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# Journal

JANUARY 2004



## PROTECTING CROPS

बीमा विनियामक और विकास प्राधिकरण



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## *From the Publisher*

Rains are lashing parts of the Southern coast and the states are reporting damages to crops, public and private assets and loss of life and cattle.

It is distressing to see the farmers who have struggled over a few months being denied the fruits of their labour as a result of an adverse weather event affecting the region. While the farmer has to suffer the consequences of the loss of his investment at a personal level, the loss to the National economy is no less important.

The focus of this issue of **IRDA Journal** is crop insurance. It has been identified as a critical component of food security, but has not worked out to be an effective, sustainable and comprehensive solution.

The reasons identified include the fragmented nature of Indian farm holdings, the lack of base data and the mixed voluntary and compulsory nature of the scheme offered till now leading to adverse selection. There is a perception among many that whatever protection it has provided till now has been more to the financial institutions lending to the farmer rather than to the farmer himself.

It is also acknowledged that the lack of an actuarial pricing and the subsidy on the premium by the Government (the state involved and Centre) have eroded the capacity of the scheme to become commercially

sustainable both in terms of being remunerative and professionally administered. It has also prevented product innovation. Where a vital economic activity has not achieved bankable levels, funding, marketing support and, definitely, the protective layer in the nature of insurance, would have to be government led and government funded. This is what the present crop insurance scheme is all about.

There are, however, signs that a marked departure in crop insurance is on the anvil. The spinning off of the Government's crop insurance initiative into a separate company is the first step in the direction of this activity moving out of the protective environment of the Government. Perhaps the time has come for the product to mature and realise its true potential. The private sector is also looking at this area as a promising market and some companies have taken the initial steps at innovating marketing in the farm sector.

We have seen in these last three years novel products launched by various insurers to cater to the specific requirements of different sections of the population. We do hope that the same spirit would inspire the industry to come out with appropriate crop insurance packages.

By the time this issue reaches you, we would have ushered in the year 2004. The Team at the IRDA wishes all our readers a Happy New Year.

*C.S. Rao*  
C.S.RAO

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# *Skywards and to the Future!*

I could be wrong, but one of the first risk management techniques mankind learnt must have been irrigation. This would have increased considerably the cultivable land available to raise crops and taken them out of the category of lands which 'look to the skies' as the Tamil phrase goes.

What we are going to look at in this issue of **IRDA Journal** is a more contemporary, financial, risk management technique for farming, but one which is yet struggling to make a meaningful place for itself in India. We are at the juncture when crop insurance looks set to launch itself in a new, commercial (read sustainable) avatar through the Agricultural Insurance Company of India (AIC) and the benign neglect of this activity by companies other than the designated company also seems to be fading.

Read what Mr. Suparas Bhandari, CMD of AIC has to say about its plans and an analysis of the main schemes and their ups and downs over the years by Mr. Ravi S. Tirumala of GIC Crop Cell. Mr. K. N. Rao of AIC writes about rainfall insurance as does Ms. Soju Annie George of ICICI Bank Social Initiatives Group, and Mr. Balaji Thiagarajan, also of the GIC Crop Cell wants takers for the plantation insurance product that has been left on the shelves! There are snapshots of farm economics by Dr. Swarna Vepa of M.S. Swaminathan Research Foundation, Chennai, and initiatives in neighbouring countries by Mr. D.D. Rasgotra, former CEO, NAIS of GIC.

We bring you some of the survey responses we have been receiving. Thanks to those who responded, but remember you don't have to wait for any formal survey to let us know what you think about the Journal!

Our accounting columnist, Mr. P. S. Prabhakar, has taken time out this month to grieve exclusively over what is happening in the Motor portfolio in non-life insurance companies. This is a topic on which we would love pointed inputs from readers as well.

The theme of our next issue concerns us all! It will be on the future shape of insurance laws in our country. The Law Commission's exercise to unify and strengthen the fragmented insurance laws which pose interpretation and implementation problems has been well publicised. The Commission has also put on its website a discussion paper for comment. We introduce the matters involved and the exercise in this issue in Vantage Point by Ms. Rashmi Abichandani, IRDA's Legal Officer, and shall take it up in detail in the February issue.

We also bring you an extract of the report of the A. C. Mukherji committee on brokers and their remuneration which was submitted to the IRDA on December 12. The full report is on our website for you to read and comment on.

We hope you enjoy this issue and wish you a very Happy New Year!

K. Nitya Kalyani



# New Life for the Law

Rashmi Abichandani



Human life is precious and so are the material possessions that sustain it. As such life is linked to the security of existence which is the basis for insurance.

Today insurance business is growing steadily and is going to play a key role in the growth of the country's economy. To have a balanced growth of the economy it is essential to have a strong legal regime to regulate this industry and hence the proposal for the revision of Insurance Act, 1938, more so in the light of the entry of a large number of new players into this industry both insurers and service providers and intermediaries of different kinds.

The principal legislation regulating the insurance business in India is the Insurance Act, 1938 (the Act). The other legislations that need to be essentially mentioned are the Life Insurance Corporation Act 1956, General Insurance Business Nationalisation Act, 1972, the Marine Insurance Act, 1963 and the recently enacted Insurance Regulatory and Development Authority (IRDA) Act, 1999. These are the legislations specifically for the insurance industry. Apart from these the provisions of the Companies Act, 1956 are applicable to companies carrying on insurance business. Further, insurance being a contract, the provisions of the Indian Contract Act, 1972 are applicable to such contracts.

The subordinate regulations that need to be referred to are the Insurance Rules, 1939, the Redressal of Public Grievance Rules 1998 and around 27 regulations framed by IRDA on various subjects ranging from the Actuarial Report and Abstract Regulations to the Protection of the Policyholders' Interest Regulations.

The IRDA made a reference to the Law Commission of India to make recommendations for the revision of the Insurance Act, 1938 and for consequential amendments thereto. It may be mentioned here that the present exercise does not involve any of the following :

- The Marine Insurance Act, 1963
- Motor vehicle insurance
- Principles governing third party risks in general insurance business
- Fire insurance

Thus the present exercise is confined to the restructuring of the Insurance Act, 1938 in the light of the changes in

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**Basic features should be provided in the Act and the functional areas should be activated through regulations made by the Authority.**

— — — — —

the insurance sector and the merging of the sections of the IRDA Act, 1999 with the Act. One of the purposes of this exercise is to bring a consistency among the various provisions placed in different sections of the Act by putting them into a core provision relating to a particular subject/topic.

It may be mentioned here that the primary legislation was enacted long ago and therefore some of its provisions have become redundant and need to be repealed. One example is the provisions regarding principal agents, chief agents and special agents. Another example of such redundant provisions are those relating to Provident Societies and Mutual Insurance Companies, and thus Part III and Part IV of the Act would have to be deleted. Similarly the provisions of transitional nature need

to be deleted. Section 64UD (except proviso to Sub Section (1) which was inserted by the IRDA Act, 1999) needs to be repealed since it is of a transitional nature.

It may also be mentioned that with the enactment of the IRDA Act, 1999 some provisions have been inserted in the principal act, the effect of which is to nullify some of the existing provisions. In fact merging of the provisions of the IRDA Act, 1999 would also make it a comprehensive statute and would avoid multiplicity of legislations for an industry. As such it would make it easier for the insurers, insureds, intermediaries and the public at large and the functioning of the IRDA and would also be of assistance in locating all the provisions at one place.

Moreover some of the provisions of the Act are now dealt with by the Regulations framed by the Authority and hence the same need to be deleted from the principal act to avoid duplication.

Reference may be made to Section 35(3) regarding requirement of submission of actuarial report in case of Amalgamation and Transfer of Insurance Business. Here Section 35(3)(c) states that the report has to be made in the form set forth in Part II of the Fourth and Fifth Schedules. Since the Fourth Schedule has been repealed by the Insurance Amendment Act, 2002 and since IRDA has formulated detailed regulations with regard to investments the said sub-section needs to be amended by deleting the reference to Fourth Schedule and instead provide that 'the reports be prepared in conformity with the Regulations framed by the Authority.'

Similarly references in the Act to older enactments have to be replaced with the corresponding current legislations which have replaced them. A glaring example is the reference to Indian Companies Act, 1913 which needs to be replaced by "The Companies Act, 1956". There are a number of terms which need to be defined to meet the needs of the changing and growing

insurance industry and an equal need to re-define certain other terms. Further with the growth of insurance industry new risks are now being covered, new ways of procuring business are being used (for example brokers and corporate agents) which add to the necessity to reclassify the insurance business. This exercise would also require rephrasing of some sections wherever needed to bring them into regulatory mode.

Apart from these the penalties for contravention of the Act or non-compliance with it need to be reviewed and revised as the amounts are not adequate to have a deterrent effect. A glaring example is rebating which is prohibited by the Insurance Act, 1938. The penalty for the guilty person is at present Rs.500!

This era of increasing consumer awareness and spread of information is tantamount to an increase in the number of grievances and claims and therefore there is a need for improvement in the existing machinery available for the redressal of the complaints and grievances of the policyholders. This is possible by providing a full fledged grievance redressal mechanism. The Law Commission has recommended providing for a full fledged grievance redressal mechanism that includes constitution of a grievance redressal authority (GRA) to replace the Insurance Ombudsman, appointment of adjudicating officers by the IRDA to determine and levy penalties on defaulting insurers, insurance

intermediaries and agents and a provision for appeals against the decisions of IRDA, GRAs and adjudicating officers in the form of an Insurance Appellate Tribunal (IAT) and also for statutory appeal to Supreme Court against decisions of IAT.

Amongst other reasons for calling for a revision it may be mentioned that the Act and the IRDA Act,1999 both empower the Central Government and the Authority to frame rules and regulations. It is felt that the same need to be revised and harmonised with the Act in the context of a new regulatory regime.

The idea behind such a review is to

**The penalties for  
contravention of the Act  
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revised as the amounts  
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a deterrent effect.**



have an all-inclusive legislation which not only promotes growth of insurance business and protects the interests of the policyholders but also strengthens the IRDA which has, in essence, to play a vital role for the development and growth of insurance business in India.

It may also be said that the basic features be provided in the Act and the functional areas be activated through regulations made by the Authority. In other words the skeleton should be provided by the Act and the flesh and blood be in the Regulations.

The initiatives taken by IRDA to approach the Law Commission of India for review of the Insurance Act, 1938 has received tremendous response from all the stakeholders in the insurance industry. The consultative paper issued by the Law Commission of India examines the Act in its minutest details and, needless to say, is an elaborative and all-inclusive piece of work which has received appreciation and comments from several quarters.

It will help the Government and the industry take a comprehensive view of consolidating the insurance related legislation into a single codified Act of Parliament giving the required rule-making delegation to the Government and the regulatory mechanism to the Authority for the professional supervision and development of the insurance industry in order to ensure the benefits of liberalisation to the society at large and issues and consumers in particular.

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

**NOW YOU KNOW**

**Why...**

**WOULD LIKE TO SUGGEST**

**THE REVAMP OF INSURANCE LAWS SHOULD INCLUDE**

**What...**



# ‘Detariff’

– Says A.C. Mukherjee Committee

The Expert Committee to Examine Remuneration System for Insurance Brokers, Agents etc. in General Insurance Business, set up by the IRDA under the chairmanship of Mr. A. C. Mukherjee, former CMD of New India Assurance Company Ltd., submitted its report to the IRDA on December 12, 2003. Mr. G.V. Rao, former CMD of The Oriental Insurance Company Limited and Mr. K.N. Bhandari, former CMD of New India Assurance Company Limited the members of the committee.

Its main recommendation is the complete detariffing of all classes of business by April 1, 2006 and an immediate drawing up of a road map to lead to this smoothly.

Until detariffing, the committee has recommended the continuation of the five per cent special discount, (which has been in vogue for over 25 years) for some corporate bodies both in the private and public sectors, but only in the Fire and Engineering insurances..

It has also suggested that the qualifying level for this discount, of minimum paid up capital of Rs. 10 lakhs, be raised to Rs. one crore. This, the committee felt, would widen the corporate client base accessible to agents and brokers to display their professional expertise.

Regarding broker and agent remuneration in general the committee has said that there should be a differential maintained between the two kinds of intermediaries since brokers' responsibilities and functions are larger.

Hence, in cases of tariff covers where the discount is not applicable, the agency commission should be restricted to 10 per cent for agents and 12.5 per cent for brokers, the recommendations add.

The exception for this differential is statutory business where no special advice is required for marketing or servicing, and for this business the committee has recommended 10 per cent for both agents and brokers.

The report suggests that corporate bodies with paid up capital of over Rs. one crore and up to Rs. 25 crores should be able to opt for the five per cent special discount or the services of an agent or broker. The broker in such cases should be paid not more than 7.5 per cent and the agent 6.25 per cent

Corporates with paid up capital of over Rs. 25 crores should also have the above choice and in those cases the brokerage would be restricted to 6.25 per cent and agency commission to five per cent.

The agency commission for tariff covers, it has said, should be revised to a maximum of 10 per cent to maintain a differential of 2.5 per cent from brokers'

— ■ — ■ —

**“The regulator at this initial stage of liberalisation of markets should be wary of such substantial remuneration to be paid on tariff covers, wherein the professional input is limited.”**

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commission for this business and for non-tariff covers the maximum remuneration for brokers should remain at 17.5 per cent and that of agents at 15 per cent.

The committee has also made the observation that “the present brokerage/commission structure as it exists in the present regulations on tariff covers, does in the view of the Committee, encourage rebating and malpractices to flourish. It has happened in the past, despite numerous measures discouraging their proliferation by way of social control of insurance and nationalisation.”

“The regulator at this initial stage of liberalisation of markets should be wary of such substantial remuneration to be paid on tariff covers, wherein the

professional input is limited,” it observes.

While the above recommendations and comments deal with the first of the four terms of reference of the Committee, in the case of arrangements involving referral fee/charges the Committee has concluded that by merely making available its customer database to an insurer an organisation should not qualify for receipt of any referral fee. It has made an exception in the case of rural insurances and under certain conditions like the insurer having a written agreement with a registered group and for soliciting business of their members only. Even in this case the fee should be only 7.5 per cent of the actual premium charged and collected in business actually booked, it has said.

Making observations on the stage at which the industry is today and the relevance of the tariff, the committee has said that with the presence of the tariff there has been very little incentive for individual insurers to build up their individual risk category acceptances and experiences to be able to price risks on claims cost plus basis. The absence of statistical data would compel an insurer to price risks on assumptions either with a conservative element built into it or force it to follow the rates of any of its aggressive competitors, it observes, adding that in a strongly developed broker market, the pressure on underwriters will be intense and the current competition is still young and that the market is yet to mature in terms of underwriting skills to be able to face tougher competitive conditions likely to emerge in future.

Underwriting and pricing of risks should, therefore, be based on statistical data to back up the intended pricing structure both at the level of the individual insurer and of the market as a whole. It is time for individual insurers to start building up their statistical data on sound lines to avoid a chaotic situation and price wars later, the committee has stated.



The IRDA, Tariff Advisory Committee (TAC) and the General Insurance Council, says the committee, should guide and assist individual insurers to adjust to the transformation that a free market situation will impose on their business practices, mindset and procedures. The changeover has to be as smooth as possible and with full awareness of its consequences.

Regarding the role of intermediaries (terms of reference 2 and 4) the committee has made extensive recommendations ranging from the need for deepening the licensing norms of the intermediaries to best market practices. The main thrust of the licensing norms review seems to be the need to induce professionalism into the broking community for it to grow on healthy lines. For this the committee has said that the principal officer of a broking firm should have a recognised technical insurance qualification or five years experience as an insurance practitioner.

The committee has spoken out against the introduction of sub-brokers – which

is in line with the regulatory provisions now – saying that the introduction of sub-broking will lead to unintended legal problems and should be avoided.

It has also stressed the need to reappraise the duties and functions of a corporate agent in the case of banks keeping in mind the potential conflicts of interest that could arise since the bank

**It is time for individual insurers to start building up their statistical data on sound lines to avoid a chaotic situation and price wars later**



will not only represent the insurer as his agent but will also be a joint beneficiary of the claim.

It has also said that a code of conduct, similar to that towards customers, be

evolved between brokers and insurers to develop and maintain best practices and sound conventions in their dealings.

It has also frowned upon the present practice of the IRDA nominating one of its Members on the disciplinary committee of the Insurance Brokers' Association of India as a permanent member. This, according to the committee, is "neither a healthy nor a desirable convention as the presence of the IRDA member on the disciplinary committee would stifle the growth of the self-regulatory mechanism within. Also, it compromises the independent status that the IRDA currently enjoys in the eyes of the public," says the report.

The report has also made observations and comments on several aspects of IRDA's role and the regulations, as well as on the functioning of the industry and its responsibilities including self regulation.

The full text of the committee's report is available for download from the IRDA website ([www.irdaindia.org/rptec.pdf](http://www.irdaindia.org/rptec.pdf)) and the IRDA seeks comments on its contents.

**COUNCIL CHIEFS!**



Mr. Mathew Verghese, Member (Non-life), IRDA has been appointed Chairman of the Executive Committee of the General Insurance Council of the Insurance Association of India with immediate effect. This appointment follows the vacancy caused by the retirement of Mr. R. C. Sharma, Member (Non-life), on June 20, 2003.

Mr. T. K. Banerjee, Member (Life), IRDA has been nominated Chairman of the Executive Committee of the Life Insurance Council of the Insurance Association of India.



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# Report Card:LIFE

## New business grows 19.5% over October 2003

With the completion of eight months of the current financial year 2003-04, the life insurance industry has underwritten first year premium of Rs.7,96,891.28 lakhs towards 1,26,38,728 policies. While the growth in premium underwritten by the private players over the figures as at October, 2003 is 21 per cent, in the case of Life Insurance Corporation of India (LIC) it is 19 per cent.

The growth in business over October, 2003 was 19.50%. In terms of number of policies, the growth was 19.27 per cent. The premium underwritten by the

private players in the month of November, 2003 was Rs.15,952.95 lakhs, taking the share of these players to 11.41 per cent of the total premium underwritten, during the eight month period.

As against this LIC underwrote a premium of Rs.1,14,083.56 lakhs in November, 2003. The market share of LIC during the current financial year thus stood at 88.59 per cent, recording a decline of 0.17 per cent as against the end of the previous month. In terms of number of policies underwritten, the market share of the private players

stood at 5.86 per cent as against 94.14 per cent of LIC. The market share of LIC in terms of number of policies declined by 0.09 per cent as against the period April to October, 2003.

In terms of market share, ICICI Prudential continued to lead amongst the private players with premium underwritten of 3.78 per cent and policies issued at 1.31 per cent of the insurance industry for the period April to November, 2003. In terms of number of lives covered under the group scheme SBI Life lead with the figure of 4,29,441 lives under the various group schemes, which is 14.87 per cent of the total lives covered by the life insurers during the period April to November, 2003.

### First Year Premium – October 2003

(Rs. in lakhs)

	Insurer	Premium u/w		% of Premium	No. of Policies/Schemes		% of Policies	No. of lives covered under Group Schemes		% of lives under Group Schemes
		November	Upto Nov.	Upto Nov.	November	Upto Nov.	Upto Nov.	November	Upto Nov.	Upto Nov.
1	<b>Allianz Bajaj</b>	<b>1,032.06</b>	<b>6,854.79</b>	<b>0.86</b>	<b>13,149</b>	<b>93,836</b>	<b>0.74</b>	<b>712</b>	<b>25,260</b>	<b>0.87</b>
	Individual Single Premium	6.99	265.85		13	684				
	Individual Non-Single Premium	1,021.71	6,553.20		13,132	93,119				
	Group Single Premium		0.76			1			781	
	Group Non-Single Premium	3.36	34.98		4	32		712	24,479	
2	<b>ING Vysya</b>	<b>533.17</b>	<b>2,205.51</b>	<b>0.28</b>	<b>6,187</b>	<b>33,036</b>	<b>0.26</b>			<b>0.00</b>
	Individual Single Premium		18.99			2,795				
	Individual Non-Single Premium	533.17	2,186.51		6,187	30,241				
	Group Single Premium									
	Group Non-Single Premium									
3	<b>AMP Sanmar</b>	<b>209.68</b>	<b>1,016.86</b>	<b>0.13</b>	<b>4,161</b>	<b>20,503</b>	<b>0.16</b>	<b>1,991</b>	<b>39,374</b>	<b>1.36</b>
	Individual Single Premium									
	Individual Non-Single Premium	193.33	916.57		4,160	20,491				
	Group Single Premium									
	Group Non-Single Premium	16.35	100.29		1	12		1,991	39,374	
4	<b>SBI Life</b>	<b>1,295.29</b>	<b>5,724.19</b>	<b>0.72</b>	<b>10,352</b>	<b>37,057</b>	<b>0.29</b>	<b>49,659</b>	<b>4,29,441</b>	<b>14.87</b>
	Individual Single Premium	167.56	920.74		121	5144				
	Individual Non-Single Premium	346.61	1,402.12		10,186	31,716				
	Group Single Premium	606.87	2,360.97		2	17		4,801	22,718	
	Group Non-Single Premium	174.24	1,040.36		43	180		44,858	4,06,723	
5	<b>Tata AIG</b>	<b>1,710.85</b>	<b>9,634.53</b>	<b>1.21</b>	<b>17,939</b>	<b>99,237</b>	<b>0.79</b>	<b>11,924</b>	<b>99,626</b>	<b>3.45</b>
	Individual Single Premium									
	Individual Non-Single Premium	1,424.48	7,850.67		17,934	99,193				
	Group Single Premium	26.56	272.25			1		5,156	60,403	
	Group Non-Single Premium	259.81	1,511.60		5	43		6,768	39,223	

(Rs. in lakhs)

	Insurer	Premium u/w		% of Premium	No. of Policies/Schemes		% of Policies	No. of lives covered under Group Schemes		% of lives under Group Schemes
		November	Upto Nov.	Upto Nov.	November	Upto Nov.	Upto Nov.	November	Upto Nov.	Upto Nov.
6	<b>HDFC Standard</b>	<b>1,480.75</b>	<b>9,078.06</b>	<b>1.14</b>	<b>13,555</b>	<b>93,464</b>	<b>0.74</b>	<b>1,620</b>	<b>25,151</b>	<b>0.87</b>
	Individual Single Premium	583.13	3,295.83		1,078	7,324				
	Individual Non-Single Premium	875.47	5,464.69		12,471	86,072				
	Group Single Premium	22.15	317.54		6	68		1,620	25,151	
	Group Non-Single Premium									
7	<b>ICICI Prudential</b>	<b>5,468.70</b>	<b>30,111.29</b>	<b>3.78</b>	<b>28,518</b>	<b>1,65,643</b>	<b>1.31</b>	<b>3,365</b>	<b>10,767</b>	<b>0.37</b>
	Individual Single Premium	1,177.00	6,418.00		1,164	6,541				
	Individual Non-Single Premium	4,240.00	23,444.00		27,348	1,59,073				
	Group Single Premium	51.70	249.29		6	29		3365	10,767	
	Group Non-Single Premium									
8	<b>Birla Sunlife</b>	<b>1636.05</b>	<b>11,521.22</b>	<b>1.45</b>	<b>12,544</b>	<b>61,454</b>	<b>0.49</b>	<b>10,789</b>	<b>92,190</b>	<b>3.19</b>
	Individual Single Premium	121.05	692.89		3,300	12,363				
	Individual Non-Single Premium	1,395.04	8,608.49		9,235	49,026				
	Group Single Premium	41.07	243.90					327	1,849	
	Group Non-Single Premium	78.89	1,975.94		9	65		10,462	90,341	
9	<b>Aviva</b>	<b>641.98</b>	<b>3,431.41</b>	<b>0.43</b>	<b>5,562</b>	<b>37,498</b>	<b>0.30</b>	<b>3,852</b>	<b>30,200</b>	<b>1.05</b>
	Individual Single Premium	57.47	230.86		98	412				
	Individual Non-Single Premium	581.49	3,187.32		5,464	37,080				
	Group Single Premium									
	Group Non-Single Premium	3.02	13.23			6		3,852	30,200	
10	<b>Om Kotak Mahindra</b>	<b>814.52</b>	<b>4,093.35</b>	<b>0.51</b>	<b>4,765</b>	<b>25,013</b>	<b>0.20</b>	<b>2,066</b>	<b>42,228</b>	<b>1.46</b>
	Individual Single Premium	18.24	226.76		31	175				
	Individual Non-Single Premium	707.77	3,329.33		4,731	24,819				
	Group Single Premium									
	Group Non-Single Premium	88.51	537.26		3	19		2,066	42,228	
11	<b>Max New York</b>	<b>931.05</b>	<b>6,195.49</b>	<b>0.78</b>	<b>10,179</b>	<b>62,187</b>	<b>0.49</b>	<b>2,296</b>	<b>1,88,002</b>	<b>6.51</b>
	Individual Single Premium	10.17	106.54		17	108				
	Individual Non-Single Premium	916.02	5,719.39		10,154	62,015				
	Group Single Premium									
	Group Non-Single Premium	4.86	369.57		8	64		2,296	1,88,002	
12	<b>MetLife</b>	<b>198.86</b>	<b>1,075.26</b>	<b>0.13</b>	<b>2,126</b>	<b>11,330</b>	<b>0.09</b>	<b>8,274</b>	<b>14,296</b>	<b>0.49</b>
	Individual Single Premium	4.72	23.23		28	143				
	Individual Non-Single Premium	188.16	1,030.86		2,097	11,183				
	Group Single Premium									
	Group Non-Single Premium	5.98	21.17		1	4		8,274	14,296	
	<b>Private Total</b>	<b>15,952.95</b>	<b>90,941.96</b>	<b>11.41</b>	<b>1,29,037</b>	<b>7,40,258</b>	<b>5.86</b>	<b>96,548</b>	<b>9,96,535</b>	<b>34.50</b>
13	<b>LIC</b>	<b>1,14,083.56</b>	<b>7,05,949.32</b>	<b>88.59</b>	<b>19,12,851</b>	<b>1,18,98,470</b>	<b>94.14</b>	<b>2,06,595</b>	<b>18,91,571</b>	<b>65.50</b>
	Individual Single Premium	4,933.36	33,496.21		9,104	54,288				
	Individual Non-Single Premium	82,810.49	5,31,182.46		19,02,667	1,18,36,531				
	Group Single Premium	26,339.71	1,41,270.65		1,080	7,651		2,06,595	18,91,571	
	Group Non-Single Premium									
	<b>Grand Total</b>	<b>1,30,036.51</b>	<b>7,96,891.28</b>	<b>100.00</b>	<b>20,41,888</b>	<b>1,26,38,728</b>	<b>100.00</b>	<b>3,03,143</b>	<b>28,88,106</b>	<b>100.00</b>

# Report Card: GENERAL

## Growth rate picks up in November

G.V. Rao

### Performance in November 2003

The performance during the month of November 2003 has perked up with a growth rate of 17 per cent (Rs. 162 crores) and the non-life insurance industry never had it so good in the current financial year. When the growth rate for October 2003 had fallen to a low level of 8.7 per cent, questions began to be raised if the momentum had begun to slow down. But all the 12 insurance players have, however, returned to their winning ways in the month of November 2003.

