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Riders in Insurance -

Enriching the Platter

बीमा विनियामक और विकास प्राधिकरण

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From the Publisher

Historically, the preference for endowment type of contracts in the Indian insurance industry has been very conspicuous. For one thing, insurance has also been treated as an investment avenue; and for another, the predominant tilt towards tangible benefits also contributed to such a phenomenon. Although there were some pure insurance products in the form of term insurance, they were not very popular. In a domain which was devoid of competition, it did not matter a great deal. However, with the opening up of the industry for private participation, a dire need was felt for a wider range of products.

Further, the awareness levels of the public as regards insurance have also been growing steadily and in such a scenario, the importance of the need for a wide repertoire of products needs no emphasis. This necessitated product innovation by the insurers. But coming out with a product for each of the needs is easier said than done. An easier and a more viable alternative was the introduction of riders. Being optional for the policyholder, the riders provide great flexibility and have come to be regarded as customized solutions. Rather than buying a product for each of their needs, the policyholders can develop a wholesome portfolio by accessing the availability of riders.

Although a few riders were offered even during the pre-liberalization period, the low levels of customer awareness resulted in none of them being popular except the accident benefit rider. In more advanced insurance markets, riders play such an important role that varying needs of the policyholder at different times can all be taken care of by just one insurance policy. Risk coverage can be altered in tune with the changing milestones of one's life; and this provides the cushion for planning an entire insurance portfolio. It however presupposes a very high understanding of the basic concepts of insurance contracts. While we still have a long way to go, it is good that a beginning has been made and various riders are gaining popularity in the Indian insurance field.

'Riders in Insurance Contracts' is the focus of this issue of the **Journal**. While it is less risky for a life insurer to underwrite every individual's proposal before assuming the risk; group insurance provides several answers in a large, populous country like India, with diverse groups. The focus of the next issue of the **Journal** will be on 'Group Insurance'.

J. Hari Narayan

INSIDE

ISSUE FOCUS

FOLLOW THROUGH

Customized Solutions in a Competitive Market

The hallmark of a competitive market in the financial services domain in general, and in insurance, in particular; is the availability of a large variety of innovative products. For ages, insurance has largely been treated as an instrument of long-term savings with a dash of tax incentives thrown in; and as long as insurance business remained within the purview of government controlled organizations, it did not matter a great deal. Further, as insurance itself remained a less-understood concept for the general masses, the availability of only a limited number of products never appealed as insufficient. However, with the opening up of the market and the formation of joint ventures with some of the leading global players, the absence of world-class products came to be seen conspicuously. A natural consequence of this phenomenon was the evolution of 'riders' or add-ons that add value to the base product. Several insurers leveraged the flexibility associated with the riders to come up with customized solutions for their clientele, rather than looking at the need for inventing a product for each of their needs.

Riders result in some advantages for both the parties in an insurance contract. For insurers, they result in lessening their transaction costs and increasing their operational incomes. Further, by coming out with a large portfolio of solutions, they can enlarge their business volumes. However, they should be conscious at all times of the increased risk exposure on account of the rider-commitments. Some of the benefits for the policyholder are guaranteed insurability at advanced ages – a factor that takes care of the uncertainty of the future – and ensuring a wholesome package with just one policy. There are a few riders in more advanced markets that offer protection against fall in investment values as well, something that is very pertinent in times of financial turbulence – such as the present one. The progressive protection policies that are in vogue in some markets offer differing risk coverage in tune with the needs at various milestones of one's life. Accessing all the advantages that riders provide presupposes that the insuring public is aware of the nuances; and in this regard, one needs to emphasize the role of the distributor in spreading the message.

'Riders in Insurance Contracts' is the focus of this issue of the **Journal.** Looking at the importance of this very topical issue, we have several articles that talk about the flavour of various riders existing in the insurance world. We open the issue with an article by a team of consultants at CSC – Mr. Rajasekhar Mallela, Mr. Venkata Madhukar Kanagala and Mr. Purnananda Kumar Divakaruni – that analyzes the benefits of various riders. Dr. Somil Nagpal and Ms. Richa N. Gautam talk about the value that riders can add to a basic health insurance policy and how it can add to lowering the overall costs. The next article by Mr. David Chandrasekharan discusses the genesis and the evolution of several riders in the Indian domain. Mr. Sai Srinivas Dhulipala emphasizes the cost-effective nature of the riders and how it can lead to a win-win deal for the insurer and the insured.

In the next article by Mr. Gnanasundaram Krishnamurthy, you get to see the limited progress that riders have made in the Indian insurance domain and the need for consumer awareness for improvement in this area. Ms. Anuradha Sharma, in her article that follows, brings in the global experience in the usage of riders in insurance. In the last article of the issue focus, Mr. A.V. Rao gives a vivid account of various riders that are in operation both in the Indian and the global markets. In the follow-through section, we have an article by Mr. Rajesh Khandelwal that talks about the importance of solvency issues for an insurer and the challenges associated with progressive transition in this area.

In a country with a large population and with low levels of financial literacy, group insurance can be the answer to a certain extent in increasing insurance penetration. The focus of the next issue of the **Journal** will be on 'Group Insurance'.

U. Jawaharlal

Report Card:LIFE

First Year Premium of Life Insurers for the Period Ended September, 2008

Sl No.	Insurer	Premium u/w (Rs. in Crores)			No. of Policies / Schemes			No. of lives covered under Group Schemes		
		Sept, 08	Up to Sept, 08	Up to Sept, 07	Sept, 08	Up to Sept, 08	Up to Sept, 07	Sept, 08	Up to Sept, 08	Up to Sept, 07
1	**Bajaj Allianz**									
	Individual Single Premium	26.38	166.26	242.22	6715	39310	40112			
	Individual Non-Single Premium	388.02	1792.59	2011.97	234467	1159628	1503901			
	Group Single Premium	0.41	1.36	5.89	0	0	0	5077	6150	4198
	Group Non-Single Premium	13.87	56.15	11.02	91	311	137	1022781	2881200	374838
2	**ING Vysya**									
	Individual Single Premium	1.97	16.38	8.53	233	1974	697			
	Individual Non-Single Premium	55.26	305.31	237.35	29358	165839	143770			
	Group Single Premium	1.90	8.65	0.85	0	1	0	1020	2565	168
	Group Non-Single Premium	0.26	1.69	2.25	16	66	8	3453	29588	48246
3	**Reliance Life**									
	Individual Single Premium	26.50	216.28	71.35	6238	53335	14681			
	Individual Non-Single Premium	309.93	1173.19	470.82	184902	710392	262830			
	Group Single Premium	23.30	67.22	97.95	12	17	41	9162	23738	57142
	Group Non-Single Premium	0.78	16.42	10.19	25	154	119	41617	324582	176594
4	**SBI Life**									
	Individual Single Premium	42.23	287.22	379.42	7835	45584	53411			
	Individual Non-Single Premium	220.50	1086.72	606.53	62814	309604	199477			
	Group Single Premium	20.93	111.80	90.90	0	1	0	9689	54999	47449
	Group Non-Single Premium	357.57	919.53	83.45	20	56	21	459759	1917379	210073
5	**Tata AIG**									
	Individual Single Premium	2.86	24.45	13.71	568	5023	2007			
	Individual Non-Single Premium	63.11	410.87	284.98	49982	307477	200609			
	Group Single Premium	2.48	19.97	32.44	0	7	0	5350	63212	201618
	Group Non-Single Premium	10.82	38.91	20.90	6	44	28	41408	117488	115645
6	**HDFC Standard**									
	Individual Single Premium	11.55	67.28	52.79	3431	27072	171116			
	Individual Non-Single Premium	353.86	1178.41	754.25	82150	371976	248516			
	Group Single Premium	6.03	46.00	28.05	14	69	65	18260	118517	66567
	Group Non-Single Premium	2.79	13.27	33.28	1	5	20	212	13387	21129
7	**ICICI Prudential**									
	Individual Single Premium	14.69	126.86	165.12	2608	22696	26124			
	Individual Non-Single Premium	493.98	2637.57	2157.07	228793	1262534	1072820			
	Group Single Premium	16.60	131.31	89.03	14	147	98	48605	352661	208735
	Group Non-Single Premium	118.80	568.58	202.99	11	290	239	28852	466662	253615
8	**Birla Sunlife**									
	Individual Single Premium	1.88	19.10	10.58	19920	75406	31251			
	Individual Non-Single Premium	215.01	1049.77	554.05	114866	404098	163276			
	Group Single Premium	3.06	8.89	1.95	1	3	3	9121	23237	2402
	Group Non-Single Premium	51.91	96.55	30.03	19	88	63	24288	113291	58852
9	**Aviva**									
	Individual Single Premium	3.06	9.96	9.69	408	1433	1446			
	Individual Non-Single Premium	53.90	319.95	358.46	30114	168802	147729			
	Group Single Premium	0.00	0.05	1.38	0	0	0	0	63	646
	Group Non-Single Premium	2.91	11.82	17.41	7	36	76	67872	469066	337794
10	**Kotak Mahindra Old Mutual**									
	Individual Single Premium	1.25	12.07	9.67	193	1417	1262			
	Individual Non-Single Premium	115.95	541.81	234.33	60296	287948	85675			
	Group Single Premium	3.79	18.38	10.09	0	4	1	11595	72442	83401
	Group Non-Single Premium	5.19	21.61	22.91	37	185	106	40109	274456	225505

11	**Max New York**									
	Individual Single Premium	21.88	125.98	97.10	1528	9210	6306			
	Individual Non-Single Premium	137.86	790.75	476.42	102951	567666	316945			
	Group Single Premium	0.67	7.13	0.00	0	10	0	0	187394	0
	Group Non-Single Premium	0.93	13.23	20.09	26	272	207	9025	254703	295861
12	**Met Life**									
	Individual Single Premium	0.57	3.17	11.78	256	1036	1831			
	Individual Non-Single Premium	95.66	419.39	203.43	24811	111857	76516			
	Group Single Premium	4.32	13.45	4.25	11	63	34	56132	170290	93342
	Group Non-Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
13	**Sahara Life**									
	Individual Single Premium	4.35	22.84	12.27	1105	5867	3199			
	Individual Non-Single Premium	8.11	34.71	21.84	8179	39234	33814			
	Group Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
	Group Non-Single Premium	0.00	0.00	0.00	0	2	2	0	78	52
14	**Shriram Life**									
	Individual Single Premium	9.33	93.48	57.85	1420	15525	11166			
	Individual Non-Single Premium	10.28	68.48	48.41	5105	34917	30167			
	Group Single Premium	0.00	0.00	0.02	0	0	1	0	0	1625
	Group Non-Single Premium	0.24	0.24	0.00	2	2	1	10755	10755	571
15	**Bharti Axa Life**									
	Individual Single Premium	0.46	3.27	0.48	108	759	45			
	Individual Non-Single Premium	25.24	111.19	18.24	16140	75747	17124			
	Group Single Premium	0.66	4.06	0.00	0	1	0	3950	19691	0
	Group Non-Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
16	**Future Generali Life**									
	Individual Single Premium	0.25	0.68		53	144				
	Individual Non-Single Premium	2.31	7.93		2473	11225				
	Group Single Premium	0.00	0.00		0	0		0	0	
	Group Non-Single Premium	0.24	6.89		2	31		10309	211790	
17	**IDBI Fortis Life**									
	Individual Single Premium	9.10	49.57		2422	8005				
	Individual Non-Single Premium	8.70	62.15		2900	19399				
	Group Single Premium	0.00	0.00		0	0		0	0	
	Group Non-Single Premium	0.00	0.00		0	0		0	0	
18	**Canara HSBC OBC Life**									
	Individual Single Premium	0.00	0.00		0	1				
	Individual Non-Single Premium	28.41	65.81		2901	6266				
	Group Single Premium	0.00	0.00		0	0		0	0	
	Group Non-Single Premium	0.00	0.00		0	0		0	0	
19	**Aegon Religare**									
	Individual Single Premium	0.04	0.08		7	12				
	Individual Non-Single Premium	2.16	3.11		2083	3403				
	Group Single Premium	0.00	0.00		0	0		0	0	
	Group Non-Single Premium	0.00	0.00		0	0		0	0	
20	**DLF Pramerica#**									
	Individual Single Premium	0.00	0.00		0	0				
	Individual Non-Single Premium	0.05	0.05		62	62				
	Group Single Premium	0.00	0.00		0	0		0	0	
	Group Non-Single Premium	0.00	0.00		0	0		0	0	
	Private Total									
	Individual Single Premium	178.34	1244.95	1142.56	55048	313809	364654			
	Individual Non-Single Premium	2588.30	12059.76	8438.16	1245347	6018074	4503169			
	Group Single Premium	84.15	438.28	362.80	52	323	243	177961	1094959	767293
	Group Non-Single Premium	566.31	1764.90	454.52	263	1542	1027	1760440	7084425	2118775
21	**LIC**									
	Individual Single Premium	1349.43	6082.36	7566.62	388343	1710712	2081317			
	Individual Non-Single Premium	1174.82	6900.09	11323.22	2051794	10763778	13803613			
	Group Single Premium	2207.21	6109.03	3871.65	2065	8563	10460	2754705	9951789	10233083
	Group Non-Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
	Grand Total									
	Individual Single Premium	1527.76	7327.31	8709.18	443391	2024521	2445971			
	Individual Non-Single Premium	3763.12	18959.85	19761.37	3297141	16781852	18306782			
	Group Single Premium	2291.36	6547.31	4234.45	2117	8886	10703	2932666	11046748	11000376
	Group Non-Single Premium	566.31	1764.90	454.52	263	1542	1027	1760440	7084425	2118775

Note: 1.Cumulative premium / No.of policies upto the month is net of cancellations which may occur during the free look period.
2. Compiled on the basis of data submitted by the Insurance companies
3. # Started operations in September, 2008

CIRCULAR

October 10, 2008

Circular No.15 IRDA/ORD/October 2008-10-10

To
All CEOs of Insurers & Reinsurer

Re: Remittance of Agency / Corporate Agency fee

At present, the fee for agency including corporate agency is being paid by demand draft. The credit for the amount is given in the portal on receipt of the demand draft in hard copy from the insurers. This procedure is slightly time consuming. As an improvement in the system, the insurers are required to follow the following procedure with regard to payments to IRDA towards replenishment of web wallet (for the purpose of issue, renewal of license and others).

Hereafter, you are requested to send the payment using Real Time Gross Settlement (RTGS) for transferring the funds to the following account of the Authority

Bank of the Bank	:	Bank of India
Branch	:	Basheer Bagh, Hyderabad
Account Number	:	860120100001938
RTGS Code	:	BKID0008601

Once the remittance is done through RTGS, you are required to send an email to Mr. R K Sharma, Chief Accounts Officer at rksharma@irda.gov.in with copy marked to Mr. K Subrahmanyam, Executive Director at edadm@irda.gov.in and Mr. Suresh Mathur, Joint Director at suresh@irda.gov.in indicating the following details:

1. Reference of transfer (UTR Number)
2. Name of the Insurance Company
3. Name of the Official remitting the Amount
4. Name of the Transferor Bank & Branch
5. Amount Remitted
6. Purpose of Remittance
7. Date of Remittance

In future, we would require you to send such payment on annual basis after estimating the approximate number of licenses you would be generating in each financial year including renewals.

This circular supercedes all the circulars issued earlier in this regard and comes into effect immediately.

(K. Subrahmanyam)
Executive Director (Admn)

CIRCULAR

October 17th, 2008

Circular No. 018/ IRDA/ORD/ October, 2008

TO
ALL CEOs of Insurers & Reinsurer

Re: Remittance of renewal of Certificate of Registration fee - Regulation 20 of IRDA (Registration of companies) Regulations, 2000. [Please see section 3A of the Insurance Act, 1938]

At present, the fee for renewal is being paid by demand draft / pay order along with application in Form IRDA/R5 for the renewal of the certificate of registration in hard copy by the insurers. As an improvement in the system, the insurers are requested to follow the following procedure with regard to payment of the renewal fee to IRDA.

Hereafter, you are requested to send the payment using Real Time Gross Settlement (RTGS) for transferring the funds to the following account of the Authority.

Name of the Bank	:	State Bank of India
Branch	:	Parishram Bhavan
Account Number	:	30010694902
1FSC Code	:	SBIN0002769

Once, the remittance is done through RTGS, you are required to send an email of pdf file (which contains signature of the officer) to Mr. R K Sharma, Chief Accounts Officer at rksharma@irda.gov.in with a copy marked to Mr. K Subrahmanyam, Executive Director at edadm@irda.gov.in indicating the following details :

1. Reference No. (UTR Number)
2. Name of the Insurance Company
3. Registration Number (allotted by the IRDA)
4. Name of the Transfer Bank & Branch
5. Amount Remitted
6. Date of Remittance

7. Remittance for the financial year ended 31st March__ (Specify the year).
8. How the Amount Remitted has been determined (furnish details)?
9. Name and Signature of the Officer remitting the Amount

Apart from the above, the application for renewal in Form IRDA/R5 as prescribed in IRDA (Registration of Indian Insurance Companies) Regulations, 2000 should be sent separately to the CAO, Insurance Regulatory and Development Authority, Parishramabhavanam, Fateh Maidan Road, Basheer Bagh, Hyderabad, 500004 in this regard.

This circular supercedes all the circular issued earlier in this regard and comes into effect immediately.

(K. Subrahmanyam)
Executive Director (Admn)

CIRCULAR

11th Nov, 2008

Circular No. INV/CIR/020/2008-09

Re: IRDA (Investment) (4th Amendment) Regulations, 2008 - Reg.

