Journal

Pricing Freedom with De-tariffing

बीमा विनियामक और विकास प्राधिकरण

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From the Publisher

Any major event brings with it an air of expectation as to its consequences. Detariffing, the most significant development after the opening up of the industry, is no exception and all the interested stakeholders - the players themselves, the insuring public, the corporate world and above all the authorities associated with the industry - are looking forward to this milestone with a great deal of optimism.

The industry was opened up for private participation around six years ago in order to bring in the benefits of competition as also expose the market to the flavour of global products. The experience of the post-liberalization period of the industry has been largely satisfactory; and the market has achieved an overall growth that compares favourably with that of many of the emerging markets. However, it has been recognized for some time now that in the absence of freedom from tariff, the real purpose of having a competitive environment was not being served.

Considering the steady growth of the industry, and also taking into account the sentiment of the market; a decision has been taken to go for detariffing the non-life market, a major percentage of which is presently controlled. While deciding this huge transformation, several aspects of the market viz. the maturity of the players, the progressive growth and customer satisfaction were all taken into consideration. A total freedom would not by any means indicate a 'free-for-all'; and it is hoped that players would show a high level of maturity. It should, at the end, be realized that constant growth and improved customer satisfaction are the ultimate goals of this major milestone. 'De-tariffing' forms the focus of this issue of the **Journal**.

Distribution plays a very vital role in the success of a product; and in the domain of insurance, particularly in a nascent market; the distributor holds the key for the market emerging successful. 'Distribution Channels' forms the focus of the next issue of the **Journal**.

C.S. Rao

C.S. Rao

ISSUE FOCUS

Inside

A Monumental Development . . .

Detariffing the non-life arena of the market has been the most talked-about development in the post-liberalization period of the Indian insurance industry. From the time that it has been opened up for private participation, the market has been reacting to the sensitive issue in different ways - there was a feeling in a certain section that tariff is stifling the freedom of the players, despite the liberalization; yet others felt that it is still early days for the Indian market as it is replete with a huge risk, considering the nascent stage of its development.

Analysing the conflicting opinions carefully and also taking stock of the development of the market over the years, a conscious decision has been taken to go for total freedom of the non-life sector. It does not need to be emphasized that it is a decision of monumental dimension and the future of the insurance industry depends on how it reacts to this historical development. Leveraging the freedom in pricing the products, the players could suddenly surge ahead and make rapid strides of progress. At the same time, a word of caution would not be out of place to mention that pitfalls could be equally disastrous; and in the urge to scale new heights, some avaricious trends could put the players in very sensitive spots. Controlled and systematic growth is the need of the hour.

The roadmap for such a significant development has been drawn fifteen months ago; and thus sufficient time was given to the players to acclimatize and attune themselves to the new environment. Sufficient measures have been taken to study the trends of the players in getting ready for the challenge; and no major hiccups have been noticed during such follow-up measures. It is hoped sincerely that the confidence that has been reposed in the players would be proved absolutely right.

De-tariffing of the Indian insurance industry is the focus of this issue of the **Journal**. There are various articles that throw light on the different facets of this major change. To start with, Mr. Arup Chatterjee emphasizes that discipline and profitability should be the mantras in the new domain; and further adds that consistency, customer service and cost control would be the factors that would ensure underwriting success. Mr. H.Ansari comments about the strength of various relationships that would be important for success in the detariffed regime.

Mr. Antony Jacob looks at the evolution as a natural development; and hopes that the Indian market would achieve global standards. In the end, the risks that are associated with transformation from a tariff regime to a free market are brought home vividly by Mr. P.C. James. We also have an article on the importance of audit of the insurance companies by Mr. H.O. Sonig. Apart from the usual monthly business statistics of the players, we have for you the details of the investment statistics of life and non-life insurers for the year ended March '06.

A very important tool in the growth of insurance business, especially in markets that are sales-driven; is the distribution channel. 'Distribution' forms the focus of the next issue of the **Journal.**

U. Jawaharlal

Report Card:LIFE

Premiums Rise 161.98% over September, 2005

Individual premium:

The life insurance industry underwrote Individual Single Premium of Rs.1172327.21 lakh for the half year ended September, 2006 of which the private insurers garnered Rs.101081.91 lakh and LIC garnered Rs.1071245.30 lakh. The corresponding figures for the previous year were Rs.365768.79 lakh for the industry; with private insurers underwriting Rs.49827.19 lakh and LIC Rs.315941.608 lakh. The Individual Non-Single Premium underwritten during April-September, 2006 was Rs.1391414.94 lakh of which the private insurers underwrote Rs.455314.20 lakh and LIC Rs.936100.74 lakh. The corresponding figures for the previous year were Rs.619172.26 lakh, Rs.212691.82 lakh and Rs.406480.44 lakh respectively.

Group premium:

The industry underwrote Group Single Premium of Rs.361275.56 lakh of which the private insurers underwrote Rs.25113.47 lakh and LIC Rs.336162.09 lakh. The lives covered being 6799925, 402551 and 6397374 respectively. The corresponding figures for the previous year were Rs.131857.43 lakh with private insurers underwriting Rs.13369.84 lakh and LIC Rs.118487.59 lakh and the lives covered being 3160873, 343811 and 2817062 respectively. The Group Non-Single Premium underwritten during April-September, 2006 was Rs.41446.48 lakh which was underwritten entirely by the private insurers, covering 1934462 lives. The corresponding figures for the previous year were Rs. 15514.27 lakh and covering 1025917 lives.

Segment-wise segregation:

A further segregation of the premium underwritten during the period indicates that Life, Annuity, Pension and Health contributed Rs.1845672.42 lakh (62.26%), Rs.64658.25 lakh (2.18%), Rs.1053381.33 lakh (35.53%) and Rs.694.68 lakh (0.02%) respectively. In respect of LIC, the break up of life, annuity and pension categories was Rs.1290456.96 lakh (55.07%), Rs.61776.45 lakh (2.64%) and Rs.991274.72 lakh (42.30%) respectively. In case of the private insurers, Rs.555215.46 lakh (89.42%), Rs.2881.80 lakh (0.46%), Rs.62106.61 lakh (10.00%) and Rs.694.68 lakh (0.11%) respectively was underwritten in the four segments.

Unit linked and conventional premium:

Analysis of the statistics in terms of linked and non-linked premium indicates that 46.30% of the business was underwritten in the non-linked category, and 53.70% in the linked category, i.e., Rs.1372560.39 lakh and Rs.1591846.29 lakh respectively. In case of LIC, the linked and non-linked premium was 44.92% and 55.08% respectively, as against which for the private insurers taken together this stood at 86.82% and 13.18% respectively. During the corresponding period of the previous year, linked and non-linked premium indicates that 55.20% of the business was underwritten in the non-linked category, and 44.80% in the linked category, i.e., Rs.624234.27 lakh and Rs.506705.58 lakh respectively. In case of LIC, the linked and non-linked premium was 33.87% and 66.13% respectively, as against which for the private insurers taken together this stood at 76.25% and 23.75% respectively.

First Year Premium Underwritten by Life Insurers for the Half Year Ended September, 2006

Sl No.	Insurer	Premium u/w (Rs. In Lakhs)			No. of Policies / Schemes			No. of lives covered under Group		
		Sept, 06	Up to Sept, 06	Up to Sept, 05	Sept, 06	Up to Sept, 06	Up to Sept, 05	Sept, 06	Up to Sept, 06	Up to Sept, 05
1	**Bajaj Allianz**									
	Individual Single Premium	12212.75	53007.51	33470.54	5638	23476	28469			
	Individual Non-Single Premium	17694.73	76391.68	29691.17	115274	467484	173862			
	Group Single Premium	42.85	289.76	0.00	0	1	0	146	1059	0
	Group Non-Single Premium	97.23	991.35	1197.54	20	97	117	35256	273193	105031
2	**ING Vysya**									
	Individual Single Premium	142.61	1648.56	2.38	119	1156	349			
	Individual Non-Single Premium	2014.03	16465.43	6117.29	13356	84249	39411			
	Group Single Premium	28.06	231.47	490.72	0	0	0	40	517	1311
	Group Non-Single Premium	23.89	370.09	148.60	3	24	33	340	7052	10247
3	**Reliance Life**									
	Individual Single Premium	312.66	5915.87	3817.45	544	9254	6048			
	Individual Non-Single Premium	2665.57	17522.00	1374.86	28573	109619	19350			
	Group Single Premium	13.32	766.59	68.80	2	13	0	432	8312	0
	Group Non-Single Premium	57.38	377.33	280.65	19	72	55	11571	89122	45359
4	**SBI Life**									
	Individual Single Premium	3876.59	14313.19	1930.87	6687	20672	3104			
	Individual Non-Single Premium	5656.40	33580.49	5011.77	34728	153163	71577			
	Group Single Premium	1708.41	9144.22	8377.57	0	2	2	10150	57177	101629
	Group Non-Single Premium	4353.47	9445.93	1560.91	37	215	844	172331	565297	274024
5	**Tata AIG**									
	Individual Single Premium	65.53	295.66	215.51	77	77	0			
	Individual Non-Single Premium	4092.08	22524.62	16574.00	33540	176063	131737			
	Group Single Premium	421.72	2531.15	929.00	1	4	0	20881	136546	74163
	Group Non-Single Premium	1750.86	2554.82	1206.28	6	55	149	14004	127717	277130

	Group Non-Single Premium	1730.86	2354.82	1200.28	0	35	145	14604	127717	277150
6	**HDFC Standard**									
	Individual Single Premium	791.53	5756.89	4948.50	17170	47336	26283			
	Individual Non-Single Premium	9304.83	43052.05	26026.47	25486	114713	100313			
	Group Single Premium	503.94	3801.60	2522.85	8	56	53	14110	116862	48509
	Group Non-Single Premium	345.93	2139.38	1717.15	1	8	15	50	1536	8230
7	**ICICI Prudential**									
	Individual Single Premium	3083.96	13214.82	3003.35	4468	20578	13886			
	Individual Non-Single Premium	25457.99	136842.03	70429.62	128277	637859	267108			
	Group Single Premium	1750.40	7381.20	556.62	16	85	47	11972	63332	110764
	Group Non-Single Premium	1908.61	17079.32	7985.48	19	181	59	10097	160408	28010
8	**Birla Sunlife**									
	Individual Single Premium	254.44	1448.96	753.13	7364	13852	26119			
	Individual Non-Single Premium	4746.39	25943.21	19039.61	19465	91092	63442			
	Group Single Premium	75.16	525.25	297.00	0	0	0	442	3081	2526
	Group Non-Single Premium	570.47	4020.16	704.15	36	61	20	7188	26048	5235
9	**Aviva**									
	Individual Single Premium	282.07	1336.80	258.11	356	1166	1516			
	Individual Non-Single Premium	5138.74	27212.51	12359.19	25064	115823	47384			
	Group Single Premium	34.26	154.33	65.64	0	1	0	163	862	421
	Group Non-Single Premium	86.95	1502.91	127.06	7	37	8	29222	153722	95701
10	**Kotak Mahindra Old Mutual**									
	Individual Single Premium	191.47	1912.60	860.05	203	2000	1280			
	Individual Non-Single Premium	3219.45	14269.96	7025.54	11498	44746	31090			
	Group Single Premium	87.02	287.90	61.15	1	3	2	3422	14803	3999
	Group Non-Single Premium	146.34	1888.42	265.76	10	65	32	11511	104814	31290
11	**Max New York**									
	Individual Single Premium	153.99	189.69	82.07	236	318	109			
	Individual Non-Single Premium	5933.86	30833.34	14942.85	48897	235852	170837			
	Group Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
	Group Non-Single Premium	19.19	162.39	59.52	6	28	32	15667	36860	22804
12	**Met Life**									
	Individual Single Premium	58.75	255.57	259.78	118	512	522			
	Individual Non-Single Premium	1757.59	8586.52	3811.11	7651	36697	35449			
	Group Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
	Group Non-Single Premium	90.45	820.61	261.18	28	141	94	26753	285562	122856
13	**Sahara Life**									
	Individual Single Premium	83.10	640.62	225.45	220	1639	609			
	Individual Non-Single Premium	38.92	198.74	288.35	1042	5829	12340			
	Group Single Premium	0.00	0.00	0.49	0	0	6	0	0	489
	Group Non-Single Premium	0.00	93.76	0.00	0	2	0	0	103131	0
14	**Shriram Life**									
	Individual Single Premium	716.59	1145.16		1568	2534				
	Individual Non-Single Premium	398.34	1797.61		4264	25478				
	Group Single Premium	0.00	0.00		0	0		0	0	
	Group Non-Single Premium	0.00	0.00		0	0		0	0	
15	**Bharti Axa Life***									
	Individual Single Premium	0.00	0.00		0	0				
	Individual Non-Single Premium	9.22	94.03		131	203				
	Group Single Premium	0.00	0.00		0	0		0	0	
	Group Non-Single Premium	0.00	0.00		0	0		0	0	
	Private Total									
	Individual Single Premium	**22226.04**	**101081.91**	**49827.19**	**44768**	**144570**	**108294**			
	Individual Non-Single Premium	**88128.14**	**455314.20**	**212691.82**	**497246**	**2298870**	**1163900**			
	Group Single Premium	**4665.16**	**25113.47**	**13369.84**	**28**	**165**	**110**	**61758**	**402551**	**343811**
	Group Non-Single Premium	**9450.77**	**41446.48**	**15514.27**	**192**	**986**	**1458**	**333990**	**1934462**	**1025917**
16	**LIC**									
	Individual Single Premium	143796.20	1071245.30	315941.60	475949	2618101	894936			
	Individual Non-Single Premium	251652.11	936100.74	406480.44	1526291	7209571	8727602			
	Group Single Premium	89939.24	336162.09	118487.59	1737	8163	6955	755878	6397374	2817062
	Group Non-Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
	Grand Total									
	Individual Single Premium	**166022.24**	**1172327.21**	**365768.79**	**520717**	**2762671**	**1003230**			
	Individual Non-Single Premium	**339780.25**	**1391414.94**	**619172.26**	**2023537**	**9508441**	**9891502**			
	Group Single Premium	**94604.40**	**361275.56**	**131857.43**	**1765**	**8328**	**7065**	**817636**	**6799925**	**3160873**
	Group Non-Single Premium	**9450.77**	**41446.48**	**15514.27**	**192**	**986**	**1458**	**333990**	**1934462**	**1025917**

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

* The insurer has revised its Nos. for the period April, 06 to August, 06 in terms of No. of schemes (-5) and No. of lives covered (-7126) under GNSP. Accordingly, the cumulations upto September, 2006 stand modified.

Investment Statistics of Life Insurers

- End of March 2006

'The role of the life insurance industry needs to be better appreciated by the public at large' avers G V RAO.

Regulation 3 of the IRDA (Investment) Regulations 2000 deals with the investment pattern of life insurers of their controlled fund, their funds relating to pension and general annuity business and funds relating to unit linked life insurance business. Bulk of funds is to be invested in Govt. securities of not less than 50 percent.

Life insurers' contribution:

The life insurance industry had total invested funds of Rs.487,151 crore at the end of March 2006. The funds have grown in 2005/06 by Rs.58,700 crore representing an increase of 13.7 percent. About Rs.296,000 crore (61 percent) are invested in Govt. securities, as at March 2006.

LIC's dominant contribution:

The Life Insurance Corporation of India (LIC) continues to be the biggest contributor to it, with its total invested funds of Rs.463,711 crore representing 95.2 percent of the total invested funds of the industry. The new players, numbering fourteen, have contributed Rs.23,380 crore.

The LIC has added Rs.45,482 crore to its total invested funds' position. The growth rate in its funds accretion is about 11 percent. The share of the LIC in the total invested funds that was about 97.6 percent has slightly dropped in 2005/06 to 95.2 percent

Contribution by new players:

The contribution of the new players is significant, as their total invested funds

SECTORAL INVESTMENT BY LIFE INSURERS AS AT MARCH 31, 2006

INSURER	LIFE FUND (Rs.Crores)												PENSION AND GENERAL ANNUITY			
	CENTRAL GOVT SECURITIES		STATE GOVT SECURITIES AND OTHER APPROVED SECURITIES INCLUDING CENTRAL GOVT SECURITIES		INFRASTRUCTURE / SOCIAL SECTOR		INVESTMENT SUBJECT TO EXPOSURE NORMS (INCL. OTAI)		'OTHER THAN APPROVED INVESTMENTS (OTAI)		TOTAL (LIFE FUND)		CENTRAL GOVT SECURITIES		STATE GOVT SECURITIES AND OTHER APPROVED SECURITIES INCLUDING CENTRAL GOVT SECURITIES	
PUBLIC SECTOR	31/3/05	31/3/06	31/3/05	31/3/06	31/3/05	31/3/06	31/3/05	31/3/06	31/3/05	31/3/06	31/3/05	31/3/06	31/3/05	31/3/06	31/3/05	31/3/06
LIC	1,67,718.86	1,97,419.39	2,06,906.87	2,41,103.52	44,660.40	48,182.22	1,09,861.60	1,00,161.78	26,111.98	26,286.06	3,61,428.87	3,89,447.52	5,650.77	18,987.86	9,083.36	28,881.26
TOTAL (A)	**1,67,718.86**	**1,97,419.39**	**2,06,906.87**	**2,41,103.52**	**44,660.40**	**48,182.22**	**1,09,861.60**	**1,00,161.78**	**26,111.98**	**26,286.06**	**3,61,428.87**	**3,89,447.52**	**5,650.77**	**18,987.86**	**9,083.36**	**28,881.26**
PRIVATE SECTOR																
HDFC STD	286.29	463.82	286.29	463.82	85.80	213.28	108.67	233.43	19.68	14.82	480.77	910.53	117.37	215.39	117.37	215.39
MAX-NYL	109.09	505.97	315.67	505.97	89.08	130.90	31.62	57.03	15.06	29.80	436.37	693.90	2.81	14.79	12.90	14.79
ICICI PRU	552.82	683.64	552.82	683.64	159.04	226.11	258.77	404.34	75.82	67.37	970.63	1314.09	121.87	184.53	121.87	184.53
BIRLA SUN	84.73	141.95	110.75	141.95	31.74	41.97	27.58	68.72	9.56	7.25	170.06	252.64	0.06	0.15	0.06	0.15
TATA-AIG LIFE	311.91	511.43	311.91	511.43	64.66	121.50	16.19	91.37	1.33	4.69	392.76	724.30	58.25	72.93	58.25	72.93
OM KOTAK	108.11	128.97	113.10	180.53	46.92	59.99	40.64	98.02	0.73	1.98	200.67	338.54	8.23	9.12	8.23	11.12
SBI LIFE	587.78	758.38	592.78	780.18	155.26	264.96	212.86	500.76	88.46	167.70	960.89	1545.91	55.36	90.86	60.37	117.26
ALLIANZ BAJAJ	235.67	403.04	235.67	403.04	74.02	141.91	72.59	178.15	20.89	30.94	382.28	723.10	7.13	18.12	7.13	18.12
METLIFE	101.51	127.20	101.51	127.20	30.05	43.87	25.63	37.60	13.34	17.69	157.18	208.67	0.21	0.36	0.21	0.36
RELIANCE LIFE	63.54	95.80	65.30	95.80	22.94	34.34	22.47	33.84	6.58	6.00	110.71	163.98	27.87	50.38	27.87	50.38
ING VYSYA	132.91	196.16	132.91	196.16	46.63	75.93	61.69	99.64	14.30	49.01	241.22	371.73	0.00	37.85	0.00	37.85
AVIVA LIFE	79.70	128.91	79.70	128.91	30.21	38.15	35.04	51.24	0.00	4.94	144.95	218.29	0.00	0.00	0.00	0.00
SAHARA LIFE	60.47	48.42	102.90	90.52	24.27	28.37	15.32	26.80	0.01	2.71	142.48	145.69	0.06	0.32	0.06	0.32
SHRIRAM LIFE		65.25		65.25		34.95		29.55		7.59		129.75		0.00		0.00
TOTAL (B)	**2,714.53**	**4,258.93**	**3,001.31**	**4,374.41**	**860.61**	**1,456.23**	**929.07**	**1,910.49**	**265.75**	**412.50**	**4,790.98**	**7,741.13**	**399.22**	**694.79**	**414.32**	**723.18**
TOTAL (A+B)	**1,70,433.39**	**2,01,678.32**	**2,09,908.18**	**2,45,477.93**	**45,521.01**	**49,638.45**	**1,10,790.66**	**1,02,072.27**	**26,377.73**	**26,698.56**	**3,66,219.85**	**3,97,188.65**	**6,049.99**	**19,682.65**	**9,497.68**	**29,604.44**

Note: The figures are based on provisional Returns filed with IRDA have gone up from Rs.10,162 crore in 2004/05 to Rs.23,380 crore in 2005/06, an impressive accretion of Rs.13,318 crore. Their share of invested fund has improved from 2.4 percent in 2004/05 to 4.8 percent in 2005/06.

Among the new players, ICICI-Pru, Allianz-Bajaj, HDFC Standard, Birla SunLife and SBI Life have had impressive increases to their invested funds.

Pattern of funds deployment:

The Life Fund is the biggest source of invested funds. It stood at Rs.397,189 crore at the end of March 2006 with an accretion of Rs.30,969 crore. The pension and general annuity fund stood at Rs.37,264 crore. The annual accretion was quite impressive as it showed a growth of Rs.25,241 crore.

The Group (excluding the group pension and annuity fund) showed a downward trend. The funds dropped from Rs.42,680 crore to Rs.26, 810 crore at the end of March 2006. The new players have added Rs.9691 crore, while the LIC has added only Rs.8669 crore.

About 65 percent of the invested funds of LIC were in Govt. Securities as against the minimum norm of not less than 50 percent. In the case of the new players their invested funds in Govt. securities was 58 percent.

Final word:

Considering the important economic role these invested funds of the life insurers play in the national economy, and the increasingly important role the new players have begun to play by raising their rate of accretion to their invested fund pool; the role of the life insurance industry needs to be better appreciated by the public at large.

