

Journal



Reaching Out
... Far and Wide



बीमा विनियामक और विकास प्राधिकरण



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Printed by P. Narendra and
published by C.S.Rao on behalf of
Insurance Regulatory and Development Authority.

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Printed at Pragati Offset Pvt. Ltd.
17, Red Hills, Hyderabad 500 004
and published from
Parisrama Bhavanam, III Floor
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From the Publisher

Intermediation has been a key element of insurance business world over. Several markets owe their success to the role of the distributors if they have achieved a state of development today. Unlike the other financial instruments, insurance, as a concept, always had to be explained to the prospect universally. Although the distributor has graduated to a financial planner in several markets, in the emerging markets like India, insurance distributor still plays a key role in marketing only insurance products.

The role of the distributor depends upon the class of insurance that he or she is operating in. For example: In life insurance, where the contracts are long term, the distributor should play a key role in first assessing the needs of the prospect, and then suggest a suitable product that would fulfill those needs. In the absence of this, the contracts are unlikely to run for their full term and the policyholder would be looking for opportunities to terminate the contract. High lapsation ratios in life insurance business are mostly the results of such practices. Need-identification and need-based selling thus have a huge role to play in the sustenance of long-term contracts.

In the other classes of insurance, the distributor should focus more on the immediate needs of the clients; and although, in the end, a long term relationship is desirable, a revised assessment of the risks and their values have to be done on a

continuous basis. The distributor also has to keep in mind the possible change of the insurable interest in the short term contracts.

Historically, in the Indian insurance domain, agent has been the predominant and in some cases, the exclusive distributor. In the liberalized scenario, several other dynamic channels of distribution have come into play - like the brokers, the corporate agents, bancassurance etc. While the agent as a distributor continues to play a significant role, the other channels have been making rapid strides; and particularly in the de-tariffed regime that is on the anvil, they are expected to play a very vital role for the further deepening of insurance. Distribution is the focus of this issue of the Journal.

When a customer is satisfied with the services rendered, there is hardly any room for a grievance. But such a situation hardly exists; and especially in a business like insurance that deals with a large number of customers, it is well nigh impossible. Grievance redressal would be the focus of the next issue of the Journal.

C.S. Rao

C.S. Rao

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The Changing Role of Insurance Intermediary

Insurance business in India, was once upon a time, essentially a factor of the skill sets of the distributor; particularly in the Life domain. It owed its success to how much the 'agent' could sell. Although one cannot attribute anything negative to such a practice, especially when insurance business made such rapid strides of progress; one would admit that their style was limited to 'selling' the insurance policy and not market a product. As a result, what came to be observed was that there was a huge lapsation of business.

As a result of the opening up of the market, several conditions were laid down for qualifying as an insurance agent. Further, in light of the competition, the 'agent' also had to reinvent himself and be prepared to face the market with the new challenges. Besides, several new channels of distribution have come into vogue viz. the brokers, the corporate agents, bancassurance etc. Thus, intermediation in insurance has assumed an entirely new dynamic form. Especially in the detariffed regime that is going to be effective from the beginning of the year 2007, non-life insurance business would witness new styles of intermediation.

The insurance intermediary would do well to appreciate that the business interests would last for a long time and accordingly ensure that the clients are well-served. Although most non-life contracts are strictly for a period of one year, it should be realized that they are 'renewable' and as such, efficient policyholder servicing would certainly put the best intermediaries in an entirely different perspective. Further, insurance business itself has taken a radical outlook as a major part of personal financial planning. Thus the distributor has to gear up himself to the task of advising his clients about the role of insurance in the larger scheme of things. It can thus be seen that insurance intermediation has undergone total change and this poses new challenges for the intermediary.

Distribution in insurance industry is the focus of this issue of the **Journal**. We have several articles that talk of the different aspects of insurance intermediation - both in the life insurance arena and the non-life domain. First and foremost, Mr. Arman Oza talks about the role of the intermediary in micro-insurance and says that he has to don the role of an integrated financial advisor. Brokers in India are emerging as a strong distribution channel. Mr. G.V. Rao takes a look at the various aspects of business relating to this channel and makes a comparative study with those of different insurance markets. In another story about the brokers, Mr. Radhakrishna C. discusses the emerging role of the broker and the challenges that they are likely to face in the near future in the article 'Broking Profession - Road Ahead and Challenges'.

Mr. D.V.S. Ramesh emphasizes the importance of the life insurance distributors being well-trained and efficient; rather than just being qualified and eligible. Mr. S. Viswanathan says that it is a universal phenomenon that tied agency has made way for more dynamic distribution channels in his article 'Role of Distribution Channels - A Paradigm Shift'. In his article entitled 'Life Insurance Products in India - Issues in Distribution', Mr. V. Sai Kumar says that the agent's role begins with dispelling the prospect's wrong notions about life insurance. He goes on to explain how the intermediation landscape evolved from 'selling' in the early days to its dynamic form now. Finally, in the 'Thinking Cap' section, we have an article by Mr. G. Gopalakrishna who describes the role of life insurance in the overall concept of social security.

When there is a deviation from what is expected to be served and what is being served, the consumer has a ground for being disillusioned. Such a situation in most cases leads to a grievance for the consumer which he looks forward to being redressed. 'Grievance Redressal in Insurance' will be the focus of the next issue of the **Journal**.

U. Jawaharlal

Report Card: LIFE

Premiums Rise 163.68% over October, 2005

Individual premium:

The life insurance industry underwrote Individual Single Premium of Rs.1336610.10 lakh for the period ended October, 2006 of which the private insurers garnered Rs.118242.78 lakh and LIC garnered Rs.1218367.32 lakh. The corresponding numbers for the previous year were Rs.443296.40 lakh for the industry, with private insurers underwriting Rs.64530.68 lakh and LIC Rs.378765.72 lakh. The Individual Non-Single Premium underwritten during April-October, 2006 was Rs.1771903.71 lakh of which the private insurers underwrote Rs.536863.16 lakh and LIC Rs.1235040.55 lakh. The corresponding numbers for the previous year were Rs.743586.24 lakh, Rs.260432.63 lakh and Rs.483153.61 lakh respectively.

Group premium:

The industry underwrote Group Single Premium of Rs.467348.58 lakh of which the private insurers underwrote Rs.30147.74 lakh and LIC Rs.437200.84 lakh. The lives covered being 7678192, 456696 and 7221496 respectively. The corresponding numbers for the

previous year were Rs.171382.70 lakh with private insurers underwriting Rs.17261.98 lakh and LIC Rs.154120.72 lakh and the lives covered being 8547743, 397721 and 8150022 respectively. The Group Non-Single Premium underwritten during April-October, 2006 was Rs.53221.05 lakh which was underwritten entirely by the private insurers, covering 2366084 lives. The corresponding numbers for the previous year were Rs.18031.15 lakh and covering 1277400 lives.

Segment-wise segregation:

A further segregation of the premium underwritten during the period indicates that Life, Annuity, Pension and Health contributed Rs.2329869.52 lakh (64.24%), Rs.74006.48 lakh (2.04%), Rs.1221904.91 lakh (33.69%), and Rs.897.90 lakh (0.02%) respectively. In respect of LIC, the break up of life, annuity and pension categories was Rs.1677831.45 lakh (58.04%), Rs.69437.82 lakh (2.40%) and Rs.1143339.44 lakh (39.55%) respectively. In case of the private insurers, Rs.652038.07 lakh (88.58%), Rs.4568.66

lakh (0.62%), Rs.78565.47 lakh (10.67%) and Rs.897.90 lakh (0.12%) 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 49.46% of the business was underwritten in the non-linked category, and 50.54% in the linked category, i.e., Rs.1793702.35 lakh and Rs.1832976.45 lakh respectively. In case of LIC, the linked and non-linked premium was 41.38% and 58.62% respectively, as against which for the private insurers taken together this stood at 86.53% and 13.47% respectively. During the corresponding period of the previous year, linked and non-linked premium indicates that 54.74% of the business was underwritten in the non-linked category, and 45.26% in the linked category, i.e., Rs.752509.54 lakh and Rs.622185.30 lakh respectively. In case of LIC, the linked and non-linked premium was 33.96% and 66.04% respectively, as against which for the private insurers taken together this stood at 77.02% and 22.98% respectively.

First Year Premium Underwritten by Life Insurers for October, 2006

Sl No.	Insurer	Premium u/w (Rs. In Lakhs)				No. of Policies / Schemes			No. of lives covered under Group Schemes		
		Oct, 06	Up to Oct, 06	Up to Oct, 05	Oct, 06	Up to Oct, 06	Up to Oct, 05	Oct, 06	Up to Oct, 06	Up to Oct, 05	
1	Bajaj Allianz	4,734.67	57,742.18	43,937.87	4,905	28,133	36,478	150	1,209	142	
	Individual Single Premium	16,431.40	92,823.08	36,540.27	107,760	573,898	212,738	1	465,933	114,241	
	Group Single Premium	33.87	323.63	58.52	0	1	1	0	0	0	
	Group Non-Single Premium	201.96	1,193.31	1,217.14	15	112	97	192,740	517	12,229	
2	ING Vysya	107.00	1,755.56	2.38	82	1,238	350	0	8,400	0	
	Individual Single Premium	1,991.44	18,456.87	8,010.78	12,328	96,577	49,109	0	0	1,582	
	Group Single Premium	0.00	231.47	585.30	0	0	0	1,348	0	0	
	Group Non-Single Premium	53.29	423.38	220.58	4	28	42	0	0	0	
3	Reliance Life	366.99	6,282.86	5,317.11	502	9,756	8,024	5,174	13,486	0	
	Individual Single Premium	2,914.38	20,436.37	1,620.61	31,721	141,340	21,756	14,159	103,281	87,909	
	Group Single Premium	154.95	921.54	76.48	2	15	0	0	0	0	
	Group Non-Single Premium	18.73	396.06	355.79	7	79	60	0	0	0	
4	SBI Life	4,349.75	18,662.94	2,336.46	6,982	27,654	3,865	9,470	66,647	117,997	
	Individual Single Premium	5,525.61	39,106.10	6,149.09	26,700	179,863	86,677	2	671,567	338,892	
	Group Single Premium	1,674.54	10,818.76	10,425.99	0	2	2	106,270	0	0	
	Group Non-Single Premium	3,389.91	12,835.84	1,589.13	43	258	999	20,349	156,895	87,006	
5	Tata AIG	227.85	523.51	282.46	294	371	0	0	0	0	
	Individual Single Premium	4,007.54	26,532.16	19,273.11	30,531	206,594	152,679	0	0	0	
	Group Single Premium	395.05	2,926.20	1,168.09	0	4	0	15,258	142,975	332,075	
	Group Non-Single Premium	111.60	2,666.42	1,699.42	3	58	174	0	0	0	

Working Towards a 'No-Grievance' Status ...

"Insurance industry continues to be plagued by a large number of customer grievances. While it would be futile to pinpoint the blame on one side, attempt should be made to curb the onslaught of customer grievances in different areas of insurance business" opines U. Jawaharlal.

The dictionary describes grievance as something that causes distress. In a commercial contract, there are different parties on either side; and there are specific functions to be fulfilled by either party. Having said this, one wonders why there should be any ground for a distress to be caused. In an ideal situation, each of the parties to the contract would perform its part as agreed for, hardly leaving any ground for distress. But it would be naïve to believe that such a situation would really be possible.

While this would apply universally for any business activity globally, there are some lines of business which are additionally sensitive to this area of customer grievance. Insurance contracts, being heavily dependent on the information that is passed on from one party to the other, belong to the 'particularly sensitive' group. In most cases, the asymmetry of information that is inherent in its character creates the ground for customer dissatisfaction, eventually leading to a grievance. As always, the problem is much more critical in emerging markets; where the reciprocal obligations that form the strong pedestal, are not properly understood.

On more than one occasion, it has been said that it would be apt to call the 'customer grievance redressal forums' as 'insurance grievance redressal

forums', thereby alluding to the fact that most grievances are in the area of insurance. It speaks volumes of the appalling situation; and insurers should take up the challenge of setting at rest, this image. Otherwise, it would turn out to be harmful for the success of the industry in the long run - something that we cannot afford at this stage.

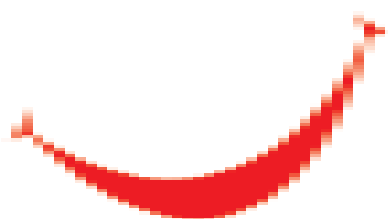
On the other hand, the customers should also demonstrate better maturity and fulfill their part of the reciprocal obligations in their true spirit. Life insurance contracts, which do not leave any scope for ambiguity in the quantum of settlement, are less prone for customer complaints. However, in view of the fact that an assessment of the risk is made based on the information furnished by the applicant, effort should be made to ensure that the information provided is wholesome and absolutely true. It should be appreciated that the best of medical examinations would still be inadequate to bring to light the past history, unless the proponent reveals it exhaustively.

Another area that is a regular bone of contention is that the proposal form has been filled up by the agent of the principal viz. the insurer. It should be borne in mind that the details asked for in the proposal form are to be furnished by the applicant himself; and as they are backed up by a

huge declaration, there should not be any dilution of the information furnished. Distributor's role in this aspect is merely as a facilitator and nothing more.

Non-life insurance contracts are more vulnerable for grievances as there is ground for uncertainty regarding the admission of the claim itself; or to the quantum thereof. Insurers would do well to make very explicit the coverage and exclusions to avoid a possible heartburn at a later stage. Policyholders should, in their turn, be thorough with the terms of the contract; and wherever there is need for better clarity, they should lose no time in getting the points cleared. It should be the expressed desire of both the parties to avoid friction; and they should work in that direction. Above all, it should be realized that it is not merely the legal binding that is the crux of the matter but the spirit of the contract and to that extent, insurers should empathize with the customers in the matter of settlement of claims.

Grievance redressal in the insurance industry will be the focus of the next issue of the Journal. There will be articles dealing with the different aspects of this delicate domain, presenting the viewpoints of the players, the customers, the redressal forums etc.



Ensuring Smiles All the Way ...

...in our next issue



INDIAN INSTITUTE OF INSURANCE SURVEYORS AND LOSS ASSESSORS

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NOTICE

RE: LIST (1) OF APPLICANTS ADMITTED AS MEMBERS TO
THE INDIAN INSTITUTE OF INSURANCE SURVEYORS AND LOSS ASSESSORS

The Indian Institute of Insurance Surveyors and Loss Assessors (IIISLA), hereinafter called the 'Institute', along with the Insurance Regulatory and Development Authority, had called for applications to the membership of the Institute vide its notices dated 26th November, 2005 and 10th/11th January, 2006. The last date stipulated for receipt of applications for membership to the Institute with eligibility to contest /vote for elections to the first council of the Institute was 28th February, 2006. The Institute is pleased to publish the **list (1)*** of 4340 applicants approved and admitted as its Members for the aforementioned purpose. The **list (2)*** of members whose applications are processed but are not considered for membership for the present, is also given separately.

It is hereby informed that categorization of applicants as 'Fellow' and 'Associate' members is based on the declaration of applicants as regards their eligibility for 'Fellowship' and 'Associateship' respectively laid down by the Institute.

While separate membership letters shall be mailed to the members, this may be treated as an initial acknowledgement.

If there are any errors/omissions in the names and/or address details, please do revert to us within 15 days of publication of this notice, to enable us to carry out the necessary corrections.

FOR IIISLA

Place: Hyderabad

(Yegnapiya Bharath)

Date: November 10, 2006

Authorised signatory

*(Please refer the website for the details of the lists)

ORDER

28th November, 2006

IRDA/TAC/031/Nov-06

Consequent upon TAC Bye-Elections-III 2006 for filling one casual vacancy pertaining to the constituency falling under Rule 41(1) (d) of the Insurance Rules, 1939 (as substituted by the Insurance (Amendment) Rules, 2004), Sri Jagdish Prasad Meena is declared elected as Member of the Tariff Advisory Committee (TAC) .

Sd/-

(C. S. Rao)

Chairman

Importance of Delivery Mechanism

- Role In Micro-Insurance

Arman Oza opines that conventional models may not be able to accomplish the desired target in the area of micro-insurance. He further adds that the intermediary may have to don the role of an integrated financial advisor, if micro-insurance has to achieve the success that micro-finance did.

'Insurance is always sold
- never bought'

'The sacrifice is real and immediate
but the benefits are distant and
contingent'

'Insurance is a business of claims'

The concept of a distribution channel in insurance could well be as old as the concept of insurance itself. This is because of the fact that the sentiment underlying the above statements reflects a tangible enigma, both on the supply as well as the demand side. It is because of the ubiquitous gap in the perception of the insured and insurer that distribution channel could never be dispensed with, the world over.

While this is true for insurance in general, the issues in micro-insurance are much more peculiar and colossal. Micro-insurance is essentially a risk transfer tool for the masses that are more vulnerable to the risks of life, living and livelihoods. Micro-insurance depicts certain typical features like small ticket size, access to widespread rural population and regional as well as demographic diversity of risks. Insurers with their operating offices restricted to cities and major towns, are therefore in no position to cater directly to the insurance needs of rural India. This apart, the consumer behaviour in general is conspicuously different in rural areas making direct selling a virtual impossibility. These factors cumulatively make delivery channel the very conscience of micro-insurance.

Deliverer's Role

Conventionally, the intermediary's role is understood to be restricted to enrolment and claim servicing. However, the very nature of micro-insurance calls for a much wider mandate from the deliverer.

a. Risk Identification and Assessment:

The risks faced by the poor are diverse and vary according to the geographical and demographic profiles. Apart from this, affordability is the biggest deterrent. Due to this

Conventionally, the intermediary's role is understood to be restricted to enrolment and claim servicing. However, the very nature of micro-insurance calls for a much wider mandate from the deliverer.

a fair identification of risks and the assessment of its impact on the targeted masses is extremely essential to make the micro-insurance programme sustainable. Applying thumb rules by pushing standard products could prove counter-productive at times.

b. Education and Awareness: Insurance as a concept is as much a dilemma for the poor as it is to the affluent. Little or no disposable

income makes their understanding more precarious. This calls for a concerted effort in educating the masses on the concept as well as the benefits. Ignorance of this aspect could lead to non-renewals and ultimately render the programme unsustainable.

- c. Marketing: Everything said and done, insurance is seldom bought; it is often sold. The tenets of marketing insurance to the poor however differ radically. Building up of confidence by the deliverer through conscious understanding of the ground level realities and addressing their concerns of credibility about the system are keys to rural marketing.
- d. Controlling Adverse Selection and Moral Hazard: Deliverers are field underwriters and thus in a better position to discern instances of adverse selection and moral hazard. It is in the larger interest of all stakeholders to be conscious of the fallouts of these vices and hence try to control them at the field level itself.
- e. Enrolment: This is one of the conventional roles of an intermediary. Proper enrolment of the insured into the programme, involves accurate documentation of relevant details about the insured and delivery of policy documents. Any lethargy in this process may put the future claim in jeopardy. Routine as it may appear, this stage marks the formalizing of relationship with the insured and thus warrants due care.



- f. **Claim Servicing:** This role, albeit conventional, may assume extended dimensions in micro-insurance. Helping the insured to collect claim documents in time as well as explaining the basis of claims settlement can be painstaking especially in case of health and catastrophic claims. Depending on the clarity given to the insured during earlier stages, the time and effort in claim servicing can be reduced.

Characteristics of a Deliverer

It is clear from the role defined above that service delivery function in micro-insurance calls for an intermediary with multi-faceted traits. The skills expected from a deliverer would include-

- a. **Strong Community Risk Management and Insurance Acumen.** Understanding the nature of risks that affect the poor and being able to envisage possible insurance solutions that neutralize these risks to the best possible extent is an integral function of micro-insurance delivery mechanism. Going further, since risk transfer through insurance may not be possible or affordable in all cases, the deliverer should also be in a position to think of other mechanisms or instruments that can serve the purpose. All this is possible only if the intermediary has a strong understanding of the principles and practice of risk management and insurance.
- b. **Connected with Masses:** In order to be able to understand the needs of rural and poor population, the intermediary should have a strong linkage with these masses. Ideally the intermediary has to belong to these masses. This is essential

because any programme based on a cursory view of the local situation bears the risk of being withered away in due course. This is the last thing one would expect since the gestation period in micro-insurance projects is quite long.

- c. **Long-Term Commitment:** Insurance is a long-term business. This is true not only for the insurer but also for the intermediary. In fact, even from the insured's viewpoint, the benefits of insurance are apparent only in the long run. Moreover, the small ticket size makes cost recovery difficult in the initial years of the programme. The intermediary thus has to have the patience as well as the resources to see off the relatively long gestation period. It is only after

Even where a risk is insurable, customization of standard product according to the needs of the particular community is often required.

a palpable change in the community's vulnerability to risks that the programme will pick up in the real sense. Till this happens, the intermediary has to keep persevering.

- d. **Well Balanced Attitude:** An intermediary holds a fiduciary relationship with the insured as well the insurer. Due to the gaps in perception and knowledge between the two, motivations do not always converge. In such situations, an intermediary has to demonstrate a meticulously balanced attitude. The objective should be to understand

rather than apprehend, reconcile rather than reprobate.

- e. **Administrative Capabilities:** Micro-insurance programmes usually involve considerable paper work and management of volumes. It is also necessary to capture and analyze data in relation to the enrolment and claims for the constant betterment of the programme. Thus a sound administrative capability also forms part of the characteristics of an ideal intermediary.