To
All Insurers

It may be recalled that IRDA vide Notification F.No. IRDA/Reg/5/47/2008 dated 30th Jul, 2008 published the 4th Amendment of Investment Regulations on 22nd Aug, 2008. Consequently the extant Guidelines / Circulars either require amendments / clarifications to give effect to the following amended regulations / changes.

1	Category of Investments	(Existing Guideline No. INV/GLN/001/2003-04)
2	Market Value - for FORM-3A/ FORM-3B	(Existing Guideline No. INV/GLN/003/2003-04)
3	Investment in Venture Fund	(Existing Circular No. INV/CIR/007/2003-04)
4	Investment in Mutual Funds	(Existing Guideline No. INV/GLN/004/2003-04)
5	Statement of Investment Reconciliation	(Existing Guideline No. INV/GLN/005/2003-04)
6	Equity Investment through IPOs	(Existing Circular No. INV/CIR/046/2004-05)
7	Investment in Perpetual Bonds	(Existing Circular No. IRDA/INV/CIR/005/2006-07)
8	Outsourcing of Investment Function	(Existing Circular No. INV/CIR/031/2004-05 & Circular No. INV/CIR/058/2004-05)
9	Investment in MBS, PTC & SRs	(New Guideline No. INV/GLN/009/2008-09)

Points A to F accordingly detail the changes under the respective aspect of investment management. The revised instructions would supersede the extant requirements stipulated in Circulars/Guidelines referred to therein. We further clarify that the points # 2, 3, 9 and 10 in Annexure II of Circular INV/CIR/008/2008-09 dated 22nd Aug, 2008 are self explanatory and hence are not covered now.

We also refer to Circular INV/CIR/008/2008-09 dated 22nd Aug, 2008 under Point # 1 Annexure II, where in IRDA had directed all insurers to file a compliance certificate of a Chartered Accountant [not later than 1st week of Jan, 2009] to the effect that Investment Risk Management Systems and Process [as per Annexure III of the above referred Circular] are in place and are working effectively.

The Institute of Chartered Accountants of India, in consultation with IRDA, is in the process of issuing a technical guide to Chartered Accountants, to cover both Investment Operation and IT Systems. Insurers are advised to provide all the requisite information to the Chartered Accountants to facilitate an objective assessment for finalizing the compliance certificate.

(C R Muralidharan)
Member

CIRCULAR

October 17th, 2008

Circular No. 019/IRDA/NL/F&U/Oct-08

To
CEOs of all General Insurance Companies

Re: File Use Guidelines for General Insurance Products - Relaxation of Terms & Conditions of Coverages.

Insurer's attention drawn to Para '2' of the Authority's Circular No.021/IRDA/F&U/SEP-08 dated 28th September 2006, which reads as under:

Insurers shall not vary the coverage, terms and conditions, wordings, warranties, clauses and may file their proposals for changes in cover, terms, wordings, etc 31 March 2008. In respect of products currently governed by tariffs, deductibles other than the deductibles set out in the unless permitted under current tariffs shall not be permitted before 31.03.2008. Covers not permitted under tariffs should not be granted by way of 'difference in conditions' in insurance hill 31.03.2008.

The Authority vide its circular no. 066/IRDA/F&U/Mar-08 dated March 26, 2008 advised all insures to continue to use the coverage, terms & conditions, wordings, warranties clauses and endorsements of the erstwhile tariff classes of business in fire, engineering, IAR and motor (OD) effective 1st January 2009.

1. Insurers are permitted to file variations in deductibles from those prescribed under the erstwhile fire, engineering, IAR and motor OD tariffs subject to written disclosures and acceptance by the insured prior to finalization of the insurance policy.
2. Insurers are permitted to file add-on covers over and above the erstwhile tariff covers in fire, engineering, IAR and motor OD with appropriate additional premiums. 'Loss of use' and waiver of depreciation' under motor OD insurance are some examples.
3. Insurers are permitted to extend engineering insurances to movable / portable equipments.
4. Minimum TSI limit of Rs.100 crores under erstwhile IAR tariffs are removed and insurers are permitted to file IAR products for all industries including petrochemical industry.
5. Save as mentioned in (1), (3), and (4) above, insurers are not permitted to abridge the scope of standard covers available under the erstwhile fire, engineering, IAR and motor (OD) tariffs, beyond the options permitted in the erstwhile tariffs.
6. Revised products, subject to approvable under File & Use Guidelines may be offered to the present policy holders on renewal. In other words, insurers are not permitted to cancel existing insurances to replace them by the revised products. However, insureds shall have the option to cancel their existing policies on short period scales and go in for the revised products.
7. While filing revisions, insures will also file projections of the volumes and the expected profit margins to be generated from the revised products.

(Prabodh Chander)
Executive Director

Leveraging Group Strengths

Key for Higher Penetration

IN A COUNTRY WHERE INSURANCE HAS TO BE SOLD, ONE FORM OF INSURANCE THAT CAN BE USED AS A STRONG MEDIUM TO INCREASE THE PENETRATION LEVELS IS GROUP INSURANCE' OPINES U. JAWAHARLAL.

Two factors associated with a person obtaining insurance are insurability and affordability. While both these factors are extremely crucial, the second one plays a major role in a country like India where priorities are elsewhere. In such a scenario, one dynamic concept that could provide some plausible answers is 'Group Insurance'. As the insurability factor is applied to the group and not to the individual, it brings a larger number of people under the umbrella; and being cost-effective on account of group dynamics, it also renders easier affordability. It also assumes higher importance in emerging markets in view of the low levels of insurance education.

The emergence of group insurance, despite the foregoing advantages, was on a low-key and a few reservations that were paraded were that it will affect the progress of individual business and further that it dampens the spirit of proper selection. Group insurance acts as a strong supplement to individual insurance and does not erode its potential. Further, by taking certain precautionary measures, the adverse selection that is feared can be totally warded off. One of the basic underwriting factors associated with group insurance is that the group should be a subsisting one; and insurance should only be incidental to it. By ensuring this, the 'health' of the group can be taken for granted and the usual underwriting strengths fall in place automatically. Insurers also may insist on a certain minimum number of participants in a group in order that any possibility of anti-selection is kept at bay.

One limitation that group insurance suffers from is that the employees, when they attain superannuation, may be left without any insurance that would make it detrimental to their interests. However, by ensuring that they opt for voluntary insurance during their working age, this problem can be overcome. Further, insurers may design products that continue to offer risk coverage even after the retirement of the individual, although at a higher price. Insurers should also look at the possibility of offering group insurance products to employers on a layered basis – by offering varying risk coverage for different levels of employees.

In India, group insurance made a late start when some employers offered it as a benefit to their employees during the years immediately preceding independence. Even after that, the progress has not been very encouraging, owing partially to the fact that the remuneration for the distributors was not very high. The fact that the high levels of service associated with individual insurance are not required to be rendered did not appeal to the distributors. Of late, group insurance has been making a steady progress although we are yet to reach the levels that would otherwise put us on the list of forerunners. In a country with poor penetration levels, group insurance can work as a very dynamic medium to promote insurance among a larger number of people.

'Group Insurance' will be the focus of the next issue of the **Journal.** There will be articles from different practitioners and others that will throw light on the finer aspects of this very important area of insurance.

The Dynamics of
Group Insurance

in the next issue...

The World of Riders

Adding Value

RAJASEKHAR MALLELA, VENKATA MADHUKAR KANAGALA AND PURNANANDA KUMAR DIVAKARUNI COMMENT THAT RIDERS ADD A GREAT DEAL OF FLEXIBILITY FOR THE CLIENT AND AS A RESULT, THEY AFFORD THE EASE OF TAKING CARE OF ALL THEIR INSURANCE NEEDS; RATHER THAN HAVING TO BUY A POLICY FOR EACH.

Product innovation is one of the conspicuous developments in post liberalization era of Indian insurance industry. Traditional off-the-shelf products have given way to tailor-made and market sensitive products that have been overwhelmingly appreciated by customers. Riders helped this transition by garnishing the menu of products to serve unique needs of customers.

Rider is an additional coverage added to any insurance product to provide more insurance protection. It can be added to the insured's coverage or can bring in other insureds such as spouse or children too. Some type of riders help making life insurance policy a package of 'benefits' to suit every life event for an individual or his family; while yet another type provides protection to investment value of the policy. The terms 'Riders' and 'Benefits' are often interchangeable, but more importantly, both of them serve as valuable add-ons to the base product. From customers' perspective, riders have become part of their insurance solutions as they provide great value additions as indicated below:

Riders

- enhance product configurability according to changing needs
- provide better economic value, because they do not include cost for inherent benefits that are not useful
- provide cost advantage because savings in transaction costs are passed on to customers
- provide flexibility in timing for increase or decrease in protection
- provide flexibility to add or cease benefit according to usability
- help providing suitable and comprehensive protection for family
- help easily manage insurance portfolio in terms of financing premium payments
- offer ease in serviceability of portfolio by insurance companies or advisors

Today, with the availability of diverse riders, customers have an opportunity to shop around for them and choose the best ones that can serve their present and future needs. Table-1 below describes some of the commonly known riders and highlights the Unique Value Proposition they can offer to customers. While the generic rider names are listed here, it may be noted that they may be christened differently by different insurance companies.

Table-1: UVP of Typical Riders

Rider	Brief Description	UVP
a) Additional/Extended Coverages		
Term Riders	Adding term insurance coverage on insured under different plan	a) Can be added to any plan such as endowment, ULIP b) Can be added at issue or later while policy is in force c) With little additional cost, coverage can be increased manifold d) Useful for customers with Housing Loan to get insurance coverage to the extent of outstanding mortgage loan
b) Contingent Benefits		
Accidental Death Benefit Rider	Pays additional amount in the event of insured's death due to accident	a) Available as add-on for every product to cover risk of accident b) Low cost for a high benefit
Waiver of Premium Rider	In case of disability, premiums on policy are waived	a) Ensures that policy does not lapse in the unfortunate event of Payor death in case of children policies or insured's own disability b) Proves promising addition for high premium policies

Disability Benefit Rider	Monthly/periodical benefits, typically as a percentage of Sum Assured, paid in the event of disability	a) Saves insured from possible financial hardship in case of permanent/ temporary loss of employment b) Premiums are waived
Income Benefit Rider	In case of life assured's death, claim proceeds are paid in installments	a) Helps family in securing income during the period of adjustment after death of breadwinner
Critical Illness Rider	Lump-sum or periodical benefits are paid when contracted with specified diseases	a) Proves very useful for covering high cost treatment diseases like cancer, heart attack, and end stage renal diseases b) Can be added to different types of policies
c) Investment value Protection		
Investment Guarantee Riders	If market returns are negative, then claim value is guaranteed to the extent of total premiums paid	a) Provides much needed protection to down-side risk of Unit Linked Insurance Plans (ULIPs) b) Customers can still have access to policy values in case of high returns c) Available for Top-up premiums paid in ULIPs d) Enhances customer confidence and encourages investments with peace of mind

Rider Diversity

An insurance product offered with a variety of riders to choose from would be as much a treat to customers as a pizza served with one's own choice of salads and dressings. We can see a world of choices for customers when we glance at various riders available in western insurance markets such as US and Canada. The diversity of their features described here, will present us with an overview of riders that can be made widely available and popularized for the benefit of customers in India.

- *Guaranteed Insurability:* People tend to become less insurable as age advances thus making it difficult to get a new policy. In this context, Guaranteed Insurability Riders could be a useful addition to base product to allow an option to purchase additional coverages of any class without providing proof of insurability. Such options will be given on insured's specified ages or on happening of certain events like marriage or child birth. For example, for an insured of age 20, rider may provide this option at the ages 25, 30, 35 and 40. This means, insured can purchase more coverage on four occasions at the respective ages, without providing proof of insurability. Generally, there will be a maximum limit on number of times that such an option is provided by insurer, and, on coverage amount that can be purchased at one time or all occasions put together. Applying this rider to Indian context, consider a GIR on Endowment policy at age 20. This rider would help the insured to purchase coverage such as endowment or whole life at specified ages – all without need for further insurability checks.
- *Coverage Renewability & Convertibility*: Some riders guarantee renewability of coverage at defined intervals. For example, a five year renewable term rider renews every five years without any need for satisfying insurability requirements on the insured. Convertible Term riders provide opportunity to insured to convert term insurance into any other form of insurance such as endowment or whole life, again without the need for meeting insurability requirements. Flexible features include
  - ♦ renewal intervals of one, five or ten years
  - ♦ number of renewals like two renewals every ten years
  - ♦ renewal until insured reaches a specified age
  - ♦ option to terminate instead of renewing or converting to any permanent insurance.
- *Coverage applicability to other lives in the family:* Customers have

An insurance product offered with a variety of riders to choose from would be as much a treat to customers as a pizza served with one's own choice of salads and dressings.

convenience of providing insurance coverage to spouse and children too by adding term riders thus securing complete protection to family. Spouse and Child Riders that are renewable and convertible Term riders bring in several other choices as discussed earlier. In case of insured's death, riders on additional insured can be continued as individual coverages on respective lives.

- *Coverage variability:* Customers may prefer to have increasing or decreasing death benefit over a period to suit their specific circumstances. Increasing/ Decreasing death benefit riders provide such options to customers. On each policy anniversary or at specified intervals, death benefit would increase or decrease by an amount specified at the outset. They do not call for insurability evidence for increases. Cost of Living Adjustment (COLA) riders also fall in this category. In this case, the amount of addition to coverage will be in line with increase in chosen price index. With this adjustment in coverage, this rider ensures that the original intended coverage does not lose its monetary value due to high inflation.
- *Coverage Assortment:* A Universal Life (UL) product can take another UL or a participating Paid up Addition (PUA) coverage as rider. Similarly, Variable Universal Life can have a Renewable Term Rider. More generally, one class of insurance could be added as rider to another class of insurance, subject to product design feasibility as per actuarial considerations. In India, we have only term riders that can be added to other coverages such as Endowment, Unit Linked or Pension products. In order to afford more flexibility, customer may be allowed to choose their own assortment of assurances and annuities. In this context, the customers can evaluate cost impact between two options of choosing bundled product offered by insurers and their own assortment of coverages.
- *Health Care Riders*: Health care riders like Long Term Care (LTC), provide periodical benefit payments for long term rehabilitation or prolonged nursing care. We have Critical Illness riders available in India that cater to financial needs of major medical procedures for specified medical conditions. And certain hospital benefit riders provide a fixed amount of benefit for few days of hospitalization. LTC rider is an extension of such benefits, possibly for longer durations. Some enhanced features include option to choose amount of benefit, duration of benefit, benefit amount linked to cost of living index.
- *Investment Value Protection*: Customers of ULIPs would have to pass through rough weathers in stock market climate. Various guarantees offered on variable products such as Guaranteed Minimum Withdrawal Benefit, Guaranteed Minimum Accumulation Benefit widely available in western markets as riders protect the investment value in the policy. These riders would prove valuable additions to ULIPs purchases.

Service Delivery Mechanism

Gearing up for further product expansion through riders seems to be a business imperative for insurers. By making available wider variety of riders and popularizing them, insurers not only overwhelm customers but also -

- satisfy product differentiation objective and stay current with competition

In order to afford more flexibility, customer may be allowed to choose their own assortment of assurances and annuities.

- tap huge market potential for growth in premium income
- help spreading insurance coverage
- help improving persistency of policies
- help field force by providing greater business opportunity
- help shorten sales process for repeat sales; closing the sale with existing customers is much easier than closing a sale with new customer
- save policy administration transactions costs from initial sale of riders through their claims

As more variety of riders become available, there will be growing need to strengthen service delivery mechanism for riders during their life cycle – from issue through claims. A high level check list of key aspects to ensure rider marketing and serviceability readiness is presented here:

- *Actuarial:* Can explore the riders available across the globe and customize for Indian environment. Design product specifications and guidelines especially to consider risks contributed by riders due to additional protection and other key aspects like moral hazard, insurable interest and financial underwriting.

- *Sales Training:* To leverage on the flexibility brought in by riders, sales force requires special training. Advisors should be well equipped to plug in riders that suit customer circumstances and conveniences. They primarily need to ensure that there is no overlap of benefits and that all the disparate insurance needs are satisfactorily covered. They should be thoroughly trained in using illustration software in sales which readily assist customer visualize the benefits of riders.
- *Underwriting & Reinsurance*: Riders would call for additional check points in underwriting process especially in terms of insurability checks and financial underwriting. Some riders may be available at modified terms or may not be available at all while a base product can still be offered. For example, accident benefit rider may be declined to a risky life but a base product may still be offered, on modified terms though. Similarly, a Spouse/Child rider would call for insurability check on other lives too. For the purposes of financial underwriting and reinsurance assessment, total sum at risk should consider all rider coverages too. The process of gathering additional requirements due to riders may need to be refined so that customer has a pleasant and hassle free experience in meeting them.
- *Policy Issue & Free Look:* All the exclusions and clauses on account of riders have to be properly attached so as to avoid any inconvenience and unpleasant experience in case of claims. It has to be evaluated by insurers if free look provision can be made available for new riders added. Policyholders must feel satisfied that they made a good economic choice with riders than buying independent coverages for each need. In case of any dissonance, they can consider making necessary changes to the contract during free look period.
- *Policy Servicing:* Riders can be added at issue or later while policy is active. Similarly, they may be ceased prior to base coverage. Participating riders may need additional servicing in the form of requests for loans, withdrawals, non-forfeiture, lapses, revivals, surrenders and other coverage level transactions. A few other riders require sending notices and apply the options chosen by policyholders. Also, income tax regulations require categorizing premiums for exemption under different sections. Proper appropriation of premium and certificates of payment for premiums and claims will be required to comply with the regulations. Guidelines have to be established to handle these servicing needs.
- *Claims*: Processing claims on the riders needs special focus, because the policy is still active while a claim is processed on one part of the policy. Conventional claim procedures would need revision to process specific type of claims on riders. Operating guidelines and claims payment mechanism for Disability, premium waiver benefit, Long Term Care, Cost of Living Adjustment need to be established or enhanced as appropriate.
- *Information Technology upgrades*: Existing IT applications would need great deal of upgrade and maintenance to support rider functionality. This would position servicing staff to process customer requests effectively and help them realize the product benefits.

