर चढ़कर बोलने लगा तो बगैर किसी अतिरिक्त प्रीमियम के इसे फायर कवर के साथ जोड़ दिया गया। 11 सितम्बर की घटना के पश्चात इस योजना को हटा लिया गया और बीमा धारक को इस योजना का फायदा उठाने के लिए अतिरिक्त प्रीमियम देने को कहा गया। इससे बीमाघारकों को काफी धक्का पहुँचा और उन्हें लगा कि बीमा कांट्रेक्ट को क्या इस प्रकार आसानी से तोड़ा जा सकता है। अत: इसकी विश्वसनीयता पर सवाल उठने शुरु हो गए। मार्च 2001 तक बाढ़ एवं चक्रवात से हुए नुकसान के लिए फायर पॉलिसी पर ही अतिरिक्त प्रीमियम दिया जाता था। मार्च 2001 से इसे फायर प्रीमियम के साथ ही शामिल कर लिया गया, यानि अतिरिक्त प्रीमियम देने की आवश्यकता नहीं रही। यहाँ बीमाकर्ता ने अपने बीमाधारकों की सुरक्षा एवं फायदे को ध्यान में रखा ताकि हर किसी को वित्तीय सुविधा मुहैया करवायी जा सके। इस प्रकार समाज को इसका फायदा मिलना प्रारंभ हो गया। सुनामी आने का प्रमुख कारण भूकंप है। तो क्या इसका कवर सिर्फ उन लोगों को मिलना चाहिए, जिन्होंने भूकंप के लिए कवर लिया हुआ है। जो लोग बाढ़ के लिए कवर कराए हैं, उन्हें क्या मिलेगा। क्यों नही प्राकृतिक विपदाओं से हुई हानि को एक ही वर्ग में रखा जाए। हानि चाहे बाढ़ से हुई हो, या फिर भूकंप से, या ज्वालामुखी के फटने से या फिर अन्य प्राकृतिक आपदा। इनके लिए एक ही बीमा कवर होना चाहिए।

विपत्ति ाने के बाद जितनी जल्दी उससे बचने के उपाय किए जाएँ, उतना ही अच्छा है। एक बीमाकर्ता के पास उस समय बीमा के सारे दस्तावेज हों, यह आवश्यक नहीं है। बीमा कंपनियों को एक कैंप ऑफिस बनाना होगा। सभी नुकसान का जायजा लेना होगा तथा लोगों को इसकी जानकारी प्रदान करनी होगी। बीमा कंपनी को कार्य विभाजित करने होंगें जैसे वित्तीय प्राधिकरण को क्लेम का निपटारा, सर्वेक्षणकर्ता के सर्वेक्षण पर क्लेम का भुगतान, अन्य बीमा कंपनियों के साथ सहयोग, एजेन्ट, सर्वेक्षणकर्ता तथा कर्मचारियों को दिशा-निर्देश जारी करना, पर्याप्त फंड का इंतजाम ताकि क्लेम का समय पर भुगतान किया जा सके, इत्यादि का बंदोबस्त करना होगा। साथ ही राहत कार्यों का सही संचालन भी आवश्यक है।

टीएसी को भी इस दिशा में काफी कार्य करने होंगे। एक आम आदमी किस प्रकार जाने कि उसके लिए कौन सा कवर उप-युक्त है।

पिछले सालों में अग्नि से हुई दुर्घटनाओं के क्लेम में कमी आई है और इसलिए प्राकृतिक विपदाओं को इसमें शामिल करने से बीमा कंपनियों को इससे किसी प्रकार के नुकसान होने की संभावना नहीं है। अत: यह भूकंप है या फिर बाढ़, इसके बारे में वाज-विवाद करने से अच्छा है कि इसके कानूनी पक्ष की ओर ध्यान दिया जाए।

यदि इन आधारों पर बीमाकर्ता क्लेम का भुगतान करने से मना कर दे तो क्या इससे बीमा कंपनियों की साख पर कोई असर नहीं पड़ेगा? आज बीमा कंपनियां इस बारे में ज्यादा बात नहीं कर रही है। वे लोग जिन्होंने बाढ़ का कवर लिया हुआ है, उन्हें क्लेम का भुगतान नहीं किया जा रहा है। बाजार को इस पर अपनी प्रतिक्रिया देनी होगी। और जितनी जल्दी यह होगा उतना ही बीमा कंपनियों एवं बीमा क्षेत्र के लिए फायदेमंद होगा।

टीएसी को भी इस दिशा में काफी कार्य करने होंगे। एक आम आदमी किस प्रकार जाने कि उसके लिए कौन सा कवर उपयुक्त है। भारत में प्राकृतिक आपदाएँ काफी सजग है और कभी भी देश के किसी भी कोने में इसका सामना करना पड़ सकता है, चाहे वह गुजरात का भूकंप हो या फिर हाल ही में सुनामी की वजह से हुई तबाही। जान-माल का नुकसान का आंकलन करना काफी कठिन कार्य है, और टीएसी इस जोखिम का आंकलन करना होगा ताकि भविष्य में आम जनता को इन नुकसान से हुई भरपाई मिल सके और वे उन्नत जीवन बीता सकें। केवल जोखिम का आंकलन करना ही महत्वपूर्ण नहीं है। यह भी तय करना होगा कि पीड़ित लोगों को यह सहायता तत्काल मिल सके। इसमें देर लगने से इसका वह फल नहीं मिल पाएगा जो मिलना चाहिए।