Current Scenario

The micro-insurance movement is gradually picking up. With the advent of private insurers in the market, the much-needed flexibility in products is coming. Partly because of the rural and social sector obligation as also due to the need to attain rural outreach, the insurers are now more forthcoming to underwrite community risks.

The current models in vogue for micro-insurance distribution include the conventional partner-agent model where the intermediary acts purely as a deliverer of the product. Since the role played by the intermediary is quite limited, this model is useful for distribution of simple products like term life insurance. Conversely, in a full service model the intermediary assumes a comprehensive role of risk assessment, product development, educating the potential clients and claims processing. The insurer in such cases only acts as a risk carrier. This model is useful for complicated and service intensive covers like health and weather insurance. Community based models retain the risk themselves by pooling the contributions from the community. Better community participation is exhibited here since the beneficiaries themselves are the fund managers. These models are appropriate for 'low severity high frequency' risks like primary healthcare.

Provider models are the new additions in the micro-insurance space. Service providers like hospitals who are anyway involved in the service delivery chain, integrate themselves fully by assuming the risk themselves. These models have a good potential in health insurance.

The micro-insurance movement has gained momentum on account of active participation from Non-Governmental Organizations (NGOs), Community Based Organizations (CBOs), Micro-Finance Institutions (MFIs), Co-operatives and Self Help Groups (SHGs). Certain healthcare providers have also entered with their provider models. In many cases, State Governments have also actively encouraged micro-insurance.

Challenges in Micro-insurance Distribution

Micro-insurance is in a way insurance for the masses. There is something 'macro' to it in terms of scale. The very objective of micro-insurance is to make an impact on the vulnerability of the poor, which implies the existence of a definite scale even at the intermediary level. Without a sizable penetration into the targeted community, the benefits of micro-insurance on the overall risk patterns of the community will never become apparent, thus threatening the very sustainability of the programme.

Geographical spread is another dimension that needs to be tackled scrupulously. While a fair extent of spread will ensure the benefits of diversification, it will result in burgeoning service delivery cost that is already quite high in case of micro-insurance. Since micro-insurance mainly targets rural areas; the delivery cost in terms of education, marketing, enrolment and claim servicing is bound to be high. Thus scale is the co-efficient while spread is a factor in the viability equation of a micro-insurance intermediary. Attaining financial viability is extremely important

for any venture. In micro-insurance, because of the complex equations, establishing trade-off between the co-efficients and factors becomes ticklish. The answer probably lies in meticulous financial planning as well as convergence of micro-insurance with other activities like micro-finance.

Another issue in micro-insurance distribution is the holistic approach towards Community Risk Management. The poor face manifold risks the combined effect of which is their vulnerability and poverty. Some of them like health are more manifest while others like weather are subtle. If micro-insurance is seen as a tool that can impose a lasting impact on the risk profile of the community, an aggregated approach towards all the risks faced by the poor will have to be adopted.

Service providers like hospitals who are anyway involved in the service delivery chain, integrate themselves fully by assuming the risk themselves.

Going still further, considering poverty as a cumulative product of a plethora of risks (whether insurable or not) of life, living and livelihoods, a distinct convalescence of the community will never be seen unless most of these risks are addressed. Tendencies to focus only on life or health insurance bear the risk of ignoring a host of other risks that may be less frequent but more severe. Micro-insurance should therefore be the starting point for addressing the risks and eventually the intermediary should be prepared to take up other community risk management solutions like savings or livelihood creation.

In order that micro-insurance intermediaries become capable of handling insurance programmes at the community level and eventually go beyond, capacity building has to be taken up at the sector level in a big way. Knowledge sharing by the existing players, getting organized and creating synergy will only make a sizable dent in the vulnerability of the poor.

Looking Ahead

If the limited outreach of insurance (life as well as non-life) vis-à-vis the population is any indication, micro-insurance is very much here to stay and thrive. Despite the growing share of insurance in the country's GDP, the absolute numbers of insured population continue to be abysmally low. With increasing competition on one hand and the fast saturating urban markets on the other, insurance industry like other sectors is bound to start looking at the rural markets very shortly. While all this looks promising for those engaged in micro-insurance distribution; issues of viability, adverse claims experience and management need to be overcome. Enabling regulation, policy support from the Government, better use of Information Technology, etc. will augur well for the sector. It will be interesting to see if micro-insurance as a sector can emulate the micro-finance growth story.

(I would like to mention a word of acknowledgement for VimoSEWA, the insurance programme of Self Employed Women's Association, Ahmedabad. The inputs received by me while working with them have helped me a lot in writing this article).

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Brokers in India and Other Markets

- A Comparative Study

'Indian insurance market is proceeding on the right lines on brokerage remunerations, capital needs, foreign equity participation, a proper code of conduct for brokers to follow etc.' says G V Rao.

The three 'A's of product desirability:

The three 'A's for spreading the message of insurance, as an instrument of financial security, are: (I) the affordability of the product to the consumer (ii) its acceptability, as need based and necessary at the given cost and (iii) its easy accessibility if both the other two 'A's are found acceptable to the consumer. It is for the distribution channel to play the role of discovering and highlighting the risk exposure needs of the consumer and obtain for him the product that serves his needs as the best. Agents of insurers, brokers representing the consumers as their agents and direct selling by insurers constitute the core of the distribution chain of the marketing of insurance products.

New role for distributors:

Distributors have an important role of 'marketing' in a future non-tariff environment, as opposed to mere 'selling' in the current tariff environment with availability of pre-packaged insurance products with fixed price tags. There is presently little opportunity for distribution channels to display their marketing and technical capabilities for analyzing risk exposures and playing a consultative role. All this is going to change soon; with distributors expected to emerge as professional consultants rather than perform as street salesmen.

Identification of risk exposures of a consumer, designing a suitable insurance product for them and then soliciting rates from insurance providers calls for expertise, knowledge, negotiating and communicating skills of a high order.

Scope of the article:

This article proposes to discuss and highlight how the broker distribution channel in India compares with those of the developed and developing

Distributors have an important role of 'marketing' in a future non-tariff environment, as opposed to mere 'selling' in the current tariff environment with availability of pre-packaged insurance products with fixed price tags.

countries. There is little information available to the public of the broker systems prevailing elsewhere. Expectations, in the absence of such information, at least on some of the broker issues are pitched either too high or too low. This narration and discussion would, hopefully, bring in more clarity to the broker issues debated.

Recently a committee was appointed to review the current brokers' regulations and to suggest suitable changes

therein to make them to be in alignment, with a wholly free rate regime to operate from next year. An opportunity for product innovation would arise later, after the dust of rate competition has settled down. For the present, appropriate rate fixation for current risks is what the brokers are expected to look at seriously.

How does the Indian broking system compare with those of the other countries: notably, China, the UK, France, Singapore and the US? An understanding and analysis of the systems prevailing there would give a better appreciation of the broker status in India to the brokers, the insurers and to the large section of consumers in India, on the role of the broker. The current regulations in India on brokers are precise, comprehensive and pro-consumer. Broking system is new; and introducing it in 2002, in a predominantly tariff environment, has made their entry rather difficult. They perceived their role, as merely replacing the roles of development officers and agents of insurers, adding to the acquisition costs and lowering of rates.

To come out of the stigma of having been perceived as the spoilers of the market, rather than as true professional experts for the consumers, is a daunting task. Would their stripes change?

India:

The GDP of India in 2004 was about USD 700 billion. The non-life premium was

USD 4.3 billion, according to Swiss Re's Sigma. India has the largest percentage of young population in the ages of 15-25 years among all the countries. The literacy rate is an impressive 65 percent with proficiency in English language high. The percentage of the 'consumer public', wanting to borrow from banks and other lending institutions, is growing rapidly. The public is increasingly turning pro-risk and debt-minded, making insurance an acceptable instrument of either a collateral; or of savings. The public looks at the three 'A's stated above and an opportunity is created for the brokers' role.

The minimum capital required for licensing a broker is Rs.50 lakh. A qualifying examination is prescribed for the Principal Officer and the soliciting brokers. Functions and duties are laid down. Remuneration is capped. Brokers do not generally deal in clients' monies. No single client is to give more than 30 percent of premium. The number of direct brokers are 200, with composite brokers an additional 25 and reinsurance brokers another 4.

China:

We often compare ourselves with China and it is, therefore, good to begin with the situation in China. China's GDP in 2004 at US\$ 1600 billion is more than twice of India's US\$ 700 billion. The non-life premium of China is US\$ 17 bn as against US\$ 4.3 bn of India's, nearly four times higher. To give the reader an idea of where the two countries stand in the global community; the world GDP was US\$40,630 billion and the total non-life premium was US\$ 1400 billion.

The broking regulations in China came into force in 2000. The domestic brokers are to be joint-stock companies with a minimum capital of US\$1.2 million. At least 70 percent of the shares should

be held by corporate entities. This is indeed tougher than the Indian situation. Individual brokers must meet a minimum educational standard and must pass a qualifying examination. Brokers can work nationwide but are allowed only one office in one city initially. Expansion to other cities is allowed after a period of time. Indian regulations are more liberal. The number of broking licenses issued in China was 210 at June 2005. (India has about 230 brokers). The share of non-life market controlled by brokers is 3%-4% for 2004. It is expected to rise to 10 percent in 2005. Currently brokers indulge in taking away existing direct accounts than they are at creating genuinely new business. This has led to drop in rates and pushed up

The Chinese experience on broking as a distribution channel must be of interest to the entire Indian market, as we share many similarities with them. Are we more progressive than our Chinese counterparts?

acquisition costs. (The situation is similar in India).

State-owned enterprises are allowed to take broking licenses for in-house professional advice, for earning commissions and as a commercial investment in a new and developing sector. Even large insurance companies like the PICC have set up brokerage houses. The insurers thus maintain control on the distribution process and to provide employment to redundant employees.

The domestic brokers in China, given their inexperience in risk management

and other areas of expertise, are more focused on price than on technical service. Large state owned enterprises organize broker tenders based on fees and a small commission. (Situation in India is not different)

For foreign brokers to be allowed entry, the broker must have been in existence for 30 consecutive years or more and must have had representative offices in China for two years. The broker must have total assets of USD 500 million on 'accession'. The brokers may enter the market as a joint venture with 50 percent equity participation. After three years it can be raised to 51 percent. After five years, they can establish wholly owned Chinese subsidiaries.

Agency commissions are capped by a MOF ruling, like ours by the IRDA. Insurers often quote net rates to be grossed up. For Property and Engineering, brokerage ranges from 15 percent to 25 percent; for Motor 8 percent to 18 percent; Group PA 15 percent to 25 percent.

All promotional material must highlight policy exclusions. Even the size of the font to be used for such exclusions is specified to highlight them to consumers.

The Chinese experience on broking as a distribution channel must be of interest to the entire Indian market, as we share many similarities with them. Are we more progressive than our Chinese counterparts?

The U.K:

The UK is the country that has promoted professional brokers and gave a taste of their expertise and professionalism and their ethical conduct across the world insurance markets. The UK had, in 2004, a GDP of USD 2100 billion and a non-life premium of USD 105 billion. The GDP is thrice that of India but the



non-life premium is more than 25 times. This is due to international business flowing to the UK in abundance.

Indian market for centuries has modeled itself on the UK pattern for a variety of business practices, not the least, the insurance sector. It is quite baffling how the UK Govt. did not permit entry of brokers when they enacted the Insurance Act 1938. The broking community is the dominant sales channel in the UK accounting for 55 percent of all non-life premiums. 85 percent of this represents the commercial risks.

The brokers are self-regulated under BIBA and the individual brokers and the bodies corporate were required to be registered under the Insurance Brokers Registration Act 1977. The EU Insurance Mediation Directive, however, required all the intermediaries to be regulated by a statutory body. The FSA, though reluctant, had to assume responsibility for the brokers' regulation from 14th January 2005.

The capital structure required for brokers, unlike in China, is relatively low. To maintain independence, brokers must deal with a minimum of four insurers and not to derive more than 35 percent of their brokerage income from one insurer. In India, we specify, the amount of business and not the brokerage income as the guide.

Because of the high ethical standards practised by the entire market; the insurers, without scruples of any conflict of interest, often issue binding authorities to brokers. There are also specialist brokers, who specialize in certain types of high value and technologically complex risks. The brokers tend to professionalize their activities in the interests of serving customers competitively better. To grow bigger, M&A

activity among brokers is rampant. All large accounts are handled on a net premium plus fee basis. It appears that it is attractive to consumers; because fees attract VAT, which is normally recoverable from the tax authorities; rather than the insurance premium tax levied, which is not recoverable.

When insurers quote net premiums, there is a greater pressure exerted by brokers on the rates quoted, particularly as the brokers' earnings of fees, recoverable from the customers are independent of the premium levels. If this situation is duplicated in India and the brokers' earnings are de-linked from the premium or rate levels, this system seems to be of a greater benefit of to the consumers. Such an idea has not yet

In the UK, fee-based competition among brokers has risen so high, that it is not uncommon for brokers to handle prestigious accounts for no fees at all or even at a loss to themselves!

been considered in the Indian scene either by the broker or the consumer. In the UK, fee-based competition among brokers has risen so high, that it is not uncommon for brokers to handle prestigious accounts for no fees at all or even at a loss to themselves!

In the Indian context, one of the questions to be examined is: since the premium component includes brokerage/agency commission payable, apart from risk premium, would it be fair to expect a consumer to pay service tax on the intermediary remuneration that an insurer pays to procure business? Larger the

brokerage/ agency commission, the more the consumer is penalized by payment of additional service tax!

The range of brokerage paid in the UK for Commercial Property is 15 percent to 17.5 percent; for Motor 2.5 percent to 7 .5 percent; Household Insurances from 12.5 percent to 15 percent; and for Marine Cargo, it is about 20 percent.

How different are our business practices in India? The broking community in the UK is a model of rectitude in ethics and professional conduct. They have to be so; considering the huge amounts of business that pours in to London from all corners of the globe. They have been trendsetters and role models in how the principle of utmost good faith is translated in business transactions. They excel in laying standards for the future and invent products in close co-operation with underwriters. They command the trust and confidence of both the insurers and the insured to such a high degree that the Indian market users must regard them, as a model to be emulated.

France:

The French GDP was USD 2000 billion and the non-life premium was USD 66 billion. By premium volume, the French broking market is the third largest in the world after the US and the UK. 75 percent of the business handled is in respect of business risks, as opposed to individual and health business.

The intermediary commissions are not controlled by law. The guidelines are as below:

Property (Industrial) 12.5 percent to 17.5 percent; Auto 15 percent; Construction 10 percent;

Personal Lines 20 percent.

Singapore:

There are 41 direct brokers, 9 reinsurance brokers and one

composite broker. There are six Lloyd's accredited brokers. The brokers are regulated under the Insurance Amendment Act 2001 which was implemented in 2002. The minimum capital required for a broker license is USD 177,500. Every broker must maintain a net asset value of at least 50 percent of his or her minimum capital.

Brokerage payable is governed by market agreements. In Fire, Motor, Engineering, Marine Cargo, it is 10 percent brokerage. On large projects, brokers work on a fee basis.

The US:

The GDP of the US in 2004 was USD 11,700 billion and the non-life premium amounted to USD 600 billion. The distinction between brokers and independent agents in the US is getting blurred. They are getting replaced with the term "producers". There is a class distinction between smaller brokers and the big ones. IIABA attracts smaller brokers and the international and big ones are with CIAB (Council of Insurance Agents and Brokers). The latter places 80 percent of all US insurance business products and services commercial, industrial and governmental interests. The CIAB is a national organization wanting speed in market reforms. IIABA operates on a state-by-state basis, and is interested in local regulatory issues. Marsh with a brokerage income of USD 5250 million and Aon with USD 3230 million top the market. Ranking next is Arthur J Gallagher with USD 1100 million and Willis with USD 1000 million.

Insurance commissions are not regulated. Large brokers negotiate fees with the large customer and then they negotiate the basis of premium with the insurer net of commission. Commercial lines fetch up to 15 percent; Auto 15 percent to 20 percent.

Final word:

What does the above narrative suggest to the reader? That the Indian insurance market led by the IRDA is proceeding on the right lines on brokerage remunerations, capital needs, foreign equity participation, a proper code of conduct for brokers to follow etc. With the market likely to be freed from tariff rate structures soon, the net premium concept for large accounts would gain prominence.

More and more state-owned enterprises may go in for brokerage licenses. This should be encouraged. Professionalism and expertise can be built up only by handling of major corporate risks. It is likely that more bodies corporate would consider entering the broker market in

Insurers would come under increasing pressure to show up their technical and underwriting expertise. They need to justify the rating structures more scientifically than hitherto.

a big way. It gives them a brokerage income to be shared with other professional brokers, with whom they could work as a consortium. Co-broking in India is permitted. There would be greater sensitivity towards risk management on the part of larger consumers to get lowered rates. Insurers would come under increasing pressure to show up their technical and underwriting expertise. They need to justify the rating structures more scientifically than hitherto.

Ultimately, it is for the Indian broking fraternity not to expect bailouts and incentives from IRDA in the form of

entitlements. They now have the freedom to quote the fees, apart from the brokerage they want from the consumers and then bring pressure on insurers to quote appropriate rates, based on individualized track record and risk management practices. It is now a battle for supremacy on the technical and negotiating front. It should not be reduced to a battle for monetary rewards alone, as practised now.

In the UK, in China, in France and in Singapore; all broker regulations introduced are new, the same as in India. The challenge before all the players is: Will they all co-operate to build an insurance market on professional and ethical lines, responsive to consumer needs of today and tomorrow, without seeking temporary financial gains for one at the expense of the other? Ensuring that consumers trust the market system should be more important to all the stakeholders than pursuing monetary rewards to flow without adding value to what one professes one is capable of. Performance delivered, and not merely the promise to perform, is what the consumer wants.

(The information quoted in this article is based on a report of Axco, a UK based information service provider with a 40-year experience in conducting research in 160 countries across the globe).

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The Broking Profession

- Road Ahead and Challenges

Radhakrishna C. opines 'It is commonly believed that de-tariffing will be a blessing for Brokers and the market will become "broker-dominated" overnight'. He hastens to add 'it is naïve to assume that this will happen almost magically and overnight'.

The role of a broker in the growth of the Indian Insurance industry has been a subject of debate among stakeholders ever since the first licence was issued by IRDA almost 4 years ago. 'Our position dictates our view' - therefore, there are various view points ranging from 'brokers are indispensable' to 'brokers add no value and are nothing but a hindrance' depending on who you are talking to.

The truth, as usual, lies somewhere between these two extreme statements. Unlike the developed western markets, Brokers in India have neither proved themselves indispensable to their customers (and/or insurers) nor have they been a total hindrance (as some would have you believe). Among broking circles, it is often discussed (in a tone of awe and some envy) that, in countries like the United States of America, when a client approaches an insurer directly (rarely), he is invariably directed to a broker first. While this surely sounds like a win-win-win scenario for the client, the insurer and the broker, we in India are quite a distance away from such a scenario.

The market is still evolving: while the share of brokered business has certainly gone up substantially since 2003, clients

have yet to accept a broker as readily as they would, perhaps, an internal auditor and insurers still prefer to deal direct for various reasons.

What then does the immediate future hold for the Broking industry? Will de-tariffing prove to be the magic mantra for broking as it is held out to be?

INDIAN BROKING INDUSTRY - SOME STATISTICS

Among broking circles, it is often discussed (in a tone of awe and some envy) that, in countries like the United States of America, when a client approaches an insurer directly (rarely), he is invariably directed to a broker first.

Before we proceed further, it may be of help to capture some statistics at this point.

- There are a total of 232 licensed brokers operating in the market today
- This number breaks out into:
 - ♦ Direct Brokers - 201
 - ♦ Composite - 27
 - ♦ Re-insurance - 4

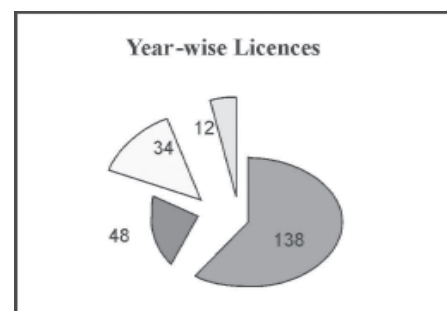
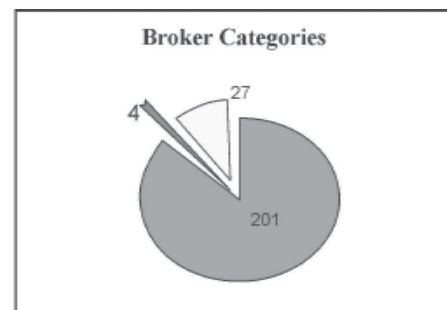
- Significantly, the year-wise number of licences issued by IRDA has been dropping steadily as can be observed from the statistics given below.

♦ 2003	-	138
♦ 2004	-	48
♦ 2005	-	34
♦ 2006 (till date)	-	12

This could be an indication of the fact that:

- a) the market has stabilized to some extent and
- b) IRDA is getting more stringent on licensing norms.

- Unlike other markets where Brokers focus on Commercial / Institutional



business - leaving the retail (including life) market to agents, a large number of Indian brokers have ventured into the retail space - perhaps to exploit the burgeoning market and/ or due to the restricted size of the "tariff-driven" commercial market.

DE-TARIFFING

It is commonly believed that de-tariffing will be a blessing for Brokers and the market will become "broker-dominated" overnight. With the opening up of Pricing and eventually Forms (i.e. wordings) to market competition, the wider choice created for the customer, coupled with his lack of specialized market knowledge and time, would mean more dependence on a trusted and knowledgeable partner to help him navigate the choppy waters.