The industry accretion was Rs. 162 crores of premium volume in November 2003, of which Rs. 88 crores was contributed by the private sector players and Rs. 74 crores by the public sector

players. This shows that the private sector in particular is playing a remarkable role in shaping the market developments. It is outperforming the public sector players in market accretions almost in every month. Even the public sector despite their lower monthly accretions have done well in November 2003 having achieved a growth rate of 8.9 per cent (Rs. 74 crores) above their cumulative average of 5.3 per cent .

The private players have touched an income of Rs. 200 crores in November 2003 with an increase of Rs. 88 crores over their last year's completion with a growth rate of 79 per cent . The four public players have touched Rs. 911 crores achieving an accretion of Rs. 74 crores at a growth rate of 8.9 per cent , perhaps the highest growth rate in the fiscal.

National Insurance among the public sector players continues its

impressive lead with Rs. 34 crores accretion and 17 per cent growth rate. United India has achieved a growth rate of 11 per cent and Oriental nine per cent . Only New India has a low growth rate of about one per cent .

In the private sector all the players have performed well in November 2003. ICICI-Lombard has the highest growth of Rs. 19 crores (83 per cent ) and the lowest is that of Royal Sundaram of Rs. four crores (31 per cent ). All have performed well.

ECGC has recorded an accretion of Rs. 1.4 crores at a growth of 4.5 per cent a relative slowdown from the previous high rates of growth.

### Performance up to November 2003

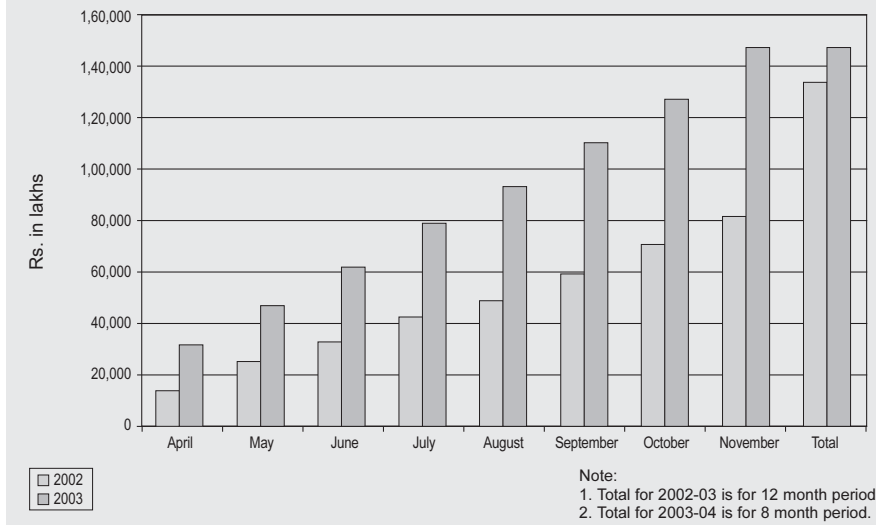
The performance of the industry of 17 per cent growth in November has pushed up the overall growth rate to about 12 per cent by the end of November 2003.

## Gross Premium Underwritten – November 2003

(Rs. in lakhs)

Insurer	Premium 2003-04		Premium 2002-03		Market share upto November, 03	Growth % Year on Year
	For the month	Upto the month	For the month	Upto the month		
Royal Sundaram	1,771.41	16,672.83	1,353.22	11,671.67	1.59	42.85
Tata-AIG	2,417.19	24,169.07	1,290.95	14,847.71	2.31	62.78
Reliance General	3,103.59	12,350.00	2,329.50	12,630.19	1.18	-2.22
IFFCO-Tokio	2,890.25	21,698.44	1,522.39	14,132.87	2.07	53.53
ICICI-lombard	4,169.54	31,728.83	2,267.81	11,194.37	3.03	183.44
Bajaj Allianz	3,638.87	29,419.24	2,320.85	17,687.19	2.81	66.33
HDFC Chubb	1,266.54	6,008.77	94.85	123.82	0.57	4,752.82
Cholamandalam	733.78	5,961.17			0.57	
New India	25,534.00	2,51,343.00	25,247.00	24,9174.00	24.03	0.87
National	23,786.00	2,16,724.00	20,384.00	18,6176.00	20.72	16.41
United India	22,355.00	2,10,513.00	20,168.00	2,03,694.00	20.13	3.35
Oriental	19,406.00	1,92,211.00	17,843.00	1,87,778.00	18.38	2.36
ECGC	3,251.75	27,145.33	3,110.01	20,835.93	2.60	30.28
<b>PRIVATE TOTAL</b>	<b>19,991.16</b>	<b>1,48,008.35</b>	<b>11,179.57</b>	<b>82,287.81</b>	<b>14.15</b>	<b>79.87</b>
<b>PUBLIC TOTAL</b>	<b>94,332.75</b>	<b>8,97,936.33</b>	<b>86,752.01</b>	<b>8,47,657.93</b>	<b>85.85</b>	<b>5.93</b>
<b>GRAND TOTAL</b>	<b>1,14,323.91</b>	<b>10,45,944.68</b>	<b>97,931.58</b>	<b>9,29,945.74</b>	<b>100.00</b>	<b>12.47</b>

### Premium 2003-04 Private Sector



The accretion achieved by the non-life insurers excluding ECGC is about Rs. 1,100 crores (12 per cent growth rate). The contribution of the private sector players is about Rs. 660 crores (80 per cent growth rate) and that of public sector players is Rs. 440 crores (5.3 per cent growth rate). Despite a huge premium base of Rs. 8,300 crores the accretion realised by the public sector players is relatively low at Rs. 440 crores. Competition by private players has certainly taken a very heavy toll of the enterprising zeal of the public players or what was left of it.

The private sector players have added an accretion of about Rs. 660 crores on their base premium of about Rs. 820 crores demonstrating their determination and success in building volumes of profitable business in a short period. Their future role needs careful watching.

Among the public players National Insurance has recorded an accretion of Rs. 305 crores out of a total accretion of Rs. 440 crores of the four players, followed by United India with Rs. 68 crores, Oriental with Rs. 45 crores and New India with Rs. 22 crores. The low rates of accretion have dragged down the growth rates of the three major

insurers that will have an impact on the cost ratios of the respective insurers.

ICICI Lombard with an accretion of Rs. 205 crores of the total accretion of Rs. 660 crores leads the team. Bajaj Allianz with Rs. 117 crores, Tata AIG with Rs. 93 crores and IFFCO-Tokio with Rs. 76 crores and Royal Sundaram with Rs. 50 crores are the other players who have performed well.

#### Conclusion

The private sector players, with a premium income of about Rs. 1,500

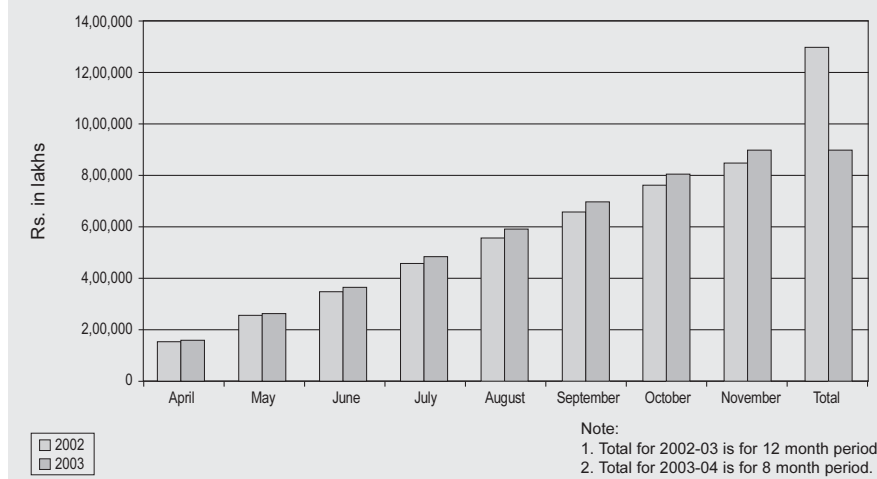
crores as against Rs. 8,700 crores of the public sector players, at the end of November 2003, have stabilised their market share at about 15 per cent up from the nine per cent or so at the end of last year. That these gains have been achieved in the profitable segments of portfolios are another pointer to suggest that the public sector players will have a relatively tough time with high costs, worsening loss ratios and, in general, with poor operational results.

As yet the diversification in the market with an emphasis on organising the unorganised markets with better customer access and laying stress on creating awareness of the need for insurance products in the urban and rural sectors have not been attempted as a matter of deliberate strategic choice by the public sector despite their obvious infrastructural advantages.

That the market is wildly fluctuating in growth rates, with no appreciable reasons proffered, is an interesting trend one has to ponder what drives the market and its growth developments.

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

### Premium 2003-04 Public Sector



# Support for the Vulnerable

*Dr. Swarna Sadasivam Vepa*

Agriculture has become the riskiest enterprise in the twenty first century. The instability in yield has been increasing in many states for several reasons. One of the reasons is the extension of high yielding varieties (HYV) to rain-fed areas and areas with less assured irrigation.

If timely irrigation is not available, losses are higher for HYV crops than traditional varieties that are more resistant to drought.

The ground water availability is also dependent upon the rainfall. Consecutive years of drought would severely affect the yields even in irrigated areas. The magnitude of losses is higher now than before, because per hectare cost of inputs has increased for high yielding varieties and commercial crops.

Land degradation in the watersheds increases the damage due to rainfall fluctuations. For example both excess rainfall and deficient rainfall would cause larger damage in the areas with higher degradation. Thus the yield risk has increased in Indian agriculture.

Liberalisation of trade in the recent years has added to the income risk of the farmers. Normally, in a market insulated from international pressures, when the crops fail, the prices go up during the harvest season, and the increased price to some extent compensates for the loss in yield.

However in India in the recent years for many crops, despite a fall in the production in the drought years of 2001, the prices have not increased. (GOI, Ministry of Agriculture, "Reports of the Commission for Agricultural Costs and Prices" 2002.) This is because the international prices are depressed and liberalisation brings the domestic prices closer to the international prices.

Thus the fall in prices has accentuated the impact of crop failure on the income fluctuations of the farmers. Crop insurance is meant only for the yield risk. Other methods such

as forward trading and commodity futures are useful to take care of the price risk. Lack of mechanism to deal with price-risk accentuates the problems of crop failure or a reduction in the crop.

The situation of the small farmers and marginal farmers is even more vulnerable. Failure of a food crop would lead to transient hunger and makes the small and marginal farmers indebted to the traders and moneylenders at high interest rates. Hence crop insurance is of utmost importance to Indian agriculture. For commercial crops there is also an urgent need to encourage forward trading as well as commodity futures.

## Crop insurance schemes

The aim of crop insurance is to protect the farmers from crop failure on

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The instability in yield has been increasing in many states for several reasons. One of the reasons is the extension of high yielding varieties (HYV) to rain-fed areas and areas with less assured irrigation.

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account of natural calamities such as drought, flood, hail storm, cyclone, fire, pests, diseases etc. Crop insurance is not totally new to India. However so far very little benefit has been derived from it. The Comprehensive Crop Insurance Scheme (CCIS) introduced in 1985 had limited scope. It was a credit-linked insurance and the aim was to restore the credit worthiness of the farmers for the ensuing season.

The National Agricultural Insurance Scheme (NAIS) was introduced in 1999-2000 in the place of CCIS in all the states. The new scheme is available to all farmers and not only to the farmers

who have taken short-term loans as in the case of CCIS and is now extended to farmers growing commercial and horticultural crops.

Eleven crops for which yield data are available for the past ten years have been included under the scheme and more crops are proposed to be included. The new scheme operates on the basis of an area approach. Defined areas for each crop notified are assessed for wide spread calamities. Individuals are assessed on the basis for localised calamities such as landslides, hailstorm, flood etc. So far, the basis of operation was only the area affected by natural calamities.

## Working of the scheme and its viability

Crop insurance is not so widespread in India and it is riddled with a number of problems. There are problems of coverage, the problems of delayed payments, problems of assessment, problems of awareness and understanding and finally problems of viability.

From 1985 to 1999, the insurance was restricted to the credit portion and did not cover the entire crop and it was available only to the farmers taking short-term loans from commercial banks. The scheme no doubt had spread after the introduction of the new scheme in 1999-2000. The total coverage, however, is still very low. It covered about two million farmers in the entire country by 2001. Region wise break up is not available. Data on coverage of small and marginal farmers and big farmers is not available. Subsidy actually disbursed to the small farmers is also not available.

The scheme appears to be highly unviable judging from the figures of the premium collected and the claims settled. In the rabi crop season of 1999-2000, against Rs. 5.42 crores of premium collected the claims settled were worth Rs. 7.69 crores. In the kharif season of 2000, against Rs. 206.51 crores of the premium collected the claims

settled were worth Rs. 1,179 crores. In the rabi season of 2001-2002, against Rs. 27.45 crores of premium collected Rs. 41.90 crores worth of claims were settled. Thus claims have far exceeded the premium in each season, making the Government incur losses season after season. The scheme was stopped for some time due to heavy losses.

The main reason for the losses appears to be the area approach instead of individual approach adopted. The moment the area is declared as drought hit or flood hit or calamity area, all the claimants have to be paid at the stipulated rate, irrespective of the actual losses incurred by them. Some of them may have been using irrigation and may have realised much higher than the average yield.

Even if the Government decides to shift to individual base from the area base, the administration cost of crop insurance would be very high, as every farmer has to be assessed based on his local conditions. Traditionally the administrative costs of crop insurance are heavy and become a part of the farm subsidies to the farmers of the developed countries.

Further the premium rates charged are a fixed percentage of the sum assured or the actuarial rates whichever is lower. So far actuarial rates have not been calculated for food crops and oil seeds. The actuarial rates have to reflect the probability of loss. It is not possible to calculate these rates unless the probable price at which the crop can be sold and the percentage loss to the farmers based on the past yield are available. So far actuarial rates are applied to the commercial crops.

To rationalise the premium structure the Government proposes to set up an exclusive agency that can specialise in crop insurance (See 'Enter the Specialist' by Suparas Bhandari, Page14). In this connection it is worthwhile to contrast it with the World Bank introduced weather insurance in some parts of Andhra Pradesh. The scheme stipulates the premium as 15

per cent of the maximum claim and links it to the Weighted Average Rainfall Index. The weightage to the rainfall in the plant-growing period is higher but it is the same for all crops across the region. Further there is restriction on the deviation from the rainfall. Only a deviation of more than 200 mm is taken into consideration. (World Bank, "Piloting weather Insurance in India" 2003.) The basis of claim is not related to the area under the crop, but to the sum assured under the policy. This approach is more beneficial to the insurance company but less beneficial to the farmer. He may land up paying higher rates of premium for much smaller claims.

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**It is worthwhile considering the linking of crop insurance to kisan credit card holders for payment of premium as well as collection of crop insurance claims.**

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#### **Bias towards big and commercial farms**

Crop insurance appears to benefit the big farmers growing commercial crops than small and marginal farmers growing food crops. The first and foremost disadvantage is the time taken to settle the claims. It is particularly hard on small and marginal farmers. The government machinery at present takes more than a year to settle the claim. Such delayed payments defeat the very purpose of insuring and farmers remain indebted. Crop area approach benefits the big commercial farms more than the small and marginal farmers. However the area approach benefits all farmers who have opted for the insurance.

Crop insurance is an initiative of the Government. It is not a demand driven activity as in the case of other types of

insurances such as life insurance. Another disadvantage is that they have to deal with the illiterate people who do not fully understand either the calculations or the implications.

#### **Suggestions for improvement**

Government has proposed to introduce kisan credit cards linked to personal insurance. Personal insurance cover for accidental death or permanent disability is also being extended to kisan card holders. These credit cards give immediate access to credit and reduce the loan processing time. It also gives flexible repayment schedules.

The kisan credit card scheme was introduced in 1998-99 and has become popular with 20.4 million credit cards having been issued. Co-operative banks issued 66 percent of the credit cards and the credit can be used for all purposes.

- It is worthwhile considering the linking of crop insurance to kisan credit card holders for payment of premium as well as collection of crop insurance claims.
- Since the risk of crop failure is connected with water conservation, special premium reduction facility should be offered to the communities that conserve water. Instead of benefiting careless communities that degrade the lands, communities that conserve water should get incentives.
- Area approach and linking the insurance to rainfall fluctuation may be considered for small and marginal farmers growing food grain crops
- The big commercial farmers should be charged on the basis of actuarial rates. Individual assessment is better, since big farms are not too many to increase the administrative cost.

*The author is Programme Director, M. S. Swaminathan Research Foundation, Chennai.*

# Enter the Specialist

*Suparas Bhandari*

In the Union Budget for the year 2002-03, the Union Finance Minister announced the establishment of an organisation to cater exclusively to agriculture insurance. Accordingly, the Agriculture Insurance Company of India Limited (AIC) was formed by the Government and incorporated on December 20, 2002 for implementation of the National Agriculture Insurance Scheme (NAIS) which, until March 31, 2003, was being managed by the General Insurance Corporation of India (GIC).

The AIC has since taken over the implementation of the NAIS from GIC. The company has been promoted with an authorised share capital of Rs. 1,500 crores and initial paid-up capital of Rs. 200 crores by GIC (35 per cent), NABARD (30 per cent) and the four public sector unit (PSU) general insurance companies (8.75 per cent each).

The main objective of the new company is to protect and secure financial support in the event of damage

to crops and losses in agriculture and allied activities and to develop insurance products in the best interests of the farming community.

The pace of advancement of the economic superstructure of a nation primarily depends on the strength of its agricultural base. Although the industrial and services sectors have their own share of contributions, India continues to be an agriculture-intensive country with over 75 per cent of its population living in rural areas. The sector contributes over 25 per cent of the Gross Domestic Product (GDP), providing food to a population of over a billion, livelihood to nearly two-thirds of

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**India has about 11 crore farmers of which only about 20 per cent avail crop loans from financial institutions and only half of those are insured.**

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them and raw materials to the country's agro-based industries, thus steering the overall growth of the economy.

The capacity of the agriculture sector to hedge itself from the vagaries and aberrations of nature is considered critical to its development and growth. The experiences of the past few decades have proved that no state is immune to natural calamities, no matter what its state of preparedness was. Therefore, agriculture insurance is an important risk management tool that has the potential to provide financial security to the persons engaged in agriculture and allied activities.

Crop insurance in India has been attempted in embryonic form since Independence and there have been many sporadic efforts to ensure the protection of the farming community against losses suffered through natural calamities. These efforts have culminated in the National Agricultural Insurance Scheme

(NAIS) currently being implemented in the country.

With an exclusive agriculture insurance company in place, the efforts are to consolidate the gains and cover new ground surely, but steadily. While protecting the farming community against unforeseen risks is very much need of the hour its capacity to afford insurance cover is limited. It would therefore be Agriculture Insurance Company of India Limited (AIC) endeavour to strike a fine balance between the high risks involved in agriculture and allied activities and the affordability of the farming community. It is in this context that the support of the Government is very essential.

#### **The enormous market potential:**

The farming community in India consists of about 11 crore farmers of which only about 20 per cent avail crop loans from financial institutions and only half of those are insured. The remaining 80 per cent (8.80 crores) are either self-financing or depend upon informal sources for their financial requirements. Most of these farmers are illiterate and do not understand the procedural and other requirements of formal financial institutions and, therefore, shy away from them.

Therefore while the institutional loanees are insured compulsorily under the NAIS, only about two per cent of the non-loanee farmers avail insurance cover voluntarily. This is quite indicative of the enormous insurance potential that exists for addressing the needs of the farming community and enhancing the overall efficiencies as also the competitiveness of the agriculture sector. This also signifies the tremendous potential of agriculture insurance in the country as a concept, which can mitigate the adverse impacts that such uncertainties would have on the individual farmers.

#### **AIC – Products and Priorities**

As a part of its mandate, AIC's strategic approach is to cater to the insurance requirements of the





agricultural and allied sectors in a holistic manner. While the NAIS being comprehensive and available to all cultivators has so far been able to cover only about 10 per cent of the farmers in the country, it is felt that the benefits of agri-insurance must percolate to the majority of the farming population, particularly to the small and marginal farmers.

In this context, the strategic intent of AIC is to effectively cater to the insurance requirements of the majority of the rural farming population and particularly to the needs of the resource poor farmers, by way of generating appropriate agri-insurance products within their affordable reach.

At the same time, AIC recognises that the existing procedures pertaining to claim processing and disbursement can be further simplified. While deficiencies tend to affect the confidence levels of the farming community, AIC's objectives are directed towards simplification and systematisation of the entire process of agri-insurance business such that financial security can be effectively packaged and delivered to all the segments of the farming community.

Besides NAIS, AIC plans to embark on new initiatives in the interests of the small and marginal farmers in mitigating their hardships. This will include addressing specific requirements pertaining not only to NAIS, but include revenue insurance (farm income insurance), rainfall / weather derivatives insurance, insurance for corporate farming and insurance for high value crops such as vegetables and flowers.

AIC also plans to provide a comprehensive package of insurance policies for the farmers, which include insurance for the assets, agri-inputs, tractors dwelling house, personal accident etc. The focus of such an insurance package will be to secure sustainable production in the sector ensuring food and livelihood security thus enhancing the competitiveness of the farmers and build the confidence of agricultural trade in the country.

### Business volumes and coverage

The NAIS during 2002-03 was implemented by 20 states and two union territories, covering approximately 1.20 crore farmers for a sum insured of Rs. 11,267 crores with a premium of Rs. 366 crores. This premium roughly translates to Rs. 1,400 crores in the actuarial regime. During 2003-04, we have already added Rajasthan, Jammu & Kashmir and Haryana to the scheme, and are likely to get the consent of Punjab as well. The Government has decided to put the scheme on an actuarial pedestal from kharif 2004 season (2004-05) onwards, which move is expected to push

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Putting the scheme on an  
actuarial pedestal from  
kharif 2004 season  
onwards is expected to  
push the premium to about  
Rs. 1,800 crores.