The process of gathering additional requirements due to riders may need to be refined so that customer has a pleasant and hassle free experience in meeting them.

Conclusion

Traditionally, insurance has been serving 'Protection' as well as 'Savings' needs of customers with a variety of products. Riders have facilitated packaging these two elements to offer more beneficial and comprehensive solution to customers. It is a win-win situation when customers appreciate the nuances of product configurability and insurers ensure preparedness of their service delivery mechanism.

The authors are Consultants at Computer Science Corporation. All implicit or explicit views expressed in this paper are of authors only and not of their employers.

Riding on Health Insurance

Multi-tiered Protection for Comprehensive Coverage

DR. SOMIL NAGPAL AND RICHA N GAUTAM **EMPHASIZE THAT LEVERAGING THE ADD-ONS AVAILABLE TO BASIC HEALTH INSURANCE POLICIES WOULD GO A LONG WAY IN ALLEVIATING THE DIFFICULTIES ASSOCIATED WITH HUGE HEALTH-RELATED EXPENSES IN THE INDIAN DOMAIN.**

With ever-increasing costs of healthcare, newer and more expensive health technology and also the higher costs of newer generations of pharmaceuticals; bearing the financial dent of a major health episode is becoming increasingly difficult the world over, even for the relatively well-off individuals and countries. When this expenditure arises in a context where we, as Indians, spend about 70% of all health expenditure in the country from our personal resources[1,2], the importance of adequate planning for health contingencies cannot be over-emphasized.

The various health-related expenses which a person would need to provide for could include the expenses on episodes of minor ailments treated on outpatient or domiciliary basis, the more serious ones of these could require hospitalization which would ensure substantially higher expenses. There could also be expenses on foreseeable events like maternity and infant care or the chronic ailment of a family member; and on unforeseeable events like accidents and injuries. Plans have also to be made to deal with the possible, but often unpredictable, major illnesses which may require substantial amounts of money. Illnesses are, in fact, estimated to be impoverishing 2.2% of India's population every year[3,4] and health related expenses do have the potential for catastrophic effects on the finances of individuals and their families; and hence the importance of providing multi-tiered protection for comprehensive health insurance coverage.

Since the 1980s, when the product Mediclaim was introduced in India by the four PSU insurers, health insurance products available in the Indian market have been dominated by hospitalization indemnity products, to the extent that the word Mediclaim was often used interchangeably with health insurance. These products protect individuals from the high expenditure they may need to

> **Health related expenses do have the potential for catastrophic effects on the finances of individuals and their families; and hence the importance of providing multi-tiered protection for comprehensive health insurance coverage.**

1 Mahal A, Sakthivel S, Nagpal S. National Health Accounts for India. In: Rao Sujatha, editor. Financing and delivery of health care services in India. New Delhi: Ministry of Health and Family welfare, 2005: 256-263

2 Ministry of Health & Family Welfare. National Health Accounts, India. New Delhi: Government of India, 2006

3 Peters D, Yazbeck A, Sharma R, Ramana G, Pritchett L, Wagstaff A. Better Health Systems for India's poor. Washington: World Bank, 2002

4 van Doorslaer E, O'Donnell O, Rannan-Eliya RP, Samanathan A, Adhikari SR, Garg CC et al. Effect of payments for health care on poverty estimates in 11 countries in Asia: an analysis of household survey data. Lancet 2006

incur in the event of a hospitalization and thus do take care of most such events of illnesses requiring higher amounts of money. But there are limitations to what such products can cover, and a multi-tiered approach to one's health insurance needs can provide a more comprehensive protection. This article briefly discusses the supplementary covers (though some of these may not yet be available as riders to existing health insurance policies, but could be available on a standalone basis) which could be availed of by the insured in addition to his hospitalization indemnity policy, for enhancing the protection available to him.

There are now various products available which provide a Daily Hospital Cash benefit which is in the form of a daily fixed allowance which could be used to cover the incidental costs associated with hospitalization (such incidental costs could include the travel and stay costs of an attendant, for example). This is available on a standalone basis, and also as an optional component of a packaged health insurance policy. The Hospital Cash products can also be considered useful to pay for expenses not covered under the hospitalization indemnity product. Thus, for example, where the hospital indemnity product has a sub-limit on the room rent, this allowance could well be utilized to avail of a higher category room. Thus, at a nominal premium, this product provides an allowance which is in addition to the indemnity claim and is unlinked to expenditure incurred. Products with daily allowance ranging from Rs.100 to Rs.5000 are already available in the market, which can be availed as per the specific needs of the insured.

The Personal Accident policies, which can again be availed on a standalone basis or in a packaged product with health insurance, are also a useful supplement to the hospitalization indemnity products. They provide for features like compensation for loss of wages, and even some outpatient coverage for accidents in addition to inpatient coverage, without using the sum insured of the health policy. The provision for a benefit payout in the event of death or permanent disablement is also of value, especially as it comes at a small premium. Thus, an amount of Rs.1000 per year could buy a Rs.5 lakh PA cover which includes coverage for death, permanent disablement and temporary disablement in addition to Medical benefits in the event of an accident.

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Dreaded diseases like cancer, heart attack, coma or major organ failure may be quite infrequent, but are associated with extremely high costs of healthcare; and such costs include a substantial component which would not be covered under the hospitalization indemnity products. This could be due to exceeding of the sum insured due to the very high costs involved, or there could be high outpatient (domiciliary) expenditure not covered under hospitalization insurance, or there could be need for long term nursing care or home-based nursing. Such expenses can thus be financially devastating to the household where such a critical illness may occur. Availing of Critical Illness Benefit products, which provide a lump sum amount on the diagnosis of a critical illness, thus provides for a cushion against such expenses. Critical illness benefit products, again, are available as standalone products or as riders to life and non-life policies, or as a component of a packaged health insurance product; and provide for high sum insured limits, ranging up to several lakh rupees of lump sum payout. Another product, the Cancer Insurance policy, protects from only the dread of cancer and not from other critical illnesses, but is priced attractively for a high amount of coverage, and is on indemnity basis and not as a lump sum payout. There are also Critical Illness Indemnity products which reimburse some of the costs due to critical illnesses, rather than a lump sum payout, and are priced lower than benefit products for this reason.

For patients already suffering from chronic diseases like Diabetes, products are now available which are based on the disease management platform, and include coverage for some medicines and regular laboratory tests on OPD basis, in addition to other coverage in the product. This category of products on the platform for management of a chronic disease may develop further in the days to come and will be a useful supplement to the hospitalization indemnity coverage for a person who is affected with such a chronic ailment.

There are also riders now available, which, for a fixed upfront premium, allow free dental or OPD consultations from the provider network of the insurance company and thus cover dental treatment or OPD treatment in a limited

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way. Although no medicines or investigations are covered in this rider, it is one step towards coverage of OPD costs.

Another option now available are the top-up or high-deductible covers for individuals (and families) who are already covered for certain risks by their existing insurers or employers. Such individuals can buy such top-up covers which provide them coverage beyond the deductible chosen, which could be from Rs.2 lakh to Rs.5 lakh per episode in the various products currently available; and the coverage of these products only starts after this amount. These products are cost-effective and do not duplicate the coverage already available, for example through employer-provided group health insurance.

All the above products, with the exception of Personal Accident products, only provide coverage in India. Thus, when traveling out of India, yet another tier available for protection against health contingencies is Overseas Medical Insurance plans, which are sometimes packaged as Overseas Travel plans by including other components like loss of baggage. The cost of unexpected medical treatment during an overseas visit can be very high and could indeed be beyond the means of the overseas traveler. Just to illustrate the difference in costs, an Ultrasound investigation which costs Rs.300 to Rs.1000 in India, could cost a similar amount in dollars, in many western countries; while a physician consultation itself may costs thousands of rupees. Some countries even insist on having a valid medical insurance as part of the visa documentation. Although the sum insured is high by Indian standards (like USD 50,000 in many products), it is in line with the expected high costs in foreign travel, but as the probability is low and the duration of cover is short (often in days or weeks), it does not cost a fortune to buy.

Another product for health needs is what is known as a Medical Savings Account (MSA) or a Healthcare Savings Account. MSAs are not a new concept amongst international health financing models; and in fact, for over two decades in Singapore, and for over a decade in China, Medical Savings Accounts have found wide acceptance; and these are also operational in South Africa, US and many other countries[5]. While full-fledged MSAs are not yet available in India, we too have a little known form of an MSA-type model in health insurance, which has been marketed by the public sector insurers as 'Bhavishya Arogya'. It is also a hospitalization product, but can be effectively used in younger ages (availing of tax advantages, too) to build up health protection for older age. It is also likely that we see more savings-related products offering more innovations and options, in the days to come.

Health Insurance is a need which cannot be overlooked any more, and it is no wonder that it now constitutes the fastest growing segment of general insurance, having grown 60% in 2007-08 alone. However, with increasing choices available in the market, the decision is no longer whether to buy health insurance, but also as to which products to buy, and how to package the existing products for the best 'fit' with the protection needs of oneself. A multi-tiered approach, carefully choosing a combination of hospitalization indemnity products with supplementary covers, riders or additional policies, as discussed above to meet the specific needs of the household, would lead to more comprehensive protection against health eventualities.

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Life Insurance 'Riders'

In Tune With the Changing Times

DAVID CHANDRASEKHARAN WRITES THAT THE LEVERAGE THAT THE RIDERS IN A LIFE INSURANCE POLICY PROVIDE IS AKIN TO WHAT A CAR MANUFACTURER CUSTOMIZES A MODEL IN TUNE WITH THE DEMANDS OF THE BUYER.

Introduction

Riders, as the name itself suggests, come riding 'piggyback' on the basic life insurance product. The rider is an add on benefit which enables a policy holder of life insurance to secure for himself an additional cover of his choice along with the main life policy.

Life insurers today offer a number of riders in our country and they come at an additional cost. The policy holder can, by paying the appropriate premium, choose one or more riders which he needs. The riders thus help a customer of insurance to customize the plain vanilla life insurance product to some extent by adding on the riders which he requires.

Buying a life insurance product today has become some what like buying a car. You choose the basic model that appeals to you and then ask for additional features you want that do not come as standard equipment and the dealer provides a model with the additional features at extra cost. The insurer today offers a wide variety of additional features like the car manufacturer and the additional features which are on offer are the riders the customers of insurance can pick and choose for a price.

However it was not quite like this in the past years before the opening up of the insurance sector. The word 'Rider' itself is new in the Indian insurance industry. We of course had a few add on features (what we now call riders) like double Accident Benefit, Extended Permanent Disability Benefit and the' Premium Waiver Benefit'. But the thinking then fostered by the monopoly status of the insurer was some what like 'Henry Ford's who is known to have told his customers that they can have their car in any colour of their choice, as long as it was black!

The policy holder can, by paying the appropriate premium, choose one or more riders which he needs. The riders thus help a customer of insurance to customize the plain vanilla life insurance product to some extent by adding on the riders which he requires.

Yes, we have to acknowledge that the credit for launching a number of new riders from day one into the Indian Insurance market and giving them wide publicity clearly goes to the new entrant. The state owned life insurer was of course quick to follow suit and today all life insurance companies in India offer more or less the same riders and the Indian life insurance customer is spoilt for choice as never before.

Riders Defined

Riders are special additions to the standard policy provisions that confer benefits to the policy holders which are not available in the basic policy contract. These provisions, when rider benefit is made available, become part of the contract. Insurers do not offer riders with all types of life insurance policies. All riders have costs, limitations and other stipulations that should be met for the relevant benefits to be made available by the insurer under the policy contract.

The 'Rider' is somewhat similar in many

respects to the Institute Clauses attached to a standard Marine Insurance policy for including additional covers. The extent, scope and duration of the cover are indicated in the applicable clauses attached to the policy.

New Life Insurance Riders

As indicated earlier, even prior to the opening up of the insurance sector in the year 2000 the state owned Life Insurance Corporation was offering the following riders, (although they were not called riders then):

- Accidental Death Benefit Rider with Extended Permanent Disability Rider
- Premium Waiver Benefit Rider. Of the two, the Accidental Benefit Rider with extended permanent disability was very popular and most commonly sold. With the increasing number of road accidents on our city roads one would naturally expect a good number of claims coming up for both Accident Benefit as well as Permanent Disability Benefit. However the actual experience is otherwise: most of the accident claims relate to Double Accident only.

There are not many takers for the premium waiver benefit due perhaps to the lack of awareness on the part of the agents and the insuring public. In addition to the above two riders which all life insurers offer, today the following riders are also made available by many of them.

Critical Illness Rider

This rider is added to a life insurance policy to provide financial protection to the insured in the event of his contracting any of the specified illnesses and is offered by all life insurers. While the number of critical illnesses covered and the premium varies from company to company, most insurers cover cancer, artery bypass, heart attack, kidney/renal failure, major organ transplant and paralytic stroke. The choice for the customer may therefore have to be made based on the number as well as nature of the diseases covered. Some companies do not offer this rider under term policies while others do. Some insurers offer this benefit from inception while many have a waiting period. Generally once the rider claim is paid, the rider premium is discontinued but the base policy will continue.

Major surgical assistance is also offered by an insurer which covers a list of 43 surgical procedures coming under Major, Intermediate and Minor. However there is a six-month waiting period from inception for availing this benefit. Generally once the rider claim is paid, the rider will terminate and the rider premium is discontinued, but the basic policy continues.

An important point to highlight here is this: Under a Mediclaim policy, minimum 24 hrs hospitalisation is generally insisted upon and the insurer only reimburses the cost of treatment fully or to the extent permissible under the policy on completion of the treatment.

In the case of claims under the critical illness rider, the claim amount payable is paid in one lump sum on the onset of the disease being established as provided for in the terms of the rider even in cases where the policy holder chooses not to undertake any treatment. The premium paid for this rider qualifies for tax deduction under section 80 D of the I.T. Act.

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Along with the risk of premature death, permanent disability and the risk of outliving our savings, all of us are also exposed to the risk of being afflicted by dreaded diseases which can have catastrophic consequences. To take care of this contingency should we go for Health Insurance, Mediclaim or Critical illness Rider with our main life policy, that is the point at issue.

Under a Health Insurance policy the coverage available is no doubt more comprehensive but costly. You have Unit Linking also if you want. Cost-wise, the critical illness rider cover may be the cheapest and the easiest to buy. But the present thinking appears to be that Critical Illness rider together with Mediclaim may be the best option for many, the reason being the fact that in many cases what Mediclaim pays may not cover all hospitalization expenses. There will also be a host of incidental expenses that the insured and his family may have to incur which are not reimbursed. However Mediclaim payment supplemented by Critical Illness benefit (There is no bar on claiming both) may perhaps be more than sufficient to cover all expenses incurred during the treatment for the critical illness. Hence, if you already have cover under a group Mediclaim policy, you must seriously consider 'Critical Illness Rider' as a buffer to take care of your other expenses incidental to the treatment of the illness but not covered under Mediclaim policy.

Exclusions

Of course there are exclusions and more exclusion under this rider. Therefore the customer is well advised to study the exclusions to apprise himself of what is covered and what is not before opting for this rider from any one of the companies.

> **By availing a term assurance rider for a cover equal to the basic sum assured under the policy, you are able to raise the death benefit to double the insured sum under the main policy.**

Term Assurance Rider

Term Rider is an additional death cover to a life insurance policy and provides a fixed amount of term assurance that is added to the main policy for a specified period of time. This rider thus provides additional financial protection to the family of the insured person in the event of his death.

Various life insurers offer this rider which provides valuable additional cover at a very affordable cost which the insured person pays as rider premium over and above the premium payable for the main policy. By availing a term assurance rider for a cover equal to the basic sum assured under the policy, you are able to raise the death benefit to double the insured sum under the main policy. It is pertinent to point out here that in the case of Accidental Death Benefit rider, double the insured amount becomes payable only in the event of accidental death whereas here, death benefit is doubled regardless of what the cause of death may be. There are thus two solid reasons why a prospective customer should seriously consider opting for this rider: he gets a higher cover up to double the sum assured at minimum additional cost; death benefit is doubled whatever be the cause of death and not restricted only to accidental death.

In our country the maximum sum assured under the riders allowed by the insurers is generally equal to or less than the sum assured under the main policy on account of the IRDA stipulation that the rider premium cannot exceed 30%of the basic premium of the main policy, whereas in several markets abroad, the rider sum assured may be up to 3 or even 5 times the death benefit of the main policy to which it is attached.

More New Riders

Now the question that arises is whether we have enough of them or whether we could do with some more. In this context the following riders which are already available overseas may be welcome.

Accelerated Death Benefit Rider

This rider allows policyholders who are diagnosed as terminally ill or those who may need long term care; or others who, by nature of their condition, may have to spend the rest of their lives confined to a nursing home; to claim all or part of the death benefit available under the policy on their own life when they are still alive. The policy holder is thus able to get some relief from the financial burden resulting from his inability to work and also to meet the rising cost of his health care. Death benefits payable under the policy are reduced by any amounts paid under their rider.

