Volume III, No. 6

Journal

MAY 2005

SELF REGULATION

बीमा विनियामक और विकास प्राधिकरण

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

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

In line with the thinking that market forces ensure the most efficient provision of a product or a service is the concept that self-regulation creates the checks and balances peculiar to industries and their segments and encourages best practices. In terms of regulating and supervising complex industries with their network of service providers, self regulation – technically – harnesses the domain knowledge and enlightened self interest of the stakeholders, creating a necessary but not sufficient level of supervision and control.

In the insurance industry, this concept – enabled by the Insurance Act, 1938 – is being actively pursued and the formal inauguration of the Secretariat of the Life Insurance Council last month is a milestone in this journey. The council has been tackling issues of significance like misselling (uniform benefit illustrations during the selling process) and disclosure (bringing clarity into the potentially confusing area of complex products). It has other weighty tasks ahead, befitting the representative body of an industry that holds immense market potential and obligations.

The General Insurance Council, which has been busy with market conduct and other industry issues will follow suit shortly in setting up their own infrastructure. The IRDA has already set in motion the system of dealing with one organisation in each segment that will comprehensively represent the interests of that sector and insurance brokers and third party administrators (TPAs) are at various stages of building their self-regulatory organisations.

In this issue of **IRDA Journal** we bring you thoughts from representatives of these segments on the scope and workings of self-regulation in order to get a clearer picture of the issues and concerns.

The most popular content in the Journal takes a special meaning this month with the provisional business statistics of the last financial year. While the Non-Life industry has grown at a moderate 13 per cent, there are segmentations within the industry that analysts think bear watching. On the Life side the growth has been 36 per cent.

The next issue of the Journal will examine the grievance redressal systems in and for the industry. This is a topic that the regulator is always deeply interested in, policyholders' protection being his primary duty.

C.S.RAO

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Journeys

Year ending is a tense time. It could exhilarate or dampen. Targets, business plans, performance bonuses and incentives are all up there for the world to see and judge.

We know that all of you await statistics each month through the Journal and are happy to bring you the year ending business performance statistics of the life and non-life industries.

Our issue focus this month is self-regulation. As we worked on this issue we found that the industry is still in its very early days in recognising and using the opportunity for setting its own standards for accountability. However, a survey on self regulation does bring out interesting facets of the journey itself.

We have also Mr. S. K. Mohapatra talking about self-regulation for TPAs and Mr. G. V. Rao about self-regulation as a concept and about setting up a self-regulatory organisation (SRO) for surveyors.

Mr. P. S. Prabhakar writes on the Institute of Chartered Accountants of India (ICAI) as an example of thriving self-regulatory practices while Mr. V. Sithapathy ponders the role of an SRO for insurance broekers.

We revisit the ever popular topic of Health insurance in the form of an article by Mr. Richard Kipp and his colleagues from Milliman on how to make it a sustainable business.

There has been a suggestion and requests to index the articles that have appeared in **IRDA Journal** for easy reference. We have catalogued the articles appearing in the first year of the Journal's publication in this issue and rest shall follow. The list is proposed to be put up on the website of the Authority as well for easy linking to the appropriate issue.

Our next issue will be on the disputes redressal machinery in the industry, specially the ombudsman scheme. We hope to bring some insights into the process of dealing with unhappy customers.

K. Nitya Kalyani

Recourse

K. Nitya Kalyani

Next month we revisit a topic that we featured not too long ago. Grievances redressal in the insurance industry. Only this time, we have specifics to go by in the form of the final recommendations of the Law Commission on this topic where earlier we worked with some of their interim thoughts.

Keeping customers happy is the insurance policy of all businesses. More insurance related services since the product is intangible and its delivery is prompted by distressing circumstances for the customer – a time when very sensitive, skilful and prompt response is required.

The industry has a built in consumer grievance redressal machinery, mandated by the regulations as well. Apart from a designated officer for handling grievances at different levels including at the head office, there is a provision for a board member representing consumer interests.

An industry wide grievance mechanism is the Ombudsman scheme which provides a timebound, free and independent method of dispute resolution for the individual consumer. To add to his comfort of using the process, the Insurance Ombudsman's awards are binding on the company, but not on the consumer who, if he is still unhappy with the award and its scope, can choose to seek other fora to take his complaints to. These include consumer courts and the civil court system as well.

The interesting aspect of the dispute resolution process is that responsibility for attempting to resolve a complaint lies in the first instance with the company itself. All internal company complaints procedures must be exhausted before the Ombudsman will be able to take up a case. This ensures that the consumer and the company have ample time and opportunity to iron out their differences, many of which are born, experts in the system say, out of a perceived lack of interest shown to the concerns and anxiety expressed by the customer.

As would be logical, the Indian machinery to take care of disputes resolution has to go beyond dealing with complaints and reacting to the requirements of the consumers. They should be able to influence and catalyse the insurance companies and other stakeholders in the insurance industry to get to the root of the problem and solve those. Ombudsmen are admirably placed to play this role because through their hands pass a mass of complaints that represent what is going wrong in the industry and they could analyse and infer what gave rise to the dispute and convey it back to the industry as feedback for improvement of processes.

> Keeping customers happy is the insurance policy of all businesses.

Here is an example of how this is done elsewhere. It is interesting to note that the suggestions relate to the well known grey areas of communication and disclosure by BOTH parties to the contract! To quote from the Insurance Ombudsman of Ireland:

"In previous years I drew attention to the need for simplification of the language of the insurance world. I would continue to urge companies to make this a priority. It would greatly improve communication and understanding between them and their policyholders. It would attract questions at the point of sale, would assist potential policyholders in fully understanding the essential features of the policy being sold, create more consumer satisfaction and fewer complaints to insurers."

On disclosure she says:

"Insurance is a contract "uberrima fides", that is of utmost good faith. Therefore, I cannot overemphasise the importance of disclosure by applicants for insurance policies of all material information. Disclosure of relevant information is vital."

In what is not very far into the future for the Indian market which is tumbling headlong into using telemarketing and call centres for handling claims and complaints, here is a comment by the Ireland Ombudsman on disclosure and hinting at potential mis-selling issues.

"In the Ombudsman's annual reports of 1998 and 1999, emphasis was placed on the growing number of problems arising from conflicts about the nature of assurances given in the course of telephone conversations between policyholders and their insurance companies. The last year has shown that this issue continues to be a source of dispute and a source of complaint to the Office.

I must reiterate my strong recommendation that adequate records be kept by companies of what was said during sales calls, claims calls, or when advice is being sought regarding cover, in particular for medical procedures."

Business and the human nature of loss and tragedy being similar worldwide, disputes will arise and they do have to be solved in a streamlined way. In our next issue we shall look at various facets of the issue and the new thinking and developments therein.

Marine Hull Guidelines

IRDA has issued guidelines to Non-Life insurers with regard to Marine Hull insurance following the detariffing of this class of business from April 1, 2005 by the Tariff Advisory Committee (TAC). The Guidelines, issued on March 23, 2005 read as follows:

Re : Guidelines for Marine Hull Insurance and Insurance of War risk Insurance of Marine Hulls

Following the decision of the Tariff Advisory Committee to de-tariff Marine Hull Insurance from 1st April, 2005 and the communication dated 24.12.2004 from the Ministry of Finance, the Insurance Regulatory and Development Authority under the powers granted under Section 14 (2)(i) of the IRDA Act, 1999, issues the following guidelines for the conduct of Marine Hull business and the underwriting of insurance of war risk insurance for marine hulls in the country.

1. All general insurers who wish to write marine hull class of business which will go out of the tariff from 1.4.2005 as per TAC's circular no. M-Hull/ Cir-2/ 2005 dated 14th March, 2005 shall follow the existing policy wordings, terms and conditions including clauses such as the Institute clauses till further orders. On the other hand the terms & conditions for the war risk insurance policy shall be identical to the existing Government of India Scheme until further orders.

2. All such insurers shall follow the procedures as contained in IRDA Circular No. IRDA/ Gen./ Fup/ Feb. 2001 dated 26th February, 2001 for filing of products.

3. While filing the products the general insurers shall indicate the net minimum premium rate for each class of business which the company will offer which has all possible good features built into it and under no circumstances write the business below such rate.

4. Those insurance companies wanting to write marine hull class of business and the war risk insurance for marine hulls shall file separately with the IRDA the reinsurance arrangements for protecting the net account exposures. They shall ensure that the proposed arrangements terminate on 31st March, 2006.

5. The insurers shall file separately monthly busines figures for Marine Hull including war risk insurance as being done under the Marine Hull class of business.

6. The limits of cession for obligatory cessions, and commission from National Reinsurer for obligatory cessions for marine hull business and for war risk insurance for marine hulls shall be as per IRDA circular no. IRDA/ CIR/ RI/ 077/ Feb-05 dated 23rd February, 2005.

7. The maximum allowable remuneration to brokers/ agents applicable to this class of business is enumerated in IRDA circular no. IRDA/ CIR/ TAC/ 085/ MAR-05 dated 18th March, 2005.

Insurers are requested to acknowledge receipt and strictly conform to the above mentioned guidelines.

Sd/-
(Mathew Verghese)
Member

SUSPENSION REVOKED

IRDA has revoked the suspension of insurance broking licence of M/s Avani Insurance Services Pvt. Ltd., Mumbai and allowed it to change its name to Pnb Principal Insurance Advisory Co. Pvt. Ltd.