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the premium to about Rs. 1,800 crores during 2004-05. In specific terms, by the end of the 10<sup>th</sup> Five Year Plan period (2006-07), it is estimated that the sum insured would be in the order of Rs. 25,000 crores with the premium volume at Rs. 3,000 crores. Two crore farmers are targeted in the scheme.

The Farm Income Insurance Scheme (FIIS) which is being introduced on pilot basis in 19 districts of 16 states for wheat and rice during Rabi 2003-04 season is the first new product introduced by the AIC. When the scheme is ready for countrywide implementation, the potential will be 45 million hectares of area, Rs. 1,20,000 crores of sum insured and a premium of Rs. 8,000 to 10,000 crores, assuming 100 per cent coverage of wheat and rice farmers in the country. Similarly the rainfall insurance scheme to be introduced from kharif 2004 season has great potential in the rainfed areas.

### Marketing and intermediaries

In order to meet the challenge of tapping the huge potential, AIC plans to develop efficient channels of distributing the agri-insurance products. For instance, it proposes to efficiently utilise the already existing large branch network of commercial banks, cooperative institutions and further examine the possibility of using the large network of post-offices to widen the market outreach.

It is also AIC's endeavour to develop dedicated channels such as multi-purpose rural agents at block levels to reach the agri-insurance facility to the doorsteps of the farmers, particularly those in resource poor segments. AIC also plans to institute a system of brokers at the district levels for supervising the activities of such rural agents.

At the same time, AIC's efforts are also directed towards generating awareness amongst the farming community in general and the resource poor, comprising small and marginal farmers, in particular. Such endeavours are proposed to be aptly supported by an extensively organised publicity campaign with assistance from the Central and state governments. Central agencies such as the Directorate of Audio Visual Publicity (DAVP) and Doordarshan and state extension agencies would be utilised for carrying the message to the villages.

AIC will vigorously pursue the strategic goal of meeting the insurance requirements of agriculture and allied sectors in a holistic manner and propagating the benefits of insurance to the remotest of the places. While it definitely presents a mammoth task both conceptually and economically, we are sure with the dynamic and dedicated team AIC will successfully achieve the objective of extending affordable insurance cover to all segments of agriculture and allied sectors.

*The author is Chairman-cum-Managing Director, Agriculture Insurance Company of India Limited.*

# How it has Been

Ravi S. Tirumala



Ever since India achieved independence, several attempts were made to cover the risk of crop loss. These early attempts culminated

in the introduction of a Pilot Crop Insurance Scheme (1979-1985) which in turn paved the way for the introduction of the Comprehensive Crop Insurance Scheme (CCIS) in 1985. Both these schemes were formulated by the Union Government and implemented by the General Insurance Corporation of India (GIC) with financial stakes from both the Union and state governments. GIC not only acted as the facilitator, but also absorbed half the administration costs.

With the experience of nearly 14 years when the CCIS was in operation, the Union Government formulated the National Agricultural Insurance Scheme (NAIS) in 1999. Although GIC continued to be the implementing agency for NAIS to begin with, an exclusive organisation for agriculture insurance has envisaged, which would subsequently take over the NAIS from GIC. Hence came into existence the Agriculture Insurance Company of India (AIC) promoted by GIC, the National Bank for Agriculture and Rural Development (NABARD) and the public sector non-life insurance companies.

The formation of the AIC heralds a new era with respect to rural and agricultural insurance, with a clear mandate to subserve the insurance needs of this predominantly agrarian country.

These Government formulated, crop insurance schemes by and large had several similarities such as, 'Area Approach', 'Credit Linkage', 'Compulsory Coverage', 'Specified Crops', 'Yield Loss

Assessment on Sampling Basis' and 'Threshold Yield'. Crop insurance coverage is applied for a unit area, in sharp contrast to the individual approach followed in all general insurance policies. All the farmers growing a particular crop in a specific geographic area would get the same indemnity. The coverage under CCIS was restricted to the loanee farmers. Though NAIS provides for coverage of non-loanee farmers, most of the coverage under NAIS pertains to the loanee farmers who avail short-term crop credit from the cooperative, commercial and regional rural banks.

These schemes are made compulsory for the farmers who avail institutional short-term credit; payment of crop insurance premium is a prerequisite for disbursement of crop loans by the banks. Coverage was available only to the food

under these schemes. The threshold yield is the moving average of the past three or five years' yield for the crop and area in question multiplied by a level of indemnity which is pegged at 60, 80 or 90 per cent. The levels of indemnity applied depend upon the variability of past yields. The higher the variability, as measured by the statistical coefficient of variation, the lower would be the indemnity level.

The CCIS was available to all states, but was not accepted by agriculturally important states like Punjab and Haryana. In the beginning, Punjab, Haryana, UP and Rajasthan did not implement NAIS also; however, barring Punjab, all the other states have now accepted NAIS.

Whether CCIS or NAIS, farmers, farmer associations and certain state governments are not totally satisfied with the coverage and the indemnity procedures. Their main arguments against these schemes are:

- Why area approach and why not individual approach as in other general insurance policies? Since farmers pay the premium individually, the loss assessment should also be at individual farm level.
- The benchmark guaranteed yield should be the expected normal yield under ideal conditions – the threshold yield concept does not even guarantee the past average yield due to the non-indemnifiable limit, and is unrealistic and abysmally low when 60 per cent level of indemnity is applied. The past average yield itself is bound to be low when some past years are calamity years. The technological improvements also enrich the productivity year after year and the current yields are expected to be higher than the past yields.
- The premium rates are beyond the paying capacity of an average Indian farmer – especially the actuarial

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**Crop insurance programmes the world over are government subsidised, to a lesser or greater extent, by subsidising the premium or by owning claim liability.**

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crops and oil seeds under CCIS. Although some commercial and horticultural crops are eligible for coverage under NAIS, there is scope for inclusion of many more crops. Yield assessment based on sampling through crop cutting experiments is the most important component of the scheme that decides the extent of indemnity to the farmers upon shortfall in yield.

The sampling methods, in spite of being statistically validated by the national organisations, are subject to all-round criticism. The concept of guaranteeing a benchmark yield, called the threshold yield, is being followed

premium rates that are charged for the commercial and horticultural crops under NAIS. The problem is further aggravated by the phased withdrawal of the premium subsidy given to small and marginal farmers by the Government.

- The scheme should not be compulsory for the loanee farmers it should be voluntary for all farmers.

Despite the criticism, the crop insurance schemes implemented in India have received a good response from the farming community, financial institutions as well as the state governments. CCIS, over a period of 14 years, has covered about 7.63 crore farmers in the country, whose crops were insured for a sum of Rs. 25,000 crores.

The premium including subsidy (which constituted about 30 per cent of the gross premium) paid by the state and Central governments, was about Rs. 404 crores and the claim paid was about Rs. 2,319 crores. Clearly, the farmers have benefited immensely from the scheme, as the claim ratio is about 575 per cent.

NAIS, which was launched during rabi 1999, has covered 3.4 crore farmers upto rabi 2002-03 season and the sum insured was Rs. 29,000 crores. The

premium paid by the farmers was about Rs. 733 crores and the premium subsidy contribution by the Central and state governments about Rs. 164 crores, the total premium about Rs. 897 crores. The claims were about Rs. 3,725 crores. Once again, the farmers have received more than what they paid; receiving about five Rupees for every Rupee of premium paid by them. Under the CCIS, state and Central governments acted as co-insurers whereas under NAIS, state and Central governments bore claim liabilities exceeding the implementing agency's limit as prescribed in the scheme.

Though the macro level statistics show that the farmer is the net gainer, there could be a vast proportion of the insured farmers who would not have got any claim; perhaps they are rewarded by a better crop.

The future could be different, with the policy makers proposing a shift to a total actuarial regime with upfront premium subsidisation by the Government and total transfer of financial liabilities to the insurer. It means that the fixed rates of premium that are being currently charged for the food crops and oil seeds (for e.g.: 2.5 per cent for kharif paddy, 1.5 per cent for wheat and 3.5 per cent for kharif oilseeds), would also translate into commercial actuarial rates ranging up to

eight to nine per cent, depending upon the crop, cropping season and the region.

Farmers growing more risky crops and under unfavourable conditions would perhaps have to bear the higher cost of insurance protection and the less risky crops and regions would be rewarded with lower premium rates. It remains to be seen as to how this would go with the vast diversity of the nation and more importantly with the polity, which always had a role to play when it comes to crop insurance.

However, crop insurance programmes world over are government subsidised to a lesser or greater extent, by subsidising the premium or by owning claim liability. In this context, the policy makers have to tread cautiously, so that the poor farmer is not saddled with the heavy burden of premium.

The agricultural sector requires Government protection up to certain set limits which are acceptable as per norms, especially the WTO criteria, if we have to compete globally with our agricultural produce.

As far as the individual approach is concerned, it would be a distant dream. In a country as vast as ours, great diversity in cropping pattern and the numerous fragmented holdings virtually make it impossible to offer crop insurance at individual farm level.

If we were to assess crop yield losses at the individual farm level, the loss assessor cadre needs to be built up. Crops being seasonal, crop harvests in a region would synchronise within a short span of time, thus requiring large number of loss assessors. The services of these loss assessors would be required only during the limited period of crop harvest season. This will translate into huge costs that again have to be passed on to the farmers, who already feel that the premium rates are high. As these loss assessors have to be drawn locally, there is a scope for bias in favour of their brethren, which may go against the interest of the scheme.

In effect, this proposition appears impractical and leaves the policy makers with no choice other than the area approach.

CCIS – State-wise coverage from kharif 1985 to kharif 1999 (29 seasons)

State	Farmers Covered (lakhs)	Area Insured (lakh hectares)	Sum Insured (Rs. lakhs)	Premium (Rs. lakhs)	Claim (Rs. lakhs)	Claim Ratio %
Gujarat	105	232	5,41,191	6,616	1,09,782	1,659
Andhra Pradesh	137	251	6,63,158	11,330	48,261	426
Maharashtra	165	207	3,19,890	5,192	21,850	421
Orissa	44	58	1,46,248	2,853	18,040	632
Madhya Pradesh @	115	283	2,50,026	3,697	9,954	269
Karnataka	30	53	1,33,202	2,032	6,700	330
Tamil Nadu	25	40	1,21,154	2,207	5,004	227
Bihar @	32	35	93,732	1,874	4,800	256
West Bengal	66	39	1,50,165	3,002	3,507	117
Others	42	78	78,722	1,552	4,004	258
<b>Total</b>	<b>763</b>	<b>1,276</b>	<b>24,97,486</b>	<b>40,356</b>	<b>2,31,901</b>	<b>575</b>

@ Erstwhile States

(Source: Central Crop Insurance Department, GIC)



The area approach concept would reflect the individual experiences, provided the unit area is homogenous and reasonably small. The alternative therefore would be reducing the unit area size, so as to go down to a 'village' or 'group of villages' concept, at least for the major crops. The developed nations where the individual approach is more common have huge farms. In fact, the cropped area in a unit of insurance in India at times equals the individual farm size of these nations. Therefore, corporate, collective or cooperative farming in our country may provide a situation for individual approach.

Guaranteeing higher yield levels, such as 'expected normal yield' or setting the indemnifiable limits at a higher level (say 90 or 100 per cent) would result in a higher claims outgo. This again gets translated into higher actuarial premium rates. Is this proposition acceptable to the farmer? Is the average Indian farmer prepared to pay a higher price for a higher indemnity level compared to a lower indemnity level at a lower premium rate? This again is debatable, as the Indian farmer wants the crop insurance protection at a low cost, but would like to be indemnified even for the ordinary yield losses.

Crop insurance gives protection not only to the farmer but also protects the interests of the financial institutions, by

providing a repayment guarantee for their loans, a very important aspect in the context of the changing Indian economy. Crop insurance claim payments infuse fresh funds into the crop credit system which otherwise is a closed bank-farmer-bank continuum. Such being the case, another moot point for consideration would therefore be, should these institutions pay a portion of the premium, for the benefit they are deriving and thus easing the premium burden on the poor farmer?

Those who are opposed to the compulsory nature must realise that crop insurance is more prone to adverse selection and hence the compelling need for making it mandatory.

Crop risks are peculiar- the subject matter of insurance probably does not exist at the time of buying insurance, the expected yield would depend upon the perils that act upon the subject matter over a period of time. More commonly a combination of perils operate rather than individual perils.

Crop insurance is a clear case of 'systemic risk' – crop loss in a field or area is more likely to be repeated in the neighbouring fields or areas. All these and the problem of 'information asymmetry' i.e. insured being more knowledgeable about his crop than the insurer, provide ample scope to the buyer of the insurance

to seek protection only when the conditions are unfavourable to the crop.

This can be prevented if the period for buying the insurance protection is restricted, so that insurance is taken before sowing a crop or when the crop is in the early stages of growth. This may not be feasible as credit and insurance are to be provided to a huge number of farm holdings. Changing crop-credit guidelines offering greater flexibility to the farmer in timing the credit offtake pose fresh challenges in enforcing insurance discipline. Thus, the only alternative available is to make the scheme compulsory at least to those farmers who are covered by the organised institutional credit which presupposes required controls and checks on the proper end-use of crop loans. This has the added advantage of providing the required numbers, the concept of risk-spread, which is essential for any insurance.

After all this discussion, does it mean that the Indian farmer is left with a Hobson's choice in seeking insurance for his crops? Does he not deserve a better deal, an insurance policy that meets his requirements? Should there not be cover for the risks that are left uncovered now, such as the risk of market price fluctuations during crop harvest season?

The answer lies in exploring new avenues and offering the farmer such insurance policies which offer an alternative mechanism, if he chooses. New insurance policies like price insurance, income guarantee insurance, rainfall insurance, individual loss assessment policies and farmers' package policy could be some choices that might enthuse the farming community.

Insurance companies can offer a range of agricultural insurance policies to the Indian farmer, provided their financial health is not jeopardised; past experience however, is not so encouraging. Reinsurers also appear to be shying away from this portfolio, thus leaving governmental support to the agriculture insurance as the only option. With an exclusive insurance company for agriculture, the Indian farmer can now look forward to better insurance products that will fulfill his needs.

*The author is Officer-in-charge, AP State Level Crop Insurance Cell, General Insurance Corporation of India. The views expressed here are his own.*

NAIS – State-wise coverage from rabi 1999-2000 to rabi 2002-03 (7 seasons)

Covered State	Farmers Insured (lakhs)	Area Insured (lakh hectares)	Sum (Rs. lakhs)	Premium (Rs. lakhs)	Claim Ratio	Claim %
Gujarat	36	77	5,74,014	22,544	1,65,347	733
Karnataka	21	32	2,23,529	6,825	39,912	585
Andhra Pradesh	56	80	6,29,689	16,975	35,722	210
Orissa	32	33	2,41,065	6,315	35,546	563
Madhya Pradesh	46	117	2,55,443	8,318	30,976	372
Maharashtra	79	90	5,30,194	18,594	30,887	166
Chhattisgarh	16	38	76,378	2,007	16,388	817
Tamilnadu	4	6	46,595	944	5,119	542
West Bengal	16	9	90,994	2,248	4,770	212
Others	33	45	2,45,035	4,975	7,829	157
<b>Total</b>	<b>338</b>	<b>527</b>	<b>29,12,935</b>	<b>89,744</b>	<b>3,72,494</b>	<b>415</b>

(Source: Central Crop Insurance Department, GIC)

# The Neighbours and Us

*D.D. Rasgotra*

Agriculture plays an important and major role in the national economy and socio-economic development of the developing countries. Agriculture also provides livelihood to a large population. For example, in India agriculture not only feeds a population of one billion but also provides livelihood to about two-thirds of them. The road map to the next milestone of developing countries becoming self reliant nations depends to a great extent on agriculture as the engine of growth.

Agriculture is influenced by vagaries of the weather. Large scale crop failures have a very adverse effect on the economic conditions of the farmers. Such crop failures occur every year in one country or the other due to natural calamities such as drought, flood, cyclone etc. As a result of such crop failure, farmers in general and small farmers in particular not only lose their crop but are also left with no money to invest in the next crop season. If they have taken loans, their credit worthiness is also adversely affected. The impact of crop failure in developing countries is devastating where size of land holding is small and the number of farmers is large.

In short, crop failure sets off a chain reaction leading to non-payment of bank loans (if availed), inflation, high prices of commodities etc. There is therefore, a great need of crop insurance as one of the major risk transfer measures and crop insurance can certainly, to some extent, absorb disastrous effects of large scale crop failures.

Realising the need for crop insurance, some countries have designed and introduced crop insurance schemes but much more needs to be done. Private insurers are not very interested because of the nature of catastrophic risks involved. Whatever schemes are in operation are mainly

with government support. It is a challenge for all concerned to design a viable scheme. Cooperation and interaction in this regard can perhaps help in finding some solution.

Although the need for crop insurance is felt in developing countries, its implementation is restricted due to lack of reliable data on crop yields and losses, small and scattered risks, lack of insurance awareness on the part of farmers, limited means of farmers, lack of adequate infrastructure and the limited financial resources of developing countries.

With the above background we can have a look at the scenario prevailing in India and its neighbouring countries Sri Lanka, Bangladesh and Pakistan.

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Crop failure sets off a chain reaction leading to non-payment of bank loans (if availed), inflation and high prices of commodities.

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## India

Attempts were made after independence to introduce crop insurance but it was only in 1985 that, based on experience of few experimental schemes, the Comprehensive Crop Insurance Scheme (CCIS) was launched from kharif, 1985 to protect the farmers against losses suffered due to crop failure on account of natural calamities.

On demand from the farming community and implementing states for improving the scope and contents of the scheme, Government introduced a new scheme in place of the CCIS called National Agricultural Insurance Scheme

(NAIS), from rabi 1999-2000. This scheme covered, besides food crops, annual horticultural/commercial crops and was available to non loanee farmers as well.

Under NAIS there was also a provision to set up an exclusive organisation for implementation of the scheme which has since been done with the formation of Agriculture Insurance Company of India Ltd. (AIC).

The scheme is a multi-agency scheme and the implementing agency, Central and state governments and financial institutions have their role in implementation.

Looking to the vastness of our country. The variety of crops in 120 agro-climatic zones and the large number of farmers, by and large the scheme has been successfully implemented.

AIC has recently devised new Farm Income Insurance Scheme (FIIS) which, besides covering standard losses as per the scheme, also compensates the insured farmer for losses due to fluctuation in prices.

In addition to NAIS, the Government also introduced a pilot scheme on seed crop insurance from rabi 1999-2000 covering breeder seeds, foundation seeds and certified seed in a few states. The scheme aims at providing financial security and income stability to seed growers, to stimulate seed production of newly released varieties and to give a boost to the seed industry. It covers losses both at field stage and certification stage. Response to the scheme was not encouraging.

## Sri Lanka

The history of agricultural insurance in Sri Lanka dates back to 1958 when crop insurance of paddy got underway as a pilot project which was converted to regular scheme in 1961. In 1973 the Agricultural Insurance Board was institutionalised as an independent body



for operating crop and livestock insurance.

At present Agricultural and Agrarian Insurance Board provides insurance of agricultural and horticultural crops and medicinal plants, livestock, fisheries and forestry, agricultural equipment and storage insurance of produce and also provides medical benefits and social security scheme to agriculturists. Sri Lanka has moved in the direction of providing agricultural insurance coverage under one roof deviating from the traditional approach.

**Bangladesh**

A pilot scheme was launched in 1977. It was a multi perils scheme covering paddy, jute and wheat of loanee farmers on individual and voluntary basis. Loss was assessed on visual basis. Starting with two thanas it was extended to 56 thanas in 1981. Because of the increasingly adverse loss experience, absence of compulsory coverage of all loanee farmers, unsuitable underwriting approach and non-availability of funds, the scheme came to a temporary stop in 1996 registering loss of around 500 per cent.

There are suggestions to improve the scheme by following the area approach, compulsory insurance of all loanee farmers to avoid adverse risk selection

and assessment of losses on crop cutting method instead of visual assessment.

**Pakistan**

In 1986 the Agriculture Development Bank of Pakistan in collaboration with a private insurance company launched a scheme for cotton crop of borrowers. It was compulsory for two years. On pressure from borrowers who felt the high premium made credit

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Since reinsurance is either not available or available at unaffordable rates, Government support is desired for subsidising the premium and claims beyond certain limits.



too expensive, participation was made voluntary in 1988. The scheme had to be discontinued in the next season because of lack of participation.

Except the above scheme there have been only feasibility studies.

**Conclusion**


1. Evolution of a crop insurance scheme

with reasonable benefits for large coverage of farmers is a slow process based on efforts and experimental schemes over a number of years.

2. Crop insurance schemes with wider coverages are generally commercially unviable because of unaffordable premium rates. Since reinsurance is either not available or available at unaffordable rates, Government support is desired for subsidising the premium and claims beyond certain limits.
3. Implementation of the scheme with the involvement of banks, cooperatives etc. helps in wider reach because of their network and also reduces administrative cost.

Crop insurance is very sensitive in nature. Although the basic principles are commonly applicable, schemes should be in conformity with the particular environment of the country. Its growth and development requires constant and careful nurturing. Mutual interaction and sharing of experiences of developing countries can be helpful for its healthy growth.

*The author is retired General Manager and former Chief Executive, (NAIS), GIC.*



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# Spreading the Weather Risk

Soju Annie George

Risk reinforces poverty. Poor households are found to be highly dependent on informal risk coping mechanisms. However, the effectiveness of these means to cope with risk is dependent on the nature of the risk. Informal mechanisms like reciprocity and mutual insurance are more suited to high-frequency unsystematic risks than in dealing with low-frequency non-systemic risks affecting the entire region, like natural disasters.

The two common sources of systemic risks are (a) Market risks (prices of inputs and outputs) and (b) Natural disaster risks. Nature related risks, especially crop loss due to rainfall failure, are of key importance with Indian agriculture being highly dependent on monsoons known for their erratic nature.

Weather insurance is an indemnity for losses that may arise due to abnormal weather conditions. These abnormal weather conditions can be events such as excess rainfall, shortfall in rainfall or variations in temperature, wind speeds and humidity.

The area-based crop insurance programme has been the traditional product for managing yield risk for farmers. However, the effectiveness of this programme has been debatable (Parchure, 2003). This programme has experienced prohibitive costs due to the field inspections and loss adjustments to be made.

As per the report of the Task Force on Agriculture set up by the Government of India (July, 2001), all the crop insurance schemes were ineffective in estimating the probability of risks covered, leading to claim payouts in the range of four to five times of the premium collected.

If crop insurance is to give protection at the level of model yields, the premium might be as high as 30 per cent as against the current one per cent to 3.5 per cent, according to the study by the Task Force.

In India, farming communities suffer high losses year after year due to weather vagaries. Lack of irrigation facilities and non-availability of modern farming techniques further compound this

problem. This impairs access to rural credit as well, further impairing productive investments.

In such a scenario, weather insurance offers the following advantages

- Transfer of weather risks faced by Indian farming community for food grain, cash crops and plantation crops to the global weather markets on competitive terms. Access to international weather re-insurers with geographically diversified risk portfolio facilitates cost reduction.
- Facilitation of immediate and transparent claim settlement to the insured farming communities.
- Cost effectiveness for the insurer due to its low administrative costs, translating into lower premium levels

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**If crop insurance is to give protection at the level of model yields, the premium might be as high as 30 per cent as against the current one per cent to 3.5 per cent**



compared to that of traditional crop insurance.

All this is possible because as weather insurance is an area-based index insurance which provides protection against specific events (such as a drought or a flood) with characteristics like:

- Likelihood of the event is readily quantifiable
- Damage is easy to attribute and value
- The probability of occurrence is not as high as to make it unviable for the insurer and
- Neither the occurrence of the event nor the damage caused by it is affected by the insured's behaviour (chances of moral hazard).

In weather insurance, the claim is settled on the basis of a transparent index.

The index is created by assigning weightages to critical time periods. The past weather data is mapped on to this index to arrive at a normal threshold index. The actual weather data is then mapped to the index to arrive at the actual index level. In case there is a material deviation between the normal index and the actual index, compensation is paid out to the insured on the basis of a pre-agreed formula.

## Potential

From an insurance angle it is critical that the insured suffers an actual loss due to the covered abnormal weather events. So long as there is an insurable interest, weather insurance can have applications in multiple industries. For instance a hydroelectric power station can be covered for possible loss of revenue due to inadequate rainfall; a wind energy farm can be covered for possible loss of revenue due to inadequate flow of wind or a farmer can be insured for lost yield due to deficient rainfall.