लेखक मेटलाइफ इंश्योरेंस कंपनी प्राइवेट लिमिटेड, बैंगलोर में निदेशक-क्लेम के पद पर कार्यरत हैं।

केन्द्रीय मुद्दे

वायदे एवं किए गए कार्य

- क्लेम में अंतर्द्वंद

जी.वी. राव कहते हैं कि ग्राहक तक पहुँचने की लगन तथा उसे एक भावुक एहसास देना, एक अच्छा व्यापार दे सकता है।

क्या बीमाकर्ता अपने वायदों को पुरा करते हैं?

बीमाकर्ता पॉलिसी इश्यू करने के समय अपने ग्राहक को वायदा करता है कि किसी दुर्घटना या आपातकालिन स्थिति में वह बीमाधारक को वित्तीय सुविधा प्रदान करेगा तथा ये वायदे विभिन्न प्रकार से किए जाते हैं। पर वास्तविक स्थिति तब सामने आती है, जब बीमाधारक क्लेम माँगता है। इसकी प्रक्रिया जो काफी जटिल होती है तथा रिजेक्शन के भी चांस रहते हैं। क्या इस प्रतियोगी बाजार में ऐसे में बीमा कंपनियां अपने ग्राहकों को बेहतर सेवाएँ दे पा रही है?

यह अंतर्द्वंद क्या है?

बीमाकर्ता एवं ग्राहक या क्लेमकर्ता का **अंतर्द्वंद** तब सामने आता है जब क्लेम की कठिन प्रक्रिया सामने आती है। इसकी जटिल प्रक्रिया तथा रिजेक्शन के भी चांस रहते हैं। एक ग्राहक इस समय स्वंय को ठगा सा महसूस करता है।

ग्राहक की मानसिकता

ग्राहक जब एक बीमा कवर खरीदता है तो वह इसमें किए गए वायदों को अच्छी तरह नही पढ़ता है बल्कि उत्पाद की कीमत पर अधिक ध्यान लगाता है। यह देखा गया है कि सिर्फ 20प्रतिशत ग्राहक ही कवर लेने से पूर्व क्लेम प्रक्रिया के बारे में जानना चाहते हैं। पर जब क्लेम का समय आता है तो उन्हें कठिनाइयोव का सामना करना पड़ता है और वास्तविकता सामने आती है।

बीमाकर्ता की मानसिकता

कुछ क्लेम ऐसे होते हैं जिनमें टर्म्स एवं कवरेज को ध्यान में रखा जाता है तथा कुछ क्लेम ऐसे होते हैं जिनमें भुगतान किए जाने वाली क्लेम राशि को ध्यान में रखा जाता है. बीमाकर्ता प्राय: इन दो मामलों में ग्राहक को भ्रमित करते हैं। कुछ क्लेम ऐसे होते हैं, जो टेक्टिकल कारणों से लंबे समय तक टाले जाते हैं।

हमारे विचार

किसी कंपनी की वित्तीय स्थिति तथा निवेश पोर्टफोलियो काफी महत्वपूर्ण है तथा यह भी देखा जाना चाहिए कि बाजार में इसकी क्या प्रतिक्रिया रहती है। विनियामक इसमें काफी महत्वपूर्ण भूमिका अदा कर सकता है। यदि विनियामक को एक तरफ बौद्दिक निरी-क्षण एवं दुसरी तरफ बीमा बाजार के विकास का कार्य एक संतु-लन के आधार पर दिया जाए, तो यह काफी सफल हो सकता है। बीमा बाजार का विकास एवं बीमा बाजार का निरीक्षण, ये दोनो कार्य आई आर डीए को एक साथ प्रदान किए गए हैं, और यह सर-कार का एक उचित कदम है। पिछले पाँच वर्षों में जब बीमा क्षेत्र में काफी कुछ परि-व-र्तन हुआ है, तथा

> इन दुर्घटनाओं को देखते हुए भारत में वाहन बीमा को लाया गया तथा आज यह देश में कुल जनरल बीमा कारोबार का एक तिहाई भाग कवर करता है।

साथ ही आई आर डीए के निरीक्षण एवं मार्गदर्शन में नए अवसर पैदा हुए हैं, यह प्रयोग काफी उचित प्रतीत हो रहा है।

भारतीय रोड पर वाहनों की संख्या में दिन-प्रतिदिन काफी संख्या में वृद्दि हो रही है। रोड नेटवर्क में काफी विस्तार हुआ है, पर इनकी हालत अभी तक जैसी की तैसी ही है। वाहनों की संख्या में वृद्दि के साथ ही वाहन चालकों की संख्या में भी वृद्दि हुई है। कई वाहन चालक लाइसेंस प्राप्त करने के सही मापदंडों को नहीं अपनाते हैं, और यह सही नहीं है। एक बार लाइसेंस प्रदान किए जाने के बाद भी वाहन चालकों को वाहन चलाने के सही तरीके सीखाने की भी कोई व्यवस्था नहीं है। लोगों को यातायात संबंधित नियमों की भी पूर्ण जानकारी नहीं है। इससे सड़क दुर्घटनाओं में वृद्दि हो रही है तथा काफी संख्या में लोग मर रहे हैं। पिछले साल कुल 3.5 लाख सड़क दुर्घटनाओं के मामले दर्ज किए गए जिनमें 1 लाख काफी नाजूक थे।