The Order, dated 15th April, 2005 states:

The Authority had suspended the broking license of the above broker on 5th May, 2004 on account of its selling its the entire shareholding to M/s. Berger Paints India Ltd. without prior approval of the Authority.

The promoters approached the Authority with new shareholders holding shares in the following manner:

Principal Group	: 26%
Punjab National Bank	: 30%
Berger Paints India Ltd.	: 25%
Vijaya Bank	: 19%
Total	: 100%

and requested the Authority for revival of insurance broker license vide their application dated 25th June, 2004. They also requested for Authority's approval for the name change of the broking company from Avani Insurance Services Pvt. Ltd. to M/s. Pnb Principal Insurance Advisory Company Pvt. Ltd. to reflect the changes in broking company after its takeover. The new name was duly approved by the Authority vide its letter dated 9th June, 2004 to M/s. Pnb Principal Insurance Advisory Company Pvt. Ltd.

The Authority on processing the said application and examining the issue, is satisfied that the broking company has fulfilled the requirements for conduct of broking operation as stipulated under the IRDA (Insurance Brokers) Regulations, 2002.

In view of the above and after considering all the relevant facts, the Authority hereby revokes the suspension on License No. 204 and permits the broking company now known as M/s Pnb Principal Insurance Advisory Co. Pvt. Ltd. to carry on its normal activities as a direct insurance broker with immediate effect.

sd/-
(Mathew Verghese)
Member

NEW OFFICE BEARERS ELECTED TO TAC

Following the retirement of Mr. P. C. Ghosh, Chairman, GIC, Mr. S. L. Mohan, CMD, Oriental Insurance and Mr. H. S. Wadhwa, CMD, National Insurance who were elected members of the Tariff Advisory Committee (TAC) board, elections were held to elect new members to those vacancies.

TAC has put out the following announcement dated May 2, 2005 following the elections:

Consequent upon TAC Elections-2005, pursuant to the provisions of the Insurance Act, 1938 read with the Insurance Rules, 1939 as amended by the Insurance (Amendment) Rules, 2004 (the Rules) and the Tariff Advisory Committee (Election of Members, Meetings, Functions & Miscellaneous) Regulations, 2004 (the Regulations), the following have been elected in the vacancies arising out of the superannuation of Sri P. C. Ghosh, Chairman, GIC, Sri S. L. Mohan, CMD, Oriental Insurance and Sri H. S. Wadhwa, CMD, National Insurance:-

a. Sri R. K. Joshi, CMD, General Insurance Corporation of India

b. Sri B. Chakraborti, CMD, National Insurance Co. Ltd.

c. Sri M. Ramadoss, CMD, The Oriental Insurance Co. Ltd.

C.S. Rao
Chairman

Keyman Insurance on Hold

IRDA has put on hold the sale of Keyman Insurance Cover except as term insurance policies pending examination of some mis-selling instances reported in March 2005. The following circular has been issued on April 27, 2005 with regard to this matter by IRDA:

This Authority is aware of some of the aberrations that have taken place in the month of March, 2005 in the matter of sale of Keyman Insurance.

We shall conduct a detailed examination of the policies marketed in March 2005 and shall come out with detailed guidelines on the sale of Keyman Insurance at the appropriate time. In the meantime, it has been decided that only Term Insurance Policy will henceforth be issued as "Keyman Insurance C

LICENSED BROKERS

Bakhtawar Pastakia
Edelweiss Insurance Brokers Ltd.
14th Floor, Express Towers,
Nariman Point, Mumbai-400 021
(022)22864216

P. Chatterjee
Sun Risk Management Services Pvt. Ltd.
God Gift Tower, 3rd Floor, Hill Road
Bandra (West),
Mumbai-400050
(022)56270809

J.C. Sharma
Supreme Ins. Brokers Ltd.
3rd Floor, R.D. Chambers,
16/11, Arya Samaj Road, Karol Bagh,
New Delhi-110005
(011)(25735841

D.A. Gadgil
Cabal Ins. Services Pvt. Ltd.
118-B Wing, 11th Floor, Mittal Towers,
Nariman Point, Mumbai-400 021
(022)56324917

A.T.P. Pillai
Independent Ins. Services Pvt. Ltd.
No.5, Gokul Arcade,
2 & 2A, Sardar Patel Road, Adyar,
Chennai-600020
(044)55177023

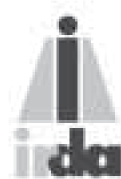
M.C. Chattaraj
Apeejay Ins. Services Pvt. Ltd.
Apeejay House, 15 Park Street,
Kolkata-700 016
(033)22295455

"ക്ലെയിമിനെ സംബന്ധിച്ച എല്ലാ രേഖകളും അയച്ചു കൊടുത്തിട്ട് 3 ആഴ്ചയായി. അവർ പണം വേഗം അയച്ചു തരുമെന്നാണ് എന്റെ പ്രതീക്ഷ."

"തീർച്ചയായും തരും. എല്ലാ കടലാസ്സുകളും നിയമാനുസൃതമാണെങ്കിൽ 30 ദിവസത്തിനകം അവർ ക്ലെയിം തീർപ്പു കല്പിക്കണം. അതാണ് നിയമം !"

ഇന്ത്യയിലെ ഇൻഷ്വറൻസ് കമ്പനികളുടെ മേൽനോട്ടച്ചുമതലയുള്ള സ്ഥാപനമായ ഇൻഷ്വറൻസ് റെഗുലേറ്ററി ആൻഡ് ഡെവലപ്മെന്റ് അതോറിറ്റി (ഐ ആർ ഡി എ) പോളിസി ഹോൾഡേഴ്സിന്റെ താല്പര്യങ്ങൾ സംരക്ഷിക്കുന്നു. ഐ ആർ ഡി എ കല്പിച്ചിട്ടുള്ള ചില ചട്ടങ്ങൾ താഴെ പറയുന്നു.

- പ്രസക്തമായ എല്ലാ രേഖകളും കിട്ടിയ 30 ദിവസത്തിനകം ഒരു ഇൻഷ്വറൻസ് കമ്പനി ക്ലെയിം (അവകാശം) കൊടുത്തു തീർക്കണം അല്ലെങ്കിൽ പ്രസക്തമായ കാരണങ്ങൾ കാണിച്ച് ക്ലെയിം ചോദ്യം ചെയ്യണം.
- ഒരു പ്രൊപ്പോസൽ അംഗീകരിച്ച് 30 ദിവസത്തിനകം ഇൻഷ്വറൻസ് കമ്പനി ഭാവി പോളിസിഹോൾഡർക്ക് പ്രൊപ്പോസൽ ഫോറത്തിന്റെ ഒരു പകർപ്പ് യാതൊരു ചാർജ്ജും വസൂലാക്കാതെ നല്കണം.
- ഇൻഷ്വറൻസ് കമ്പനി പ്രൊപ്പോസലുകൾ കിട്ടിയ 15 ദിവസത്തിനകം അവ കൈകാര്യം ചെയ്ത് തീരുമാനം അറിയിക്കണം.
- ആവശ്യമായ എല്ലാ രേഖകളും സമർപ്പിച്ച ശേഷവും ക്ലെയിം കൊടുക്കാൻ കാലതാമസം ഉണ്ടായാൽ ഒരു നിശ്ചിത നിരക്കിൽ പലിശ കൊടുക്കാൻ ഇൻഷ്വറൻസ് കമ്പനി ബാധ്യസ്ഥമായിരിക്കും.
- ഒരു ലൈഫ് ഇൻഷ്വറൻസ് പോളിസിഹോൾഡർക്ക് പോളിസി നിരസിക്കുന്നതിന് 15 ദിവസത്തെ (പോളിസി കിട്ടിയ ദിവസം മുതൽ) ഫ്രീ ലുക്ക് പിരിയഡിന് (സൗജന്യ പരിശോധന സമയം) അർഹത ഉണ്ടായിരിക്കും.
- പോളിസി ഹോൾഡേഴ്സിൽ നിന്നും ലഭിക്കുന്ന കത്തുകൾക്ക് കിട്ടിയ 10 ദിവസത്തിനകം ഇൻഷ്വറൻസ് കമ്പനി മറുപടി നല്കണം.



പൊതു താല്പര്യാർത്ഥം ഇറക്കുന്നത്:

ഇൻഷ്വറൻസ് റെഗുലേറ്ററി ആൻഡ് ഡെവലപ്മെന്റ് അതോറിറ്റി,

3-ാം ഫ്ളോർ, പരിശ്രമ ഭവനം, ബഷീർബാഗ്, ഹൈദരാബാദ് - 500 004.
വെബ്സൈറ്റ് : www.irdaindia.org

Mudra/IRDA/03/MAL

SPREAD THE WORD...

The above advertisement is issued by IRDA in the public interest.
Those wishing to publish it for spreading consumer awareness of insurance
may use this artwork for reproduction.

Report Card:LIFE

Life industry ends fiscal with 36% growth
Linked business grows 422%; Non-Linked business 0.03%

The life insurance industry underwrote a premium of Rs. 8,13,014.01 lakh during the month of March, 2005, taking the cumulative premium underwritten during the current year 2004-05 to Rs. 25,34,287.67 lakh.

The total Individual premium and Group premium underwritten was Rs. 20,96,206.98 lakh (82.71 per cent) and Rs. 4,38,080.69 lakh (17.29 per cent) respectively as against Rs. 14,64,122.42 lakh (78.42 per cent) and Rs. 4,02,817.27 lakh (21.58 per cent) underwritten in the corresponding period of the previous year. The premium underwritten by the industry upto March, 2005, towards individual single and non-single policies stood at Rs. 5,90,461.13 lakh and Rs. 15,05,745.85 lakh respectively accounting for 18,55,947 and 2,43,81,112 policies. The group single and non-single premium accounted for Rs. 4,01,604.62 lakh and Rs. 36,476.07 lakh.