Apart from farming communities, weather insurance is relevant to

- Groups of households at risk
- Micro finance/rural banks for portfolio risk management
- Importers
- Governments for disaster assistance
- Power and leisure industries for commercial risk management

## Experience from other countries

Worldwide, weather insurance has been extensively used in the fields of agriculture, energy, the leisure industry and the reinsurance of property and casualty in countries like the US, Canada (Alberta, Ontario), Netherlands, Argentina, OECD countries (including Mexico), South Africa, and Uganda.

## The pilot in India

ICICI Lombard, World Bank and the Social Initiatives Group (SIG) of ICICI Bank collaborated in the design and pilot testing of India's first index-based weather insurance product. The pilot test covered 200 groundnut and castor farmers in the rain-fed district of Mahabubnagar, Andhra Pradesh. The

policy was linked to crop loans given to the farmers by BASIX Group, a non-governmental organisation (NGO) and are sold through its Krishna Bhima Samruddhi Local Area Bank.

The insurance policy was linked to the amount of rainfall in the district within the five months of the insurance cover (May 10, 2003 to October 10, 2003).

Based on the rainfall data collected for the past 30 years from the Indian Meteorological Department, a rainfall index was computed.

Different weightages were attached to different periods according to the requirement of rainfall for the specific crop. Any shortfall of rainfall compared to the anticipated normal rainfall index was to be compensated on a Standard Loss Rate per cent of the shortfall subject to a maximum of the Sum Insured.

A cumulative weighted average of the past weather data was taken to arrive at the anticipated normal index (the Anticipated Normal Rainfall Index specific to the pilot project is 653 mm for groundnut and 439 mm for the castor crop). The premium and the Sum Insured were calculated on the basis of the amount of land owned by the farmer.

**Reinsurance**

To spread the risk which is localised for weather, ICICI Lombard has sought

reinsurance from global reinsurers. Some of the major players in the market are ABN Amro, Swiss Re and Citibank. These reinsurers further diversify their risk by taking derivatives in the international weather markets. (See visual below).

**Payout experience**

The district of Mahabubnagar has received the best rainfall in the past five years. However, the monsoon was delayed leading to delayed sowing and in turn affecting the yield of groundnut. Since the weights were assigned to the different time periods, the delayed monsoon reflected in the weighted actual index level. Since there was a material deviation from the normal index, the claim was settled within 15 days of the end of the cover period.

**Commercial launch**

Weather insurance has also been extended to 50 soya farmers in Madhya Pradesh through Pradan, an NGO, and 600 acres of paddy crop in Aligarh through ICICI Bank’s Agribusiness group along with the crop loans. ICICI Lombard is currently exploring the feasibility of weather index based crop loan insurance instruments for various crops across the country.

**Challenges**

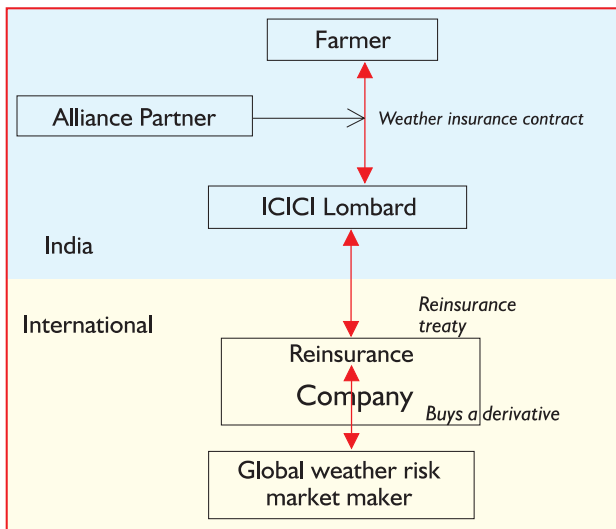
The main challenges pertaining to a scale up of weather insurance are

## Key features of a weather insurance product

- Weather insurance is protection against cumulative climate activity that is not catastrophic, but can hurt the revenues of different industries. For instance, variations in temperature or rainfall.
- The claim is settled on the basis of a transparent index created from past weather data.
- The claim settlement is immediate, transparent and cost effective for the insurer due to its low administrative costs, translating into lower premium levels.

as follows

- Awareness and education about the product: At the village level, farmers need to be convinced about the workability of the product. In addition, other stakeholders who have major roles to play in managing weather-related risks in the public as well as private sectors (including government, NGOs and banks with crop loan advances) have little knowledge about how they can use the product to hedge their risks.
- Availability of reliable data in electronic format for various districts and sub- districts/*tehsils* within India.
- Installation of additional weather stations to collect farm-specific data that can transmit weather data on a real time basis. It may be noted that it is important to structure the weather indices on the basis of location specific data as far as possible, so that “basis risk” is minimal.
- Secure and objective source of current weather measurements.



*The author is with the Social Initiatives Group, ICICI Bank. The views expressed here are her own.*



# Derisking Drought and Rain

K.N. Rao

Many emerging economies owe their strength to favourable weather events. They are also ill equipped to deal with them. India is a predominantly agriculture based country with farming supporting nearly two thirds of its population but hardly 20 per cent of the precipitation is utilised while large tracts of country are exposed to drought. Therefore, reducing weather vulnerability in developing countries may very well be the most critical challenge facing development in the new millennium.

Weather risk markets are amongst the newest and most dynamic markets for financial risk transfers and include participants from a broad range of economic sectors, such as energy, power, insurance, agriculture, leisure, entertainment etc. However, agriculture is a prime example of an industry whose outcome is dictated by the weather. Therefore, the main focus of this paper is to examine weather insurance in the context of agriculture, mainly crop production.

The World Bank's Report (2001) produced below (Table 1) highlights the overriding importance of farming as source of livelihood in low income countries, where a majority of the population lives in rural areas.

## Rainfall Sensitivity

Sixty five percent of Indian agriculture is heavily dependent on natural factors such as rainfall, and as such is extremely sensitive to rainfall. Several studies including those by the National Commission on Water have established that rainfall variations

account for more than 50 per cent of variability in crop yields. The analysis of the Indian crop insurance programme between 1985 and 2002 reveals that rainfall accounted for nearly 90 per cent claims – 75 per cent on account of deficit rainfall and 15 per cent on account of excess rainfall.

The rainfall sensitivity of Indian agriculture can be measured from the following table (Table 2) which gives extent of decline in food grain production during rainfall deficit years, especially during July, the rainiest month of the year and the most crucial for sowing operations.

Table 2 : Historical data on rainfall levels and Kharif crop production in the country

Deficit Rainfall Years from	Monsoon Rainfall departure Normal %	Rainfall departure during July %	Fall in Kharif food grain production %
1972-73	-24	-31	-7
1974-75	-12	-4	-13
1979-80	-19	-16	-19
1982-83	-14	-23	-12
1986-87	-13	-14	-6
1987-88	-19	-29	-7
2002-03	-19	-49	-19

(Source: GoI, Economic Survey 2002-03)

Traditional crop insurance suffers from many maladies. The important ones are: (a) moral hazard (b) adverse selection (c) multiple agencies and their huge administrative cost which are hidden in government budgets (d) lack of reliable methodology for estimating and reporting crop yields due to which farmers themselves are suffering in many parts of the country (e) delays in settlement of claims (f) programme limited to growers (farmers). So, what is needed is a system of insurance that meets the following requirements:

(i) It is affordable and accessible to all kinds of rural people,

including the poor and workers.

- (ii) It compensates for catastrophic income losses to protect consumption and debt repayment capacity.
- (iii) It is practical to implement given the limited kinds of data available
- (iv) It can be provided by the private sector with little or no government subsidies
- (v) It avoids the moral hazard and adverse selection problems that have bedevilled crop insurance programmes.

Against this background, the concept of weather (rainfall) insurance provides new promise. Although there is no way of controlling weather, there is now solution to the financial effects that weather can have on incomes.

Weather insurance is triggered by weather observations (rainfall, moisture, temperature, etc.) at local/regional weather stations. It can be a mechanism for

providing a low cost and effective risk management aid to farmers, rural people and institutions for coping with weather events that have an adverse and sometimes catastrophic impact on agricultural production and rural incomes.

For developing countries like India, weather insurance markets create new opportunities for dealing with two fundamental issues. The first is ways to deal with catastrophic or disastrous risks and the second is to promote new private based insurance products.

Advantages of weather (rainfall) insurance:

Weather insurance has many advantages over traditional insurance, the most important of which are highlighted below:

1. The main attraction of weather

Table 1 : Population living in rural areas vis-à-vis Agricultural GDP across Low; Middle and High Income Countries

Sl No.	Countries	Population Living in Rural Areas %	Agricultural GDP %
1.	Low Income	69	27
2.	Middle Income	50	10
3.	High Income	23	2

(Source: The World Bank's Report 2001)

derivatives is that it insures volume rather than price, therefore, simple to measure.

2. Trigger events can be independently verified. Since India has independent rainfall reporting system (through the Indian Meteorological Department), it would be measured in the most tamperproof environment.
3. The economic incentive of farmer to work hard for a good harvest are unaffected by the weather based insurance, avoiding moral hazard.
4. Adverse selection is minimised as premiums are fixed without taking into account the composition of the risk pool of farmers in the insurance scheme.
5. A wide-section of people can be covered. The beauty of rainfall insurance is that the market is open to everyone including farmers, agricultural labourers, agricultural input suppliers, rural population and anyone who is likely to be affected by weather parameters.
6. Inexpensive to operate. Since very few agencies would be involved in implementation, the aggregate administrative cost involved would be far lower than the traditional crop insurance.
7. It reduces loan default risk, so better terms on interest rates can be offered by financial institutions
8. Speedy settlement of indemnities, as claims can be settled as early as one week from the indemnity period, which could be fortnightly/ monthly or entire monsoon period from June to September.
9. Weather insurance offers lies in the immense possibilities for reinsurance, which are at present completely absent for agricultural insurance. Rainfall risk can be domestically and internationally reinsured.
10. Heterogeneity of weather products across firms and industries can give rise to a market for weather-risk derivatives. In agriculture, the profit maximising function is likely to be 'concave' with crop losses occurring at either extreme of weather conditions, while it is 'convex' in energy markets. In fact, this heterogeneity of weather impacts across firms and industries

that have given rise to a market for weather risk derivative products including swaps and options.

11. Possibility of offering wrap-up products, including products based on double or multiple triggers.
12. Secondary financial markets. They can also be suitably packaged and placed with capital markets as is being done in the US and other developed markets.

In view of the definite advantages of weather (rainfall) insurance over traditional crop insurance, it is ideal for Indian conditions.

At present, the rainfall insurance programme is successfully tried in a number of countries, which include Argentina, Canada, Ethiopia, Mexico, Morocco, Nicaragua and Tunisia.

In India, the efforts have already commenced. ICICI-Lombard General

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**The ultimate condition for the success of weather insurance programme in India would be (as is the case in other countries), the price at which the coverage can be provided**

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Insurance is the first company to introduce the product, piloting in Mahabubnagar district of Andhra Pradesh during kharif 2003 season (See 'Spreading the Weather Risks' by Soju Annie George, Page 21). IFFCO-Tokio General Insurance, and Agriculture Insurance Company of India Limited (AIC) have also been working on similar products, which are likely to be marketed during kharif 2004 season.

The basic idea of rainfall insurance is to estimate the percentage deviation in crop output due to adverse deviations in rainfall. There is an established methodology for doing so. This gives the linkage between the financial losses suffered by farmers due to rainfall failures and ties down the indemnities that will be payable to them.

The analysis can also be fine-tuned to include contingencies associated with the timing and the distribution of rainfall over the season. The two together form the basis for designing rainfall insurance contracts. Normally the procedure for developing rainfall insurance contracts pursue the following sequence:

- (a) Collection of weather data and production data for fairly a long period.
- (b) De-trending the past yield data to eliminate the effects of the trend on the variance of random yield by using appropriate statistical techniques.
- (c) To select most appropriate rainfall period; and to estimate sensitivities of various crops to weather variations
- (d) To construct specific rainfall indices by assigning weights to different rainfall periods in order to maximise correlation between yields and rainfall. The weightages would consider the criticality of growth stage of each crop.
- (e) To design appropriate rainfall insurance contracts
- (f) To fix appropriate premium rates
- (g) To develop methods for updating the data, marking it to the most recent experience and appropriately modifying the premium rates

**Types of weather (rainfall) insurance contracts**

Weather (rainfall) insurance contracts broadly fall into two categories: (a) proportional rainfall index contracts, where payouts are proportional to shortfall in the index, (b) non-proportional contracts, where the unit payments increase as shortfall in rains increases. A variant of non-proportional contract is 'all-or-no' basis (binary) contract, where depending on actual rainfall index, either there will be no claim or full claim. However, the simplest is the proportional contracts.

**Challenges**

Despite the promise of rainfall / weather derivatives insurance, there are significant issues, which must be resolved. The important among these are:

1. Reliable and verifiable data and tamper-proof weather stations – All parties must be confident that the

measurement of what will trigger payments is secure and accurate. Some of the devices for secure and accurate measurement of weather parameters are Optical Precipitation Sensors (OPS), real-time telemetric gauges and remote sensing.

2. Basis risk – The spatial variation in rainfall within the zone. Basis risk, however can be minimised by (a) having longer – term rainfall based on entire monsoon period (June to September), and (b) having more number of rain gauge stations in the area.
3. Discontinuous nature of rainfall – how it can rain in one place and not another close by. Dischel (2000) puts forward a more optimistic view of the precipitation market in his article ‘Is precipitation Basis Risk Overstated’ for Energy and Power Risk Management. In this paper Dischel examines evidence that whilst over a short period of time there may be little correlation between rainfall in two places that are geographically close, over a long term, monthly or quarterly, there may in fact be positive correlation between the rainfall of the two sites.

Further, over the long term, weather conditions are far more likely to replicate the behaviour of past weather, thus minimising the forecasting risk to market makers who write long term contracts. This return to a normal pattern of weather conditions is known as the ‘mean reversion’ nature of weather.

4. Correct correlations – Not all crops grown during the year have sufficient rainfall correlations. Rainfed crops have higher correlations than others. Similarly, rainfall has high correlations during kharif season, while humidity, dew, sunshine, etc. during winter / rabi season.
5. Covariate Risk – The insurer faces high risk because of the covariate (systemic) nature of risk. When payment is due, then all those who have purchased insurance contract against same weather station must be paid at the same time. Moreover, if the insured risks at different rainfall stations are highly correlated, then

the insurer faces the possibility of having to make huge payments in the same season (year). To hedge against systemic nature of risk, the primary insurer will have to find international reinsurance and financial markets.

6. Actuarial soundness – The drought disasters in India are more frequent during years following El Nino Southern Oscillation (ENSO). At least half of the severe failures of the Indian summer monsoon (South West monsoon) since 1871 have occurred during El Nino years. Therefore, the actuarial soundness of the weather insurance contract could be undermined by ENSO phenomenon that changes the probability of the insured events.
7. Insurance contracts usually require an ‘insurable interest’ by the insured which may be viewed as incompatible with a weather

### IRDA will have to put in place appropriate regulatory mechanism for index based insurance contracts.



contract settled on the basis of third party data as opposed to losses suffered by the insured. However, the emerging experience in several countries shows that this departure from the traditional insurance concept is not a major obstacle.

8. Insurance regulations for establishing an appropriate legal and regulatory framework for weather insurance, which is absent now, will have to be set up. IRDA will have to put in place appropriate regulatory mechanism for index based insurance contracts.

The ultimate condition for the success of a weather insurance programme in India would be (as is the case in other countries), the price at which the coverage can be provided (including governmental subsidies, if any). The market, which in-turn would

be decided by programme design, its simplicity, reliable data measurement, and access to international weather management players, will decide it.

Weather insurance certainly cannot modify weather conditions, but can help manage weather risks in a more efficient way.

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# Takers Wanted!

Balaji Thiagarajan

## – For Plantation Insurance Products

Crop insurance in India is synonymous with the National Agricultural Insurance Scheme (NAIS), and earlier, its precursor, the Comprehensive Crop Insurance Scheme (CCIS).

These Government-sponsored schemes operate on a mass basis covering groups of farmers over large areas, and implemented by the General Insurance Corporation of India (GIC), and now by the newly formed Agriculture Insurance Company of India (AIC), on behalf of the Central and state governments, through a gazette notification.

However, other forms of crop insurance covers are also available in the country. These insurance policies go under the generic nomenclature Plantation / Horticulture Insurance (Inputs) Policy (PHIP) and are issued by the public sector unit (PSU) general insurance companies. Like any other general insurance policy, these policies are annual contracts and operate on an individual basis.

Some salient, distinguishing, features of the above two types of crop insurance covers are shown in the table below.

There seems to exist an unintended jurisdiction with regard to crops covered under these two divergent crop insurance covers. While NAIS covers only the “notified crops” (as per gazette notification for each state/district) falling under the broad category of cereals (paddy, wheat, maize), millets (jowar, bajra, ragi), pulses (red gram, black

gram, green gram), oilseeds (groundnut, sunflower, castor, sesamum) and some annual commercial/horticulture crops (like chillies, cotton, sugarcane and potato. More are sought to be included); the PHIP covers any crop that can be classified as a plantation or horticulture or floriculture crop – whether annual or perennial. The only exceptions are sugarcane and banana, which are currently covered under both.

The history of PHIP can be traced to 1990, although the erstwhile subsidiary companies of GIC were sporadically underwriting this policy even prior to

this risk, and thus was born the PHIP.

To begin with, the PHIP came under a market agreement between the subsidiary companies as regards crops that can be insured, maximum sum insured, premium rates, deductibles, indemnity tables, etc. The market agreement provided for standard policy wordings, and crop-wise ‘Specific Clause’ to be attached to the standard policy. The Sum Insured and Indemnity Table formed part of the Specific Clause for each crop. Under the market agreement, nine crops were listed for coverage under the policy viz., grapes, banana, citrus, sapota, pomegranate, sugarcane, eucalyptus, poplar and rubber.

Although the market agreement for PHIP was short-lived (it was withdrawn in 1993), the Standard Policy formed the foundation for all policies written by the subsidiary companies in the subsequent years. More and more crops were included for coverage under this policy in course of time, like mango, apple, oil palm, teakwood, orchids, roses, betel vine.... a long list encompassing a wide range of crop species.

The Sum Insured as well as the indemnity under the policy is restricted to the input costs/costs of cultivation incurred for raising the crop till the date of loss, thus making it a policy of pure indemnity. Based on the input cost tables evolved by agriculture universities or the ones adopted by financial institutions as guidelines for scale of finance, indemnity tables have been standardised for each insured crop, which forms part of the policy.

The items of expenditure which would go into the sum insured are also defined, and includes land preparation costs (ploughing, tilling), cost of seed material, planting operation, costs of fertilisers, pesticides, insecticides and costs of their application, inter-cultivation costs (thinning, weeding), harvesting costs and labour charges. Care is taken to include only the recurring costs, and exclude the non-recurring costs, capital expenses, profits,

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**The ‘golden era’ for plantation insurance marketing was the nineties, when several plantation companies floated investor schemes, promising huge returns from cultivation of perennial plantation crops, notably teak.**

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that. The Central Rural Insurance Committee of GIC, consisting of representatives from the rural insurance departments of GIC and subsidiary companies, attempted to standardise the terms and conditions for underwriting

NAIS	PHIP
Gazette notified scheme	Insurance contract
Area approach	Individual approach
Yield based indemnity	Input cost based indemnity
Largely linked to bank credit	Bank credit linkage not essential
Broadly includes cereals, pulses, oilseeds and some annual commercial /horticulture crops	Broadly includes annual/ perennial plantation, horticulture and floriculture crops
Insurers: GIC/AIC	Insurers: PSU non-life insurers
Compulsory for loanee farmers, voluntary for non-loanee farmers	Voluntary for all farmers
Unnamed perils coverage	Specific perils coverage

etc. In case of annual/seasonal crops, the indemnity table is a sliding scale of month-wise inputs as a percentage of the total cost (peak sum insured) for the entire crop duration.

In case of perennial crops, the indemnity table is a year-wise cumulative cost of inputs, cumulation being done till the year of first economic yield. The indemnity is based on actual costs incurred subject to the limit of indemnity as per table (upper limit of liability). According to the latter criterion, the policy is also, in a sense, an agreed value policy.

A claim under the policy is admissible only in the event of total loss or 'death' of the insured crop. Mere shortfall or fluctuation in yield is not considered a loss under the policy. The loss should have been caused due to the operation of a peril insured against. The perils covered under the Standard Policy are - fire (including forest fire and bush fire), lightning, FST perils and riot/strike. This is called the 'Standard Cover'. Additional perils like unseasonal rains, frost, drought, named pests/diseases, are covered for extra premium, and called 'Optional Cover'.

A few tentative attempts were also made by the general insurance companies to cover the yield loss to a limited extent, under the coverage for apple, oil palm, roses. This was by way of fixing a value for the yield as an agreed percentage of the peak input cost value of the plant/tree. This however was a far cry from the expectations of the insureds, since such values were abysmally low when compared to the market value of the produce. Hence it turned out to be nothing more than a theoretical proposition.

The coverage achieved by the PSU companies under PHIP has been negligible so far. This could be either because the insurance companies themselves have not been very enthusiastic about marketing this policy, being apprehensive about huge claims; or because the limited coverage offered under the policy fails to meet the requirements of prospective insureds,

and hence there have been no takers for the policy.

Relatively speaking, insurance of banana, grapes, rubber, eucalyptus has been more popular than the other crops. The 'golden era' in the marketing of this policy the nineties, when several plantation companies floated investor schemes, promising huge returns from cultivation of perennial plantation crops, notably teak.

Indeed, insurance became a vital marketing tool for these companies in selling their investment schemes. But this concept did not last long, and even as these companies went into oblivion, the demand for PHIP also waned.

The ushering in of the liberalisation in the Indian economy in the nineties

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**The general insurance companies have their compulsions and reasons for shying away from this portfolio – they are not equipped with the technical know-how and they need to train their personnel in this specialised field.**

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witnessed several corporate entities in the private sector venturing into hi-tech agriculture and green-house technology, cultivating a range of exotic crop varieties like ornamental roses, orchids, strawberry, button mushrooms, all aimed at the international market. These corporate entities were 100 per cent export oriented units (EOUs), enjoying special Government concessions for investment in agriculture.

The concept of contract farming also caught up well at around this time, with many corporates entering into tie-up and buy-back arrangements with

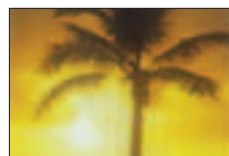
farmers, for cultivating new crop varieties like gherkins and baby corn with an eye on the export market. The advent of these agro-companies further provided a fresh opening for marketing the PHIP since these companies were insurance conscious and sought to protect their huge investments in these ventures.

However, it is an undeniable fact that the PHIP is not as popular as the NAIS, or for that matter, other general insurance policies. True, the general insurance companies have their compulsions and reasons for shying away from this portfolio – they are not equipped with the technical know-how to underwrite crop insurance risks, they need to train their personnel in this specialised field or freshly recruit trained personnel, they have to have loss assessors with knowledge of agriculture, and they also have to look for reinsurance support to increase their risk capacity under this portfolio.

But considering the enormous premium potential that this field of insurance holds, it will be worthwhile for the insurance companies to invest in creating the required infrastructure. Being a non-tariff business, there is scope for insurance companies to devise tailor-made policies to suit individual requirements.

The general insurance industry has become fiercely competitive after the entry of private companies, and it would not be long before all insurance companies turn towards the rural market for premium. The AIC, which is an exclusive set-up formed for agriculture insurance in the country with a motto to launch new rural insurance products, can also look to underwriting this policy. In this scenario, PHIP is surely poised for a second 'golden era'.