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

FUND (Rs. Crores)				GROUP EXCLUDING GROUP PENSION AND ANNUITY FUND (Rs. Crores)								UNIT LINKED FUND (Rs. Crores)						TOTAL (ALL FUNDS) (Rs. Crores)	
INVESTMENT SUBJECT TO EXPOSURE NORMS		TOTAL (PENSION FUND)		CENTRAL GOVT SECURITIES		STATE GOVT SECURITIES AND OTHER APPROVED SECURITIES INCLUDING CENTRAL GOVT SECURITIES		INVESTMENT SUBJECT TO EXPOSURE NORMS		TOTAL (GROUP FUND)		'OTHER APPROVED INVESTMENTS		OTHER THAN APPROVED INVESTMENTS		TOTAL (UNIT LINKDED FUND)			
31/3/05	31/3/06	31/3/05	31/3/06	31/3/05	31/3/06	31/3/05	31/3/06	31/3/05	31/3/06	31/3/05	31/3/06	31/3/05	31/3/06	31/3/05	31/3/06	31/3/05	31/3/06	31/3/05	31/3/06
2,378.66	7,276.38	11,462.03	36,157.64	25,039.54	16,665.46	33,297.31	21,231.45	9,342.11	5,506.08	42,639.42	26,737.53	2,547.87	10,269.86	210.80	1,158.59	2,758.67	11,428.45	4,18,288.99	4,63,771.14
2,378.66	**7,276.38**	**11,462.03**	**36,157.64**	**25,039.54**	**16,665.46**	**33,297.31**	**21,231.45**	**9,342.11**	**5,506.08**	**42,639.42**	**26,737.53**	**2,547.87**	**10,269.86**	**210.80**	**1,158.59**	**2,758.67**	**11,428.45**	**4,18,288.99**	**4,63,771.14**
34.54	52.24	151.91	267.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	280.17	1396.26	10.49	21.86	290.67	1418.13	923.35	2596.29
1.13	1.06	14.03	15.85	1.45	3.76	6.81	3.76	0.44	1.16	7.25	4.92	20.11	142.33	0.33	28.85	20.44	171.18	478.09	885.85
44.77	60.02	166.64	244.55	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1896.27	5270.23	440.89	656.63	2337.16	5926.86	3474.43	7485.50
0.00	0.00	0.06	0.16	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1047.34	1862.92	78.38	235.13	1125.72	2098.05	1295.85	2350.85
18.53	23.69	76.78	96.62	14.70	40.69	14.70	40.69	0.00	0.00	14.70	40.69	76.00	325.79	4.81	34.95	80.81	360.74	565.05	1222.35
5.13	9.56	13.36	20.68	2.05	3.52	2.05	3.52	0.00	0.48	2.05	4.00	304.75	750.35	3.57	10.26	308.33	760.61	524.40	1123.82
18.60	160.49	78.97	277.75	4.20	0.00	4.20	0.00	6.57	0.00	10.77	0.00	3.46	193.27	0.08	18.06	3.54	211.33	1054.17	2034.98
2.15	0.00	9.28	18.12	1.27	8.00	1.27	8.00	0.00	5.82	1.27	13.82	336.14	2325.67	33.10	243.65	369.24	2569.32	762.07	3324.36
0.00	0.08	0.21	0.44	2.52	5.76	2.52	5.76	0.00	0.53	2.52	6.29	1.62	50.52	0.12	0.00	1.74	50.52	161.66	265.92
22.58	39.21	50.45	89.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	21.40	93.25	0.00	6.09	21.40	99.34	182.56	352.90
0.00	37.11	0.00	74.96	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	73.70	214.12	4.91	31.56	78.61	245.68	319.83	692.36
0.00	0.00	0.00	0.00	0.76	0.76	2.06	1.54	0.80	0.77	2.85	2.32	122.95	490.87	8.18	41.27	131.13	532.15	278.93	752.76
0.00	0.00	0.06	0.32	0.02	0.06	0.02	0.06	0.00	0.00	0.02	0.06	0.00	15.57	0.00	0.21	0.00	15.79	142.56	161.86
	0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		129.75
147.43	**383.46**	**561.75**	**1,106.65**	**26.97**	**62.55**	**33.63**	**63.33**	**7.81**	**8.77**	**41.43**	**72.09**	**4,183.91**	**13,131.15**	**584.86**	**1,328.53**	**4,768.77**	**14,459.68**	**10,162.94**	**23,379.55**
2,526.09	**7,659.84**	**12,023.78**	**37,264.29**	**25,066.52**	**16,728.01**	**33,330.93**	**21,294.78**	**9,349.92**	**5,514.85**	**42,680.85**	**26,809.62**	**6,731.78**	**23,401.01**	**795.66**	**2,487.12**	**7,527.45**	**25,888.13**	**4,28,451.93**	**4,87,150.69**

Need for a Well-trained Distribution Channel

'Insurance business in India is still very dependent on the distributor's skills. For a long-term sustenance of the business, the distributor needs to be thoroughly trained' writes U. Jawaharlal.

For any product to be visible in the market, the role of the distributor holds the key. Particularly in areas where the product is intangible, the prospect may need to be educated about its merits before an actual sale results. Going further; in an area like insurance, especially in an emerging market; the role of the distributor is immense. Although we have made a tremendous progress as regards the growth of the market, the fact still remains that there is a great onus on the distributor's role in the culmination of a contract. One speaks of the indispensability of the 'eye-ball contact' for an insurance deal to materialize.

The vitalness of the distributor's role is that he is the first-line representative and assumes a huge responsibility as the preliminary underwriter of the insurer. In most cases, he or she is directly in contact with the prospect - perhaps for several years - and as such, is given to know the first hand information. A proper use of this knowledge would obviate the problem of asymmetry of information to a great extent. This would preclude the incidence of adverse selection against insurers, which can play havoc with their business interests. Besides, the distributor would be perfectly placed to understand the needs of the proponent; and accordingly recommend the product that suits his or her needs. This would ensure that the business retention ratios would improve in both life and non-life areas, in addition to avoidance of business migration between different players.

In order that the distributor is well-equipped in the need-identification of the client, it is essential that he or she is well-trained. Towards ensuring this, certain norms have been stipulated about the basic requirements of training for distribution personnel or agencies. These requirements should be adopted by the players in their spirit and not merely fulfilled on paper.

The training needs of the distribution channels are assuming new challenges. In the life insurance domain, with the huge success of the market-related products, the distributor has got to be updated with the latest developments so that there is a proper match between the needs and service delivery. Similarly, in the non-life arena, especially in the ensuing detariffed regime, the challenges of the distributor would be numerous; with arriving at a proper, judicious price assuming a new importance. All this pre-supposes that the distributor - whether he is the tied agent, broker, corporate agent or any other channel - needs to be a master at the job.

'Distribution' forms the focus of the next issue of the **Journal**. We would be bringing for you incisive articles in the domain contributed by experts in the field.

020/NL/IRDA/06 15th Sep `06.

To
CEOs of All Insurance Companies &
The Principal Officers of All Broking Companies

GUIDELINES ON INSURANCE AND REINSURANCE OF GENERAL INSURANCE RISKS

With the abolition of tariffs in the near future, competition will extend not only to service matters but also to pricing of products. In order to ensure that the business is transacted along proper lines, it is important to set out the rules of conduct that should be followed by both insurers and brokers in the matter of insurance and reinsurance of general insurance risks, especially those with high sums insured.

Insurers are advised to ensure that the procedures as set out in these guidelines note are followed in their competition for business.

Attention of all licensed brokers is invited to the Code of Conduct specified in Schedule III of the IRDA (Insurance Brokers) Regulations 2002 and in particular, para 1 of the Code of Conduct. All brokers are hereby required to ensure strict adherence to the practice stated in this guidelines note and in the Code of Conduct. Prior approval of IRDA should be obtained by application supported by valid reasons for any variations from the practice stated here.

1. **Where a client invites more than one broker to submit terms for its insurance requirement:**

(a) A broker shall not block capacity with one or more insurers in anticipation of being invited to quote terms for insurance requirements of a client, where the client has not yet decided as to which brokers should be invited to quote terms.

(b) Once the client has selected the brokers who should be invited to quote terms, all other brokers should withdraw from the market. They should also immediately advise any insurers with whom they have been in touch to propose terms, about their not being invited to quote terms.

(c) Brokers who are invited to quote terms should obtain a written appointment letter to develop terms. Where the client has given oral instructions to quote, the broker should record the fact of its being invited to quote terms, in a letter to the client. (Refer paras 2(f) and 2(h) of Code of Conduct).

(d) Every broker invited to quote terms should fully comply with para 4 of the Code of Conduct. The broker should clearly distinguish between information provided by the client and information provided by the broker based on its own study of the risk.

(e) Where the client has specified the terms of the insurance cover required by it, the broker shall develop terms on the basis specified by the client and not any other basis (which may be patched up without the knowledge of the client) to provide the required cover. However, it is open to the broker to discuss with the client and agree with the client to develop terms on any other basis.

(f) It is open to the broker to ask more than one insurer to quote terms. The broker shall furnish full information on a common basis to all the insurers. This does not prevent the broker from providing supplementary information to an insurer in response to questions raised by that insurer.

(g) Where an insurer is asked to quote terms by more than one broker in respect of the same risk, the insurer shall quote the same terms to all the brokers. However, if a broker seeks quotes from the insurer on a different basis, the insurer shall be free to quote terms on the basis requested by that broker without having to advise those terms to all the other brokers.

(h) Where an insurer is approached by a broker to quote terms for a particular account, the insurer should not approach the client directly to quote terms and eliminate the broker.

(i) Where a client has also asked an insurer to quote terms directly to it, the insurer may quote terms directly to the client and if any broker approaches it for terms, the insurer should inform the broker that it is quoting directly to the client.

(j) Where terms are developed on a “net rate” basis, the broker shall advise the client the full facts, namely, the net rate and the addition made for brokerage.

(k) Where the insurer needs to develop terms from the reinsurance markets before quoting its terms to the client, the insurer shall be free to use the services of any reinsurance broker of its choice.

(l) A composite broker shall not go to the reinsurance markets to develop terms in respect of cases referred to in (k) above, without the written prior authorization of the insurer invited to quote terms for the insurance. Paras 2(i) and 2(j) of the Code of Conduct are relevant in this connection. It is important to emphasise that placement of reinsurance is entirely within the purview of the insurer and neither the direct broker nor the client can direct the insurer where to place reinsurance and how much to reinsure. This does not prevent the client or the broker from enquiring about the insurer’s own retention on the risk and the reinsurances that it will place and the security rating of reinsurers to be used, as a part of its examination whether to accept the insurer for its insurance requirements.

(m) Where reinsurance terms are developed as part of the process of quoting terms for direct insurance, the broker who is instructed to develop terms shall truthfully communicate to the insurer on whose behalf the reinsurance terms are developed, the basis of the quotation, the rates and terms and the list of reinsurers with written lines and the extent of likely support at those terms.

(n) A composite broker or reinsurance broker shall not put conditions of minimum percentage of reinsurance placement as part of the quotation or allow such terms to be put in by the client or foreign co-broker or reinsurers. This does not prevent a lead reinsurer quoting terms subject to his being offered a minimum stated line on the risk. It shall be open to the insurer to instruct the broker not to offer the risk to a particular reinsurer or to specified reinsurersor specified markets .

(o) A broker shall not put up terms developed within its own office (desk quotes) but not received from an insurer, as insurance premium terms. If a broker is responding to an enquiry about the likely insurance cost, it should make it clear when indicating the premium cost that it is not a quotation but only a non-binding indication of the likely cost.

2. **Where a client retains one broker to develop terms from several insurers:**

(a) The broker shall select the insurers to be invited to quote terms, entirely from the point of view of the client and in the best interests of the client.

(b) The broker shall provide information on a common basis to all insurers invited to quote. However, it may provide further clarifications or additional information in response to queries of an insurer that is invited to quote.

(c) The broker shall not first develop terms from foreign markets and then go round locating insurers willing to front the business at those terms.

(d) The broker shall not go round looking for insurers to be invited to quote terms, on the basis of a minimum reinsurance order as a condition of giving an opportunity to the insurer to write a share of the risk.

(e) The terms put up to the client by the broker should include the original letters of quotation from the insurers and the recommendation of the broker should be properly documented with reasons in support of the recommendation.

3. **Documentation and post-insurance servicing of the direct insurance client:**

(a) Once the direct insurance client gives orders to bind the cover, the broker should obtain a letter of cover or cover note or insurance policy from the insurer or insurers concerned and submit them to the client before commencement of risk.

(b) The broker should ensure payment of premium in a timely manner in compliance with Sec 64VB of the Insurance Act. The broker should explain to the client, the importance of compliance with policy conditions and warranties by the client during the policy period. Where the insurer issues only a cover note or letter of cover, the broker should follow up for issue of the formal policy document without delay. The broker should scrutinize all these documents to ensure that they are in conformity with the terms and conditions quoted and accepted by the client. Likewise, the broker should ensure timely payment of reinsurance premium on any reinsurance placed through it and follow up for the formal reinsurance document in a timely manner.

4. **Placement of facultative reinsurance:**

(a) A composite insurance broker or reinsurance broker shall not enter the reinsurance markets either to develop terms for reinsurance cover or to place reinsurance on any risk without the specific written authorization of the insurer insuring the risk or insurer who has been asked to quote terms for the risk.

(b) A reinsurance broker or a composite broker shall not block reinsurance capacity in anticipation of securing an order to place reinsurance.

(c) The broker shall provide to the insurer, a true and complete copy of the reinsurance placement slip to be used, before entering the market. The broker shall incorporate any modifications or corrections proposed by the insurer in the placement slip.

(d) The broker shall put up to the insurer, all the terms (including the reinsurance commission and brokerage allowed) obtained by it from various reinsurers and indicate the share the lead reinsurer is willing to write at those terms and the expectation of the broker about placement of the required reinsurance at the terms quoted, with acceptable reinsurance security.

(e) The broker shall furnish to the insurer, a true copy of the placement slip signed by the lead reinsurer quoting terms, indicating thereon, the signed line of the reinsurer.

(f) Where reinsurance on a risk is proposed to be placed with different reinsurers at different terms, the fact that terms for all reinsurers are not uniform, shall be disclosed to reinsurers suitably.

(g) Once the insurer has accepted the reinsurance terms quoted, the broker shall place the required reinsurance cover and shall keep the insurer informed about the progress of placement from time to time. In selecting the reinsurers to whom the risk is offered, the broker shall be mindful of the need to use only such reinsurers who are rated BBB or higher by a recognized credit rating agency, as required by Regulation 3(7) of IRDA (General insurance – reinsurance) Regulations 2000. Where the reinsurance is over-placed, the signing down shall be done in consultation with the insurer in a manner consistent with good market practice. The ceding insurer shall have the right to tell the broker not to use a specific market or reinsurer or reinsurers.

(h) Immediately after completion of placement of reinsurance, the broker shall issue a broker's cover note giving the terms of cover and the names of reinsurers and the shares placed with each of them. The cover note shall contain a listing of all important clauses and conditions applicable to the reinsurance and where the wordings of clauses are not market standard, the wordings to be used in the reinsurance contract shall be attached to the broker's cover note.

(i) The broker shall follow up the cover note by a formal signed reinsurance policy document or other acceptable evidence of the reinsurance contract signed by the reinsurers concerned, within one month of receipt of reinsurance premium.

(j) The broker shall have a security screening procedure in-house or follow credit ratings given by recognized credit rating agencies and answer without any delay, any questions raised by the insurer about the credit rating of one or more reinsurers. Where the insurer declines to accept a particular reinsurer for whatever reason and asks the broker to replace the security before commencement of risk, the broker shall do so promptly and advise the insurer of the new reinsurer brought on the cover.

5. **Placement of Treaty or Excess of Loss Reinsurance:**

(a) A composite insurance broker or reinsurance broker invited to place a proportional treaty shall prepare the treaty offer slip and supporting information with the cooperation of the insurer and secure the insurer's concurrence to the slip and information before entering the market.

(b) Where a reinsurance treaty is placed at different terms with different reinsurers, the fact that such is the practice shall be made known to all the reinsurers suitably.

(c) Where a reinsurer accepts a share in a treaty subject to any condition, the conditions shall be made known to the ceding insurer and its agreement obtained before binding the placement.

(d) The broker shall advise the progress of placement of the treaty from time to time. Immediately after completion of placement, the broker shall issue a cover note setting out the treaty terms and conditions and list of reinsurers with their shares. Where a treaty is over-placed, the broker shall sign down the shares in consultation with the insurer in a manner consistent with good market practice.

(e) The broker shall secure signature of formal treaty wordings or other formal reinsurance contract documentation within three months of completion of placement.

(f) The broker shall have a security screening procedure in-house or follow credit ratings given by recognized credit rating agencies and answer without any delay, any questions raised by the ceding insurer about the credit rating of one or more reinsurers. Where the insurer declines to accept a particular reinsurer for whatever reason and asks the broker to replace the security before commencement of the reinsurance period, the broker shall do so promptly and advise the insurer of the new reinsurer brought on the cover.

6. **Handling of reinsurance monies:**

Every broker shall abide by the provisions of Regulation 23 of the IRDA (Insurance Brokers) Regulations 2002.

7. **Co-broking:**

(a) It is open to a client to appoint more than one broker to jointly handle the broking of its insurance requirements depending on the skills that the brokers may bring to the activity and to decide the manner in which the brokerage payable on the business may be shared among them. However, it is not permitted for one broker to appoint another broker to handle the broking of an account that has been given to that broker to handle by the client.

(b) Each of the direct insurance co-brokers shall be brokers who are licensed to broke the class of business concerned and each co-broker shall be responsible to ensure that these guidelines are complied with.

(c) The manner in which the brokerage is shared among the co-brokers shall be disclosed to the insurer on request. The insurer will be guided by the instructions of the client with regard to payment of brokerage to each co-broker for his share or to the lead co-broker who will then be responsible to pay the other co-brokers.

(d) Each of the co-brokers on a reinsurance placement shall also be responsible to ensure that these guidelines are complied with by themselves and any foreign brokers used by them.

(e) Where a reinsurance placement is co-broked with a foreign reinsurance broker, the licensed broker in India shall only use reinsurance co-brokers who agree to comply with the requirements of these guidelines and shall be responsible to secure compliance with these guidelines to the extent applicable, by the foreign reinsurance co-broker. The name and other particulars of the foreign reinsurance co-broker shall be disclosed to the insurer.

8. **Reinsurance brokerage:**

(a) Where the brokerage charged for a particular case exceeds the normal level of brokerage for such transaction, the fact should be disclosed to the insurer before binding cover. For this purpose, the normal level of brokerage shall be taken to be 2.5% on reciprocal proportional treaties, 5% on non-reciprocal proportional treaties, 10% on excess of loss covers and 5% on facultative placements.

(b) For the purpose of sub-para (a) above, payments of all nature in respect of the particular account, such as risk inspection fees or risk management fees or administration charges, etc., shall be aggregated.

9. **Insurer's right to develop business directly:**

Nothing contained in these guidelines shall be interpreted as prohibiting an insurer from approaching a client directly to service its insurance requirements. However, an insurer shall not go to a client who has already decided to use a broker for its insurance placement and has appointed a broker and such broker has approached the insurer for terms.

10. **Effective date**

These guidelines shall come into effect from 01st October 2006 and shall apply to any insurances where the process of placing insurance or negotiating terms of insurance is initiated after that date, including renewals in respect of insurances expiring after that date.

(C.S. Rao)
Chairman

021/IRDA/F&U/SEP-06 28th September, 2006

To

All Non Life Insurers

GUIDELINES ON "FILE AND USE" REQUIREMENTS FOR GENERAL INSURANCE PRODUCTS

The guidelines on file and use requirements for general insurance products have been reviewed based on the experience gained so far and taking into account the feedback received. The present guidelines issued in view of the proposed detariffing of all classes of non-life insurance business, supersede guidelines issued earlier by the Authority and are being issued under the provisions of Section 14 (2) (i) of the IRDA Act 1999. These guidelines apply to all general insurance products whether governed by tariff now or not. These guidelines should be placed before the Board of Directors and a copy should be provided to all persons concerned.

Applicability

1. For the purpose of these guidelines an insurance product also includes a plan of insurance designed to meet the requirements of a client or class of clients. These guidelines shall come into effect on 01st November 2006. Rates proposed to be charged in respect of products which are currently under tariff, after the tariffs are removed, shall be filed under these guidelines after 01st November 2006. However, these changes can only be implemented after the tariffs are removed.

   Prohibition on variations in tariff coverages, wordings, endorsements and warranties

2. Insurers shall not vary the coverage, terms and conditions, wordings, warranties, clauses and endorsements in respect of covers that are currently under tariffs till 31st March 2008. Insurers may file their proposals for changes in cover, terms, wordings, etc for such products from a date to be notified by the Authority, but to be given effect to after 31 March 2008. In respect of products currently governed by tariffs, deductibles other than the deductibles set out in the tariffs can be offered only after 31 March 2008.. Insurance on first loss basis or partial insurances unless permitted under current tariffs shall not be permitted before 31-03-2008. Covers not permitted under tariffs should not be granted by way of 'difference in conditions' in insurance till 31.3.2008.

   Marine hull insurance business shall continue to be governed by the Authority's circular No.IRDA/CIR/Mrn-Hull/086/Mar-05 dated 23rd March 2005 till further notice.

   IRDA requirements for consideration and review of products

3. While filing the products, insurers are advised to take into account the requirements of IRDA relating to design and rating of insurance products. They are further advised to do an internal verification of the products before filing them with IRDA so as to avoid queries from IRDA.

   The requirements of IRDA are as follows:

   (i) Design and rating of products must always be on sound and prudent underwriting basis. The contingencies insured under the product should be clear and provide transparent cover which is of value to the insured.

   (ii) All literature relating to the product should be in simple language and easily understandable to the public at large. As far as possible, a similar sequence of presentation may be followed. All technical terms should be clarified in simple language for the benefit of the insured.

   (iii) The product should be a genuine insurance product of an insurable risk with a real risk transfer. "Alternate risk transfer" or "financial guarantee" business in any form will not be accepted.

   (iv) The insurance product should comply with all the requirements of the Protection of Policyholders' Interests Regulations 2002.

   (v) Insurers should use as far as possible, similar wordings for describing the same cover or the same requirement across all their products. For example clauses on renewal of insurance, basis of insurance, due diligence, cancellation, arbitration etc., should have similar wordings across all products.

   (vi) The pricing of products should be based on appropriate data and with technical justification.