सबसे अधिक संख्या में सड़क दुर्घटनाएं व्यावसायिक वाहनों के कारण होती है, खासकर सामान ले जाने वाले वाहन या फिर बस। अपने आकार एवं अनियमितता के कारण जनता को इनसे काफी परेशानियों का सामना करना पड़ता है। अन्य वाहनों के कारण भी दुर्घटनाओं की संख्या में वृद्दि देखने को मिल रही है। ओवर लोडिंग, ओवर स्पीडिंग, वाहनों की सही देखभाल नहीं, यातायात नियमों की पूर्ण जानकारी नहीं, तथा साथ ही सड़कों की बुरी स्थिति, इन दुर्घटनाओं के लिए जिम्मेदार हैं।

इन दुर्घटनाओं को देखते हुए भारत में वाहन बीमा को लाया गया तथा आज यह देश में कुल जनरल बीमा कारोबार का एक तिहाई भाग कवर करता है। फिर भी इसमें घाटा देखने को मिल रहा है तथा इसमें थर्ड पार्टी सेगमेंट सबसे खराब है।

मोटर वाहन एक्ट, जो उन लोगों को बीमे की रकम उपलब्ध करवाता है, जिनके साथ कोई दुर्घटना हुई है, तथा यह इन लोगों के लिए काफी लाभकारी भी है। गलती करने वाले का असीमित उत्तरदायित्व तथा उसका कोई निर्धारण नहीं एवं दावे को फाइल करने के लिए कोई समय सीमा निर्धारित न होना बीमाकर्ता को काफी मुश्किल में डालता है। बीमाकर्ता की मुश्किलें हैं, हो रहे दावों की संख्या में बढ़ोतरी, बढ़ते हुए दायित्व और दावों के निपटारे में देरी। इन सबके कारण बीमाकर्ता इन दावों के निपटारे के लिए कई नए तरीके अपना रहे हैं, फिर भी सभी दावों का निपटारा नही किया जा सक रहा है। हर साल दावों की संख्या में काफी वृद्दि हो रही है।

अदालत ने यह दिशा-निर्देश जारी किए हैं कि दावों का सही एवं तुरंत निपटारा किया जाए। आम जनता यह सोचती है कि सही या गलत किसी भी तरीके से बीमाकर्ता से बीमे की रकम वसूली जी सकती है। मगर आम जनता को यह मालूम नहीं है कि यह थर्ड पार्टी के माध्यम से होता है तथा बीमाकर्ता का इस पर कोई अधिकार नहीं है। कई बार अदालतें जनता के हित को ध्यान में रखकर उन्हें बीमाकंपनियों से जुर्माना तक दिलवा देती है।

प्रीमियम कम है, और उत्तरदायित्व एवं दावों की संख्या ज्यादा है। दुर्घटना बीमा के दावे के समय पुलिस फाईल दिखाना अनिवार्य है। तभी इन दावों का निपटारा हो सकता है। कई लोग गलत तरीकों से बीमा की रकम वसुलने की कोशिश करते हैं। लोग यह सोचते है कि सही या गलत किसी भी तरीके से बीमाकर्ता से बीमे की रकम वसूली जी सकती है।

मोटर बीमा अभी तक काफी समस्याओं का सामना कर रहा है तथा काफी संकट से जुझ रहा है। उदारवादी अर्थव्यवस्था के आने के बाद इसकी मुश्किलें और भी बढ़ी है। वितरण चैनल्स में ब्रोकरों के आ जाने से उद्योग को अतिरिक्त धन की आरश्यकता पड़ रही है। क्या इन ब्रोकरों के आ जाने से बाजार को कुछ विकास हासिल होगा। ग्राहकों की रुचि भी कम होती जा रही है। क्या इसमें लाभ में बढ़ोतरी होगी। क्या शेयर बाजार इसका एक समाधान है। क्या उदारवादी अर्थव्यवस्था को तेजी में लाया गया। क्या इसके लिए और अधिक बाजार अध्ययन की जरुरत नहीं थी। क्या इससे उत्पन्न होने वाली हर समस्याओं का हल पहले से तैयार कर लिया गया है।

वितरण चैनल्स हो या फिर ब्रोकर आम जनता में जोखिम जागरुकता को महसुस नहीं किया गया है। फायर, अग्नि एवं मैरिन सेगमेंट में आई कमी यह दर्शाती है कि उदारवादी अर्थव्यवस्था से बीमा कंपनियों को ही फायदा पहुँचा है न कि आम जनता को। कई नए उत्पादों के बाजार में आने के बाद भी किसी भी बीमाकर्ता ने वह सफलता हासिल नहीं की है जो नए उत्पाद को लाने के बाद प्राप्त होनी चाहिए थी।