This is a very good rider indeed to take care of the need of the terminally ill who have policies in their own lives. They do not have to depend financially on others or on charity to look after themselves in their last days. They can live in some comfort with dignity till the end comes, with the money the rider makes available.

Guaranteed Insurability Rider

The Guaranteed Insurability rider gives the

A 'Fortune 500' life insurer from U.S offers a rider which addresses the concerns of people who want life insurance death benefit and the upside potential of the equities market but are concerned about potential downside in the long term

right to the insured to avail of additional insurance subject to certain conditions without further evidence of insurability. Such coverage would be extremely valuable in cases where the policy holder has become uninsurable subsequent to his taking the policy and cannot therefore secure any additional cover for himself. This is a 'must have' rider you should take with your first policy.

Rider that offers protection against downside in equities market

This may be the need of the hour today and may be welcome in countries, including ours, going into a prolonged and painful depression following the stock market crash.

A 'Fortune 500' life insurer from U.S offers a rider which addresses the concerns of people who want life insurance death benefit and the upside potential of the equities market but are concerned about potential downside in the long term. A perfect combination indeed to go with yesterday's darling of the insurers, the Ulip policy!

Conclusion

So the next time you are considering taking a life policy, ask your agent to explain the various riders on offer and pick the one that offers an additional cover you need. You will never regret your decision.

The author is a retired Executive Director of Life Insurance Corporation of India.

Being Cost Effective

Riders in Life Insurance Policies

SAI SRINIVAS DHULIPALA **OBSERVES THAT RIDERS OFFER A HOST OF BENEFITS BOTH TO THE INSURER AS WELL AS THE INSURED; AND THUS HAVE COME TO BE ACCEPTED AS AN INTEGRAL COMPONENT OF LIFE INSURANCE BUSINESS.**

What Are Riders?

Riders are additional benefits that a policyholder can opt for with a life insurance policy against a payment of an additional premium. They are always attached to a basic life policy. They cannot be bought separately or independently of a basic policy. Each Rider has its own premium rate and is governed by separate policy conditions and exclusions.

Riders can be used, for an additional cost, to meet the present and future insurance needs of a policyholder. However, buying a rider means paying an extra premium for this supplementary benefit.

Riders commonly available in the market are:

- Term Rider - the rider sum assured is paid in case of death of a policyholder
- Accidental Death Benefit - the rider sum assured is paid in case of accidental death of a policyholder
- Accidental Total and Permanent Disability - the rider sum assured is paid in case of accidental total and permanent disability of a policyholder
- Waiver of Premium on death – future premiums are waived in case of death of the proposer (this benefit is offered under children policies where future premiums are waived in case of parent's death so that the policy on the child continues)
- Waiver of Premium on disability – future premiums are waived in case of disability of the policyholder
- Critical Illness rider – the rider sum assured is paid in case of diagnosis of a defined critical illness.

The above listed benefits are not exhaustive. There are many more riders that are offered by life insurers in India and in other markets.

How do Riders work?

Riders can be used, for an additional cost, to meet the present and future insurance needs of a policyholder. However, buying a rider means paying an extra premium for this supplementary benefit.

Riders can be additional benefits or accelerator benefits. Additional benefits are the benefits in addition to the basic life cover. Accelerator benefits accelerate the basic benefit. This means the basic benefit is reduced by the amount of accelerated benefit claimed. For example, if there is a base policy for Rs.100,000 and an accelerated critical illness benefit is attached to it as a rider, then death benefit will come down to Rs.50,000 if a claim is made on critical illness for Rs.50,000. When a claim for the benefits of a rider is made, it can result in the termination of the rider, while the original policy continues to insure the policyholder as usual. In case the base policy lapses due to non payment of premium, the rider benefits also lapse.

> It may be a smart buy for a policyholder if he / she buys a basic benefit and opts for term, accidental and health benefits in the form of rider benefits rather than taking all those benefits as independent policies.

Riders are very specialized benefits. They require appropriate and clear definitions and exclusions. Generally, insurers get this support from Reinsurers. A significant portion of the risk arising out of these riders is usually reinsured due to the risky nature of these benefits.

Cost effective to policyholders

From a policyholder's perspective, riders are generally cost effective. The premium for the rider benefit is likely to be lower than the corresponding premium charged if the same benefit is to be bought as a part of the basic policy.

So, it may be a smart buy for a policyholder if he/she buys a basic benefit and opts for term, accidental and health benefits in the form of rider benefits rather than taking all those benefits as independent policies. Another advantage of such an arrangement comes in the form of the flexibility since riders can be added or cancelled anytime during the term of the policy as and when policyholder wants to do so depending on his / her need.

Why cost effective?

One may ask 'why the premium on rider benefit is less than the premium charged on a corresponding benefit on a base policy?'

The premium is lower because rider premiums are not usually loaded for fixed expenses. Fixed expenses cover expense to set up policies on the administrative system, sales/marketing costs to get these riders on books for an insurance company. From the insurance company's perspective, the additional administrative costs, sales/marketing costs etc. incurred on riders are minimal.

Riders have an advantage even from a sales point of view. Since rider benefits can be added to the base policy any time during the term of the policy, a company can sell new rider benefits directly to its existing clients for a relatively low additional premium. This can be done through direct marketing channel of an insurer. Of course, there would be expenses in setting up and managing the direct marketing channel, but it can be argued that the marginal cost of selling riders through this channel are less.

Depending on the type of rider benefit, the additional underwriting requirement is also less. Though the underwriting of the benefit is done as per the normal underwriting norms, the additional effort required in underwriting the benefit is less as most of the information required for underwriting is already collected for underwriting the base policy. This means that the expenses incurred in underwriting the rider benefit are less than that of the expenses incurred in underwriting the corresponding base benefit.

Another significant risk that can be low on riders is the 'Anti Selection' risk. Anti selection is the adverse impact on an insurer when risks are selected that have a higher chance of loss than that contemplated by the applicable insurance rate. In other words, policyholder always has better information on his health than insurer. And he/she selects against insurer by not providing all the known information on his/her status of health. This leads to inadequate charge of premium by insurer. And in case of riders, the main motive of taking the policy is to buy the base cover hence it can be argued that the anti selection risk associated with riders could be less. This may lead to better experience and lower claim incidence, thereby reducing the claim outgo of the insurer.

The above factors could reduce the expense loadings and estimated claim cost on a rider benefit thereby making rider premiums relatively cheaper.

Are riders less profitable to an insurer?

Another question that is asked is "While riders are less costly to a policyholder, are they less profitable for an insurer?" There is no definite answer to this.

Insurers can have the same profit loadings on mortality and expenses and get the same profit margins. So, it can be argued that companies are still getting the same profits with relatively lower effort. On the flip side, it is not unusual for insurers to price the base product more competitively and try to make profits through higher margins in the riders e.g. a very competitive term insurance product with a high profit accidental rider. However, the size of these rider premiums relative to basic premiums is less. Hence the profits in terms of absolute numbers are less.

Insurers can have the same profit loadings on mortality and expenses and get the same profit margins.

Given the greater riskiness and uncertainty associated with rider benefits the insurer may need to incorporate higher margins into the price. However, this need for higher margins is reduced to an extent by reinsuring the rider benefits with a reinsurance company. The reinsurance arrangement also helps in reducing the variability of the insurer's profit stream. Another possible effect of a reinsurance arrangement is a reduction in the insurer's capital requirements.

The flexibility - a key factor in rider cover

The biggest advantage of a rider benefit is the flexibility that it brings to the policyholder. In theory, there is a flexibility to opt in or out of the rider benefit any time during the term of a life insurance policy. And this is really a big advantage to a policyholder. Further, some companies may also allow policyholder to change the level of rider benefits during the policy term.

The other advantage of rider benefits is the possibility of packaging of benefits. Different packages can be offered to different individuals depending on the insurance need of that particular individual. For example, all the accidental riders can be combined and offered as an Accident package. Similarly, other packages like health package and disability package are possible.

Conclusion

Rider benefits can be used to provide a comprehensive cover to a policyholder from time to time. More rider benefits can be added to a basic policy from time to time depending on the need and some can be removed. Ideally, in theory, a single insurance policy can be used to meet all the varying insurance needs of a policyholder over his/ her lifetime, with relatively less additional cost.

The benefits described in this article and the flexibilities mentioned are all subject to regulatory restrictions.

The author is Senior Vice President, Future Generali Life Insurance Co. The views expressed in this article are personal and not necessarily represent the views of his employer or profession.

When Riders Ride...

Towards Better Customization

GNANASUNDARAM KRISHNAMURTHY **AVERS THAT RIDERS INCREASE THE RISK COVERAGE FOR THE POLICYHOLDER AND THUS ACT AS VALUE ADDITIONS TO THE BASIC CONTRACTS.**

29th December 1999 was a memorable day for the insurance industry in India. That was the day on which the Insurance Regulatory and Development Authority got statutorily established with a mandate to protect the interests of the insurance policyholders, regulate, promote and ensure orderly growth of insurance industry in the liberalised environment, which was till then a monopoly. The insurance industry was opened up to competition to answer the need of the hour, after prolonged, but not less protracted, deliberations at various levels; involving all the stakeholders. One of the many expectations of the policymakers from the liberalised industry was that competition would pave way for product innovation, giving the customers a wider choice of products and prices.

> **A more articulated criticism of nationalised scenario was that the small print in insurance policies was utilised to contest the claims that arose for payment.**

It was also anticipated that there would be increased customer focus leading to customisation of the products, which was conspicuous by its absence in the pre liberalised era.

A more articulated criticism of nationalised scenario was that the small print in insurance policies was utilised to contest the claims that arose for payment. Nearly a decade down the line, much water has flown under the bridge, the insurance industry expanding the risk portfolio and addressing issues of concerned customers.

A beginning was made in the life insurance sector, towards fulfilling the expectations, by LIC, the public sector life insurer, in anticipation of the product innovation that was to follow with the entry of private insurers. Pre-liberalisation life insurance products were always regarded as savings instruments, to be taken more particularly for saving income tax, by the middle class. However, consumer organisations, who had been voicing their concern over non-availability of pure term insurance policies, were pressing for introduction of such products, ostensibly for the benefit of the customers.

It is not as if term insurance was not available earlier. Short term Temporary Assurance, Convertible Term Assurance and Mortgage Redemption Assurance were available. Further, as far back as 1986, LIC's Bima Sandesh was introduced, followed by Bima Kiran in 1994. However, they were not pure term insurance policies as they provided maturity benefits in the form of return of premiums, keeping in view the psyche of the insuring public, whom the concept of pure term insurance did not go well with.

Driven by the competition sensitivity, LIC sought to meet the aspirations of the consumer organisations and the insuring public half way, by introducing term insurance benefit as an add on to the traditional policies. This they did through Riders.

Riders are resorted to by the insurers to offer additional benefits, for an extra premium. The basic cover is made more attractive and useful with the additional covers offered by the riders and the customer gets a choice of such covers he can opt for. The flexibility in this arrangement enables the proponents to decide on the cover, depending upon their needs and willingness to pay the extra premium. This also gives scope to the insurer to offer a customized cover. Riders can be dropped or new riders can be added during the term of the policy without entering into a new contract when the policyholder desires to rescind or add new coverage. The extra premium charged for riders does not affect the cash value of the basic policy.

In the pre-liberalised era, most of the additional benefits, which are extended now through riders in life insurance sector, found place in the standard basic policy itself. For example, provision for Accident and Disability benefit was incorporated in the policy itself, with two separate policy forms in use, one for the policy without Accident and Disability benefit and the other for with Accident and Disability benefit. The latter policy forms were identified by a suffix 'A' to the form number and many a time it was left to the Audit and Inspection teams to point out the policy issue in a wrong form.

The most common riders presently in vogue in life insurance sector are for

- Accidental Death and Disability Benefit
- Premium Waiver Benefit
- Critical Illness benefit
- Term Assurance benefit

This is not, however, to say that all the riders would be available under all the products but only a selected few find a place as additional benefits in a plan.

Some of the insurers offer additional income benefit through a rider, providing for payment of a percentage of rider sum assured till maturity of the policy, even after settlement of basic sum assured on death. LIC has recently come out with Congenital Disability benefit rider, exclusively for female lives, providing for payment of 50 percent of rider sum assured, if the life assured gives birth to a child with a specified congenital disability. This is attached to a particular plan meant only for females, in which it was built in earlier. Separation of this benefit through a rider has been done to make it optional and reduce the premium under the basic plan.

Riders play major role in offering additional benefits under non-life insurance also. Some of the IMT endorsements in Motor insurance are classic examples of riders in non life insurance which matter for individuals, though many other endorsements are in the nature of restrictive clauses. Extension of geographical area, personal accident covers, cover for lamps, tyres/ tubes, mudguards, electrical / electronics fittings, CNG/LPG kit in Bi-fuel system, legal liability, loss of accessories, use of commercial types of vehicles for both commercial and private purposes, open air car parks, work away from premises etc are extended by IMT endorsements in the nature of riders. Recently IRDA has permitted insurers to offer add on covers over and above tariff covers in fire, engineering IAR and Motor OD with appropriate additional premium. 'Loss of Use' and 'Waiver of Depreciation' under Motor OD are examples of such additional add-on covers, over and above the tariff covers. In Group Mediclaim policies many riders such as waiver of exclusion of preexisting diseases, waiver of waiting period, inclusion of maternity benefit, dental cover, and OPD treatment are found to be quite attractive for individuals covered under the scheme. Similarly, riders in group personal accident policies for extension of medical benefits, coverage for children's education, vehicle/house modifications etc. are very useful.

Some of the insurers offer additional income benefit through a rider, providing for payment of a percentage of rider sum assured till maturity of the policy, even after settlement of basic sum assured on death.

In some of the non life policies, all the endorsements and riders stand attached to standard policy document and those applicable only are indicated in the policy schedule. It goes without saying that a rider is a part and parcel of the policy document and has the same status of a policy condition for purposes of legal validity, interpretation and effectiveness

Contrary to the euphoria created over the availability of low cost insurance cover in the form of Term Assurance, the experience of liberalised industry in regard to this form of cover is not very different from that of the nationalised era.

of the contract. According to the IRDA (Protection of Policyholders' Interests) Regulations 2002, both life and non-life insurance policies and prospectus will have to state the details of the riders attaching to the main policy.

Reg 3(1) of the IRDA (Protection of Policyholders' Interests) Regulations 2002 also stipulates that the premium relatable to health related or critical illness riders in the case of term or group products shall not exceed 100 percent of premium under the basic product and all other riders put together shall be subject to a ceiling of 30 percent of the premium of the basic product. Further, any benefit arising under each of the riders shall not exceed the sum assured under the basic product. The rider or riders attached to a life policy shall bear the nature and character of the main policy, viz, participating or non participating and accordingly the life insurer shall make provisions etc. in its books.

The foregoing paras *vis-a-vis* the prevalent expectations before liberalisation of insurance industry throw up a few questions. Contrary to the euphoria created over the availability of low cost insurance cover in the form of Term Assurance, the experience of liberalised industry in regard to this form of cover is not very different from that of the nationalised era. The psyche of the people does not appear to support Term Assurance, either as a basic plan or through riders. As late as April 2008, the then Chairman of IRDA had remarked that "the growth in the traditional insurance products was primarily fuelled by the inherent tendency of the middle class to save and simultaneously reduce the tax burden. Risk cover was only incidental to the whole process. We have not got out of this mindset as yet. The traditional products have now been replaced by the unit linked policies in view of the positive developments in the stock market in the last few years. As a result, pure risk products, providing adequate life cover at reasonable rates have not yet emerged in the Indian insurance scene" [IRDA Journal April 2008]. It should be noted that even when there are negative developments in the stock market resulting in drastic erosion of NAVs of unit linked funds, the insurers are pushing unit linked policies only, with the lure that more units would be available on investment and blue chips are available at much cheaper price, which would lead to huge gains when the market looks up.

While product innovation is the *sine qua non* of a liberalised industry, uniformity of approach to basic tenets governing coverage needs to be fostered and ensured. For example, in the Accident and Disability Benefit Riders a limitation is imposed by the insurers on the time span between the insured's death or disability and the accident that caused it. This generally is 180 days and in the case of non life personal accident policies it is extended up to 365 days. This leads to a situation where the benefit is bestowed on the claimant under the policy of one insurer and denied under the policy of another insurer, although, the contingency giving rise to the claim is the same. There is, in fact, a case to do away with the time limit itself when it is established that the insured died as a result of an accident, as medical advancement has made it possible to prolong the life functions and treatment is always administered with every effort to save the life at any cost.

To recall the observations of an ex-Chairman of IRDA regarding legal interpretations and quibbling, some of the insurers had interpreted the condition

'external, violent and visible' in Accident and Disability Benefit policies riders to the effect that the injury suffered should be visible; and repudiated claims on grounds on non-visible injury, they were put wise by the Insurance Ombudsmen though.

The avowed objective of customisation through riders calls for regulatory support in the matter of product design and pricing. In this connection Reg 3(1) of IRDA (Protection of Policyholders' Interests). Regulations 2002 appears to need a relook. While the first part appears common for the whole industry, the contents in regard to riders apply only to the life insurance industry. The proviso prescribes that the benefit amount under riders shall be subject to Sec 2(11) of Insurance Act 1938, which refers to life insurance business. The explanation to Sec 3(1) also speaks of life insurance. The provision in the section that premium for all riders put together (except health related or critical illness riders in term or group products) shall not exceed 30 per cent of the premium of the basic product stands in the way of customisation, in that multiple riders cannot be offered to a willing and needy customer when the rider premiums exceed 30 percent of the premium of the base policy. The concern of IRDA is understandable as rider premium does not count for surrender value and in case of premature closure, no benefit out of rider premiums would be available to the policyholder. However, the situation under non life policies which are yearly contracts, is not different and hence a willing life insurance customer need not be denied multiple riders only on this ground.