   (vii) The terms and conditions of cover shall be fair between the insurer and the insured.

   (viii) Margins built into rates shall be consistent with the experience of the insurer in respect of commission, management expenses, contingencies and profit.

   (ix) Insurer should take necessary steps in ensuring that competition will not lead to unprincipled rate cutting and other improper underwriting practices.

Filing of products

4. Important: Filing of products will be accepted only after the insurer has filed the Underwriting Policy as approved by its Board and satisfied any queries raised by IRDA thereon.

   Once an insurance product has been filed and IRDA has no queries on the product, the insurer is expected not to make frequent changes in that product. IRDA may allow changes in the product only on sufficient technical justification. Any proposals for changes within 6 months of first introduction of a product will be subject to strict scrutiny for ascertaining the need for such a change.

5. In normal circumstances the insurer should provide at least 15 days notice for cancellation of cover. Policies that are long-term in nature and annual policies that are regularly being renewed or where there is a reasonable expectation of being renewed, should not be refused renewal or be cancelled without providing sufficient justification.

6. Where any product is governed by rates, terms and conditions that are required by agreement to be followed by all insurers such as for insurance of terrorism risks, the insurers shall be collectively responsible for securing compliance with these guidelines by the entity that sets the rates, terms and conditions of cover or from the insurer that manages the pooling of that business (for example, the General Insurance Corp. of India) as the case may be.

7. Till the tariffs are in force, it will not be necessary for any insurer to file information on any product that complies with tariff rates, terms and conditions. In respect of products that package insurance covers that are governed by tariffs, with those that are not, the insurer should file such products and confirm that the section governed by tariffs complies with tariff rates, terms and conditions for the portion that is governed by tariffs, as long as tariffs remain in force.

8. Products, which were filed under the earlier file and use guidelines, need not be re-filed under the present guidelines unless the insurer has made any changes in the rates, terms or conditions of cover of such products. If an insurer has packaged a product with several different covers, any change in terms and conditions of the package such as deletion of some of the covers or the premium reduction for such deletion, will require to be filed under this procedure unless the insurer has filed with the original file and use filing, the option to delete some of the packaged covers and indicated the premium reduction for such deletion and there are no subsisting queries.. The revised filing should draw clear reference to the earlier filing.

9. In case of a product which is a package of insurance covers already filed with IRDA individually and where IRDA has no subsisting queries, it is sufficient to file a short statement giving the trade name of the said product and the components of that product with a cross reference to the earlier filings of the individual products. However, if any changes are made in any individual cover that is part of the package, then such amended package product should be filed. Package policies can be covered by a single policy document so long as the terms and conditions for each component of the package are clearly set out therein.

10. Any non-tariff insurances issued in the past on the basis of "individually rated risks" based on individual experience and risk evaluation without reference to a class product design or rate, and which were not filed with IRDA earlier under the earlier file and use guidelines, shall now be filed with IRDA under these guidelines as stated in para 26 below, before being sold whether as a new insurance or as renewal. This requirement shall also apply to a package where some of the covers in the package are rated by internal tariff and some are individually rated. For this purpose, individual rating does not refer to changes in premium to reflect hazard factors that follow a pre-defined rating basis as stated in para 19(i) below.

File and Use requirement

11. No general insurance product may be sold to any person unless the requirements of these guidelines have been complied with in respect of that product. Where individual particulars of the product are required to be filed with IRDA, such product shall not be sold unless the required particulars have been filed with IRDA and IRDA has no queries in respect of rates, terms and conditions or the accompanying documents of that product within a period of thirty days from the date of receipt of the filing in its office. Where IRDA raises any query in relation to a product within the stipulated period of thirty days, the insurer shall not offer that product for sale until all queries have been satisfactorily resolved and IRDA confirms in writing that it has no further queries in respect of that product. Where an insurer provides clarifications in response to queries raised by IRDA, IRDA can be expected to respond within 15 days from the date of receipt of the insurer's observations. If IRDA raises no further queries or observations, the product may be used thereafter. It should be the joint effort of both the insurer and IRDA to ensure that the entire procedure is accomplished within 60 days. To this

end, the initial letter from IRDA seeking clarifications will be as complete as possible. Likewise, the insurer should respond to any queries by IRDA as quickly as possible. This requirement will apply mutatis mutandis in cases where the underwriting policy under which the products are designed, need to be filed instead of filing of particulars of individual product. In respect of a product that has been filed earlier and no queries subsist in respect of such product, if the insurer changes the premium rates or deductibles but not the terms and conditions and policy wording of the cover, the insurer need not obtain a fresh certification by a lawyer under para 25(iv) below. Where the wordings alone are changed and the change is minor and is clarificatory in nature, the insurer may file the certificate of the lawyer with a covering letter explaining the changes proposed and IRDA may waive the full filing requirement as stated in para 25 in such a case.

IRDA's right to question terms and / or issue directions

12. If, at any time it appears to IRDA that a product being sold by an insurer is not appropriate for any reason or does not carry rates, terms and conditions that are fair between the parties or the documents used with the product are in any way unsatisfactory, notwithstanding the fact that IRDA may have had no subsisting queries in respect of that product when it was originally filed, it may express its concerns and call upon the insurer to answer the concerns of IRDA with regard to that product, within the time specified by IRDA. If the insurer is not able to satisfy the IRDA in the matter, the IRDA may require the insurer to suspend the sale of that product until it is modified in a manner acceptable to IRDA or withdraw the product from the market. Where a product is withdrawn from the market under this provision, the insurer shall not use the same trade name for any other product.

13. IRDA may require an insurer to justify the rates, terms and conditions of insurance offered to a particular client or to a class of clients or for a particular product, within the time specified by IRDA. A mere statement that the risk is rated "on merits" will not be acceptable unless the quantification of the merits can be objectively demonstrated satisfactorily. After hearing the insurer, IRDA may issue such directions as appropriate in relation to that insurance or that product, as the case may be.

Board approval of underwriting policy

14. The underwriting policy of the insurer shall be placed before the Board of Directors (and not merely a committee or sub-committee of the Board) for their approval. Product design, rating, terms and conditions of cover and underwriting activity shall be consistent with the approved underwriting policy of the Board. A copy of the underwriting policy paper as approved by the Board shall be filed with IRDA without delay. Subsequent changes if any, made from time to time with the approval of the Board, shall also be filed with the IRDA without delay. Even where the Board delegates the authority to define and execute the underwriting policy to the management, it should only be done on the basis of a clearly defined statement of underwriting policy approved by the Board and the management should work within the scope of such policy. Design and filing of products under paragraphs 25 and 26 shall only be done in conformity with the underwriting policy approved by the Board.

15. The underwriting policy placed before the Board inter alia shall cover:

    a) The underwriting philosophy of the company in the matter of the underwriting profit expectation;

    b) Whether each product should stand on its own or cross-subsidy among products sold to one client will be acceptable. [It is important for the Board to note that even though a client's total portfolio may be profitable overall on gross basis, the position on net of reinsurance basis can be a loss because different percentages are reinsured in different classes of business];

    c) Whether the insurer will underwrite any business on a planned underwriting loss basis and if so, how the Board will control the effect of such underwriting on the insurer's solvency margin and the aggregate exposure to such losses; the Board should be conscious of the likely need to further strengthen the capital of the insurer following underwriting losses;

    d) The margins that will be built into the rates to cover acquisition costs, promotional expenses, expenses of management, catastrophe reserve and profit margin and the credit that will be taken for investment income in the design of rates, terms and conditions of cover, and how they will be modified based on the actual operating ratios of the insurer;

    e) The list of products that will fall into each of the 5 sub-categories listed in para 19 below; it is recognized that this list may change from time to time, in which case, whenever a product is placed in a category or transferred to a different category, such modification should be reported to the Board with a copy of the note for Board and the Board's decision being filed with IRDA;

f) The delegation of authority to various levels of management for quoting rates and terms and for underwriting in each of the above mentioned 5 sub-categories of products; In particular, the Board should appoint the Appointed Actuary or Financial Adviser or the Chief Financial Officer or any other top management executive who does not have any responsibility for business development, to act as the moderator of rates and terms that are quoted on individually rated risks that fall under para 19(v) below;

g) The role and extent of involvement of the Appointed Actuary in review of statistics to determine rates, terms and conditions of cover in respect of internal tariff rated risks and products designed for a class of clients;

h) The internal audit machinery that will be put in place for ensuring quality in underwriting and compliance with the corporate underwriting policy; and

i) The procedure for reporting to the Board on the performance of the management in underwriting the business, including the forms and frequency of such reports.

Responsibility for compliance

16. All the documents to be filed with IRDA under these guidelines shall be signed by the Chief Executive Officer or any other senior officer designated by the insurer. However, if the filing is done by the senior officer so designated, he shall be responsible to keep the Chief Executive Officer informed fully in all the matters. Where, an insurer delegates the authority to design products and set the rates, terms and conditions of cover to any subordinate office of that insurer, the Chief Executive Officer will still be responsible for complying with these guidelines in respect of such products.

17. Each insurer shall appoint a senior officer as "Compliance Officer" to ensure compliance with the requirements of these guidelines by the insurer. The Compliance Officer shall not be an officer who is also holding responsibility for underwriting. The Compliance Officer shall be responsible:

(1) to monitor the business activities of the insurer and ensure that all products being sold by the insurer are in compliance with the underwriting policy as approved by the Board and also with these guidelines;

(2) shall file a complete list of all products falling under categories (i) and (ii) of para 19 below, being sold by the insurer as on 01st Nov 2006;

(3) shall also file with IRDA at the end of every calendar quarter, a list of all new products falling in categories (i) and (ii) of para 19 below, introduced by the insurer during the quarter just ended and dates on which the rates, terms and conditions of those products were filed with IRDA and the dates of confirmation by IRDA that it has no subsisting queries in respect of those products; and

(4) shall also file a list of risks underwritten under Para 19(v) in a form to be prescribed by IRDA, during each month within 7 days of close of the month. This requirement may be withdrawn after an initial period of monitoring.

18. Where a risk is co-insured, the primary responsibility to comply with these guidelines will rest with the leading co-insurer. However, all other co-insurers will remain responsible to satisfy themselves by enquiry that the guidelines have been complied with. The leading co-insurer shall confirm to all other co-insurers as soon as the terms are agreed and in any case, immediately upon attachment of risk that the File and Use guidelines have been complied with.

Classification of products

19. For the purpose of these guidelines, the products shall be classified into two broad classifications, namely class rated products and individual rated products. These may be further classified into the following 5 sub-categories:

A – Class rated products

i) Internal tariff rated products: These are standard products that can be sold by any of the offices of the insurer with the rates, terms and conditions of cover, including choice of deductible where applicable, as set out in an internal guide tariff. If the internal guide tariff visualizes variations from the listed rates for factors either linked to experience or based on hazard features or size of sum insured or size of deductible or to meet competition, such variations should also be properly documented following the same rules and procedures. In other words, these are "rule based" underwriting products.

ii) Packaged or customized Products: These are products specially designed for an individual client or class of clients, in terms of scope of cover, basis of insurance, deductibles, rates and terms and conditions of cover.

B. Individual rated products

iii) Individual experience rated products: These are products where the rates, terms and conditions of cover are determined by reference to the requirements of and the actual claims experience of the insured concerned. These will typically be insurances with a high frequency but low intensity of loss occurrence.

iv) Exposure rated products: These are products where the rates, terms and conditions of cover are determined by an evaluation of the exposure to loss in respect of the risk concerned, independent of the actual claims experience of that risk. Typically, these will be risks where the occurrence of a loss is an uncommon event or where there are very few risks of that class to develop a statistically supported rating basis. The exposure rating may derive from rates for similar risks in other markets or be based on hazard evaluation done for other reasons such as for risk management.

v) Insurances of large risks: For the purpose of these guidelines, large risks are:

(1) insurances for total sum insured of Rs.2,500 crores or more at one location for property insurance, material damage and business interruption combined;

(2) Rs.100 crores or more per event for liability insurances.

These are typically insurances that are designed for individual large clients and where the rates, terms and conditions of cover may be determined by reference to the international markets. It is not permissible to place a product under this category by merely referring to a reinsurer for the rates and terms. It should genuinely relate to risks that are not within the underwriting or rating capability of Indian insurers. Merely because an insurer places facultative reinsurance on a policy will not make it a large risk. It is expected that in respect of such products, the insurer will quote terms in line with the terms quoted by reinsurers including the extent of cover and deductibles or claims conditions. If the insurer varies the terms quoted by the reinsurers while quoting the terms to the proposer, such variation of terms and any increased retention that results from it, shall be consistent with the underwriting policy and reinsurance policy approved by the Board for underwriting of business and also for retention and reinsurance. The insurer shall charge an additional premium over the rates secured from the international market that is commensurate with the additional risk carried by it. Such additional premium charged should have the concurrence of the officer designated by the Board under para 15(f) above. Full particulars of such cases where the insurer varies the terms from those quoted by the reinsurer shall be filed with IRDA as soon as the terms are quoted and where considered appropriate, IRDA may raise queries about the terms and the premium quoted.

Data support and role of Appointed Actuary

20. The Appointed Actuary, in consultation with the underwriters of the insurer, shall determine the requirements for compilation and analysis of data of sums insured, premiums and claims at the stage of product design itself and ensure that such data is captured at the stage of effecting insurance, on claims intimation and on all claims payments. In respect of long-term insurance products, the Appointed Actuary should also state the basis on which the reserve for unexpired risk will be calculated.

21. The Appointed Actuary, in consultation with the underwriters of the insurer, should compile various first loss rating schedules and schedules of discounts for higher deductibles or franchise, for different products based on statistical data. Such schedules shall form the basis for rating risks on first loss basis or without condition of average in respect of those classes of business that are normally underwritten on full sum insured basis and where condition of average applies and also for allowing discounts for higher deductibles or franchise.

22. Analysis of data referred to in para 20 above should enable review of rates, loadings and discounts for every rating factor used in the determination of premium rates and for rating risks on first loss basis. While filing the product a certificate by the Appointed Actuary should accompany every product stating the rating factors for which data will be captured and that adequate capacities and capabilities have been put in place for collection, compilation and analysis of such data.

23. The periodicity of review of emerging claims experience to determine any changes needed in rates, terms and conditions of cover should also be stated in the certificate of the Appointed Actuary.

24. Where an insurer designs or quotes for new products without reference to adequate statistical data support for the rates, terms and conditions, the basis of rating such products shall be recorded in detail and such basis shall be based on sound and prudent considerations. In such cases, the Appointed Actuary or the officer designated by the Board under para 15(f) above, will review the product design and rates and terms from the point of view of logic and reasonableness.

Documents required to be filed

25. The documents to be filed in respect of every new product or revision of an existing product in respect of products classified under categories (i) and (ii) of para 19 above shall be as follows:

i) Statement filing particulars of the product in Form A;

ii) Certificate by the Chief Executive Officer in Form B;

iii) Certificate by Appointed Actuary in Form C;

iv) Certificate by the company's lawyer in Form D;

v) Copies of Prospectus and other sales literature relating to the product;

vi) Copy of Proposal Form;

vii) Copy of Policy Form and copies of the standard endorsements to be used with the policy; and

viii) Copy of the Underwriter's Manual in respect of the product along with the list of declined risks, if any.

Important: While issuing the certificates under paras (ii), (iii) and (iv) above, persons responsible for issuing such certificates should carefully go through all the required aspects and apply due diligence. Serious view may be taken in case of any deficiencies.

26. In respect of products classified under categories (iii), (iv) and (v) of para 19 above, the insurer should file a statement of underwriting policy as approved by the Board and should provide the information in Form A in relation to the category of insurance concerned as a part of the underwriting policy statement. Any changes in such underwriting policy should also be filed whenever changes are made to the underwriting policy. The insurer should be able to satisfy the concerns of IRDA with regard to the products classified under these categories and the statement of underwriting policy so filed. Use of general words that cannot be objectively substantiated such as "merits of the case" or "underwriter's judgment" or "commercial considerations" should be avoided. However, notwithstanding what is stated above, every plan of insurance in respect of Health insurance (other than employees group health insurance policies) or Motor vehicle insurance shall be subject to the filing requirements of para 25 above.

27. In respect of a class of business that is currently regulated by tariff and which will continue to be rated as per an internal guide tariff after the tariffs are removed, the insurer should also file a statement highlighting the extent of variations from tariff provisions and rates and the basis of the variations. The insurer shall also provide the basis on which the rates and terms proposed to be charged are derived and statistical evidence to justify the proposed rates, and terms and conditions.

28. As already stated in para 2 above, if the insurer wishes to make any changes to the policy or endorsement wordings of products currently governed by tariffs, regardless of the categories listed in para 19 (i) to (iv) above, the insurer shall file full details of the proposed changes in wordings relating to the terms and conditions of cover or policy wording with justification in support. Such changes in policy or endorsement wordings will be effective only after they are reviewed by IRDA and IRDA has confirmed that it has no queries in respect of such changes. In any case, such changes shall not be permitted prior to 31-03-2008.

29. In respect of products designed for individual clients, whether or not the present rates, terms and conditions are governed by tariffs, as stated in para 26 above, the insurer should file a document setting out the basis on which rates and terms will be determined in such cases consistent with the underwriting policy approved by the Board. It will not then be necessary to file every case that is quoted so long as the design of the cover and its rates and terms follow the policy laid out in this document. The insurer should be able to demonstrate that the rates and terms in any particular case are determined in conformity with such basis. Moreover, in respect of insurances of large risks as defined in para 19(v) above, where the insurer quotes terms to the client that are different from those obtained from the international markets, the rates, terms and conditions of cover quoted to the client shall have the concurrence of the officer designated by the Board under para 15(f) above. Likewise, any premium rates that are less than 0.1 per mille on sum insured, should be discussed with the officer designated by the Board under para 15(f) above and his concurrence obtained to such rate based on sound technical reasons. In such cases, the said officer is expected to play the role of moderator to ensure that the terms are determined on a sound technical basis and not merely to meet competition in pricing regardless of logic. Subject to this condition being complied with, the insurer may quote rates, terms and conditions in such cases without having to file Forms A to D and wait for IRDA's response.

30. The maximum permissible rates of commission or brokerage shall be as notified by the Authority from time to time. However, it is open to insurers to design products with rates of commission or brokerage being less than the maximum permitted.

31. Every insurer shall constitute a Technical Audit Department that will be charged with the responsibility to ensure that all underwriting is done in compliance with these guidelines. Such audit should be done at least once every quarter during the year 2007. The reports of the Technical Audit shall be placed before the Board of Directors.

(C.S. Rao)
Chairman

Form A

FILING OF GENERAL INSURANCE PRODUCT

Name of insurer:

Date of filing:

1. Product

1.1 Class of insurance:

1.2 Name of product:

1.3 New or revision of existing product:

1.4 If revision, name of earlier product:

1.5 Nature of revision made:

2. Product features

2.1 What are the contingencies covered?

2.2 Is cover provided on:

2.2.1. Benefit payment basis;

2.2.2 Indemnity basis with deduction for depreciation;

2.2.3. "New for Old" basis;

2.2.3 Reinstatement value basis;

2.2.4 First Loss basis or layered basis.

2.3 Does insurer have right of recovery under subrogation?

2.4 What are the excluded perils?

2.5 What are the declined risks?

2.6 Does the product have any special features?

3 Marketing

3.1 Target market for product?

3.2 Sales channels planned to sell product:

3.3 Plans and budget for sales promotion:

3.4 Acquisition cost to be incurred including commission or brokerage:

(This can be lower than the maximum permitted by the law or regulations)

4 Underwriting and Claims

4.1 What will be the delegation of authority for underwriting and for quoting rates and terms?

4.2 What will be the delegation of authority for processing and settlement of claims?

4.3 Are there any reinsurance arrangements specific to this product? Do they require consultation with reinsurers for underwriting or for settlement of claims?

4.4 Please attach the Underwriting Manual and Claims processing Manual provided to staff in respect of this product:

5 Actuarial support

5.1 Name of Appointed Actuary:

5.2 Risk factors used for rating:

5.3 Margins built into the rates and terms for acquisition cost, expenses of management, catastrophe reserve, other contingencies and profit margin:

5.4 Whether the IT system will provide data on each of the risk factors in respect of premiums and claims:

5.5 Periodicity of compilation and analysis of data for review of the rates and terms:

5.6 Basis of reserving for unexpired risks In respect of long-term products

6 Rates and terms

6.1 Where the rates and terms are in the form of an internal tariff:

6.1.1 Please attach a copy of such tariff.

6.1.2 Where the rates and terms quoted to individual clients can vary from the tariff rates and terms, please provide details of the criteria and extent of such variation.

6.1.3 Where the tariff is used only as a guide and the underwriter has authority to depart from the tariff, please state the level of management at which such departure can be made and the permitted extent of such variation and the circumstances in which such variation is permitted.

6.1.4 Where the insurance is to be provided on first loss basis or with deletion of the condition of average, in a class that is normally insured on full sum insured basis and subject to condition of average, please state the basis of the first loss rating scale or the basis to dispense with the condition of average.

6.1.5 Where the insurance is to be provided with a higher than normal deductible or franchise, please state the basis on which premium reduction will be allowed for the higher deductible or franchise.

6.2 Where the product is a "package" product designed for a specific client or class of clients:

6.2.1 What are the elements of insurance put together in the package?

6.2.2 Is the package rate derived by adding together the rates for individual elements of insurance? If not, please state how it is rated:

6.2.3 In the former case, how is each element of insurance rated?

6.2.4 Is there an internal guide tariff or is each risk rated individually?

6.2.5 If each risk is rated individually, at what management level are rates and terms quoted and what is the basis for deriving the premium rates?

6.3 Where the product is experience rated:

6.3.1 What is the target claims ratio? 6.3.2 At what management level are rates and terms quoted?

6.3.3 At what level of management can the insurer decide to ignore the experience in quoting for the insurance?

6.3.4 How are the statistics used for experience collected and analysed?

6.4 Where rates and terms are determined by reinsurers or other underwriters:

6.4.1 At what level of management is a decision made regarding acceptance of the rates and terms quoted?

6.4.2 Does the insurer have a clearly defined policy with regard to the acceptance of changed policy wordings and the minimum rates and terms required for acceptance?

6.4.3 Confirmation that the terms quoted to the client will be the same as those quoted by the reinsurer or other underwriter.