LIC underwrote premium of Rs. 19,78,593.20 lakh during the period i.e., a market share of 78.07 per cent, followed by ICICI Prudential and Bajaj Allianz with premium underwritten (market share) of Rs. 1,58,408.46 lakh (6.25 per cent) and Rs. 86,001.80 lakh (3.39 per cent) respectively. The number of lives covered by the industry under the various group schemes was 1,09,57,158 during the period ended March, 2005. LIC covered 81,42,374 lives under the group schemes accounting for 74.31 per cent of the market, followed by SBI Life with 9,68,383 lives (8.84 per cent), Bajaj Allianz with 3,62,531 lives (3.31 per cent) and TATA AIG with 3,16,150 lives (2.89 per cent). The new players underwrote first year premium of Rs. 5,55,694.47 lakh. In terms of policies underwritten, the market share of the new players and LIC was 8.50 per cent and 91.50 per cent as against 5.79 per cent and 94.21 per cent respectively in 2003-04.

A further segregation of the premium underwritten during the period indicates that Life, Annuity, Pension and Health contributed Rs. 19,56,284.99 lakh (77.27 per cent), Rs. 1,69,680.64 lakh (6.7 per cent), Rs. 3,93,848.18 lakh (15.55 per cent) and Rs. 11,898.33 lakh (0.47 per cent) respectively to the total premium, as against this, Rs. 15,22,903.11 lakh (81.68 per cent), Rs. 1,60,745.02 lakh (8.62 per cent), Rs. 1,67,403.96 lakh (8.97 per cent) and Rs. 13,338.62 lakh (0.72 per cent) was underwritten in the respective segments in 2003-04.

Analysis of the statistics in terms of linked and non-linked premium shows that while premium underwritten under the linked categories was Rs. 8,24,774.97 lakh as against Rs. 1,57,942.43 lakh in the corresponding previous year reflecting a growth of 422.19 per cent, the non-linked premium was Rs. 17,06,937.17 lakh as against Rs. 17,06,448.28 lakh in 2003-04, i.e., a growth of 0.028 per cent.

Non-linked and linked premium underwritten by LIC in 2004-05 was 78.31 per cent and 21.69 per cent as against 97.70 per cent and 2.29 per cent in 2003-04. In case of private insurers the percentage was 28.72 per cent and 71.28 per cent in 2004-05 as against 50.18 per cent and 49.82 per cent respectively in the previous year.

(Rs. in lakhs)

Sl No.	Insurer	Premium u/w 2004-05		Premium u/w 2003-04	% Growth over previous year	Premium Market Share (%)	No. of Policies / Schemes 2004-05		No. of Policies / Schemes 2003-04	% Growth over Previous year	Policies Market Share (%)	No. of lives covered under Group Schemes 2004-05		No. of lives covered under Group Schemes 2003-04	% Growth over Previous year	Lives covered under Group Schemes -- Market Share (%)
		Mar	Upto Mar	Upto Mar	Upto Mar	Upto Mar	Mar	Upto Mar	Upto Mar	Upto Mar	Upto Mar	Mar	Upto Mar	Upto Mar	Upto Mar	Upto Mar
1	**Bajaj Allianz**	**36,596.63**	**86,001.80**	**17,970.51**	**378.57**	**3.39**	**83,017**	**2,88,191**	**1,85,350**	**55.48**	**1.10**	**1,04,101**	**3,62,531**	**1,01,797**	**256.13**	**3.31**
	Individual Single Premium	25,168.98	45,144.52	2,228.92	1,925.40		21,574	41,940	3,099	1,253.34						
	Individual Non-Single Premium	11,230.37	40,122.97	15,629.14	156.72		61,413	2,46,107	1,82,194	35.08						
	Group Single Premium			0.76	-100.00				1	-100.00				781	-100.00	
	Group Non-Single Premium	197.28	734.31	111.69	557.45		30	144	56	157.14		1,04,101	3,62,531	1,01,016	258.88	
2	**ING Vysya**	**18,478.59**	**28,162.46**	**7,255.66**	**288.14**	**1.11**	**26,088**	**1,11,141**	**90,977**	**22.16**	**0.42**	**28,456**	**53,433**	**14,113**	**278.61**	**0.49**
	Individual Single Premium	24.23	57.06	82.26	-30.63		3,564	8,393	12,115	-30.72						
	Individual Non-Single Premium	17,958.78	26,625.83	7,083.80	275.87		22,490	1,02,653	78,853	30.18						
	Group Single Premium	238.74	985.22	68.29	1,342.64		1	1	1			553	2,282	163	1,300.00	
	Group Non-Single Premium	256.84	494.35	21.30	2,220.82		33	94	8	1,075.00		27,903	51,151	13,950	266.67	
3	**AMP Sanmar**	**870.99**	**9,118.44**	**2,788.16**	**227.04**	**0.36**	**6,378**	**35,268**	**46,282**	**-23.80**	**0.13**	**7,761**	**95,306**	**60,341**	**57.95**	**0.87**
	Individual Single Premium	479.45	6,235.98				703	7,639								
	Individual Non-Single Premium	251.11	2,325.60	2,433.27	-4.42		5,667	27,554	46,250	-40.42						
	Group Single Premium	121.46	185.87	107.93	72.21			1	5	-80.00			190	1,189	-84.02	
	Group Non-Single Premium	18.97	370.99	246.96	50.22		8	74	27	174.07		7,761	95,116	59,152	60.80	
4	**SBI Life**	**8,690.23**	**48,293.56**	**20,247.71**	**138.51**	**1.91**	**43,271**	**1,29,974**	**86,495**	**50.27**	**0.49**	**2,21,492**	**9,68,383**	**7,73,223**	**25.24**	**8.84**
	Individual Single Premium	1,315.00	6,992.69	3,149.27	122.04		3038	7,963	7,847	1.48						
	Individual Non-Single Premium	3,561.45	9,839.46	5,308.71	85.35		39,656	1,18,351	78,099	51.54						