But it is naïve to assume that this will happen almost magically and overnight.

There are several challenges which lie ahead for the industry to overcome - the biggest among them being absence of trained manpower and inability to attract the best of talent from other industries.

THE MANPOWER CHALLENGE

Unlike boutique services like consultancy or agency businesses, broking works best when it is scaled up across locations and across a wide range of clients and industries. The cross-pollination that occurs is beneficial to the entire process of risk management, coverage enhancements, price-negotiation and claims handling for the client.

The immediate implications of scaling up any business model are:

- Need for a larger team
- Need for the owner-manager to delegate some of his functions to his team
- Loss of the personal touch normally maintained by owner-managers with clients

The broking industry's biggest challenge is to manage this scaling up challenge and grow their businesses without compromising on professional service standards as laid down by IRDA and as demanded by clients.

Unlike boutique services like consultancy or agency businesses, broking works best when it is scaled up across locations and across a wide range of clients and industries.

This is especially so in a market where supply of trained manpower is scarce and a career in broking is not considered the best of career options by the crème de la crème. A dipstick survey of all broker-teams across the country reveals the following:

- there are only a handful of Chartered Accountants and IIT/ IIMs in this industry even today
- only a handful of brokers participate in the campus recruitment exercises of the premier management institutes - and that too only in the 2nd rung institutes like ICFAI, NMIMS, Amity etc.

The broking business is an interesting mix of 'sales' and 'consultancy'. A broker is both an intermediary working for a commission and a professional consultant giving technical advice (like a doctor or lawyer); and seeking professional indemnity protection. As such, what we need is a mix of soft skills (marketing / relationship building / negotiating/ deal closing) and technical (read: insurance product knowledge). It is highly unlikely that a big-ticket corporate customer will feel comfortable handing over his Rs.200 Lac insurance portfolio to a person lacking in any of these departments (eg: a marketing whiz kid who thinks a CAR - Contractor's All Risks - policy can be used to cover the CFO's 4-wheeler OR a technical genius who refuses to accept that even a claim repudiation can be done without hurting egos).

While the entire industry is convinced that the Broker's role will be dramatically different post-April 2008, there seems to be an ostrich-like tendency to ignore the fact that none of these brilliant results can be achieved without an abundance of fully trained and competent set of people. Deeper penetration of insurance usage; understanding of the client's risk profile, designing an appropriate product and coverage for him; guiding the client on loss control measures, adding value and making comprehensive underwriting submissions to insurers (thereby reducing their work load); and skillfully handling large and complex claims - all these require a certain set of skills. Ignoring this need can only lead to short



term measures to gain market share (including unethical practices).

SOME IDEAS

The general insurance industry has still not woken up to the fact that all its constituents need to work together for the growth of this fledgling industry. We have outstanding examples of at least two industries which grew at an exponential rate by adopting a collaborative rather than confrontationist approach - **the mutual fund industry** (during late-nineties) and the **private life insurance industry** (recently). We would be better off building the right talent pools and the knowledge resources rather than cribbing about each other's deficiencies and practices.

- For starters, the industry can form a loose association covering all its organized constituents - insurers, brokers, TPAs, corporate agents and banks. This would be in addition to their specific associations - primarily for advancement of knowledge and skills sets.
- IRDA and NIA (National Insurance Academy) should take the lead and

work with insurers and leading brokers to design courses and training inputs for specific product lines and specific needs of all its constituents.

- They should work with colleges offering Insurance courses and assist in preparing practical and user-friendly syllabi.
- They should encourage more colleges across the country to start courses in insurance
- The 100-hour training agenda (which is a one-time intervention and not sufficient to meet ongoing training needs)
 - ♦ Should be made more accessible - currently it is available only in Mumbai, Delhi and Chennai.
 - ♦ Should be supplemented by several more short-term courses of 2-3 day duration on specialized topics
- NIA could consider setting up satellite Academies in other cities - co-sponsored by all the General Insurers and perhaps the Insurance Brokers Association of India. These

Academies would conduct training programmes both full-time and part-time so that talent from outside the industry could be brought in and trained.

Frankly, building a responsible, competent and versatile talent pool across all levels and segments of the industry is definitely as important, if not more, than worrying about where brokerage rates would stabilize after Jan 1, 2007.

After all, as SEBI maintained during its recent "disgorgement" order on Depository Participants (November 22, 2006) - the intermediary has a more responsible role to play in the efficient functioning of markets than any other player.

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The author is Director, India Insure Risk Management Services P Ltd. The views expressed in this article are the author's personal views.

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Retaining a Life Policy

- Distributor's Ethics

'Training and qualifications are more in the form of gauging distributors' eligibility. The essence of their efficiency lies in the value they add to the prospect's needs' opines D.V.S. Ramesh.

"Insurance products are no different to FMCG products; insurers should aggressively market insurance products on the lines of FMCG products" - Finance Minister Mr P Chidambaram.

Availability of business potentiality, identifying the right market segments and reaching the market are the main items in the business agenda of any of the sectors, more relevant while marketing an intangible service like insurance. This is particularly relevant in a nascent and developing market like India, where the awareness about insurance is very much limited even amongst the higher strata of society; and the stress on developing an acceptable distribution channel will be there on the shoulders of its stake holders. The convergence of financial markets triggered their conversion to retail ones turning them as markets of choice from markets of demand. Retailing a financial product will have many intricacies while insurance products need involvement of an interface due to complexities of products. Products that are simple to understand, easy to underwrite are the few that could be promoted through retailing. Even to promote the retailing of insurance product, an effective and reliable distribution channel should be developed. The personnel manning the distribution network of an insurer are bound by a set of code of conduct which should be adhered to not only by the rule of law but more by a feeling of empathy. Ensuring adherence to this code by divergent distribution channels is a challenge to an insurer.

The extension of the contours of distribution channels to other institutions

with the entry of private players has undoubtedly enhanced the competitive structure of distribution network in India. Tapping the available inherent strengths of institutions has contributed to the increase of deeper penetration of insurance market. From a mere 1.93 percent in 1999 insurance penetration has shot up to 3.17 percent in 2004. This outstanding result is only an outcome of the wide reach of various distribution channels, apart from development of individual agency channel on professional lines. Evolution of wider

Retailing a financial product will have many intricacies while insurance products need involvement of an interface due to complexities of products.

range of product choice, buoyant economic growth and rising income levels also fuelled the growth of insurance business. Though, opening up of insurance sector has introduced multi layer distribution network, the traditional individual agency channel is still ruling the roost with 88.65% of new life business underwritten for the year 2004-05. However, the gains of other institutional channels are quite remarkable for the same period with 8.77% while direct business done is

only 2.58% of new life business underwritten.

The development of alternate channels like direct marketing, work site marketing etc. will create awareness about an insurance product which in turn may help the individual agents as a prospecting tool. It is a natural inclination amongst most of Indians to rely more on advice of a financial advisor before investing high amounts of premiums. And hence the importance of their role in the financial world.

Apart from other prescriptions; qualification, training and code of conduct may be hallmarked as the core of the entire spectrum of regulations governing distribution channels. While a qualification is just a passport of entry norm, training is expected to equip the distributor enabling him to have a need based approach towards the customer. With the development of insurance markets, the introduction of new products with diversified features and of convergent nature; the onus of imparting better training norms lies with the insurers irrespective of regulatory prescriptions.

The prescribed code of conduct of any professional is one of the difficult tasks to enforce. An insurance advisor, especially, has to run a tight rope walk in managing the interests of client, his principal (that is insurer) and his own self interests. While transmitting and disseminating material information fairly to/from the insurer and the client, the advisor plays a key role.

Prohibition against inducing a policyholder to terminate his existing life



insurance policy with the intent of promoting a new policy and gain a handful of commission could be termed as the bedrock of prescribed code for licensed intermediaries. With the changing life styles, changing market scenarios and with the entry of novel products this code draws significant attention from all angles. One of the driving forces of an intermediary to promote/sell an insurance product is the remuneration package offered on a product. While the remuneration offered is part of the overall expense assumptions of a product, it is expected to be within the framework of statute. Section 40 of Insurance Act, 1938 that governs this element has allowed a higher proportion of first year commission gradually reducing subsequent years' renewal commissions. This pattern of remunerative system, though not a sole reason, may encourage in churning of insurance business from one insurer to the other; or from one product to the other when a policyholder is advised to surrender his existing policy to take another life policy. This aspect will be neither beneficial to the insurer in view of heavy new business strain, nor to the policy holder nor to the agent.

The premium on a conventional life insurance policy will be on a level premium system; as age advances premium payable on a life policy increases and more steeply on reaching advanced ages. Based on the underwriting policy adopted by a life insurer, a policy holder may not even be eligible to take another policy for the same sum assured owing to changed life conditions. On other hand surrendering an existing policy will be always subject to loss to the life assured as only a portion of paid up and vested bonuses is paid. In case of unit linked plans, where the possibility of this practice may be rampant; it works against the fundamentals of the product itself. As opposed to the practice in a traditional life policy, the action to terminate a unit linked plan may even start from the policyholder. Here comes the effective advisory role of a right

intermediary. The concept of unit linked policies work on the principles of rupee cost averaging, whereunder a policyholder can enjoy better returns only in the long run. The results shown in the short tenure are not even indicative of their performance in the longer run. As a fund under a unit linked policy grows, the mortality costs payable by policy holder reduces, as this cost is charged on sum at risk (equivalent sum assured minus value of the fund) and the policy holder enjoys the privilege of getting the same risk coverage of the sum assured with relatively lower cost of mortality charge. Inducing the termination of a unit linked plan may tempt the policyholder in indulging in this speculative trade even with his life policies thereby depriving him of building up an estate.

The limitations of time and space work against essential ingredients of insurance marketing if promotion of insurance products is routed through malls on the lines of credit cards.

An insurer on the other hand has to bear the new business strain due to the early termination of the product. From a business perspective, retaining an existing customer within his fold may eventually yield dividends in the long run. Same is the case with a financial advisor. Providing the right advice keeping in mind the long-term interests of a prospect will enable him to win the loyalty of the customer. A satisfied customer of an advisor is like a never ending referral data base. Training an advisor with a focussed approach in this regard would ultimately reap the dividends.

Curtailing this practice would be a challenging task while retailing insurance through outlets, where the focus may be more on a sale. The

limitations of time and space work against essential ingredients of insurance marketing if promotion of insurance products is routed through malls on the lines of credit cards. Protecting the interests of policyholders could be achieved by insurers grooming the right personnel of the targeted distribution channel.

In some advanced markets, regulators do intervene to curtail these practices by imposing restrictions on agents and insurers. Regulation 60 of New York State Insurance Department considers replacement of a life insurance policy or an annuity contract when an existing policy was lapsed, surrendered, forfeited, made a reduced paid up, reducing sum assured or premiums; with intent of purchasing a new life insurance or new annuity. Disclosures are to be made by agents by duly notifying to the client, to the insurer whose policy is being replaced and to the insurer replacing the policy. The relevant forms do contain in bold font that it is not in the best interest of the client to terminate the existing policy with the intent of purchasing a new policy; and urges the client to contact existing agent or insurance company prior to finalising the transaction. The rules framed by Life Insurance Association of Malaysia on replacement of policies prohibit payment of a commission on a replaced policy within one year of the termination of original policy.

However, self discipline is the best practice to be adopted. Rules and regulations will only provide a broader framework within which the involved players shall work transparently. Following the best professional practices in true spirit, works as the lifeblood of a financial advisor. As already mentioned, rendering an advice with empathy works in favour of professional practices. Onus of grooming advisors on these lines again rests with the insurers and their training modules.

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The author is Senior Assistant Director (Life), IRDA. The views expressed in the article are his personal views.

Role of Distribution Channels

- A Paradigm Shift

'In light of the rapid transformation that is being observed in the Indian insurance industry, today the customer has multiplicity of choices of service providers; of products and services; distribution channels etc.' avers S.VISWANATHAN.

It is common knowledge that distribution channels are the prime drivers of growth for any organization. Distribution Channels are the enabling mechanism through which organizations ensure that their products and services reach the market. The speed with which you reach the market place, the quality of interaction, the constituents of the distribution channels i.e. the intermediaries have at the market place will decide the growth graph of the Company. The market share of the entity will depend on the share of Heart, Mind and Wallet of the customer and it is no wonder organizations globally are continuously engaging themselves in upgrading the capabilities of their intermediaries.

One very interesting dimension of the whole process of intermediation (in insurance industry) is that, world over the tied agency channel has yielded place to multiple distribution channels. This is primarily to ensure that the reach is increased, the customer base is enlarged, to have an adequate channel mix for different segments of market and to ultimately ensure growth in volumes. This transformation has happened not without any basis, for, today markets are moving from being product driven to customer driven. Hence it has become essential for companies to reinvent

themselves, in their run to be ahead of the competitors.

The insurance industry in India is undergoing a major transformation after the advent of deregulation and entry of new players into the market. The new players who have come into the country, through their foreign partners have brought in new technology, new products and at the same time have ushered in multiple distribution channels, in order

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to have economics of scale. The intermediation process in India, in the insurance industry prior to opening of the sector was wedded to tied agency channel mainly due to the structure followed by LIC and the four PSU non life companies. Of course, full credit has to be given to the "friendly neighbourhood agent of LIC" for mobilizing the household savings in substantial volumes and enabling LIC

to be a market leader in the domain of the life insurance.

However, the transformation which has been brought in by the opening of the sector has changed the value proposition for the distribution channels. Today the customer has multiplicity of choices of service providers; of products and services; distribution channels etc. As a sequel to this, the distribution channels have to be customer focused as compared to product focused; keep in mind the long term results as against the low hanging fruits; migrate from a push orientation to a pull orientation and move to strategy driven activities vis-à-vis transaction driven activities. The measuring rod for the efficacy of each constituent of the distribution channels is the pace and ease with which the new paradigm shift is adopted by them.

Besides the tied agency channel, the distribution channel matrix comprises of other entities like Corporate Agents, Brokers, Bancassurance channel, Direct marketing, Tele marketing, Net marketing, Worksite marketing etc. Other than the tied agency channel, all other constituents go by the generic name of Alternate (Alternative) Distribution Channels. The new companies which have come into India, are drawing their strength on alternative



channels of distribution as compared to tied agency channels. Mainly the emphasis revolves around developing the Bancassurance channels by tying the knot with Banks either through a Corporate Agency or Referral arrangement. Of course, the Public sector companies have not lagged behind in developing the Bancassurance channel. The Regulators both in banking and insurance have been proactive to this development and quite a lot of good measures have been put in place to enable bancassurance ventures to be in place. The other two important entities viz. the corporate agents and Brokers however have not made any significant mark in their contribution to the whole kitty, particularly in life insurance market. In a competitive environment, with customer occupying the centre stage, the corner stone of success will depend on matching the appropriate customer segment with the right distribution channel. Life Insurance companies in India including LIC have to make

conscious efforts to make this happen. The capacity building for the functionaries of distribution channel, their knowledge level, and the technology utilization will be the core concerns of the organizations. With boundaries getting blurred, financial services are getting integrated and the concept of Wealth Management or Personal Financial Planning is becoming significant. At the same time customers expect service delivery standards at a very high level promising a zero defect environment and all services to be on real time. The concept of '24x7, anywhere-anytime' is getting

channels should always be alive to the emerging scenario, wherein they will be addressing the needs of the Right Customer with the Right products and services at the Right time.

Globally, financial services sector of which insurance services form a significant part, is driven by the entrepreneurial spirit and attitude exhibited by the intermediaries who are associated with the organizations. In India today we are witnessing the dawn of a new era marked by the presence of global players and with a buoyant economy, life insurance industry is expected to do very well in taking a lion's share of household savings. Distribution Channels will necessarily play a crucial role in giving the customers the best value in products and services for their money's worth.

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विकास, प्रगति और समृद्धि के लिए जीवन बीमा एक अत्यंत महत्वपूर्ण भूमिका निभाता है। यह न केवल वित्तीय सुरक्षा प्रदान करता है, बल्कि जीवन के अनेक चरणों में मदद करता है।

जीवन बीमा के माध्यम से, आप अपने परिवार के भविष्य की सुरक्षा कर सकते हैं और अपने वित्तीय लक्ष्यों को प्राप्त कर सकते हैं।

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जीवन बीमियों

मूल्य वर्धन करने के लिये होती हैं।



जीवन बीमा एक मूल्य वर्धन करने वाला है।



Life Insurance Products in India

- Issues in Distribution

'Selling life insurance, in India, is not merely about presenting the features and benefits of the products; and helping the customer choose the right plan' says V. Sai Kumar. He further adds 'On most occasions, it starts at the more basic level of dispelling wrong notions about life insurance and convincing the prospect about the need for the same.'

In spite of the collapse of the traditional protection mechanisms such as joint family and community support, the need for life insurance is yet to be fully appreciated in the Indian society. This is possibly due to the fact that while the ground realities have changed, the mindsets are still in transition. Selling life insurance, in India, is therefore not merely about presenting the features and benefits of the products; and helping the customer choose the right plan. On most occasions, it starts at the more basic level of dispelling wrong notions about life insurance and convincing the prospect about the need for the same. This is what makes distribution the toughest of the chain of activities in the business of life insurance. This is also why, of all the financial products, life insurance is rated as the most difficult to sell.

The resistance to life insurance in our society casts an additional burden on the distribution network and induces a higher degree of fatigue. It also leads to lower conversion rates (number of sales to number of sales attempted) resulting in lower productivity levels of the agents. The costs of distribution, both direct and indirect, are also on the higher side due to higher commissions and incentives, which cannot be avoided due to the above reasons. The training costs are also quite high in view of the constant need to give inputs, motivate and enthuse the sales persons to keep them in performing mode.

The higher percentage of commissions and other incentives notwithstanding,

attrition rate among life insurance agents is extremely high (up to 50%), not only further adding to the costs in terms of pre-licensing training expenses but also wasting the organizational efforts in training and hand-holding these agents. Another adverse fallout of this attrition is that policies sold by the terminated agents end up as 'orphans'. A majority of such policies are lapsed, putting both the insurer and policy holder to loss.

Rebating is another major concern in distribution of life insurance in India. Even though it is explicitly prohibited

The resistance to life insurance in our society casts an additional burden on the distribution network and induces a higher degree of fatigue.

under Section 41 of the Insurance Act 1938, it is known to be quite rampant. Rebating is a rather unprofessional way of overcoming resistance of the prospective buyer or to undo competition. This evil practice lowers the dignity of the profession and also repels talent away from the business. However, the problem with this offence is that it is almost impossible to establish. Many regimes have therefore gone to the extent of legalizing it. By spreading out

commission rates more uniformly through the term of the policies as against the present common practice of higher first year commissions and much lower percentages in subsequent years, this practice could perhaps be curbed to some extent.

The life insurers would be well advised to intensify the efforts in promoting the concept of life insurance through all possible media. Vigorous training of sales persons in the fundamentals of life insurance along with inputs on salesmanship, in combination with the above, would not only improve the success rate of the salesmen and thereby their productivity levels; but also lower the attrition rates, make the public insurance-aware, melt away the resistance to life insurance and increase the business potential for the sector in the long run.

Greater appreciation of the need for life insurance thus generated among the public would also enhance the prestige of those participating in distribution of life insurance. This would in turn attract more talent to distribution and help it to evolve in truly professional lines.

The last five years have seen the introduction of fairly complex and sophisticated products in the Indian market. The traditionally popular and safe endowment products which offer savings-cum-insurance with relatively low returns have, to a good extent, made way to ULIPs which are essentially investment-cum-insurance products with potential for high returns but offering lower safety. ULIPs, by and



large, are a play on the stock market and do not offer investment guarantees. The investor therefore not only needs to make a well informed choice at the time of purchase but also needs to stay alert and balanced during the term of the policy. Through all this the distributor has a big role since the investors depend on him for information and guidance. The insurers must therefore equip them with the inputs, attitude and integrity required to sell and service these policies. Otherwise not only do the investors lose their money in these 'risky' products but the sector will also suffer a loss of credibility and goodwill.

The other important introduction to the basket of products in the recent times is critical illness covers. Thanks to the changes in the lifestyles, the incidence of morbidity among people during their earning spans has increased drastically, causing not only huge expenses towards treatment/surgery but also a loss of income to the afflicted individuals. This has created a huge need for CI covers in the market though the awareness levels in the society remain highly inadequate. The success of this product category in the market hinges on whether the distribution channels can effectively rope in the public to this new tool of protection. This is more true in the case of stand-alone critical illness covers with no returns at the end of the term that are now beginning to be launched.

Thus the era of knowledge-products has arrived in India in the last few years and there is no alternative but to train and upgrade the selling force so that they are in a position to take these products to the public and effectively convince them of the utility or even the indispensability of these new tools of investment and protection.

While distribution of life insurance was the sole privilege of individual agents until a few years ago, new channels have emerged in the form of bancassurance, corporate agents and brokers. Of these, bancassurance has been the most

successful, and quite expectedly so, in view of their reach and hold on the customers. However, a good number of these policies are sold at the bank window rather than at the doorstep of the customer. This raises a few issues. For instance, it is easy for a bank to sell a policy to a farmer while sanctioning him a farm loan but extremely difficult for them, being already busy with core functions, to follow up for payment of renewal premiums or to provide post-sales servicing. Only those bankers who sell to a smaller number of high value customers will perhaps be able to pay individual attention on all the policies sold. Though exact data is not available, it is already seen that lapses are quite high in the policies sold through this

While brokers have done well and captured a good share in the non-life business, their contribution has been rather insignificant on the life side.

channel. To overcome this issue banks may create dedicated teams exclusively responsible for post-sales servicing of these policies within the banks. Alternatively they may restrict themselves to products which require minimal servicing support.