7 Documents

7.1 Please attach copies of the following

Documents for class rated products :

a) Prospectus
b) Sales literature
c) Proposal Form
d) Policy wording
e) Wordings of various endorsements
f) Claims Form
g) Underwriting Manual

7.2 Please attach the following Certificates:

a) Certificate by the Principal Officer or the Designated Officer in Form B

b) Certificate by the Appointed Actuary in Form C

c) Certificate by the lawyer of the insurer in Form D

8 Supplementary information

If there is any information other than that provided in this form and its enclosures which should be taken into account in examining the filing of this product please provide it here.

Place

Date

Signature of Principal Officer or Designated Officer

Name and designation:

Form B

FILING OF GENERAL INSURANCE PRODUCT

Name of insurer :
Date of filing :
Class of insurance :
Name of product :

Certificate by Principal Officer Or Designated Officer

This is to confirm that:

1. The rates, terms and conditions of the above-mentioned product filed with this certificate have been determined in compliance with the IRDA Act, 1999, Insurance Act, 1938, and the Regulations and guidelines issued thereunder, including the File and Use guidelines.
2. The prospectus, sales literature, policy and endorsement documents, and the rates, terms and conditions of the product have been prepared on a technically sound basis and on terms that are fair between the insurer and the client and are set out in language that is clear and unambiguous.
3. These documents are also fully in compliance with the underwriting and rating policy approved by the Board of Directors of the insurer.
4. The statements made in the filing Form A are true and correct.
5. The requirements of the revised File and Use guidelines have been fully complied with in respect of this product.

Date:

Place:

Signature of Principal Officer or Designated Officer

Name and designation

Form C

FILING OF GENERAL INSURANCE PRODUCT

Name of insurer :
Date of filing :
Class of insurance :
Name of product :

Certificate by Appointed Actuary

This is to confirm that:

1. I have carefully studied the requirements of the File and Use Guidelines in relation to the design and rating of insurance products.
2. The rates, terms and conditions of the above-mentioned product are determined on a technically sound basis and are sustainable on the basis of information and claims experience available in the records of the insurer.
3. An adequate system has been put in place for collection of data on premiums and claims based on every rating factor that will enable review of the rates and terms of cover from time to time. It is planned to review the rates, terms and conditions of cover based on emerging experience (enter periodicity of review).
4. The requirements of the revised File and Use guidelines have been fully complied with in respect of this product.

Date:

Place:

Signature of Appointed Actuary

Name and designation

Form D

FILING OF GENERAL INSURANCE PRODUCT

Name of insurer :
Date of filing :
Class of insurance :
Name of product :

Certificate by the Lawyer of the insurer

This is to confirm that:

1. I have carefully studied the prospectus, sales literature, policy wordings and endorsement wordings relating to the above-mentioned product in the light of the IRDA (Protection of Policyholders' Interests) Regulations 2002, and the File and Use Guidelines.
2. The above mentioned documents are written in clear unambiguous language, and properly explain the nature and scope of cover, the exceptions and limitations, the duties and obligations of the insured and the effect of non-disclosure of material facts.
3. These documents are in compliance with the Policyholders' Protection Regulations and Insurance Advertisements and Disclosure Regulations.

Date:

Place:

Signature of Lawyer

Name and address

Discipline and Profitability

- The Mantras of the New Dawn

'To be successful in the detariffed regime, underwriters need to have the courage and conviction to determine their "walk-away" price' says Arup Chatterjee.

The last decade has witnessed a slow and non-monotonic expansion of competitive rating in many insurance markets around the world. That has included the substantial deregulation of property and casualty insurance rates; and policy forms (i.e., contract terms and language) for 'large' commercial buyers. With the dismantling of the tariff regime in India in the coming days, the market structure and ease of entry would be highly conducive to vigorous competition in most types of property and casualty insurance segments.

Expectations are that the property and casualty roller coaster is headed south, with the depth and duration of the decline; and the implications to insurer profitability and financial integrity a growing concern. The focus on 'underwriting discipline' and 'underwriting profitability' is omnipresent. As commercial insurance pricing gets getting more competitive, the new mantra for success of virtually every insurer and reinsurer shall be 'underwriting discipline' and 'underwriting profitability'.

Underwriting discipline

So what will 'underwriting discipline' mean to insurers? There are three critical components to the underwriting process: Pricing, Risk Selection, and Terms & Conditions. Let's consider each:

***Pricing*:** To most insurers 'underwriting discipline' means pricing integrity. In a hardening market, as the saying goes, 'a rising tide lifts all boats.' In a softening market, achieving adequate prices on individual accounts and books of business is far more challenging. Success requires a fine balance between the judgmental 'art' and actuarial 'science' in each commercial line. Simply stated, manual rates matter! In lines like motor insurance with highly credible ratemaking data, actuarial 'science' simply cannot be ignored. In a softening market, one of the most common mistakes is to ignore this truism and apply undeserved credits.

Another important balance to achieve is the use of exposure versus experience rating on individual accounts. Only larger accounts with credible and predictive loss experience merit full experience rating. To be successful, underwriters need to have the courage and conviction to determine their 'walk-away' price. All too often, underwriters try to limit their exposure to under-pricing by simply limiting their participation on a given account. This is particularly true of subscription policies and layered excess. The lesson to remember here is that a small line on a bad deal is still a bad deal.

In lines like motor insurance with highly credible ratemaking data, actuarial 'science' simply cannot be ignored. In a softening market, one of the most common mistakes is to ignore this truism and apply undeserved credits.

***Risk selection*:** Pricing is based mainly on the actuarial assumption that the past will be predictive of the future. Successful risk selection embraces the future. Risk selection asks not where a book of business or individual commercial account has been but where it is headed. To be successful, underwriters need to understand the business trends of their customers and even of their customer's customers frequently. This is particularly true of lines inherently exposed to possible moral hazard (e.g. D&O insurance). Also, underwriters need to try to understand the values and culture of their customers. In a softening market, the important truism to remember is that "a good risk at a bad price is a bad risk." As commercial package underwriters have discovered many times, even under-priced package policies can produce disastrous losses.

Profitable participation in the market requires not only sound risk assessment but above all optimal business processes. This includes thorough risk evaluation and effective claims management. Evaluating whether and on which conditions a risk can be accepted is a particularly difficult task, constituting a major challenge to underwriters.

***Terms & conditions*:** The customisation of terms and conditions is as critical to underwriting discipline as pricing or risk selection. Regardless of market cycles, a coverage added to a policy that can produce a loss requires some additional premium. Programme structures also need to make sense for both the insured and the insurer. Deductibles that exceed the reasonable financial capabilities of the insured are a prescription for trouble. Specific and aggregate excess attachment points need to be reflective of the frequency and severity expectations of each account. Some of the worst umbrella losses have been the result of exhausted primary aggregate limits for which not a rupee of premium had been charged.

Regardless of market conditions, the essence of great underwriting is managing the balance of these three critical competencies on every account, in every underwriting decision. To achieve this goal, underwriters need all the assistance possible from their claims, loss prevention, legal and information technology colleagues.

Reinsurance**:** Reinsurance remains the most dynamic, responsive and cost-effective form of capital available to an insurer to facilitate underwriting opportunities as it must meet many diverse policyholders' needs. The reinsurance programme must meld to an insurer; and must be so designed to address and complement the unique exposures, culture and underwriting discipline of each insurer. A balance of premier global reinsurance security will further provide maximum stability to absorb inevitable large losses, whether they emanate from named or natural perils. A clear understanding and appreciation of each party's underwriting discipline and integrity is essential to create and maintain an enduring reinsurance relationship. Only through appropriate illustration of the unique quantitative and qualitative aspects of the underwriting portfolio can an insurer be differentiated from its peers. As there is a distinct and recurring pattern to the cycles in different markets, the international experience of reinsurers can also provide valuable impulses for optimising control of business and risks.

Also in question would be the use of contracts which create little or no risk transfer (finite reinsurance) - the usual yardstick for judging a contract to be insurance. The use of 'finite reinsurance,' arrangements between insurers and their reinsurers is intended to remove volatility from insurance company balance sheets. The supervisory community says such deals amount to financial engineering that dupes investors. Indian insurers would have to resist the temptation of introduction of such practices which have helped insurers in other parts of the world to weather the storms of financial losses.

Contract certainty**:** The willingness of the insurers to assume significant exposure in the absence of a signed contract in the wake of completion is something which cannot be discounted. In this context contract certainty assumes great significance. It is essential in order to minimise risk. This risk hits underwriters and brokers: underwriters because they have uncertainty around their exposure, brokers because they have E&O risk when wordings are unclear or non-existent. Uncertainty over exposure for underwriters leads not only to reserving risk but also to an inability properly to understand business performance and therefore pricing. Inability to calculate exposure properly leads to capital misallocation. Lack of contract certainty leads to protracted negotiations, legal disputes and inevitably a legal plutocracy. This also means that the policyholders do not have clarity of coverage, or documentation of it, when they purchase coverage which is becoming increasingly intolerable in today's corporate governance environment.

Reinsurance remains the most dynamic, responsive and cost-effective form of capital available to an insurer to facilitate underwriting opportunities as it must meet many diverse policyholders' needs.

An agreed definition of contract certainty is needed from the outset. This does not suggest certainty over the outcome of claims or the content of contracts; and should include:

- certainty over underwriting exposures for insurers
- certainty of terms of coverage for insured
- wording agreed at or prior to inception of cover and policies issued promptly thereafter
- policies which comply with local requirements (fiscal, regulatory)
- recording of what has been disclosed during policy negotiation

The key to ensuring contract certainty lies in:

- standardisation of process delivered by technology
- standardisation of behaviour delivered by management, measurement and incentives
- a record and audit trail of disclosures by insured
- customers acting as drivers for change

To achieve contract certainty, everyone needs to change. All - including brokers, underwriters and policyholders - should resist the temptation to compress the period of negotiation in the hope of getting better terms and conditions, or temptation to tolerate ambiguity because it may prove advantageous at the point of a claim. Those behaviours are obstacles to the achievement of contract certainty.

Transparency**:** The general question of transparency is one which causes concern among many consumers. Transparency both about the relationship between brokers and the companies they represent; and transparency about the terms of policies; and, in particular, policy exclusion. A second related area is suitability. And, of course, pressure-selling of cover which is redundant or duplicative. Then, there is the issue of fraud and negligence. This works in both directions. Fraud against insurance companies pushes up business costs and hence prices to consumers. The insurance industry has encountered cases of intermediaries taking premium but failing to place cover in the market, or placing cover negligently, so claims are subsequently denied by the underwriter.

The industry will also be under the scanner for some of its practices like broker remuneration. There are issues of conflict of interest when intermediaries accept volume-related payments from insurers. Guidelines for minimum disclosure of payments to brokers are essential to address this problem. Transparency of broker remuneration is essential to re-establish a relationship of trust between brokers and commercial insurance buyers, and one needs to be consistent in the way it is accomplished.

And of course insurance brokers also have to come to grips with the implications for their business in the changed competitive environment. They have to see themselves as risk managers, in a broader context than they have previously done. That will cause some to develop new operating models in search of competitive advantage.

Three C's to Underwriting 'Success'

Insurers need to focus on three additional critical success factors which are the three C's to underwriting 'Success'.

Consistency: A disciplined insurance company needs to present a consistent underwriting presence for the benefit of all customers and producers. In a softening market, the greatest danger to consistency is loss of confidence within individual underwriters. No one wants to lose a valued customer or an attractive new business opportunity. This will be a particularly important issue now with new underwriters. At the same time, over-confidence during hard market cycles can be a real problem, alienating customers and undermining long term relationships. Confidence requires discipline on the part of each underwriter, relentlessly reinforced by management to create, nurture and live.

A hallmark of a successful insurance company shall be to produce consistency in all of its underwriting practices and decisions. There are many "tiles" in building this consistency "mosaic" of an insurer. The best practices include:

- a clear set of written underwriting authorities ensuring optimal empowerment at a local underwriting level
- underwriting authority statements need to trigger collaboration with multiple disciples or senior management as unique and unusual decisions arise
- quick and easy underwriter access to clear, definitive and up-to-date position statements on the "emerging" and "already emerged" issues
- a strong commitment to constant professional development at all underwriting levels
- formal 'post mortem' assessments on lost opportunities or renewals defining what underwriting actions, if any, could have produced the desired results
- easy access to senior underwriting professionals and internal or external legal, financial, and claims experts
- regular progress reporting of all key quantitative goals including effective rate changes; accident year and calendar year results; and compliance with customer service standards
- timely, objective underwriting business unit self-audits and corporate underwriting audits ideally conducted by diverse multi-disciplined teams with constructive reporting and rigorous follow-up on all recommendations
- detailed reviews by independent internal audit teams of compliance with all formal control and documentation processes validating the effectiveness of these processes
- regular actuarial reviews of business unit and line of business profitability on an accident and policy year basis, incorporating insights from underwriting audits

> In the post-liberalisation business environment, customers need responsive insurers with a pan Indian presence that matches their own.

The cement that shall hold the consistency mosaic together will be collaboration.

***Customer Service*:** This critical area is often ignored within the context of underwriting discipline. By customer service, one implies every discipline within the company that directly or even indirectly touches the customers including claims, risk control, financial, and underwriting. Regardless of the state of the insurance market, the best customers tend to stay with insurers who provide truly superior customer service. The best antidote to lower prices from the competition is a market leading reputation for unsurpassed customer service.

In distinguishing the short term 'price' of insurance from the intangible, long term possible 'cost' of an alternative market, an incumbent insurer's best advantage is the opportunity to distinguish their total service capabilities. Benchmarking and monitoring of aggressive customer service standards is as important as rate monitoring.

Both are critical to an insurer's short and long-term success.

In the post-liberalisation business environment, customers need responsive insurers with a pan Indian presence that matches their own. It is more than just scale, it is the way insurers exploit it. They must listen to their customers and put them at the centre of everything they do, to provide even better and more professional services. Service is becoming increasingly important for incumbent insurers. This in itself shall force insurers to improve service standards and sharpen their pencils on pricing.

***Cost Control*:** It is important for the long-term health of the general insurance industry, and its clients, that there is some strengthening of the industry's capital base, and that is bound to require some increases in premium rates. However, given the sizeable impact of these rises on the profitability of industrial and commercial customers in particular; the industry will clearly need to be able to satisfy those customers that it is doing what it can to control its own costs. This pressure on costs, and the need to show stronger capital backing, may attract more capital or drive further consolidation. But that would be the result of commercial decisions which are not a matter for the supervisor.

Enterprise wide cost control is one of the 'best friends' of both underwriting profitability and underwriting discipline. Many factors will ultimately determine the loss ratio, but the expense ratio is the critical component of the combined ratio that can be aggressively managed and improved. Rigorous cost controls are important in all market cycles, but especially in softening phases. Operational success is the sum of prudent behaviour in all expense issues: Everything matters. Defining more efficient approaches should be a part of everyone's job. Commissions and salaries need to be fair but competitive. Underwriter incentives and rewards should consider both short and long-term accomplishments. Equally important, insurers need to achieve real and sustainable productivity enhancements from considerable investments in information technology.

Role of regulator

It is noteworthy that the IAIS Core Principles do not include mention of controls on products or premium rates. This is one of the most significant shifts in supervisory philosophy which has taken place in recent years. The Third Life and Non-Life Directives of the European Union, has also abolished prior controls of products and premium rates in the EU. Although there are still many countries which do have controls of this sort, there seems little doubt that the trend is moving away from such controls. A consequence of this is an increased emphasis on monitoring financial strength as a key pillar of supervision.

The development currently taking place in India is something that other countries went through years ago, albeit in a slightly different form. The regulator needs to examine closely the processes that have taken place in other countries to familiarise with the cycles and special features of various lines of insurance business. The status quo and the pace of new trends can differ significantly from country to country. Giving due consideration to the sometimes highly complex regulations during the product design process requires great know-how, especially with regard to the underwriting risks involved. The results of statistical analyses permit conclusions to be drawn on risk-adequate underwriting or on the wording of insurance conditions, differentiated on the basis of risk groups. This will certainly have a positive influence on loss experience. This know-how shall enable in identifying and analysing trends at an early stage and also sharing this experience with the insurers. Transfer of knowledge shall continue to be one of the key tasks, as it is the only way of guaranteeing a supply of adequate products tailored to individual market customs and practices.

> **Giving due consideration to the sometimes highly complex regulations during the product design process requires great know-how, especially with regard to the underwriting risks involved.**

The regulator must secure the appropriate degree of protection for consumers, but bearing in mind the general principle that they should take responsibility for their own decisions. Although one needs to bear in mind the consumers' experience and skill, their legitimate needs for information and advice, and the degree of risk they incur. The players and the regulator must promote public understanding of the financial system. This means they should be working to ensure that financial markets are as transparent as possible and, in particular, that retail consumers are given clear information which allows them to understand the decisions they are making. Without that it is not reasonable to require them to take responsibility for those decisions.

In our post-liberalised phase, with the general insurance industry clearly approaching another crossroad, the challenges and the opportunities have never been greater. The insurance market in the future will continue to be heavily influenced by strong dynamics in terms of demand, products and loss experience in all phases of the market cycle. In determining the underwriting approach the insurance market players must maintain market confidence. Given the numerous imponderables, the regulator must see it both as a challenge and an obligation to support insurers in their risk assessment along the entire value chain. The regulator's role in facilitating the development of innovative products shall remain one of the main challenges in the transformation of the insurance market. It has to draw on the experience available in the insurance industry to achieve this task, so as to enable the insurers to offer its customers the best-possible products to optimise the market opportunities available.

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Marketing Opportunities and Challenges

- In a Detariffed Market

H Ansari emphasizes that organizations, in order to be successful, would need strong teamwork with customers, intermediaries and joint venture partners; and also between managers and employees within the company itself.

"If you cannot smile, do not open a shop"

- An old Chinese proverb.

As the world advances in the 21st century, the paradigm of change is affecting all and sundry. Not only is change hastening, one is often baffled at the pace of change. Companies are failing to recognize that market is changing every few years resulting in an organization's winning strategy of the past becoming today's losing strategy. One is witnessing two types of organizations in the country - those who regroup and rediscover themselves, whilst others who are slow to respond and just wither away.

The four powerful forces of technology, globalization, value of intangible assets and individual talent; are reshaping and redefining boundaries in which organizations need to function and manage their relationship with individuals and teams, and with other organizations. It is also forcing the companies to become more open and accountable to their stakeholders on one hand and to the society at large on the other.

In order, therefore, to succeed in the market place; organizations would need strong teamwork with customers, intermediaries and joint venture partners and also between managers and employees within the company itself.

What then are the formulae that promise marketing success in a service industry?

- Win through exceeding customer expectations - 'Under promise and over deliver' should be the motto.

In today's marketing scenario in insurance, we need to move from selling insurance to marketing an essential financial product.

- Win through product innovation and continuous product improvement.
- Win through better and speedy service and problem solving.
- Win through competitive pricing but do not sacrifice on value added service.
- Win through adaptation and customization.
- Win through entering niche markets.
- Win through market share - the three I's - Institutions, Instruments and Intermediaries are going to be relevant.

Companies will be required to not only do better at all times; they will also need a strong and robust strategy which would be operationally more effective then that of their competitors.

Whether companies go for mass marketing, target marketing or customer level marketing; the marketing management process needs to be followed at all times. A product will have to be initially researched; its segmentation, targeting and positioning (STP) determined; the Marketing Mix (MM) and the four P's of marketing to be established conclusively. This will be followed by implementation (I) and finally control (C) where the organization needs to evaluate feedback and results; and revise its strategy for future success of the product in the market.

In today's marketing scenario in insurance, we need to move from selling insurance to marketing an essential financial product. The distributors will have to become trusted financial advisors for the clients and trusted business associates for the insurance companies.

In the Indian insurance market, the challenge to the insurers currently is two pronged:-

a. Build an abiding faith for the company in the client's mind

And

b. Build personal credibility with the client.

More than 70% of the General Insurance business in the country is under Tariffs - Fire, Motor, Workman's Compensation, and Engineering, to name a few. Even in Hull insurance which was detariffed in early 2005, the market has been asked to follow the existing terms and conditions.

Tariff is a bench-mark rate. You cannot quote lower then the stipulated tariff rate. But depending upon the individual risk profile of the insured, you can always quote higher than the tariff. It is a different thing that Indian insurers have seldom quoted higher rates despite unfavourable experience with the client.

Ever since the market was liberalized, the issue of Detariffing has been debated. Liberalization and Tariffs are anti-thesis of one another. You cannot have free competition and yet control rates.

Removal of tariffs is a natural way for any market to develop and grow, diversify and innovate. Hence it was natural on the part of IRDA to come up with a roadmap for Detariffing on 23rd of September 2005 comprising all lines of business barring Motor (in view of its very large volume) effective from 01-01-2007. The Regulator has also laid down a time schedule with target completion dates to be implemented in a time bound manner by all insurers; also including observance of Corporate Governance norms and periodic reporting to the Board of the companies at least once every half year.

The Motor exclusion has since been removed and Detariffing will now be applicable for all Non-Life Insurance Business effective 01-01-2007.

Detariffing is not rate cutting, it is adequate pricing. Each product is to be priced depending upon collection of data, its collation and analysis and adoption of "Pure Risk" rate to which insurers will add his expenses plus margin for profit before introducing the product.

Insurers will have to return to "Basics" and focus on underwriting for profit. Tangible steps need to be taken by all non-life insurers without exception.

Ever since the market was liberalized, the issue of Detariffing has been debated. Liberalization and Tariffs are anti-thesis of one another. You cannot have free competition and yet control rates.

As an insurer operating in the market, he would be required to keep the following corporate financial objectives in mind:-

a. Operational objectives such as market share, market position and profits.

b. Security objectives which include reserves, reinsurance, investment and solvency.

There is a complex inter-relationship between operational objectives and security objectives; and these together constitute the strategic objectives of the insurer. They include policy design, method of distribution, underwriting, pricing and claims management.

In pricing, we will first have to establish:-

a. Sound rates.

b. Decide the rate to be actually charged.

The sound rates are required to meet the long term objectives of the insurer. They are based on sound insurance principles and also keep in mind the portfolio being underwritten by the insurer as also the changing social, economic, legislative and technological environment. The prices charged take into account the company's market share objectives and its competitive environment. They can vary from time to time with the state of the market, and the expectation of the management and shareholders.