आई आर डीए की विकास नीति अपना रुप ले रही है तथा साथ ही बीमा उद्योग इसका लाभ उठा रहा है। पिछले दशकों में बीमा उद्योग निरंतर विकास की ओर अग्रसर है और इसका भविष्य काफी सुनिश्चित है। उदारीकरण के पश्चात निजी बीमा कंपनियां अस्तित्व में आई और इससे बाजार में प्रतियोगिता आई, जिससे हर बीमा कंपनियां ग्राहकों को बेहतरीन सुविधाएँ मुहैया कराने के लिए जुटी हुई है। प्रधिकरण बाजार में मौजुद समस्याओं के निदान के लिए कदम उठा रहा है, ताकि आम जनता का बीमा उद्योग पर विश्वास कायम किया जा सके।

फिर मध्यस्थों का इश्यू सामने आता है। उनके लिए बाजार संचालन किस प्रकार से तैयार किया जाए। इसके लिए एक समिति का गठन किया गया। कुछ परिवर्तन भी किए गए तथा कई अन्य मुद्दे भी जल्द ही सुलझा लिए जाएंगों।

निजी बीमा कंपनियों के आने से पूर्व भारतीय जीवन बीमा बाजार काफी पिछड़ा हुआ था तथा सिर्फ भारतीय जीवन बीमा निगम का ही बाजार पर एकाधिकार था। बीमा उत्पादों का बाजार में भेदन सिर्फ 19 प्रतिशत था। एल आई सी टैक्स प्लानिंग साधन के रुप में बीमा उत्पादों को बेचा करता था ना कि एक ऐसे उत्पाद के रुप में जो भविष्य में सुरक्षा प्रदान करेगा। उत्पादों में कोई लचीलापन या पारदर्शिता नहीं थी। निजी बीमा कंपनियों के आने के पश्चात सारा गेम परिवर्तित हो गया। आज भारतीय बाजार में निजी क्षेत्र की 13 बीमा कंप-नियाँ है तथा बाजार में इनकी भागीदारी 13 प्रतिशत है। तथा साथ ही इनके प्रीमियम में लगातार वृद्दि देखने को मिल रही है।

> निजी बीमा कंपनियों के आने से पूर्व भारतीय जीवन बीमा बाजार काफी पिछड़ा हुआ था तथा सिर्फ भारतीय जीवन बीमा निगम का ही बाजार पर एकाधिकार था।

सभी ग्राहक लगभग यही कहते हैं कि बीमा बेचते समय तो बीमा कंपनी ने काफी उत्सुकता दिखाई, परन्तु जब क्लेम के निपटारे का समय आया तो सारी उत्सुकता धरी की धरी रह गई। यदि एक शिकायतकर्ता बाहरी श्रोतों से याचना करता है (बीमाकर्ता के अलावा) तो यह इस तथ्य को इंगित करता है कि उस व्यक्ति को बीमा कंपनी में अब कोई विश्वास नहीं रह गया है या फिर उसे वहाँ से कोई उत्तरदायी जवाब नहीं मिला है, शिकायत का निपटारा तो दूर की बात है। कई बार ऐसा भी होता है कि जब तक बाहर शिकायत न की जाए, बीमाकर्ता ग्राहक की समस्या को समस्या ही नहीं समझता है। बीमाकर्ता के लिए यह आवश्यक है कि शिकायतों के निपटारे के लिए एक प्रकोष्ठ का निर्माण किया जाए तथा इसके प्रक्रिया की जानकारी ग्राहकों को दी जाए।

प्राय: सभी शिकायतों को पढ़ने से हमें इस बात का पता चलता है कि ग्राहक यह जानना चाहते हैं कि उनक् क्लेम को लेकर एक विशेष निर्णय क्यों लिया गया है, चाहे यह क्लेम की उपेक्षा करना हो या फिर दिए जाने वाले क्लेम में कटौती। कई लोग नहीं जानते की बीमा क्षेत्र में किस प्रकार से कार्य होता है जैसे की वारंटी, शर्तें एवं नियम क्या क्या हैं? यह जरुरी है कि बीमा बेचते समय ग्राहकों को सभी तथ्यों की पूर्ण एवं सही जानकारी प्रदान की जाए। पारदर्शिता लाकर ही ग्राहकों का विश्वास जीता जा सकता है।

हमें कई शिकायतें ऐसी मिली है जहाँ ग्राहकों को शर्तो एवं नियम की पूर्ण जानकारी नहीं दी गई थी। ऐसी शिकायतें काफी मात्रा में मिलती है। ग्राहकों के क्लेम का निपटारा नहीं किया जाता है।

कई बार क्लेम में कटौती भी की जाती है। ग्राहक के पास वाद-विवाद करने के लिए इतना समय नहीं होता है तथा साथ ही उनके पास क्षमता भी नहीं होती है। ट्राइब्यूनल कोर्ट भी मोटर बीमा के दावों के निपटारे में अपनी भूमिका अदा कर सकती है। कई बार ये मामलें बीमाकर्ता के नियंत्रण से बाहर हो जाते हैं। तथा वो उन्हें संभालने की स्थिति में नहीं होता है। और इन सबका प्रमुख कारण हो सकता है गलत दावे। इनका सही निर्धारण काफी आवश्यक है।

लेखक, **पूर्व सी एम डी ओरियन्टल इन्सूरेन्स कंपनी।**

Report Card: GENERAL

G. V. Rao

16.5 percent business growth in April 2006

This column has been regularly dealing with the monthly premium growth of various non-life industry players each month, as also their status on their premium completion at the end of the cumulative period in the financial year. Questions do get asked, whether the premium growth is the only measure of judging the total performance of each player to the exclusion of other performance parameters. Of course not: but premium growth does indicate the changing trends of the market development for each player; and more so in a predominantly tariff market, with prices pre-determined for all. Premium growth trends also reflect the market buoyancy, and it is a societal barometer of the customers' interests in this sector.