While brokers have done well and captured a good share in the non-life business, their contribution has been rather insignificant on the life side. It calls for further probing to understand the reasons for the same and to see if they can be encouraged to participate with greater enthusiasm in the life business as well, at least to the extent of leveraging their non-life clientele for this purpose.

The major concern in the life insurance sector remains to be the inadequate coverage. It is estimated that the number of people covered by life insurance is a mere one-fifth of the insurable population. Though the regulator has stipulated rural and social sector coverage targets and come out with micro insurance guidelines with many enabling features and relaxations, results are yet to be seen. Coverage is largely a function of distribution and it is therefore to be understood that any major improvement in coverage can be achieved only by enlarging the distribution network. While micro insurance has provided for leveraging MFIs, NGOs and SHGs for distribution of micro insurance products, their own coverage is at best partial. Therefore one should also perhaps look towards massive recruitment of agents from among communities and regions which are under covered. It may also not be undesirable to offer relaxations with regard to eligibility conditions and stipends to agents from these segments.

To conclude, so far as distribution of life insurance is concerned, in the present context, more channels, more agents and more and more training is perhaps what the doctor ordered. If distribution is the cutting edge of life insurance business, the longer and sharper the edge the better.



The author is Officer on Special Duty (Life) IRDA. The views expressed in the article are his personal views.

A Measure of Social Security

- Role of Life Insurance

'The welfare state must not only look after people when they cannot look after themselves; it must also enable them to achieve self-employment and self support' writes G. Gopalakrishna.

Life has always been an uncertain thing. To be secure against unpleasant possibilities, always requires the utmost resourcefulness and foresight on the part of man. To pray or to pay for protection is the spirit of the humanity. Man has been accustomed to pray God for protection and security from time immemorial. In modern days Insurance Companies want him to pay for protection and security. The insurance man says "God helps those who help themselves"; probably he is correct. Self-help and thrift are the basis of modern civilization since all other features of modern life can be traced to these basic principles. In the twentieth century, welfare state on the one hand and socialist state on the other tried to take care of the individual from cradle to grave; and look after him to ensure a worthwhile life. But unfortunately both have failed or at best were only partially successful since they proved to be either too costly or too difficult to administer and manage. Insurance has taken birth in those days when the entrepreneurial spirit of middle class was at its highest and people were inclined to take risks and accept challenges for a better future. The advent of industrial revolution gave

impetus to develop this branch of insurance.

Social security has become an important part of social policy in modern times and is a sign of the interest that a welfare State takes in the well being of the masses. The development of social security institutions is inherently limited in an under-developed economy having

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a low national income; but its importance tends to increase alongside the expansion-phase through which such an economy passes in an endeavour to get relief from poverty and want. While life insurance has made some degree of progress in developing countries, social insurance institutions and traditions are yet to take roots in many of them. India is an important developing country which has recently taken concrete steps, within a democratic

framework, to introduce social insurance; and her present scheme of social insurance is likely to expand with her economic progress. It is worthwhile to assess the process of simultaneously associated growth of the overall economy and the insurance contents of social security in a developing country such as India which is set firmly on the road of economic progress on a Constitutional mandate.

The Constitution of India envisages the establishment of a welfare state. In a welfare state the primary duty of the Government is to secure the welfare and promote the prosperity and well being of the people. A welfare state has to ensure social, economic and political justice, equality, freedom and dignity of life to every citizen. It has to bestow welfare benefits on the teeming millions of poor, weak and downtrodden in order to harness the powers of all in an equal manner for common good and collective well being. Therefore, a welfare state is to be a social security state.

There is no need for a welfare state to be active throughout our lives i.e., providing safety, security and decent standard of living from cradle to the grave. It should help people to negotiate



unpredictable change at work and home. Instead of a safety net to relieve poverty, we need a social security system that can prevent poverty. In other words, the welfare state must not only look after people when they cannot look after themselves, it must also enable them to achieve self-employment and self support.

SOCIAL SECURITY SYSTEM:

Too many people in this country are not in employment; and work for too many no longer guarantees income security. Several millions are part-time, self-employed and low-earning workers living under pitiable circumstances where there is no security cover against risk. Further the inherent changing employment risks, the prospect of continual change in the work place with its attendant threats of unemployment and low pay especially after the adoption of New Economic Policy and the imminent life cycle risks - a new source of insecurity which includes the changing demands of family life, separation, divorce and elderly dependents - are tormenting the society. Risk has become central to one's life. It is within this background life insurance policy has been introduced by the insurance companies covering risks at various levels.

Life insurance coverage is against disablement or in the event of death of the insured, economic support for the dependents. It is a measure of social security to livelihood for the insured or dependents. This is to make the right to life meaningful, worth living and right to livelihood a means for sustenance.

Therefore, it goes without saying that an appropriate life insurance policy within the paying capacity and means of the insured to pay premia is one of the social security measures envisaged under the Indian Constitution. Hence, right to social security, protection of the family, economic empowerment to the poor and disadvantaged are integral part of the right to life and dignity of the person guaranteed in the constitution. Social security is a facet of socio-economic justice to the people; in particular, to the middle class and lower middle class.

The rapidly growing significance of social security for human welfare and

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the mounting seriousness of human endeavours to fight against poverty and want, compel us to make an examination of the social security aspect of life insurance. This is more urgent and necessary since India stands today on a pedestal of great developments, such as nationalizing life insurance about 50 years ago to more particularly mobilize people's savings for implementation of various plans after independence and opening up the industry to private players in public interest. Due to the large development in Indian economy, need was felt to open

up the insurance market for private players for the ultimate benefit of the consumer by way of better product and service in line with global trends and policies so as to derive lawful benefits thereunder for the nation as well. With the set up of Malhotra Committee and thereafter the Insurance Regulatory Authority of India (IRA) under IRDA, insurance system in India has been streamlined to a great extent. Industry, Trade and Commerce have been convinced with the regulator in action, now insurance can be an effective part of the Indian economy which will bring prosperity to the people of India. Much headway of life insurance was made in the country after nationalization of life insurance under Life Insurance Corporation (LIC) Act, 1956 by the Government of India in January, 1956 and through the nationalized institution, Life Insurance Corporation of India (LIC) only, the Government adopted several social security measures for the benefit of various sections of the community. The institution of life insurance brings in various social security measures for the well being of the society in general and it serves as a social justice to the humanity as envisaged in the Constitution.

Man finds his security in income (money) which enables him to buy food, clothing, shelter and other necessities of life. A person has to earn income not only for himself but also for his dependents, viz., wife and children. He has to provide legally for his family needs, and so he has to keep aside something regularly for a rainy day and

for his old age. This fundamental need for security for self and dependents proved to be the mother of invention of the institution of life insurance. The basic idea of insurance is a contribution by individuals to a common fund so that in case of exigency they should obtain reciprocal benefits. In other words, life insurance intrinsically provides the alternate source of income when the first source viz., his working capacity ceases due to old age, death or disability. Life insurance essentially leads to the maintenance of income in a definite way. In the endowment type of policies maturing during his life time, the insurance money serves the purpose of old age provision (though it can also be used as provision for the marriage or education of children). In the whole life policies or even in endowment policies, when death occurs before the expiry of the term of policy, the life insurance serves the inevitable purpose of family protection. Life insurance is the only available means of legal and financial assurance in a man's plans for the future. Thus, life insurance serves a social purpose by providing economic security to individual citizens, who purchase life insurance policies to provide their families with a measure of protection against adverse financial consequences of premature death.

Life insurance policy is a legal contract between the company and the person insured. It contains a statement of reciprocal obligations and undertakings of the two parties to the agreement and of its various terms and conditions. In consideration of the payment of

premiums and of satisfactory evidence of insurability submitted by the applicant for insurance, the company promises to pay at death the amount specified in the face of the policy and to assure other benefits such as disability and double indemnity benefits if they are included in the policy. In the case of endowment contracts, the company also agrees to pay the proceeds of the policy to the policyholder if he is living at the end of the endowment (specified) period. Thus life insurance enables a man to eliminate a risk of loss that exists on the possibility of his family's losing, by his death, the value of his earning power.

Social security is a dynamic concept considered by advanced countries as an indispensable tool to strike at the evil effects of poverty, unemployment, and disease or death.

With life insurance, the breadwinner's family is necessarily compensated at his death for the loss of so much of the capital value of his earnings as he had thus protected by life insurance. The institution of life insurance is, therefore, an intelligent expression of man's will to live and is conclusive evidence of his success in the instinctive search for security.

Social security is a device for ensuring freedom from want. Social security is a dynamic concept considered by advanced countries as an indispensable tool to strike at the evil effects of poverty, unemployment, and

disease or death. Appropriately, therefore, life insurance is an excellent form of social security by its very nature, in the modern day. Life insurance has thus come up as a great institution of our times. As an institution of social security there is no parallel in the benefits it can bestow on an individual or the community as a whole.

Every individual desires security for self and dependents. This urge is to be accommodated within the larger frame of society's security. State's obligation to all its citizens and the responsibility of Government to frame and regulate welfare schemes are provided for in the Indian Constitution. After India became independent, while pursuing quinquennial developmental plans; during the second-half of December, 1954, the Lok Sabha accepted the objectives of a socialistic pattern of society. The Government of India took over the conduct of life insurance business in the year 1956 by nationalizing the life insurance and the Life Insurance Corporation of India was set up on 1st September, 1956. Nationalization was effected to mobilize resources and to extend the benefits of insurance to all sections of people as a measure of social security and to render a quality of service to them. The premiums thus collected were to be profitably utilized for nation-building activities, which again benefit the citizens of the country, wherever they be. Insurance industry through nationalization indirectly benefits the society as a whole to take up welfare measures.



Thus insurance has individual benefit and also the societal benefit as well. All the insurers - Government as well as Private players - have far exceeded the limits laid down by the IRDA in social and rural sectors. The policymakers wanted insurance protection to be extended to all who need it, even if, for the time being, they could not purchase it. It would mean extending a helping hand to the less fortunate so that the functional basis of society is sustained without large scale upheavals or disturbances. This meant recognition of the economic value of man in society. 'Insurable interest' of the State in the lives of its citizens is, therefore, made explicit in the insurance laws. Life insurance, they believed, had a major role to perform, to attain universal social security and assist in creation of Welfare State. Life insurance thus plays an excellent form of social security in the well being of the masses. The discussion leads to the inevitable conclusion that life insurance is an

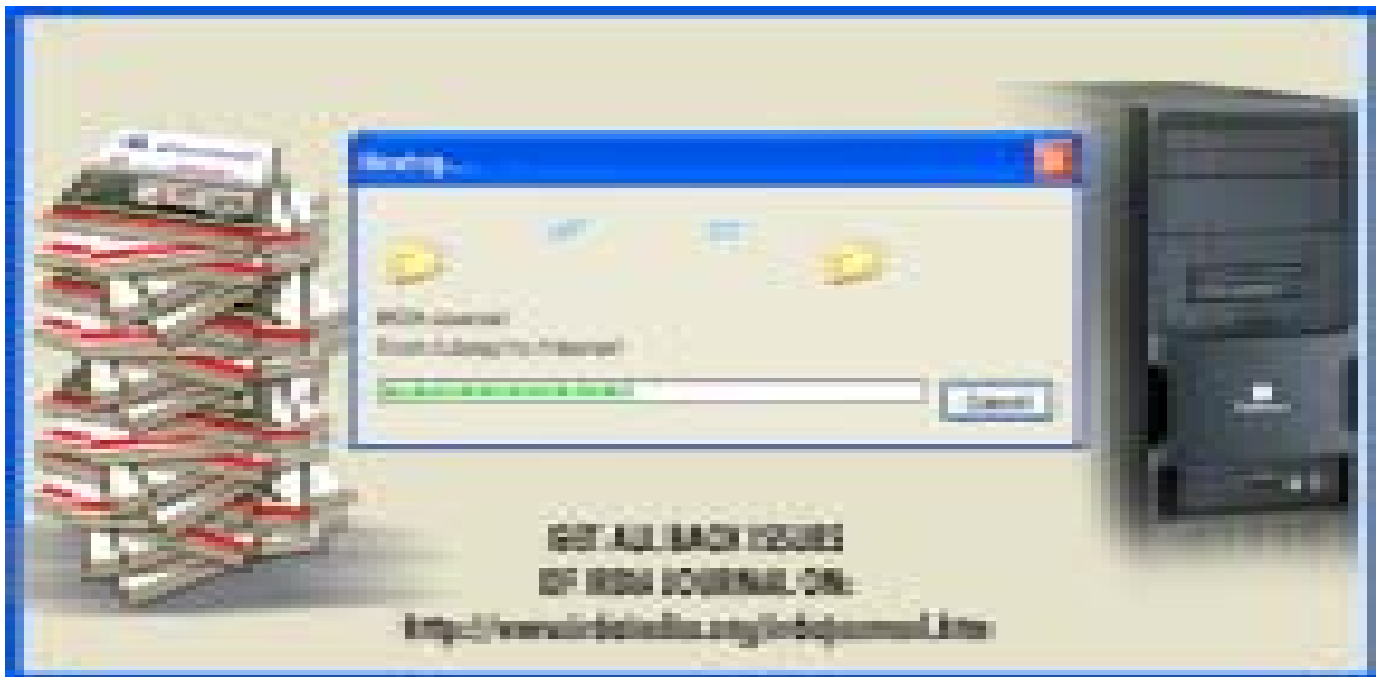
excellent form of social security. The concept of financial security for the family has exercised amazing influence on humanity with astonishing continuity. Foundation of security through life insurance has come to be regarded as the desirable path to derive utmost joy from life. The vital necessity of possessing money cannot be overestimated. Hence, money should be earned, guarded and multiplied or saved. Insurance is one of the means of providing social security and hence insurance function is also regarded as an important component of the social

Insurance is one of the means of providing social security and hence insurance function is also regarded as an important component of the social security in the present day.

security in the present day. Life insurance is a matchless medium of legal shelter and social security. Life Insurance thus amply and ably gratifies the goals of the Indian Constitution in forming a Welfare State. Thus, life insurance contract is a special contract with many legal dimensions. In spite of its legal character, life insurance contract has some 'social value' in the sense; it has to consider social realities and economic limitations when it is offered to the general public. Life insurance, which has theoretical basis of providing security measure to the risk of death, considers the welfare of the family of the insured. Above all, it has ample legal significance while construing such contracts by the Law Courts.



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प्रकाशक का संदेश

विश्व भर में मध्यस्थता बीमा व्यवसाय का मुख्य कारक बन गया है। बहुत से बाजार आज अपने सफल विकास का श्रेय वितरण व्यवस्था को देते हैं। व्यापक रूप से अन्य वित्तीय उत्पादों से अलग बीमा की संकल्पना को भावियों को समझाना पड़ता है। हालांकि वितरकों ने कई बाजारों में परिपक्वता प्राप्त कर ली है, भारत जैसे देश में वितरण केवल बीमा उत्पादों को बेचने में महत्वपूर्ण भूमिका अदा करता है।

वितरण की भूमिका इस बात पर निर्भर करती है कोई व्यक्ति किस वर्ग के बीमा का प्रचालन कर रहा है। उदाहरणतः जीवन बीमा जहाँ संविदा लम्बे समय के लिए होता है, वितरक को सर्वप्रथम संभावित की आवश्यकताओं को जानने तथा उसके बाद एक उपयुक्त उत्पाद का सुझाव देने की आवश्यकता होती है तो उसकी जरूरत को पुरा कर सके। इसकी अनुपस्थिति में, संविदा का पुरी समय अवधि तक चलना कठिन होता है तथा पालसी धारक संविदा समाप्त करने के अवसरों को तलाश करता है जीवन बीमा में उच्च व्यपगत अनुपात इसी पद्धति का परिणाम है। आवश्यकता अनुसार पता लगाना तथा आवश्यकता अनुसार विक्रय लम्बे समय के संविदा को बनाये रखने के लिए बड़ी भूमिका निभाते हैं।

बीमा की अन्य श्रेणियों में, वितरण के केन्द्र में ग्राहक की तुरन्त माँग होगी वैसे अन्ततः एक लम्बे समय के सम्बन्ध की आवश्यकता

है जोखिम का सतत् मूल्यांकन तथा परिवर्तनशील अनुमान भी महत्व रखता है। छोटे समय के संविदा के लिए बीमा योग्य हीत में परिवर्तनों पर भी वितरण चैनल का ध्यान होना चाहिये।

ऐतिहासिक रूप से भारतीय बीमा संसार में, एजेंटों का वर्चस्व है तथा कुछ मामलों में वे एकांगी वितरक हैं। उदारिकरण के के परिवेश में अन्य कई गतिशील वितरण विकल्प सामने आये है जैसे ब्रोकर, निगमित अभिकर्ता, बैंकएशोरंस इत्यादि। जबकि अभिकर्ता वितरण में महत्वपूर्ण भूमिका निभाता रहैगा, अन्य विकल्प तेजी से गति प्राप्त कर रहे हैं। विशेष रूप से प्राशुल्क मुक्त व्यवस्था में इन्हें बहुत महत्व पूर्ण भूमिका निभानी है। जर्नल के इस अंक का केन्द्र बिन्दु वितरण है।

जब दी गई सेवाओं से ग्राहक संतुष्ट होता है तो शिकायत के लिए कोई स्थान नहीं होता लेकिन यह स्थिति बहुत विरल ही होती है तथा विशेष रूप से बीमा व्यवसाय जैसी स्थिति में यह असंभव स्थित होती है। जर्नल के अगले अंक का केन्द्र शिकायत निपटान होगा।

श्री. एस. राव

सी. एस. राव



“उच्चतम आधुनिक आधारभूत सुविधाओं में मलेशिया नेतृत्व कर रहा है, इन्हें विदेशी भूमंडलिय उत्कर्ष में एक महत्वपूर्ण भूमिका अदा करनी है तथा चर्चित उद्योग की उन्नति की सतत् बनाये रखनी है।”

श्री अगिल,
इस्लामिक वित्तीय शिक्षा केन्द्र के मु.का.अ. (आईएनसीईआईएफ)

“ऐसे प्रस्ताव का स्वागत है कि कैसे विनियामक के बोझ, वित्तीय क्षेत्र कि लागत तथा कार्यपुर्नावृति को कैसे संबोधित किया जा सकता है।”

सुश्री केरिन कैली,
मु.का.पा. आस्ट्रेलियन बीमा काउंसिल

“चीन तथा भारत के उद्भव, तथा जापान की पुर्नगति प्राप्त करने से निवेशकों में नये उत्साह का संचार हुआ है। दक्षिण पूर्व एशियन देश मुद्रा के संकट से उबर गये हैं जिससे अर्थिक विकास की अधिक अवसर सामने आये हैं।”

श्री ओग चोगं टी, उप प्रबन्ध निदेशक,
सिगांपुर का अर्थिक प्राधिकरण

“परंपरागत योजनाओं से यूलिप का आईडिया अधिक पारदर्शिय था, इसी लिए प्रत्येक परिवर्तन की व्यख्या की गई। निवेशकर्ता को मालूम है कि उसके धन को कहाँ निवेश किया गया है”

श्री सी एस राव, अध्यक्ष,
बीमा विनियामक विकास प्राधिकरण (आईआरडीए)

“बीमा क्षेत्र ने पिछले दो सालों में प्राकृतिक महाविपत्ति के समय अपेक्षा से अधिक विवेक का परिचय दिया है फिर भी अभी भी गुंजाइश है लेखन प्रावधानों, लेखन दरों, बड़े अकस्मिक प्रकृतिक जोखिमों को सुरक्षा प्रदान किये जाने के लिए यह सभी जोखिम कि पुर्नबीमा तथा सोलवेन्सी में परिवर्तन कर सकते हैं।”

श्री जुलियान एडमस,
अध्यक्ष आईएआईएस पुर्नबीमा पारिदर्शिता ग्रुप

“आज के ग्लोबल ग्राहक की आवश्यकताओं के लिए, मैं निश्चित विश्वास से कह सकता हूँ कि यू.एस. विनियामक समुदाय को अपने प्रयास में लगे रहना चाहिये जो बेहतर अन्तरराष्ट्रीय समन्वय बनाते हो।”

श्री एलिसेन्त्रो इयूपा, अध्यक्ष नैशनल एसोसियेशन आफ इंशुरेन्स
कमिशनर (एनएआईसी)

बदलती उद्योग प्रथाएँ

- गैर शुल्कीकृत बीमा

'शुल्क गैर शुल्क क्षेत्र की तरफ परिवर्तन उद्योग के लिये जोखिम भरा हो सकता है और प्रत्येक व्यवसायी को योज बद्ध तरीके से तथा बड़ी दूरदर्शिता से आगे बढ़ने की आवश्यकता है।' - पी सी जेम्स