In a detariffed market, insurers will charge premiums which would be sufficient to meet the cost of claims plus reasonable operating expenses and a suitable margin of profit.

In rating the products, the insurer can adopt either

a. Standard rates.

b. Non standard rates.

c. Experience rating.

The premium rating will take into account three assumptions namely,

a. Exposure

b. Claim frequency/ expected number of claims

c. Average claim size

The assumptions will be based on Quantitative (numeric and statistical) and Qualitative data. Part of it relates to the risk in question, part to other similar risk and part to general environment.

What are the key challenges facing the Market?

I. Liberalization

II. Multi-channel distribution system

III. High marketing cost

IV. Unethical practices

V. Investor unfriendly and customer unfriendly attitude

VI. Volumes as yardstick of success not quality

VII. Stakeholders pressure to perform and improve

VIII. Distribution channel being unfriendly

IX. Product oriented and inward looking

X. Greater emphasis on value driven leadership

XI. Outdated organizational structure

What are the opportunities?

I. Offer "seamless service"

II. "Lead" not "Manage"

III. Be "profit oriented" rather than "growth oriented"

IV. Company's assets at all times must remain more than liabilities

V. Risk management practices to become the underwriting philosophy of the company

VI. Insurance is selling a concept - the concept of security. Rehearse it in your mind.

VII. Make extra efforts to understand your customers

VIII. Insurers are in the business of paying claims; hence they must guarantee their ability to pay claims.

IX. Maintain confidence of policy holders

X. Also maintain investors' confidence.

In a Detariffed scenario effective from 01-01-2007, the role of Regulator will be crucial. Even though the policy terms and conditions of tariff products shall not be altered for a period of 15 months as per guidelines, i.e. not before 01-04-2008, the IRDA will have its hands full and needs to be fully aware of the 'goings' and 'happenings' in the market. The following aspects need careful consideration:-

I. 'Step by step' liberalization to minimize impact on the industry.

II. Less control of pricing detail but more focus to overall financial status.

III. Induce a fair competition by continuous monitoring of new products and price change.

IV. Gradual change of solvency regulation into RBC system.

V. Obligation for insurers to file various statistics and claims data.

VI. More emphasis on 'Protection of Policy holders'.

Detariffing in Non-Life insurance will be both a challenge and an opportunity. Insurers will follow the 'File and Use' system and adopt risk-based decision making in order to spread insurance consciousness in the country and improve the lot of their customers. This will require diligence, determination and cooperation of all concerned.

The author is a former Member (Non-Life) of IRDA.

Maturing Progressively

- Indian Insurance Industry

'The removal of tariff is a natural way for any market to develop and grow' says Antony Jacob. He further adds that India is today the only country where such a high proportion of the market is still under Government control.

The Indian insurance industry has demonstrated robust growth ever since the liberalization of the sector. With privatization of the sector, insurance penetration (in the non-life arena) has moved up to around 0.7 per cent over last six years. And now with the removal of tariff, a new chapter is set to commence for the insurance industry on January 1, 2007. We believe that, after licensing of private players in 2000-01, de-tariffing is the next big event in the Indian non-life insurance space. Detariffing has the potential to transform and liberalize the insurance market further.

Need to Detariff

The removal of tariff is a natural way for any market to develop and grow. Tariffs have been done away with in most markets around the world and India is today the only country where such a high proportion of the market is still under Government control.

A tariffed market robs the market of the fundamental component of liberalization i.e. free market and open competition. As a result premium rates have remained artificially high for fire insurance while the motor portfolio is not adequately priced leading to huge losses for insurers.

While the need for dismantling of tariffs has been acknowledged and supported by all stakeholders, IRDA has chosen to tread cautiously here. It has waited a full six years after liberalization to open up the market - as it feels the players now have the maturity and capacity. Also, it has chosen to open up in stages - initially it will only be free pricing with existing policy terms and conditions. Flexi-wordings are being proposed for a year later.

> **Detariffing will definitely lead to the Indian market achieving global standards in underwriting and risk management besides encouraging innovation.**

Implications of Detariffing

Detariffing will definitely lead to the Indian market achieving global standards in underwriting and risk management besides encouraging innovation.

We expect two prominent trends in the tariff-free market. Firstly, there will be a transition from administered pricing to risk based pricing. We would therefore see increased participation from customers in rating a risk. As in the developed markets, the information provided by the customer will play a key role in deciding the pricing. In the case of motor insurance what this means is that the premium rating will be based on the features of the vehicle and the person driving it. A combination of a host of factors including the make, model, location, driver's age & experience, security features of the car and usage will all have an impact on the final premium that the customer will pay.

Another major development will be in 'Product Differentiation', which will probably represent the second phase of the detariffing process. Insurers will be able to provide products packaged to meet a customer's unique requirements, and price them depending on customer profile and product features.

Customer benefits

Detariffing will result in higher insurance penetration in the country. Customer will stand to benefit from a much wider choice of products. It would be convenient for them to get a tailor-made product very specific to their requirements and based on the actual risks that customers face, rather than any price set by government. But it also places huge demands on insurance companies to listen closely to customers and underwrite risks well. We are convinced that we have the skills and the underwriting discipline to rise to this challenge.

In a tariff market, customers who invest in risk management practices and have a healthy historical loss record are often at a disadvantage in view of the tariff which gives a uniform rate for each risk regardless of quality of risk management within an occupancy.

Risk management will get a boost if there is sufficient reduction in premium for investing in controls such as fire protection systems. In international markets, pricing models ensure that a customer is not only saved from a disaster but factor in a payback period for investments in risk management mechanisms and processes by way of premium discounts.

Personal insurance customers will benefit by the removal of tariff. For example, in the motor segment in a tariff free market, most customers are likely to gain. In the corporate segment, health and marine premiums would go up, but fire premiums would come down. More importantly, insurers will now be able to develop and provide pertinent, world class and customised products to suit the needs of the corporate customer.

Way Ahead

The stage is set to witness international best practices in risk assessment and underwriting in the coming years.

There are apprehensions that, at least initially, premium (topline) growth would dominate at the cost of viability or 'risk rating' - which can affect solvency margins. Insurance rating being a function of the probability theory would require the insurers to keep themselves equipped with sufficient data before taking the plunge. Each proposal will therefore need to be studied and rated on sound technical grounds. Internal monitoring mechanisms would need to become more stringent and actuaries may soon turn into underwriters.

The brokers would not merely participate in the price war but would need to make quality submissions to the insurers conveying all the material and non-material aspects of the risk to be covered.

In a de-tariffed market, both the insurer as well as the customer would need the services of a professional broker. The brokers would not merely participate in the price war but would need to make quality submissions to the insurers conveying all the material and non-material aspects of the risk to be covered. The broker will play the role of a consultant in its true sense with risk management responsibilities.

As the Indian insurance industry readies for the free market environment, its focus on providing value-added features, good quality service will also increase considerably. I expect better risk management practices will be put in place. More players and specialist mono-lines companies will emerge. At the same time well-managed insurance companies will grow from strength to strength based on their risk and compliance framework. The current focus on revenue will be replaced by value.

Thus, tariff abolishment will benefit Indian customers and the economy in more than one way. The industry's technical resources will improve, capital will be augmented to offset the possible pressure on solvency margins due to price reductions and job creation will follow as insurers are able to expand their offering.

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Transforming Industry Practices

- Detariffing Insurance

'The transition from tariff to non-tariff regime can be fraught with risk for the industry and every player needs to proceed with strategic intent and great foresight' opines P.C.James.

The subject of detariffing is currently uppermost in the minds of the non-life sector players and their customers. The impact of the changes it can create can be either disruptive or transformational. The intention to detariff is no doubt developmental and in the best interest of consumers and industry players. Therefore de-tariffing should be ushering in best global benchmarks and adhering to codes of insurance practices that are best in class. It is thus expected that detariffing will transform the non-life industry landscape and usher in an era of sustainable growth and enhanced customer satisfaction.

Detariffing can be seen as freeing insurers and their customers from rule based systems and procedures for determining rates, terms and conditions of cover; and enabling them to look at risks on the basis of need based requirements in terms of coverage, and competitive merit pricing in fixing rates. The tariffs had merely allowed interpretational approaches to issues of rating with little scope for innovation or flexibility in the dynamic environments that organisations and individuals face today. An insured acting as if uninsured as per the insurance dictum would like to be assessed on real time terms of exposure and/or experience and be given due credit for risk betterment. This enables them to face risks and prioritise their risk management objectives in such a way that there is genuine protection at least cost. A tariff is not suited for ready innovation or individualisation in an expanding and dynamic risk environment.

The benefits that detariffing can bring to the consumer and to the industry can be really felt only after the detariffing has been set in motion and on the basis of how the market behaves in the aftermath. There are considerable expectations that prices will fall in some areas and go up in other areas; and that the pricing asymmetries seen in the tariffed market will disappear over time. In addition, there will be considerable experimentation and diversification in product features in due course both in mass marketed policies as well as individualised policies. This can give rise to customer satisfaction owing to the wide availability of need based features in covers which will motivate customers to avoid the malaise of underinsurance and non-insurance that can leave them high and dry in case of unexpected losses. The players in the market will also get an increasing confidence in themselves as they keep acquiring considerable risk assessment and underwriting capabilities from the grass root upwards as the prop of tariffs will disappear as a reference point. This will enable all insurance players to venture more confidently into the mass as well as speciality markets with more appealing and responsive policies that can considerably widen and deepen insurance penetration in the country.

The tariffs had merely allowed interpretational approaches to issues of rating with little scope for innovation or flexibility in the dynamic environments that organisations and individuals face today.

Therefore a more rapid growth is seen on the basis of merit pricing in our under-penetrated market. Insurers and insurance intermediaries will have a clear playing field to target more aggressively the earlier non-responsive markets on the basis of their capabilities or specialisations; and offer superior differentiated products that can sell more convincingly than the current tariff oriented products do. In addition the level of customer satisfaction is expected to go up as there will be wider choices and service options for customers as keen competition will keep all the players in tune with market needs and service requirements. A virtuous cycle of growth and customer satisfaction would be the desired and ideal outcome of detariffing.

However, this will happen only if the concerned players bring into consideration serious moderation and discipline in moving to full detariffing in a measured manner in this transitional period as is required, to give everyone time to understand and test the changes that can affect the long term health of the market. The free market approach has to be rational and prudential, as the focus of competition is to be on risk discovery and risk assessment in sync with the variations in individual insured's physical and moral hazard, and the pricing of the risk to cover all costs. In the area of assessing pure premium or burning costs, no insurer is expected to play with the assessed costs of the risk, and a margin can be allowed for reduction in prices only on the basis of genuine risk reduction as will be decided by trained underwriters on the basis of analysis of facts and figures. In the areas of other costs, there could be imaginative approaches to offer value. In a competitive market there will be competition to bring down claim costs by incentivising the insured in myriad ways, and this coupled with the expected rapid growth of the market will bring in economies of scale to offer attractive value to customers.

In this scenario of expectations regarding right pricing, the concern will be to ensure that competition will not degenerate into a rate cutting exercise that threatens the policyholder fund and affects the solvency margin of the insurer. Secondly in the process of seeking to select and underwrite good risks, persons who have been covered till now will not be arbitrarily cut off from the terms they enjoyed earlier, and valid reasons will be given where rates and terms will appear to be penal or arbitrary. There must be ready availability of coverage on terms that are not excessive, inadequate or unfairly discriminatory; that is insurance covers must be available to consumers on fair terms.

Therefore the question that will be uppermost in the minds of insureds will be how the rates will be offered in a detariffed market. It is expected that rates will be aligned around two poles. The first is class rates where risks having similar risk factors with little or no individual variations will be rated under class risks where rates will be quoted based on technical (risk based) analysis. The other is individual rates where each risk has significant variation in risk factors, and the financial magnitude justifies individual rating. On the basis of these two platforms of rates there could be loadings and discounts for various risk factors.

> **There must be ready availability of coverage on terms that are not excessive, inadequate or unfairly discriminatory; that is insurance covers must be available to consumers on fair terms.**

The basis of rating will be the actual or potential claims cost for each class or sub-class of risks. Data will have to be compiled in this regard on the frequency and severity of the losses, as also analysis of losses by their causes as well as the size of losses. In the larger format; data capturing will be by class of risk, scope of cover, risk factors, the sums insured, cause of loss and the amount of claim. The cost of claims is not only claims actually paid, but also intimated and to be paid. The total of both the amounts is called claims incurred. In addition there has to be a suitable margin for claims that are incurred but not yet reported (IBNR) for various reasons by customers. All claim related costs like surveyors fees also form part of the claims cost.

Other important costs that affect rating are management expenses of the insurer, the commission cost paid to the intermediaries, a margin for catastrophic claims and finally a margin for reasonable profit. It is essential for the survival of the business that all costs including a reasonable profit is to be built into the rates so that insurance business which is business relating to future contingencies is adequately funded and sustained in policyholder interest. Statutes and regulations have imposed limits on management and intermediary costs so that the cost of insuring is not unnecessarily inflated on account of non-claim costs.

The transition from tariff to non-tariff regime can be fraught with risk for the industry and every player needs to proceed with strategic intent and great foresight coupled with careful detailed preparation at all levels of the organisation. The Board of the company needs to take a lead in this and debate on the underwriting philosophy of the company and lay down the underwriting policy for the management to follow. They also need to understand the reporting formats through which they will be kept informed of the developments and results. They will also need to spell out the delegation of authority for underwriting down the ranks. The roadmap to de-tariffing at company level is to be Board-driven as it has long term implications.

The top management will formulate and approve an underwriting manual with internal guide tariffs for each class of business and this will form the basis for underwriting. The internal guide tariffs will instruct operating offices as to the detailed rates that need to be applied when selling mass sold policies. Delegation of authority will specify as to who can exercise discretion in what area and to what manner and how the same is to be reported so that the corporate management and the Board as may be required is kept appraised of the individualised decisions.

The discretion to take individualised decision has to be done with sufficient caution and justification. Justification normally comes from the assessment of the risk by way of having the requisite claims experience or by analysing the exposure elements of the risk in a rational and cogent manner. Here experience and training form the two pillars of underwriting capability. Organisational learning and record keeping coupled with individual insights in taking proper underwriting decisions based on superior knowledge and field experience will distinguish between good and bad underwriting.

In order to ensure organisational capability in the matter of underwriting, considerable training of underwriters is required. There is a vast field for general learning as also for specialised instruction in one or other area on account of the complexities of individual class or sub-class. In the matter of underwriting judgement, the final decision must be the underwriters and not the person dealing with marketing as the underwriter will have the necessary training and skills needed to apply the tests of data analysis or where data is not available, a test of logic based analysis of the exposures that are manifest in the risk.

There is a vast field for general learning as also for specialised instruction in one or other area on account of the complexities of individual class or sub-class.

Organisations listening to the voice of marketing tend to encourage increasing of market-share by cash-flow underwriting, which can, when not rigorously analysed by underwriters and arrested immediately, result in increasing premium deficiency that again may get camouflaged by under provisioning of claims. These are the two main areas of insurer failure in a free market. Therefore there is great need to judiciously look at the promptings and priorities of those in marketing in the context of generating a bottom-line which is essential for the sustainability and success of the organisation.

It is for this reason that data support and the role of the Appointed Actuary becomes essential. The Appointed Actuary will assist in determining the requirements for compilation and analysis of data of both premium and claims. This requirement becomes even more important as the market goes into areas of complex underwriting such as long term policies, first loss policies, partial insurances and so on. Actuaries can also develop models which can assist underwriters in understanding the likely exposures in difficult to determine areas such as health insurance which deals with complexities of morbidity and medical inflation. There has to be sufficient statistical data support for rates, terms and conditions and the basis of rating should be recorded in detail.

Managing the profitability of each line of business in a free pricing regime is a difficult task. The uncertainty of expected loss costs; the use of multi-dimensional rating structures and advanced statistical techniques; and the constantly changing coverage terms and conditions, deductibles and exclusions, make it difficult to maintain prices at adequate levels. In order to meet these challenges adequate price monitoring systems need to be place to ensure accountability, provide early warning on deviations from pricing sufficiency objectives and to generally mange pricing risks. Systems need to be established for measuring the impact of rate changes by line of business, across various segments and territorial units. Tracking the aggregate impact of premium adjustments such as claim free discounts and recognition of loss cost trends also needs close attention as part of price monitoring. It also needs to be understood that when effecting portfolio underwriting review or appointing new agencies or a change in the business mix, underwriting quality can be impacted and create pricing deficiencies. Thus price monitoring becomes a key requirement to avoid adverse underwriting results.

Apart from creating statistical and analytical systems and procedures to validate and update rating and underwriting decisions, implementing an underwriting audit system in the company is an important tool of management control for soundness of operations and profitability of underwriting. Management audit is a tool to discover systemic failures that can result in the organisation bleeding silently due to undercharging of premiums or improper classification of risks and other non-manifest bad underwriting practices. In audit, the team will examine the compliance of regulatory requirements, the carrying out of the objectives laid down by the Board and the Chief Underwriter, adherence to actuarial requirements, implementation of proper systems of underwriting all classes of business as per the company philosophy and underwriting manual, and the observance and checking of reports being filed as to whether the same is properly sourced and reported. They will also raise the flag for unusual features seen in offices that are peculiar and needs further attention of the top management team.

Today's world is a world of risk, and there is an emerging risk economy that looks to insurance solutions that are rightly tailored and priced to meet the increasing requirements of all citizens and organisations. Insurers manage the non-business, i.e. the pure risks of their insureds, and convert it into their business risk. It is the function of underwriting to analyse and accept these risks and make a profitable proposition out of them. It means having the knowledge and skills, the necessary technology and capabilities to capture the requisite data and knowledge regarding insurable risk peculiarities, whether on individual and class basis, and how they can produce losses, on both frequency and severity levels. Detariffing is thus expected to bring in a beneficial paradigm shift in the approach to risks and customer needs in the area of insurance coverage. The skill of underwriting and rate making backed by scientific and technology based approaches becomes paramount in the schemes of the insurer. Risk assessment through inspections, gathering and analysis of industry and insurer data, careful reading of insureds' disclosures and declarations in proposals, competitive benchmarking of industry best practices, training and motivation of intermediary channels and control of costs all become paramount in the detariffed era to offer value and differentiation to customers.

The skill of underwriting and rate making backed by scientific and technology based approaches becomes paramount in the schemes of the insurer.

Detariffing is thus going to test the skills of all the professionals working in the industry. The myriad factors that go into the making of terms and rates will challenge the capabilities of people and organisations. Anticipating and meeting the turbulence of change in a methodical and sound manner and with adequate preparation at all levels of the organisation has been the intent of the regulator. There have been consultations, exchanges and reviews at various levels to examine and evaluate the changes that need to be effected as proposed in the roadmap so that the transition is smooth and beneficial to all. It is expected that all the players are keyed in with the required knowledge, skills and systems to meet this changeover with confidence so as to face an expectant market with sound and beneficial protection products and services.

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The author is Executive Director (Inspection and Health Insurance), IRDA. The views expressed in the article are his personal views.

Insurance Company Audit

- A Regulatory Perspective

'The audit of an insurance company is not a mission to find faults. It is more of an exercise to oversee the operations and suggest methods for improvement, wherever possible' writes H.O. Sonig.

Audit, to me, is what a health checkup is to an individual. It is certainly not a process of fault-finding. It might reveal some omissions and commissions which, if rectified in time, may result into effective business operations of the audited company. The Regulator has addressed these processes very effectively. IRDA's guidelines on Auditors' Report of insurance companies are quite comprehensive.

As per section 12 of the Insurance Act 1938, all insurances companies are to be audited annually by the auditors. Regulation 3(4) of IRDA (Preparation of Financial Statements and Auditor's report of insurance companies) Regulation 2000 provides that the Authority may, from time to time, issue separate guidelines in the matter of appointment, continuance or removal of auditors of an insurer or re-insurer as the case be; and such guidelines may include qualification and experience of auditors, their rotation, period of appointment, etc as deemed necessary by IRDA.

Accordingly, IRDA started compiling a panel of Chartered Accountants with parameters and norms for empanelment. But since the insurance industry is so unique, it cannot be audited in a general way when specialization is the order of the day. The insurer through its Board can best judge this and selection of auditors can be made by them. Also it can be argued that when the statutory auditor of a company is accountable to shareholders of the company, reasonably they should be the appointing authority. It has often been argued why the regulator who is primarily the custodian of the policyholders, should have anything to do with the selection process of Auditors. The argument has merit. Probably as a favorable response to such sentiments, IRDA's circular date 31st March 2006, states that it will not maintain such panel in future. Vide its earlier circular date 25/7/05, IRDA prescribed the requirements to be satisfied in the appointment of CAs as auditors. These requirements are detailed in the circular. Insurers, accordingly, are responsible for such selection of audit firms which will submit to insurance companies, information in prescribed forms with a certificate that no disciplinary cases are pending against the audit firms. These circulars are there on the website of IRDA.

Since the insurance industry is so unique, it cannot be audited in a general way when specialization is the order of the day.

The insurance companies will have to be satisfied with the eligibility conditions. Any change in the condition of the audit company will be intimated to the insurance company concerned. Insurers will intimate to the IRDA names, addresses etc of such firms. If the appointment is not on the lines of norms, IRDA can cancel such appointments. These guidelines have come into effect from 01/04/2006.

The Regulator may conduct inspections like the RBI does to banks on routine basis with terms of reference to protect policyholders' interests. The auditors will now have a much wider range with emphasis on objectivity. The profession will be known for its responsible record .The perspective, now, will be wider and task better defined.

While considering various inputs to improve the quality of training for auditors, the Institute of Chartered Accountants of India (ICAI) may consider the concept of 'Good Governance' while formalizing training plans. Changes in accounting practice and policies, compliance of accounting standards, etc should be reviewed regularly by ICAI.

IRDA has emphasized that the accounting standards issued by ICAI will be applicable to insurance companies. For practical purposes, IRDA has not detailed norms for this which has been left to the discretion of the ICAI. If it is observed that the insurance companies are lacking in compliance of the terms of the regulatory aspects of any particular Accounting Standard (AS) and do what is convenient to them, the Regulator will certainly intervene at that stage.