	Group Single Premium	3,209.17	26,582.93	7,381.00	260.15			6	26	-76.92		33,488	2,65,614	73,109	263.31	
	Group Non-Single Premium	604.61	4,878.48	4,408.73	10.66		577	3,654	523	598.66		1,88,004	7,02,769	7,00,114	0.38	
5	**Tata AIG**	**4,738.99**	**30,022.07**	**18,015.47**	**66.65**	**1.18**	**31,148**	**2,28,894**	**1,61,967**	**41.32**	**0.87**	**39,335**	**3,16,150**	**1,89,587**	**66.76**	**2.89**
	Individual Single Premium															
	Individual Non-Single Premium	3,796.78	25,020.74	12,387.07	101.99		31,119	2,28,640	1,61,897	41.23						
	Group Single Premium	46.52	533.71	485.92	9.83				1	-100.00		4,725	81,773	95,939	-14.77	
	Group Non-Single Premium	895.69	4,467.63	5,142.47	-13.12		29	254	69	268.12		34,610	2,34,377	93,648	150.27	
6	**HDFC Standard**	**19,771.79**	**48,615.08**	**20,933.26**	**132.24**	**1.92**	**58,695**	**2,06,320**	**2,03,205**	**1.53**	**0.79**	**40,001**	**2,06,693**	**58,335**	**254.32**	**1.89**
	Individual Single Premium	2,249.49	8,344.83	6,252.06	33.47		17,579	53,003	38,581	37.38						
	Individual Non-Single Premium	14,975.70	35,323.04	13,045.08	170.78		41,074	1,53,120	1,64,523	-6.93						
	Group Single Premium	432.89	2,064.18	1,636.12	26.16		22	155	101	53.47		18,078	1,57,517	58,335	170.02	
	Group Non-Single Premium	2,113.72	2,883.03				20	42				21,923	49,176			
7	**ICICI Prudential**	**42,942.95**	**1,58,408.46**	**75,091.03**	**110.96**	**6.25**	**96,352**	**6,14,673**	**4,36,196**	**40.92**	**2.34**	**40,978**	**1,09,362**	**45,926**	**138.13**	**1.00**
	Individual Single Premium	2,437.18	12,810.02	12,005.00	6.71		734	7,305	10,417	-29.87						
	Individual Non-Single Premium	37,752.87	1,34,439.74	62,211.00	116.10		95,538	6,07,214	4,25,694	42.64						
	Group Single Premium	74.05	193.99	167.33	15.93		35	51	73	-30.14		33,838	52,913	38,852	36.19	
	Group Non-Single Premium	2,678.84	10,964.71	707.70	1,449.34		45	103	12	758.33		7,140	56,449	7,074	697.98	
8	**Birla Sunlife**	**13,673.42**	**62,128.31**	**44,986.19**	**38.11**	**2.45**	**41,710**	**1,98,370**	**1,55,598**	**27.49**	**0.76**	**4,110**	**81,647**	**1,98,313**	**-58.83**	**0.75**
	Individual Single Premium	1,052.40	2,330.19	1,941.33	20.03		2,011	50,447	28,454	77.29						
	Individual Non-Single Premium	11,952.33	50,780.14	26,741.57	89.89		39,687	1,47,836	1,26,990	16.42						
	Group Single Premium	49.93	468.52	392.90	19.25			1				429	4,163	3,107	33.99	
	Group Non-Single Premium	618.76	8,549.47	15,910.39	-46.26		12	86	154	-44.16		3,681	77,484	1,95,206	-60.31	
9	**Aviva**	**4,248.50**	**19,229.27**	**7,713.84**	**149.28**	**0.76**	**13,989**	**83,209**	**71,001**	**17.19**	**0.32**	**42,840**	**2,96,538**	**88,857**	**233.72**	**2.71**
	Individual Single Premium	296.38	652.40	495.45	31.68		418	1,611	722	123.13						
	Individual Non-Single Premium	3,630.07	17,962.72	7,154.35	151.07		13,566	81,567	70,252	16.11						
	Group Single Premium	22.90	111.14					1				141	802			
	Group Non-Single Premium	299.14	503.01	64.04	685.49		5	30	27	11.11		42,699	2,95,736	88,857	232.82	
10	**Kotak Mahindra Old Mutual**	**23,313.41**	**37,475.21**	**12,408.24**	**202.02**	**1.48**	**14,975**	**63,468**	**51,071**	**24.27**	**0.24**	**25,529**	**94,344**	**52,924**	**78.26**	**0.86**
	Individual Single Premium	15,728.36	18,518.39	2,414.74	666.89		677	2,224	590	276.95						
	Individual Non-Single Premium	7,146.29	17,450.32	9,273.18	88.18		14,281	61,174	50,453	21.25						
	Group Single Premium															
	Group Non-Single Premium	438.76	1,506.50	720.32	109.14		17	70	28	150.00		25,529	94,344	52,924	78.26	
11	**Max New York**	**4,208.25**	**22,469.01**	**13,148.80**	**70.88**	**0.89**	**33,608**	**2,16,671**	**1,45,581**	**48.83**	**0.83**	**4,770**	**68,933**	**1,17,879**	**-41.52**	**0.63**
	Individual Single Premium	14.76	226.79	178.35	27.16		21	238	203	17.24						
	Individual Non-Single Premium	4,006.62	21,602.36	12,560.37	71.99		33,581	2,16,344	1,45,298	48.90						
	Group Single Premium															
	Group Non-Single Premium	186.87	639.86	410.08	56.03		6	89	80	11.25		4,770	68,933	1,17,879	-41.52	
12	**Met Life**	**1,048.10**	**5,603.71**	**2,338.16**	**139.66**	**0.22**	**9,579**	**46,682**	**25,124**	**85.81**	**0.18**	**9,482**	**1,59,084**	**41,520**	**283.15**	**1.45**
	Individual Single Premium	97.56	265.45	50.49	425.75		133	622	273	127.84						
	Individual Non-Single Premium	950.60	4,856.91	2,236.42	117.17		9,430	45,940	24,832	85.00						
	Group Single Premium															
	Group Non-Single Premium	-0.06	481.35	51.25	839.22		16	120	19	531.58		9,482	1,59,084	41,520	283.15	
13	**Sahara Life**	**131.86**	**167.09**			**0.01**	**7,146**	**10,214**			**0.04**	**2,380**	**2,380**			**0.02**
	Individual Single Premium															
	Individual Non-Single Premium	129.48	164.71				7,133	10,201								
	Group Single Premium															
	Group Non-Single Premium	2.38	2.38				13	13				2,380	2,380			
14	**LIC**	**6,34,300.31**	**19,78,593.20**	**16,24,042.67**	**21.83**	**78.07**	**70,61,742**	**2,40,27,393**	**2,69,68,069**	**-10.90**	**91.50**	**42,20,645**	**81,42,374**	**45,10,429**	**80.52**	**74.31**
	Individual Single Premium	2,37,401.62	4,88,882.81	1,39,691.21	249.97		10,18,208	16,74,562	3,18,234	426.20						
	Individual Non-Single Premium	2,59,910.01	11,19,231.32	11,19,569.37	-0.03		60,39,265	2,23,34,411	2,66,33,685	-16.14						
	Group Single Premium	1,36,988.68	3,70,479.07	3,64,782.09	1.56		4269	18,420	16,150	14.06		42,20,645	81,42,374	45,10,429	80.52	
	Group Non-Single Premium															
	Total	8,13,014.01	25,34,287.67	18,66,939.69	35.75	100.00	75,27,698	2,62,60,468	2,86,26,916	-8.27	100.00	47,91,880	1,09,57,158	62,53,244	75.22	100.00

Carrots For All

—Policies to promote and broaden health insurance coverage

The needs of all stakeholders must be met for the mass health insurance movement to be sustainable, write *Richard A. Kipp, Ronald G. Harris* and *Thomas D. Snook.*

Emerging markets across the world are rapidly awakening to the importance of health insurance. A mass movement of "health insurance for all" is particularly vital to the health of the economy, since it rationalises government spending on healthcare and augments the financial condition of households.

The Indian insurance industry and the Regulator are considering a number of actions in this direction. The expansion of the health insurance industry would provide a means to helping achieve a number of other desired social outcomes, from improving the general health status of Indians and easing the financial burden on the Government, to improving access to healthcare services by reducing the reliance on the public system, helping more Indians avoid catastrophic loss of family savings, and improving the quality of care that is provided to the citizens.

These goals are consistent with those that most developed countries would express; perhaps the primary difference is the relative state of the healthcare and health insurance systems in each country.

Adequate quality data

Much has been written about the lack of data[1] and information regarding the healthcare services provided to patients here. This has been, and continues to be, a significant stumbling block to the development of a robust health insurance market in India. In our article in *IRDA Journal* (The Foundation is Numbers by Ronald G. Harris, Richard A. Kipp and Thomas Snook, IRDA Journal *, October 2004,*) we had described the crucial actuarial elements needed for a health insurance industry to develop strength and begin to thrive. They were: (1) soundly designed products, (2) structured and fair healthcare provider (hospitals, physicians, etc.) reimbursement, and (3) appropriate and sustainable methods of accepting and pricing insurance products.

To create an environment for these elements to be present, adequate quality data must be available for the various health system stakeholders to use to manage their businesses.Policies to promote and broaden coverage must balance the needs of all of the health system's stakeholders. It is only when this occurs that a health insurance industry can flourish.

> Technology has created treatments that can be rendered on an outpatient basis. These may be less expensive than inpatient services, but are still costly enough to be threatening to a family's savings. These types of alternative care must be included in insurance policy coverage.

Stakeholder needs

There are several key stakeholders in any health system, and the needs of each have to be met for the system to be sustainable. We will explore those needs briefly in the sections below.

Indian consumers

Indian culture traditionally engenders a philosophy of building personal financial security, with particular importance on the well-being of one's family.

Maintaining this emphasis on financial responsibility and security will be important for economic growth and prosperity in the future. Consequently, a well-designed health insurance product, which protects family savings in the face of large, unanticipated medical expenses, should be perceived as valuable by Indian consumers. Only if health insurance products are perceived as being worth the cost by consumers, however, will the health insurance market be truly successful. People are sure to want to better know what their money is buying and know that competent services can be expected for their money.

What constitutes a "well-designed" health insurance plan?

First, the coverage provided should be reasonably comprehensive, without unnecessary or counterproductive gaps. Mediclaim policies here typically provide coverage only for medical services rendered in an inpatient hospital setting. In today's world of medical delivery, these products need to include a broader set of services. Technology has created treatments that can be rendered on an outpatient basis. These may be less expensive than inpatient services, but are still costly enough to be threatening to a family's savings. These types of alternative care must be included in insurance policy coverage for these new coverages to make sense in today's world and in the future.

Policies to broaden coverage should also encourage preventive "well" care and healthy behaviours. This takes coordination with public health and education processes. People who practice healthy lifestyles (e.g.

exercising, not smoking, etc.) have lower expected health costs and hence should benefit in some way, either through reduced health insurance premiums or greater benefits.

As an incentive for consumers to purchase insurance, several things need to exist:

- **Financial incentives** –

The desire to protect savings, by itself, is a strong motivating factor. However, there are ways to create additional incentives to purchase health insurance, some of which already exist in India, such as enhanced tax treatment for insurance costs. Another example, not currently present in India, is structuring financing alternatives such as medical savings accounts, which combine higher deductible insurance coverage with money set aside for future health costs to individuals).

- **Competitively priced products with choice**

– People can be expected to want choices when it comes to health insurance coverage. The ability to choose among hospitals and other healthcare providers, coverage scope and insurers should be available, if the consumer is to make prudent purchasing decisions. Not every family situation is the same, and not every person needs or will want the same coverage. But the new generation of policies should include provision for non-inpatient services to encourage smarter buying. Additionally, a competitive health insurance market ensures that products will be priced fairly. The prices of these new policies must be affordable so that they are accessible to the greatest number of people possible.

- **Understandable information** –

Educating consumers about health insurance in general will be extremely important. Partly this involves increasing people's awareness of insurance coverage. In addition, information regarding disease, cost of treatments, alternative treatment options and the quality of the treatments provided must be available to consumers in order for them to be able to buy healthcare services in a prudent manner.

- **Employer sponsored programmes** –

Financing of health insurance through employer sponsored programmes is likely to improve access to insurance for some. Employers would have to be motivated to provide such coverage; again, more favourable tax treatment might be a motivating force.