With more and more international experience being now made available to the industry, the arena of riders could be expanded to include disability caused by sickness, terminal illness, long term care, family insurance, progressive protection on happenings of contingencies like marriage, child birth etc. which are available overseas.

With more and more international experience being now made available to the industry, the arena of riders could be expanded to include disability caused by sickness, terminal illness, long term care, family insurance, progressive protection on happenings of contingencies like marriage, child birth etc. which are available overseas. There is also scope to extend the riders under group health/accident products to individual health and personal accident insurance policies. Congenital Disability Rider can be extended also to male policyholders.

Though no published data in regard to rider premiums collected by insurers is available, one gets the impression that nothing substantial has been achieved in this area. Interaction with some of the marketing officials indicates lukewarm response to the riders from the insuring public. Popularity wise, Accident and Disability benefit rider on the life side and IMT endorsements on the non life side are somewhat in the forefront. There is no gainsaying that much needs to be done in this respect, if the dream of policy makers (which paved the way for opening up of insurance industry) in regard to innovative products, customization and easier settlement of claims is to come true. This calls for sprucing up of the marketing mix of the riders by the insurance companies.

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Widening the Risk Coverage

Riders in Insurance Contracts

ANURADHA SHARMA **ASSERTS THAT RIDERS ADD A LOT OF VALUE TO THE BASE CONTRACTS, AT A LESSER EXPENSE AND HENCE TURN OUT TO BE ECONOMIC OPTIONS.**

Riders are the special provisions attached to the insurance policy to provide additional benefits to the policyholders. Riders can be added to variety of insurance products such as life insurance, home insurance policy and long term health care insurance.

Home owner coverage and long term care are the examples of the insurance policies where efficient choice of riders increase the usefulness of the policy. Presented below are examples of the riders attached with home owners and long term care policy which add the overall value of the policy. The policy owner has to evaluate the cost benefit analysis of the riders as their addition can increase the cost of the policy.

> **The gardener, the baby sitter, the lawn mower are a few examples of people coming to our house which can be treated as employees in insurance jargon.**

The riders attached with the home owners policy:

Scheduled personal property endorsement

Insurance policies are designed to provide limited coverage to the personal property. Jewelry is usually covered up to a certain amount but any other individual items are covered only for a particular amount which could be less than actual value of the property.

In case of property in excess of the stated amount of coverage, a rider can be added to the insurance policy to cover the additional value of these items. The cost is usually determined on a "per thousand" dollar basis. Expensive items should be covered with insurance policies with no limited cover.

Theft Coverage protection endorsement

Most insurance policies have limited coverage for protection against thefts and burglaries. The riders are good solution as they provide additional coverage at minimal cost.

Computer Insurance

The technological advances have created a plethora of technical products which make our lives interesting. The WebTV, scanners, tape drivers and other home office equipments can be efficiently protected with the help of rider attached to the main policy.

Workers Compensation

We in our daily life hire people to assist in various chores. The gardener, the baby sitter, the lawn mower are a few examples of people coming to our house which can be treated as employees in insurance jargon. In case of some mishap to any of the employees, the workers compensation protects the individual and helps to over ride the storm.

Similar to home owner insurance, the long term care insurance polices which were stand alone policies earlier have now riders attached to increase the attractiveness to buyers. There are essentially two types of riders:

Acceleration rider

This rider accelerates the payments of death payment to policyholder to pay the medical bills in case of long term care. The death benefit then gets reduced by

The ever increasing medical costs have increased the visibility of these riders and they prove very useful not only in long term care but in terminal illnesses where massive medical payouts can be possible with the accelerated death benefit rider.

the same amount which was used for long term care expenses. In some cases, if long term care is very lengthy, this death benefit can be totally depleted. The ever increasing medical costs have increased the visibility of these riders and they prove very useful not only in long term care but in terminal illnesses where massive medical payouts can be possible with the accelerated death benefit rider.

The Extension Rider

The rider extends the scope of long term care coverage beyond the death benefit. This rider can allow withdrawing money from policy even after all the death benefit has been depleted.

The medical insurance is an expensive product therefore caution must be exercised while considering all the options before buying the policies. The most cost effective way is to invest the money into suitable insurance product at relatively young age which reduces the cost and increases the option to carefully evaluate various policies.

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Riders in Life Insurance

Economical and Utilitarian

A.V. RAO WRITES THAT GETTING TO KNOW WHAT RIDERS AN INDIVIDUAL NEEDS IN ORDER TO MAKE HIS OR HER INSURANCE PORTFOLIO WHOLESOME, IS OF THE ESSENCE.

Life insurance tackles numerous needs at different stages of human life. With increased income and a much higher standard of living, it becomes crucial to maintain the most suitable insurance protection for the insurer and his/her family.

Riders are to insurance policies what toppings are to pizzas. They let you further customize your insurance cover to suit your changing needs. Using riders, you can get benefits over and above those offered by your basic plan. The amount you pay for these is small when you consider that you would otherwise have had to buy a completely new cover and pay a lot more. To cut premium costs, it is always a good idea to get a rider at economical rates. Riders provide several kinds of insurance protection.

What is a Rider?

As per the IRDA (Actuarial and Abstract) Regulations, 2000 "Riders" or "Rider benefits" means add-on benefits, which are in addition to the basic benefits under a policy, i.e. riders are the additional benefits that can be bought and added to a basic insurance policy.

These options allow the insured to increase his/her insurance coverage or limit the coverage set down by the policy. Riders can be blended - for an additional cost - according to the present and future insurance needs of the insured. However, buying a rider means paying an extra premium for this supplementary benefit. Generally, this premium is low because relatively little underwriting is required. When a claim for the benefits of a rider is made, it can result in the termination of the rider, while the original policy continues to insure as usual. The insurance coverage, premium rates, terms and conditions of riders may differ from one insurer to another.

The most common types of riders available in the national / international insurance market are:

- **Guaranteed Insurability Rider (Renewal Provision)**

  This rider allows you to purchase additional insurance coverage along with your base policy in the stated period without the need for further medical examination. This rider is most beneficial when there has been a significant change in your life circumstances, such as the birth of your child, marriage or an increase in your income.

Another advantage is that in case your health state declines with increasing age, you will be able to apply for extra coverage without giving any evidence of insurability. Sometimes this rider may also provide a renewal of your base policy at the end of its term without medical checkups. This rider may end at a certain age.

Riders can be blended - for an additional cost - according to the present and future insurance needs of the insured.

- **Spouse Insurance Rider**

  As the name suggests, this rider offers term insurance for your spouse for an additional premium.

- **Accidental Death or Double Indemnity Rider**

  This rider pays out an additional amount of death benefit if the insured dies as a result of an accident. Normally, the additional benefit paid out upon death due to an accident is equivalent to the face amount of the original policy, which doubles the benefit. Therefore, upon death due to accidental bodily injury, the insured's family gets twice the amount of the policy. That is why this rider is called a double indemnity rider.

  Just make sure that you understand the restrictions on this rider, as many insurance companies limit the meaning of the word 'accident.' If you are the sole income provider for your family, this rider is ideal for you, because the double benefit will take good care of your surviving family's expenses in your absence.

- **Waiver of Premium Rider**

  Under this rider, the future premiums are waived off if the insured becomes permanently disabled or loses his or her income as a result of injury or illness prior to a specified age. Disability of the main bread-earner can have the most crippling effect on a family. In these circumstances, this rider exempts the insured from paying the premium due on the base policy until he or she is ready to work again.

  This rider can be valuable, particularly when the premium on your policy is quite high. Without this rider, you are at risk of lapsing. Here the definition of the term 'totally disabled' may vary from one insurer to another, so you need to be aware of the terms and conditions of this rider.

After the child attains maturity, the term plan can be converted into permanent insurance with coverage multiplying up to five times the original face amount without the need for medical exams.

- **Family Income Benefit Rider**

  In case the insured dies, this rider will provide a steady flow of income to family members. When buying this rider, you need to determine the number of years your family is going to receive this income benefit. The merit of having this rider is obvious: In case of death, the surviving family will face fewer financial difficulties thanks to the regular monthly income from the rider.

- **Accelerated Death Benefit Rider**

  An insured person can use the death benefits under this rider if he or she is diagnosed with a terminal illness that will considerably shorten the insured's lifespan. On the whole, insurers may advance 25% to 40% of the death benefit of the base policy to the insured. At this juncture, you need to know that insurance companies may subtract the amount you receive, plus interest, from what your beneficiaries may receive on your death.

  This may eventually reduce the death benefit under the policy. Most often, a small amount of premium or, in some cases, no premium is charged for this rider. Different insurers come out with different versions of the definition of 'terminal illnesses,' so check what the rider has to offer before opting for it.

- **Child Term Rider**

  This rider provides a death benefit in case a child dies before a specified age. After the child attains maturity, the term plan can be converted into permanent insurance with coverage multiplying up to five times the original face amount without the need for medical exams.

- **Long-Term Care Rider**

  In the event that the insured's bad health compels him or her to stay at a nursing home or receive home care, this rider offers monthly payments. Although long term care insurance can be bought individually, insurance companies also offer riders that take care of your long-term care costs.

- **Return of Premium Rider**

  The main aim of this rider is to give back most of the premium that you put into your policy. Under this rider, you have to pay a marginal premium, and at the end of the term, your premiums are returned back in full. In the event of death, your beneficiaries will receive the paid premium amount. Insurers sell this rider with many variations, so verify the phrasing of the rider before you buy.

- **Critical Illness Rider**

  Critical Illness Riders cover illnesses such as heart attack, stroke, cancer, surgery to coronary arteries. The policyholder is paid the sum assured if he contracts any of the specified illnesses under the rider. But note that the life insured would need to survive the specified illness at least 30 days from the date of diagnosis to be eligible for this Rider benefit. The policy along with all the riders (to the extent of the Rider Sum Assured) is then terminated. But your base policy would continue and you would have to continue to pay premiums on it.

Besides the above, there are lots of other riders on the market.

Riders offer high value at a low cost, and they offer extra protection without your having to take a second policy.

Today, almost 80 per cent of all policies sold carry at least one rider. Why are they so popular? The main reason is that riders offer high value at a low cost, and they offer extra protection without your having to take a second policy. But the low cost is the chief attraction. As the premium for the rider goes completely towards the cost of the risk cover rather than towards savings, the premiums on riders tend to be lower than that for the basic policy. Moreover, the administrative cost on policies goes down when a base policy is maintained along with a rider cover. It's a perfect value-for-money match that both insurers and customers look out for.

Though riders are great value for money, one must understand exactly what he/she is getting for that price. For instance, critical illness on a unit-linked policy is treated differently. After the claim on the rider is admitted, the basic policy may either get terminated or can continue depending on the nature of the rider that is offered (accelerated or normal). In the accelerated version, the basic policy terminates with the admission of the claim while in the normal critical illness version, the benefits under the basic policy continue till the end of the term as long as the premiums are paid and the policy is active.

Riders are not complex, but choosing the right one can prove difficult. This is because of the wide choice on offer; each insurer offers at least three variants, and agents try to get you to take as many as allowed.

However, the Insurance Regulatory and Development Authority (IRDA) through "Protection of Policyholders' interests Regulations" have introduced certain conditions to check overzealous insurance agents from selling riders without rhyme or reason. Some of these are:

- The allowable rider or riders on the product shall be clearly spelt out with regard to their scope of benefits
- In no case, the premium relatable to health related or critical illness riders in the case of term or group products shall exceed 100% of premium under the basic product
- All other riders put together shall be subject to ceiling of 30% of the premium of the basic product
- Any benefit arising under each of the riders shall not exceed the sum assured under the basic product provided that the benefit amount under riders shall be subject to section 2(11) of the Insurance Act, 1938 i.e. the rider or riders attached to a life policy shall bear the nature and character of the main policy
- An insurer or its agent or other intermediary shall provide all material information in respect of a proposed cover to the prospect to enable the prospect to decide on the best cover that would be in his or her interest.

Further, as per "Sales Illustrations - Life Insurance Business: Standards of Practices"- Every insurer carrying on life insurance business shall ensure that an extension to a life policy in the form of rider shall not be made compulsory at any time during the term of the policy.

As with any financial product, it is recommended that you take insurance (particularly term covers) at an early stage in life. In fact, analysts suggest that customers buy critical illness riders at an

Critical illness and accident benefit riders are usually preferred with protection or savings plans, while term riders are preferred with savings and pension policies.

early age to get the benefit of availability and lower cost. But no matter what your age, riders like accident death and disability benefit are worth the money.

The right time for an individual to consider taking life insurance policy is, in fact, also the right time for him to consider riders. Essentially, that's when he starts earning and he has liabilities or dependants. It is better to add accident death cover and critical illness riders to his insurance plan to increase the risk cover. When one reaches middle age, one should opt for riders like waiver of premium and a critical illness cover as well.

In standard medical covers, you have to take a fresh policy once you make a claim or a health condition is detected. And that fresh policy invariably comes with a loaded premium. This is where it makes sense to take a medical rider. The base policy on a rider retains the same premium even after the rider has come into force.

So, how do you decide what rider to take?

Accident benefit riders and possibly health riders like critical illness are a must, and other riders can be attached based on individual preference. Most insurers say more or less the same. With ever-increasing healthcare costs, critical illness and healthcare riders are essential, even if you already have a stand-alone medical insurance cover. Critical illness and accident benefit riders are usually preferred with protection or savings plans, while term riders are preferred with savings and pension policies.

It is economical to attach a term rider to an endowment or money back policy and increase the value of cover rather than buy a separate term cover, which may prove to be expensive. Such a mix and match approach can build a strong and healthy insurance portfolio for you and cover you for a wide range of risks.

And, unlike medical insurance, which often is in the form of reimbursement for what you have spent; riders come into play the moment the medical condition it is covered for is detected. This way even if you have a medical insurance plan, the rider can help you with additional financial support when you need it the most. When you decide on the rider, also try and get the maximum cover possible.

If you are buying insurance as a means to save regularly, an endowment product is ideal; but pay a little extra for a term rider as well, so that you are not left stranded in an emergency.

Tax benefits - All riders (other than health and critical illness) get benefits under Section 80C on premium contribution of up to Rs.1 lakh. Health and critical illness riders get section 80D benefits up to a maximum of Rs.10,000. All rider benefits when coming into effect (claims) are exempt from tax under Section 10(10D).

Conclusion

Buying insurance can be complicated and confusing, but understanding the provisions of your insurance policy is your responsibility. Your insurer may not give you the liberty to modify your insurance policy according to your individual needs, but riders empower you with much-needed control over your ever-changing life situations.

Obviously, then, taking riders along with your life insurance policy is a good idea. You not only enhance your life cover, you can actually customise it to suit your needs if you carefully study and select the right riders. But always remember, "While riders are important, they are essentially add-ons to the life insurance policy. The life covers should take precedence and be treated as the core necessity."

The author is Deputy Director (Actuarial), IRDA. The opinions and viewpoints expressed in the article are personal.

Solvency for Insurers

Issues and Challenges

RAJESH KHANDELWAL ARGUES THAT NEW STANDARDS OF SOLVENCY ARE AN AMALGAM OF INTERNATIONAL BEST PRACTICES; AND CALL FOR INTRODUCTION OF ADVANCED RISK MANAGEMENT SYSTEM WITH WIDER APPLICATION THROUGHOUT THE ORGANIZATION.

The last decade has witnessed major changes in the financial sector - New insurance companies, new financial institutions, new instruments, new window of opportunities and along with all this, new challenges. Solvency is a unique opportunity to create a modern, future-proof insurance supervision framework, for the benefit of policy-holders, insurance companies and the wider economy.

Fundamentally, solvency is not just about capital rules: it should also provide behavioral incentives for good risk management and provide a basis for group supervision across the globe.

The capital requirements should reflect not only the risks in an insurance company's business, but also how these interact with other risks and the mitigation applied by the management. For multinational groups, it's vital that the capital requirements reflect the complete picture, including the spreading of risk. Diversification of risk is one of the fundamental principles of insurance and transcends corporate legal structures.

With the emergence of large Pan-World players, insurance groups operating across the globe face the burden of multiple compliance regimes, which can lead to capital inefficiencies. We therefore welcome today's proposal for group supervision, which provides a pivotal role for the home supervisor to determine group capital requirements. The local supervisor will still play an important role in the assessment of local risks and will also benefit from the greater understanding of how those risks fit the overall group risk profile.

About Solvency II

- Insurers need to be able to meet their commitments to policyholders at all times, even in the case of unforeseen losses. To ensure this, European Union (EU) legislation has defined minimum solvency requirements and standards of prudential supervision.
- The Solvency I rules, which were developed in the 1970s, are too simple for today's complex financial services world. Most importantly, regulation needs to be aligned with insurers' modern risk management techniques. To address this, some Member States have advanced at national level and added requirements, resulting in a patchwork of rules across the EU.
- The Commission's Solvency II proposal

> Fundamentally, solvency is not just about capital rules: it should also provide behavioral incentives for good risk management and provide a basis for group supervision across the globe.

is based on three pillars derived from Basel II:

- o Pillar I - Risk-based capital requirements: Solvency II will impose new quantitative capital requirements. If an insurer's resources fall below the solvency capital requirement (SCR), the supervisory authority will be able to impose corrective measures. Below the minimum requirement (MCR) threshold, the supervisor can decide to close the company to new business. The SCR can be calculated with a (relatively simple) Standard Approach or a company's own (more sophisticated) internal model.