In AS 17 (Segment Reporting), it may be treated as extended sectorally also like Social/Rural sectors so that proper disclosures are revealed with utmost transparency. Gradually IRDA may insist on a separate set of AS for insurance. This can be achieved through a review committee of ICAI and IRDA.

IRDA has issued Regulation on Preparation of Financial Statements and Auditors Report; in the year 2000. However there was a felt need for streamlining the same. Accordingly, the Regulation was modified and notified in 2002. Again, IRDA reviewed the Role of Auditors as the custodians to prevent fraud and also to comment on prudential management practices. 'Peer Review' was also examined and the ICAI has reportedly put in place Peer Review Board to carry out the exercise of checking the accuracy of the audit work, as per my information.

It is also reported that the committee which was constituted in the year 1999 to suggest drafts of accounting regulations, was re-constituted as a two-member committee. The issues re-visited were reportedly as under:

1. Norms for recognition of income, provisioning and asset classification for Insurance Company.
2. Requirement of Qly/Hly Reporting by the insurers and the proforma of reports.

> **Changes in accounting practice and policies, compliance of accounting standards, etc should be reviewed regularly by ICAI.**

3. Investment in derivatives including the accounting aspects.
4. Accounting and disclosure issues.

It is also gathered that a group appointed by ICAI on audit of insurance companies is also examining the guidance notes. Guidance notes of investment functions of the insurance companies are also being examined by the Committee of the ICAI on insurance issues. The aim is to ensure that the Guidance Notes serve as a ready reckoner for inspection /audit teams. The above initiative will facilitate the process of offsite inspections for IRDA. This will also ensure that the insurer complies with various regulatory requirements to maintain its solvency at all times.

A few other regulatory perspectives are as under:

1. As per Actuarial Report and Abstract Regulation 2000, issues relating to valuation, preparation of actuarial report and returns on assets, distribution of surplus, negative reserves, guaranteed surrender value deficiency reserves, linked business and non-linked business are to be examined by auditors.
2. Business done as per rural and social sector regulation is to be audited.
3. Valuation of assets, liabilities and solvency margin regulation is to be thoroughly examined.
4. Various aspects of investment regulations are to be checked.
5. As per IRDA regulation, life business audit is to be as per schedule 'A'. Some of the aspects are as under:
   - Premium
   - Acquisition costs
   - Claims costs
   - Actuarial valuation.
   - Value of investment determination
   - Loans
   - Linked Business
   - Disclosures forming part of Financial Statement
   - Accounting policies are to be in terms of accounting standards issued by ICAI
   - Any departure is to be disclosed with reasons.

6. General instructions are in part III of the Regulation.
7. Contents of the Management Report are in part IV as below for comments:-
   a. Validity of registration granted
   b. Dues payable to statutory authorities
   c. Shareholding pattern
   d. Investment outside India: As per section 27(C) of the Insurance Act, no insurer shall directly or indirectly invest outside India the funds of the policyholders.
   e. Solvency margins maintenance to be confirmed.
   f. Value of assets of the company to be assessed.
   g. Risk exposure strategies adopted to mitigate the same
   h. Time-lag of claims statements
   i. Quality of assets
   j. Maintenance of Accounting Standards as per Insurance Act 1938 and Companies Act 1956 for safeguarding the assets of the company
   k. Whether the management has prepared statements on the basis of guidelines
   l. Whether the internal audit system is effectively operating; looking at the size and nature of business
8. How the Financial statements are to be prepared is broadly given in part V including the following: -
   - Various forms of statements including schedules of premium, commission expenses, operating expenses, benefits paid, share capital, pattern of shareholding, reserves, surpluses, borrowings, investments of shareholder's funds, investment of policyholder's funds etc.
   - Schedules of loans, cash and bank balance, advances, current liabilities, provisions, miscellaneous expenditure, etc

To conclude, audit should clearly reflect on the following regulatory perspectives: -

- Whether proper books are maintained.

Audit should also certify that no part of assets of the policyholders' funds has been in contravention of the Insurance Act 1938 provisions relating to the investment of policyholders' funds.

- Whether proper returns, audited and unaudited, were received from branches and other offices and whether the same were adequate.
- Whether the balance sheet, Revenue account, Profit and Loss Account are in agreement with the books of accounts maintained by the company and reflect the true picture of state of affairs of the company.
- Whether actuarial valuation of liabilities as certified by the Actuary is in accordance with the guidelines and norms issued by IRDA and Actuarial Society of India
- Whether the accounting policies followed by the insurance company are appropriate and in compliance with the Accounting Standards and norms of IRDA
- Whether financial statements are free of material misstatement
- Whether there is any violation of Companies Act.
- Whether the terms and conditions of Registration of the Company by IRDA have been complied with fully. Any deviation has to be properly reported upon.

Audit should also certify that no part of assets of the policyholders' funds has been in contravention of the Insurance Act 1938 provisions relating to the investment of policyholders' funds.

The above are only to suggest that the audit should follow the norms to protect the interests of Policyholder, Shareholder, and Regulator; and present the true image of the insurance company in the interest of all.

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The author is a former Member (Life) of IRDA.

प्रकाशक का संदेश

कोई भी बड़ी घटना अपने साथ परिणास्वरूप एक बडा अशचर्य भी खड़ा कर देती है। उद्योग को खोले जाने के बाद सबसे महत्वपूर्ण रूपपरिवर्तन प्राशुल्क मुक्ति के रूप में हुआ है। सभी पक्ष चाहे वह बीमाकर्त्ता स्वयं हो, बीमित जनता हो, निगमित संसार हो अथवा उद्योग से सम्बध प्राधिकरण हो सभी इस मील के पत्थर को काफी आशा के साथ देख रहे है।

लगभग छः वर्ष पहले उद्योग को निजि प्रतिभागिता के लिए खोला गया था जिससे प्रतिस्पर्धा के लाभ तथा भूमंडल के उत्पाद सभी तक पहुँच सकें। उदारिकरण के बाद उद्योग के अनुभव मुख्य रूप से संतुष्टिदायक ही रहे हैं तथा बाजार ने सर्वागिण वृद्धि दर्ज की है जिसका मुकाबला कई नये उभरते हुए बाजारों से किया जा सकता है। फिर भी कुछ तत्वों द्वारा ऐसा महसुस किया गया है कि मुक्त बाजार की अनुपस्थिति में परिस्पर्धा के वातावरण का मुख्य प्रयोजन हल नहीं हो सका है। यह सुझाव सदा ही दिया जाता है कि प्राशुल्क के उपस्थित रहने से बीमाकत्ताओं की आजादी को ठेस पहुचँती है।

उद्योग की स्थिर वृद्धि को घ्यान में रखते हुए तथा बाजार कि भावना का लेखाजोखा रखते हुए एक निणर्य लिया गया है गैर जीवन बाजार में प्राशुल्क मुक्ति की जाए इसके अन्तर्गत अधिकाशं प्रतिशत नियन्त्रीत सत्ता में था। इस बड़े परिर्वतन पर निणर्य करते हुए बाजार के विभिन्न पक्ष जैसे अधिकांश बीमाकर्त्ता, प्रगतिशील वृद्धि तथा ग्राहक संतुष्टि इत्यदि की गणना की जाती है। सम्पूर्ण आजादी का अर्थ सभी के लिए स्वछंदता नहीं हो सकता और यह आशा कि जाती की बीमाकर्त्ता उसी स्तर की परिपक्वता को बताते रहेगें। अन्त में यह अनुभव किया गया है कि सतत वृद्धि तथा ग्राहक संतुष्टि की उच्च संतुष्टि मील का पत्थर हैं अन्ततः लक्ष्य प्राप्ति के लिए। प्राशुल्क मुक्ति इस अंक में जर्नल का केन्द्र बिन्दु है।

वितरण उत्पाद की सफलता के लिए महत्वपूर्ण भूमिका अदा करता है और यह बीमा के अधिकार क्षेत्र में है विशेषतः जब बाजार शैशव अवस्था में होता है। वितरण उभरते हुए बाजार की सफलता के लिए सफलता की कुंजी है। वितरण चैनल जर्नल के अगले अंक में केन्द्रबिन्दु में रहेगें।

सी. एस. राव

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“बीमा को बिना समुचित दर-संरचना तथा बीमालेखन कौशल के अग्रेनीत नहीं किया जा सकता अथवा सांख्यकी आधार जोकि उत्पाद के मूल्यांकन का आधार होता है।”

श्री सी.एस. राव, अध्यक्ष,
बीमा विनियामक और विकास प्राधिकरण (भारत)

“एक प्रभावशाली विनियामक को भूमंडलीय अर्थव्यवस्था तथा वित्तिय बाजार के साथ सतत् गतिशिलता बनाये रखी रहनी चाहिये जिससे आर्थिक वृद्धि तथा खुले बाजार को प्रोहत्साहन दिया जाता रहे, एक पर्यवेक्षक को बलशाली, मजबूत तथा प्रभावशाली ढाँचे की आवश्यकता होती है।”

अलिसंड्रो इयूपा, अध्यक्ष,
नैशनल एसोसियेशन आफ इंशुरेन्स कमिशनर

“देय के आधार पर एक बीमा पालसी भविष्य में होने वाले अनिश्चित घटनाओं पर आधारित है, क्षतिपूर्ति की राशि की भविष्यवाणी करना संभव नहीं है और इसका बीमा प्रिमियम से कोई संबन्ध नही है। यह इस्लामिक विधि के अनुसार वित्तिय उत्पादों को अर्हता-प्राप्त करने नहीं देता।”

श्री टीमोर बोयुकीव, उपाध्यक्ष,
मोडी इंटरनेशनल रेटिग ऐजेंसी।

“जब इस प्रकार का दृष्टिकोण हो कि चालू दर उचित लाभ प्रदान करती है, परिस्पर्धा की शक्तियाँ प्रिमियम को कम करेगी। फिर भी इसे स्वीकार करना की प्रिमियम तेजी से गिरेगा युक्तियुक्त नहीं होगा।”

श्री सी.एस. राव, अध्यक्ष,
बीमा विनियामक और विकास प्राधिकरण (भारत)

“चीन का बीमा विनियामक कमिशन राज्य विदेशी विनिमय प्रशासन (सेफ) के साथ बीमा कंपनियों के लिए बाहय निवेश के विकास के लिए कार्य करेगा जिससे बीमा निधि के लिए निवेश विकल्प बढ़ाये जा सकें।”

श्री ली किमू, उपाध्यक्ष,
सीआईआरसी

“सार्वजनिक नेताओं तथा बीमाकत्ताओं को अपने कार्यक्रमों को डिजाइन निर्धारित करना होगा, न केवल निधि के बीच अन्तर को पाटने के लिए वरन् संरचनात्मक विकास के लिए निजी क्षेत्र को सुविधा तथा मुख्य स्रोत बनाने के लिए।”

श्री ली चुवाग, टेक,
कार्यपालक निदेशक, सिगांपुर का मुद्रा प्राधिकरण।

गैर-शुल्कीकृत बाजार में पृष्ठांकन

- अन्तर सहायता तलन पर प्रभाव

'पृष्ठांकन हेतु एक प्रकार के अनुशासन की आवश्यकता होती है, और ऐसा तभी हो सकता है जबकि समस्त बीमाकर्ता एक समान हितों की प्राप्ति हेतु सम्मिलित रूप से कार्य करें- जो कि एक स्वस्थ आधार रेखा है' -***मीना नायर।***

प्रस्तावना:

बीमा उधोग में यह एक आम बहस का मुद्दा है- पृष्ठांकन एक विज्ञान है अथवा कला? हालांकि इसका कोई सर्वसम्मत उत्तर नही है, यह तथ्य कि यह सांख्यिकी तथा आंकडों पर सशक्त रूप से आधारित है- इसके विज्ञान होने का अधिक समर्थन करते हैं। जहाँ आंकडों का संग्रहण तथा विश्लेषण इसे विज्ञान बनाता है, उन विश्लेषित सूचनाओं का बीमा पृष्ठांकन में उपयोग एक कला है। प्रस्तुत लेख में, हम इस तथ्य पर विचार करेंगे कि क्या इसके लिये आवश्यक सावधानियाँ बरती जा रही है- उदाहरणार्थ क्या पृष्ठांकन हेतु जोखिम का समुचित आंकलन किया जाता है और विशेषतः अन्तर सहायता के चलन गैर शुल्कीकरण के प्रभाव पर विचार करेंगे।

पृष्ठांकन क्या है?

जोखिम के आंकलन में हर पहलु को ध्यान में रखते हुये, पृष्ठांकन बीमाकर्ता की विशेषज्ञता होती है। प्रीमियम दर निर्धारण तथा बीमाकर्ता द्वारा स्वीकार्य जोखिम तय करने में नियम शर्तें कटौती आदि का समुचित विश्लेषण आवश्यक होता है।

पृष्ठांकन की वर्तमान स्थिति क्या है?

शामान्यतः पृष्ठांकन उग्र (जहाँ मांग पूर्ति से अधिक हो) तथा नरम (विपरित परिस्थिति) बाजार के चक्र में कार्य करता है। उदाहरण के लिये 9/11 के हादसे के पश्चात, आतंकवाद का बाजार उग्र था तथा आतंकवाद के जोखिम को स्वीकार करने वाले बीमाकर्ताओं की संख्या काफी कम हो गयी थी। आतंकवाद का बाजार अभी नरम है।

पृष्ठांकन हेतु एक प्रकार के अनुशासन की आवश्यकता होती है, और ऐसा तभी हो सकता है जबकि समस्त बीमाकर्ता एक समान हितों की प्राप्ति हेतु सम्मिलित प्रयास करें- यह एक स्वस्थ आधार रेखा है। भारत जैसे एक नवीन 'खुले बाजार' में, उच्च रेखा (प्रीमियम) विकास के लिये अनुशासन स्वतः ही द्वितीय स्थान पर होगा, जब तक कि खिलाड़ी अपने आप को सुस्थापित न कर लें तथा परिपक्वता की अवस्था तक न पहुँचे। परिणामतः विभिन्न चरणों में बाजार ने पृष्ठांकन अनुशासन के विभिन्न रंग देखे हैं- वृहद् आकर्षक निगमित जोखिमों की कठिन प्रतियोगिता हेतु 'किसी भी कीमत पर' की शुरूआती स्थिति से लेकर अपेक्षाकृत अधिक लाभप्रद स्थिति तथा खुदरा बाजार की तरफ रूख करते हुये बीमाकर्ताओं तक।

> पृष्ठांकन हेतु एक प्रकार के अनुशासन की आवश्यकता होती है, और ऐसा तभी हो सकता है जबकि समस्त बीमाकर्ता एक समान हितों की प्राप्ति हेतु सम्मिलित प्रयास करें।

उदारीकृत तथापि शुल्कीकृत बाजार में पृष्ठांकन का एक अन्य रोचक चलन अन्तर सहायता का मुद्दा बना हुआ है।

अन्तर सहायता क्या है?

प्रत्येक जोखिम में एक 'शुद्ध जोखिम' प्रीमियम दर होती है जो कि एक पृष्ठांकनकर्ता एक सक्षम तथा व्यवहार्य दर के रूप में मूलतः अनुशंसा करता है। वाणिज्यिक लिहाज से इसमें परिवर्तन हो सकता है (जैसे कि विपणन टीम की किसी महत्वपूर्ण ग्राहक को बनाये रखने की तीव्र इच्छा), तथा अंतिम रूप से लागू दर 'शुद्ध जोखिम' के मुकाबले काफी कम हो सकती है। एक शुल्कीकृत बाजार में, यह कटौती सिर्फ गैर-शुल्क उत्पादों जैसे स्वास्थ्य, दुर्घटना, नौवहन, विविध इत्यादि में ही लागू हो सकती है।

अन्तर सहायता मूलतः गैर शुल्क जोखिम के अनुशांसित 'जोखिम दर' से कम होने की स्वीकार्यता है। क्योंकि यह उसी ग्राहक द्वारा शुल्क प्रीमियम के पर्याप्त भाग द्वारा अनुमोदित हो चुकी होती है। परिणामस्वरूप लाभप्रद शुल्क रेखाएँ, अलाभप्रद गैर शुल्क रेखाओं की सहायता करती है- ताकि उत्पाद रेखाओं को अनतर्सहायता प्राप्त हो सके।

हाल के वर्षो में हम सब ने नौवन के मामलों के बारे में सुना है जो कि न्यूमतम दर पर (प्रायः मुफ्त सुरक्षा के रूप में) कोट किये जाते हैं तथा स्वास्थ समूह पॉलिसियाँ इतनी कम पर नवीनीकृत की

जाती है जो कि पिछले 2-3 वर्षों में औसतन देय दावों के 50-60 प्रतिशत के समान है। वाणिज्यिक लिहाजों द्वारा पृष्ठांकन सिद्वांतों में किये गये बदावों के।

वृहद् स्तर पर यदि आफ इस तथ्य कि अनदेखी करते हैं कि एक निर्दिष्ट लाइन का अपरिवर्तनशील पृष्ठांकन हानि हेतु खात्मा किया जा रहा है- अन्तर सहायता एक बहुत ही लाभप्रद प्रस्ताव है, बीमाकर्ता तथा ग्राहक दोनों के लिये ही। उच्च मूल्य वाले ग्राहक दोनों के लिये ही। उच्च मूल्य वाले तथा स्थिर शुल्क दर के कारण बीमाकर्ता ग्राहक के प्रीमियम हिस्से में से 60-80 प्रतिशत तक अनुचित लाभ कमा रहे हैं। सक्षम जोखिम प्रबंधन तथा हितकर हानि रिकार्ड वाली कंपनियाँ महसूस करती हैं, शायद वाजिब भी है, कि वे कहीं और से आनुपातिक लाभों की हकदार है। बीमाकर्ता, वे भी निःसंदेह गैर शुल्क क्षेत्र में लाभान्वित होने के लिये लालायित है, जब तक कि ग्राहक पोर्टफोलियो संपूर्ण रूप से लाभदायक है। परिणामतः बीमाकर्ता शुद्ध जोखिम से उच्चतर दर शुल्क प्राप्त कर रहा है। गैर शुल्क क्षेत्र शुद्ध जोखिम से कम दर प्राप्त कर रहा है।

अन्तर सहायता पर गैर शुल्कीकरण का प्रभाव

अधिकांश बीमाकर्ताओं के अलग अलग उद्देश्य होते हैं। जहाँ कोई एक उच्च विकास रेखा चाहता है, तो अन्य पृष्ठांकन लाभों की कामना करता है। जहाँ कोई व्यवसाय की किसी विशेष लाइन में ही प्रगति करना चाहता है, तो कोई अन्य टॉप लाइन तथा बॉटम लाइन दोनों में संतुलन बनाये रखने की भरपूर कोशिश करता है। अभी तक, बाजार के 70 प्रतिशत हिस्से के शुल्क के तहत आने तक, इस संदेह के पर्याप्त कारण नही है कि उद्योग में जोखिम स्वीकार्यता में असंतुलन हो सकता है। इस बात की संभावन है कि बाजार में 1 जनवरी 2007 से पूर्व तक यह संतुलन खतरे में है, कम से कम शुरूआती अवस्था में लगभग समस्त बीमाकर्ताओं द्वारा मात्रा पर अधिक ध्यान देने से यह सिर्फ एक प्राइस गेम रह जायेगा। इसी प्रकार अब तक की शुल्कीकृत लाइन्स के मूल्यों में लगभग 20-25 प्रतिशत की तीव्र गिरावट आ सकती है। अग्नि के क्षेत्र, साथ ही इंजीनियरिंग के क्षेत्र भी, अधिक लाभदायक व्यवसाय माने जाते थे अतः सभी बीमाकर्ता किसी भी कीमत पर इन क्षेत्रों से 'मलाई' प्राप्त करने को लालियत थे। आईआरडीए द्वारा सिर्फ कीमत निर्धारण स्वतंत्रता के द्वार खोल देने पर (धाराओं, शर्तों, उपबंधों आदि के लेन-देन में स्वतंत्रता की सिर्फ 2008 में अनुमति है)- प्राइस वार निश्चित है।

> अधिकांश बीमाकर्ताओं के अलग अलग उद्देश्य होते हैं। जहाँ कोई एक उच्च विकास रेखा चाहता है, तो अन्य पृष्ठांकन लाभों की कामना करता है।

थव उपरोक्त गैर-शुल्क उत्पादों का क्या होगा? क्या वे सहायता का उपभोग करना जारी रखेंगे?