Also, every non-life industry player has been stressing a lot on premium growth and market share, and every player wants its unit offices to go after business, whose profit realization is known only later. The premium trends thus do get a lot more of attention; and it has been so in the Indian insurance industry for decades. The top line has counted a lot more than the bottom line that gets only reported once annually. It will, no doubt, be a lot more interesting to report on portfolio trends and profitability, as it would identify specifically the market forces driving the growth factors. May be

GROSS PREMIUM UNDERWRITTEN FOR AND UP TO THE MONTH OF APRIL, 2006

(Rs.in lakhs)

INSURER	PREMIUM 2006-07 APRIL, 2006	PREMIUM 2005-06 APRIL, 2006	GROWTH OVER PREVIOUS YEAR
Royal Sundaram	6507.35	5074.37	28.24
Tata-AIG	10826.88	7723.22	40.19
Reliance General	7026.52	3048.00	130.53
IFFCO-Tokio	12142.88	9660.00	25.70
ICICI-lombard	33050.53	20217.64	63.47
Bajaj Allianz	18264.02	12992.12	40.58
HDFC CHUBB	1589.55	1396.29	13.84
Cholamandalam	3226.81	3571.10	-9.64
New India	60073.00	51418.00	16.83
National	36514.00	38561.00	-5.31
United India	39717.00	38055.00	4.37
Oriental	41364.00	40205.00	2.88
PRIVATE TOTAL	92634.55	63682.74	45.46
PUBLIC TOTAL	177668.00	168239.00	5.60
GRAND TOTAL	**270302.55**	**231921.74**	**16.55**
SPECIALISED INSTITUTION:			
ECGC	4131.18	4813.59	-14.18

Note: Effective October, 2005 the mode of presentation of non life premium numbers stands modified. Since ECGC is providing cover exclusively for credit insurance, inclusion of the business underwritten by it with that of other insurance companies was reflecting an inaccurate position with respect to the industry as a whole. Henceforth premium underwritten by ECGC would be indicated separately.

this will happen sooner than later; now to the monthly performance.

Performance in April 2006:

The new financial year has begun on a sizzling note. April 2006 has seen a premium growth rate of 16.55 percent, whereas the growth rate for the fiscal 2005/06 was 16.2 percent. This indeed is a splendid start for the fiscal 2006/07. The accretion in premium growth is Rs.384 crore over Rs.2319 crore recorded last April. The eight new players have dominated the growth momentum with an accretion of Rs.289 crore (45 percent growth) against Rs.95 crore (5.60 percent) of the four established players.

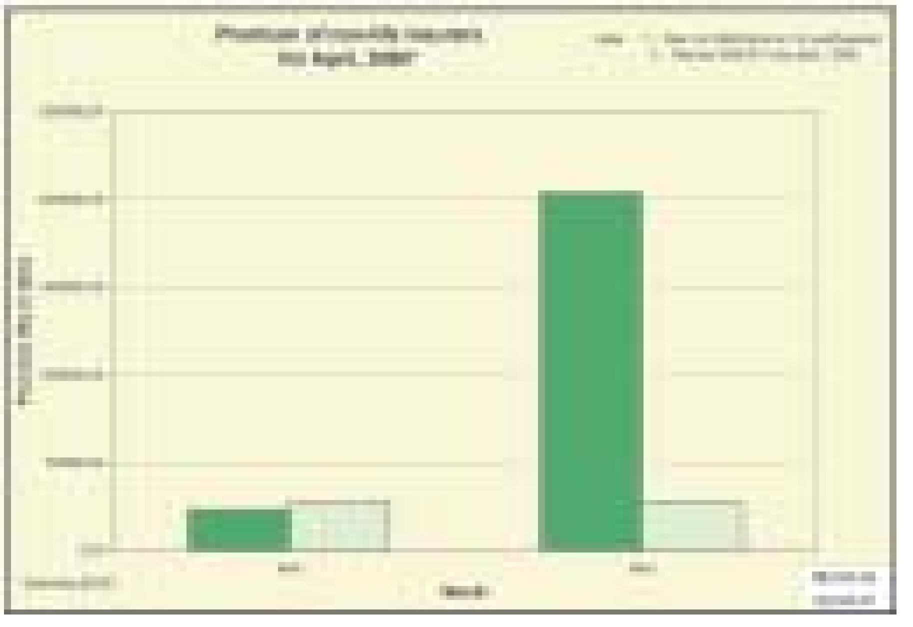
The market share of the new players in April 2006 is at 34 percent; up from 27 percent at the end of March 2006. This trend was forecasted in the last Report Card for March 2006, more likely as an optimistic estimate but now it seems to have hit the bull's eye. Will these growth trends continue?