While it is important that health insurance provide sufficient protection to make it attractive to the buying public, care must be taken to design products that involve the consumer in the cost of care to a significant extent, so that individuals are encouraged to behave in a cost conscious way. A health insurance policy that provides 100 per cent coverage for all services removes the patient entirely from the economic consequences of his course or place of treatment. When that happens, the patient has no incentive to pursue cost-effective treatment options. In our experience, this almost always leads to the over-utilisation of services and very high cost trends; this in turn leads to high premium rate increases and, ultimately, to an unstable health insurance market.

> While it is important that health insurance provide sufficient protection to make it attractive to the buying public, care must be taken to design products that involve the consumer in the cost of care to a significant extent, so that individuals are encouraged to behave in a cost conscious way

The US provides a good example of this 'unstable market' phenomenon. Benefit structures in the US have moved toward lower member cost-sharing than were common 20-30 years ago; not coincidentally, healthcare costs in the US have been increasing at very high rates. Relatively low out-of-pocket costs, technological changes and an ever-growing philosophy of entitlement in the nation have resulted in a demand for more services and the most expensive treatments. This has led to high premium rates for health insurance, to the point where health insurance is increasingly perceived as becoming unaffordable for a large segment of the population.

In response to this, a movement called "consumerism[2]" has emerged and is gaining popularity. It is thought to be one of several forces that will help control increasing healthcare costs. The theory is simple – if healthcare consumers pay a growing share of healthcare's cost, the consumer will buy more prudently. While the result of this return to consumers paying more out-of-pocket for healthcare is yet to be seen, many in the insurance industry in the US are hopeful that it will help lower cost trends to more reasonable levels.

One important lesson learned from the US is how important it is to preserve an individual's feeling of responsibility for himself with regard to his health, and his healthcare. In a rush to create broad coverage for today's Indian health insurance policies this feeling could easily be lost. Indians should be able to protect their savings through new policies, but should also continue to be involved in a major way in the purchase of provider services. Thoughtfully structured coverages can achieve both goals – protection of savings and well-informed, conscientious consuming. Failure to achieve the latter goal can result in an unstable health insurance market with high premium rate increases, which does not serve the goal of broadening coverage.

Health insurers

In order to develop a truly competitive health insurance market in India, the number of companies present in the market and the level of company activity promoting health insurance products need to increase. Competition will help the industry grow and improve. Steps need to be taken to make it easy for the number of insurance entities to increase. These steps fall into two broad categories: taking measures to manage the business risks appropriately, and assuring an adequate, fair regulatory environment.

♦ ***Managing business risks*** – Private health insurance companies will enter the Indian market if they believe that they can generate an adequate return on the investment required. This means they need to be able to manage the risks associated with operating a health insurance company (or health insurance line of business in a multi-line company). The risks they will face include:

- claim trend uncertainty and its impact on rating
- overhead expense recovery
- catastrophic risks, such as epidemics
- interest rates and portfolio asset values
- unpaid claim liability and other estimates
- other business risks

Good data systems are needed to monitor these risk areas, so problems can be quickly identified and responses can be quickly implemented. Additionally, insurance companies will need to employ people[3] with strong data analysis and technical skills to better compete in tomorrow's environment.

Companies offering health insurance products must begin to pay close attention to what previously has been a relatively small and perhaps insignificant line of business for them. With the prospect of new health-only insurers appearing on the scene, competition should increase. Unless great care is shown in the underwriting of the new products, material financial losses could follow. Product design and pricing will become key in the future. Risk identification and selection will be even more important than today, and effective tools need to be developed to aid in those efforts.

♦ ***Fair and adequate regulatory environment***

The business of insurance requires a fundamental level of trust between insurance companies and its policyholders. The policyholder pays a premium trusting that the insurer has calculated that premium fairly, and will pay its claims when the time comes. An insurer that fails to uphold this trust damages not only its policyholders but the industry as a whole. To that end, then, it is desirable for every health insurance entity to demonstrate its core competencies through application, licensing and ongoing monitoring processes. They need to be able to demonstrate several things:

- ongoing solvency protection (capitalisation requirements), albeit at a lower initial threshold than today for health-only companies
- reasonable rates and underwriting/risk selection practices
- administrative capabilities, such as paying claims in a timely fashion
- data and information/reporting capabilities
- utilisation management
- quality measure reporting

With the prospect of new health-only insurers appearing on the scene, competition should increase. Unless great care is shown in the underwriting of the new products, material financial losses could follow. Product design and pricing will become key in the future.

Some of the duties mentioned above could be outsourced in the future as in today's environment, to TPAs, so long as the TPA has demonstrated the capability to perform. The ultimate responsibility for providing services to consumers (whether individuals or employer groups), however, must lie with the insurer.

The issue of non-Indian company ownership in joint ventures has probably been an impediment to growth, in that ownership limits are currently at 26 per cent. Many organisations that would potentially have invested have been deterred by the risk capital contribution necessary for start up, coupled with the ownership/control limits. Removal or at least amelioration of these barriers could increase interest in outside capital contribution.

Government and regulators

The insurance industry will need to be monitored closely during its time of growth. This will be especially true if new insurance companies begin to get involved in the Indian market. Solvency plus financial and operational performance monitoring will be essential. As has been oft said, the failure of just one health insurance company to pay its claims could damage the entire health insurance industry and limit its growth.

Adequate regulation will probably require access to the same data analysts and technicians that insurance companies employ (e.g., health actuaries). Also, if the Tariff Advisory Committee is charged with warehousing public and private health data, IRDA will want various monitoring reports developed to be sure the industry is performing according to expectations.

Additionally, the Ministries of Health and Finance may wish to consider new healthcare provider regulations and monitoring. Requiring hospitals, physicians, and other providers to submit the necessary data (e.g., claim information) in a form that meets the desired standards[4] is a first step.

Also, the government may wish to require the publishing of meaningful provider charge (fee) information so that consumers can begin to understand better the cost of care. Access to charge data will be needed for all products and services purchased by consumers. Making charge structures compatible (e.g., charge masters to include uniform coding structure) among types of providers may also help. Adopting the International Classification of Diseases, 10th Revision (ICD-10) and Procedure Classification System (PCS) with all digits used would go a long way toward furthering this goal, even if phased in over time.

Finally, measures of healthcare quality will need to be developed and reported in a timely fashion to be of use to consumers.

Healthcare providers and suppliers

The providers and suppliers of healthcare products and services need to be assured that any changes that occur as a result of health insurance industry growth and regulation will not affect them unfairly. (That is not to say that they will not be affected).

For example, if it is determined that hospitals must report information in new standardised formats, then ideally it would be done in such a way that all hospitals are equally burdened, recognising the various levels of sophistication that exist in the provider community. If it is determined that medical records should be kept in electronic form, then all providers deemed capable should be required to do so.

When quality measures are introduced, then all providers should be evaluated using them, ideally both public and private. The private hospitals will quickly come under pressure once health insurance begins to grow.

Insurance companies will want to differentiate themselves from their competitors with regard to provider networks and product price. Consequently, negotiating discounts with certain healthcare providers, or otherwise controlling costs, will begin to be more important. Providers should be encouraged to provide the best clinical care in the most efficient way possible.

Part of achieving these goals will be to create an environment where providers compete for patients. This type of competition can best occur where the people and organisations that buy providers' services have the data necessary (on cost, quality, and treatment options) to decide how best to buy.

Part of achieving these goals will be to create an environment where providers compete for patients. This type of competition can best occur where the people have the data necessary to decide how best to buy.

Providers will have their own needs in this new environment. Those needs will include: (1) access to capital for improvements and infrastructure development, (2) assurance that reimbursement for their services will be fair and sufficient for an effective provider to cover costs with a reasonable margin, (3) access to information regarding best clinical practices, (4) access to information regarding efficient practices and (5) protection from excessive litigation risk. If these needs can be met while costs are held in check, quality improves and greater access to care is achieved, the Indian health system will have taken a great leap forward.

The policies

Throughout this article we have discussed numerous conditions that must be present, which in turn lead to policies that could be adopted, to enhance the prospects for growth for the nation's health insurance industry. Putting such policies into practice is not a straightforward matter. The trick is to implement them in a coordinated fashion balancing the interests of each stakeholder against the needs of the rest. That probably means that no one stakeholder will be perfectly happy with the new world of insurance.

The four most important policies are arguably:

1. Data Related Initiatives – Requiring the standardised reporting of information by all providers and suppliers of healthcare services, and the appropriate warehousing of that data, will be extremely important to allow proper management and regulation of the health insurance business. Proper management includes pricing, financial analysis, clinical analysis, and regulatory monitoring of the care under the new coverages.

For the health insurance industry to thrive and grow, the data it works with must be improved. Facilitating electronic submission of this data is also crucial to the long-term success of the industry, as it will improve administrative efficiency and provide higher quality service to policyholders.

As health insurance coverages expand beyond those currently covered under Mediclaim, additional non-inpatient data will be needed to complement the current information. (In the short term, that may need to be

developed through survey and other means. In the future, any new data system must be able to capture physician and pharmacy claims).

2. ***Risk Capital*** – Reduce the currently required initial surplus to levels more in line with the risk and size of a health-only insurer. This will permit the entry of many more underwriters of health insurance into the Indian market.

3. ***Scope of Coverage*** – Expand coverages to include all modes of treatment (e.g., inpatient, outpatient facility, physician offices and pharmacy), but require significant consumer involvement in the cost sharing while providing catastrophic protection of savings.

4. ***Ownership and Capitalisation*** – Increase the limit on foreign joint venture partner ownership percentage to attract other new overseas investors with health insurance expertise. This would help the Indian system grow more quickly.