- o Pillar II - Supervisory review of internal risk management: Supervisory authorities will not only assess whether an insurer holds sufficient capital but also the quality of its risk management which also covers interest rate risk, liquidity risk, business risk, strategic risk and reputation risk. For instance, underwriting strategy claims management and reinsurance cover will be taken into account.
- o Pillar III - Transparency to aid market discipline: So that the market itself also brings in a "disciplinary effect" on corporate management and transparency, Solvency II will define principles for the disclosure of information to policyholders, investors, rating agencies and other interested parties.

- The directive will be adopted in the framework of the Lamfalussy procedure and is expected to be fully implemented around 2011.
- Group supervision: Solvency II will streamline group supervision and should allow groups to manage their risks and their capital more efficiently. The draft directive clarifies the respective roles of the group and local solo supervisors and calls for greater co-operation among European supervisors. The group supervisor would be responsible for ensuring that the group has eligible capital to meet its Solvency Capital Requirements. The group supervisor would be required to liaise with the solo supervisor in fulfilling his/her role of assessing the appropriate capital requirement for the group. Solo supervisors will be able to participate in the decision-making, including the approval of internal models used by the group.

Objectives of Solvency II

The objective of the recommendation of Solvency II is that the insurance companies should be more risk-sensitive than hitherto in their investment activity and derive the benefit from lesser capital engagement for high quality risks. In addition , Solvency II recognises the operational risks arising out of the day-to-day running of insurance company in the form of service quality shortcomings, non-adherence to policy and procedures, staff malfeasances, and so on; the capital charge for which is linked to operational income through a multiplier to be given by the regulator based on its assessment of the quality of insurance company's operational instructions, style of functioning, control of top management and audit quality. There is a lot of merit in Solvency II recommendations and there can be no doubt that implementation of the same will improve the stability and strength of the insurance sector.

Issues and Challenges

While there is no second opinion regarding the purpose, necessity and usefulness of the proposed Solvency II norms - the techniques and methods suggested would pose considerable implementation challenges for the insurance companies especially in a developing country like India.

Capital Requirement: The new norms will almost invariably increase SCR for all insurers across the board. Although SCR may go down due to adoption of more risk sensitive models - such advantage will be more than offset by additional capital charge for operational risk and increased capital requirement for market risk.

Profitability: Competition among insurers and huge implementation cost may also impact profitability for smaller insurance companies.

Risk Management Architecture: The new standards are an amalgam of international best practices and call for introduction of advanced risk management system with wider application throughout the organization. It would be a daunting task to create the required level of technological architecture and human skill across the institution.

Rating Requirement: Although there are a few credit rating agencies in India, the level of rating penetration is very low. Further, rating is a lagging indicator of the risk and the agencies have poor track record in this respect. There is a possibility of rating blackmail through unsolicited rating. Moreover rating in India is restricted to issues and not issuers. Encouraging rating of issuers would be a challenge.

> **The insurance companies should be more risk-sensitive than hitherto in their investment activity and derive the benefit from lesser capital engagement for high quality risks.**

Solvency II proposals underscore the interaction between sound risk management practices and corporate good governance.

Choice of Alternative Approaches: The new framework provides for alternative approaches for computation of SCR of various risks. However, competitive advantage of IRB (Internal Rating Based) approach may lead to domination of this approach among insurance companies. Insurers adopting IRB approach will be more sensitive than those adopting standardized approach. This may result in high-risk assets flowing to insurance companies on standardized approach, as they would require lesser capital for these assets than insurance companies on IRB approach. Hence, the system as a whole may maintain lower capital than warranted and become more vulnerable. It is to be considered whether in our quest for perfect standards, we have lost the only universally accepted standard.

Absence of Historical Database: Computation of probability of default, loss given default, migration mapping and supervisory validation require creation of historical database, which is a time consuming process and may require initial support from the supervisor.

Incentive to Remain Unrated: In case of unrated sovereigns, banks and corporates, the prescribed risk weight is 100%, whereas in case of those entities with lowest rating, the risk weight is 150%. This may create incentive for the category of counterparties, which anticipate lower rating to remain unrated.

Supervisory Framework: Implementation of Solvency II norms will prove a challenging task for the insurance supervisors as well. Given the paucity of supervisory resources, there is a need to reorient the resource deployment strategy. Supervisory cadre has to be properly trained for understanding of critical issues for risk profiling of supervised entities and validating and guiding development of complex IRB (Internal Rating Based) models.

Corporate Governance Issues: Solvency II proposals underscore the interaction between sound risk management practices and corporate good governance. The insurance company's board of directors has the responsibility for setting the basic tolerance levels for various types of risk. It should also ensure that management establishes a framework for assessing the risks, develop a system to relate risk to the company's capital levels and establish a method for monitoring compliance with internal policies.

Conclusion

The policy approach to Solvency II in India is such that external perception about India conforming to best international standards remains positive. Taking into account the size, complexity of operations and relevance to the financial sector, need to ensure greater financial inclusion and the need for having an efficient delivery mechanism, the solvency norms applicable to these entities have been maintained at varying levels of stringency. At the same time, implementation of Solvency II requires much more preparation and poses several challenges for both the insurance companies as well as the supervisors. The insurance companies would require to meet the minimum requirements relating to the internal ratings at the outset and on an ongoing basis, such as those relating to the design of the rating system, operations, controls, corporate governance and estimation and validation of risk components: Probability of Defaults (PD) for both foundation and Advanced IRB, loss Given Default (LGD) and Exposure At Default (EAD) for Advanced IRB. Insurers should have minimum PD data for five years and LGD and EAD data for seven years. The manpower skills, the IT infrastructure and MIS at the insurer's end would have to be upgraded substantially. The supervisors would require developing skills in validation and back testing of models.

With the focus on regulation and risk management in the Solvency II framework gaining prominence, the post Solvency II era will belong to the insurance companies who manage their risks effectively. The insurance companies with proper risk management systems would not only gain competitive advantage by way of lower regulatory capital charge but also add value to the policy holders, shareholders and stakeholders by properly pricing their services, adequate provisioning and maintaining a robust financial health.

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प्रकाशक का संदेश

ऐतिहासिक रूप से भारतीय बीमा उद्योग में एण्डोमेंट प्रकार के संविदा को प्रोत्साहन देना प्रमुख रहा है। अन्य चीजों में बीमा को एक निवेश विकल्प के रूप में देखा गया है, तथा कुछ अन्य के लिए मुख्य झुकाव स्पर्श योग्य लाभों की तरफ रहा है। जिसने इस घटनावृत में योगदान दिया है वैसे कुछ शुद्ध बीमा उत्पाद टर्म बीमा के रूप में है वह ज्यादा प्रचलित नहीं है। उस प्रक्षेत्र में जो प्रतिस्पर्धा विहिन है यह अधिक महत्व नहीं रखता। फिर भी बीमा क्षेत्र के निजि प्रतिभागियों के लिए खुलने का कारण सख्त आवश्यकता विस्तृत प्रकार के उत्पादों के लिए अनुभव की गई है।

आगे, जनता की बीमा के प्रति जागरूकता तीव्रता से बढ़ रही है। ऐसे परिदृष्य में विस्तृत रंगपटल प्रकार के उत्पादों पर बल दिया जाना चाहिये। जिसने बीमाकर्ता के लिए उत्पाद नवप्रवर्तन को जरूरी बनाया है। लेकिन प्रत्येक आवश्यकता के लिए उत्पाद का आगे आने की अपेक्षा करना आसान है। एक सरल तथा अधिक दृष्टिगोचर होते विकल्प राईडर को सामने लाना है, जो पालसीधारक के लिए एक विकल्प होगा। राईडर वृहत तरलता उपलब्ध करवाते हैं तथा ग्राहक के समाधान के रूप में सामने आये हैं, उसके विपरीत जब प्रत्येक आवश्यकता के लिए एक उत्पाद खरीदा जाता है। पालसीधारक एक ठीकठाक पोर्टफोलियो उपलब्ध राईडर की मदद से बना सकता है।

वैसे कुछ राईडर उदारिकरण से पूर्व के काल में भी दिये जाते थे। ग्राहकों को जागरूकता के निम्न स्तर के कारण एक दुर्घटना लाभ को छोड कर अन्य कोई राईडर प्रचलित नहीं हो सका। अधिक उन्नत बीमा बाजारों में राईडर बहुत महत्वपूर्ण भूमिका निभाते हैं। जो पालसीघारक की आवश्यकता को विभिन्न समय में पूरा करती है। तथा केवल एक बीमा पालसी के द्वारा किसी व्यक्ति के जीवन में बदलते हुए मील के पत्थरों के अनुसार जोखिम आवरण को बदला जा सकता है और यह सम्पूर्ण बीमा पोर्टफोलियो के लिए आसान विकल्प उपलब्ध करवाता है तथा इसके लिए आवश्यक रूप से उच्च दर्जे की बीमा संविदा को समझने की आवश्यकता है, जबकी हमें अभी काफी आगे जाना है। यह अच्छा है की एक शुरुवात की गई है तथा विभिन्न राईडर भारतीय बीमा क्षेत्र में प्रचलन पा रहे हैं।

जर्नल के इस अंक का केन्द्र बिन्दू ''बीमा संविदा में राईडर'' है। किसी भी जीवन बीमाकर्ता के लिए जोखिम लेने से पहले प्रत्येक व्यक्तिगत प्रस्ताव को जानना कम जोखिम पूर्ण होगा। समूह बीमा बृहत रूप से जनसंख्या वाले भारत देश में कई उत्तर प्रस्तुत करता है, जिसमें विविध समूह है। जर्नल के अगले अंक का केन्द्र बिन्दु ''सामूहिक बीमा'' होगा।

जे हरि नारायण

जे. हरि नारायण
अध्यक्ष

दृष्टि कोण

आई.ए.आई.एस वर्तमान वित्तिय संकट को निकटता से देख रहा है तथा वह इसके लिए प्रतिबद्ध है की इस मानव कार्य में पाठ पढा जाए।

श्री मिचेल फ्लेमी

आई.ए.आई.एस, अध्यक्ष कार्यकारी समिति

कुछ क्षेत्रों को हमें देखने की आवश्यकता है जिसमे शामिल है उत्पाद के लिए स्वच्छ लेबल तथा मजबूत अनुकूल आवश्यकताएं जिससे यह सुनिश्चित हो सके की गैर अनुकूल उत्पादों को अतिसंवेदनशील निवेशकों को न बेचा जाए।

श्री हेंग स्वी किट

प्रबन्ध निदेशक, सिंगपूर की मोनेटरिंग एथोरिटी

अनिश्चित समय में बीमा आवरण में बदलाव प्रतोमक हो सकता है जल्द में लिए गए निर्णय गैर अपेक्षित परिणाम दे सकते हैं।

सुश्री सेंडी प्रैगर

कनसास के बीमा कमीशनर तथा एन ए आई सी के अध्यक्ष

आस्ट्रेलिया में एक वित्तिय व्यवस्था है जो आस्ट्रेलियन की मजबूती को बताती है और आस्ट्रेलियनों को विश्वास हो सकता है उन संगठनों पर जिनका ए पी आर ए विनियमित करती है।

श्री जोन एफ लेकर

अध्यक्ष, आस्ट्रेलियन प्रुडेंशल विनियामक प्राधिकरण (ए पी आर ए)

वर्तमान में इस्लामिक वित्त के विस्तार तथा विकास के परिणामस्वरूप अब यह नयी सम्पत्तियों के निवेश वर्ग के लिए व्यवहार्थ बन गया है तथा व्यवसाय के लिए एक प्रतिस्पर्धा प्रकार का कार्य।

डा जेटी अक्तर अजीज

गवर्नर, बैंक निगारा, मलेशिया

आग लगाने के समय अग्निशामक द्वारा जल्द से जल्द आग पर निमंत्रण बेशक जरूरी है यह भी आवश्यक है कि ऐसा ढॉचा तैयार किया जाए की भविष्य में ऐसी होने वाली घटनाओं को निमंत्रण किया जा सके (भूमंडलीय वित्तिय संकट)।

डा तकाफूमी साटो

कमीशनर, वित्तिय सेवा एजेंसी, जापान

अभिकर्ता से सम्बन्धों का प्रबन्धन

राधेश्याम शर्मा कहते हैं कि किसी भी संस्था के विकास के पिए अभिकर्तासम्बन्ध प्रबन्धन आवश्यक है।

विपणन में सम्बन्धों को काफी महत्व दिया जाता है। क्षेत्र में विपणन करने वालों की भूमिका अत्यन्त महत्वपूर्ण होती है क्योंकि ये जन-मानस में संस्था का वास्तविक प्रतिनिधित्व करते हैं। इनके कार्य-कलाप, आचार-विचार तथा भाव-भंगिमा संस्था की छवि, प्रगति तथा प्रसार को निर्धारित करते हैं। इनकी गतिविधियाँ काफी हद तक संख्या के इनके साथ सम्बन्धों से प्रभावित तथा नियंत्रित होती है। इसलिये विपणन संस्थान अपने सैल्समेन के साथ निरन्तर तारतम्यता बनाये रखना चाहती है ताकि इनका मनोबल सदैव ऊँचा रहे।

भारतीय जीवन बीमा निगम व्यवसायिक सेवा संस्थान है। यह जीवन बीमा उत्पादों का विपणन करता है जिनकी आवश्यकता प्रत्यक्षतः महसूस नहीं होती है। अतः इनका विपणन जटिल होता है। इस सन्दर्भ में अभिकर्ता निगम संबन्ध विशेष महत्व रखते है। अभिकर्ता से तारतम्यता बनाये रखने के लिये सामायिक व निरन्तर मुलाकात, पत्राचार तथा टेलीफोनिक वार्ता की आवश्यकता होती है। अभिकर्ताओं को सक्रिय सहयोग, मार्ग-दर्शन, प्रेरणादायी व्यवहार, व्यवसायिक सक्षमता तथा समाधान प्रदान करना निगम का नैतिक तथा पेशेगत दायित्व है। इन समस्त कार्यकलापों तथा प्रयासों को अभिकर्ता - सम्बन्ध प्रबन्धन का नाम दिया जा सकता है।

निगम को अपने ग्राहकों के साथ-साथ अभिकर्ता को भी अपने साथ दीर्घकाल तक बनाये रखने की आवश्यकता है। निगम का लगभग पूरा नव-व्यवसाय अभिकर्ताओं द्वारा अर्जित किया जाता है। करीब 70 प्रदिशत पॉलिसी सेवा उसी के द्वारा सम्पन्न की जाती है। अतः सर्वथा उचित होगा कि प्रत्येक अभिकर्ता की निगम के प्रति निष्ठा एवं लगाव हो। ऐसा अभिकर्ता अपने में निहित लक्ष्यों एवं दायित्वों को पूरा करने के प्रति समर्पित होता है तथा व्यवसाय गुणवत्तायुक्त होता है अर्थात तथ्यों को छिपाने की सम्भावना व पॉलिसी लैप्सेशन न्यूनतम या शून्य होता है।

निगम को उसका व्यवसाय तुलनात्मक रूप से लाभदायी होता है। यह भी अनुभव किया गया है कि पुराने अभिकर्ताओं के काम काज की क्वालिटी प्रायः उत्तम तथा लागत अपेक्षाकृत न्यून होती है। शाखा कर्मियों से उनके संबन्ध प्रायः अच्छे होते है। अतः अभिकरण संरक्षण अभिकर्ता के साथ-साथ निगम के हित में भी है। यह अभिकर्ता सम्बन्ध प्रबन्धन के प्रमुख लक्ष्यों में से एक है।

यधापि अभिकर्ता के कार्यों का निस्तारण पहले की अपेक्षा शीघ्रता, शिष्टता एवं सहजता से हो रहा है किन्तु कार्य कार्य सम्पदान तथा प्रेरणा का काफी अभाव है। इसके साथ यह भी सही है कि अभिकर्ता के कार्यों की वास्तविक धरातल पर कठिनायी दुरूहता तथा जटिलता के सम्बन्ध में अन्य निगम-जनों में जागरूकता बढी है किन्तु इस क्षेत्र में काफी जागरूकता एवं परानुभूति अपेक्षित है। हमें स्पष्ट रूप से समझना चाहिए के हमारे भाव तथा भाषा प्रत्यक्ष / एवं अप्रत्यक्ष रूप से अभिकर्ता की कार्यक्षमता व मनोबल को प्रभावित करते है।

बेहतर, अटूट तथा प्रेरणादायी अभिकर्ता – सम्बन्ध प्रबन्धन हेतु

- बेहतर हित लाभ तथा नियमन की व्यवस्था
- वर्तमान में बेहतर सम्बन्धों में बाधक नियम, उपनियम तथा उपबन्धों का यथोचित संशोधन,समापन तथा प्रतिस्थापन।
- सम्बन्धित विकास अधिकारी तथा अन्य उच्चतर विपणन अधिकारियों की अभिकार्ता के साथ नियमन मीटिंग एवं संवाद।

> यधापि अभिकर्ता के कार्यों का निस्तारण पहले की अपेक्षा शीघ्रता, शिष्टता एवं सहजता से हो रहा है किन्तु कार्य कार्य सम्पदान तथा प्रेरणा का काफी अभाव है।