New players:

ICICI Lombard has continued to outpace others in the market. Its accretion of Rs.128 crore in April 2006 represents over one third of the total accretion of Rs.384 crore for the whole market. That really is staggering and ICICI Lombard seems to be setting up new standards for others in the growth game. Reliance has now emerged as a more determined market player, as its accretion of Rs.40 crore pushes it to the top of the table in the growth percentages (130 percent) for April 2006. Cholamandalum has yet again dropped its renewal premium, a trend that began in March 2006.

Established players:

New India has dominated the premium growth with an accretion of Rs.87 crore out of the total accretion of Rs.95 crore for the four players. The top two players in each sector, New India and ICICI Lombard, have together garnered over 55 percent of the market premium growth in April 2006, between the two of them.



National Insurance has dropped yet another Rs 20 crores in April, an unexpected trend. Both United and Oriental have shown marginal growth rates of four percent and three percent respectively; and have recorded accretions of only Rs.17 crore and Rs.11 crore.

Analysis of trends: Growth for each individual insurer depends upon the diversion of the existing business of others and on harvesting the new business that comes to the market. But the market as a whole has grown by a splendid and healthy 16 percent. That is a big plus for the industry.

The players, who seem to be capitalizing on both, the diversion and harvesting of the new business, are the new players. They are stepping on the growth throttle with more vigour in the current fiscal. The established players seem to be struggling to get out of the vicious band 5 to 7 percent growth rate, despite all their strenuous efforts and huge financial and manpower resources available to them. The market will grow even faster, should they decide to expand the market to cater to more uninsured public. The rural sector has an un-mined huge potential. Micro-insurance regulations provide an opportunity to catch on the growing cash-rich in the rural areas for developing rural markets. Un-served markets and under-served markets are huge. It is only the established players that are better suited for exploiting the future opportunities that are aplenty.

The forces of marketing challenges are getting stronger; and the impending de-tariffing is seen as a sign of trial of financial strength. The real challenge is becoming more customer-savvy and more market-responsive.

The author is retired CMD, The Oriental Insurance Company Ltd. He may be contacted at gvrao70@gmail.com

RISE IN STOCK TRADERS' CLAIMS

The recent bull-run in the stock market had its impact, although indirectly, on the insurance claims. There has been a discernible rise in claims as a result of typographical errors by stock traders, it is reported. The insurance brokers feel the trend was on account of increase in the margin of error.

All stockbrokers have to obtain liability and professional indemnity covers, necessarily. The liability policy provides cover against losses arising from punching errors and infidelity of employees. The stock brokers, however, are also buying add-on covers like third party liability and malfunctioning terminals. The rise in the claims is believed to be on account of the punching errors made during the heavy transactions; and due to the wrong entries in the books of accounts, reportedly.

Standard Premium for Soccer Fans

Football fans (as also cricket fans) from India are being provided insurance cover through internet-based systems where the fans can just log in; and order a trauma insurance that is designed to suit his/her needs and the team that he/she supports, as per reports.

Recently, a football fan was offered a cover that promises payment of more than Rs.8 crore, if England is eliminated from the World Cup in the early rounds; and the fan suffers a resultant trauma. The insurance is believed to have cost the fan an amount of Rs.8,800 app. The Indian fans are also expected to get these covers at the same premium as the others do, reportedly.

DEMAND FOR CROP INSURANCE FOR FARMERS

There is a demand for crop insurance for farmers from Members of Parliament (MPs) belonging to several political parties. They have demanded that the central and the state governments should volunteer to pay the premium for providing the insurance cover, as per reports. Owing to several problems faced by them, the farmers who cannot afford to buy insurance cover against vagaries of nature end up committing suicides, unable to make the ends meet; and hence the need for the subsidized covers.

Apart from providing the covers, insurance companies should also be required to pay the claims through the gram panchayats (village bodies) as per the demand of the MPs. Further, they also demanded that the crop insurance facility should be extended to all types of crops and the claims are to be paid on a priority basis, reports say.

HP Government Weaves a Scheme for Weavers

In a unique gesture, the Government of Himachal Pradesh dedicated to the weavers of the state three insurance schemes namely, Arogya Bima Yojna (Health Insurance Scheme); Mahatma Gandhi Bankar Bima Yojna; and Ekikrit Hathkargha Vikas Pariyojna (Integrated Handloom Development Project).

While dedicating the three schemes to the people of the state, the Industries and Cooperative Minister announced that the scheme would benefit about three lakh weavers in the state. The details of each of the schemes are as follows:

- For a coverage of Rs.50,000 the premium under the Mahatma Gandhi Bankar Bima Yojna would be Rs.330 per year, of which the weaver would be required to pay Rs.50 only. The balance of Rs.250 would be paid by the government and the public sector life insurer.
- The premium for the health insurance scheme would be divided in the ratio of 80:20 between the government and the weaver. This scheme envisages a payment of Rs.15,000 to the family of the weaver for meeting the expenses of pregnancy, child delivery and children's health.
- Under the third scheme, the children of the weavers would get a stipend of Rs.100 per month if they are attending school; and studying in classes IX to 10+2, as per reports.