गैर-जीवन बीमा क्षेत्र के उद्यमियों तथा उनके उपभोक्ताओं के मस्तिष्क में आज कल गैर-शुल्कीकरण का मुद्दा सर्वाधिक छाया हुआ है। इसके द्वारा उत्पन्न परिवर्तनों का प्रभाव सब कुछ अस्त व्यस्त कर देने वाला भी हो सकता है अथवा परिवर्तनकारी भी हो सकता है। गैर-शुल्कीकरण का मकसद निःसंदेह विकासात्मक है तथा उपभोक्ताओं व उद्यमियों के सर्वोत्तम हित के लिये है। अतएव गैर-शुल्कीकरण को सर्वोत्तम वैश्विक उपकरणों में स्थान प्राप्त होना चाहिए तथा अपने वर्ग में सर्वश्रेष्ठ बीमा रिवाजों के नियमों से संलग्न होना चाहिये। अतः यह उम्मीद की जाती है कि गैर-शुल्कीकरण गैर जीवन बीमा उद्योग के वर्तमान परिदृश्य को परिवर्तित कर देगा तथा इसे एक स्थाई विकास के दौर में ले जायेगा और उपभोक्ता संतुष्टि में वृद्धि करेगा।

गैर-शुल्कीकरण को इस प्रकार देखा जा सकता है कि यह बीमाकर्ताओं तथा उनके उपभोक्ताओं को सुरक्षा के नियम व शर्तें तथा मूल्य निर्धारित करने की नियमबद्ध प्रक्रिया एवं तंत्र से मुक्ति दिला सकता है और उन्हें सुरक्षा की शर्तों में जरूरत पर आधारित आवश्यकता के आधार पर जोखिम के आंकलन के योग्य बना सकता है तथा मूल्य निर्धारण में प्रतिस्पर्धी कीमतों को तय करने में सहायक हो सकता है। आज जिस गतिशील वातावरण का संगठन तथा उद्यमी सामना कर रहे हैं, इसमें कीमत निर्धारण के मुद्दों पर नव प्रवर्तन अथवा लचीलेपन की बहुत कम गुंजाइश के साथ, शुल्क सिर्फ अंतर्राष्ट्रीय नजरिये की अनुमति ही देता था। बीमा की कहावत के अनुसार एक बीमाधारक जो गैर-बीमाधारक की तरह कार्य करता है, वह अनुभव या / और अनावरण के वास्तविक समय के अनुरूप आंकलन करवाना चाहता था तथा जोखिम सुरक्षा हेतु निश्चित मूल्य चाहता था। यह उन्हें जोखिम का सामना करने लायक बनाता था तथा अपने जोखिम प्रबंधन उद्देश्यों की प्राथमिकताएँ इस प्रकार तय करवाता था कि उनके पास एक उचित सुरक्षा कवच है, कम से कम मूल्य की। प्रगतिशील तथा गतिशील जोखिम वातावरण में जारी नवप्रवर्तन या व्यक्तिगतता में शुल्क प्रणाली उनके अनुकूल नहीं है।

गैर-शुल्कीकरण के द्वारा उद्योग तथा उपभोक्ता को जो लाभ प्राप्त होंगे, वह तो गैर-शुल्कीकरण के अस्तित्व में आने के बाद ही जाने जा सकेंगे तथा इस बात पर निर्भर करेंगे कि इस पर बाजार की क्या प्रतिक्रिया होती है। इस बात की काफी मजबूत संभावनाएँ हैं कि कुछ क्षेत्रों में कीमतों में गिरावट आयेगी तथा कुछ में कीमत वृद्धि होगी और शुल्कीकृत बाजार में दिखने वाली कीमत समरूपता कुछ समय पश्चात अदृश्य हो जायेगी। साथ ही वृहद बाजार नीतियों तथा व्यक्तिगत नीतियों दोनों में ही उचित समय पर उत्पाद लक्षण में काफी प्रयोगात्मक तथा विविधकरण होगा। सुरक्षा में आवश्यकता आधारित लक्षणों की व्यापक उपलब्धता

उद्यमी भी स्वयं में बेहतर आत्म विश्वास प्राप्त कर सकेंगे क्योंकि वे जनसाधारण की पृष्ठांकन क्षमता तथा विश्वसनीय जोखिम आंकलन की निरंतर जानकारी प्राप्त कर सकेंगे क्योंकि शुल्क का मुद्दा खत्म हो जायेगा।

से उपभोक्ता संतुष्टि में वृद्धि होगी, जो कि उपभोक्ता को अल्प बीमा या गैर बीमा की परेशानी से बचने में सहायक होगी ताकि वे आकस्मिक हानि की स्थिति में बैचैन न हों। उद्यमी भी स्वयं में बेहतर आत्म विश्वास प्राप्त कर सकेंगे क्योंकि वे जनसाधारण की पृष्ठांकन क्षमता तथा विश्वसनीय जोखिम आंकलन की निरंतर जानकारी प्राप्त कर सकेंगे क्योंकि शुल्क का मुद्दा खत्म हो जायेगा। इस प्रकार समस्त बीमा उद्यमी बेहतर आत्मविश्वास के साथ जनसाधारण तथा साथ ही विशेषज्ञ बाजार दोनों में ही अधिक प्रतिक्रियात्मक तथा अनुकूल नीतियों के साथ कार्य करने में सक्षम होंगे, जिससे कि देश में बीमा की पैठ और अधिक गहरी होगी।

अतएव हमारे अल्प विकसित बाजार में उच्च मूल्यांकन के आधार पर अधिक तीव्र विकास देखा जा रहा है। बीमाकर्ता तथा बीमा बिचौलियों के समक्ष अपनी विशेषज्ञताओं अथवा सक्षमताओं के आधार पर, प्रारंभिक गैर-प्रतिक्रियात्मक बाजार को अधिक तीव्रता के साथ लक्षित करने के लिये भरपूर संभावनायें हैं और वे बेहतर विशिष्टता वाले उत्पाद प्रस्तावित कर सकते हैं जो कि वर्तमान शुल्क आधारित उत्पादों से अधिक विश्वसनीयता के साथ बेचे जा सकते हैं। साथ ही उपभोक्ता संतुष्टि के स्तर में भी वृद्धि की संभावना होगी। जब तीव्र प्रतिस्पर्धा के कारण सभी उद्यमी बाजार की आवश्यकताओं तथा सेवा जरूरतों के अनुरूप कार्य करेंगे तो उपभोक्ता के समक्ष बेहतर सेवा विकल्प तथा चुनाव की अधिक संभावनायें होंगी। विकास तथा उपभोक्ता संतुष्टि का एक सतत् चक्र गैर-शुल्कीकरण का एक आदर्श तथा वांछित परिणाम होगा।

हालांकि यह सिर्फ तभी संभव होगा जबकि संबंधित उद्यमी इस परिवर्तनकारी समय में जैसे वांछित हैं उस तरह संतुलित तरीके से पूर्ण गैर-शुल्कीकरण की तरफ गंभीर परिमार्जन तथा अनुशासन के साथ बढ़ें ताकि हर एक को उन परिवर्तनों को समझने तथा परीक्षण करने का वक्त मिले जो कि दीर्घकाल में बाजार की सेहत पर प्रभाव डाल सकते हैं। मुक्त बाजार व्यवस्था तर्कसंगत तथा विवेकपूर्ण होनी चाहिये, क्योंकि प्रतियोगिता जोखिम अनुसंधान तथा जोखिम आंकलन के साथ, व्यक्तिगत बीमाधारक की भौतिक तथा नैतिक जोखिम में बदलाव पर तथा समस्त लागतों की पूर्ति हेतु जोखिम के मूल्यांकन पर केंद्रित होगी। शुद्ध प्रीमियम के आंकलन या ज्वलंत मूल्य की गणना के लिये कोई भी बीमाकर्ता जोखिम के आंकलित मूल्य पर ही निर्भर नहीं रह सकता है और कीमतों में ह्रास हेतु सिर्फ उचित जोखिम पर आधारित अंतर को ध्यान में रखा जाता है जो कि प्रशिक्षित पृष्ठांकनकर्ताओं द्वारा तथ्यों और आंकड़ों के विश्लेषण के आधार पर निर्धारित किया जाता है। अन्य लागतों के निर्धारण में अनुमानित आधार पर मूल्य प्रस्तावित किये जा सकते हैं।



प्रतिस्पर्धी बाजार में दावों के मूल्यों में कमी लाने की प्रतियोगिता में बीमाधरकों को अनेक प्रकार के प्रलोभन दिये जाते हैं और इसके साथ ही बाजार के तीव्र विकास की संभावनाओं के जुड़ जाने से यह लाभदायकता के स्तर पर पहुँच जाते हैं जिससे उपभोक्ता को आकर्षक मूल्य प्रस्तावित किये जा सकते हैं।

सही मूल्यांकन से संबंधित संभावनाओं के इस परिदृश्य में, यह सुनिश्चित किये जाने की आवश्यकता है कि प्रतिस्पर्धा की परिणति मूल्य काट प्रवृत्तियों का न हो अन्यथा इससे पॉलिसीधारक के फंड को खतरा होगा तथा बीमाकर्ता को ऋण भुगतान क्षमता भी प्रभावित होगी। दूसरे, अच्छे जोखिम के चुनाव एवं पृष्ठांकन की प्रक्रिया में जो व्यक्ति अब तक कवर किये जा चुके हैं वे उनके द्वारा पूर्व में प्राप्त प्रावधानों से मनयाने रूप से मुक्त नहीं हो सकते हैं, और जहाँ कीमतें तथा प्रावधान पैनाल अथवा मध्यस्थ के समक्ष प्रस्तुत किये जाते हैं तो वैध कारण बताये जाते हैं। सुरक्षा के ऐसे प्रावधान जो कि अत्याधिक अपर्याप्त या अनुचित रूप से भेदभाव मूलक न हों- उनकी त्वरित उपलब्धता होनी चाहिये। अर्थात् उपभोक्ता को जोखिम सुरक्षा उपयुक्त शर्तों पर उपलब्ध होनी चाहिये।

अतएव, बीमाधारक के मस्तष्क में सर्वप्रथम आने वाला प्रश्न होगा कि गैर-शुल्कीकृत बाजार में मूल्य कैसे प्रस्तावित किये जाएँगे। मूल्यों के दो बातों पर निर्भर करने की संभावना है। प्रथम है वर्ग मूल्य, जहाँ समान जोखिम तथ्यों वाले जोखिम- जिनमें कि व्यक्तिगत उतार चढ़ाव बहुत कम हो या न हो- को वर्ग जोखिम के अंतर्गत कीमत निर्धारण होगा जहाँ मूल्य तकनीकी (जोखिम आधारित) विश्लेषण के आधार पर प्रस्तावित किये जाएँगे। दूसरा है एकल मूल्य, जहाँ प्रत्येक जोखिम में जोखिम तत्वों में महत्वपूर्ण उतार चढ़ाव हो, तथा एकल मूल्यांकन का औचित्य वित्तीय विस्तार से तय हो। कीमतों के इन दो बिंदुओं के आधार पर विविध जोखिम तत्वों में बढ़ोतरी और कमी होती है।

कीमत निर्धारण का आधार जोखिम के प्रत्येक वर्ग और उपवर्ग हेतु वास्तविक अथवा अनुमानित दावा मूल्य होता है। इस संबंध में आंकड़ें हानि की गंभीरता तथा आवृत्ति के आधार पर संग्रहित किये जाते हैं, इसी प्रकार हानियों का विश्लेषण उनके कारणों के साथ साथ हानि के परिणाम पर निर्भर करता है। विस्तृत रूप में आंकड़ों का संग्रहण जोखिम के वर्ग, कवर की संभावना, जोखिम तत्वों, बीमा की रकम, हानि का कारण तथा दावे का मूल्य सिर्फ वास्तव में दिये गये दावों की रकम ही नहीं होती है बल्कि अनुमानित तथा देय रकम भी होती है। इन दोनों रकमों का कुल जोड़ दावा मूल्य होता है। साथ ही,

उन दावों के लिये भी एक उचित व्यवस्था होनी चाहिये जो कि देय हैं लेकिन उपभोक्ता द्वारा किसी कारणवश अभी तक बताये नहीं गये हैं। दावों से संबंधित समस्त लागतें जैसे कि सर्वेक्षणकर्ता की फीस भी दावा मूल्य में शामिल होती है।

कीमत निर्धारण को प्रभावित करने वाली एक अन्य महत्वपूर्ण लागत है- बीमाकर्ता के प्रबंधन खर्च, बिचौलियों को देय कमीशन मूल्य, आकस्मिक दावों हेतु प्रबंध तता अंत में समुचित लाभ हेतु प्रबंध। व्यवसाय की उत्तरजीविता हेतु यह आवश्यक है कि कीमत में समस्त लागतें- समुचित लाभ प्रबंधन सहित शामिल होनी चाहिये ताकि बीमा व्यवसाय जो कि भविष्य की आकस्मिकता से संबंधित है में समुचित धन प्रबंधन हो तथा पॉलिसीधारक के हित में दीर्घजीवी हो। कानून तथा विनियामकों द्वारा प्रबंधन तथा बिचौलियों के खर्चों पर एक सीमा तय की गयी है ताकि बीमा कराने की लागत गैर दावा लागतों की वजह से अनावश्यक रूप से न बढ़े।

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

शुल्क से गैर-शुल्क व्यवस्था में परिवर्तन उद्योग के लिये जोखिम भरा हो सकता है और इसलिये प्रत्येक उद्यमी को योजनाबद्ध रूप से तथा बड़ी दूरदर्शिता से आगे बढ़ना होगा तथा साथ ही संगठन के सभी स्तरों पर विस्तृत सतर्क तैयारियों के साथ बढ़ाना होगा। कंपनी के बोर्ड द्वारा इसमें पहल करने और कंपनी के पृष्ठांकन दर्शन पर विचार विमर्श करने की आवश्यकता है और पृष्ठांकन नीति बनाकर प्रबंधन को लागू करने के लिये देनी चाहिये। उन्हें रिपोर्टिंग प्रारूप को समझने की भी आवश्यकता है जिसके द्वारा वे विकास और परिणामों की सूचनायें प्राप्त कर सकेंगे। उन्हें पृष्ठांकन अधिकार के प्रत्याजोन की भी उचित व्याख्या करनी चाहिये। कंपनी के स्तर पर गैर-शुल्कीकरण की प्रक्रिया बोर्ड द्वारा निर्देशित होनी चाहिये क्योंकि इसके दूरगामी प्रभाव होंगे।

उच्च प्रबंधन व्यवसाय के प्रत्येक वर्ग हेतु अंतरिम निर्देशित शुल्क के साथ पृष्ठांकन प्रक्रिया को सुव्यवस्थित

तथा अनुमोदित करना चाहिये और पृष्ठांकन के लिये आधार तैयार करेगा। अंतरिम निर्देशित शुल्क परिचालन कार्यालयों को विस्तृत मूल्यों की व्याख्या करेंगे, जिनकी जनसाधारण को पॉलिसी बेचते समय लागू करने की आवश्यकता होगी। अधिकारों का प्रत्यायोजन यह व्याख्या करेगा कि कौन किस क्षेत्र में तथा किस प्रकार अपने विवेक का इस्तेमाल कर सकता है और वही कैसे रिपोर्ट किया जाता है ताकि निगमित प्रबंधन और बोर्ड यदि आवश्यकता पड़े तो व्यक्तिगत निर्णयों की समीक्षा कर सकें।

व्यक्तिगत उत्तरदायित्व निर्धारण का कार्य पर्याप्त सावधानी तथा न्यायपूर्वक करना चाहिये। न्यायोचितता सामान्यतः वांछित दावा अनुभवों द्वारा अथवा जोखिम के बाह्य तत्वों के तर्कसंगत तथा निष्पक्ष विश्लेषण द्वारा जोखिम के आंकलन से ही आती है। यहाँ अनुभव तथा प्रशिक्षण पृष्ठांकन क्षमता के दो मुख्य स्तंभ हैं। संगठनात्मक प्रशिक्षण तथा रिकार्ड की जानकारी के साथ साथ, उचित पृष्ठांकन निर्णय लेने में बेहतर ज्ञान तथा जमीनी अनुभव पर आधारित व्यक्तिगत दूरदृष्टि, अच्छे और बुरे पृष्ठांकन में अंतर पैदा करती है।

पृष्ठांकन के मुद्दे पर संगठनात्मक सक्षमता सुनिश्चित करने हेतु पृष्ठांकक के लिये उचित प्रशिक्षण आवश्यक है। यहाँ सामान्य प्रशिक्षण के साथ ही एक या दूसरे क्षेत्र में एकल वर्ग या उप वर्ग की जटिलताओं के मद्देनजर विशेषज्ञ निर्देशन की भी बहुत आवश्यकता होती है। पृष्ठांकन निर्णय के मुद्दे पर अंतिम निर्णय पृष्ठांकक का ही होना चाहिये ना कि विपणन अधिकारी का, क्योंकि पृष्ठांकक के पास वांछित प्रशिक्षण तथा कौशल होता है जो कि आंकड़ों के विश्लेषण के परीक्षण हेतु आवश्यक होते हैं, अथवा जहाँ आंकड़ें उपलब्ध न हो वहाँ जोखिम से अभिव्यक्त होने वाले बाह्य तत्वों के तार्किक विश्लेषण करने की सक्षमता होती है।

बाजार की आवाज सुनने वाले संगठन, नगद प्रवाह पृष्ठांकन द्वारा वृद्धिगत बाजार हिस्से को प्रोत्साहित करने की ओर अग्रसर होते हैं, जो कि पृष्ठांकक द्वारा जब गहराई से विश्लेषण नहीं करके तुरंत संरोधित किया जाता है तो इसकी परिणति वृद्धिगत प्रीमियम घाटे में होती है जो कि फिर दावों के अल्प प्रावधान के द्वारा छद्मधारणित हो सकती है। एक मुक्त बाजार में बीमाकर्ता की असफलता के ये दो मुख्य कारक हैं। अतः इन अदृश्य कारकों पर न्यायोचित नजर रखने की अति आवश्यकता है और एक निम्नतम रेखा निर्धारित करने के संबंध में जो बाजार में है उसे वरीयता देने की आवश्यकता है जो कि संगठन की सफलता एवं उत्तरजीविता हेतु अनिवार्य है।

इस प्रकार की स्थिति में बीमांकक की नियुक्ति आवश्यक हो जाती है। नियुक्त बीमांकक प्रीमियम और दावों दोनों के आंकड़ों के विश्लेषण और संकलन की आवश्यकता के निर्धारण में सहयोग करता है। यह आवश्यकता उस परिस्थिति में और अधिक महत्वपूर्ण हो जाती है जब बाजार जटिल पृष्ठांकन की प्रक्रिया में चला जाता है, जैसे दीर्घकालीन नीतियाँ, प्रथम हानि नीतियाँ, आंशिक बीमा आदि। बीमांकक मॉडल्स भी विकसित कर सकता है जो कि पृष्ठांकक को निश्चित क्षेत्रों की समान परेशानियों को समझने में मदद कर सकता है जैसे स्वास्थ्य बीमा जो कि बीमारियों तथा चिकित्सकीय ऊँचाइयों की जटिलताओं के बीच कार्य करता है। कीमतों, नियमों तथा शर्तों हेतु पर्याप्त सांख्यिकीय आंकड़ा संग्रहण होना चाहिये और कीमत निर्धारण के आधार की विस्तृत व्याख्या होनी चाहिये।

मुक्त कीमत क्षेत्र में व्यवसाय की प्रत्येक लाइन की लाभदायकता का प्रबंधन एक मुश्किल कार्य है। संभावित हानि लागत की अनिश्चितता, बहुआयामी कीमत निर्धारण ढाँचे और उन्नत सांख्यिकीय तकनीकों का उपयोग, निरंतर परिवर्तनशील सुरक्षा नियम तथा शर्तें, कटौतियाँ और वर्जनाएँ- कीमतों को उचित स्तर पर बनाये रखने में मुश्किलें पैदा करते हैं। इन समस्त चुनौतियों का सामना करने के लिये उचित कीमत नियंत्रण तंत्र की स्थापना की आवश्यकता है ताकि जिम्मेदारी सुनिश्चित की जा सके तथा कीमत निर्धारण पर्याप्तता उद्देश्य के विचलन की स्थिति में पूर्व चेतावनी उपलब्ध कराने की जरूरत है तथा सामान्यतः कीमत निर्धारण जोखिम का प्रबंधन करने की आवश्यकता है।

व्यवसाय की लाइन, विभिन्न विभागों तथा क्षेत्रिय इकाइयों द्वारा कीमत परिवर्तन को प्रभाव का आंकलन करने के लिये तंत्र की स्थापना की आवश्यकता है। प्रीमियम समायोजन के औसत प्रभाव जैसे दावा मुक्त कटौती तथा हानि की पहचान की तरह ही लागत प्रवृत्ति पर भी कीमत परीक्षण के एक हिस्से के रूप में विशेष ध्यान दिया जाना चाहिये। यह भी समझने की आवश्यकता है कि जब प्रभावशाली विभाग पुनरावलोकन का पृष्ठांकन करते हैं या नयी एजेंसियाँ नियुक्त करते हैं या व्यवसाय मिश्रण में परिवर्तन करते हैं तो पृष्ठांकन की गुणवत्ता प्रभावित हो सकती है तथा कीमत हास की स्थिति उत्पन्न होती है। अतः विपरीत पृष्ठांकन परिणामों से बचने के लिये कीमत पर्यवेक्षण एक मूल आवश्यकता बन गयी है।

सांख्यिकीय और विश्लेषणात्मक तंत्र निर्माण करने तथा कीमत निर्धारण और पृष्ठांकन निर्णयों को विधि