As we have noted, there are numerous other conditions that, if present, will help the industry to advance. One of the most important of those is increasing consumer education and awareness regarding health insurance coverage. As the insurance industry and regulators contemplate the appropriate course of action to encourage the development and growth of a robust health insurance market, care should be taken to look out into the future, at not only the short term implications of those actions, but also the long term ramifications.

The Ministries of Health and Finance may wish to consider new healthcare provider regulations and monitoring.

It will be virtually impossible to anticipate every downstream interaction and outcome of actions taken, but, generally, taking incremental steps that balance stakeholder interests will likely yield the best long-term results. This is the time to think end-to-end and to take best advantage of current technologies and the successes and failures of other health systems to fashion the best approach for India.

Endnotes

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The authors are all Principals and Consulting Actuaries with Milliman, a US-based actuarial consulting firm. Also, Mr. Kipp is on the Board of Directors of the National Association of Health Data Organizations, Mr. Snook serves on the Editorial Advisory Board of Managed Care *magazine, and Mr. Harris has experience as Chief Actuary of Medicare, Center for Medicare and Medicaid Services. The above article formed the basis of Mr. Kipp's presentation at 'A Million Lives to Cover', a health insurance conference held by IRDA and BearingPoint in Hyderabad in October 2004.*

Stand Up & Be Counted

—The Insurance Industry's Journey to Self-Regulation

K. Nitya Kalyani

In a perfect world, self-regulation would be all that is required. But in the turbulence of real life and the pressures under which business is done in India, self-regulation can only address some of the needs of a responsible industry and, moreover, needs time to establish its writ given a situation where adversaries have to work together for a common cause!.. Conversely, with the complexities of running any business, especially in India, only self-regulation can realistically deliver the solutions related to the inner workings of industries.

Self-regulation is not a new or alien concept. It has been tried with various degrees of success for various practicing professionals and industries to establish credibility and accountability in the eyes of stakeholders including customers and the members of the general public.

The insurance industry has been working on self-regulation over the last few years and it has progressed at different speeds in different segments. In this issue we bring you a sampler of the experiences and a cross section of opinions on how effective self-regulation has been and can be.

When talking of self-regulation, some basic concepts emerge. One is that it cannot exist alone. It can be a complement to regulation by a central authority, and can be a very effective complement indeed. It has also to co-exist with what can be called co-regulatory systems like external audit.

Where self-regulation can be most useful is when it comes to the internal workings of an industry – standardisation of accounting and disclosure, establishing and monitoring codes of conduct including for the selling process, laying down norms for the content and spirit of advertising and communication, creating a platform for sharing best practices, benchmarking and so on.

Financial reporting and its standards for the purposes of governance and financial prudence are part of the regulator's job and have to remain so. However, brainstorming and lobbying with the regulators and policymakers on new initiatives in those areas could be very effectively be done by a collective like an SRO.

In India, we are still at a transitory stage where the SROs are just getting their act together, catalysed and sometimes pushed, by the regulator. The presence of the regulator's representative in the Councils is an anomalous situation though the indication is that it will be temporary for the period of transition.

The first off the block among the SROs in the industry has been the Life Insurance Council, whose Secretariat was inaugurated formally last month. It has a new Secretary General, Mr. S. V. Mony, former Chairman, GIC and now Vice-Chairman AMP Sanmar Life Insurance Company who will be leading the initiative from Mumbai.

The General Insurance Council has yet to catch up. Its meetings are working towards identifying the various requirements of a Secretariat, likely to be in Mumbai too, but internally it has not yet got around to taking control of industry wide issues and carving out a thought leader position on them as has the Life Council for example in code of conduct for agents or in representing their collective case in favour of a stable taxation policy.

Other stakeholders are lagging further behind. The Insurance Brokers' Association of India (IBAI) is forming its organisation after quite a while and the third party administrators (TPA) – health services are not yet in the picture in terms of any progress.

An SRO for Surveyors, in the form of a new institute to reunite divided strengths, is in the offing on the writ of the Finance Ministry and enabled by the IRDA.

Whether the agents, who are many in number but nevertheless critical as they are the face of the industry to the public, can be brought under an umbrella SRO is not clear, and the enormity of the task of such an organisation to deal with lakhs of agents – many of them part time and in far flung areas - can only be imagined.

The non-life industry has not got as far as the life industry has both in the content of the deliberations at the Council level or in creating the formal establishment. In fact, this industry would need a more vigorous council given the wide range of its products and activities and the complexity of operations. We present, in the words of industry members, their opinions about the council and where it stands as an SRO.

Ms. Shikha Sharma, Managing Director,
ICICI Prudential Life Insurance Company

The insurance councils which are self-regulatory organisations have been getting active. In your experience, how has the concept been working?

I would say it has been acquiring teeth. To begin with it's always difficult to get some of these things off the ground. Two aspects of how it is beginning to work come to mind: One is the struggle between the self-regulatory model and IRDA as the regulator, but that fell in place with IRDA participating in the Council. The second thing was getting Mr. Mony on board as Secretary General full-time.

Mr. Bannerjee (Member-Life, IRDA) is an observer now and given that the Council has to function with independence, that role has to be redefined.

In what areas have you found self-regulation effective? Can you deduce the reasons for it?

The few things managed to be done are stuff like benefit illustrations. Here we have taken decisions and implemented them. Service tax is a topic on which there has been unanimity of views but we have not been able to implement the lobbying for it effectively – so that is a grey area.

So one can say that self-regulation will work when the issue is in the interest of everybody. If there are conflict interest groups and members are affected asymmetrically then it will collapse. In that sense the Council will succeed in those items that will emerge as a 'common minimum programme.'

What areas would you like to see managed through self regulation in the future?

I think we should work together for any changes required in regulatory structure and tax structure. Going to the regulator with a point of view of what innovation is good, what should be slowed down… these are things that an SRO can do. They can work towards some self discipline in terms of disclosure to customers, and have in fact started doing some of this….

Western countries are moving away from self regulation in the financial sector. Are we anachronistic in taking up this concept?

In the case of India there is enough regulation. The level of regulation is high actually – and I don't think regulator is giving up powers. Since it is a tightly regulated market, that concern does not operate in our market.

Mr. Venkatesh Mysore, Managing Director, *MetLife India Insurance Company*

The insurance councils which are self-regulatory organisations have been getting active. In your experience, how has the concept been working?

I don't think there is anything substantial that has happened. The concept has been talked about. No regulations have come out from the Council. There is tremendous scope to get involved in self-regulation, but it is still very early days.

In what areas have you found self-regulation effective? Can you deduce the reasons for it?

I do subscribe to the format of meeting and seeing how we can operate behalf of industry and customer. At the end of the day, whether it is code of conduct or benefit illustrations, I won't call it self regulation since it comes straight out of IRDA regulations. We have deliberated only on its form, taken some regulatory provisions and worked on them. We have not even scratched the surface of self regulation.

What areas would you like to see managed through self regulation in the future?

It can work very well in agent licensing. Today that area is a no-win situation. The stipulation 100 hours training, exams and the like is bound to create the kind of findings the IRDA is identifying now.

The industry is on a recruiting spree. While the intentions behind these stipulations may be good at highest level, the enforcement is a problem. While if there is proper self-regulation IRDA should only be concerned with the sanctity of the test and not the length of the training period etc., then insurance companies will take it upon themselves to recruit the best and get them ready for the test.

IRDA is not putting enough weightage on the self interest and prudence of companies in this area and think they are the only custodians of consumer interest.

It is in the interest of the companies themselves to have well trained agents, so self-regulation will be there. I want my agents to be as well trained as the others, so I will use appropriate training methods to get the best out of them. If they have to go through an identical test – as far as the integrity and quality of that test is maintained - then you can be sure that the quality of the people will be uniform.

We can take this one step further and suggest that IRDA should leave this entire thing to the industry and control only the quality of the test. There are efficient testing companies to administer the test in an appropriate way. What you need to do is to ensure that a good questions database is administered in a high quality manner.

How the companies lead up to getting their agents to pass the test, leave it to them. As far as you keep saying 100 hours they will try to do that minimum.

Training has to be also product specific. For example there has to be a different level of training and certification for unit linked products. There is a disconnect there. IRDA has to rely on the industry to come up with a game plan for training and testing standards for this. In the US for example, a separate training and licensing process is required for selling unit linked policies. The industry needs to be taken into confidence and responsibilities need to be passed on to the companies.

There are several other areas – one can go down the line. Market conduct is a crucial one. Sales practices because they protect customer interests, illustrations…

Western countries are moving away from self regulation in the financial sector. Are we anachronistic in taking up this concept?

In the UK for example, there has been an overall swing of the pendulum back to re-regulation from where they used to be fairly liberal earlier. So it's a matter of where they stand at that point in time vis-à-vis what's happening in the industry.

Mr. Mathew Verghese, Member, Non-Life, *IRDA*

The insurance councils which are self-regulatory organisations have been getting active. In your experience, how has the concept been working?

Given our experience so far, I am not quite sure the SRO model will work successfully. It is very difficult to have a proper SRO because companies do focus on securing business. But looking at experience from different countries I am of the opinion that it can work provided the CEOs take an interest in setting it in motion.

In what areas have you found self-regulation effective? Can you deduce the reasons for it?

Progress is very slow. In the case of war risk premiums for Marine Hull business, the General Insurance Council originated the issue that private companies too must be allowed to collect it (only public sector companies were allowed to collect war risk premiums and remit it to the Government) at least where they were writing the Marine Hull cover otherwise. This matter however got resolved on its own when the Government decided to move out of the activity of providing war risk cover and left it to the companies to provide cover as they found suitable.