- शाखा में निरन्तर आने हेतु अभिकर्ता को प्रेरित करना। एक अनुमान के मुताबिक करीब चालीस प्रतिशत अभिकर्ता वर्ष में दो - चार बार ही शाखा आते हैं। जवकि बेहतर अभिकरण एवं व्यवसाय कार्य हेतु अभिकर्ता को प्रति सप्ताह एक बार शाखा कार्यालय अवश्य आना चाहिए।
- अभिकर्ता का व्यवसायिक एवं व्यक्ति विकास करना।
- अभिकर्ता के हित लाभों का भुगतान तथा उसके पालिसी धारकों के पालिसी सम्बन्धी कार्यों को यथाशीघ्र सम्पन्न कराना। अभिकर्ता को क्लब सदस्यता तथा अन्य उच्च लक्ष्यों को पूरा करने के लिये प्रेरित करना ताकि उसकी आय तथा प्रतिष्ठा बढे, निगम से उसका जुडाव स्वतः प्रेरणा से भी बढे।
- शाखा कर्मियों द्वारा अभिकर्ता के साथ सम्मान जनक एवं परानुभूति - पूर्वक तथा ग्राहक, मित्र, सम्बन्धी के सामने उससे सजगता पूर्वक व्यवहार करना।
- अभिकर्ता को उचित मार्ग दर्शन, सहयोग एवं प्रेरणा प्रदान करना।
- अभिकर्ता के कार्यों की समाज तथा परिवार के हितार्त महत्ता की पहचान तथा एहसास कराने हेतु प्रचार के लिये निगम द्वारा व्यवस्था।
- अभिकर्ता को एक महान संस्थान से जुडे होने के गौरव का एहसास कराना।

उक्त सुझाव देने का आशय यह कदापि नहीं है कि निगम ऐसे प्रयास नहीं कर रहा है। वस्तुतः निगम ने अभिकर्ता को प्रेरणा तथा मनोबल प्रदान करने के लिये काफी प्रयास किये है किन्तु इन प्रयासों की गहनता, प्रभावशीलता तथा परिणामोन्मुखी बनाये जाने की आवश्यकता है। इस प्रकार हम न केवल अभिकर्ता का व्यावसायिक विकास कर सकते है बल्कि देश के कोने-कोने में सुदृढ संस्थान के स्तम्भ गढते है। अभिकर्ता - सम्बन्ध प्रबन्धन काफी हद तक उभयपक्षीय है तथा ''सहयोग लेने के लिये सहयोग दीजिये'' की अवधारणा पर आधारित है। अभिकर्ता निगम के वर्तमान प्रावधानों के अन्तर्गत बीमाधारकों को यथा संम्भव अधिकतम हितलाभ तथा सुविधा उपलब्ध करायें किन्तु निगम को कोई नुकसान न होने दें। निगम के अच्छे कार्यों व सकारात्मक पक्षों को जनमानस के ध्यान में लाये तथा निगम की छवि, संवर्द्धन हेतु तथा सम्भव प्रयास करें। ऐसे प्रयास करने वाले अभिकर्ता को कर्मचारी बहुत सहयोग करते हैं। स्वच्छ छवि, व्यवहार कुशल, ईमानदार, सदभावी, मृदुभाषी तथा सहयोगपरक दृष्टिकोण वाले अभिकर्ताओं को सभी से सहयोग, सम्मान तथा प्रोत्साहन मिलता है।

> यह स्पष्ट है कि अभिकर्ता संतुष्टि के बिना ग्राहक सन्तुष्टि नहीं की जा सकती है।

यह स्पष्ट है कि अभिकर्ता संतुष्टि के बिना ग्राहक सन्तुष्टि नहीं की जा सकती है। ग्राहक सम्बन्ध प्रबन्धन का प्रथम अन्तिम सोपान अभिकर्ता-सम्बन्ध प्रबन्धन पर आधारित है।

प्रतिस्पर्धात्मक परिवेश में अभिकर्ता के दायित्व एवं भूमिका में वृद्धि हो रही है इनको पूरा करने के लिये उसे प्रभावी एवं सक्रिय सहयोग की हमेशा आवश्यकता रहेगी।

निश्चित रूप से अन्ततः कहा जा सकता है ....

विकसित करे और रख सके, जो
कम्पनी दूसरों से ज्यादा संतुष्ट
अभिकर्ता।

गाये यशोगान, करे सम्मान तथा प्राचार,
उसी का प्रतिस्पर्धा, इतिहास एवं
जनता।।

लेखक प्र. अधिकारी, भा.जी.बी निगम, शाखा कार्यालय-1 मेरठ

जो पढ़ेगा - वही बढ़ेगा
बीमा प्रशिक्षण - 2020

सुचित्रा विटवेकर कहते हैं प्रशिक्षण ने हमेशा सोने की दिशा दी है जिस पर मार्केटिंग ने संग भरे और बीमा को जन-प्रिय बनाया।

प्रशिक्षण एवं शिक्षा किसी भी विषय के विकास का अभिन्न अंग है। बीमा भी इससे अछूता नहीं है।

बीमा प्रशिक्षण भी विभिन्न चरणों से गुजरा है। जहाँ आज से 100 वर्ष बीमा का अस्तित्व सीमित था वही प्रशिक्षण की आवश्यकता का भी महत्व नहीं था। राष्ट्रीयकरण के पूर्व की परिस्थितियों में २४५ बीमा कंपनियाँ कार्यरत थी परन्तु इनके कार्य स्वरूप ने सामान्य व्यक्ति को दूर ही रखा। कई प्रकरण थे जिसमें व्यक्ति ने पैसा जामा किया परन्तु बीमा कंपनी ही अस्तित्व में नहीं रही। राष्ट्रीयकरण के बाद जहाँ बीमा को एक विशिष्ट स्वरूप मिला वही बूंद-बूंद से संचित बीमा कोष ने राष्ट्र के विकास में अपना योगदान बखूबी निभाया। यही वह दौर था जब बीमा ने सामान्य व्यक्ति के मन में अपने लिए जगह बनाई।

अपना प्रसार फैलाने की दृष्टि से बीमा अभिकर्ता नियुक्त हुए। परन्तु बीमा के प्रति दृष्टिकोण फिर भी कुछ ऐसा ही था कि बीमा मृत्यु के बाद काम आता है। अभिकर्ताओं ने व्यक्तिगत प्रभाव से इस कार्य को गति दी। आम जनता की आवश्यकतनुसार नये नये उत्पादों की संरचना हुई। अब प्रशिक्षण के महत्व की ओर सभी का ध्यान था।

बीमा पूर्णतया भारतीय है क्योंकि जिस तरह हमारे देश में विविधता है ठीक उसी तरह बीमा में कार्यरत अभिकर्ता भी भिन्न-भिन्न परिवेश से आते है। कोई अभई-अभी कॉलेज से विकले हें तो कोई सेवानिवृत्ति के बाद बीमा में कार्यतर हैं। जाहिर है अलग-अलग वर्ग व विभिन्न परिवेश से तैयार इस समूह को उस समय दिशा तेना असंभव तो नहीं पर कठिन जरूर था। फिर भी प्रशिक्षण ने अपनी जगह कभी आवश्यकता के आधार पर बना ही ली थी।

मार्केटिंग और ट्रेनिंग द्वंद तब भी था और अभी भी है। प्रशिक्षण ने हमेशा सोने की दिशा दी है जिस पर मार्केटिंग ने संग भरे और बीमा को जन-प्रिय बनाया।

फिर आया वर्तमान दौर जहाँ वैश्वीकरण के चलते 40 कंपनियाँ कार्यरत हैं। कई अन्य भी दस्तक दे रही हैं और अनुमान यह है कि आने बाले वर्षों में यह संख्या 250 तक पहुँचेगी। जाहिर है कि इससे प्रशिक्षण की आवश्यकता और बढ़ेगी क्योंकि प्रतिस्पर्धा बढ़ेगी। इसके लिए व्यवस्थित प्रशिक्षण आवश्यक होगा। हालाकि बीमा विनियामक एवं विकास प्रधिकरण के स्थापित होने पर प्रशिक्षण को एक निश्चित स्वरूप मिला है तथा इस कानून ने बीमा प्रशिक्षण का ढांचा गढ़ा है और बीमा के महत्वपूर्ण पहलूओं को सूचीबद्ध भी किया है। देश भर में संस्थान खुल गयें है और अब कोई भी व्यक्ति प्रशिक्षण लेने के बाद निर्धारित परीक्षा में उत्तीर्ण होकर ही लाइसेंस ले सकता है।

और इसके लिए एक माहौल बन चुका है। साहित्य लिखा गया है जिन्हाने बीमा की परिक्षाएं कभी पदोन्नति के लिए अत्तीर्ण की थीं उन्हें ज्ञान प्रदान की पात्रता मिली। अब लगभग 8 वर्ष बीत चुके है।

आइएइन वर्षों में प्रशिक्षण के दौर पर नजर डालते हैं

- 100 घंटों की अनिवार्य अवधि से घटकर प्रशिक्षण 50 घंटों तक सीमित रह गया है।
- लाइसेंस नवीकरण के लिए आवश्यक प्रशिक्षण पर आज भी कोई साहित्य नहीं है।
- परीक्षा उत्तीर्ण करने के बाद बीमा में कार्य

देश भर में संस्थान खुल गयें है और अब कोई भी व्यक्ति प्रशिक्षण लेने के बाद निर्धारित परीक्षा में उत्तीर्ण होकर ही लाइसेंस ले सकता है।

करने वाले अभिकर्ताओं का प्रतिशत 10 प्रतिशत से भी कम है।

- यूलिप प्लान लोकप्रिय तो हुए है परन्तु सही मायनों में इन्हें विक्रय करने का प्रशिक्षण सीमित है शायद इसीलिए पॉलिसीधारकों की शिकायतें बढती जा रही है।
- मूल प्रशिक्षण के बाद प्रशिक्षण लेने वाले अभिकर्ताओं की संख्या न के बराबर है।
- प्रशिक्षण के लिए उपलब्ध साहित्य में प्रश्न-उत्तर जुड़ गए है।
- क्लास रूम प्रशिक्षण के अलावा ऑन-लाइन प्रशिक्षण संस्थान चल रहे हैं। इण्टरनेट के माध्यम से दी जाने वाली इस ट्रेनिंग में अभी भी रचनात्मकता के लिए बहुत जगह है।
- पॉलिसीधारक के लिए व्यवस्थित प्रशिक्षण का कोई पाठयक्रम नहीं है।
- भारतीय परिवेश पर आधारित साहित्य उपलब्ध नहीं है।
- प्रशिक्षण से विचार पद्धति में अभी प्रभाव आना बाकी है।

यह सूची और भी विस्तृत हो सकती है। आप भी सोच रहे होंगे क्या सभी चीजें नकारात्मक है। बिलकुल नहीं प्रशिक्षण ने पहला चरण पार कर लिया है और वह है इस दिशा में सोचने की जागरूकता अगर जागरूकता निरंतर रही तो 2020 में बीमा प्रशिक्षण का परिदृश्य क्या इस प्रकार होगा।

2020 में बीमा प्रशिक्षण परिदृश्य

- बीमा मध्यस्थों में पेशेवर प्रवृत्ति का होना बहुत ही आवश्यक होगा।
- विक्रय के पश्चात सेवाओं में निष्ठा जरूरी होगी।
- बीमा योग्यता का महत्व बढ़ेगा जो कि प्रयोगत्मक व्यवहार के साथ होगी।
- किसी विशेष विषय में विशेषज्ञता जरूरी होगी जैसे पेंशन योजनाए, स्वास्थ्य बीमा आवश्यकता का निर्धारण, संपत्ति प्रबंधन।

बीमा निरंतर परिवर्तन का क्षेत्र है इसलिए प्रशिक्षण का क्षेत्र असीमित है।

- प्रशिक्षण संस्थान बीमा उद्योग के विकास में महत्वपूर्ण भूमिका निभाएगें।
- प्रतियोगितात्मक उत्पाद प्रशिक्षण की मांग बढ़ जाएगी।
- बीमा कंपनियों की सेख्या बढ़ेगी जिससे बीमा योग्यता प्राप्त किए हुए लोगों की मांग बढ़ेगी।
- प्रशिक्षण की ब्रॉडिंग, मध्यस्थों की उत्पादकता और प्रशिक्षण संबंधित होगें।

बीमा सलाहकार के क्रियाकलाप के लिए मुख्य बिन्दु

- उत्पाद आधारित (कंपनी के कम में)
- उत्पाद परिचय
- उत्पाद विश्लेषण
- उत्पाद प्रस्तुतिकरण
- आवश्यकता के साथ उत्पाद का मिलान
- उत्पाद विपणन पहलू
- बीमा विक्रय आधारित
- अपरिचित ग्राहक को ढूंढना
- ''ना'' का अर्थ समझना
- अपरिचित ग्राहक के साथ बातचीत करना
- पोस्टकार्ड द्वारा विक्रय
- बीमा में पोस्टकार्ड का प्रयोग
- ई-बीमा विक्रय

पॉलिसीधारक की नजर से विक्रय अवधारणा

- सेवानिवृत्ति अवधारणा
- समय पूर्व सेवानिवृत्ति की अवधारणा
- समय पूर्व सेवानिवृत्ति-आनंददायक सेवानिवृत्ति
- करियर और बीमा
- व्यवसाय प्राप्तियों की निरंतरता की अवधारणा
- शिक्षा और बीमा
- विवाह और बीमा
- स्वास्थ्य और बीमा
- बीमा पिता की भूमिका में
- बीमा मित्र की भूमिका में
- बीमा में सूचना प्रोद्योगिकी का उपयोग

विक्रय पश्चात प्रशिक्षण आवश्यकता

- प्रदान सेवाएं - उचित सेवाएं
- सेवाओं के द्वारा विक्रय
- परिचित ग्राहक के साथ बातचीत
- रिकोर्ड प्रबंधन - आवश्यकता और महत्व

सॉफ्ट कुशलता प्रशिश्रण

- प्रशिक्षण
- विचारों का विकास
- तनाव को झेलना
- तनाव - एक सकारात्मक यंत्र
- संप्रेषण कुशलता
- समय प्रबंधन
- लक्ष्य निर्धारण
- सकारात्मकता की शक्ति
- अपने आपको अभिप्रेरित रखना

बीमा निरंतर परिवर्तन का क्षेत्र है इसलिए प्रशिक्षण का क्षेत्र असीमित है। यह निश्चित है कि बीमा 2020 में एक सुव्यवस्थित ढंग से प्रस्तुत होगा और ''जो पढ़ेगा - वही बढ़ेगा'' के तंत्र पर कार्य करने वाले अभिकर्ता ही इस क्षेत्र पर राज करेंगे।

लेखिका इंशुरेंस हाउस, भोपाल से

आई.आर.डी.ए. परिपत्र

आई.आर.डी.ए. द्वारा दिनांक 6 अक्टूबर 2008 को निम्न पत्र जारी किया है। इस पत्र का हिन्दी में अनुवाद प्रस्तुत है। इसमें किसी भी तरह की कमी के लिए इसके अंग्रजी में दिये गये तथ्य को संदर्भित करें।

सभी प्रिय,

अभिकर्ता प्रशिक्षण संस्थान की मान्यता और मान्यताओं का नवीनीकरण

1. मेरे अधिकार क्षेत्र के अंतर्गत, मैं उपरोक्त विषय में एक सूचना पत्र जारी कर रहा हूँ।

2. यह सूचना पत्र, इसे जारी करने की तिथि से, केवल ऑफ लाइन अभिकर्ता प्रशिक्षण संस्थान (जो कि फेकल्टी द्वारा क्लास रूम में आवेदकों को प्रशिक्षण प्रदान करते हैं) पर लागू होता है।

3. मैं उपरोक्त नौकरशाही से बिल्कुल अप्रसन्न हूँ। जैसा कि मैं बहुत सारी शिकायतें देख रहा हूँ, जैसे (RTI अधिनियम मामले भी जहॉ प्रभावित पक्षों ने प्राधिकरण को निर्णय को चुनौती दी) फोन कॉल्स, मैसेज तथा VIPs से अनुमोदन। इसलिए मैने सभी अभिकर्ता प्रशिक्षण संस्थान को सूचित करने का निश्चय किया है कि मैं सभी ऐसे संस्थानों की मान्यता 6 माह से विस्तारित करता हूँ जिनके संस्थान की मान्यता का नवीनीकरण 31 दिसंबर 2008 और उससे पहले अपेक्षित है (उदाहरण के लिए, अगर ए.टी.आई की मान्यता का नवीनीकरण 08.09.2008 को अपेक्षित है तो ए.टी.आई इसके क्रियाकलाप 07.03.2009 तक चालू रख रखता है वह भी आई.आर.डी.ए. के हस्तक्षेप के बिना) ताकि ए.टी.आई. अपने प्रयोगात्मक प्रशिक्षण को चालू रखते हुए अभिकर्ता प्रशिक्षण के इच्छुक व्यक्तियों को प्रशिक्षण दें, जिससे कि वह आई.आर.डी.ए. में पंजीकृत बीमाकर्ताओं के उत्पाद और अपनी उपयोगी सेवाएं पॉलिसीधारक तक पहूँचा सकें। यह निम्न लिखित पैरा नं 4 की शर्त से सम्बन्धित है जैसा हमने जनता और पॉलिसीधारकों की ओर से कई शिकायतें प्राप्त की है कि उन्हें उचित सलाह प्रदान नहीं की जा रही है। इससे वे अपनी आवश्यकतानुसार उत्पाद का चयन नहीं कर पाते। (बीमा आवश्यकताएं अचानक हुई घटनाओं से उत्पन्न होती है जैसे मृत्यु, बीमारी स्वास्थ्य समस्याएं, संपत्ति की हानि और इन घटनाओं के कारण व्यक्ति को वित्तीय हानि उठानी पड़ती हो और इन्हें हम बीमाधारक के हितों के रूप में अपने दिमाग में रखते है और यह शिकायतें प्रस्तावित अभिकर्ता और लाइसेंसधारक अभिकर्ता के उचित प्रशिक्षण की कमी के कारण उत्पन्न होती है। बीमा बाजार में ए.टी.आई. ही अपने अच्छे उत्पाद (बीमा अभिकर्ता) की उत्पादकता के लिए जिम्मेदार है और जनता के हित को ध्यान रखते हुए उनके यह क्रियाकलाप आई.आर.डी.ए. द्वारा नकारे नहीं जा सकते।