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## प्रकाशक का संदेश

दक्षिणी तट पर भारी बरसात हो रही है। राज्यों में उपज को ही नहीं वरन् सार्वजनिक तथा निजी सम्पत्तियों को तथा जीवन व पशुओं की हानि की सूचना है।

यह देखकर अफसोस होता है कि किसान जिन्होंने पिछले दिनों तक कठोर संघर्ष किया है उन्हें अपनी मेहनत के फल से वंचित होना पड़ा है। विपरीत जलवायु प्रणाली पूरे क्षेत्र को प्रभावित कर रही है। एक ओर किसान को अपने निवेश की हानि का नुकसान उठाना पड़ता है तो देश की अर्थव्यवस्था का नुकसान भी कम नहीं है।

आईआरडीए जर्नल के इस अंक का केन्द्र बिन्दु फसल बीमा है। इसकी पहचान खाद्य सुरक्षा के एक नाजुक कारक के रूप में हुई है लेकिन इसका कार्यान्वयन एक प्रभावशाली सतत् तथा वृहद समाधान के रूप में नहीं हुआ है।

इसके लिए चिन्हित किये गए कारकों को भारतीय कृषि खेतों की छितरी हुई होल्लिंडग प्रकृति, सांख्यिकी की कमी तथा योजना मे अनिवार्य तथा ऐच्छिक का मिश्रण जिन्हें अब तक प्रस्तावित किया गया है वह विपरित चुनावों को प्रोत्साहन देते हैं।

कई लोगों के बीच यह दृष्टिकोण है कि जो कोई भी सुरक्षा यह उत्पन्न करवाती है वह अधिकांश किसानों को ऋण देने वाली वित्तीय संस्थाओं के लिए होता है तथा सीधा किसान के लिए नहीं होता।

यह भी अभी स्वीकृत की गई है कि बीमांकक दरों तथा प्रीमियम पर इमदाद सरकार द्वारा (केन्द्र एवं राज्य सरकार) योजना की क्षमता को क्षरित किया है जो व्यवसायिक रूप से निरंतर बनी रहे, दोनो प्रकार से मेहनताना तथा प्रशासनिक व्यवहारिता से भी। इससे उत्पाद नवोन्मेष में भी बाधा आयी है। जहाँ एक व्यवसायिक गतिविधि बैंक स्तर तक नहीं पहुँच पाई है। निधिकरण, विपणन सहायता तथा निश्चित रूप से बीमा की प्रकृति में सुरक्षा परत है जिसने सरकार को निधि देने के लिए मजबूर किया है। यह सब कुछ वर्तमान का फसल बीमा है।

फसल बीमा को नए रूप से खोलने के चिन्ह दिख रहे हैं। सरकार द्वारा फसल बीमा के लिए अलग कंपनी खोलने की बुनावट इस दिशा में पहला कदम है जो सरकार के संरक्षित वातावरण से बाहर निकालने के लिए है।

वैसे समय आ गया है कि उत्पादों को परिपक्व कर उनकी असली क्षमता का दोहन किया जाए। निजी क्षेत्र भी इस तरफ देख रहा है जो एक भावी बाजार है तथा कुछ कंपनियों ने इस ओर प्रारंभिक कदम उठाए हैं जिससे फार्म सेक्टर में विपणन किया जा सकें।

हमने देखा है कि पिछले तीन वर्षों में नवोन्मेष उत्पाद विभिन्न बीमा कर्ताओं द्वारा जनसंख्या के विभिन्न भागों की विशेष आवश्यकताओं को ध्यान में रख कर जारी किए गए हैं। हम यह आशा करते हैं कि यही भावना उद्योग को उत्प्रेरित करेगी कि वह एक उचित फसल बीमा पैकेज के साथ आगे आए।

सी. एस. राव  
सी. एस. राव

# ईमानदारी पर

श्री मैथ्यू वर्गीज ने आईआरडीए में सदस्य (गैर जीवन) के रूप में नवंबर में पद ग्रहण किया। न्यू इंडिया एश्योरेंस कंपनी में १९६७ बैच के प्रादेशिक इंजीनियर के रूप में चैनै कार्यालय में पद संभाला। श्री वर्गीज कंपनी में केन्या में प्रतिनियुक्ति पर प्रबंध निदेशक तथा प्रधान अधिकारी केन इंडिया एश्योरेंस कम्पनी लिमिटेड से इसी वर्ष सितम्बर में सेवानिवृत्त हुये।

केन इंडिया, न्यू इंडिया एश्योरेंस की सहायक कंपनी केन्या में बीमा उद्योग की तरह वर्ष २००१ में सबसे बुरी अवधि से गुजर रही थी जब श्री वर्गीज लॉयन सफारी की भूमि पर पहुँचे।

कारण? अस्वस्थ प्रतिस्पर्धा, छिना - झपटी जोरों पर थी तथा कंपनी दावा देने में असमर्थ थी तथा यही स्थिति प्रीमियम की भी थी। राजस्व वृद्धि के क्षेत्र में कार्य करने के बाद तथा निश्चितता, लाभ जब उद्योग बुरी अवस्था में था इसके बारे में जितना कहा जाये कम है।

इनका समाधान था स्वयं अनुशासन। बाजार में बड़ी कंपनी होने के परिणाम स्वरूप यदि हम कुछ करेंगे तो दूसरों के पास कोई विकल्प नहीं होगा। केवल वे अपने अनुगामी बनेंगे।

यह परिहार्य है, वह कारण देते हैं अपने ही कार्यपालकों द्वारा वह कठिन प्रतिरोध से गुजरते हैं। वह प्रीमियम कोटेशन संग्रह तथा दावा देने के नियम स्थापित करते हैं।

इसके लहरदार परिणाम निकलते हैं तथा केन इंडिया अपने पहले ही वर्ष में लाभ में आ जाता है। जबसे इन्होंने संचालन प्रारंभ किया। इससे ज्यादा क्या, बाजार स्थायित्व की तरफ मुड़ा अन्य कंपनियों के साथ तथा इससे हितकर हुआ तथा विनियामक का कार्य आसान हो गया।

अब मेज के दूसरी तरफ श्री वर्गीज अपने अनुभव को यहाँ लागू करने के लिये तैयार हैं।

स्वयं अनुशासन पहली बात है जो उनके मस्तिष्क में आती है। जब उनसे गैर जीवन बीमा कंपनियों की कार्यसूची के बारे में पूछा गया। आईआरडीए ने अच्छा प्रारंभ किया है सबसे बेहतरीन विनियामकों में से एक बन कर। यहाँ बाजार में प्रारंभिक कठिनाइयाँ थी और जैसे हम आगे बढ़ेंगे इन्हें ठीक कर लिया जायेगा।

पर्यवेक्षण तथा निरीक्षण की कुछ सीमायें हैं लेकिन विनियामक कार्य का मूल मंत्र अधिक से अधिक सूचनायें एकत्र करना, उनको मूल्यांकित करना तथा उद्योग को सुधार की सलाह देना।

एक स्वस्थ विकास के लिये 'मैं यह सोचता हूँ वह स्वयं के अनुशासन में विश्वास करे' यह उनका दृष्टिकोण है। उद्योग की समस्याओं का समाधान कंपनियों को करना है तथा आईआरडीए को यह देखना है की बीमा कंपनियाँ अपना व्यवसाय इस प्रकार चलाये कि वह इस उत्तरदायित्व को स्वयं वहन करे।

उनके उद्योग के संबंध में चिंतायें क्या है जो वे आज देखते हैं? उर्ध्व-वाधर वृद्धि प्रबंध खर्चों में तथा बीमा प्राशुल्क हटाने के लिये जो बिलकुल निकट है तैयार न होगा।

प्रबंध खर्चों पर नियंत्रण वह क्षेत्र है जिसमें आईआरडीए की महत्वपूर्ण

भूमिका है। ऐसा इनका कहना है। लेकिन अभी सार्वजनिक क्षेत्र की समस्या है तथा स्वैच्छिक सेवानिवृत्ति योजना से लागत में कमी संभव होगी तथा इसकता ध्यान रख सकेगी।

जहाँ तक प्राशुल्क से मुक्ति का प्रश्न है वे कहते हैं, नयी कंपनी आस-पास है। पिछले दो वर्षों से औसत रूप से उन्होंने सांख्यिकी इकट्टा की है तथा उसका उपयोग किया है सार्वजनिक क्षेत्र की कंपनियाँ जिन्होंने ऐसा नहीं किया है उनके पास १८ महीनों का समय है इसलिये उन्हें यह करने को तैयार होना चाहिये। जिससे निर्देशात्मक सांख्यिकी मिले जिसके दर को बताया जा सके जब ओडी से प्राशुल्क मुक्ति आ जाये। लेकिन यह पर्याप्त स्तर की तैयारी नहीं होगी। हमें उन्हें सांख्यिकी का उद्योग स्तर पर बाँटने के लिये तैयार करना होगा उनका मानना है।

यह उनके दृष्टिकोण सार्वजनिक क्षेत्र की कंपनियों के लिये हैं कि उन्हें अधिक से अधिक पारदर्शिता दिखानी चाहिये। आईआरडीए को तुरंत कदम बढ़ाना चाहिये तथा उद्योग की सांख्यिकी कम से कम एक राज्य तथा एक मैट्रो में प्राप्त करनी चाहिये।

इसी बीच प्राशुल्क को तोड़े जाने की घटनाओं से सख्ती से निबटना चाहिये जो उनको आगे से ऐसा करने से रोक सके।

इसके अतिरिक्त श्री वर्गीज मानते हैं कि कम से कम पर्यवेक्षण होना चाहिये तथा अधिक विकास कार्य हमारी भूमिका बीमा को सर्वत्र फैलाना है। स्वास्थ्य बीमा इसी क्षेत्र की एक कड़ी है।

६० वर्षीय श्री वर्गीज की पत्नी गृहणी है जो वे कहते हैं उनके साथ एक जगह से दूसरी जगह जाना पसंद करती तथा घर में सभी बातें व्यवस्थित ढंग से चलाती हैं। उनके दो बेटे वित्तीय क्षेत्र में कार्य करते हैं एक मुंबई में तथा दूसरा अमेरिका में है। उनकी बेटी जो मानव संसाधन विकास के क्षेत्र में है तथा बहरीन में कार्यरत है।

जब वे कार्य नहीं कर रहे होते हैं तो उन्हें गोल्फ खेलते हुये देखा जा सकता है। एक खेल जिससे इन्होंने अपने तीन वर्षों के केन्या प्रवास के दौरान सीखा अपने नियमित बैडमिन्टन के अतिरिक्त।



# कुछ तो लोग कहेंगे

हमारे पास खरीददारी के लिये सूची नहीं है लेकिन हम बीमा क्षेत्र की तरफ देख रहे हैं या तो हम अधिग्रहण को देखेंगे अथवा हम अपना प्रचालन प्रारंभ करेंगे।

श्री माइकल आर पी स्मिथ, मुख्य कार्यकारी अधिकारी (अभिहित) एच एस बी सी एशिया पेटिफिक, यूटीआई बैंक में २० प्रतिशत अंश अधिग्रहण करने के बाद

भारत में दूसरी हरित क्रांति होनी चाहिये। भारत विश्व की अपेक्षा सबसे अधिक सिंचित भूमि है तथा हम अनाज के शुद्ध निरपत्तिक है। पिछले वर्षों में बुरे अकाल के होते हुये भी... कृषि बीमा व्यापक होना चाहिये। अग्रगामी परियोजना के रूप में इस कार्य को आगे बढ़ाने के लिये कृषि मंत्रालय से काम हो रहा है तथा आगे चलकर इसे विस्तृत रूप से सर्वत्र बढ़ाया जायेगा।

श्री जसवंत सिंह, संघ के वित्त मंत्री

बीमा कंपनियों के लिये बीमा का परिमाण बढ़ा है। हम यह महसूस कर रहे हैं कि पूँजी (आवश्यकता) को बढ़ाना चाहिये... लेकिन इसमें मतैक्य नहीं है कि किस सीमा तक भारतीय साझेदारों को संयुक्त उद्यमों में भाग लेना चाहिये।

श्री सी एस राव, अध्यक्ष, आईआरडीए

बीमाकर्ताओं को ग्राहकों के बदलते हुये स्वरूप को अपनाना चाहिये। भारतीय साधारण बीमा कंपनियों के केन्द्र बिन्दु में विनिर्माण क्षेत्र हैं। सेवा क्षेत्र भारतीय सकल राष्ट्रीय उत्पाद का बड़ा हिस्सा ले रहा है। यह प्रस्तावित करता है विस्तार की बड़ी संभावनाओं को।

श्री सी एस राव, अध्यक्ष, आईआरडीए

जनता की (अब बीमा कंपनियों में) बाजी नहीं लगी है। इसलिये अब ज्यादा जरूरत है कि उनकी सूचना दी जाये जितनी अधिक सूचना हम ग्राहक को देंगे हमारे पास उतने ही अधिक अवसर होंगे उनकी जागरूकता को भुनाने के लिये

श्री ए सी मुखर्जी, भूतपूर्व अध्यक्ष व प्रबंध निदेशक, न्यू इंडिया एश्योरेंस कम्पनी

(जब ब्रोकर बाजार में आये) कंपनियों के लिये कम प्रीमियम रह जायेगा तथा अधिक जोखिम उन पर स्थानांतरित हो जायेगा। लेकिन वे ग्राहक को दूर कर देंगे प्रीमियम की सोच दूर करते हुये सोचने की लागत आकस्मिक होगी और बाजार दायित्व उत्पादों की दूरी बढ़ा देगा।

के रामचन्द्रन, महा-प्रबंधक, जे बी बोडा इश्योरेंस ब्रोकर प्रा. लि.



# रॉकेट विज्ञान से अधिक

एम. पी. मोदी

बीमा क्षेत्र में सुधारों पर कमेटी (आमतौर से मल्होत्रा कमेटी के नाम से जानी जाती है) ने अपनी ७ जनवरी १९९४ को जमा की गयी रिपोर्ट में यह सलाह दी गयी थी कि इस बात की तुरंत आवश्यकता है कि एक बीमा विनियामक संयंत्र को तुरंत सक्रिय किया जाये उस समय के राष्ट्रीयकृत बीमा क्षेत्र के चलते हुये भी एक सुदृढ़, प्रभावशाली, स्वतंत्र संक्षिप्त तथा उच्च पेशेवरान वैधानिक निकाय स्वतंत्र रूप से निधि के स्रोत के साथ गठित को जायें।

सरकार ने (विवेकतापूर्ण) निर्णय लिया कि इसका गठन किया जाये। शक्तिशाली कर्मचारी संघों के विरोध के बावजूद भी।

चार वर्षों की छोटी अवधि में एक वैधानिक निकाय के रूप में आईआरडीए यह दावा जायज रूप से कर सकता है कि उसने शानदार सफलता प्रतिस्पर्धा के वातावरण को सरलतापूर्वक बिना किसी विवाद के प्राप्त किया है तथा एक समर्थ तथा उचित आधुनिक विनियामक वातावरण स्थापित किया है। परिदृश्य तथा तटस्थ लाइसेंस देने की प्रक्रिया नये आने वालों के लिये सरकार के दशकों के एकाधिकार के बाद इन्होंने अच्छी प्रतिष्ठा कमायी है।

मल्होत्रा कमेटी (जिसका में सदस्य सचिव तथा विशेष सचिव बीमा) ने आईआरडीए का उल्लेख किया कि वह (सेबी) भारतीय प्रतिमूर्ति व विनियामक बोर्ड को प्रतिमान माने क्योंकि वह एक अभिनव विनियामक प्रतिमान था।

यह पहचाना गया कि बोर्ड अकेला विनियामक नहीं है जिसे विश्वव्यापी रूप से प्रतिमान विनियामक स्वीकार कर लिया जाये।

प्रत्येक देश के अपने कानून हैं तथा विनियामक हैं। अपने अनुभवों के अनुसार प्रशासनिक क्षमताओं के तथा समाजक राजनैतिक वरियताओं के अनुसार व्यवस्थायें हैं। यह अंतर रखती है सख्त विनियमों से जो किसी हैसियत से सभी बीमा कारकों पर नियंत्रण रखती है। बीमा व्यवसाय के सभी कारक उदार हैं स्थल से दूर परिवेक्षण के लिये।

हमारे संदर्भ में यह स्पष्ट है कि भारतीय विनियामक आवश्यकतायें मजबूत की जायेगी। कम से कम प्रारंभ करने के लिये, इसके लिये पूर्ण सम्मान उन लक्ष्यों को एक स्वस्थ क्रमबद्ध तथा प्रतिस्पर्धात्मक उद्योग बनाना चाहिये। इस संदर्भ में भी आईआरडीए द्वारा प्राप्त की गयी उपलब्धियाँ ध्यान देने योग्य है।

उदारीकरण के बाद बीमा उत्पादों के विस्तार की श्रेणी बढ़ गयी है। उत्पादों को खोलना उपभोक्ताओं के लिये एक कार्यशील प्रस्ताव देते हैं। यूनिट से संबद्ध उत्पाद त्वरित प्रसिद्धि प्राप्त कर रहे हैं। स्वास्थ्य संबंधित उत्पाद विस्तृत रूप से उपलब्ध है। सूचना प्रौद्योगिकी से ग्राहक सेवा में सुधार हुआ है। बीमाकर्ताओं को आंतरिक शिकायत निवारण व्यवस्था करने को कहा गया है तथा बीमा लोकपाल व्यवस्था प्रारंभ की गयी है। यह प्रधान सकारात्मक विकास है जिसको आईआरडीए ने सौकर्य तथा बढ़ावा दिया है।

बीमा विनियामक तथा परिवेक्षण के मध्य में ग्राहक संरक्षण है। जबकि बीमा शोधन क्षमता का रख-रखाव प्रधान उद्देश्य है इसके अन्य पक्ष भी हैं जैसे उचित प्रीमियम दर, लाभ का बराबर बँटवारा, बीमाधारकों तथा अंशधारकों के मध्य तथा पूरी पैसा वसूली तथा साथ ही त्वरित दावा निपटान दावे भी हो सकते हैं। लंबे समय के लिये स्वयं व्यवस्थित कर प्रणाली की आवश्यकता है। विशेष रूप से यूनिट लिंक उत्पादों के लिये विस्तृत कर प्रावधान आवश्यक है। आईआरडीए ऐसी स्थिति में हैं कि सरकार को ऐसे परिवर्तनों के बारे में सलाह दे सके।

दिये गये शोधन क्षमता आवश्यकतायें एक संतुलन कार्य है: निम्न आवश्यकता को माना नहीं जायेगा। विनियामक के पास दखल के लिये पर्याप्त समय है। उच्च पाशवाक्यता आवश्यकता के लिये उच्च पूँजी के साथ साथ उच्च लागत होगी जो उपभोक्ताओं को बिना किसी अतिरिक्त सार्थक संरक्षण देगी। नियंत्रित शोधन क्षमता के स्तर ऊँचे

होंगे (जैसे अभी लागू है) का मूल्यांकन समय समय पर किया जाये। यह पूर्णतः आईआरडीए के अधिकार क्षेत्र में है।

एजेंटों को प्रशिक्षण देने के मामले में काफी कुछ प्राप्त किया जा चुका है। यह एक महत्वपूर्ण भूमिका निभाते हैं। एक मध्यवर्ती के रूप में सूचना निर्णय ग्राहकों द्वारा उठाये गये। नये एजेंटों की संख्या तेजी से बढ़ी है। बहुत से शिक्षा संस्थान विभिन्न प्रकार के पाठ्यक्रम बीमा में प्रस्तुत कर रहे हैं। इस शिक्षा की गुणवत्ता तथा शिक्षा के लिये आवश्यकतायें सतत् रूप से छानबीन की आवश्यकता है। वैकल्प के चैनल के विकास को प्रोत्साहन दिया जाना चाहिये जिसके लिये काफी पालन - पोषण की आवश्यकता है।

कई बार उद्देश्य संघर्षपूर्वक हो सकते हैं जैसा की शोधन क्षमता से संबंधित आवश्यकताओं के लिये निर्धारित किया गया है। यहाँ चुनौती तथा अवसर उपलब्ध है विनियामक एक शक्तिशाली तथा स्थिर उद्योग स्थापित करने के लिये जिसमें सीमित संख्या में उद्यमी हो।

इस संदर्भ में यहाँ अनेक पक्ष हैं जो आईआरडीए की गुणवत्ता के प्रतिफल से संबंधित है। इसमें शामिल है एजेंटों को प्रशिक्षण के गुण शोधन क्षमता, सांख्यिकी बनाना, कर तथा बीमा के समेकित अधिनियम।

अंतिम समेकित अधिनियम एक प्रचंड आवश्यकता है। यहाँ अधिनियमों तथा विनियमों का पोथा है तथा जल्द मात्रानुसार विनियमन उत्पादित किये गये हैं तथा यह इतने बड़े पैमाने पर तितर-बितर हुये है तथा असमायिक हो गये हैं कि समायिक बीमा उद्योग की आवश्यकताओं पर ठीक नहीं बैठते। ये समान्तर रूप से सरकार के झोले में है। इसमें आईआरडीए के पीछे लगे रहने के बिना बहुत कम प्रगति होगी। सहायक विधान को बढ़ाने से प्रतिफल होगा।

ठीक इसी प्रकार कर के मामले में बीमा क्षेत्र में बहुत कुछ करना बाकी है। जीवन बीमा के क्षेत्र में कर अधिनियम का आधार एलआईसी की एकल

नीधि के अनुसार है। साधारण बीमा के क्षेत्र में ऐसे कुछ मामले हैं जिनका संबंध कर अनुपालन के आरक्षण से है। जीवन बीमा विशेष रूप से लंबे समय का व्यवसाय है। साधारण बीमा व्यवसाय में लंबे दावे भी हो सकते हैं। लंबे समय के लिये एक स्वयं व्यवस्थित कर प्रणाली की आवश्यकता है। विशेष रूप से यूनिट लिंक उत्पादों के लिये विस्तृत कर प्रावधान आवश्यक है। आईआरडीए एक ऐसी स्थिति में है कि सरकार को ऐसे परिवर्तनों के बारे में सलाह दे सके।

जैसे की दी गयी शोधन क्षमता आवश्यकताएँ एक संतुलन कार्य है: निम्न आवश्यकता को माना नहीं जायेगा। विनियामक के पास दखल देने के लिये पर्याप्त समय, उच्च पाश्चर्किता आवश्यकता के लिये उच्च पूँजी के साथ उच्च लागत होगी जो उपभोक्ता को बिना किसी अतिरिक्त सार्थक संरक्षण देगी। नियंत्रित शोधन क्षमता के स्तर उच्च होंगे (जैसे अभी लागू है) का मूल्यांकन समय समय पर किया जाये। यह पूरी तरह आईआरडीए के आधिकार क्षेत्रों में है।

एजेंटों को प्रशिक्षण देने के मामले में काफी कुछ प्राप्त किया जा चुका है। यह एक महत्वपूर्ण भूमिका निभाते हैं। एक मध्यवर्ती के रूप में सूचना ग्राहकों द्वारा उठाये गये। नये एजेंटों की संख्या तेजी से बढ़ी है। बहुत से शिक्षा संस्थान विभिन्न प्रकार के बीमा पाठ्यक्रम प्रस्तुत कर रहे हैं। इस शिक्षा की गुणवत्ता

तथा शिक्षा के लिये आवश्यकतायें सतत् रूप से छान-बीन की आवश्यकता है। वैकल्प के चैनल के विकास को प्रोत्साहन दिया जाना चाहिये जिसके लिये काफी पालन पोषण की आवश्यकता है।

बीमादरों के यथोचित होने को इस बात से फैसला साथ-साथ किया जा सकता है कि बीमा कंपनियों द्वारा सांख्यिकी एकत्र करने के लिये कितनी शुद्धता रखी गयी है। राज्य के एकाधिकार के कारण सांख्यिकी बनाने के प्रयास में पिछले दशक में पीड़ित होना पड़ा है।

साधारण बीमा क्षेत्र में स्थिति बहुत बुरी है। साधारण बीमा कंपनियों द्वारा प्राशुल्क सलाहकार समिति को पूर्ति की जाने वाली सांख्यिकी सामान्यतः अपूर्ण तथा असमायिक होती थी तथा पिछले कुछ समय में पूरी प्रणाली टूट गयी है। जीवन बीमा के क्षेत्र में समय व्यवधान ने मृत्यु तालिकाओं को बड़ी संख्या में सामने लाया है। आईआरडीए को टीएसी को पुनरुद्धरित करने का श्रेय जाता है तथा समर्थक उपाय निरंतर मृत्युदर निरक्षण करने के लिये। यह एक क्षेत्र है जिस पर एकाग्रता करने ध्यान देने की बिना रूके आवश्यकता है।

उदारीकरण के तीन वर्ष बाद भी ग्रामीण तथा सामाजिक क्षेत्र बीमा विनियामक की प्रतिपूर्ति के आगे नहीं देख सका है। निजी क्षेत्र के कारोबारियों का प्रीमियम तथा पॉलिसियाँ बहुत कम है। अब सार्वजनिक क्षेत्र के विशालकाय प्रतिस्पर्धा की गर्मी

महसूस कर रहे हैं। इन इकाइयों के मालिकाना हक के नाजुक मामले को अभी स्पर्श नहीं किया गया है। इन निकायों में मूल्य हास स्पष्ट रूप से दिखाई पड़ रहा है। मालिकाना हक के लिये विनियामक एक राय बननी चाहिये।

यदि परिवर्तन के इस संक्रमण काल में परिवर्तन को घसीटा गया तो इनमें से कुछ इकाइयों में यह संभव्यता है कि स्मारकवादी समस्या बन जाये।

प्राधिकरण सरकार को अच्छे समय के लिये पक्का कर सकता है। आखिर इनके ऊपर बीमा कंपनियों को संरक्षित करने का उत्तरदायित्व है। जिससे कंपनियाँ लंबे समय के प्रतालन से विचलित न हो।

यह कहा गया है कि वित्तीय (विनियामक) संस्थानों को मार्गदर्शन करना बीमा कंपनियों सहित अधिक जटिल है। चीजों को करने की अपेक्षा जैसे वह जहाज जो न्यूटन मशीन के नियमों की आज्ञा पालन करता है उसे भली-भाँति समझ सकता है। साधारण वित्तीय संस्थानों का संपूर्ण ढाँचा बहुत जटिल होता है। प्राधिकरण ने बीमा उद्योग को विकसित करने के लिये अच्छा कार्य किया है तथा उनकी अकांशाओं को पूरा किया है जिन्होंने उदारीकरण का खाका तैयार किया था।

*लेखक आईसीआईसीआई प्रूडेंशियल जीवन बीमा कंपनी में निदेशक हैं। यहाँ प्रकाशित विचार उनके अपने हैं।*

आप इस विज्ञापन को अपने आंतरिक प्रकाशन में बेहियक मुद्रित कर सकते हैं।



# जल्द पकड़े

फली ए. पोंचा

बीमा क्षेत्र को खोला जाना निःसंदेह एक अच्छा कदम भारत सरकार की ओर से था जब एक बार आवश्यक विधेयक पारित हो गये संसद द्वारा जिसमें एकाधिकार व्यवस्था से उद्यमी व्यवस्था में जाना कितना संभव था उतना आसान बना दिया गया। यही सभी आईआरडीए के पारदर्शी तथा विवेकपूर्ण व्यवहार के परिणामस्वरूप ऐसा संभव हो सका।

तीन वर्ष बीत चुके हैं जब पहला लाइसेंस जारी किया गया था विशेष रूप से गैर जीवन बीमा के संबंध में जिसमें मेरा अधिक योगदान है मैं अपने आप से निम्नलिखित प्रश्न पूछता हूँ

क्या यहाँ बड़ी उपभोक्ता जागरूकता है ?