मान्य एवं अद्यतन करने के अलावा कंपनी में पृष्ठांकन जाँच तंत्र लागू करना भी, कंपनी के परिचालन की सुदृढता एवं पृष्ठांकन की लाभदायकता हेतु कंपनी प्रबंधन नियंत्रण का एक महत्वपूर्ण कारक है। प्रबंधन अंकेक्षण तंत्रगत असफलता को पहचानने का एक साधन है, जिसकी परिणति अल्प प्रीमियम दरें लागू करने या जोखिम के अनुपयुक्त वर्गीकरण तथा अन्य अदृश्य गलत पृष्ठांकन नीतियों के कारण संगठन के मूक अन्त में हो सकती है। अंकेक्षण में टीम यह जाँच करती है कि विनियामक आवश्यकताओं का अनुपालन हो रहा है, बोर्ड तथा मुख्य पृष्ठांकक द्वारा निर्धारित लक्ष्यों की पूर्ति हो रही है, बीमांकन आवश्यकताओं का अनुपालन हो रहा है, कंपनी की नीति एवं पृष्ठांकन नियमों के मुताबिक व्यवसाय के सभी वर्गों का उचित तरीके से पृष्ठांकन हो रहा है तथा प्रस्तुत की गयी रिपोर्टों की जाँच एवं निरीक्षण कि वह उचित स्रोत से प्राप्त की गयी है तथा सही तरीके से जमा की गयी है। वे कार्यालय में दृश्य उन असामान्य

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।

कारकों की भी जाँच करते हैं जो कि कुछ विशिष्ट है तथा जिन पर उच्च प्रबंधन समूह द्वारा विशेष ध्यान दिये जाने की आवश्यकता है।

वर्तमान दुनिया जोखिम की दुनिया है और जहाँ एक उभरता हुआ जोखिम अर्थशास्त्र है। जो कि बीमा समाधान की ओर देख रहा है जो समस्त नागरिकों तथा संगठनों की बढ़ती हुई आवश्यकताओं की पूर्ति हेतु सही कीमत में समुचित रूप से बनाया गया है। बीमाकर्ता और गैर-व्यवसायिक प्रबंधन करता है जैसे अपने बीमक शुद्ध जोखिम को अपने व्यावसायिक जोखिम में परिवर्तित करता है। यह पृष्ठांकन का कार्य है कि इन जोखिमों को स्वीकार करे तथा इनका विश्लेषण करे और उसमें से लाभदायक प्रस्ताव निर्मित करे। इसका तात्पर्य है कि उसमें ज्ञान और कौशल के साथ ही चाहे एकल हो या वर्ग आधार पर हो, बीमा योग्य जोखिम विशिष्टताओं से सेबद्ध

अनिवार्य आंकड़ों और ज्ञान को ग्रहण करने की आवश्यक तकनीक तथा सक्षमता भी हो और वे बार-बार या कभी-कभी दोनों ही स्तरों पर कैसे हानि उठाते हैं। इसकी जानकारी प्राप्त करने में भी कुशल हो। इस प्रकार गैर-शुल्कीकरण से यह उम्मीद की जाती है कि इससे बीमा सुरक्षा के क्षेत्र में उपभोक्ता की जरूरत एवं जोखिम की प्रवृत्ति में एक उदाहरणीय लाभदायक परिवर्तन लाएगा। वैज्ञानिक एवं तकनीकी सोच पर आधारित पृष्ठांकन और कीमत निर्धारण का कौशल, बीमाकर्ताओं की योजनाओं में सर्वोच्च स्थान प्राप्त करेगा। निरीक्षण द्वारा जोखिम का आंकलन, उद्योग तथा बीमाकर्ता के आंकड़ों का संग्रहण एवं विश्लेषण, बीमाधारक के प्रस्ताव में प्रस्तुत घोषणाओं तथा विवरणों का सतर्क अध्ययन, उद्योग की सर्वोत्तम नीतियों का तुलनात्मक विवेचन, बिचौलियों की श्रंखला का प्रशिक्षण एवं प्रोत्साहन, और कीमत पर नियंत्रण- ये सारे कारक, गैर-शुल्कीकृत युग में उपभोक्ता को मूल्य तथा विशिष्टता प्रस्तावित करने में सर्वोत्कृष्ट महत्व रखते हैं।

इस प्रकार गैर-शुल्कीकरण में, उद्योग में कार्यरत समस्त व्यावसायियों के कौशल की परीक्षा होगी। नियम एवं मूल्य निर्धारण में भूमिका निभाने वाले विविध तत्वों से, संगठन एवं लोगों की सक्षमता को कड़ी चुनौती का सामना करना पड़ेगा। पूर्वानुमान तथा परिवर्तन के विक्षोभ से व्यवस्थित एवं शक्तिशाली तरीके से निपटने और साथ ही संगठन के समस्त स्तरों पर पर्याप्त तैयारियाँ विनियामक का मुख्य लक्ष्य बन गयी है। यहाँ पूर्वानुमानित परिवर्तनों का विभिन्न स्तरों पर परीक्षण एवं मूल्यांकन करने के लिये परामर्श, विचार-विमर्श एवं पुनरावलोकन किया जा रहा है ताकि यह परिवर्तन सभी के लिये लाभदायक एवं अनुकूल हो। यह उम्मीद की जाती है कि समस्त उद्यमी वांछित ज्ञान, कौशल तंत्र से लैस होंगे ताकि इस परिवर्तन का मुकाबला भरपूर आत्मविश्वास के साथ कर सकें। जिससे कि प्रत्याशित बाजार का सुदृढ एवं लाभदायक सुरक्षा उत्पादों एवं सेवाओं द्वारा सामना किया जा सके।

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लेखक आईआरडीए में कार्यकारी निदेशक (निरीक्षण एवं स्वास्थ्य बीमा) हैं। आलेख में प्रस्तुत विचार उनके निजी विचार हैं।



अनुशासन और लाभकारिता

- नयी सुबह के मंत्र

‘शुल्क विरहित व्यवस्था में सफलता के लिये पथ निर्धारण हेतु बीमाकर्ताओं के पास साहस और दृढनिश्चय होना अनिवार्य है’ - अरूप चटर्जी

पिछले दशक विश्वभर के बीमा बाजार के धीमें और एकरसता विरहित विस्तार का गवाह रहा है। इसमें बड़े वाणिज्यिक खरीददारों संबंधी संपत्ती स्वस्थ नियमन और दुर्घटना बीमा शुल्क का अभाव भी शामिल रहा है। भारत में शुल्क व्यवस्था के हो रहे लोप के कारण निकट भविष्य में संपत्ति तथा बीमा क्षेत्रों में बढ़ती प्रतिस्पर्धा के फलस्वरूप बाजार संरचना और प्रवेश काफी नियंत्रित होगा।

यह भी संभावना है कि संपत्ति तथा जहाज दुर्घटना मामलों में दक्षिण का प्रभुत्व रहेगा। साथ ही बीमाकर्ता की लाभकारिता और आर्थिक एकता को क्षति पहुँचाना मुख्य उद्देश्य रहेगा। बीमा कराने का तरीका और कराने के लाभ पर मुख्य रूप से प्रकाश डाला जायेगा। चूंकि वाणिज्यिक बीमा खंड में दिनोदिन प्रतिस्पर्धा बढ़ रही है, इसीलिये प्रत्येक बीमाकर्ता और पुनर्बीमाकर्ता बीमा कराने की प्रक्रिया में अनुशासन तथा बीमा से मिलने वाला लाभ सफलता का मूलमंत्र बनेगा।

बीमा कराने की प्रक्रिया में अनुशासन

बीमा कराने की प्रक्रिया में अनुशासन के क्या मायने हैं? बीमा कराने की प्रक्रिया के तीन महत्वपूर्ण मुद्दे हैं। शुल्क निर्धारण, जोखिम चयन तथा नियम और शर्तों। अब इन तीनों मुद्दों पर अलग अलग रूप से विचार करें।

शुल्क निर्धारण:

अधिकांश बीमाकर्ताओं का मानना होता है कि बीमा कराने की प्रक्रिया में अनुशासन अर्थात् शुल्क एकता। जैसा कि कहा जाता है कड़ी प्रतिस्पर्धा के बाजार में बढ़ता ज्वार सभी जहाजों को ले डूबता है। सुलभ बाजार में व्यापार के सभी व्यक्तिगत खातों और किताबों में समुचित मूल्य हासिल करना एक चुनौतीपूर्ण कार्य होता है। सफलता के लिये प्रत्येक वाणिज्यिक क्षेत्र में न्यायिक करना और वास्तविकता के विज्ञान के बीच सामांजस्य होना आवश्यक है। दूसरे शब्दों में कहा जाये तो मैनुअली निर्धारित शुल्क को खासतौर पर वाहन बीमा जैसे क्षेत्रों में वास्तविकता के विज्ञान की अनदेखी नहीं की जा सकती। सुलभ बाजार में पाई जाने वाली आम गलती

पर्यटन के प्रति अनदेखी बरतना और अनारक्षित जमा राशि का उपयोग करना है।

संतुलन रखनेवाला एक अन्य महत्वपूर्ण बिंदु निजी खातों के बारे मिलने वाले अनुभव का समुचित उपयोग करने का संतुलन हासिल करना है। मात्र बड़े खाते विश्वसनीय और विषम नुकसान के अनुभव से ही पूर्ण रेटिंग का अनुभव होता है। एक सफल बीमाकर्ता बनने के लिये आत्मविश्वास और दृढ़ता के साथ शुल्क का निर्धारण करना होता है। आमतौर पर बीमाकर्ता दिये गये खातों में अपनी सहभागिता कम कर शुल्क नियंत्रित करने पर ध्यान देते हैं। यह उपभोक्ता पॉलिसियों

शुल्क निर्धारण मुख्य रूप से उस विशेष प्रक्रिया पर निर्भर होता है, जो भूतकाल में प्राप्त अनुभवों के आधार पर भविष्य की योजनाओं को साकार करती है।

के मामले की हद तक सही है। यहाँ पर ध्यान में रखने योग्य सीख यह है कि दोषपूर्ण व्यावसायिक लेन-देन हमेशा के लिये नुकसानदेह साबित होता है।

जोखिम चयन:

शुल्क निर्धारण मुख्य रूप से उस विशेष प्रक्रिया पर निर्भर होता है, जो भूतकाल में प्राप्त अनुभवों के आधार पर भविष्य की योजनाओं को साकार करती है। सफल जोखिम चयन भविष्य को उज्ज्वल बना देता है। जोखिम चयन के लिये इस बात की जरूरत नहीं होती है कि निजी वाणिज्यिक खाता अस्तित्व में हो अथवा किताबों में बताये गये विवरण के अनुसार ही व्यवसाय हो। बल्कि उनके संचालन का तरीका महत्वपूर्ण होता है। सफल बनने के लिये बीमाकर्ताओं को ग्राहकों के साथ मैत्रीपूर्ण संबंध रखना आवश्यक होता है।

इसके अलावा बीमा कराने वालों को अपनी ग्राहकों के मूल्यों और उनकी संस्कृति को भी समझना आवश्यक होता है। सुलभ बाजार में पर्यटन जैसे महत्वपूर्ण क्षेत्र के बारे में यह ध्यान में रखना आवश्यक होता है कि अनुचित मूल्य पर उठाया गया जोखिम नुकसानदेह होता है। वाणिज्यिक शुल्क पैकेज नीति के अनुसार कई बार बीमाकर्ताओं द्वारा उठाये जाने वाले कदमों के कारण उन्हें संकटों का सामना करने के साथ नुकसान भी झेलना पड़ता है।

बाजार की आवश्यकताओं में लाभकारी साझेदारी के लिये मात्र प्रभावी जोखिम मूल्यांकन आवश्यक होता है, बल्कि व्यापार के सभी पहलुओं पर भी ध्यान देना अनिवार्य होता है। यह जोखिम मूल्यांकन तथा प्रभावी दावा प्रबंधन के माध्यम से साध्य हो सकता है। बीमाकर्ताओं के सामने यह एक बड़ी चुनौती होती है कि कब और किन स्थितियों में जोखिम स्वीकार किया जा सकता है।

नियम और शर्तें:

शुल्क निर्धारण और जोखिम चयन के समान ही बीमा कराने की अनुशासित प्रक्रिया के लिये नियम और शर्तों में समय समय पर संशोधन महत्वपूर्ण कार्य है। बाजार की संदर्भ रहित गतिविधियाँ और पॉलिसी के साथ दिया गया संरक्षण से कई तरह के नुकसान हो सकते हैं। इसकी पूर्ति के लिये अतिरिक्त प्रीमियम की आवश्यकता पड़ती है। कार्यक्रम संरचना के समय बीमाकर्ता और बीमित की जरूरतों का ध्यान रखना आवश्यक होता है। बीमित व्यक्ति की न्यूनतम आर्थिक क्षमता से भी अधिक की जाने वाली कटौतियाँ समस्या का कारण बन सकती हैं। कुछ नुकसान समाज की गयी प्राथमिक कुल जोड़ सीमा के कारण भी उत्पन्न होती हैं। जिनेक लिये एक रूपया भी प्रीमियम नहीं वसूला जा सकता।

बाजार की संदर्भरहित स्थितियों को बड़े पैमाने पर बीमा कराकर नियंत्रित किया जा सकता है। बीमाकर्ताओं को अपना लक्ष्य साध्य करने के लिये दावों के

नुकसान की रोकथाम तथा विधि एवं सूचना प्रौद्योगिकी के मामले में सहयोग करने वाले लोगों का पूरा पूरा लाभ उठाना चाहिये।

पुनर्बीमा:

पुनर्बीमा प्रक्रिया बीमाकर्ताओं के लिये उपलब्ध पूंजी संबंधी सर्वाधिक प्रभावी प्रतिक्रिया देने वाला माध्यम है। इस माध्यम के जरिये बीमाकर्ता को बीमा करने के कई सुलभ अवसर उपलब्ध करा सकता है। क्योंकि उससे विभिन्न जरूरतों के अनुसार पॉलिसी की अपेक्षा करने वाले लोगों को सुविधा उपलब्ध करनी होती है। पुनर्बीमा कार्यक्रम प्रत्येक बीमाकर्ता द्वारा अनिवार्य रूप से चलाया जाना चाहिये और उसे अनोखे ढंग से डिजाइन करना चाहिये। खासतौर पर उसमें संस्कृति और बीमा कराने की अनुशासित प्रक्रिया पर खास ध्यान दिया जाना चाहिये। वैश्विक बीमा सुरक्षा के साथ ताल-मेल से बीमाकर्ताओं को अचानक उभरने वाले नुकसान का सामना करने में सक्षम बनाता है। प्रत्येक बीमाकर्ता के लिये पुनर्बीमा हेतु विश्वास बनाये रखने के साथ पुनर्बीमा संबंध तैयार करना आवश्यक है। जिससे वह बीमा कराने वाले प्रत्येक व्यक्ति अथवा संस्थान के साथ बेहतर अनुशासन और एकता का माहौल तैयार कर सके। चूंकि विभिन्न बाजारों में गतिविधियों का चक्र अलग-अलग होता है, इसीलिये पुनर्बीमा के बारे में वैश्विक स्तर के बीमाकर्ताओं के अनुभव अन्य के लिये लाभकारी सिद्ध हो सकते हैं। साथ ही व्यवसाय की जोखिमों के बारे में मार्गदर्शक बन सकते हैं।

यह भी सवाल उठाया जाता है कि कम जोखिम वाले अथवा जोखिम विरहित हस्तांतरण वाले समझौते क्या बीमा के समझौते का आंकलन करने में सहायक सिद्ध होंगे? इसका जवाब है कि जोखिम विरहित हस्तांतरण समझौते बीमाकर्ताओं तथा पुनर्बीमा कराने वालों के बीच होने वाले बीमे को बीमा कंपनी के तुलन पत्र से हटाने पर विचार किया जा रहा है। सर्वेक्षक समुदाय का कहना है कि इस प्रकार के लेन देन से संबंधित राशि निवेशकों के साथ धोखा धड़ी का माध्यम बन सकते हैं। भारतीय बीमाकर्ताओं को इस प्रकार की गतिविधियों से बचना चाहिये।

समझौतों की असंदिग्धता: परिपक्वता के समय समझौते के अभाव में बीमाकर्ताओं द्वारा कोई महत्वपूर्ण पहलू छोड़ देना विचार में नहीं लिया जा सकता। इस मामले में समझौते को काफ़ी महत्व प्राप्त होता है। जोखिम कम करने के लिये समझौता आवश्यक है।

जोखिम खासतौर पर बीमाकर्ताओं और दलालों के लिये नुकसान देह साबित होता है।

कभी कभी बढ़कर वर्णन करने से बीमाकर्ताओं को न केवल अधिक जोखिम की संभावना रहती है, बल्कि उनमें व्यापार के प्रदर्शन को बखूबी समझने का अभाव लक्षित होता है। नतीजतन शुल्क निर्धारण में भी उन्हें परेशानी का सामना करना पड़ता है। एक्सपोजन का सही मूल्यांकन नहीं करने पर पूंजी के सही स्थानांतरण का भी अभाव उत्पन्न होता है। समझौतों की असंदिग्धता के अभाव में व्यर्थ के विवाद, कानूनी संघर्ष और अवांछित कानूनी कार्रवाही जैसी समस्याएँ उत्पन्न होती हैं। अर्थात् पॉलिसीधारकों को बीमा सुरक्षा का समुचित लाभ नहीं मिल सकता। इसी पॉलिसीधारकों को वर्तमान प्रतिस्पर्धा के युग को ध्यान में रखते हुये पॉलिसी की खरीदी करते समय ही खासा ध्यान रखना चाहिये।

बीमा दलालों को भी चाहिये कि वे बदलते प्रतिस्पर्धी माहौल में अपने व्यवसाय पर पकड़ मजबूत बनाने के लिये प्रयास करें।

समझौते की मान्यता प्राप्त व्याख्या के लिये व्यापकता होना आवश्यक है। यह दावों की परिणति की सलाह नहीं देती और ना ही समझौते स्वरूप का विवरण देती है। इसके लिये निम्नलिखित बातें होनी अनिवार्य हैं-

- बीमाकर्ताओं के लिये बीमा कराने की प्रक्रिया पर विश्वास
- बीमित के लिये सुरक्षा की शर्तों की सुनिश्चिता
- सुरक्षा देने से पूर्व अथवा देते समय शर्तों की स्वीकृति और उसके आधार पर पॉलिसी का तत्परता के साथ वितरण
- स्थानीय आवश्यकताओं (वित्तीय, नियामक) के अनुरूप पॉलिसियों का स्वरूप
- पॉलिसी संबंधी बातचीत के दौरान सामने आने नतीजों की रिकार्डिंग

समझौतों की असंदिग्धता सुनिश्चित करने वाले महत्वपूर्ण मुद्दे इस प्रकार हैं

- प्रौद्योगिकी के जरिये पूर्ण की जाने वाली प्रतिक्रिया की मानकता
- प्रबंधन तथा प्रेरक तत्वों का बर्ताव एवं मानकीकरण
- बीमा द्वारा दस्तावेज और अंकेक्षण संबंधी विवरण का प्रस्तुतीकरण
- ग्राहकों का परिवर्तन के मुख्य कारक के तौर पर बर्ताव

पारदर्शिता:

पारदर्शिता का सामान्य प्रश्न कई ग्राहकों को आकर्षित करता है। खासतौर पर पॉलिसी को लेकर। पारदर्शिता खासतौर पर कंपनियों तथा बीमा दलालों के बीच रहने वाले संबंध के बारे में तथा कंपनियों का प्रतिनिधित्व करने वालों के बारे में। दूसरा महत्वपूर्ण मुद्दा अनुकूलता है। इसके अलावा दबावपूर्ण विक्री को भी भुलाया नहीं जा सकता, जो बेकार अथवा नकली हो सकती है। इसके बाद एक अन्य महत्वपूर्ण मुद्दा घोटाले और अनदेखी भी है। यह दोनों दिशाओं में कार्य कर सकता है। बीमा कंपनियों के व्यवसाय की लागत बढ़जाती है। नतीजतन ग्राहकों को भी अतिरिक्त मूल्य चुकाना पड़ता है। कई बीमा कंपनियों को भी यह अनुभव मिला है कि कंपनी के दलाल ग्राहकों से प्रीमियम की वसूली तो करते हैं, लेकिन समय पर उसे जमा नहीं करते। जिससे बीमाकर्ताओं द्वारा ग्राहकों के दावे ठुकराये जाते हैं।

बीमा दलालों को भी चाहिये कि वे बदलते प्रतिस्पर्धी माहौल में अपने व्यवसाय पर पकड़ मजबूत बनाने के लिये प्रयास करें। उन्हें स्वयं ही जोखिम और व्यापक प्ररिप्रेक्ष्य में विगत में किय गये कार्यों के बारे में सोचना चाहिये। इससे प्रतिस्पर्धा के लाभ के तहत नये संचालन मॉडलों की खोज होगी।

बीमा कराने में सफलता के लिये तीन 'सी'

बीमाकर्ताओं को तीन अतिरिक्त महत्वपूर्ण मुद्दों पर ध्यान देना चाहिये, जो सफलता दिला सकते हैं-

1. कंसिस्टेंसी (यथावत् स्वरूप)

एक अनुशासित बीमा कंपनी के लिये ग्राहकों और उत्पादकों के लाभ हेतु सभी स्थितियों में एक समान अस्तित्व रखने वाली बीमा पद्धति प्रस्तुत करना आवश्यक होता है। कोई भी व्यावसायी सुलभ बाजार में नये अवसर के लिये अपने बहुमूल्य ग्राहकों को खोना नहीं चाहता। यह आज के नये बीमाकर्ताओं के लिये एक महत्वपूर्ण मुद्दा है। इसी समय दूसरी और कड़े बाजार में अत्यधिक आत्मविश्वास के कारण