आम विश्वास है कि अंतर सहायता धीरे धीरे, लेकिन निश्चित रूप से आयेगी। उपरोक्त वर्णित अग्नि तथा इंजीनियरिंग सुरक्षा के मूल्यों में तीव्र गिरावट के साथ, बीमाकर्ताओं को अपने स्वास्थ्य एवँ समुद्री पोर्टफोलियो के कीमत निर्धारण को अधिक वास्तविक बनाना होगा तथा पृष्ठांकनकर्ता के दिशा निर्देशों का पालन करना होगा।

परिणामस्वरूप जो कंपनियाँ निम्न समुद्री दरें तथा समूह स्वास्थ्य की नवीनीकृत कीमतों का अनुचित रूप से फायदा उठा रही थी, उन्हें अपने नुकसानों को बढ़ने के लिये सलाह दी जाती है। इसी तरह वृहद शुल्क प्रीमियम वाले ग्राहकों (जैसे वृहद सुप्रबंधित उत्पादक तथा निर्माणकारी कंपनियाँ) के शुद्ध लाभों के बढ़ने की संभावना है (शुल्क में गिरावट तथा गैर-शुल्क प्रीमियम में वृद्धि के साथ)। आईटी एवँ सेवा कंपनियाँ जैसे अन्य (जहाँ स्वास्थ्य एवँ समुद्री प्रीमियम अधिक हावी रहते हैं) द्वारा देय प्रीमियम में शुद्ध वृद्धि से वंचित रहने की संभावना है।

गैर शुल्कीकृत क्षेत्र में बिचौलिये की भूमिका

एक गैर शुल्कीकृत बाजार में बिचौलिये की भूमिका निःसंदेह बढ़ जायेगी। बीमाकर्ता तथा साथ ही ग्राहक भी- दोनों का ही एक व्यावसायिक मध्यस्थ की आवश्यकता होगी।

मध्यस्थ सिर्फ प्राइस वार में ही हिस्सा नही लेंगे, बल्कि उन्हें बीमाकर्ताओं को गुणवर्तापूर्ण सूचनायें मुहैया करानी होगी, जोखिम की सुरक्षा हेतु आवश्यक सभी छोटी बड़ी जानकारी उपलब्ध करानी होगी। बिचौलिये की भूमिका बीमाकर्ता तथा ग्राहक के मध्य उत्प्रेरक की होगी। उसे स्वस्थ प्रतिस्पर्धा में सहयोग देना पड़ेगा तथा संबंधित पक्षों के हितों को सुनिश्चित करना होगा। वास्तविक रूप में बिचौलिये सलाहकार की भूमिका निभायेंगे। जोखिम प्रबंधन हकीकत में सलाह का आकांक्षी होगा।

बीमाकर्ता से सर्वोत्तम दर प्राप्त करने हेतु बिचौलिये के लिये आवश्यक होगा -

- उसे व्यक्तिगत जोखिम विशिष्टता तथा साथ ही उद्योग की संपूर्ण रूप जानकारी होनी चाहिये

- एक जोखिम तथा आपदा द्वारा उत्पन्न अधिकतम संभावित हानि क्या हो सकती है- का आंकलन करने में सक्षम होना चाहिये
- हानि को न्यूनतम करने तथा उससे बचाव करने की ग्राहक की सक्षमता का अनुमान लगाना
- परिचायक दरों, नियमों एवँ शर्तों तथा कटौतियों का सुझाव
- ग्राहक से सबंधित नैतिक खतरों का आंकलन

बिचौलिये द्वारा किये गये गृहकार्य की गुणवत्ता तथा हानि के आंकडे और उसके द्वारा संग्रहित जोखिम के आंकडों की गुणवत्ता - जोखिम के वैज्ञानिक मूल्यांकन में बहुत महत्वपूर्ण होती है। जहाँ गैर शुल्क प्रीमियम तीव्र गति से बढ़रहा है, मध्यस्थ हानि नियंत्रण तकनीक के बारे में सुझाव दे सकता है ताकि तीव्र वृद्धि को रोका जा सके (जैसे स्वास्थ्य दावों का विश्लेषण और कामगारों एवँ आश्रितों हेतु अधिक मूल्य प्रभावी सुरक्षा का निर्माण)

निष्कर्ष

शुल्क लाइसेंस के प्रारंभिक दौर में सभी संभावनायें प्राइस वार की और इशारा करती हैं, एक दो वर्षों के पश्चात धीरे धीरे कमी के साथ। जैसे ही बाजार में स्थिरता आएगी तथा बीमाकर्ता 'टॉप लाइन' से 'बॉटम लाइन' की तरफ मुडेंगे, पृष्ठांकन व्यवहार के बढ़ने की संभावना है।

इन सबका अंतर सहायता पर प्रभाव देखना बाकी है- बड़ी, सुप्रबंधित कंपनियाँ विभाग आधारित न कि लाइन आधारित, कीमत निर्धारण मॉडल जारी रखेगी तथा बीमाकर्ता आभारी होना जारी रखेगे। सक्षम जोखिम प्रबंधन वाले निगम दीर्घकाल में लाभान्वित होंगे तथा समस्त मध्यम एवँ बड़ी कंपनियों को सलाह दी जाती है कि अपने परिचालन में इस तथ्य पर ध्यान केंद्रित करें, बजाय अल्पकालिक मूल्य लाभों के लेन-देन के।

जैसे भारत अन्य क्षेत्रों में बेहतर निगमित नियंत्रण की ओर बढ़रहा है, यह उम्मीद की जाती है कि गैर-शुल्कीकरण तथा इसके फलस्वरूप पृष्ठांकन प्रक्रिया में होने वाली बेहतरी, निगमों को बहु-आकांक्षी प्रोत्साहन प्रदान करेगी ताकि वे बेहतर जोखिम प्रबंधन प्रक्रियाएँ अपना सकें।

★

लेखक, इंडिया इंश्योर रिस्क मैनेजमेंट सर्विसेज प्रा. लि. के उपाध्यक्ष हैं।

जीवन बीमा में टेली बीमा क्या अभी संभव है?

- आगे समय चुनौतीपूर्ण है

टी एस रामकृष्णाराव का मानना है कि किसी भी बीमा कंपनी के उज्जवल भविष्य के लिये बोधगम्य बीमा करना अनिवार्य है।

पिछले कुछ दशकों की तुलना में आज जीवन शैली में काफी बदलाव आया है। विश्वभर में जीवन के विभिन्न क्षेत्रों का विस्तार होने के साथ ही अपेक्षाओं में भी वृद्धि हो रही है। वर्तमान दौर इतिवृत्तामक नही है। जीवन के महत्वपूर्ण पड़ावों पर स्वास्थ्य से मूल्यवान अन्य कोई भी संपत्ति नही है। भले ही पुराने युग को स्वर्णयुग कहा जाता हो, लेकिन उस समय कई तरह की बीमारियों का साम्राज्य था। इसी को देखते हुये दीर्घावधि की बीमारियों को एबीसीडी कहा जाता है। यह चार अक्षर मुख्य रूप से अर्थराइटिस, ब्लडप्रेशर, कैंसर और डाइबीटीस का प्रतिनिधित्व करते हैं।

भारत में बीमा उद्योग के माध्यम से स्वास्थ्य मुहैया की जाती है। देखा जाये तो देशभर में स्वास्थ्य देखभाल पर लोगों को बडे पैमाने पर खर्च करना पड़ता है। इसका मुख्य कारण स्वास्थ्य देखभाल के क्षेत्र में निजी क्षेत्र की प्रधानता है। इसी कारण आमलोगों को स्वास्थ्य देखभाल पर होने वाला खर्च बोझ महसूस होता है। भारत में अधिकांश गरीब लोगों को चिकित्सा शुल्क का भुगतान करने के लिये छोटे ऋण लेने पर मजबूर होना पड़ता है।

बीमा कराना:

बीमा व्यवसाय का महत्वपूर्ण कार्य बीमा कराना है। विश्वभर में बीमा व्यवसाय लगभग 600 बिलियन

डॉलर का है। इस व्यवसाय की लगातार वृद्धि भी हो रही है। बीमा व्यवसाय में सूचना प्रौद्योगिकी पर लगभग 2.5 प्रतिशत तक खर्च होता है, जबकि सकारात्मक परिवर्तनों के मद्देनजर यह निकट भविष्य में 3.5 प्रतिशत तक पहुँचने की संभावना है। कई बड़ी बीमा कंपनियाँ अक्सर पैतृक संपत्ति पर निर्भर रहती है। हालांकि यह कंपनियाँ अभी तक आधुनिकीकरण के दौर से गुजर रही है, बावजूद इसके इनका मूलभूत ढाँचा एवँ सूचना प्रौद्योगिकी का उपयोग उनकी सेवाओं का एक प्रमुख अंग है।

किसी भी बीमा कंपनी के सफल भविष्य के लिये बोधगम्य बीमा महत्वपूर्ण होता है। बीमा कराने से होने वाले लाभ का सीधा संबंध बीमाकर्ता के निपुणता स्तर के साथ रहता है। बीमा कराने की पुरानी पद्धतियाँ काफी धीमी और खर्चीली थी। इस प्रक्रिया में आवेदक की व्यापक चिकित्सकीय जानकारी दर्ज करने और आवेदन पत्र पूरी तरह भरने के लिये एक घंटे से भी अधिक का समय बीत जाता था। आवेदन पत्र के साथ आवेदक को 100 या उससे भी अधिक सवालों के जवाब देने होते थे। बीमा कराना एक वह प्रक्रिया है, जिसमें स्थिति का चयन एवँ वर्गीकरण किया जाता है। यदि बीमाकर्ता आवेदनकर्ताओं में से उचित लोगों का चयन नही करता है, तो उसका विपरीत परिणाम कंपनी को भुगतना पड़ता है। आज के आधुनिक बाजार में पारंपरिक बीमा पद्धति के तहत संभावित ग्राहकों के बारे में चिकित्सा संबंधी जानकारी एकत्रित करने की जिम्मेदारी अभिकर्ताओं पर होती है। बीमा कराने से पूर्व ईसीजी, एक्स-रे परीक्षण एवँ चिकित्सकों की रिपोर्ट प्रमुख आधार के रूप में उपयोग में लाये जाते रहे हैं। चिकित्सकीय दस्तावेज काफी उबाउ एवँ घृणित होते हैं। बीमा कराने की पारम्परिक पद्धति से मुक्ति पाने के लिये एमआरओजीएस (मेडिकल रिकाड्र्स ओवर डिपेन्डेंसी सिन्ड्रोम) काफी लोकप्रिय बना। बीमा कराने की पारम्परिक पद्धति से बीमा पॉलिसियों की बिक्री प्रभावित होती है और पॉलिसी संबंधी मामले काफी खर्चीले हो जाते हैं। यह पद्धति मात्र वृहद आकार वाली पॉलिसियों के लिये ही योग्य साबित होती है।

एटेंडिंग फिजीशियन स्टेटमेन्टस (एपीएस), पैरा मेडिकल परिक्षाओं तथा अस्थिर स्थितियों से मल्यांकन प्रक्रिया भी धीमी हो जाती है। कुछ सलाहकारों द्वारा बिक्री प्रतिबंध विभाग की तरह बीमाकर्ताओं की अक्सर आलोचना की जाती रही है। कभी कभी पूरी प्रक्रिया के लिये 6 सप्ताह का समय लगता है। आज बीमा कराने की पद्धतियों में सुधार लाने की आवश्यकता लगातार बढ़रही है।

नये मुद्दों पर ध्यान केंद्रित करने का सही समय

> यदि बीमाकर्ता आवेदनकर्ताओं में से उचित लोगों का चयन नही करता है, तो उसका विपरीत परिणाम कंपनी को भुगतना पड़ता है।

किसी भी बीमा कंपनी के लिये अधिक ध्यान देने योग्य तीन मुद्दे है, बिक्री मूल्य, बीमा कराना और ग्राहकों को सेवा प्रदान करना। सफलता का मंत्र शीघ्र सस्ते में और बेहतर सेवा है। बीमा कराने की प्रक्रिया अधिकांश निर्णयों का मशीनीकरण कर सरल बनाई जा सकती है। बीमा कराने की प्रक्रिया में मानवीय बाधा करने में विषयवितता में कमी होने के साथ ही बीमा कपंनी के जोखिम प्रबंधन में सुधार हो सकता है। इससे जीवन बीमा व्यवसाय में अत्यधिक परिवर्तन दिखाने वाला प्रक्रिया बोझ भी कम हो सकता है।

बीमा कराने की प्रक्रिया को तेज करने और बीमा पॉलिसियाँ जारी करने के साथ ही इलक्ट्रानिक आवेदन पत्र, हस्ताक्षर आदि का उपयोग बढ़ाने के लिये कुछ अन्य पद्धतियों का उपयोग किया जा सकता है। इसके अलावा मेडिकल इन्फोरमेंशन ब्यूपो (एमआईबी) की भी सेवायें ली जा सकती है। जो अपनी सेवायें इंटरनेट की वेबसाइट पर उपलब्ध कराती है। शीघ्र बीमा कराने के लिये उपयोग में लायी जा रही एक अन्य पद्धति मोटर व्हिकल रिकार्ड (एमवीआर) है। आधुनिक तकनीकी के बावजूद यह उद्देश्य टेलीफोन के जरिये बीमा कराकर साध्य किया जा सकता है।

कई बीमा कंपनियाँ टेलीफोन के जरिये बीमा कराने की पद्धति अपना रही है। इससे उनके खर्च में कनी के साथ ही आवेदन प्रक्रिया शीघ्र गति से पूर्ण करने और ग्राहकों के साथ बैहतर संबंध स्थापित करने में मदद मिलती है। इससे कागजी दस्तावेजों का कम होने के अलावा बाहरी क्षेत्र में कार्य करने वाले कर्मचारियों को उत्पादों की आसानी से बिक्री करने में भी मदद मिलती है। इससे बीमा कराने की समूची प्रक्रिया भी पारदर्शी होती है।

टेली अंडरराइटिंग

टेली अंडरराइटिंग (टेलीफोन के जरिये बीमा) संकल्पना नब्बे के दशक के प्रारंभ में सामने आयी। इस प्रक्रिया के तहत कॉल सेंटर के ऑपरेटर टेलीफोन के जरिये ही बीमा आवेदकों के साथ बातचीत करते हैं और चिकित्सकीय दस्तावेजों के बारे में महत्वपूर्ण जानकारी एकत्रित करते हैं। इससे न केवल खर्च में कमी आती है बल्कि समय की भी बचत होती है। इसी कारण यह पद्धति बीमा कंपनियों के लिये बचत करने के साथ आवेदनक से तुरंत निजी संपर्क स्थापित करने के लिये यह पद्धति प्रभावी है साथ ही इससे एपीएस, जनरल प्रैक्टिसन्स रिपोर्ट और चिकित्सकीय परीक्षण रिपोर्ट अथवा रक्त जाँच की रिपोर्ट आदि की भी आवश्यकता नही रहती। टेली अंडरराइटिंग में आवश्यकता पड़ने पर एक्स-रे, ईसीजी और चिकित्सकीय परीक्षण को शामिल किया जा सकता है।

कई बीमा कंपनियाँ पहले से ही यह पद्धति अपनाकर उसके सकारात्मक परिणाम भी हासिल कर चुकी है। यह एक सही कदम है और इससे सलाहकारों को भी भारी लाभ पहुँचता है। इससे अभिकर्ताओं को आवेदकों से उनके चिकित्सकीय इतिहास और निजी जानकारी के बारे में प्रश्न पूछने की जरूरत नही रहती। नतीजतन उनका बोझ हल्का होता है। इस प्रकार वह उत्पादों की बिक्री पर अधिक ध्यान देने में समय का उपयोग कर सकते हैं। साथ ही इस पद्धति से ग्राहकों को भी लाभ पहुँचता है। यहाँ तक की बीमा कंपनियाँ भी गुणवत्तापूर्ण जानकारी हासिल कर लाभान्वित हो सकती है। आवेदन के सही परिदृश्य की जानकारी हासिल करने के लिये अनैच्छिक चिकित्सकीय प्रश्न पूछे जाते हैं। आवेदन के बारे में महत्वपूर्ण जानकारी जुटाने के लिये निष्पक्ष तीसरे पक्ष के व्यक्ति के साथ बातचीत अभिकर्ता अथवा बीमाकर्ता के लिये महत्वपूर्ण सिद्ध हो सकती है। इसमें पॉलिसी के प्रक्रिया समय में बचत में भी भारी बचत होती है। खासतौर पर किसी आवेदन जमा करने और जारी करने के समय के बीच आवेदनकर्ता के साथ साक्षात्कार करने का समय बच जाता है। यह साक्षात्कार समय 30 से 50 प्रतिशत तक बचता है। कुछ लोगों का मानना है कि इस पद्धति से लगभग 300 प्रतिशत तक समय की बचत होती है।

समय की बचत के लिये कुछ आवश्यक बातें

टेलीफोन पर बीमा कराने की प्रक्रिया के तहत आवेदक के साक्षात्कार तब और अधिक प्रभावी हो सकता है जब कुछ प्रश्न निश्चित ढंग से पूछे जायें। इसी पद्धति 'ड्रिल डाउन क्वेश्चन्स' के रूप में संबंधिक किया जा सकती है। इस प्रकार के प्रश्नों का उपयोग खास तौर पर तब किया जाता है जब बीम प्रस्ताव में कोई ऐसी स्थिति होती है जो बीमा कराने के मामले पर प्रभाव डालती है। ऐसे समय पर टेलीफोन पर बीमा कराने वाला किसी निश्चित स्थिति के बारे में कुछ अन्य सवाल पूछता है। उदाहरण के तौर पर यदि बीमा आफेदक मधुमेह से पीड़ित हो तो बीमाकर्ता मधुमेह से संबंधित सवाल पूछ सकता है। यह पद्धति विशेषज्ञ बीमाकर्ताओं को जटिल मामलों पर विचार करने के लिये सहायक होती है। उदाहरण के तौर पर यदि आवेदक ने दिया वह मधुमेह से पीड़ित है तो टेलीफोन पर पूछताछ करने वाला मधुमेह संबंधी समस्या से जुडे अन्य सवाल पूछता है जो अन्य कई पहलुओं को स्पष्ट करते हैं। इन सवालों में निम्नलिखित शामिल रहते हैं:

- उसका निदान कब किया गया?

> खासतौर पर किसी आवेदन जमा करने और जारी करने के समय के बीच आवेदनकर्ता के साथ साक्षात्कार करने का समय बच जाता है।

- किस प्रकार का उपचार किया गया?
- क्या मधुमेह से नजर अथवा गुर्दे पर प्रभाव हुआ है?
- क्या मधुमेह से किसी प्रकार की अन्य समस्याएँ हैं?
- फिलहाल रक्त में शक्कर की मात्रा कितनी है?
- क्या शक्कर की मात्रा की जाँच के लिये मूत्र परीक्षण नियमित रूप से किया जाता है? यदि हाँ, तो क्या उसकी रिपोर्ट आमतौर पर सकारात्मक या फिर नकारात्मक रहती है?
- रक्त में शक्कर की मात्रा के नियंत्रण के बारे में चिकित्सक की क्या राय है?

आदि

यह सवाल जोखिम मूल्यांकन के मूलाधार होते हैं, इनका लक्ष्य वास्तविकता को स्पष्ट करना होता है। इनसे बीमाकर्ता को अन्य आवश्यकताओं के बिना बीमा कराने अथवा ठुकराने संबंधी निर्णय लेने में सुविधा होती है। इतना ही नही विशेषज्ञ बीमाकर्ता को प्रश्न सूची तैयार करने में भी सुविधा होती है। यथा संभव प्रश्नों के माध्यम से जोखिम के लिये आवश्यक जानकारी जुटाना ही इन प्रश्नों का लक्ष्य होता है। और बेहतर सवाल सुरक्षा योग्य जानकारी जुटाने के लिये महत्वपूर्ण होते हैं।

टेली अंडरराइटिंग के लाभ

इस प्रक्रिया में आवेदकों, अभिकर्ताओं तथा बीमा कंपनी सहित सभी सहभागियों के लिये असरदार सिद्ध हुई है। इस पद्धति के लाभ निम्नलिखित हैं-

आवेदक

- आवेदक को अपनी संवेदनशील चिकित्सकीय जानकारी सलाहकार को देने की आवश्यकता नही होती। प्रशिक्षित व्यवसायी संभावित सवाल फोन पर ही पूछता है।
- पारंपरिक बीमा प्रक्रिया की तुलना में आधे से भी कम समय में बीमा सुरक्षा हासिल की जा सकती है।
- यह एक ही समय में पूर्ण होने वाली प्रक्रिया है और इसीलिये आवेदन करने के लिये काफी आसान है। आवेदक से संपूर्ण जानकारी मात्र एक फोन कॉल ही प्राप्त की जा सकती है। यह कई बार संपर्क कर लंबे समय में पूर्ण होने वाली प्रक्रिया नही है।

अभिकर्ता / सलाहकार

- पारम्परिक बीमा प्रक्रिया की तुलना में टेली अंडरराइटिंग के जरिये किये जाने वाले बीमा मामलों की संख्या अधिक है।
- उपरोक्त बढ़त से सलाहकारों के कमीशन में भारी वृद्धि देखने को मिली है, जो बाहरी क्षेत्र में कार्य करने वाले सभी कर्मचारियों के प्रोत्साहन के लिहाज से महत्वपूर्ण है।

- समूची प्रक्रिया तेजी से पूर्ण होने के कारण कमीशन की राशि भी अल्पावधि में प्राप्त हो जाती है।
- अभिकर्ताओं के बहुमुल्य समय की बचत होती है, क्योंकि बिक्री संबंधी कागजी दस्तावेजों की प्रक्रिया पारम्परिक पद्धति की तुलना में काफी अल्प होती है।

बीमा कंपनी

- टेलीफोन के जरिये बातचीत कर चिकिस्तास इतिहास के बारे में महत्वपूर्ण जानकारी हासिल करने से चिकित्सक के दस्तावेज तैयार करने से समय की बचत होती है। यह संपूर्ण जानकारी काफी कम खर्च में सुरक्षित रखी जा सकती है।
- बीमा पॉलिसियों की संख्या अधिक होने के कारण राजस्व में भी बढ़ोतरी होती है।
- बेहतर जानकारी और रहस्योद्घाटन की संभावना कम होने से दावों को बेहतर निपटारे का अनुभव होता है।
- अधिकांश बीमाकर्ता समुचित रूप से तैयार की गई पद्धति का प्रयोग कर अपूर्ण आवेदनों के कारण समय की होनेवाली बर्बादी रोक सकते हैं।
- बीमाकर्ता न्यूनतम बाधाओं के साथ तेजी से एवँ प्रभावी बीमा प्रक्रिया का अनुभव कर सकता है।

दलालों और सलाहकारों ने इस पद्धति को खुलकर अपनाया है। लेकिन पुर्नबीमाकर्ताओं के बारे में क्या है- वे इसे कैसे अपना सकता है- क्या वे इसकी प्रभावशीलता का मुकाबला कर सकते हैं- आम बीमाकर्ता की तरह पुर्नबीमाकर्ता भी जोखिम संबंधी बेहतर जानकारी की योग्यता रखता है। टेलीफोन के जरिये की जाने वाली बातचीत किसी एमडी की रिपोर्ट से अधिक महत्वपूर्ण होती है। भले ही टेली अंडरराइटिंग के उच्च शुरूआती शुल्क तथा कर्मचारियों के प्रशिक्षण पर होने वाले खर्च जैसे कुछ दोष हैं, लेकिन इसके कई फायदे भी हैं। इसी कारण कई पुनर्बीमाकर्ता भी इस पद्धति को अपना रहे हैं।

आउटसोर्स किया जाये अथवा नही

सबसे महत्वपूर्ण सवाल यह है कि टेलीफोन के जरिये बीमा कराने के लिये हमारी पद्धति किस प्रकार की होनी चाहिये। क्या इसके लिये बाहरी सेवायें ली जानी चाहिये अथवा बीमा कंपनी के कर्मचारियों के जरिये ही इसे पूर्ण किया जाना चाहिये। क्या इसके लिये महिलाओं की मधुर आवाज का उपयोग किया जाये। चाहे जो पद्धति अपनाई जाये, टेलीफोन पर पूछताछ के लिये सर्वोकृत व्यवस्था की स्थापना करने की आवश्यकता को झुठलाया नही जा सकता।