AFFORDABLE DENTAL INSURANCE ON THE CARDS

Plans are afoot by the Indian Dental Association (IDA) to formulate more affordable dental insurance schemes, it is reported. The vice president of the association is believed to have announced that discussions are on with the finance ministry and insurance companies; and that the policies would be ready by the end of the financial year.

IDA is actually looking at coming out with plans that can be within the reach of the common Indian populace; and also at schemes that would provide coverage against all kinds of dental treatment. The rates to be charged are also under negotiation. There are no exclusive dental insurance schemes presently and most health insurance policies also do not cover general dental treatment costs.

In light of the huge costs associated with dental treatment, it is observed that a person belonging to the middle class would only visit a dentist in case of an extreme need and not on a regular basis. If the bills do not present such a picture of luxury, more people can voluntarily obtain dental care regularly; and that is the purpose that is envisaged under the new schemes. It is proposed to bring under the proposed cover costs of dental cosmetology as well, although it would be replete with additional costs, the vice president of the association is reported to have said.

Insurance Scheme for Toddy Tappers in Andhra Pradesh

The Cabinet of Andhra Pradesh has approved an insurance scheme for toddy tappers which provides for payment of an ex-gratia to the family on account of accidental death of the toddy tapper, reportedly. The scheme also provides for payment of a reduced amount in case of permanent disability or temporary disability.

The scheme would be implemented in association with a private insurer; and as a part of the initiative, identity cards are proposed to be issued to the covered tappers in order to avoid any possible abuse of the facility, it is reported.

Industry Unfazed By Hurricane Losses

The current policy renewal prices in the US markets are not scheduled to be raised unduly despite the huge hurricane losses, it is reported. Although the first quarter of the year 2006 saw an increase in the property and general liability rates, a continuing soft commercial market is on the cards as per a survey conducted.

In spite of the whopping 60 billion dollar hurricane losses during the year 2005, the property and casualty insurance industry reported ultimate profits as per the survey leading to a competition among insurers and the resultant soft market. There was an average rise of around seven per cent in the first quarter of the year in more of a knee-jerk reaction to the catastrophe losses, rather than a sustainable increase. It is anticipated that considering the policyholders' surpluses recorded during the year 2005, there are positive indications that there could be further softening of the market, barring more major catastrophes, reports say.

EU Directive Aims at Improvement in Transparency

Several European insurers have initiated formal programs aiming at fulfillment of a proposed EU directive that aims at improvement in transparency and controls, it is reported. The majority of the insurers actually believe that the directive, Solvency II as it is called, will improve their companies' risk and capital management functions.

Solvency II aims at harmonization of national solvency regulations for European insurers. It also defines new rules regarding the levels of capital that must be set aside by insurers to cover their combined risks and liabilities. It eventually aims at protecting the policyholders and shareholders by establishing a common solvency system in Europe that targets a balance with the true risks.

It is believed by a majority of the insurers that Solvency II will actually improve transparency and controls in risk management. It is also expected to improve the organizations' allocation of regulatory capital. The survey also indicated that several insurers are adopting measures to be Solvency II compliant, reportedly.

FEARS OF INFLUENZA PANDEMIC

Several studies have indicated that there could be a repeat of 1918 influenza pandemic in the United States; and a more severe impact in several other countries, reportedly. The findings were a part of the probabilistic model that was developed in response to the growing needs of the insurance industry. Analysis revealed that more severe pandemics are possible. The model indicated that it would be too risky for them to believe that the 1918 pandemic was a worst-case scenario; and accordingly underestimate their risks.

The studies, which undertook not only the quantification of the risks but also the likelihood of its occurring, revealed several factors of possible results like infectiousness and lethality of the pandemic; demographic impact; country of outbreak; vaccine production; and national counter-measures, as per reports.

New Prudential Standards for Insurance Companies in Australia

In order that regulated institutions have a sound governance framework; and to conduct their affairs with a high degree of integrity, the Australian Prudential Regulatory Authority (APRA) released new prudential standards on governance for Authorised Deposit-taking Institutions (ADIs); and life and general insurance companies, as per reports. Under the new standards, the board would be accountable for the implementation.

The new standards, which are built on existing requirements, would aim at governance norms across the industries. They aim at promoting higher levels of independence on the part of the entire board. A formal policy on board renewal and procedures for assessing their own performance are required to be in place, reportedly.

RETAKAFUL ON THE AGENDA OF ARAB INSURANCE GROUP

The CEO of Arab Insurance Group (ARIG) Yassir Albaharna indicated that Retakaful is one of the three strategic areas of focus for their company, reportedly. A branch has been opened in Singapore and Retakaful is actually under operation. The Monetary Authority of Singapore (MAS) has licensed the largest reinsurance company in the Middle East and North Africa (MENA) region as a composite reinsurer. The various classes of business such as property, engineering, marine and liability are being handled by the fully operational branch in Singapore.

A Shariah-compliant subsidiary, Takaful Re, has been established by ARIG so that it can fulfill the needs of this segment. It is also looking at expanding its reinsurance portfolio to other parts of South-East Asia by transferring its experience in the MENA region into other nearby markets with similar business profile but with higher insurance penetration, it is reported.