4. हम इस सूचना पत्र पर थोड़े समय मुश्किल से (एक महीना) में आ रहे हैं जो कि ए.टी.आई. की कार्यप्रणाली को सभी के हितों का ध्यान रखते हुए सरल करेगा तथा प्रक्रिया अधिकांशत वेब आधारित होगी ताकि सभी ए.टी.आई. की मान्यता और उसके नवीनीकरण की प्रक्रिया को लेकर पारदर्शिता आ सके। ताकि आई.आर.डी.ए. के पेपर वर्क को बचाकर

मैं उपरोक्त नौकरशाही से बिल्कुल अप्रसन्न हूँ। जैसा कि मैं बहुत सारी शिकायतें देख रहा हूँ, जैसे (RTI अधिनियम मामले भी जहॉ प्रभावित पक्षों ने प्राधिकरण को निर्णय को चुनौती दी)

व्यवस्था को और अधिक विश्वसनीय बनाया जा सके। (जो कि बीमित के हितों और बीमा बाजार के विकास के लिए प्रतिबद्ध हो) इस उद्देश्य से सभी ए.टी.आई. को एक संपूर्ण वेब साइट रखनी होती ताकि वे जनता के साथ अपने संपर्क स्थापित कर सकें। (यहॉ जनता में वे पॉलिसीधारक शामिल हे जो कि अप्रशिक्षित अभिकर्ता से प्रभावित हो। यह

बीमाकर्ता को शिकायतें के लिए उचित कदम उठाना चाहिए कि वे आवेदक को बविष्य में विशेष ए.टी.आई. के पास प्रशिक्षित करवाएगें अथवा नहीं तथा बीमाकर्ता और आई.आर.डी.ए. को सूचित करने से संबन्धित कदम भी उठाए जाने चाहिए।

संपर्क ए.टी.आई. को प्रभावित अभिकर्ता के प्रशिक्षण में परिवर्तन करने का अवसर प्रदान करेगा इसके अलावा एटीआई को शिकायतों का विवरण का डेटा वेबसाइट पर डालने को बोला जाएगा ताकि सभी के लिए ए.टी.आई. के कार्यकलाप पारदर्शित हो सकें। इसी के साथ ही ए.टी.आई. को सभी प्रपत्रों की सॉफ्ट कॉपी (स्केन्ड कॉपी) आई.आर.डी.ए. के सामने प्रस्तुत करनी की प्रार्थना है जब वे अपनी प्रथम मान्यता और मान्यता का नवीकरण करवाते हैं। इन्हीं प्रपत्रों का एक प्रतिलिपि इस सूचना पत्र के जारीकर्ता को भी प्रदान की जाए। इस संबन्ध में आई.आर.डी.ए. मदद करने के लिए तत्पर है और अपेक्षा करता है कि यह सभी प्रपत्रीकरण 31 अक्टूबर 2008 के पूर्व संपादित किया जाएगा।

5. सभी बीमाकर्ताओं से आवेदन है कि वे उनकी वेबसाइट पर ए.टी.आई. और उससे संबन्धित शिकायतों का ब्यौरा रखें इरके लिए उन्हें जनता से वेबसाइट में संपर्क रखना चाहिए जहाँ बीमा अभिकर्ता और ए.टी.आई. के विरुद्ध शिकायतें पंजीकृत होगी अभिकर्ता से संबन्धित शिकायतें हो सकती है कि (ए) अभिकर्ता आवश्यकतानुरूप उत्पाद का चयन करने में प्रस्तावक की मदद नहीं करता (बी) विक्रय के बाद अभिकर्ता सेवाएं प्रदान नहीं करता जैसे (प्रस्ताव के समय, पॉलिसी प्रपत्र के जारी होने और प्रीमियम भुगतान के संबन्ध में आदि) और ए.टी.आई. के विरुद्ध (सी) ए टी आई की खराब सेवायें जिसके कारण उनके आवेदक (जिन्हें उनके द्वारा पहले प्रशिक्षण प्रदान किया गया है) बीमा अभिकर्ता बने हों (डी) और अन्य मैटर जो कि ए.टी.आई. के विरुद्ध हो। इस संबन्ध में बीमाकर्ता को भी ए.टी.आई. के नाम व्यवस्थित करना चाहिए। परिचय पत्र जारी किए जाने से पूर्व बीमाकर्ता की और से अभिकर्ता को एक प्रमाण पत्र जारी किया जाना चाहिए जिससे अभिकर्ता पॉलिसीधारक को उत्पाद विक्रय करते समय अपना परिचय पत्र प्रस्तुत कर सकें। बीमाकर्ता को शिकायतें के लिए उचित कदम उठाना चाहिए कि वे आवेदक को बविष्य में विशेष ए.टी.आई. के पास प्रशिक्षित करवाएगें अथवा नहीं तथा बीमाकर्ता और आई.आर.डी.ए. को सूचित करने से संबन्धित कदम भी उठाए जाने चाहिए। बीमाकर्ता को अपनी स्वयं की वेबसाइट में शिकायतों का ब्यौरा प्रत्येक माह में देना चाहिए। (अभिकर्ता के विरुद्ध शिकायत इस प्रकार करें - माह के प्रथम माह में संख्या, माह के बीच में प्राप्त संख्या, माह के दौरान उद्धत की संख्या, और माह के अंत में संख्या) ए.टी.आई. के विरुद्ध इसी तरह की जानकारी प्रस्तुत की जानी चाहिए तथा ए.टी.आई. के अनुसार प्रत्येक माह के अंत में अभिकर्ता की शिकायतों का विश्लेषण इस तरह प्रस्तुत करें ए.टी.आई. का नाम, पूर्व में प्रशिक्षित किए गए अभिकर्ताओं की संख्या अभिकर्ता जिनके विरुद्ध पॉलिसीधारक ने शिकायत की है। बीमाकर्ताओं को अपनी वेबसाइट पर शिकायतों को सही ढंग से डालना चाहिए। बीमाकर्ता को निरीक्षक को ए.टी.आई. के पास प्रशिक्षण की गुणवत्ता परखने के लिए भेजना चाहिए और उसके परिणाम को अपनी वेबसाइट पर जनता के लिए डाल सकते हैं। बीमाकर्ता को पूरी प्रक्रिया 31 अक्टोबर 2008 तक पूरी करनी चाहिए और इस संबन्ध में जारीकर्ता को edam@irda.gov.in को इस e-mail ID पर सूचना देनी है।

6. आई.आर.डी.ए. के सम्बन्धित व्यक्ति श्री सुरेश माथुर है। उनका e-mail ID suresh@irda.gov.in है।

यह पत्र श्री के सुब्रहमन्यम, एक्जिक्युटिव डायरेक्टर (प्रशासन) द्वारा जारी किया गया है।

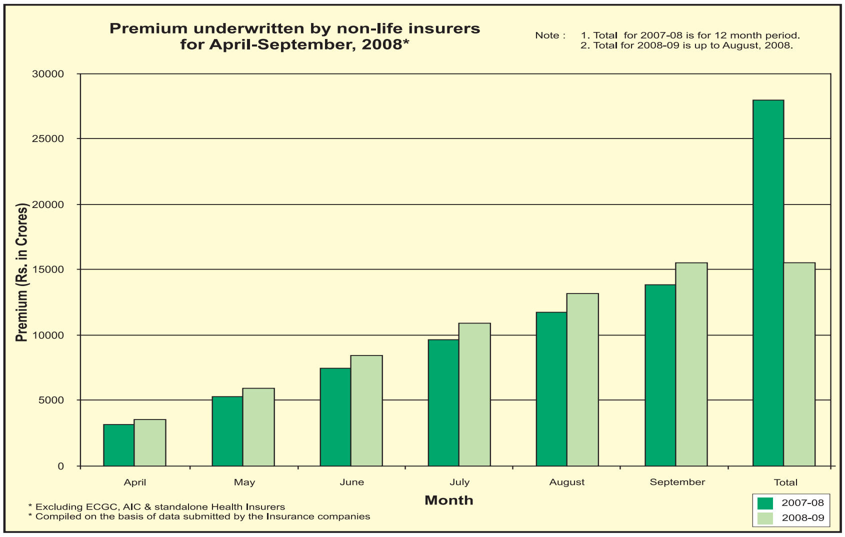
Report Card: General

GROSS PREMIUM UNDERWRITTEN FOR AND UP TO THE MONTH OF SEPTEMBER 2008

(Rs.in Crores)

INSURER	SEPTEMBER		APRIL - SEPTEMBER		GROWTH OVER THE CORRESPONDING PERIOD OF PREVIOUS YEAR
	2008-09	2007-08	2008-09	2007-08	
Royal Sundaram	67.04	52.69	388.99	320.87	21.23
Tata-AIG	59.16	53.94	497.27	413.10	20.38
Reliance General	146.00	138.48	986.22	946.44	4.20
IFFCO-Tokio	97.83	75.05	716.02	533.56	34.20
ICICI-lombard	271.45	262.84	1925.11	1726.59	11.50
Bajaj Allianz	212.78	176.01	1416.15	1122.51	26.16
HDFC ERGO General	28.08	14.34	143.36	112.03	27.96
Cholamandalam	53.22	40.09	358.33	266.51	34.45
Future Generali*	14.17	0.00	71.96	0.00	
Universal Sompo #	0.08	0.00	1.14	0.00	
Shriram General @	5.53	0.00	7.01	0.00	
Bharti AXA General @	0.68	0.00	0.70	0.00	
New India	441.32	469.40	2785.33	2663.40	4.58
National	346.24	287.87	2164.66	1954.58	10.75
United India	317.54	271.98	2092.84	1853.03	12.94
Oriental	292.21	282.72	2040.87	1989.39	2.59
PRIVATE TOTAL	**955.33**	**813.45**	**6511.57**	**5441.62**	**19.66**
PUBLIC TOTAL	**1397.31**	**1311.97**	**9083.70**	**8460.40**	**7.37**
GRAND TOTAL	**2352.64**	**2125.42**	**15595.27**	**13902.02**	**12.18**
SPECIALISED INSTITUTIONS:					
1.Credit Insurance					
ECGC	63.97	55.09	347.22	313.24	10.85
2.Health Insurance					
Star Health & Allied Insurance	7.94	3.13	239.19	46.34	416.14
Apollo DKV*	3.16	0.00	13.14	0.00	
Health Total	11.10	3.13	252.33	46.34	444.49
3.Agriculture Insurance					
AIC	165.94	111.92	379.86	351.74	7.99

Note: Compiled on the basis of data submitted by the Insurance companies
** Commenced operations in November, 2007.* *# Commenced operations in February, 2008.*
@ Commenced operations in July, 2008.



The Institute of Actuaries of India (IAI) organized a seminar on 'Current Issues in Life Assurance (CILA)' on 29th and 30th August, 2008 in Mumbai.

Mr. J. Hari Narayan Chairman, IRDA and **Dr. R. Kannan** Member (Actuary) IRDA seen at the inaugural session.

Photograph shows **Mr. G.N. Agarwal** President, IAI felicitating **Dr. Kannan**

Mr. A.Venkateswara Rao
Deputy Director (Actuarial)
IRDA making a presentation
at the seminar.

Mr. S. Karthikeya Sharma
Assistant Director (Actuarial)
IRDA presenting his viewpoint.

" క్లెయిము చేస్తూ అన్ని డాక్యుమెంట్లు నేను పంపి మూడు వారాలయింది... వాళ్ళు తొందరలోనే డబ్బు పంపిస్తారని నేను ఆశిస్తున్నాను."

" అవును. వాళ్ళు పంపిస్తారు. అన్ని కాగితాలు సరిగా ఉన్నట్లయితే, వాళ్ళు 30 రోజుల లోపల పరిష్కరించవలసి ఉంటుంది. అది రూలు!"

భారత్‌లోని ఇన్సూరెన్స్ కంపెనీల పర్యవేక్షణ సంస్థ అయిన ది ఇన్సూరెన్స్ రెగ్యులేటరీ అండ్ డెవలప్‌మెంట్ అథారిటీ (ఐఆర్‌డిఏ), పాలసీదారుల ప్రయోజనాలను సంరక్షిస్తుంది. ఐఆర్‌డిఏ విధించిన కొన్ని నియమాలు కొన్ని ఇక్కడ పొందుపరచబడ్డాయి:

- సంబంధిత డాక్యుమెంటులన్నీ అందుకున్న 30 రోజుల లోపల భీమా కంపెనీ ద్వారా ఒక క్లెయిము చెల్లించబడాలి లేదా అవసరమయిన కారణాలను చూపుతూ వివాదాన్ని తెలియజేయాలి.
- ఒక ప్రతిపాదన అందుకున్న 30 రోజుల లోపల భీమా కంపెని భావి పాలసీదారునికి వివరణిక, ప్రతిపాదన పత్రం ఒక కాపి, ఛార్జీ ఏమి లేకుండా ఉచితంగా ఇవ్వవలసి ఉంటుంది.
- భీమా కంపెని ప్రతిపాదనలు ముట్టిన 15 రోజుల లోపల ప్రక్రియాత్మకం చేయాలి మరియు వర్తమానం పంపవలసి ఉంటుంది.
- అవసరమయిన డాక్యుమెంట్లన్నీ సమర్పించిన తరువాత క్లెయిము పరిష్కారంలో ఒకవేళ జాప్యం జరిగినట్లయితే, నిర్ణయించబడిన మొత్తంలో వడ్డీని చెల్లించవలసిన బాధ్యత భీమా కంపెనీకి ఉంటుంది.
- ఒక జీవిత భీమా పాలసీదారుడు పాలసీని రద్దు చేసుకోవడానికి 15 రోజుల "ఫ్రీ లుక్ పిరియడ్" (పాలసీ ముట్టిన తేదీనుండి) పొందడానికి హక్కు ఉన్నది.
- పాలసీదారుల నుండి ఎలాంటి సమాచారం అందినా అందిన 10 రోజుల లోపల భీమా కంపెనీ ప్రతి సమాధానం ఇవ్వవలసి ఉంటుంది.

ప్రజా హితార్థం జారీచేసిన వారు
बीमा विनियामक और विकास प्राधिकरण
ఇన్సూరెన్స్ రెగ్యులేటరీ అండ్ డెవలప్‌మెంట్ అథారిటి
3వ అంతస్తు, పరిశ్రమ భవన్,
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17 - 20 Nov 2008 Venue: Kuala Lumpur	**KLIFF 2008** By *Kuala Lumpur Islamic Finance Forum*
24 - 27 Nov 2008 Venue: Hong Kong	**East Asian Insurance Congress** By *EAIC, Japan*
30 Nov - 1 Dec 2008 Venue: UAE	**2nd Middle East Healthcare Insurance Conference** By *Asia Insurance Review, Singapore*
01 - 02 Dec 2008 Venue: Pune	**Seminar on Emerging Liability Scenario** By *National Insurance Academy, Pune*
03 Dec 2008 Venue: New Delhi	**FICCI's 12th Conference on Insurance** **'Doubling the Insurance Penetration'** By *FICCI, New Delhi*
08 - 13 Dec 2008 Venue: Pune	**Programme on Underwriting in Free Regime** By *National Insurance Academy, Pune*
15 - 16 Dec 2008 Venue: New Delhi	**5th India Health Summit** **'Optimizing Healthcare Delivery in India'** By *Confederation of Indian Industry, New Delhi*
22 - 24 Dec 2008 Venue: Pune	**Workshop on Multiple Distribution Channel Management** By *National Insurance Academy, Pune*
25 - 27 Dec 2008 Venue: Pune	**Workshop on Motor TP Claims** By *National Insurance Academy, Pune*

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view point

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The IAIS is following closely the current financial market crisis and is committed to incorporate lessons learned in its standard setting work.

Mr Michel Flamée
IAIS Executive Committee Chair

Some areas we may need to review include clearer product labeling and stronger suitability requirements to ensure that unsuitable products are not sold to vulnerable investors

Mr Heng Swee Keat
Managing Director, Monetary Authority of Singapore

Although changing your insurance coverage in uncertain times can be tempting, hasty decisions can have unintended consequences.

Ms Sandy Praeger
Kansas Insurance Commissioner & NAIC President

Australia has a financial system of undoubted underlying strength and Australians can be confident in the financial institutions that APRA regulates.

Mr John F. Laker
Chairman, Australian Prudential Regulation Authority (APRA)

With the recent evolution and expansion in Islamic finance, it has now emerged as a viable new asset class for investors; and a competitive form of financing for businesses.

Dr Zeti Akhtar Aziz
Governor, Bank Negara Malaysia

While the work to extinguish the burning fire as soon as possible is of course necessary, it is also essential to put in place a framework to prevent the recurrence of the same kind of crisis (Global financial crisis).

Dr Takafumi Sato
Commissioner, Financial Services Agency, Japan

"