बदलती परिस्थितियों में कई तरह की समस्याएँ उत्पन्न होती हैं। प्रत्येक बीमाकर्ता के लिये आत्मविश्वास के मूल में अनुशासन होता है और हाल ही में प्रबंधन ने स्वरूप और जीवन्तता प्रदान करने के लिये इसका प्रवर्तन करने का निर्णय लिया है।

एक बीमाकर्ता के बारे में असंदिग्धता तैयार करने वाले कई मुद्दे हैं। उनमें से सर्वोत्कृष्ट मुद्दे निम्नलिखित हैं:

- बीमाकर्ता प्राधिकारियों द्वारा तैयार किया गया लिखित दस्तावेज का सेट जिसमें स्थानीय स्तर पर बीमा कराने के साथ सशक्तिकरण की सुनिश्चिति हो
- बीमाकर्ता प्राधिकारियों के बयान जो वरिष्ठ प्रबंधनों तथा अनुयायियों के साथ गठजोड़ के लिये सहायक हो और अनोखे एवं अस्वभाविक निर्णयों के लिये आवश्यक हो
- शीघ्र तथा सुलभ बीमा प्रक्रिया जिससे समय-समय पर उभरने वाले मुद्दों, बदलते तथा बदल चुके मुद्दों की वास्तविक स्थिति के बारे में स्पष्ट और सुनिश्चित जानकारी प्राप्त हो सके
- बीमा कराने संबंधी सभी स्तरों पर नियमित व्यावसायिक विकास के लिये मजबूत समर्पण
- औपचारिक पश्च जाँच प्रक्रिया जिसके आधार पर नुकसान अथवा पुनर्नवीनीकरण की संभावना की व्याख्या हो।
- बीमा कराने वाले वरिष्ठ व्यावसायियों से शीघ्र संपर्क की व्यवस्था
- प्रभावी शुल्क परिवर्तन के साथ दुर्घटना एवं कैलेंडर वर्ष के अलावा ग्राहक सेवा संबंधी जटिलताओं के साथ ही महत्वपूर्ण लक्ष्यों के बारे में शीघ्र सूचना की प्रक्रिया
- समयानुसार बीमा व्यवसाय लक्ष्यों के बारे में अंकेक्षण तथा कापोरेट बीमा संबंधी अंकेक्षण जो बहुअनुशासन शर्तों तथा संरचनात्मक सूचनाओं और सिफारिशों की कड़ी अमलावरी पर निर्भर हो
- जटिलताओं संबंधी अंतर्गत स्वायत्त अंकेक्षण दलों की विस्तृत समीक्षा रिपोर्ट, जिनमें सभी औपचारिक नियंत्रणों और इन प्रक्रियाओं की मान्यताओं के दस्तावेजीकरण प्रक्रिया की जानकारी हो।

ग्राहक सेवा:

इस क्षेत्र के प्रति अक्सर बीमा कराने की प्रक्रिया के तहत अनदेखी बरती जाती है। ग्राहक सेवा के जरिये प्रत्येक क्षेत्र के मामले में कंपनी दावों, जोखिम नियंत्रण

तथा वित्तीय एवं बीमा से संबंधित पहलुओं के परिप्रेक्ष्य में ग्राहकों के संपर्क में रहती है। बीमा बाजार को संदर्भ रहित स्वरूप के कारण सही मायनों में गुणवत्तापूर्ण सेवायें मुहैया कराने पर ही ग्राहक बीमाकर्ताओं के साथ रहते हैं।

स्वायत्ता के बाद उभरे व्यापार के माहौल में ग्राहकों को उनके अनुरूप भारतीय और प्रतिक्रिया देने वाले बीमाकर्ता की जरूरत महसूस होने लगी। बीमाकर्ताओं ने भी इसे बखूबी समझा। आज बीमाकर्ताओं को अपने ग्राहकों की बात माननी अनिवार्य है और वह जो कुछ भी करत हैं उनके केंद्र में ग्राहकों को रखना अनिवार्य है। यहाँ तक कि बेहतर और व्यावसायिक सेवायें मुहैया करवाने के मामले में भी।

मूल्य नियंत्रण:

बीमाकर्ताओं तथा नियामकों को अर्थव्यवस्था के लिये जनता के साथ समझ बूझ को बढ़ावा देना चाहिये।

लंबी अवधि के स्वास्थ्य एवं सामान्य बीमा उद्योग के साथ ही उनके उपभोक्ताओं के लिये भी यह महत्वपूर्ण है कि बीमा उद्योग का पूँजी आधार मजबूत करने के लिये कुछ अवश्य होना चाहिये। और उसके लिये प्रीमियम के मूल्य में कुछ बढ़ोतरी करना लाभ में होने वाली वृद्धि के साथ ही बीमा व्यवसाय पर पड़ने वाले परिणामों को देखते हुये बीमा उद्योग को नियंत्रित की दिशा में सोचना अनिवार्य है। जिससे ग्राहकों को भी संतुष्ट किया जा सके। बीमा उद्योग में व्यापक मूल्य नियंत्रण खासतौर पर बीमा लाभकारिता और बीमा कराने के लिये लाभदायक सिद्ध होता है। कई तत्व अंततः नुकसान के अनुपात का निर्धारण करते हैं। लेकिन खर्च का अनुपात मुख्य रूप से संयुक्त अनुपात का एक महत्वपूर्ण बिंदु है जिसे आसानी से संयोजित कर इसका विकास किया जा सकता है।

विनियामक की भूमिका:

यह विचारणीय है कि आईएआईएस के मुख्य सिद्धांतों में उत्पादों एवं प्रीमियम के मूल्य नियंत्रण को शामिल

नहीं किया गया है। लेकिन यह देखरेख के सिद्धांतों के नजरिये में वर्तमान में महत्वपूर्ण बन गया है। यूरोपीय संघ के तीसरे जीवन और गैर जीवन निर्देशकों ने भी यूरोपीय संघ में उत्पाद तथा प्रीमियम शुल्क के पूर्व नियंत्रणों को हटा दिया है। इसके बावजूद आज भी कई ऐसे देश हैं, जिनमें आज भी यह नियंत्रण बरकरार है।

उत्पाद की रूपकल्पना करते समय कई बार काफी जटिल नियमों पर भी विचार करना पड़ता है। खासतौर पर बीमा कराने संबंधी जोखिमों को लेकर काफी सोचना पड़ता है। सांख्यिकीय विश्लेषण के नतीजे बीमा कराने अथवा बीमा शर्तों की भाषा या फिर जोखिम समूहों की भिन्नता संबंधी जोखिमों का निर्धारण करने में सहायक सिद्ध होता है। इसका नुकसान पर निश्चित ही सकारात्मक असर पड़ता है।

विनियामक को ग्राहकों के लिये समुचित और सुनिश्चित संरक्षण मुहैया करवाना चाहिये लेकिन यह भी नहीं भूलना चाहिये वह अपनी जिम्मेदारी के बारे में स्वयं निर्णय ले सकते हैं। बीमाकर्ताओं तथा नियामकों को अर्थव्यवस्था के लिये जनता के साथ समझ बूझ को बढ़ावा देना चाहिये।

हमारी स्वतंत्रता के बाद के माहौल में सामान्य बीमा उद्योग ने एक महत्वपूर्ण पड़ाव पार किया है। अब उसके सामने कुछ खास बड़ी चुनौतियाँ और अवसर नहीं हैं। हालाँकि बीमा बाजार निकट भविष्य में माँग उत्पाद एवं मुकसान का अनुभव बदलते परिवेश में निश्चित रूप से कर सकता है। विनियामकों को संपूर्ण मूल्य श्रंखला के साथ बीमाकर्ता के जोखिम प्रबंधन के लिये सभी संबंधित बातों को चुनौती तथा प्रतिबद्धता के रूप में देखना चाहिये। बीमा बाजार के महत्वपूर्ण बदलावों के देखते हुये विनियामक को अनोखे उत्पादों की प्रस्तुति में सहायता के लिये आवश्यक सहायता करनी चाहिये। उसे बीमा व्यवसाय का लक्ष्य साध्य करने के लिये अपने अनुभवों के आधार पर विशेष रणनीति तैयार करनी चाहिये। जिससे बीमाकर्ता अपने ग्राहकों को बेहतर उत्पाद मुहैया करा सके और बाजार में उपलब्ध अवसरों का लाभ उठा सकें।

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लेखक अंतर्राष्ट्रीय बीमा पर्यवेक्षक संगठन, बेसेल, स्विजरलैंड के प्रधान प्रशासक हैं।

Recap - The Year That Was ...

A listing of articles from IRDA Journal - Volume IV
(December 2005 to November 2006) for quick reference.

	Page		Page
December 2005 Volume IV, No.1			
Know Your Regulations			
The How and Why of Investing		it is not only their duty but also a huge differentiator in a competitive market.	
- Understanding IRDA Investment Regulations	6	To Bring That Smile - Consumer Care as a competitive tool	23
IRDA's regulations on the investment functions of insurers seek to ensure that the funds are safely deposited while providing optimal returns, writes R.Kumar.		The consumer is King and it pays for the insurer to treat him as such, observes <i>V.Ramakrishna</i> , providing guidelines to achieve customer satisfaction.	
Statistics - Life Insurance	10	Statistics - Life Insurance	34
New Business done up to October, 2005.		First Quarter 2005-06	
Statistics - Non-Life Insurance	12	Statistics - Life Insurance	40
New Business done up to October, 2005.		First Half 2005-06	
Bypass Operation?	14	January 2006 Volume IV, No.2	
A curtain raiser to the next issue's focus: The Motor Liability Portfolio by <i>K. Nitya Kalyani</i> .		A Decade ...	
Issue Focus: Empowering the Customer		A curtain raiser to the next issue	
Knowledge is Power	15	- A decade of reforms	4
While the legal framework may codify customer protection and institutional mechanisms execute its intent after the interests of the policyholder are affected, true protection lies within the informed and circumspect customer. Enabling customer education and information is primary in the quest for protecting his interests, says <i>K. Nitya Kalyani</i> .		Statistics - Life	6
IAIS on Consumer Protection	16	New Business done up to November, 2005.	
To Protect, To Serve - Consumer protection assumes an all-important role	17	Issue Focus: Motor Third Party Liability Portfolio	
All stakeholders are duty-bound to uphold consumer rights, from the government and industry to the consumer himself, writes <i>Gnanasundaram Krishnamurthy</i> .		The Bottom Line	
Betwixt the Claim and the Settlement	20	<i>G.V. Rao</i> discusses the Motor TP portfolio from a financial angle to conclude that unless the current state of affairs is changed, the future of the industry is perilously at stake.	
Insurers can do a lot to protect their consumers as part of their contractual obligations, writes <i>G.V.Rao</i> , adding that		Escalating Claims, Tumbling Profits	10
		Why is Motor Third Party liability such an unenviable portfolio, and how can this state of affairs be remedied?	
		<i>K.K. Bhat</i> examines the issue.	
		The Insurer's Call - Amendments that insurance companies are looking for	13
		With the New Year just ushered in, <i>S. Giridharan</i> draws up a wish list of the amendments that the insurance industry would want in the Motor Vehicles Act.	



	Page		Page
Naming the Figure - The nitty-gritty of arriving at the TP claim amount	18	Whereas insurers must no doubt make profits in their operations, they also have a duty to the society at large. The regulator has to ensure that this creed is fulfilled, opines <i>H. Ansari</i> .	
Examining the Motor Third Party Liability compensation levels in the country, <i>R.Suresh</i> spells out the issues that need to be factored into the settlement amount.		Looking Back, Looking Ahead	25
Skilled Underwriting	22	- The ushering of a silent revolution in Indian insurance	
- It can transform Motor TP Liability into a lucrative portfolio		While successive governments made efforts to introduce reforms to the legislative framework of insurance, precious little could be done in view of the wide-ranging opposition to the opening up of the sector, writes Arup Chatterjee.	
Rather than just trying to control claims, underwriters should seek to change the behaviour of the portfolio through various underwriting strategies, writes P.C.James.		End-user	
Legally Speaking - What the law has to say about Motor TP claims	26	The Spirit of the Law - Read the meaning, not the words	29
The Indian legal system deals with Motor TP claims in various ways. <i>H.Anantkrishnan</i> takes a look at these with some interesting case studies.		Upholding the main purpose rule is vital, says <i>Gnanasundaram Krishnamurthy</i> , adding that insurers must read down the exclusion clauses, rather than use them as loopholes to avoid paying claims.	
The Big Con Game - Rampant fraud in Motor TP cases	31	Thinking Cap	
Ruing the high prevalence of malpractices in Motor TP claims, <i>T. Babu Paul</i> examines the causes and reflects upon the remedies.		Men and Boys - How to tell between the two in insurance markets	30
Statistics - Non-Life Insurance	42	The maturity of a market can best be judged by the sense of responsibility and decorum that is displayed by the players, writes <i>C.N.S. Sastri</i> .	
New Business done up to November, 2005.		Statistics - Non-Life	42
February 2006 Volume IV, No.3		New Business done up to December, 2005.	
Statistics - Life Insurance	4	March 2006 Volume IV, No.4	
New Business done up to December, 2005		Statistics - Life	4
Good Governance		New Business done up to January, 2006.	
A curtain raiser to the next issue - Corporate Governance	6	Adopting Technology	
Managements owe a fiduciary responsibility to all their stakeholders. When the due diligence associated with corporate governance takes the back seat, it spells doom for the corporate entities, opines <i>U. Jawaharlal</i> .		- A curtain raiser to the next issue	
Issue Focus - A Decade of Reforms		- Technology in Insurance	6
Reforms in Insurance Sector		While technology enables managements to take quicker and better decisions by providing reliable support, the bottom line in embracing it should be delivering better service customers, writes <i>U. Jawaharlal</i> .	
- The Agenda for Next Decade	18	Issue Focus - Corporate Governance	
The new players have performed beyond expectations garnering more than 20% of the market, avers <i>G.V. Rao</i> .		Insurers & Corporate Governance	
Insurance Reforms - A Journey Without End	21	- Is Everything Hunky-dory?	9

	Page
There have to be structures and mechanisms to keep the board accountable to shareholders, opines <i>G.V. Rao</i> . He further adds 'there has to be a balance of two distinct powers.	
Corporate Governance and Insurance Industry - Lessons to be Learnt	12
We don't have to accept that the world has become a less ethical place and learn to live with it. Even if it has, we can change it; say <i>Dr. K.C.Mishra & Dr. Geetanjali Panda</i> .	
Governance Code for the Indian Insurance Industry - An Overview	16
In the area of corporate governance in India, the approaches would require to be refined. However, the task of the regulatory bodies would be considerably eased once proper governance standards are in place, observes <i>R. Krishna Murthy</i> .	
Governance Decisions - Structures to Help Directors Reach the Point	20
The outward signs of good governance did not correlate with good decisions inside the boardroom, says <i>Ashwin Parekh</i> , commenting on the Enron debacle.	
Corporate Governance - In a Risk-based Rating Environment	23
In a de-tariffed regime, governance for the insurers would be a different ball-game and various issues would come up in the areas of fair rating, equitable policy conditions etc., feels <i>P.C. James</i> .	
Corporate Best Practices - Recommendations for Directors	26
For ensuring good corporate governance, the importance of overseeing the various aspects of the corporate functioning needs to be properly understood, appreciated and implemented, avers <i>Vepa Kamesam</i> .	
Statistics - Life Insurance	30
New Business figures for the third quarter of 2005-06.	
Statistics - Non-Life Insurance	42
New Business done up to January, 2006.	

April 2006 Volume IV, No.5

	Page
Statistics - Life Insurance	4
New Business done up to February, 2006.	
The Importance of Claims Settlement	6
A curtain raiser to the next issue - Insurance Claims Settlement	
Claims settlement is the most vital function for an insurer. In most cases, the efficiency with which this function is handled is responsible for the brand image of the insurer and hence needs to be managed with all the care, writes <i>U.Jawaharlal</i> .	
Issue Focus: Technology and Insurance Industry	
Health Insurance and Managed Care - Use of Information Technology	10
The unavailability of a sufficient quantity of statistically valid data has made it difficult for decision makers to assess the impact of a range of potentially significant factors using traditional techniques, opine <i>Tia Sawhney, Alam Singh and Rich Moyer</i> .	
Operational Excellence through Technology - A Practical Approach	13
The long-term nature of life insurance contracts necessitates that customer service is provided on a continuous basis for which a proper database is absolutely essential, writes <i>J.B. Bhaskar</i> . He further goes on to explain the practices being followed in his company.	
Managing Information Risk - Ideas and Processes	16
Companies depend heavily on information technology to support and drive their business goals; and to maintain competitive strengths. However, information itself suffers from some grave risks of being abused. <i>Edgar Balbin and R.N.K. Prasad</i> suggest various measures to ensure that information is protected from such risks.	
Technology in Insurance - A Management Imperative	20
A total solution for underwriting and new business processing for life insurers can	



	Page		Page
help reduce policy issuance from weeks to days, observes <i>Anita Pai</i> .		of claims department is in the form of claims trending and risk management input, opines <i>Swaraj Krishnan</i> .	
Technology in Life Insurance		Promises vs. Promises - Dilemmas in Claims	14
- Genesis and Evolution	23	A willingness to reach out to the customer, who regards his need as an emergency; and giving him an emotional crutch, makes good business sense; says <i>G.V. Rao</i> .	
Insurance industry needs advanced technology for business sustainability; and its demands fuel technological advancement and applications, observes <i>S.K. Kapahi</i> .		Effective Claims Settlement Procedure	
IT in General Insurance Industry		- Need of the Hour	17
- The Change Driver	26	In order to reduce litigation, insurers should sensitize those dealing with claims to have regard for the feelings of claimants, argues <i>Antony Jacob</i> .	
The plans to provide insurance system over Internet should not be derailed by concerns of availability, security and poor performance, observes <i>L.N. Pai</i> .		The World of Liability Claims - A Deep-rooted Analysis	19
Information Security and the Insurance Sector		Unlike the other classes of insurance, liability claims tend to be more complicated because of the sheer number of the parties to the claim, observes <i>Uttara Vaid</i> .	
- Challenges Galore	29	Handling Claims - The Dharma of the Insurer	22
Insurance requires an open environment where customers and agents get maximum access to the required data in an easy and convenient way, says <i>Dr. Vishnu Kanhere</i> .		For a claim to be processed smoothly and quickly, the insurer should ensure that its claims handling staff are skilled and knowledgeable, avers <i>Yegnapriya Bharath</i> .	
Statistics - Non-Life Insurance	42	Claims Settlement in Life Insurance - Need for Personal Touch	24
New Business done up to February, 2006.		While there is an incidence of fraudulent attempts in enforcing claims, insurers should take care not to put a genuine claimant to hardship, opines <i>Ganesh Iyer</i> .	
May 2006 Volume IV, No.6		Ensuring Fair Claims Management - Issues for Quick Disposal	27
Statistics - Life Insurance	4	If the personnel of Claims Settlement section are not specifically trained on the aspect of prudent claims settlement, there is a danger of the claimants losing faith in the system of life insurance, argues <i>D.V.S. Ramesh</i> .	
New Business done up to March, 2006.		Thinking Cap	
Cleansing Ill-gotten Wealth	6	The Future and 'Insuring' Services - Need for a Fresh Look	31
A curtain raiser to the next issue		In the ever dynamic and fluid environment, the insurance industry must break from the grip of tradition and respond to the challenges of the new era, feels <i>Apparao Machiraju</i> .	
- Money laundering in Insurance			
Although insurance has thankfully remained out of reckoning as a conduit for money laundering, to a great extent; it would be naïve to believe that it is totally safe, argues <i>U. Jawaharlal</i> .			
Issue Focus: Claims Settlement in Insurance			
Empathizing with the Claimant			
- A Perspective on Life Insurance Claims	9		
The golden key for success of a life insurer is the deliverance of the promise. No moment of truth can be greater than a claim handled well, writes <i>Shiva Belavadi</i> .			
Prompt Claims Settlement			
- The Success Mantra	12		
Due to the diverse nature and myriad claims that we face, a natural extension			