क्या खुलने का कोई लाभ आम आदमी को हुआ है ?

क्या दबाव बढ़ा है ?

और मेरे निष्कर्ष अद्योलिखित हैं

आईआरडीए ने व्यापक प्रचार प्रसार के साधनों द्वारा तथा बीमाकर्ताओं द्वारा बड़ा बजट अपने मार्का को स्थापित करने के लिये खर्च किये जाने पर जागरूकता वास्तव में बढ़ी नहीं है। इसमें संदेह नहीं है कि साधारण रूप से जागरूकता बढ़ी है। अब बाजार में ज्यादा उद्यमी हैं जो साधारण प्रकार के उत्पाद उपलब्ध करवा रहे हैं लेकिन यह जागरूकता सूक्ष्म स्तर तक ही पहुँच सकी है। इसके प्रतिलाभ तथा बहुत से आवरणों की आवश्यकता जो यथोचित रूप से पर्याप्त हो किसी परिवार के बुरे समय में काम आने के लिये।

**यह क्यों काम करे ?**

यह इसलिये है कि अधिकांश बीमाकर्ता तथा उनके फील्ड स्टाफ ने अधिकांश रूप से निगमित कार्यालयों को निशाना बनाया है क्योंकि यह आधार रेखा को सुधारने के लिए बहुत लागत प्रभावी है। ये व्यवसायिक संगठन होने के कारण कोई इन्हे ऐसा करने के लिए बदनाम नहीं कर सकता लेकिन इसी समय पर कोई यह भी कहेगा की वे पेड़ के लिए लकड़ी को भूल रहे हैं। अन्ततः वृद्धि के लिए असली क्षमता तथा दबाव तभी आ सकता है यदि खरीददारी के लिए आधार पर्याप्त रूप से बढ़ाया जाए और केवल तभी संभव है जब गंभीर प्रयास बीमाकर्ता सीधे तदानुसार किया जाए।

मेरे विचार में, जागरूकता लाने के लिए बेहतरीन ढंग यह है कि उच्चतर माध्यमिक स्तर पर स्कुलों में बीमा को शामिल किया जाए। यह शिक्षा के बड़े ढाँचे का एक भाग होगा जो अन्ततः लम्बे समय के लिए हर व्यक्ति को तैयार करेगा कि वह अपने भविष्य जोखिम का प्रबन्धन कर सके जैसा की कहा जाता है “बच्चा मानव का पिता है।” निःसंदेह दूसरी रुकावट होगी इसको कैसे किया जाए क्योंकि आज भी बीमा आता है बेचा नहीं जाता। यह अधिक व्यक्तिगत आधार से संबंध रहता है। कुल मिला कर मध्यस्थ जैसे बीमाकर्ता तैयार होता है अपना समय तथा प्रयास निवेश करने के लिए तैयार होता है जब निगमित लेखा में अधिकतम आमदनी समय तथा प्रयत्न के अनुपात में मिलती है।

विनियामक के लिए इसे संबोधित करने के लिए एक ढंग यह है कि एजेंट तथा ब्रोकर को अधिक मेहनताना दिया जाए। बीमा अधिनियम के अन्तर्गत ३० प्रतिशत तथा गैर बीमा क्षेत्र में स्वीकृत है तथा चुनी गई व्यक्तिगत आधार गैर प्राशुल्क उत्पादों पर। जीवन बीमा के क्षेत्र में इतना आकर्षण नहीं है जितना दूसरे देशों में हो रहा है। फिर भी अपेक्षाकृत आकर्षक है क्योंकि पद लंबे समय तक आवधिक आय उपाजित करते हैं।

एक अन्य सलाह जिसे स्वीकार किया जाना चाहिये कि क्या व्यक्तिगत रेखा पर बीमा आवरण में से प्रतिशत प्रीमियम वापसी (जो नाम कमीशन की प्रकृति में हो) मान लीजिये पाँच वर्ष के लिये, सतत् सुरक्षा सुरक्षा उसी बीमाकर्ता के साथ यदि कोई दावा न किया जाये।

मैं यह सुझाव देना चाहता हूँ क्योंकि एक पारंपरिक कमी है कोई इसे मानसिक अवरोध भी कह सकता है। जीवन बीमा के मामले की तरह गैर जीवन बीमा का भावी खरीददार यदि उसने कोई दावा न किया हो तो वह अलाभ की स्थिति महसूस करता है वह प्रीमियम देता गया बिना कोई लाभ लिये। एक बीमा व्यक्ति के रूप में मैं एक क्षण के लिये भी यह नहीं कहूँगा की आशाओं

न्यायसंगत है लेकिन धरातल पर सच्चाई यही है। औद्योगिक जोखिम प्रीमियम पर बट्टो के हकदार होते हैं। एक अच्छे दावे अनुभव के लिये इस लिये बचत सहबद्ध उत्पाद एक स्वीकार्य अनुभव है।

एक अन्य क्षेत्र जिसको गंभीरता से संबोधित किया जाना चाहिये वह है बीमाकर्ता अपने दावा भुगतान की सेवा को ठीक करे। बड़े निगमित कार्यालयों के दावों को वरीयता दी जाती है। अपेक्षाकृत किसी व्यक्ति विशेष के दावे को।

जिन्हें असंतुष्ट अनुभव होता है वह उचित हो या न हो उसकी बातें करते हैं। अपने दोस्तों तथा आस-पास वालों से तता कार्यालय में जिसका बुरा प्रभाव पड़ता है।

यह तथ्य है कि बीमाकर्ता के पास उपभोक्ता अदालत तथा बीमा लोकपाल के पास जाने के लिये अधिक साधन होते हैं। एक आम आदमी जो अपनी समस्या के समाधानों को ढूँढते हुये परेशान हो चुका है। जिसकी आवश्यकता है वह है अभिवृत्ति में संपूर्ण परिवर्तन, अच्छा होगा बीमाकर्ता यह समझे कि एक सहायता कक्ष स्थापित किया जाये यह सार्वजनिक उपक्रमों के बीमाकर्ताओं को लाभ पहुँचायेगा। जिनके पास मानव स्रोत का बड़ा अधिशेष है यदि यह केल मुश्किल रास्ते का पालन करे तो बीमाकर्ता का रास्ता आसान हो जायेगा। यह अकेला ही बीमा के प्रति बड़ी जागरूकता फैलायेगा जो ग्राहक संतुष्टि तथा बीमा क्रय में वृद्धि बतायेगी। इसके अतिरिक्त एक गहराई पूर्वक निरीक्षण की आवश्यकता है। आईआरडीए के बीमाधारक संरक्षण विनियमों को प्रतिफलित किया जाना चाहिये।

हममें से कुछ अथवा सभी सुझाव एक पैकेज के रूप में लिये जाने चाहिये जो सभी संबंधित के लिये विजय की स्थिति पैदा करेंगे।

*लेखक अध्यक्ष- अंतर्राष्ट्रीय पूर्ण: बीमा तथा बीमा परामर्श सेवा प्राइवेट लिमिटेड*

# बाधायें हटायें

फैंडरेशन ऑफ इंडियन चैम्बर्स ऑफ कॉमर्स एंड इंडस्ट्रीज

भारतीय बीमा बाजार प्रौढ़ता को प्राप्त कर चुका है। निजी कंपनियों के द्वारा बीमा क्षेत्र में प्रवेश के साथ परिवेश बदलने लगा है।

जैसी की अपेक्षा थी इस क्षेत्र के उदारीकरण ने कई सकारात्मक विकास दिये हैं।

- बाजार का परिमाण बढ़ा है
- नये उत्पाद बाजार में प्रवेश कर रहे हैं
- नये माध्यम वितरण के लिये प्रयोग किये जा रहे हैं
- ग्राहक सेवा में उल्लेखनीय परिवर्तन आया है

बीमा बाजार के २२ से २७ प्रतिशत दर से बढ़ने की संभावना है जो सभी कारोबारियों को विकास के लिये पर्याप्त स्थान देती है। वास्तव में अंतिम सफलता का निर्धारण ग्राहक संतुष्टि से किया जायेगा।

अभी ग्राहक जागरूकता स्तर राह पर नहीं है। अभी फिक्की द्वारा वर्तमान बीमा क्षेत्र की स्थिति पर करवाये गये सर्वे के अनुसार १४७ प्रतिवादियों के अनुसार जागरूकता का स्तर मध्यम से निम्न स्तर की और था जैसा फिक्की के ५८ प्रतिशत सर्वे से प्रदर्शित होता है। यह स्पष्ट रूप से बताता है कि कितना बड़ा कार्य कंपनियों को जागरूकता फैलाने के लिये करना है। बीमा की आवश्यकता तथा बड़ी क्षमता जिससे ज्यादा उपभोक्ता जागरूकता स्तर बढ़ा कर उनके हिस्से में आ सकें।

बहुत से सकारात्मक विकास के बावजूद तथा कुछ बड़ी निजी कारोबारियों के बाजार में होते हुये यहाँ कुछ क्षेत्र हैं जिन पर चर्चा करने की आवश्यकता है जिससे निजीकरण की क्षमता को पूरी तरह से उपयोग किया जा सके।

यहाँ तक की बाजार अंश निजी क्षेत्र कंपनियों का बाजार परिमाण के दस प्रतिशत तक हुआ है। मूल प्रश्न यह है कि क्या नये बाजारों को पकड़ा गया है। अब समय आ गया है की बी तथा सी बाजार वर्ग की तरफ कूच किया जाये क्योंकि शहरी तथा मेट्रो बाजार में ३-५ साल के मध्य स्थायित्व आ जायेगा। कंपनियों की आगे की सफलता का निर्धारण बीमाकर्ता की इस योग्यता से हो सकेगा

की वे नये वितरण माध्यम का सरल उत्पादों के साथ सी जनसंख्या क्षेत्रों में कैसे सृजन करती है।

ग्रामीण बाजार में बड़ी क्षमता है। जैसा की कई स्टडीज तथा सर्वे से स्पष्ट हुआ है। यह तथ्य भी है कि एफएमसीजी तथा ड्यूरेबल के लिये ग्रामीण बाजार ५० प्रतिशत से अधिक है। फिक्की तथा आईएनजी इंश्योरेंस फाउंडेशन रिसर्च, ट्रेनिंग तथा एजुकेशन के अंतर्गत की गयी रिसर्च के अनुसार ए तथा बी ग्रामीण क्षेत्र में विशेषतः जीवन बीमा के प्रति पर्याप्त जागरूकता है।

कंपनियों को इस और कार्य करना है कि उपयुक्त ग्राहक जागरूकत अभियान के द्वारा बीमा की आवश्यकता ग्रामीण क्षेत्रों में की जाये तथा उपयुक्त बाजार नितियाँ ग्रामीण क्षेत्रों से विश्वास प्राप्त संस्थाओं जैसे बैंक शाखाओं, सहकारी संस्थाओं, पंचायत तथा स्वयं सेवी संस्थाओं (एनजीओ) से की जाये। जिससे बाजार पर पकड़ बनायी जा सके।

बीमा क्षेत्र में २६ प्रतिशत विदेशी अंशपूँजी भागेदारी का मुद्दा एक चिंता का मुद्दा है तथा उस पर पुनः विचार की आवश्यकता है। यह सर्वे के ४५ प्रतिशत प्रतिवादियों ने कहा। यह गैर सरकारी है की स्थानीय साझेदार पर बोझ डाला जाये। अंतर्राष्ट्रीय साझेदार के अपेक्षाकृत २३ प्रतिशत अतिरिक्त पूँजी के साथ कंपनी के नियंत्रण में कोई अंतर नहीं पड़ेगा तथा यह ४९ प्रतिशत के स्तर पर ही होगी।

मध्यवर्तियों की भूमिका में स्पष्टता की कमी जैसे ब्रोकर को एक रूकावट पैदा करने वाला कारक ५४ प्रतिशत, फिक्की के सर्वे के प्रतिवादियों ने कहा। कारक जैसे विदेशी अंशपूँजी, ब्रोकर बैंचर के लिये पुनर्स्थापित करना आईआरडीए द्वारा अधिसूचना जारी करके ब्रोकर का ५ प्रतिशत कमीशन कुछ बीमाधारक क्षेत्रों में वापस ले लेना। सार्वजनिक उपक्रमों द्वारा उपार्जित होने वाले व्यवसाय पर ब्रोकर कमीशन न देना इत्यादि यह माना जा रहा है कि व्यवसाय विकास में महत्वपूर्ण भूमिका निभाने वाले इस वितरण चैनल में रूकावट डाली

जा रही है जो फिक्की के सर्वे में सामने आया।

बढ़ा देने का मुद्दा विनियामक तथा कारोबारियों के लिये चिंता का विषय बना हुआ है। इसे गंभीरता से देखने की आवश्यकता है जिससे यह सुनिश्चित किया जा सके। बीमा बाजार की लगातार वृद्धि हो तथा वह विनियमित होता जा रहा है।

जीवन बीमा क्षेत्र में कर का मुद्दा निजी क्षेत्र की बीमा कंपनियों के लिये निरंतर चिंता का विषय बना रहा।

प्राशुल्क मुक्ति एक अन्य नाजुक क्षेत्र बीमा सुधार के लिये है। देर-सवेर यह वास्तविकता होगी क्योंकि प्राशुल्क तथा उदारीकरण साथ साथ नहीं चल सकते। विश्व भर में बाजार धीरे-धीरे प्राशुल्क से दूर हुये हैं। इस लिये यह महत्वपूर्ण है कि एक मानचित्र बनाया जाये। सभी बाजी लगाने वालों को इसके परिणामों से अवगत करवाया जाये तथा प्रक्रिया को कम दर्दनाक बनाया जाये।

देश में स्वास्थ्य बीमा क्षेत्र में बड़ी क्षमता है लेकिन वह बड़े रूप से भारत में अविकसित हो रहा है। कुछ अनुमानों के अनुसार भारत की केवल ३ प्रतिशत जनसंख्या ही किसी भी प्रकार की ऐच्छिक स्वास्थ्य बीमा योजना से आवरित है। इस क्षेत्र को विनियामक को विशेष ध्यान देकर विकसित करने की आवश्यकता है।

और अंत में प्रशिक्षण तथा शिक्षा एक नाजुक भूमिका निभाते हैं। इस क्षेत्र में सत्ता बनाये रखने के लिये।

निसंदेह प्राधिकरण ने बेहतरीन कार्य किया है। भारतीय बीमा क्षेत्र की आधारशीला रखने के लिये अब उद्योग में दाव लगाने वालों के साथ मिलकर कार्य करते हुये यह सुनिश्चित करना चाहिये कि क्षेत्र का विकास हो तथा ग्लोबल मानक प्राप्त किया जा सके। इसके लिये हमें निरंतर आवश्यकता है विनियामक के मार्ग-दर्शन तथा सहायता की तथा सरकार द्वारा एक सदाचरण वातावरण के निर्माण की।

# अल्प बीमाकरण

कंपडरेशन ऑफ इंडियन इंडस्ट्री

तीन वर्षों से बीमा उद्योग के खोले जाने के बाद इसने इस क्षेत्र में प्रभावशाली तथा वर्णन योग्य प्रगति की श्रंखला देखी है। इस क्षेत्र में कुछ महत्वपूर्ण इस प्रकार है- बड़े पैमाने पर भारतीय तथा विदेशी कंपनियों के कारोबारियों के प्रवेश के बाद विशेष रूप से जीवन तथा गैर जीवन व्यवसाय क्षेत्र में नये उत्पाद तथा सेवाओं के लिये बेहतर विकल्प उपभोक्ता के पास उपलब्ध करवाये हैं। नये वितरण माध्यम (ब्रोकर तथा बैंकइंश्योरेन्स) तथा बड़ी संख्या में प्रभावशाली वैधानिक प्रपत्र तथा प्राधिकरण के ग्लोब पर अग्रगामी विनियामक के उद्गम के बाद यह संभव हुआ है।

उपरोक्त बाद कहने के बाद तथा सरकार को पूरी सराहना देने के बाद, विनियामक तथा बीमा कंपनियों ने उद्योग के विकास के लिये अभी तक सराहना ली है। उद्योग के लिये अभी सबसे बड़ी चिंता अकथनीय आकार अर्थव्यवस्था के विकास दर की तुलना में है तथा देश की विशाल जनसंख्या वर्तमान बढ़ोतरी दर १.८७ प्रतिशत सकल राष्ट्रीय उत्पाद का है जो विश्व में सबसे कम है।

सीआईआई मजबूती से यह अनुभव करता है कि बाजार में निम्न स्तर पर बीमा उत्पादों के फैलाव की समस्या को संबोधित करने के लिये एक जरूरत है कि एकीकृत प्रयास बीमा उद्योग पर बाजी लगाने वालों द्वारा किया जाये।

तुरंत होने वाली चिन्तायें जिन्हें संबोधित किया जाना है वह है:

## पेंशन सुधार तथा जीवन कंपनियाँ

सरकार ने पेंशन क्षेत्र में सुधारों की घोषणा की है यह आजार्थक है कि बीमा कंपनियाँ नये पेंशन बाजार में भाग नहीं ले सकती। उसी स्तर पर जैसे नये व्यवसायी लेंगे। बीमा व्यवसाय की प्रकृति को ध्यान में रखते हुये सीआईआई यह महसूस करती है कि बीमा कंपनियाँ सहज रूप से पेंशन क्षेत्र के लिये उपयुक्त है तथा उनका बीमा क्षेत्र में विकास के लिये नाजुक भूमिका है।

## बीमा अधिनियम में संशोधन

अधिकांश अधिकार क्षेत्रों में प्रधान वैधानिक मार्गदर्शन प्रस्तुत करते हैं तथा प्राधिकरण के लिये व्यवस्था विनियम बनाने के लिये करते हैं।

विनियमों में सभी ब्यौरा होता है। यह विनियमन प्राधिकरण को बदलती परिस्थितियों में उतर तीव्रता से विनियमों में परिवर्तन के साथ देते हैं जिसके लिये संसद की अनुमति की पहले से आवश्यकता नहीं होती

सह विधान के विनियमन सदन के पटल पर जितनी जल्द संभव हो उतना शीघ्र रखे जाने चाहिये लेकिन अधिसूचना जारी करने के लिये संसद की अनुमति आवश्यक नहीं है। जबकि विधि आयोग ने यह विधि कुछ मद्दों के लिये अपनायी है बहुत से महत्वपूर्ण क्षेत्र छूट गये हैं जैसे निवेश प्रतिरूप तथा विदेशी शेयर पूँजी भागीदारी सीआईआई महसूस करती है सभी मुद्दों पर यह दृष्टिकोण अपनाना चाहिये।

## ड्राफ्टिंग

भारत में बीमा क्षेत्र को उदारवाद के बाद यह एक बढ़ती हुई माँग है कि प्राशुल्क प्रणाली को समाप्त कर दिया जाये जो दरों तथा नियम व शर्तों का प्रशासन करता है। गैर जीवन व्यवसाय क्षेत्र में कोई भी उल्लेखनीय बाजार विश्व में इस प्रकार के प्राशुल्क नहीं लगा तथा सीआईआई महसूस करती है कि उदारीकरण का सच्चा लाभ उपभोक्ताओं तक नहीं पहुँच सकेगा। जब तक गैर जीवन बीमा उत्पादों के दर निर्धारण में प्रतिस्पर्धा न हो। आजकल के साधारण बीमा व्यवसाय के चालू प्राशुल्क प्रणाली एक भ्रम है तथा इससे दूरी होनी चाहिये।

## बीमा जागरूकता का प्रसार

बीमा क्षेत्र के विकास के लिये आज एक बाधा बीमा के संबंध में जानकारी का न होना तथा बीमा उत्पादों के संबंध में आम आदमी को जानकारी न होना है। एक आवश्यकता है कि तुरन्त जनसंख्या के अधिकांश लोगों को बीमा उत्पादों के लाभ के बारे में बताया जाये। यह कार्यवाही आवश्यक है सुनिश्चित करने के लिये की बीमा उत्पादों के प्रति जागरूकता बढ़ासके।

## बढ़ता हुआ स्वास्थ्य बीमा

बड़ी संख्या में भारत में स्वास्थ्य बीमा लाइसेंस देने के बावजूद भी स्वास्थ्य बीमा वास्तव में विस्तृत नहीं है। इसके विकास के कारकों पर चर्चा करें तो मालूम होता है कि इसमें विनियमन तथा प्रणाली की रूकावट है। जिसो उद्योग द्वारा स्वयं देखना है। (बीमाकर्ता, तृतीय पक्ष प्रशासक, मेडिकल लेब्रोटरी तथा अन्य स्वास्थ्य प्रदानकर्ता) यहाँ दो प्राथमिक विनियमक रूकावटें हैं जिन्हें दूर किया जाना चाहिये।

- विदेशी भागीदारी पर २० प्रतिशत सीमा। भारतीय स्वास्थ्य बीमा को ठीक प्रकार से समझा नहीं गया है तथा यह जोखिम भरा व्यवसाय है (जो व्यवस्थित बाधायेँ) इस पृष्ठभूमि में विदेशी निवेशकों द्वारा यह कठिन हो जाता है कि इस क्षेत्र में भागीदारी करे बिना पर्याप्त नियंत्रण तथा उच्च ऑपरेशन के द्वारा इसलिये सीआईआई यह सुझाव देती है कि यह सीमा ४९ प्रतिशत तक बढ़ायी जानी चाहिये।

- प्रारंभिक आवश्यकता १०० करोड़ की उच्च पूँजी इतनी ऊँची प्रारंभिक पूँजी स्तर से यह कठिन हो जाता है कंपनियों के लिये जो भारत में परिचालन कर रही है कि वे लाभ-अलाभ की स्थिति तक पहुँच सके। अमेरिका में एक प्रणाली जोखिम आधारित पूँजी आवश्यकता की अपनायी गयी है वह दी गयी पॉलिसियों के जोखिम के साथ बढ़ता जाता है। सीआईआई यह महसूस करता है कि उसी प्रकार का मॉडल भारत को भी अपनाना चाहिये।

## ग्रामीण बाजार पर पकड़ मजबूत करना

ग्रामीण भारत में बहुत अधिक संभावनायें हैं न केवल उपज तथा कृषि उत्पादों के लिये लेकिन जीवन, मोटर, खुदरा उत्पादों जैसे टी.वी, रेफ्रीजरेटर इत्यादि के लिये भी यह है। आज जिस प्रकार का ग्रामीण बाजार है उसमें दबाव बनाना कठिन है - खराब ढाँचे, दूरी तथा न्यून औसत प्रीमियम के चलते। इन कमियों से उभरा जा सकता है केवल सृजनात्मक उत्पादों के प्रयोग द्वारा। जिनको बनाया गया हो ग्रामीण जनसंख्या को ध्यान में रखते हुये तथा नये वितरण विकल्पों को प्रयोग करते हुये जैसे ग्राम पंचायत, ग्रामीण बैंक तथा गैर सरकारी स्वयंसेवी संस्थायें।

# First Half, 2003-04

The total first year premium written by the insurers during the six months period was Rs.5,43,595.87 lakhs towards 87,38,024 policies, of which LIC underwrote a premium of Rs.4,84,062.55 lakhs for 82,41,776 policies capturing 89.05 per cent and 94.32 per cent, respectively of the market. In comparison, the private players underwrote a premium of Rs.59,533.32 lakhs for 4,96,248 policies making for a share of 10.95 per cent and 5.68 per cent respectively of the entire pie.