> यह समय पुरानी पद्धतियों को कोसने का नही बल्कि अन्य वित्तीय सेवां के क्षेत्रों का सहयोग लेने के साथ ही नीति प्रक्रिया एवँ बिक्री प्रक्रिया को तेज करने का है।

जीवन और स्वास्थ्य बीमा के बारे में कडा सत्य यह है कि दोनों तरह के बीमाकर्ताओं को बीमा कराने वाले बेहतर ढंग से प्रशिक्षित एवँ अनुभवी लोगों की कमी महसूस होती है। आउटसोर्सिंग और कार्यालय के भीतर कर्मचारियों की सेवायें में लाभ और नुकसान की समान संभावना बनी रहती है। कार्यालय के भीतर कर्मचारियों की सेवाये लेने में बीमाकर्ता कंपनी को संतुष्टि तो मिल सकती है लेकिन इसका दुष्परिणाम अधिक खर्च, कर्मचारियों के लिये प्रशिक्षण प्रबंध और अधिक जोखिम जैसे खतरे भी उठाने पड़ते हैं। आउटसोर्सिंग में इन खतरों से निजात तो पाई जा सकती है, लेकिन बेहतर लाभ के लिये समुचित व्यवस्था करना अनिवार्य होता है। ऐसा करने पर बाहरी आपूर्तिकर्ताओं, नियंत्रण मामलों तथा प्रदर्शन संबंधी निश्चित ही सकारात्मक परिणाम मिल सकते हैं। दोनों पद्धतियों में नियोजन और अमलावरी कि गुणवत्ता खास मायने रखती है।

प्रतिभावान अनुभवी लोगों की सेवायें लेना भी संभव हो गया है और विश्वभर में कहीं भी आवेदकों से टेलीफोन के जरिये बातचीत करना आसान हो गयी है।

पथ निकट है

20वी. सदी में जो भी आचरण किया गया, उसकी तुलना में 20वीं सदी के लिये भिन्न विचारों की आवश्यकता है। यह निश्चित ही आश्चर्यजनक है कि वर्तमान युग में रियल टाइम ग्रास सेटमलमेंट, स्टेट थ्रू प्रोसेसिंग सोल्यूशन और एनी टाइम एनी व्हेर बैंरिग आदि के बीच बीमा प्रक्रिया स्वतंत्र रूप से घोंघे की चाल से आगे बढ़रही हैष

यह समय पुरानी पद्धतियों को कोसने का नही बल्कि अन्य वित्तीय सेवां के क्षेत्रों का सहयोग लेने के साथ ही नीति प्रक्रिया एवँ बिक्री प्रक्रिया को तेज करने का है। वित्तीय सेवा क्षेत्र में रूपांतरण एवँ बैंकिंग, बीमा तथा जमा सेवाओं को एक दूसरे के साथ जोड़ा जाना चाहिये। टेली अंडरराइटिंग बोझिल कागजी दस्तावेजों के कामकाज से छुटकारा दिलाकर इसे सफल बनाने में मदद करती है।

यह बात उतनी ही सच है कि पारम्परिक बीमा पद्धति फोन के जरिये बीमा कराना और वर्तमान समय का बीमा। अब हम बीमा उद्योग के इतिहास में एक नया अध्याय जुडने की ओर देख रहे हैं।

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लेखक आईसीएफएआई विश्वविद्यालय के सहायक डीन तथा इंश्योरेंस क्रोनिकल के परामर्शदाता संपादक हैं।

Report Card: GENERAL

G. V. Rao

September Growth is a remarkable 25.8 percent.

The non-life industry has completed a premium income of Rs.1949 crore in September 2006. The monthly premium has grown by Rs.400 crore over September 2005.This has pushed up the monthly growth rate to a remarkable 25.8 percent. The new players have added an accretion of Rs.305 crore, and the established players Rs.95 crore to the total accretion of Rs.400 crore.

While all the new players together have contributed Rs.706 crore to the total monthly premium of Rs.1949 crore, the four established players have added Rs.1243 crore. Among the players that have shaped the premium accretion of Rs.400 crore in September 2006 are: ICICI-Lombard with Rs.123 crore, Reliance with Rs.94 crore, United India with Rs.52 crore, Bajaj-Allianz with Rs.44 crore and Oriental with Rs.39 crore. These five insurers together have recorded Rs.352 crore accretion.

The market share of the new players continues to stay above 35 percent each month in the current fiscal: an improvement of 10 percent over last year. ICICI-Lombard with a premium completion of Rs.241 crore in September 2006 leads the new player league, with Bajaj-Allianz coming in next with Rs.133 crore, followed by Reliance with Rs.104 crore.

The established players have a growth rate of 8.3 percent, an improvement over the one in August 2006 of 5.9 percent. United India with an accretion of Rs.52 crore and Oriental with Rs.39 crore are

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

(Rs.in lakhs)

INSURER	PREMIUM 2006-07		PREMIUM 2005-06		GROWTH OVER THE CORRESPONDING PERIOD OF PREVIOUS YEAR
	FOR THE MONTH	UP TO THE MONTH	FOR THE MONTH	UP TO THE MONTH	
Royal Sundaram	4,401.50	28,912.78	3,493.57	22,513.57	28.42
Tata-AIG	5,708.41	40,057.33	3,966.31	29,296.67	36.73
Reliance General	10,400.25	37,753.80	1,000.01	7,609.83	396.12
IFFCO-Tokio	8,565.55	65,651.59	7,768.52	42,806.09	53.37
ICICI-lombard	24,064.54	152,516.97	11,836.39	82,291.22	85.34
Bajaj Allianz	13,267.69	84,624.47	8,902.80	62,766.49	34.82
HDFC CHUBB	1,475.76	9,127.39	1,513.59	9,279.27	-1.64
Cholamandalam	2,604.35	15,412.40	1,578.47	12,286.60	25.44
New India	35,404.00	244,725.00	36,063.00	222,521.00	9.98
National	29,014.00	183,245.00	27,886.00	177,519.00	3.23
United India	29,128.00	178,010.00	23,890.00	162,789.00	9.35
Oriental	30,811.00	197,739.00	26,858.00	176,236.00	12.20
SPECIALISED INSTITUTIONS:					
ECGC	5,472.22	29,302.44	5,466.27	27,407.71	6.91
Star Health & Allied Insurance	124.45	214.00	0.00	0.00	

the two with major contributions to the accretion of Rs.95 crore.

With the new players playing a significantly more dominant role, in the current fiscal, in terms of expanding premium income; it is expected that the non-life industry would continue to grow at the current rates of 20 percent plus, till the market comes under a price-negotiating regime in respect of all portfolios. The industry never had it so good, as now, with premium incomes growing so fast.

Performance up to September 2006:

End of September 2006 coincides with the closure of the first half of the current fiscal. The non-life industry has completed a premium generation of Rs.12,376 crore at the end of September 2006, an increase of Rs.2297 crore at a growth rate of 22.8 percent. The established players have completed a premium generation of Rs.8038 crore and the new players Rs.4338 crore. Their respective contributions to the total accretion of Rs.2297 crore up to end of September 2006 are: Rs.648 crore and Rs.1649 crore.

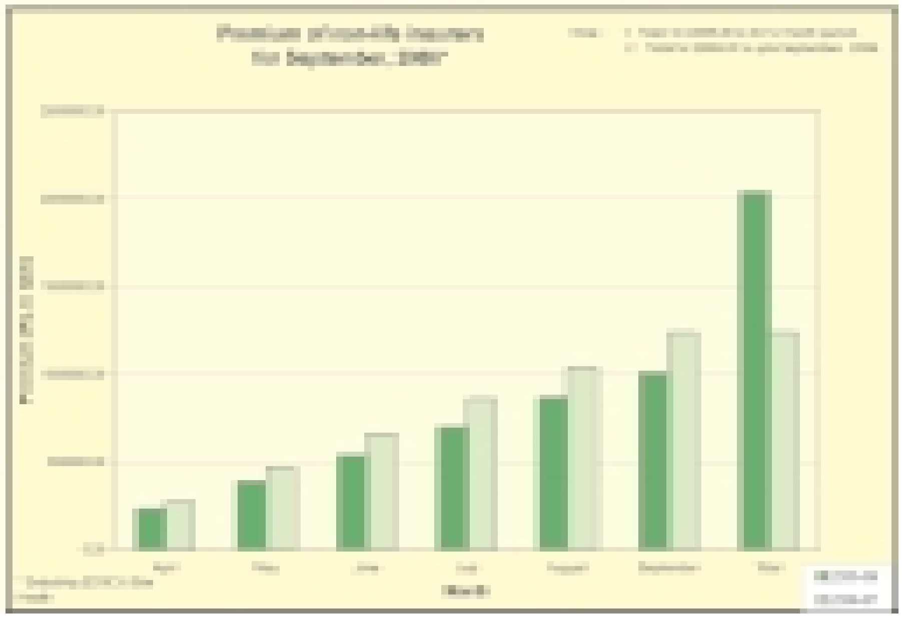
The players that have significantly added to the accretion of Rs.2297 crore for the first-half of the fiscal are: ICICI-Lombard with Rs.702 crore, Reliance with Rs.301 crore, IFFCO-Tokio with Rs.238 crore, New India with Rs.222 crore and Bajaj-Allianz with Rs.218 crore. These five players together have added Rs.1680 crore to the market growth.

The wide disparity in the quantum premium increases of each player is perhaps indicative of the premium growth strategies of each before detariffing of rates sets in. The hunger for relentless market expansion by all the players is something that is a significant and a definite gain of liberalizing the insurance market.

The market share of the new players is currently 35 percent up from 26.6 percent last year.

All-round growth:

The published figures of the numbers, for the first-quarter, portfolio-wise show that the principal market drivers of premium income cannot be easily singled out. This indeed is a welcome development.



Out of a total market increase in premium of Rs.1250 crore, for the first quarter of 2006/07, the Fire business grew by Rs.265 crore, Marine by Rs.88 crore, Engineering by Rs.84 crore, Motor by Rs.390 crore; and Health by Rs.260 crore.

A comment on the health segment:

For the highest growth rate, however, the health insurance business tops at 45 percent, for the first quarter of 2006/07, overshadowing the growth rates of all other portfolios. The published figures of a couple of leading players for medi-claim policies, for 2005/06, incidentally show that the frequency of claims reporting is less than 4 percent of the total number of lives covered that are a few lakhs.

It is indeed remarkable that 96 percent of the lives covered only pay premiums, without reporting any claims at all. But it is this section of 4 percent of claimants that is highjacking the claims ratio of insurers in excess of 100 percent of the total health premium collection by the insurer.

This disclosure in the financial statements by insurers themselves needs a more thorough analysis by them of the claims incidence in the health segment. Since the frequency of claims reporting is a low 4 percent, can these claims reported be better controlled and managed to contain or reduce the premium levels to the other segment of 96 percent of the premium-paying insured that do not report claims? It is a challenge and an opportunity for reducing losses and perhaps reducing the current premium levels for the vast 96 percent in this fast-growing segment.

This point is made to alert the insurers that a portfolio like the health, that is the fastest growing one, needs a more detailed analysis of claims' occurrences, their reporting and settlement; and whether these claimants are mostly from urban or semi-urban or small towns; and if the claims ratios have worsened due to these claimants having preferred taking treatments in expensive hospitals in metros.

If this health insurance segment, considering its importance to the growth portfolios, were organized in a way that there are more uninsured entrants into this segment, at economic rates to both, the industry growth rates would perhaps rise even higher.

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Investment Statistics of General Insurers

- End March 2006

'As operating incomes of insurers are under squeeze, their ability to manage their funds to generate higher investment incomes has become a major challenge' mentions G.V. Rao.

The manner in which the investments of the total assets of the General Insurers should be deployed is prescribed under Regulation 4 of the IRDA (Investment) Regulations, 2000.

Regulatory prescription:

It details that not less than 30 percent of the total assets should be invested in State and Central Government Securities and other Guaranteed Securities; Housing, and Loans to State Government for housing and fire fighting equipment investments to be not less than 5 percent of the total assets. Investments, in specified approved investments in infrastructure and social sectors should be not less than 10 percent. Other approved market investments, subject to exposure norms prescribed, should not be more than 55 percent.

The General Insurers, including the General Insurance Corporation of India (GIC), had total assets at the end of March 2006 of Rs.42,332 crore, up from Rs.37,412 crore last year. The increase in the total assets in the financial year 2005/06 was Rs.4920 crore. The total assets grew by 13.2 percent.

Dominant role of GIC:

The GIC, with about Rs.12,530 crore of total assets, forming about 30 percent of the total assets of the non-life industry of Rs 42,332 crore, leads the industry on this aspect. The four established players had total assets of Rs.25,990 crore at the end of 2005/06, up from Rs.23,977 crore in the previous year. The increase in their total assets was Rs.2,013 crore. The eight new players that had total assets of Rs.3,813 crore at the end of 2005/06 have recorded an increase in their total assets by Rs.1,258 crore during the year.

Percentage Shares of total assets:

The investments of all the non-life insurers grew by Rs 4,920 crores in 2005/06 to Rs.42,332 crore. The total assets that were deployed by the industry in the Govt. securities was to the extent of 40 percent (against the minimum of 30 percent); in the housing and loan sector to the State Govts, it was about 7 percent (against the minimum of 5 percent); in the infrastructure and social sectors, the invested assets formed about 12 percent (against the minimum of 10 percent); and in the market and other approved securities, it was about 41 percent (against the stipulation that it should not be more than 55 percent). This was also the broad pattern of investments in 2004/05.

NON-LIFE INSURERS INVESTMENT STATISTICS FOR THE PERIOD ENDED MARCH 2005 AND MARCH 2006

NAME OF THE INSURER	CENTRAL GOVT SECURITIES		STATE GOVT SECURITIES AND OTHER APPROVED SECURITIES INCLUDING CENTRAL GOVT SECURITIES		LOANS TO HOUSING & FIRE FIGHTING EQUIPMENTS	
	31-Mar-05	31-Mar-06	31-Mar-05	31-Mar-06	31-Mar-05	31-Mar-06
GIC OF INDIA	2,744	2,789	3,849	3,973	927	1,012
NEW INDIA	2,398	2,826	3,658	4,166	495	617
NATIONAL	1,083	1,346	1,596	1,942	385	486
UNITED INDIA	1,585	1,654	2,645	2,856	321	392
ORIENTAL INSURANCE CO	1,395	1,692	1,977	2,214	308	280
PUBLIC SECTOR (A)	**9,205**	**10,307**	**13,725**	**15,151**	**2,435**	**2,787**
RELIANCE	97	75	97	75	13	15
ROYAL SUNDARAM	89	132	99	147	36	45
IFFCO TOKIO	128	245	128	245	21	41
TATA AIG GENERAL	207	198	207	238	26	41
BAJAJ ALLIANZ	257	294	257	294	55	74
ICICI LOMBARD	160	210	227	382	30	64
CHOLAMANDALAM	140	133	140	133	16	26
HDFC CHUBB	80	75	80	75	15	15
PRIVATE SECTOR (B)	**1,158**	**1,364**	**1,235**	**1,590**	**212**	**320**
TOTAL (A+B)	**10,362**	**11,670**	**14,960**	**16,740**	**2,647**	**3,107**

Note: 1) Investments of Agricultural Insurance Corporation of India have not been included
2) The above figures are based on Provisional Returns filed with IRDA.

Why were insurers, except GIC, hesitant to invest in open market?

The hesitancy of insurers to invest in 'market and other approved securities'- at a time, when the Indian stock market was on the rise, during the whole year 2005/06-a percentage amount less than that permitted by the regulations, could be ascribed to many factors. Investment and management of funds needs expertise, skill and a deep knowledge of market sentiment and a sixth sense of discerning the future market behaviour. The regulations are also strict in not permitting the insurers to outsource the function of fund management. While expert investment advice could be sought, the decision- making of insurers is to be made according to the decisions of the investment committee of the Board, and in accordance with a prior approved plan of investment policy and its annual plan.

Need to make more out of assets for income generation:

As operating incomes of insurers are under squeeze, their ability to manage their funds to generate higher investment incomes has become a major challenge. Till date, the financial statements do not specifically indicate if this market investment expertise required is being developed internally. But the size of annual investment income earnings of all insurers is on the rise. It is hoped that there is a specific plan to harness the investment expertise to the best advantage of the insurers themselves. Seeking specialist external investment advice limits it to acting on the advice so given; but it does not ensure growing the expertise within. This is an issue that insurers and others have to discuss to develop a plan to harness the full potential of a growing stock market.

It is interesting to observe that while the four established players had an increase of Rs.2,013 crore in their total assets of over Rs.23,977 crore during 2005/06; the new players have registered an increase of Rs.1,268 crore on the base total assets of Rs.2555 crore in the previous year. That is remarkable.

Differing strategies of established players:

All the four established players have over 42 percent of their total assets invested in Govt. securities. New India and National have 36 percent and 33 percent in market securities. United India and Oriental have more than 40 percent in market securities. The GIC has 50 percent of its assets in market securities and 32 percent on Govt. securities.

A few new players have 40 percent of their total assets invested in market securities. The investment strategies of each insurer from within the segment to which they belong seem to vary. The stability of earnings, at a time when competition is fierce, would swing more and more on how funds are invested and how investment incomes are generated.

Future opportunities:

With detariffing of the market likely to happen soon, fund management by insurers would become a specialist portfolio of even greater importance. It is hoped that, from a long-term point of view; insurers would recognize this source, as the more important one to generate future incomes that would compensate significantly for the likely rise in the operating losses. Insurers need to develop and harmonize their underwriting skills in a detariffed scenario, with the expert knowledge and expertise to be acquired to play the game-- as investors of funds, their own and that of their policyholders--as sophisticated market investors and insurance service providers.

The opportunity for insurers to measure up to these twin challenges of developing two sources of income, operating and investment; would have an important effect on their corporate performances. Hopefully, the benefits would also accrue to the consumers in the form of lower premium rates.

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

(Rs. Crores)

INFRASTRUCTURE & SOCIAL SECTOR		INVESTMENT SUBJECT TO EXPOSURE NORMS (INCL. OTAI)		OTHER THAN APPROVED INVESTMENTS (OTAI)		TOTAL INVESTMENTS	
31-Mar-05	31-Mar-06	31-Mar-05	31-Mar-06	31-Mar-05	31-Mar-06	31-Mar-05	31-Mar-06
1,199	1,275	4,905	6,269	1,456	1,584	10,880	12,530
1,050	1,206	3,201	3,415	771	611	8,404	9,404
600	720	1,725	1,537	460	410	4,306	4,685
691	685	2,553	2,720	706	734	6,211	6,652
460	527	2,312	2,228	540	592	5,056	5,249
4,001	**4,413**	**14,695**	**16,169**	**3,932**	**3,930**	**34,857**	**38,520**
26	30	57	99	12	35	193	219
67	110	70	79	17	14	271	381
45	77	117	245	0	0	310	607
41	60	38	94	1	3	312	433
78	87	223	342	35	26	613	797
79	136	133	377	11	49	469	959
27	41	16	16	10	5	198	216
26	26	55	70	6	16	177	187
387	**567**	**709**	**1,323**	**92**	**148**	**2,542**	**3,799**
4,388	**4,980**	**15,404**	**17,492**	**4,024**	**4,079**	**37,399**	**42,319**

Events

20 Nov - 21 Nov 2006
Venue: Pune
Seminar on Incidence Response Management
By NIA Pune

20 Nov - 21 Nov 2006
Venue: Kuala Lumpur
Risk Management Conference
By Asian Strategy and Leadership Institute

20 Nov - 21 Nov 2006
Venue: Shanghai
4th Asian Conference on Claims Management
By Asia Insurance Review, Singapore

20 Nov - 25 Nov 2006
Venue: Pune
Advanced Program on Claims Management
By NIA Pune

22 Nov - 23 Nov 2006
Venue: Kuala Lumpur
International Convention on Takaful & Retakaful
By Malayasian Takaful Association

22 Nov - 25 Nov 2006
Venue: Pune
Program on Cyber Liability
By NIA Pune

23 Nov - 24 Nov 2006
Venue: Shanghai
3rd Asian Conference on Pensions & Retirement Planning
By Asia Insurance Review, Singapore

04 Dec - 05 Dec 2006
Venue: Pune
Seminar on 'Underwriting the Future with Past Experience'
By NIA Pune

11 Dec - 16 Dec 2006
Venue: Pune
Service Differentiation & Relationship Management
By NIA Pune

18 Dec - 23 Dec 2006
Venue: Pune
Lateral Thinking & Decision Making
By NIA Pune

RNI No: APBIL/2002/9589

VIEW POINT

"Insurance cannot be carried on properly without the appropriate rating and underwriting skills; or the statistical base that is really the core for product pricing."

- Mr. C.S. Rao, Chairman,
Insurance Regulatory & Development Authority (India).

"An effective regulator must keep up with the increasingly rapid pace of the integration of global economies and financial markets. To sustain economic growth and promote open markets, supervisors must require a sound, strong and efficient regulatory framework."

- Alessandro Iuppa, President,
National Association of Insurance Commissioners (NAIC).

"As the payoff from an insurance policy is dependent on occurrence of uncertain events in the future, the amount of compensation has no predictable relationship with the insurance premium, which disqualifies conventional insurance as an acceptable financial product under Islamic law."

- Mr Timour Boudkeev, Vice-President,
Moody's International Rating Agency.

"Wherever there is a perception that the current pricing provides substantial profits, the forces of competition will bring the premium down. However, to expect premiums to crash will not be reasonable."

- Mr. C.S. Rao, Chairman,
Insurance Regulatory & Development Authority (India).

"China Insurance Regulatory Commission (CIRC) will work with the State Administration of Foreign Exchange (SAFE) to develop new rules for insurance companies conducting offshore investments in order to increase the number of investment vehicles for insurance funds."

- Mr Li Kemu, Vice Chairman,
CIRC.

"Public lenders and insurers will have to design their programs, not just to meet funding gaps, but also to catalyze and facilitate private sector participation in infrastructure development."

- Mr Lee Chuan Teck, Executive Director,
Monetary Authority of Singapore.