NO CROSS-SELLING AS YET IN SOUTH KOREA

The practice of life insurers and non-life insurers cross-selling each other's products may not be implemented for a few years more in South Korea, owing to some regulatory hurdles, reports say. The decision is in response to a bill submitted by some political parties to the Ministry of Finance and Economy.

The practice of cross-selling which was originally scheduled to be permitted in the year 2003 had to wait until this year; and now it is further postponed to until 2008. The Chairman of the Financial Supervisory Commission, Mr. Yoon Jeung-hyun is reported to have said that it was better for the practice of cross-selling to be delayed in view of the vehement opposition from several insurers.

BUSY HURRICANE SEASON ON THE CARDS

The hurricane season forecast for the year 2006 has been released. As has been the trend over the past few years, an active season looks imminent, reportedly. The hurricanes would most likely have a huge impact on the Gulf of Mexico, as well as the US economy. The season that runs through the period beginning June and ending November is estimated to be experiencing five or six tropical cyclones, with at least three of them being very major.

The hurricane season is expected to affect most of the areas in the East Coast and the Gulf of Mexico; at some point or the other. Ironically, the hardest hit region of the last year's catastrophes faces a lower probability of a major hurricane this year. The city of New Orleans, however, is expected to take a severe beating even by a mild impact of a hurricane, owing to the damage it faced last year.

Last year's hurricanes severely affected US economy, particularly because of the flooding of New Orleans; severe damage to Gulf Coast; and the resultant huge rise in the energy prices. While there may not be a repeat of all these severities, 2006 appears to be another expensive season, with dents in energy production, widespread property damage and risk of life, it is reported.

ROUND UP

The unveiling ceremony of 'Harold D. Skipper Foundation for Risk and Insurance Studies in India' was organized at Hyderabad on 24th May, 2006. The foundation is an initiative of the International Institute for Insurance and Finance, Hyderabad; and the ITM Group of Business Schools, Mumbai. Here are some photographs taken on this occasion.

Mr. G.V. Rao, Chairman (Retd.), Oriental Insurance Co. (Guest of Honour) addressing the gathering. Others in the photograph are:

L to R: Mr. C.S. Rao, Chairman, Insurance Regulatory and Development Authority IRDA (Guest of Honour); Dr. Harold D. Skipper; Dr. (Mrs.) Tony Skipper; and Mr. V.Ramana, Chairman, ITM Group of Business Schools.

Dr. B.S.R. Rao, Dean, International Institute for Insurance and Finance; Mr. C.S. Rao, Chairman, IRDA; and Dr. Harold D. Skipper engaged in a lively chat.

"A lenient attitude towards outstanding premiums is not in the best interest of the insurance companies in the long run. It will only promote a lax credit culture amongst the agents and brokers; and exposes the insurance companies to unnecessary credit risks."

- Low Kwok Mun, Executive Director, Insurance Supervision Department, Monetary Authority of Singapore.

"The objectives of the internal audit function must include evaluation of the adequacy and effectiveness of the financial and risk management framework of the institution."

- John F. Laker, Chairman, Australian Prudential Regulatory Authority

"To remain competitive, companies must be allowed to change and develop. And yes, that means being allowed to acquire, divest, merge and restructure."

- ***Lloyd's Chairman Lord Levene***

"Since the events of the 1972 Summer Olympics in Munich, terrorism has loomed large among risk assessment parameters for the Olympic Games and similar events. Every conceivable effort is now undertaken to avoid repetition of terrorist attacks."

- Peter Luck, Head of Underwriting Special Risks at Swiss Re, **talking about the cover being provided for World Football Championship 2006**

"Much has been accomplished and we are satisfied that the international standard-setting boards that we oversee have already made progress towards achieving public interest goals."

- Stavros Thomadakis, Chairman - Public Interest Oversight Board (PIOB) of IAIS.

Insurers and reinsurers alike will face mounting pressure to increase returns on equity, and to manage their capital more efficiently. The capital market with its deep pool of investors and innovative financial technology is therefore likely to continue to grow in importance for the insurance industry.

- ONG CHONG TEE, DEPUTY MANAGING DIRECTOR, MAS

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Events

12-14 June 2006
Venue: Pune
Ethical Values in Human Capital
By NIA Pune

15-17 June 2006
Venue: Pune
Harnessing Rural Business Potential
By NIA Pune

20-21 June 2006
Venue: Hong Kong
Catastrophe Conference
By Asia Insurance Review

26-28 June 2006
Venue: Pune
Actuarial Appreciation Program for Senior Executives
By NIA Pune

29-30 June 2006
Venue: Singapore
1st Asian Conference on Human Resource & Training Development in Insurance
By Asia Insurance Review

03-05 July 2006
Venue: Pune
Multiple Distribution Channel Management
By NIA Pune

17-19 July 2006
Venue: Pune
Underwriting in Detariff Regime
By NIA Pune

24-26 July 2006
Venue: Pune
Workshop on Reinsurance
By NIA Pune

27-29 July 2006
Venue: Pune
Actuarial Practices in Life Insurance
By NIA Pune

27-29 July 2006
Venue: Pune
Financial Risk and Insurance Derivatives
By NIA Pune