The Terrorism Pool was an IRDA initiative that the Council has been persuaded to implement. The proposed Earthquake Pool is still waiting for sample data on accumulation to be given some shape. The Solatium Fund for motor accident death cases where the identity of the vehicle causing the accident is unknown has been administered by the public sector companies till now. There is a move to study the situation and perhaps manage it collectively.

What areas would you like to see managed through self regulation in the future?

There are many technical areas where the Council can add value considerably by playing its role as SRO. Creating standards for settling claims, for example, or for underwriting discipline or common policy wordings.

It can set the pace for detariffing and enable it by bringing out a claims experience database – that is how they worked when the tea tariff was abolished. Now we would like the small risks under the Fire policy to be detariffed and so we are doing the homework for it.

Western countries are moving away from self regulation in the financial sector. Are we anachronistic in taking up this concept?

In the West most countries have self-regulatory bodies where all market participants are members. Whether it is anachronistic depends on the market situation. The regulator passes on responsibility to the SRO if it works well, and if the SRO is not able to run it properly it can take over the work again.

Mr. Arun Agarwal, Chief Executive, *Cholamandalam MS General Insurance Company*

The councils have been getting active. In your experience, how has the concept been working?

We are yet to take off in that direction. The concept has been discussed, agreed and accepted. The conversion of the Council into an SRI has also been approved. It has also been decided we will have a Secretariat in Mumbai. In the last meeting we discussed committees for drafting the constitution, legal issues etc. and about selecting a Secretary-General too. But things are going slow. Today there is a Council with the CEOs of companies and Member, IRDA. Once the legal framework is in place it can take off – but it depends on the players' commitment – which is there – and the time devoted.

In what areas have you found self-regulation effective? Can you deduce the reasons for it?

It can be effective in breach of tariff or rebating cases. We can work on benchmark rates for war risks and SRCC. The Council working on code of conduct and self-discipline will be effective, but a lot more clarity is needed at industry level.

Tariffs and detariffing, intermediaries, coinsurance – all these are areas where SROs can be effective. The Solatium Funds and Terrorism Pool have been working very well.

Success has come in these areas probably because they are less contentious issues and there is more homogeneity. Lately there has been a commonality of approach. In most issues we are progressing towards convergence than divergence.

What areas would you like to see managed through self regulation in the future?

The roadmap is very clear and we subscribe to it fully - anything conforming to regulation per se is a regulatory issue. Others like market conduct, market expectation p these are areas of self-regulation.

Western countries are moving away from self regulation in the financial sector. Are we anachronistic in taking up this concept?

Really would not know about the context. But since the market is evolving we need to come together on a common platform in order to coexist.

Mr. S. V. Samant, Chief Executive Officer, *HDFC Chubb General Insurance Company*

The insurance councils which are self-regulatory organisations havebeen getting active. In your experience, how has the concept been working?

Self-regulation has not even kicked off in general insurance. We have had only normal quarterly meetings. First thing is we need a full time Secretary-General and we are trying to give some form and shape to the kind of person needed and to establish an office for the secretariat.

In what areas have you found self-regulation effective? Can you deduce the reasons for it?

It has not yet started being effective because the constituents have not realised the roles and responsibilities of an SRO. They have to self-regulate and also act as a lobby group. For this, the Council Chairman should not be from the IRDA because, in his presence, members try to say the 'right' thing rather than discuss issues properly. Members too have to get their act together.

What areas would you like to see managed through self regulation in the future?

Code of conduct is one area. The Council could play an advisory role for tariffs and detariffing. And for the regulatory process itself – it can become a real and meaningful consultative body to IRDA.

It can work on setting of standards in terms of new rules and regulations. It can study and make recommendations on best practices in technical issues, accounting and reinsurance. It can do a lot of work on pools – like the Terrorism Pool. No good work has happened yet.

Western countries are moving away from self regulation in the financial sector. Are we anachronistic in taking up this concept?

We are at the beginning of the cycle. For the growth of the industry it is important to segregate responsibilities at this stage. The industry in the Western world is mature. And the regulators are taking back responsibility where self-regulation is not possible. The critical factor is - what is a regulator's work? In the Western world, it is considered to be oversight and managing the interests of all stakeholders including the government and policyholders. We should explore these facets.

Mr. Anuroop 'Tony' Singh, Vice Chairman, *Max New York Life Insurance Company*

The insurance councils which are self-regulatory organisations have been getting active. In your experience, how has the concept been working?

The Life Insurance Council has made a good beginning. At the council we have been able to identify issues. Having said that, significant work would have to be completed to develop a industry-wide consensus on these issues and on the best way forward. It may require facilitation by the regulator to provide the initial thrust.

In what areas have you found self-regulation effective? Can you deduce the reasons for it?

Much of Life Insurance Council's time has been devoted to identifying issues and workshopping solutions to the start-up hurdles for life insurance companies. The time has come to address more significant initiatives that need to be addressed:

1) Responsible growth of the life insurance industry
2) Protecting customer interest
3) Enforcing self-discipline

The noticeable areas where a difference has already been made are:

- The council has set up an independent office and a secretary general has been appointed
- It has agreed on a minumium discipline on the issue of sales illustrations
- It has agreed on the monthly statistics that need to be reported, though the process is still to get underway.

What areas would you like to see managed through self regulation in the future?

The more the industry self-regulates in a responsible manner, the better it is for the all-round well-being of the life insurance business. It will minimize top-down mandates from the regulator. The most important areas for self-regulation are:

1) Product discipline--what must be in and what's out and the extent of product differentiation for the companies to be able to compete
2) Responsible and ethical selling, including disciplinary action against erring agents
3) Comprehensive disclosure of statistics to enable a realistic assessment of the industry's progress
4) Agreement on non-competitive, non-threatening agendas and driving them to completion--for instance, the Mortality and Morbidity Investigation Bureau and simplification of multiple laws
5) The framework for additional channels of distribution, whether corporate agents, bancassurance, multi-level marketing, etc. (The council, I believe, should have proposed the corporate agency guidelines)

Western countries are moving away from self regulation in the financial sector. Are we anachronistic in taking up this concept?

Not true. The regulators have increased their involvement in industry affairs due to the increasing complexity in the operating environment.The regulator's increased involvement has generated a fair deal of media visibility but this involvement cannot be at the expense of the industry's ability to self regulate. Self-regulation is time consuming because all participants have t agree to a highe industry goal, whic may be in conflic with their short-terr objectives and ma appear to be slov when, in fact, it' taking its natura time. In mos markets, th evolution of sel regulation is a important dimensio that helps th industry to grow an mature.

A Healthy Ground for TPAs

—Ironing out the process to create seamless services

TPAs form a vital link between insurers, healthcare service providers and policyholders, points out *S. K. Mohapatra*, adding that for a smooth functioning of the system, the TPAs should be judiciously governed and meticulously regulated.

In most advanced countries, health insurance plays a dominant role in financing health expenditure. In such markets, health insurance often among the most regulated forms of insurance. Spiralling healthcare costs and rapid technological changes in the medical field have triggered the need for cost containment by the health insurers, without sacrificing the interests of the policyholders and claimants. The nature of loss in health insurance might result in difference of opinion.

The situation, therefore, calls for intervention by the regulatory authorities. There is no such authority in the medical domain. However, despite Parliamentary mandate to licence health insurance activities,the Regulator's role in protecting the consumer is yet to be felt.

Third Party Administration (TPA) plays a vital role in such a scenario. TPAs form bridges between the claimant, the medical services provider and the insurer in such a way that all parties are satisfied and nobody makes losses.

Making a difference with TPA

Considering the importance of the role played by TPAs, their regulation becomes a critical issue – one that is still in a state of debate. The regulation of TPAs, as implemented by the IRDA, has left the issues of governance to the market forces, resulting in different insurer-TPA patterns of working. The model MoU between the TPA and medical providers on the one hand, and insurer and TPA on the other, as visualised by the IRDA at the time of commencing the licensing exercise, has been pigeon-holed by the market players on many fronts.

There is no standard document that the three parties can swear by. The resultant confusion and grey areas have led to periodic rough weather in their relationship, particularly at the operating level.The consensus of opinion at the commencement of the licensing process was for a common document of Administration for Standard Health Insurance product. In fact, committees were formed to determine benchmarks in the areas of IT architecture, and the level of investment required by the serious players. Over the past three years, each player has come out with its own brand of policies, justifying variations in the TPA approach germane to its niche approach. A standing example is the difference in the product features and underwriting imperatives and marketing strategies between the PSU insurers and the private sector players.

> Under the present dispensation, the issues of standardisation/governance between the TPA and the providers is left to the vagaries of market forces, the respective parties flexing their muscles to browbeat one another, forcing the TPAs to negotiate local agreements.

We have failed even to define the processes for the TPAs to follow on a uniform basis so that the customers - the providers, the insurers and the policyholders – are assured of a benchmarked service standard from the TPA they are dealing with. Even now some TPAs experience difficulties in getting the policy documents/data online from the insurers, but are expected to generate photo ID cards within seven days. Cheques are prepared but not released, as the insurers sometimes take as much as three to six months to fund the claims float. Obviously, the TPAs cannot be expected to finance the insurers.