## Private Sector

### Total individual business

Total individual business of private insurers accounted for Rs.53,050.83 lakhs for 4,95,876 policies and sum assured of Rs.12,09,165.78 lakhs i.e., 89 per cent of the business written by them.

### Individual non-linked business

The premium underwritten by the private players was Rs.30,448.95 lakhs for 3,87,379 policies and sum assured of Rs.9,41,681.74 lakhs in this category. Life with profit policies contributed 83 per cent of the entire business underwritten, with premium of Rs.25,269.38 lakhs for 3,04,071 policies and sum assured of Rs.4,87,864.30 lakhs. As against this, life without profit accounted only for Rs.2,101.35 lakhs for 63,471 policies and Rs.1,74,824.11 lakhs sum assured.

Pensions with profit accounted for premium of Rs.2,177.13 lakhs towards 17,483 policies and sum assured of Rs.34,986.86 lakhs, with a nominal Rs. four lakhs premium underwritten towards pensions without profit.

Under the general annuity segment, the with profit policies were preferred to general annuity, without profit. This segment captured, premium of Rs.67.96 lakhs for 557 policies and sum assured of Rs.1,232.16 lakhs.

In this segment, the health segment alone garnered without profit business with premium of Rs.49.48 lakhs for 1,794 policies and Rs.3,032.50 lakhs sum assured.

### Individual Linked business

An overall premium of Rs.22,601.90 lakhs was underwritten for 1,08,497 policies and sum assured of Rs.2,67,484.05 lakhs in this category. In contrast to the non-linked business, without profit policies were more popular than with profit policies. Moreover, only life and pension policies attracted attention in the market. Life with profit captured a premium of Rs.1,286.63 lakhs for 14,455 policies and sum assured of Rs.25,331.20 lakhs whereas, life without profit garnered a premium of Rs.18,763.50 lakhs for 75,272 policies and Rs.1,91,846.93 lakhs sum assured.

Pension with profit policies garnered

premium of Rs.76.47 lakhs for 972 policies was underwritten, as against which business underwritten for Pension without profit at Rs.2,361.31 lakhs for 17,798 policies and sum assured of Rs.8,555.72 lakhs.

The regrouping of the individual business underwritten by the private players in terms of single and non-single premium further reveals that premium of Rs.7,747.56 lakhs towards 19,552 policies was underwritten in the single premium category as against Rs.45,303.27 lakhs for 4,76,324 policies in non-single premium category.

### Total group business

The private players underwrote a total group premium of Rs.6,482.48 lakhs for 372 policies covering 7,57,862 lives for a total sum assured of Rs.26,59,179.04 lakhs.

### Group non-linked business

A total premium of Rs.6,423.15 lakhs for 362 schemes and sum assured of Rs.26,16,119.76 lakhs was underwritten in this category. Life without profit schemes contributed 95 per cent of the entire business underwritten in this category, with premium of Rs.6,107.79 lakhs for 354 schemes and sum assured of Rs.24,93,451.81 lakhs. As against this, life with profit accounted only for a nominal Rs.3.47 lakhs for a single policy and Rs.1,300.14 lakhs sum assured.

Under this category the pension without profit policies contributed a premium of Rs.145.77 lakhs towards four policies.

The General Annuity without profit premium underwritten was Rs.92.58 lakhs for three policies.

### Group linked business

The total premium underwritten in this category was Rs.59.33 lakhs towards two policies and sum assured of Rs.2,760.87 lakhs.

Most of the business underwritten was in the life without profit category. The premium garnered was Rs.50.90 lakhs for a single policy for a sum assured of Rs.441.87 lakhs.

A nominal premium of Rs.2.23 lakhs for a single policy was written in the pension without profit category.

## LIC

### Total Individual business

LIC underwrote total individual premium of Rs.3,88,709.26 lakhs for 82,36,559 policies with a sum assured of Rs.57,70,777 lakhs i.e., 80 per cent of the entire business underwritten by them.

### Individual non-linked business

A total premium of Rs.3,87,976.48 lakhs was underwritten in this category for 82,32,019 policies and a sum assured of Rs.57,67,920.10 lakhs i.e., 99.8 per cent of

the business underwritten in the individual category.

Maximum business was underwritten in the life with profit category contributing a premium of Rs.3,46,135.36 lakhs for 77,50,659 policies and a sum assured of Rs.49,16,936.41 lakhs i.e., 89 per cent of the individual non-linked business. Life without profit premium underwritten was Rs.26,884.61 lakhs for 4,16,406 policies and a sum assured of Rs.7,86,742.19 lakhs.

Pension with profit and without profit premiums were Rs.4,555.49 lakhs for 18,157 policies and Rs.7,838.94 lakhs for 11,484 policies respectively.

Similarly, the health premium underwritten in the with profit and without profit category were Rs.603.63 lakhs towards 16,114 policies for a sum assured of Rs.18,246.80 lakhs and Rs.1,958.45 lakhs towards 19,199 policies for a sum assured of Rs.45,994.70 lakhs.

### Individual linked business

A total premium of Rs.732.78 lakhs towards 4,540 policies for a sum assured of Rs.2,856.90 lakhs was underwritten in this category, all of which was from life without profit.

### Total group business

The total group premium of Rs.95,353.29 lakhs covering 13,10,089 lives for a sum assured of Rs.3,75,510.74 lakhs under 5,217 schemes was underwritten by LIC. The entire business under the group segment was underwritten as non-linked business.

### Group non-linked business

Without profit schemes of life and pension were more popular in this class of business. No health policies were underwritten in this category. Life without profit schemes accounted for a premium of Rs.41,071.22 lakhs for a sum assured of Rs.3,74,209.14 lakhs for 4,987 schemes.

Pension without profit schemes accounted for a premium of Rs.15,842.72 lakhs for a sum assured of Rs.1,301.60 lakhs under 217 schemes. General annuity without profit premium underwritten was Rs.16,855.20 lakhs as against general annuity with profit premium underwritten at Rs.21,584.15 lakhs for 13 schemes.

## Overall Analysis

In terms of the total business underwritten by the life insurers, individual premium accounted for 81 per cent of the market share and 99.9 per cent of the number of policies for the half year ended September, 2003.

Group business accounted for the remaining nominal market share in terms of both premium and number of policies.

**INDIVIDUAL NEW BUSINESS FIRST HALF, 2003 – 04 (INCL. RURAL & SOCIAL)**

**SINGLE PREMIUM**

(Rs.in lakhs)

Sl No.	Particulars	Premium	Policies	Sum Assured
1	<b>Non linked* Life</b>			
	with profit	7,699.93	14,272	9,687.13
	without profit	9,466.18	23,927	20,547.69
2	<b>General Annuity</b>			
	with profit	8.73	7	14.94
	without profit			
3	<b>Pension</b>			
	with profit	1,941.38	2,974	337.94
	without profit	7,842.94	11,487	
4	<b>Health</b>			
	with profit			
	without profit			
<b>A.</b>	<b>Sub total</b>	26,959.16	52,667	30,587.71
1	<b>Linked* Life</b>			
	with profit	64.00	93	64.63
	without profit	3,868.81	4,535	3,345.08
2	<b>General Annuity</b>			
	with profit			
	without profit			
3	<b>Pension</b>			
	with profit			
	without profit	370.42	296	138.42
4	<b>Health</b>			
	with profit			
	without profit			
<b>B.</b>	<b>Sub total</b>	4,303.20	4924	3,548.14
<b>C.</b>	<b>Total (A+B)</b>	31,262.35	57,591	34,135.84
	<b>Riders: Non linked</b>			
1	Health#	4.22	19	72.00
2	Accident##	3.55	59	304.00
3	Term	0.19	9	7.33
4	Others			
<b>D.</b>	<b>Sub total</b>	7.96	87	383.33
1	<b>Linked</b>			
	Health#	1.69	10	20.25
2	Accident##	0.45	14	21.45
3	Term	1.03	4	14.75
4	Others			
<b>E.</b>	<b>Sub total</b>	3.17	28	56.45
<b>F.</b>	<b>Total (D+E)</b>	11.13	115	439.78
<b>G.</b>	<b>**Grand Total (C+F)</b>	31,273.48	57,591	34,575.62

\* Excluding rider figures.

\*\* for policies Grand Total is C.

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

## Disability related riders.

The premium is actual amount received and not annualised premium.

**NON - SINGLE PREMIUM**

(Rs.in lakhs)

Sl No.	Particulars	Premium	Policies	Sum Assured
1	<b>Non linked* Life</b>			
	with profit	3,63,704.81	80,40,458	53,95,113.58
	without profit	19,519.78	4,55,950	9,41,018.61
2	<b>General Annuity</b>			
	with profit	59.23	550	1,217.22
	without profit		0	
3	<b>Pension</b>			
	with profit	4,791.24	32,666	34,648.92
	without profit		0	
4	<b>Health</b>			
	with profit	603.63	16,114	18,246.80
	without profit	2,007.93	20,993	49,027.20
<b>A.</b>	<b>Sub total</b>	3,90,686.63	85,66,731	64,39,272.33
1	<b>Linked* Life</b>			
	with profit	1,222.63	14,362	25,266.57
	without profit	15,627.47	75,277	1,91,358.75
2	<b>General Annuity</b>			
	with profit			
	without profit			
3	<b>Pension</b>			
	with profit	76.47	972	
	without profit	1,990.89	17,502	8,417.30
4	<b>Health</b>			
	with profit			
	without profit			
<b>B.</b>	<b>Sub total</b>	18,917.45	1,08,113	2,25,042.62
<b>C.</b>	<b>Total (A+B)</b>	4,09,604.08	86,74,844	66,64,314.95
	<b>Riders: Non linked</b>			
1	Health#	258.66	38,403	23,556.10
2	Accident##	323.72	1,78,246	1,95,691.52
3	Term	68.51	14,243	9,879.27
4	Others	120.79	23,568	10,231.58
<b>D.</b>	<b>Sub total</b>	771.68	2,54,460	2,39,358.47
1	<b>Linked</b>			
	Health#	29.92	3,662	13,165.18
2	Accident##	24.54	12,291	20,240.98
3	Term	37.44	4,176	7,889.09
4	Others	18.96	3,229	398.49
<b>E.</b>	<b>Sub total</b>	110.86	23,358	41,693.74
<b>F.</b>	<b>Total (D+E)</b>	882.54	2,77,818	2,81,052.21
<b>G.</b>	<b>**Grand Total (C+F)</b>	4,10,486.61	86,74,844	69,45,367.16

(For tables on page 38)

\* Excluding rider figures.

\*\* for no.of schemes & lives covered Grand Total is C.

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

## Disability related riders.

The premium is actual amount received and not annualised premium.

**GROUP NEW BUSINESS FIRST HALF, 2003 – 04 (INCL. RURAL & SOCIAL)**

**SINGLE PREMIUM**

(Rs.in lakhs)

Sl No.	Particulars	Premium	No.of Schemes	Live Assured	Sum Assured
	<b>Non linked*</b>				
<b>1</b>	<b>Life</b>				
a)	Group Gratuity Schemes with profit	2,364.89	26	6,423	4,356.88
b)	Group Savings Linked Schemes with profit	183.96	15	74,396	15,00,969.60
c)	EDLI with profit	3.47	1	2,097	1,300.14
	without profit	294.84	37	1,77,972	1,35,707.42
d)	Others with profit	1,409.01	191	4,09,513	5,94,089.25
	without profit				
<b>2</b>	<b>General Annuity</b>				
	with profit	92.58	3	86	92.58
	without profit				
<b>3</b>	<b>Pension</b>				
	with profit	145.77	4	228	
	without profit				
<b>4</b>	<b>Health</b>				
	with profit				
	without profit				
<b>A.</b>	<b>Sub total</b>	<b>4,494.52</b>	<b>277</b>	<b>6,70,715</b>	<b>22,36,515.87</b>
	<b>Linked*</b>				
<b>1</b>	<b>Life</b>				
a)	Group Gratuity Schemes with profit				
	without profit				
b)	Group Savings Linked Schemes with profit				
	without profit				
c)	EDLI with profit				
	without profit				
d)	Others with profit				
	without profit				
<b>2</b>	<b>General Annuity</b>				
	with profit				
	without profit				
<b>3</b>	<b>Pension</b>				
	with profit				
	without profit				
<b>4</b>	<b>Health</b>				
	with profit				
	without profit				
<b>B.</b>	<b>Sub total</b>				
<b>C.</b>	<b>Total (A + B)</b>	<b>4,494.52</b>	<b>277</b>	<b>6,70,715</b>	<b>22,76,814.28</b>
	Riders:				
	<b>Non linked</b>				
<b>1</b>	Health#	13.81	13	2,948	8,668.59
<b>2</b>	Accident# #	9.49	14	6,543	21,640.15
<b>3</b>	Term	1.84	2	386	771.50
<b>4</b>	Others	0.51	2	4,831	295.02
<b>D.</b>	<b>Sub total</b>	<b>25.64</b>	<b>31</b>	<b>14,708</b>	<b>31,375.26</b>
	<b>Linked</b>				
<b>1</b>	Health#				
<b>2</b>	Accident# #				
<b>3</b>	Term				
<b>4</b>	Others				
<b>E.</b>	<b>Sub total</b>				
<b>F.</b>	<b>Total (D + E)</b>	<b>25.64</b>	<b>31</b>	<b>14,708</b>	<b>31,375.25</b>
<b>G.</b>	<b>**Grand Total (C + F)</b>	<b>4,520.16</b>	<b>277</b>	<b>6,70,715</b>	<b>23,08,189.53</b>

**NON - SINGLE PREMIUM**

(Rs.in lakhs)

Sl No.	Particulars	Premium	No.of Schemes	Live Assured	Sum Assured
	<b>Non linked*</b>				
<b>1</b>	<b>Life</b>				
a)	Group Gratuity Schemes with profit	22,626.67	757	54,802	29,598.78
	without profit				
b)	Group Savings Linked Schemes with profit	395.33	359	41,307	59,640.43
	without profit				
c)	EDLI with profit	178.58	393	1,83,275	71,482.20
	without profit				
d)	Others with profit	19,725.73	3,563	10,58,781	4,71,816.39
	without profit				
<b>2</b>	<b>General Annuity</b>				
	with profit	21,584.15	13	5,520	
	without profit	16,855.20		4,311	
<b>3</b>	<b>Pension</b>				
	with profit	15,842.72	217	48,414	1,301.60
	without profit				
<b>4</b>	<b>Health</b>				
	with profit				
	without profit				
<b>A.</b>	<b>Sub total</b>	<b>97,208.38</b>	<b>5,302</b>	<b>13,96,410</b>	<b>6,33,839.40</b>
	<b>Linked*</b>				
<b>1</b>	<b>Life</b>				
a)	Group Gratuity Schemes with profit	50.90	1	91	441.87
	without profit				
b)	Group Savings Linked Schemes with profit				
	without profit				
c)	EDLI with profit				
	without profit				
d)	Others with profit				
	without profit				
<b>2</b>	<b>General Annuity</b>				
	with profit				
	without profit				
<b>3</b>	<b>Pension</b>				
	with profit	2.23	1	30	
	without profit				
<b>4</b>	<b>Health</b>				
	with profit				
	without profit				
<b>B.</b>	<b>Sub total</b>	<b>53.13</b>	<b>2</b>	<b>121</b>	<b>441.87</b>
<b>C.</b>	<b>Total (A + B)</b>	<b>97,261.51</b>	<b>5,304</b>	<b>13,96,531</b>	<b>6,34,281.27</b>
	Riders:				
	<b>Non linked</b>				
<b>1</b>	Health#	16.63	15	3,444	15,710.48
<b>2</b>	Accident# #	15.28	19	5,157	45,305.47
<b>3</b>	Term	16.00	16	3,635	28,884.03
<b>4</b>	Others				
<b>D.</b>	<b>Sub total</b>	<b>47.90</b>	<b>50</b>	<b>12,236</b>	<b>89,899.97</b>
	<b>Linked</b>				
<b>1</b>	Health#	5.99	5	561	2,085.00
<b>2</b>	Accident# #	0.21	2	94	234.00
<b>3</b>	Term				
<b>4</b>	Others				
<b>E.</b>	<b>Sub total</b>	<b>6.20</b>	<b>7</b>	<b>655</b>	<b>2,319.00</b>
<b>F.</b>	<b>Total (D + E)</b>	<b>54.11</b>	<b>57</b>	<b>12,891</b>	<b>92,218.97</b>
<b>G.</b>	<b>**Grand Total (C + F)</b>	<b>97,315.61</b>	<b>5,312</b>	<b>13,97,236</b>	<b>7,26,500.25</b>

See previous page for Notes.



# Motor, the Melancholy

P. S. Prabhakar



The tune has become familiar. Nonetheless it is heart rending. The lyrics too are melancholic. It is the song that the public sector unit ( P S U )

insurers of India have become adept at singing.

“Oh, you, the merciless and monstrous motor

Forever bleeding us – your effect we’re unable to deter

Reddening our bottomline, that otherwise could be blue

God, how we wish we could do without you !

The last line is pregnant with meaning that has a comic tinge, though. Candidly, if it was not for Motor, the insurers will lose the perpetual excuse for their inefficiency. Besides, but for Motor, they would lose their staple diet called ‘liquidity’. So, they want it, and they don’t want it.

Well, it would be outlandish to dismiss their laments on Motor losses as baseless but it might be naïve to buy it all the time, not when the companies are reluctant to provide any data to substantiate it and certainly not without analysing other issues about to be dealt with in this article.

The industry’s gross premium for 2002-03 was Rs. 13,520 crores and a little over 40 per cent of it comes from the Motor portfolio. (Fire accounts for about 21 per cent and Marine for about 9 per cent). Yet this single-largest portfolio (Motor) does not have a separate revenue account and is always merged with the Miscellaneous portfolio, which encompasses in itself all and sundry right from the Engineering insurance which has some intensely technical insurances like project all risks, CAR etc.

to politically important (rural) insurances such as cattle, poultry etc.

This three-way distinction of Fire, Marine and Miscellaneous owes its origin to the practices of the private insurance companies in the pre-Insurance Act era and was faithfully emulated by the Insurance Act.

In western makets, the general distinctions are Property & Casualty, Automobile & Liability and they try to bring the insurable risks into these compartments. Other markets generally follow the Fire, Marine and Miscellaneous routine.

Going by its sheer size and impact, Motor would well deserve a separate Revenue account but for reasons unfathomable, law-makers did not think

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**The inexcusable lethargy in computerisation has led to having no database where statistics could greatly help in the decision making.**

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so when the Insurance Act was enacted.

The golden opportunity for changing the age-old compartmentalisation to a more realistic, transparency-friendly distinction and to provide a separate Revenue account for the ever-swelling Motor portfolio was lost when IRDA promulgated the Regulations on financial reporting.

When the Regulations made sweeping changes and improvements in the existing financial reporting requirements both in concepts and contents, the official bifurcation of ‘Miscellaneous’ portfolio between Motor and non-Motor could have and should have been done.

The disadvantages of not having a separate Revenue account for the Motor

portfolio in insurance financials are many, some of which are:

- a. The Motor figures always get camouflaged in the ‘overall’ Miscellaneous and even the segment reporting requirements do not necessitate the companies to give all the required details of a Revenue account like the relevant investment income and reserve release/strain.
- b. Motor, unlike other classes of insurance, is always kept, almost in its entirety, to the companies’ “Net Account”, meaning there are no reinsurance cessions, save for the obligatory cessions.

While the Gross Premium shown in the Miscellaneous Revenue account is across all the components, predominant of them being Motor, the Net Premium is only spread amongst the non-Motor portion of the Miscellaneous portfolio. This offers a complete distortion. (Actually, the Excess of Loss treaty insurance taken for Motor is strictly not a ‘Reinsurance’ and should be taken as a ‘cost’ in the Revenue account. Most insurance companies abroad do so. However, in our country, it is accounted as RI cessions).

- c. If there was a separate Revenue account for Motor, then at least the Segment Reporting requirements could have been made in such a way that the companies would have given the further break-up between Own Damage (OD) and Third Party Liability (TP.) For example, Marine portfolio’s segment reporting requirements mandate information dissemination for Cargo and Hull separately.
- d. Only if there was a separate Motor Revenue account would the insuring public know to what extent the game is unfair to the non-Motor insurance buyers, who are, in fact, heavily subsidising the Motor portfolio. It would also be known, in Motor itself, how much the OD segment is subsidising the TP segment. At

present the ratios indicate that while only one-third of the total Motor premium collected is for the Third Party portion, it accounts for two-thirds of the total Incurred Claims.

Among the PSU companies only National Insurance and Oriental Insurance give details of OD and TP in their financials. The other two companies have not thought it fit to go beyond the 'statutory minimum' requirements in disclosures but still have faithfully sung the melancholic "Motor is bleeding" tune.

It is not that they do not have the figures. All the companies are using almost standard software and all the information is captured at the data entry level. They don't generate the same reports though they can. It is not enough if they subtly sob in their Directors' reports. They should most certainly make good their statements by way of figures.

Motor is right now a tariffed portfolio and there has been, of late, some din on detariffing. The Justice Rangarajan Committee came out with a report that has been both welcomed and criticised. Welcomed in some quarters more as a formality but criticised with reason and even some mild fear. People have rightly apprehended that the report has made too many assumptions, some of them even bordering on plain absurdity.

For instance, the report makes a cheeky comment that if all the vehicles plying on the roads of the country were insured just for the mandatory TP risks, the total premium the industry should have collected on this score alone would be in the region of about Rs. 7,000 crores, whereas the actual premium collected was only Rs.1,050 crores, implying that the PSU insurers were operating at just 15 per cent efficiency levels on marketing, even in cases where the insurance is statutory!

However, the real situation is somewhat a third of what it has been projected. There are about 55 million vehicles in the country and if we take out 10 per cent as government and military vehicles, we have 50 million

vehicles. If the average TP premium per vehicle (across all types) was taken to be at Rs. 400 (prior to the 2003 tariff revision), then we are talking only about Rs.2,000 crores and the actual premium collection on TP risks by the industry is about 70 per cent of it.

Hence, at worst 30 per cent of the total vehicle population can be uninsured vehicles, and not 85 per cent. The fundamental reason for such gross misrepresentations going unchallenged is that the industry never bothered to build a proper database and believable statistics.

The inexcusable lethargy in introducing computerisation in the industry, succumbing to the pressure tactics of trade unions in this vital area (for which the then regulator-cum-

the system of 'life tax' on motor vehicles in most states has made this difficult now (b) thwarting the designs of the so-called 'strong truck lobby', and (c) educating the general public on the ground realities and building a formidable public opinion, has not been effectively done.

Notwithstanding the recommendations of the committee on detariffing, no one actually seems serious on detariffing. PSU insurers are resigned to a perception that they would not be able to counter the other forces at play and are even apprehensive that detariffing would only trigger a price war, resulting in loss of business. Private sector players, who are currently not keen on Motor business, are only waiting for their bait. So, we can watch the 'intellectual debate' for some time and everyone will live (with the existing scenario) happily thereafter!

If the efforts for detariffing are serious, then the industry should take various underwriting parameters into consideration like claims ratios of various geographical segments (loading in claims-prone areas like Ahmedabad, Coimbatore, Vadodara, Salem etc.), appropriate loading for traffic violations (for which arrangements with traffic police authorities should be in place), type of usage etc. and have benchmark rates, based on which discretions should be allowed. Market Agreements (aka cartels) should be tacitly encouraged.


On the claims cost, as said earlier, two-thirds of it go towards TP claims which are almost out of the control of the companies. In 2002-03, the total incurred claims for the Motor portfolio of the four PSU companies stand at Rs.4,342 crores and works out to a ratio of about 110 per cent on the total net earned premium income.