	Page		Page
Statistics - Non-Life Insurance	42		
New Business done up to March, 2006.			
June 2006 Volume IV, No.7			
Statistics - Life	4		
New Business done up to April, 2006.			
The Lure of Additional Benefit			
A curtain raiser to the next issue			
- Frauds in Insurance	6		
The policyholder should not get lured by an initial short term gain as it would invariably lead to the industry's detriment in the long run, observes <i>U.Jawaharlal</i> .			
Issue Focus: Money Laundering in Insurance			
Processes in Money Laundering			
- Lessons for Insurers	9		
In a market that is rediscovering itself after nearly five decades, the emphasis on securing market-share first and risk management afterwards is a normal feature, argues <i>S.V. Mony</i> ; and goes on to suggest that AML measures are important for the enterprise and for the country as a whole.			
The Devil of Money Laundering			
- Vulnerability of Insurance Business	12		
Money laundering facilitates corruption and can destabilize the economies of susceptible countries, opines <i>B. Padmaja</i> .			
Technology in Anti Money Laundering			
- Enabling Compliance ...and more	16		
It is very critical for a financial institution to know who they are dealing with; and ensure that the proposed customer is not conducting his business with the aim of placing, layering or integrating the funds, argues <i>Ashwin Parekh</i> .			
Know Your Customer			
- A Step in the Right Direction	19		
Insurer's strategic policies will determine its exposure to risks such as underwriting risk, reputation risk, operational risk, concentration risk and legal risk, writes <i>K.G.P.L. Rama Devi</i> .			
Money Laundering Through Life Insurance - Establishing an Effective Apparatus	23		
An efficient 'Know Your Customer' (KYC) programme, also called Customer Due			
		Diligence or CDD, can be considered to be the bedrock of a robust AML framework, observes Sandeep Batra.	
		Money Laundering in Insurance	
		- Parameters of Control	27
		Both the life insurance sector and the non-life sector are susceptible to money laundering, avers <i>Ashish Vinod Joshi</i> . Further, he contends that adherence to various measures set out in IRDA guidelines will help companies avoid reputational, legal and financial risks.	
		Follow Through:	
		Claims Settlement in Life Insurance	
		- Insurer's Approach and Perspectives	29
		A repeat business from the deceased policyholder's family goes to prove the faith the people have in life insurance, sales efficiency of the agent and the alertness of the office, says <i>G. Gopalakrishna</i> .	
		Field Force:	
		Challenges of Insurance Distribution	
		- Some Indian Trends	31
		Banks have emerged as attractive distribution channels for insurance as they are being driven to increase their profitability and provide maximum value to their customers, states Stuart Purdy. He further adds that the banks are themselves looking for a range of products to distribute.	
		Statistics - Non-Life Insurance	42
		New Business done up to April, 2006.	
		July 2006 Volume IV, No.8	
		Statistics - Life Insurance	4
		New Business done up to May, 2006.	
		Generating a Viable Product	
		A curtain raiser to the next issue - Product Development in Insurance	6
		The success of a product should be seen in the light of the value it generates to the customer in the long run; and not an immediate return, feels <i>U. Jawaharlal</i> .	
		Issue Focus: Frauds in the Insurance Industry	
		Possibilities of Fraud in Life Insurance	
		- Need for Early Detection	7



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It is necessary to have in-built detection mechanisms in the processes designed, so that alerts are sounded at different stages for necessary further checks; avers <i>S.P.Subhedar</i> .		Guarding Against Frauds in Insurance	
An Overview of Insurance Frauds		- Importance of Interpretation	30
- Measures to Combat the Menace	10	The purpose for which insurance is obtained should properly be analysed so that the fraudulent tendencies of applicants can be kept on check, opines <i>G.Gopalakrishna</i> .	
Insurers operate in an already difficult environment; and fraud vitiates and marginalizes their profitability, exhorts <i>Dalip Verma</i> . He further suggests that companies will require to have a well laid out policy which makes clear that they will not tolerate fraud.		Statistics - Non-Life Insurance	42
A Veritable Virus - Frauds in Insurance	13	New Business done up to May, 2006.	
Although life insurance is not as vulnerable to frauds as non-life domain is; life insurers still have to be cautious against such fraudulent attempts as impersonation, transfer of rights in a contract without a valid purpose etc., opines <i>V.K. Sarma</i> .		August 2006 Volume IV, No.9	
Fraudulent Intentions in Insurance		Statistics - Life Insurance	4
- A Matter of Human Psyche?	17	New Business done up to June, 2006.	
Fraud, as a fashionable tool of economic sophistry, is perhaps the most dangerous motivator in the modern context, opines <i>Arman Oza</i> . He further emphasizes 'it does not merely justify a wrongdoing; it accords virtue to it.		Statistics - Life Insurance	6
Forging a Stricter Regime		Business done for the year ended March 2006.	
- Frauds in the Insurance Industry	20	Charging the Right Price...	
Insurance fraud victimizes all of us in the form of higher premiums; or higher prices of goods and services, writes <i>V. Ramakrishna</i> .		A curtain raiser to the next issue	
Towards Ensuring a Fair Price		- Pricing of the Product	12
- Need to Intercept Frauds	23	Pricing a product appropriately is what matters to its eventual success. But with so many dynamic variables, it is a challenge of great importance, says <i>U.Jawaharlal</i> .	
While financial frauds are considered as a threat to the stability of the economy, insurance frauds may also be considered as a burden on the society to the extent that the public have to pay higher costs towards premiums, says <i>D.V.S. Ramesh</i> .		Issue Focus: Product Innovation and Development in Insurance	
Maritime Frauds - Time to Take Stock	26	Product Development in Insurance	
Crime is always one step ahead of the law, insists <i>A.K. Paul</i> . He further goes on to suggest that lacunae in the system help fraudsters to exploit the situation and escape being punished.		- Role of Regulator	14
		Bringing down transactional and distribution costs consistently; and adding value to current and future products are basic to the success of any new product in the market, writes <i>G.V. Rao</i> .	
		The Significance of File & Use - Product Development in Insurance	16
		Good insurance practice dictates that there have to be clear and fair clauses relating to important areas such as cancellation, renewal, claim settlement processes etc., emphasizes <i>P.C. James</i> .	
		Product Development in General Insurance	
		- A Look at the Indian Market	19
		The product life cycle is based on the belief that most products go through stages in their lives; similar to living organisms, avers <i>Ajit R. Belsare</i> .	
		New Product Development & Launch	
		- The Way Ahead	23

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The greatest impediment to product development in the Indian insurance industry has been the prevalence of tariff, write <i>Joydeep Roy</i> and <i>Abhishek Agarwal</i> . They further hope that with detariffing being round the corner, the industry can see a plethora of products hitting the market.		Rating the Risks Right - Perspective, Principle and Process	16
The Complexities of Agriculture Insurance - Scope for Product Development	26	The root of the success and survival of insurance industry lies in its skill and capability to rate the risks right, avers <i>R.C. Guria</i> . He further says that freedom fix price for the risk gives the real strength of the foundation and autonomy of the industry.	
Designing and implementing an appropriate insurance program for Agriculture is very complex and quite a challenging task, avers <i>Kolli Rao</i> .		Pricing Insurance Products	
Follow Through:		- Post Detariffed Scenario	23
Fraud in Insurance - Looking Beyond Mere Surface	32	The insurers need to demonstrate to their consumers that in a post detariffed scenario, they are much easier and much less expensive to do business with, avers <i>G.V. Rao</i> . He further adds that unless they become more 'market-sensitive', the switch over to market pricing for insurers is going to be financially painful.	
In India, exaggeration in claim is considered an efficient tool to get claims, rather than it being considered as an organized found, exhorts <i>Ajay Bansal</i> .		Ratemaking in the Wake of Detariffing	
Statistics - Non-Life Insurance	42	- Challenging Times Ahead	26
New Business done up to June, 2006.		<i>Yagnapriya Bharath</i> says 'In a situation where insurance pricing is regulated, fixing of premium rates is not a major problem. In a deregulated set up, fixing of rates or pricing could be quite a task.	
Statistics - Non-Life Insurance	44	Research Paper	
Business done for the year ended March 2006.		A Model for Health Insurance for the Poor in India - Part-I <i>Debasis Bagchi</i>	29
September 2006 Volume IV, No.10		Statistics - Non-Life Insurance	44
Statistics - Life Insurance	4	New Business done up to July, 2006.	
New Business done up to July, 2006.		October 2006 Volume IV, No.11	
Underwriting - Insurers' Lifeline	6	Statistics - Life Insurance	4
A curtain raiser to the next issue		New Business done up to August, 2006.	
- Underwriting in Insurance		Statistics - Life Insurance	6
A company can choose between adopting different styles of underwriting methods, depending on their corporate philosophy and strategy. However, the function of underwriting itself cannot be treated less importantly, observes <i>U.Jawaharlal</i> .		First Year Premium of Life Insurers for the first quarter ended June 2006	
Issue Focus: Pricing of the Product		Achieving Total Freedom	
The Non-Life Pricing Juggernaut		A curtain raiser to the next issue	
- Challenges for Insurers	8	- Pricing Freedom with Detariffing	10
<i>Anurag Rastogi</i> writes that while the earlier tryst of non-life insurers with de-tariffing was scary, the one in the offing now promises to be a fantastic period of learning for everybody, amidst fears and hopes.		De-tariffing, while breaking the shackles, would be a huge challenge; and insurers should exhibit maturity in dealing with the risks in order to emerge successful, writes <i>U. Jawaharlal</i> .	
Life Insurance Product Pricing		Thinking Cap	
- Priorities for Insurers	13	Changes in the Insurance Markets Globally - Regulator's Perspective	12
The expected investment rate of return is an important parameter in determining the price of the product, writes <i>P.A. Balasubramanian</i> .		Insurance markets world over are undergoing rapid changes, says <i>K.K. Srinivasan</i> . He further adds that if the insurance regulator cannot stay ahead of	



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the changes, he at least needs to keep pace with the rapid changes.		A curtain raiser on the next issue	
Issue Focus: Underwriting in Insurance		- Distribution Channels	
Underwriting in Detariffed Era		Insurance business in India is still very dependent on the distributor's skills.	
- Issues in Motor	16	For a long term sustenance of the business, the distributor needs to be thoroughly trained, writes <i>U. Jawaharlal</i> .	
Some sections of the insuring community of motor are very much worried that, in future, they will be made to shell out more cash every year in buying Motor insurance to fully cover themselves, opines <i>B.G. Patki</i> .		Issue Focus: Pricing Freedom with Detariffing	
Tele-Underwriting in Life Insurance		Discipline and Profitability	
- Is it Time Yet?	18	- The Mantras of the New Dawn	20
Knowledgeable underwriting is the key to a gainful future for an insurance company, avers <i>T.S. Ramakrishna Rao</i> .		To be successful in the detariffed regime, underwriters need to have the courage and conviction to determine their walk-away price, says <i>Arup Chatterjee</i> .	
Preparing Underwriters		Marketing Opportunities and Challenges	
- In a Detariffed Scenario	21	- In a Detariffed Market	24
The underwriter should be able to visualize the risk even if he did not visit it, from the reports given and from the detailed proposal form furnished, states <i>G.V.Rao</i> .		<i>H. Ansari</i> 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.	
Underwriting in a Detariffed Market	24	Maturing Progressively	
- Impact on Cross-subsidization		- Indian Insurance Industry	27
Phenomenon Underwriting requires a kind of discipline which can exist only if all the insurers work collectively towards a common interest - that of a healthy bottom line, writes <i>Meena Nair</i> .		The removal of tariff is a natural way for any market to develop and grow, says <i>Antony Jacob</i> . He further adds that India is today the only country where such a high proportion of the market is still under Government control.	
Undoing Adverse Selection		Transforming Industry Practices	
- Life Insurance Underwriting	26	- Detariffing Insurance	29
Continuous analysis of the data relating to life insurance and pension business is one of the key drivers of sustained growth of the industry, says <i>D.V.S. Ramesh</i> .		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 <i>P.C. James</i> .	
Research Paper		Know Your Regulations:	
A Model for Health Insurance for the Poor in India - Part-II <i>Debasis Bagchi</i>	29	Insurance Company Audit	
Statistics - Non-Life Insurance	42	- A Regulatory Perspective	33
New Business done up to July, 2006.		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 <i>H.O. Sonig</i> .	
Statistics - Non-Life Insurance	44	Statistics - Non-Life Insurance	44
Gross Premium underwritten by Non-Life Insurers for the first quarter ended June 2006		New Business done up to September, 2006.	
November 2006 Volume IV, No.12		Statistics - Investments	46
Statistics - Life Insurance	4	Investment Statistics of Non-Life Insurers - End of March 2006	
New Business done up to September, 2006.		Need for a Well-trained Distribution Channel	8
Statistics - Investments	6		
Investment Statistics of Life Insurers - End of March 2006			

Report Card: GENERAL

G. V. Rao

Growth momentum continues in October 2006 with 25.3 percent

All-round growth:

The month of October 2006 has been yet another month of extraordinary growth for the non-life insurers with the growth rate high at 25.3 percent. This achieved rate is only slightly below that of September of 25.8 percent. As against the monthly renewals of Rs.1772 crore in

October last year, the premium income scaled in 2006 is Rs.2220 crore. The established players have recorded an accretion of Rs.151 crore at a growth rate of 11.3 percent. The new players have had an accretion of Rs.297 crore at a growth rate of 63 percent. Among the former, New India leads with an

accretion of Rs.60 crore followed by Oriental with Rs.56 crore. But the stellar performances in the month have come from ICICI Lombard that has produced a massive accretion of Rs.167 crore with Reliance adding Rs.56 crore to its meager renewal premium of Rs.12 crore.

GROSS PREMIUM UNDERWRITTEN FOR AND UP TO THE MONTH OF OCTOBER 2006

(Rs. in lakhs)

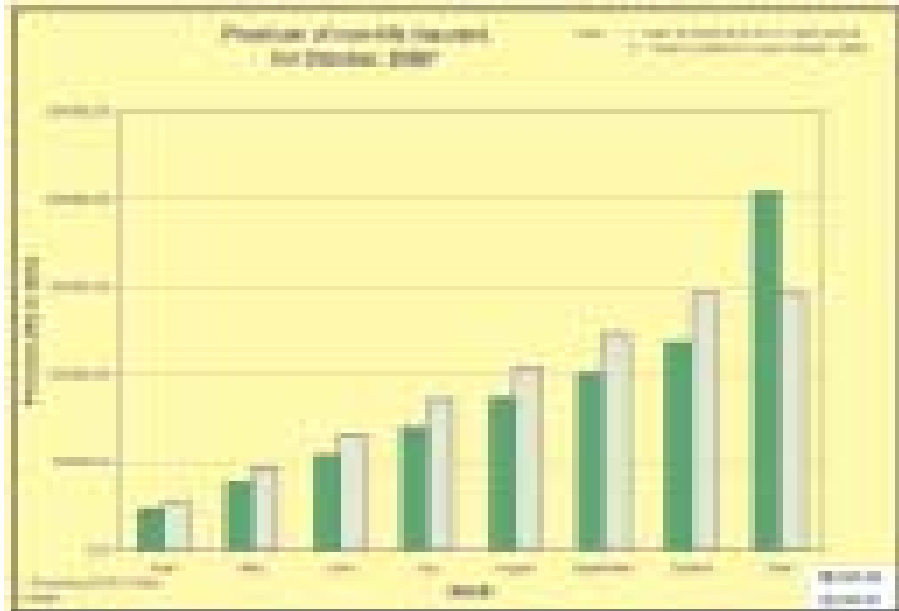
INSURER	PREMIUM 2006-07		PREMIUM 2005-06		GROWTH OVER THE CORRESPONDING PERIOD OF PREVIOUS YEAR
	FOR THE MONTH	UP TO THE MONTH	FOR THE MONTH	UP TO THE MONTH	
Royal Sundaram	5,204.18	34,116.96	3,586.51	26,100.09	30.72
Tata-AIG	5,709.19	45,766.52	4,696.82	33,993.50	34.63
Reliance General	6,812.04	44,565.84	1,245.62	8,855.45	403.26
IFFCO-Tokio	7,244.56	72,896.15	6,446.24	49,252.33	48.01
ICICI-Lombard	31,018.53	183,535.50	14,299.03	96,590.25	90.01
Bajaj Allianz	15,930.37	100,554.84	12,798.35	75,564.84	33.07
HDFC CHUBB	1,829.94	10,957.33	1,551.75	10,831.02	1.17
Cholamandalam	2,883.47	18,295.87	2,265.58	14,552.18	25.73
New India	53,096.00	298,166.00	47,076.00	269,598.00	10.60
National	30,475.00	213,720.00	28,708.00	206,227.00	3.63
United India	25,739.91	203,749.91	24,048.97	186,837.72	9.05
Oriental	36,197.00	234,636.00	30,632.00	206,869.00	13.42
SPECIALISED INSTITUTIONS:					
ECGC	4,685.89	33,988.33	4,645.09	32,052.80	6.04
Star Health & Allied Insurance	1,052.12	1,266.12			



The new players have continued to maintain a strong grip on their market share that stands at 35 percent. Two points of interest to the market have emerged. One is that the monthly accretion of ICICI Lombard at Rs.167 crore is higher than the combined accretion achieved by all the established players of Rs.151 crore. This performance should stand out as of interest to the market. The second point of market interest is that for the first time, the October monthly premium of ICICI Lombard at Rs.310 crore has exceeded the monthly premium performances of National Insurance and UIIC that have accomplished premiums of Rs.305 crores and Rs.257 crore respectively. The established players do seem to be coming under increasing pressure by the new players with their relentless high growth rates and premium productions.

Performance up to October 2006:

The performance growth rate that was 22.8 percent as at September 2006 has moved up to 23.3 percent at the end of October 2006, an improvement of significance. The total premium at the end of October is Rs.14,628 crore as against Rs.11,855 crore. The established players have added Rs.807



crore at a growth rate of 8.3 percent with the new players adding Rs.1966 crore at a growth rate of 62 percent. Here again, ICICI Lombard has achieved an accretion of Rs.887 crore; whereas the total accretion of all the established players is Rs 807 crores, a truly impressive record.

New India with Rs.286 crore, closely followed by Oriental with Rs.277 crore are the major contributors for the established players. Reliance, a late starter in the race for premium acquisition has recorded an accretion of Rs.357 crore as against a meager last year renewal of Rs.89 crore.

The growth path is now led by several players: with eight out of the twelve players having achieved accretions in excess of Rs.100 crore and more at the end of October 2006. With the imminent

detariffing around the corner in January 2007, the next two months should witness even more fierce battles for supremacy of the market turf. A few of the new players are inching towards breaking into the big league premium players of yesteryears and this may happen sooner than one thought. Interesting and challenging times are certainly ahead for all the players.



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

FICCI organized an International Conference on Micro Health Insurance "Developing Pro-Poor Health Insurance in India" at New Delhi on 1st and 2nd November, 2006. Here are some photographs taken on the occasion.



Photograph shows (L to R): Dr. David Dror, Professor, Erasmus University, Rotterdam; Mr. C.S. Rao, Chairman, IRDA; Dr. Amit Mitra, Secretary General, FICCI; Mr. Pavan Kumar Bansal, Minister of State for Finance, Government of India; H.E. Francisco da Camara Gomes, Ambassador - Head of Delegation of the European Commission to India, Bhutan and Nepal.

Apart from the above dignitaries, also seated in the photograph at the extreme right is Dr. Abhay Bang, SEARCH.





Institute of Insurance and Risk Management (IIRM) conducted a one-day seminar on "Grievance Redressal - Insurance Sector" on 23rd November, 2006 at Hyderabad.



Photograph Shows Mr.C.S. Rao, Chairman, IRDA delivering the inaugural address.

Others seen in the picture are (L to R):

1. Mr. Vepa Kamesam, Managing Director, IIRM. 2. Hon. Justice M.B. Shah, Chairman, National Consumers Disputes Redressal Commission (NCDRC). 3. Hon. Justice I. Venkatanarayana, President, AP State Consumer Disputes Redressal Commission. 4. Ms. M. Rajyalakshmi Rao, Member, NCDRC.



Photograph Shows Mr. C.S. Rao, Chairman, IRDA handing over a memento to the Chief Guest Hon. Justice M.B. Shah.



■ **11- 16 Dec 2006**

Venue: Pune
Service Differentiation &
Relationship Management
By NIA Pune

■ **18- 23 Dec 2006**

Venue: Pune
Lateral Thinking & Decision Making
By NIA Pune

■ **18- 23 Dec 2006**

Venue: Pune
Advanced Comprehensive
Technical Programme in Life Insurance
By NIA Pune

■ **04 - 06 Jan 2007**

Venue: Pune
Marketing Strategies (Life)
By NIA Pune

■ **08 - 10 Jan 2007**

Venue: Pune
Workshop on Managing & Developing Insurance
Knowledge Resources
By NIA Pune

■ **15 - 16 Jan 2007**

Venue: New Delhi
Global Healthcare Conference
"Promoting Partnerships"
By FICCI, New Delhi

■ **15 - 20 Jan 2007**

Venue: Pune
Programme for Young Executives (Life)
By NIA Pune

■ **22 - 23 Jan 2007**

Venue: Pune
Seminar on Business Intelligence
By NIA Pune

■ **22 - 24 Jan 2007**

Venue: Pune
Workshop on Motor Third Party Claims
By NIA Pune

VIEW POINT

“Malaysia, as the leader with the most advanced infrastructure, has a leadership role to play in forging global excellence and sustaining the growth of the Takaful industry.”

- Mr. Agil Natt,

CEO of International Center for Education in Islamic Finance (INCEIF).

“The proposal to consider how to best address the issue of regulatory burden, duplication and costs to the financial services sector is particularly welcomed.”

- Ms. Kerrie Kelly, CEO,

Australian Insurance Council

“The rise of China, India and the recovery of Japan has captured investors' excitement. South-east Asian countries have emerged from the Asian currency crisis with more confident economic growth prospects.”

- Mr. Ong Chong Tee,

Deputy Managing Director, Monetary Authority of Singapore

“The idea of Ulips was more transparency than traditional plans, which is why every charge is spelt out. An investor knows where his money is being invested.”

- Mr. C.S. Rao, Chairman,

Insurance Regulatory and Development Authority (IRDA)

“The reinsurance sector has shown considerable resilience in the face of two years of higher-than-expected natural catastrophes. Even so, there is still potential for under-provisioning, under-pricing, major latent casualty exposures and natural catastrophes worldwide; all of which have the potential to pose significant challenges for reinsurers' solvency and risk management capabilities.”

- Mr. Julian Adams,

Chairman of IAIS Reinsurance Transparency Group

“To meet the needs of today's global consumers, I am a firm believer that the U.S. regulatory community must continue our efforts to be actively engaged in the processes and forums that lead to greater international coordination.”

- Mr. Alessandro Iuppa,

National Association of Insurance Commissioners (NAIC) President