A significant portion is the interest burden on the TP claims. This is also noted very sourly by invariably every company in its annual report but one cannot lose sight that the offsetting effect is there by way of investment income to the credit of the Revenue

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The total of net  
outstanding claims for the  
PSU companies as on  
March 31, 2003 is  
Rs.11,917 crores, out of  
which 71 per cent is of  
Motor. A huge chunk of the  
policyholders' funds is  
earning interest, but the  
companies only crib about  
the interest cost they have  
to bear.

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supervisor-cum-reinsurer-cum-holding company, GIC, should take the major blame) has only led to the unfortunate situation of having no database in this vast industry where statistics could greatly help in the decision making in several crucial areas. The industry, when it should have been pro-active, was simply losing time at the rate of one day per day and is now paying the price.

Even leveraging the available statistics to its advantage to lobby for State interference on issues like (a) ensuring insurance for all vehicles –

Account. The average yield on investments of the companies is in the region of 10 to 11 per cent and what is built as interest component in claims cost is just around nine per cent. The total of net outstanding claims for the PSU companies as on March 31, 2003 is Rs.11,917 crores, out of which 71 per cent is of Motor. Without highlighting the fact that this huge chunk of the policyholders' funds is earning interest, the companies only crib about the interest cost they have to bear.

Motor portfolio is a painful necessity and instead of crying over it all the time, the industry would do well to put its best minds together and work out a strategy to make the portfolio equitable for the insurers and the insureds, specifically to the non-Motor insureds, alike. As of now, no insurer can be accused of any long term vision in this area!

**Conclusion**

In this series on financial reporting, I have raised a few issues that I considered important. The insurance industry is not a sunrise industry. It has been around for a while and has come a

**The regulator needs to have a good grip over the industry, the grip of a cat holding its kitten. Firm without hurting.**



full circle from private to public to private ownership. However, the post IRDA outlook of the industry is one pregnant with apprehensions and skepticism, punctuated by the not-too-distant NBFC debacle, the UTI scam and reported

insolvencies of certain insurance companies worldwide. This being an industry providing a very important financial service should have blemishless financial regulations, which should be also enforced blemishlessly.

A regulator is one who is looked as the cushion for the policyholder. He is also a confidence provider to the Government. For all this he needs to have a good grip over the industry, a grip that should be like that of a cat holding its kitten. Firm without hurting.

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

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बीमा अधिनियम, 1973 के तहत किसी बीमा एजेंट या किसी अन्य माध्यम (जैसे ब्रोकर) द्वारा अधिक कमीशन या प्रोमोशन का एक बिना किसी कारण को उल्लेख किए बिना प्रदान किया जा रहा है तो, प्रथम दृष्टि में, जो एजेंट या प्रोकर आपको सही माराह का सावधानता उपलब्ध करा रहा है, किसी व्यक्ति द्वारा धुंध को स्वीकार करना भी प्रतिक्रिया है.

इसलिए, बेसी प्रचारों से सावधान रहें और प्रतिक्रिया को सुनिश्चित व अन्य शर्तों की कार्यप्रणाली को उचित रूप से निर्दिष्ट करने में सावधान रहें.

धुंध के कारण में न आने, अक्सर, सामाजिक तथा वित्तीय संकटों में सहायता हो पाते हैं.

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## Insurance for Outsourcing

With thousands of service jobs moving to countries like India, a new multi-million insurance market is emerging as the companies seek to protect their overseas outsourcing investments from unforeseen troubles.

Companies are becoming increasingly nervous that risks such as terrorism, government instability and civil unrest could sabotage their outsourcing facilities abroad.

Aon, an insurance broker, sold the first such insurance policy to an undisclosed European airline that is setting up call centres in India.

Mr. Charles Keville, director of counter-terrorism and political risk at Aon, arranged the unique insurance with the Lloyd's of London insurers Kiln and Liberty syndicates.

Mr. Keville is reported saying that he had already begun lining up similar policies for financial houses and software companies and expected a strong demand.

The new insurance would cover relocation costs in the event of war, terrorism, trade embargo, strike, supplier insolvency and expropriation by the host government, he said.

"People have been on the phone within minutes of finding out that the insurance is available" he added.

## APPELLATE AUTHORITY FOR IRDA

The Union Government has set up the Appellate Authority for the insurance industry. The authority will be the mechanism for addressing any ruling of the Insurance Regulatory and Development Authority (IRDA).

The function of the authority will be similar to that of a system which was earlier in operation in the Ministry of Finance (MoF) for capital market players to challenge the rulings of the Securities and Exchange Board of India (SEBI) before setting up the Securities Appellate Tribunal headed by a judge.

In a notification issued recently, the Centre has set up both a single and division bench of Appellate Authority for the insurance industry which has, apart from the 25 life and

general insurance private and public sector players, many other players in other segments like broking, corporate agencies, third-party administrators, surveyors and bancassurance players. Mr. Sekhar Aggarwal, Joint Secretary, MoF, will be constituting the single bench, while on the division bench, he will be joined by another Joint Secretary Mr. H. Meena of the Ministry of Law.

Though the Government has planned to set up a full-fledged appellate tribunal for domestic insurance, the move to announce an Appellate Authority with its own official will boost the process of transparency of IRDA, which has to regulate a fast expanding complex industry.

## New debt swap package for states

Another comprehensive debt swap package for states to reduce their interest burden will be announced soon the Union Finance Minister, Mr. Jaswant Singh is reported saying. He has also said interest rates on crop loans should be brought below nine per cent.

The idea of the debt swap is to bring down the states' debt to half i.e., Rs 44,000 crores in a phased manner. Last year, the state governments' debt swap scheme for repaying high-cost loans availed of from the Union Government was initiated by way of an additional market borrowing programme and utilisation of a portion of small savings collections.

## GIC may have joint CMD post

National reinsurer General Insurance Corporation of India (GIC) is likely to see a consolidation at the top with the Chairman's post being replaced with a single Chairman-cum-Managing Director (CMD).

It is reported that the new post of CMD at GIC is also likely to be made at par with those in the four public sector non-life insurers, GIC's erstwhile subsidiaries.

Initially, there were two managing directors and a chairman at GIC. The post of one Managing Director at the company was later abolished. In November 2000, GIC was renotified as the Indian reinsurer and through administrative instruction, its supervisory role over subsidiaries ended.

With the General Insurance Business (Nationalisation) Amendment Act 2002 coming into force from March 21, 2002 GIC ceased to be a holding company of its subsidiaries. Their ownership were vested with the Government.

## ABOUT MORE FDI IN INSURANCE

As a member of the World Trade Organisation (WTO) India will have to lift the cap on foreign capital in the insurance sector sooner or later, Mr. Ashvin Parekh, Executive Director, Deloitte Touche Tomatsu India Pvt. Ltd, since the member countries of General Agreement on Trade and Services (GATS) do not believe in imposing limits in terms of foreign capital.

The insurance sector has a 26 per cent ceiling on foreign equity while other industries in the financial sector, like banking and mutual funds have 49 per cent and 75 per cent respectively.

The provisions of WTO will take effect from 2005, thereby bringing about greater degree of competition in the Indian insurance sector, but Cancun talks failed earlier this year as developing countries were not agreeable to uniformity in foreign investment, as this would infringe on respective countries' rights.

## Tracking Mortality

The life insurance companies and IRDA are to fund a permanent Mortality and Morbidity Investigation Bureau (MMIB), on the pattern which exists in developed countries, to freshly compute the country's mortality and morbidity table. The organisation will be run by the ASI.

The move is a bid to reduce the premium and improve the basic facilities for the customers of the huge insurance, pension and health insurance industry. The move will also benefit employees of the corporates, where actuarial calculations determine the pension gratuity cost.

The mortality and morbidity table is key to the pricing of any insurance and pension product as these kinds of long-term products are calculated on the basis of the average longevity of the population. If the average longevity remains high, the premiums for the products automatically fall and vice-versa.

It must be noticed that despite the stiff competition among the 13 life insurance companies, including the state-run Life Insurance Corporation of India (LIC), in the last three years to grab the market share, the basic premium for products except the term-products has almost remained same. The reason is not far to seek. Thus far, all

the products, including that of the private sector, are structured using the mortality table prepared by LIC almost a decade ago.

The average longevity of an Indian citizen in the LIC mortality table is still pegged at around 60 years, whereas the Centre's pension sector reforms advocate pension provision till 75 and beyond.

In highly developed markets like the United States and Europe, the mortality table is revised frequently and sometimes each of the insurance and pension companies prepare their own mortality and morbidity table to be more competitive in the market.

MMIB, though a trust owned by ASI, will be funded by all the 13 life insurance companies, including LIC. MMIB's objectives are to carry out mortality and morbidity studies and to provide input to participating companies, IRDA and publish standard tables and other research papers.

The mortality rate is determined using historical charts, which are based on the insurance company's own experience and other socio-economic and health factors. The present mortality table of LIC is not comprehensive and does not provide state/regionwise or income level data.

## Insuring Tobacco

The Government has mooted a proposal to extend insurance cover to the tobacco crop. Plans are also afoot to substantially raise the minimum support prices (MSPs) for different varieties of tobacco to help the growers.

Presenting awards to successful tobacco growers at a function organised jointly by the Tobacco Institute of India and the Confederation of Indian Industries (CII), the Union agriculture minister Rajnath Singh appreciated the efforts of tobacco growers in boosting production despite the shrinkage of area under cultivation. He said tobacco growers, like other farmers, were also exposed to natural calamities like drought and heavy rains. There was a need to extend the insurance cover to this crop as well, he said.

Mr Singh is reported saying, "I am aware that India is a signatory to the UN Framework Convention on Tobacco Control (FCTC), but as an agriculture minister I want to see that the growers of all crops get same justice. My ministry is therefore studying the possibilities of extending the insurance cover to tobacco crop. We will also examine the possibilities of raising the MSPs for different tobacco varieties."

He said tobacco was an important cash crop and a source of income and direct and indirect employment for 35 million people. Tobacco is being cultivated in 4.5 lakh hectares in Andhra Pradesh and Karnataka, representing 0.3 per cent of the arable land. Though the area under tobacco cultivation has decreased over the years, the production has increased. "This reflects the ability of the farmers and also the agro scientists for developing high yielding varieties," he said.

## Claims fraud: US insurers strike back

Four major US insurers issued lawsuits seeking to recover over \$100 million from motorists accused of staging road accidents to claim payouts. The move follows a recent crackdown by police on suspected fraudsters and typifies the insurance industry's growing intolerance of claims fraud.

The Liberty Mutual, Allstate, Encompass and Nationwide Mutual insurance companies allege that fraudsters instigated avoidable accidents, sometimes injuring innocent drivers, then went to fake medical clinics, established entirely for documentation purposes, to receive non-existent treatment. The insurers

also claim that their payouts were then laundered through a pyramid scheme. In September 2003, New York police arrested over 50 people involved in an extensive fraud ring, which defrauded insurers of up to \$50,000 for each victim.

While rises in fraudulent claims and staged accidents have long been problematic for insurers on both sides of the Atlantic, it is the lengths that the defendants of the lawsuits allegedly went to that are striking.

In New York State alone, it is estimated that fraud drives up insurance premiums by over \$1 million per year, while the Association of British Insurers (ABI) has expressed similar concerns

about fraud's inflationary effects on premiums in the UK, where staged accidents remain a localised problem in many urban areas.

Insurance companies have been accused of being somewhat slow to counteract fraud in the past. However, these lawsuits indicate that they are now fighting back. A range of measures recently implemented in the UK also shows that insurers are no longer prepared to take fraud lying down. 2003 saw a far greater co-operation between insurers on information sharing and database use, in an effort to log multiple claims made by persistent offenders.

## INSURANCE AGAINST TRAUMA OF CRIME

The Chubb Group of Insurance Companies is offering Masterpiece® Family Protection to its homeowners policyholders in some states of the US. This policy can reportedly help defray a broad range of expenses if the policyholder or a covered relative is the victim of a covered home invasion, child abduction, car jacking or stalking threat that occurs almost anywhere in the world.

Nearly 18,000 Chubb customers have purchased the cover according to the company. Previously, the product was introduced in 14 other states and the United Kingdom.

The insurance reimburses the policyholder up to specified limits for various expenses, including fees for

medical and psychiatric services, reimbursement for lost wages, fees for professional security consultants and security guards, and the cost of recuperation, improving household security and temporarily relocating one's residence.

The policy also provides a reward for information leading to the arrest and conviction of the responsible party. Covered relatives include one's spouse, children, grandchildren, parents, grandparents, siblings and their children. Depending on the type and severity of covered loss, the policy provides up to \$3,00,000 in coverage. The policy costs between \$70 and \$135 per year based on the specific coverage and geographic area.

According to the U.S. Department of Justice, nearly 1.3 million cases of forcible or unlawful entry of residences, 1.4 million stalkings, 50,000 car jackings and 58,000 non-family-related child abductions occur each year.

A nationwide survey of more than 300 people conducted by Impulse Research of Los Angeles reportedly concludes that families feel that home invasion, child abduction, car jacking and stalking represent considerable threats.

Nearly two-thirds of Americans (62 per cent) worry that their child may be abducted, 58 per cent are concerned about car jacking and 46 per cent fear that they may be stalked.

In addition to the emotional issues, 78 per cent of those surveyed said the expenses associated with being a victim of one of these crimes could seriously affect their finances.

## REVIEWING SINGAPORE MOTOR INSURANCE

The General Insurance Association of Singapore (GIA) has launched a sweeping review of motor insurance processes and practices to ensure they are clear, fair and easy to understand.

At the end of the review, GIA will produce a consumer guide with advice on how to choose the right insurance product. Seven major motor insurance companies have formed a work group which will seek feedback from the industry and its customers. The review will examine the processes and practices governing insurance products, sales, sales enquiries and claims, and make recommendations to GIA when it is completed in February 2004.

'We believe it's prudent to routinely review any initiatives and practices to ensure that they meet their objectives, and these objectives are to enhance transparency, improve business

practices, and deliver consistently high levels of service to customers,' GIA President Mr. Terence Tan is quoted saying.

The work group comprises Asia Insurance, AXA, Liberty, Mitsui Sumitomo, NTUC Income and United Overseas Insurance. It will also review initiatives from the Motor Insurance Task Force (MITF), which in 2001 rolled out 10 key recommendations and, among other things, culminated in the formation of Idac or the Independent Damage Assessment Centre network.

'It's all very well to roll out initiatives,' explained Mr Tan, who is also general manager of HSBC Insurance's commercial division. 'You cannot just revisit the issues so quickly; you must give them a chance to work and look at all the issues that surface, with a view to see what more can you do.'

He said GIA will periodically conduct such reviews with the aim of not only ensuring the industry has a framework of consistent sound practices, but also that a system is in place for Singaporeans to make informed decisions.

'What underpins the whole effort will be the need for more consumer education. We're working very closely with the Monetary Authority of Singapore.'

At the end of the review, GIA will produce a consumer guide with advice on how to choose the right insurance product. 'This is part of financial planning. Some people look at financial planning only as what they get out of investments. But overall financial planning includes protection of their lives and their assets.'

## SKANDIA MAY SELL JAPAN OPERATIONS

Skandia, the troubled Swedish financial services group, is understood to have put its Japanese operations up for sale in what would mark a further retreat from its global ambitions. The company has refused to confirm or deny this.

Potential buyers for Skandia Life Insurance (Japan), are believed to include Millea Holdings, the holding company encompassing Tokio Marine and Fire, Japan's largest non-life insurer. Millea has been looking to expand in the life insurance sector. Japan has been one of

Skandia's best-performing markets in recent months, accounting for 2.8 per cent of group sales in the first half.

In this year's first nine months Skandia made a SKr26m (\$3.5m) profit on sales of SKr1.9bn in Japan, where it has SKr9.5bn of assets under management. One London-based analyst said the unit could fetch up to SKr1bn.

Skandia entered the Japanese market in the 1990s, hoping to sell its unit-linked savings products to an ageing population, at a time when it aspired to become a global

financial services group.

But its business model was hit badly by the stock market crash, and, after selling American Skandia, its flagship operation, earlier this year, there was repeated speculation about further sales. The company recently denied it was planning to sell its UK business, Skandia Life.

The group has also been dogged by scandal, centred most recently on large bonuses paid to senior executives during the boom days of the late 1990s.

# Summit!

The Confederation of Indian Industry (CII) held its 8th Insurance Summit in Hyderabad on December 8 and 9. The theme was 'Realising the Growth Potential,' and discussions were all about increasing insurance penetration in the country.



L to R: Andhra Pradesh Chief Minister Mr. N. Chandrababu Naidu inaugurates the 8th Insurance Summit of the CII in Hyderabad on December 8, 2003. Seated on the dais are Mr. Omkar Goswami, Chief Economist, CII, Mr. S. V. Mony, Vice-Chairman, AMP Sanmar Life Insurance Company and Mr. C. S. Rao, Chairman, IRDA.



L to R: Mr. Tarun Das, Director General, CII speaks at the inauguration of the 8th Insurance Summit of the CII in Hyderabad on December 8, 2003. Seated on the dais are Mr. Omkar Goswami, Chief Economist, CII, Mr. C. S. Rao, Chairman, IRDA, and Mr. N. Chandrababu Naidu, Chief Minister, Andhra Pradesh.



## Experts Committee

The Experts Committee on remuneration to brokers submitted its report to the IRDA on December 12, 2003.

L to R: Mr. T. K. Banerjee, Member (Life), IRDA looks on as Mr. C. S. Rao, Chairman, IRDA receives the report of the Experts Committee from its Chairman Mr. A. C. Mukherjee. Also in the picture are Mr. G. V. Rao and Mr. K. N. Bhandari, Members of the Experts Committee.





## Trends!

The Merchant Chamber of Commerce, Kolkata, and Microsec Risk Management Limited, jointly organised a national seminar, 'Insurance India 2003' on "Emerging Trend in Insurance Sector" in Kolkata on December 13.

L to R: Mr. H. S. Wadhwa, CMD, National Insurance Company looks on as Mr. C. S. Rao, Chairman, IRDA lights the lamp to inaugurate the seminar. Also in the picture are Mr. Nirmal Bazaz, Executive Director and CEO, Microsec Risk Management Limited (partially hidden) and Mr. K. B. Agarwala, President, Merchant Chamber of Commerce, Kolkata.

## On AIR!

As part of its insurance awareness campaign, IRDA holds phone-ins on Doordarshan and Akashvani in various regional languages. One such session in progress at the Lucknow Kendra of Akashvani.

Mr. Sanjay Pandey of AIR, Lucknow anchors a phone in programme of IRDA on insurance awareness. Mr. Suresh Mathur, Deputy Director, IRDA answers listeners' queries.



# Change of Address



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## WHAT YOU SAID

Here is a sampler of the responses we got for the survey about IRDA Journal.  
Thank you for responding. Please continue to send your feedback at any time.

The IRDA starting a journal itself is a unique thing. What controller of insurance could not do you are doing. Keep it serious in the same way.

You can publish the reports on various aspects of industry either full or abridged eg: Rangarajan Committee, Justice Eradi Committee, Ansari Committee and now Mukherjee Committee. Unless they are confidential they can be made available.

Supreme Court judgements on insurance both life and non-life. Judgements of the National Consumer Redressal Commission also may be added.

Though TAC has a website it is necessary to publish important news about TAC since it does not have its own publication.

*V. K. Sarma, (retired from UIIC and LIC), Secunderabad*

More professional skills articles should be added. Please see that the articles are restricted to two pages.

*G.V.N. Raju, Icon Institute of Human Resource Development, Hyderabad.*

Most useful sections are Statistics, Your Questions and Issue Focus. Minimum two to three pages can be allotted to Your Questions.

You should publish one or two pages in select regional languages like Tamil, Malayalam, Kannada and Telugu)

*N. Viswanathan, LIC (Chairman's Club Member), Erode, Tamil Nadu*

Articles regarding rural sector are most useful. I request you to please make 'insurance' simple in India for rural people.

*Suresh Kataria, Chairman, Rural Consumer Awareness Research Centre, Ratlam, Madhya Pradesh*

At least one article from the world HQ of insurance – London – should be reproduced.

*B. K. Tibrewal, Exim India Gas Company, Cuttack*

As this is the only journal from the regulator it is of immense use as a provider of a birds eye view of the entire sector in the country and abroad.

Comparative statistics only of new business and market share is given. I would like to know comparative statistics on servicing aspects like claim settlement and other performance indices regarding customer service.

I enjoy reading the Editor's Page and the curtain raisers for the next issue that she writes. More human interest stories on 'Moments of Truth' around the insurance world, upcoming events in insurance in the country and abroad would make it more readable.

*Swarna Prabha Sukumar, LIC, Hyderabad*

We want guidelines for insurance advisors because we are not getting any information from company side.

*K. Madhusudana Rao, Madanapalli, Andhra Pradesh*

Give us articles on insurance selling in the competitive scenario.

*R. Venugopal, Director, LIC, Mumbai*

New sections on changing trends in insurance technology in India and at the global level.

More highlights on customer awareness, case studies in life and non-life insurance, newer innovative articles to make it more spicy.

*Kamlesh R. Vaidya, Vadodara, Gujarat*

Survey, research topics, future oriented articles, regulatory changes vis-a-vis views of IRDA and that of industry should be given preference.

*Vijay Vora, LIC, Mumbai*

You can invite articles from company CEOs about special efforts done for growth of Health and rural sector for which IRDA was mandated specifically by the Act.

Business statistics is quite interesting You can add breakup of business into Fire, Marine, Health and Miscellaneous.

*M. K. Jindal, AGM, The Oriental Insurance Company Limited, Mumbai*

*We have no shopping list. But we are looking at the insurance sector as well and could either look at acquisitions or set up our own operations.*

*Mr. Michael R. P. Smith, CEO (Designate),  
HSBC Asia Pacific, after his group's acquisition  
of a 20 per cent stake in UTI Bank.*

*There should be a second green revolution in India. India has the largest irrigated land mass in the world and we were net exporters of grain even last year, the year of the worst drought in several years....Agricultural insurance should be comprehensive. Work is on with the Agricultural Ministry to carry this out on a pilot basis and can be extended extensively across the country going forward.*

*Mr. Jaswant Singh,  
Union Finance Minister*

*With the volume of business growing for insurance companies, we do feel that capital (requirement) has to be increased... but there is no consensus as to what extent Indian partners in joint ventures should be asked to chip in.*

*Mr. C.S. Rao, Chairman, IRDA*

*The insurers have to adapt to the changing profile of customers. Indian general insurance focuses on the manufacturing segment. The services sector is taking a large and growing share of India's gross domestic product. This offers immense opportunities for expansion.*

*Mr. C.S. Rao, Chairman, IRDA*

*The public has no stake (in insurance companies now) and hence there is more need for them to be informed. The more informed we keep the consumers the more opportunities we have to encash on their awareness.*

*Mr. A. C. Mukherjee,  
Former Chairman-cum-Managing Director,  
New India Assurance Company*

*(When brokers come into the market) there will be less premium to the companies and more risk transfer to them. But they will move the customer away from thinking of premium as cost to thinking of risk as contingent cost and this will widen the market for liability products.*

*K. Ramachandran, General Manager,  
J.B. Boda Insurance Brokers Pvt. Ltd.*

# Events

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January 5 - 10, 2004

Venue: Pune  
Corporate Governance organised by  
National Insurance Academy (NIA), Pune.

January 16-17, 2004

Venue: Pune  
Seminar on Geographical Information Systems  
organised by NIA, Pune.

January 23 - 24, 2004

Venue: Pune  
Boda Marsh Seminar on Natural Hazards  
and Catastrophic Losses organised by NIA, Pune.

January 30, 2004

Venue: Calcutta  
Annual Conference on Insurance by  
Bengal Chamber of Commerce and Industry  
Theme: Protection of Consumer Interest

February 10 - 11, 2004

Venue: Seoul  
4th CEO Insurance Summit  
Theme: Delivering on the Growth Promise And Profit in Asia  
Organised by Asia Insurance Review and The Geneva Association

February 18 - 19, 2004

Venue: Delhi  
Sixth Global Conference of Actuaries organised by the  
Federation of Indian Chambers of Commerce and Industry  
(FICCI) in association with Actuarial Society of India (ASI)

March 2 - 3 2004

Venue: Singapore  
1st Asian Conference on Commutations & Run-Offs

March 7 - 10, 2004

Venue: Delhi  
14th Insurance Congress of Developing Countries  
organised by the Association of Insurers and Reinsurers  
of Developing Countries  
Theme: Towards a more Dynamic and Responsive Insurance  
Environment