The process is further delayed by the fact that insurers insist on a bank guarantee towards the full extent of the claims float. Fledging TPAs with a capital of Rs. 1 crore and an equal amount of working capital cannot obtain bank guarantees worth tens of crores of rupees every month for their nationwide operations. The situation has given rise to various bottlenecks, eventually delaying service to the claimants. So, people see little difference between the earlier practice of delayed reimbursement by the PSU insurers and the current TPA led service. No doubt the cashless service is the only distinct difference.

For seamless services

Essentially, the cashless model of the health insurance policies run on the bedrock of cooperation between the healthcare providers on the one side and insurers–TPAs on the other. At the time of licensing and drafting the legal document, the model MoU, the providers were not consulted. To bring about a commonality of approach, the providers had to be brought in. An apparent conflict of interest was simmering. Providers were left out in the intensely divided situation in 2002-03. Insurers left the job to the TPAs. This was a tall task, as neither the Regulator nor the insurers lent a helping hand to the process.

Therefore, there still exists a hiatus in health insurance administration, a dissonance between the providers and the insurer – the Third Party Administrators. The blame game persists and the policyholders are yet to see a seamless model that they expected with the inauguration of the TPA mode in India.

Some major centres such as Mumbai-Ahmedabad and Vadodara had seen a spate of protests over the manner in which the individual TPAs conducted themselves and the manner in which the insurers and the medical fraternity too had conducted themselves.

The healthcare providers even now allege discriminatory decisions, outstanding recoverable from the TPA companies, with little clarity as to the manner of appeals and redressal. Such a situation, the medical providers feel, calls for a review at the level of the licensing authority.

Under the present dispensation, the issues of standardisation/governance between the TPA and the providers is left to the vagaries of market forces, the respective parties flexing their muscles to browbeat one another, forcing the TPAs to negotiate local agreements; but objections keep coming from the insurers, as they were not party to such arrangements. Thus, even the so-called mutually agreed MoU between the Mumbai-based providers and TPAs remains unimplemented, causing immense mismatch in governance and eventually affecting customer service expectations.

Mismatch galore

For instance, the billing format, pre-authorisation for cashless admission, disallowances, the practice of over-billing by some providers (even differential tariff embedded in the hospital accounting), non-acceptance of standardised tariff per city/medical process coding, grievance redressal/ penal interest for the delay, etc. remain contentious issues, tarnishing the image of health insurance administration.

Originally, it was conceptualised that a cell at the IRDA level shall enforce standards of working of the TPA. This has, however, not been taken to logical conclusion. The General Insurance Council too has not coordinated on the areas of governance stated above. There is no Consultative Council, consisting of TPA–Provider–Insurers, to bring forth the issues to the table for effective correction.

It is recommended that IRDA constitute such a consultative mechanism consisting of representative from providers, insurers, TPAs and consumer bodies to attack the various issues affecting smoother governance. If need be, necessary changes can be brought about in the regulatory compliances.

The Regulator may take the governance issues of health insurance holistically, not delegable to the market operators. The first task is to initiate a sense of community amongst the TPAs. Let them be given a recognised forum such as for brokers, a pre-condition before licensing, with membership obligations and compliance mechanism for domain discipline. The providers are bound to fall in line if the insurers and TPAs combine to orchestrate a code – a set of broad rules – for processing, managing exceptions, grey areas, periodic audit and review.

> It is recommended that IRDA constitute a consultative mechanism consisting of representative from providers, insurers, TPAs and consumer bodies to attack the various issues affecting smoother governance. If need be, necessary changes can be brought about in the regulatory compliances.

Functionally, we still have to appreciate the correct role of the TPA. Some insurers even now treat them as an avoidable nuisance. Roadblocks are created in the areas of fund flow and pre-audit of claims files. They have thus not mentally accepted a model of genuine business partnership with the TPAs, and failed in the process to optimise their investment in the outsourcing of a critical piece of their business activity. Some TPAs presume themselves to be the marketing arm of the insurers and a critical input for the underwriters. Providers, at the other end, question their medical competence and do not cooperate in providing the required level of transparency and full disclosure.

Ideally, the TPAs are expected to act as the watchdog, nay, the proverbial gatekeeper, of the domain, and function as the Medico-Legal Auditor. So far as the policyholders are concerned, they are the beneficial facilitators. With such a mixed bag of expectations, the performance of the TPA has not been dispassionately reviewed.

A professional body needed

Looking at the complex role and responsibilities cast upon them, we wonder, in the current scenario, if it is not a tall order for the individual TPAs to maintain a self-imposed code of conduct. Unlike brokers licensed by the Regulator, the TPAs first have to be given a body/forum that can articulate their aspirations, anguish and expectations. They need the guiding hands of both the insurers and the regulatory authority.

TPAs are but a facilitating 'bridge' that all parties wish to take to travel from a world of illness to one of wellness. Self-regulation by the TPAs is surely an ideal worth achieving, but difficult to forge, in the absence of a consensus and certainly unattainable in a legal vacuum. Let us first create the pre-conditions for successful operation of this unique contrivance, globally accepted in health insurance management.

The author is President Business Strategy, TTK Healthcare Services Pvt. Ltd.. The view expressed here are his own.

Ensured Success for Insurance Councils

—What it takes to make self-regulation tick

While the developed world is moving away from self-regulation, the Indian insurance industry can very well make the concept work. All that it requires is commitment and a strong set of rules, writes *G. V. Rao*.

The markets across the world are still undecided – whether deregulation or self-regulation is a suitable instrument to better serve the interests of its communities. Both the systems have been abused by a few powerful market practitioners, wherein greed and manipulation of financial information have driven their ethical and legal obligations to the communities. The result has been a legislative overdrive towards re-regulation. While competition is good for the society, the competitors, unless controlled, can and do play a unfair game among themselves and with their consumers.

The high-profile corporate scams at Enron and WorldCom, and the market misconduct of investment bankers and insurance brokers have given self-regulation a scandalous image. In this they were in a good measure aided by the willing cooperation of their statutory auditors, who are usually considered as whistle blowers and co-regulators for corporate investors.

Self-regulation, Indian style

India is still a strong votary of self-regulation but under the benign eye of the Government. This gives a unique blend of 'controlled regulation.' Government representation on most of the existing self-regulatory organisations (SROs) – a colonial legacy – is believed to be the best for all. This experiment has been neither a notable success nor a total failure.

The SROs have, however, not been able to influence the future course of events with path-breaking creative initiatives, as they essentially look more towards protecting their own current interests and only in a lesser measure towards their professional standards that can become global.

The recent collapse of a private sector bank and several co-operative banks show that, often, neither the SROs nor their regulators are watchful enough about protecting consumer interests. The Government is moving towards re-regulation with unmistakable signs. But will regulators deliver the illusory consumer protection? One has to wait and watch for a while.

The SROs have not been able to influence the future course of events with path-breaking creative initiatives, as they essentially look more towards protecting their own current interests and only in a lesser measure towards their professional standards that can become global.

The recent activation of Insurance Councils brings to the fore the question if whether these SROs can display enough of self-discipline and market initiative to help spread insurance awareness without playing truant with customer interests. While past experience has shown a record of losses, this time around there is a Regulator that can act as an umpire.

During the 1980s and 90s, deregulation was heralded as the most potent catalyst for economic growth in the US. The unprecedented stock market boom of the 1990s was attributed to the unshackling of market constraints, with consumers fully in the know on how to protect their concerns. The competitive forces checked the over-enthusiasm of many providers, and consumers became the gainers of improved productivity and market innovation.

With the burst of the dotcom bubble, the corporate scams of Enron and WorldCom, the illicit practices of auditing firms, and the cleanup by federal agencies of the investment banking and insurance broking industries, the promised self-regulation has come under a dark cloud. In the UK, the insurance broking community that prided in its pioneering self-regulation practices is coming under the purview of the FSA. The venerable Lloyd's is likely to lose its self-regulatory status under the ambit of EU directives. Why is the drive for re-regulation gaining more respectability?

What drives re-regulation

Re-regulation has been driven mostly by investors whose financial interests were compromised by greedy and unscrupulous managements. Quite a few managements had paid themselves hefty incomes by driving up share prices, disclosing misleading financial information, and practicing unethical standards of market conduct, with generous help from their auditors.

As a greater proportion of the society began to get hooked on to the magic of share markets as a sure way of harvesting money, the greater became the responsibility of the government and its regulators to be more vigilant. The onus was on them to ensure that

corporate entities behaved within ethical, moral and legislative bounds, and that their investors were not taken for a pleasant ride to financial hell.

In India, regulation within the liberalised economic architecture has just begun, starting with uneasy relationships between the regulators and the regulated economic units; except perhaps in the case of the banking industry, where RBI as a regulator has become a role model for bankers.

Self-regulation has been a notable failure in non-life insurance in India though it has been provided for in the Insurance Act, 1938 under Sections 64A to 64T. The social control of insurance in 1968, the nationalisation of the industry in 1973 and the liberalisation of the sector in 2000 all testify that the industry needed the strong guiding hand of a regulator to shape its market behaviour.

The legalistic culture of easy disputation of any issue in the industry may have been one reason why rules continue to be challenged and parties involved kept in legal tangles. Delaying a likely unpleasant and unfavourable decision by raising a dispute on it is a part of the insurers' psyche as a gambit of negotiation.

At the other end of the spectrum is the industry's implicit and unquestioned obedience of any direction issued to it by those in authority. It is this behavioural dichotomy, of challenge and obedience, which baffles an outsider.

The IRDA Act, 1999 promises to provide protection to policyholders of their interests and the orderly growth of the industry. Investor interests, as such, are only incidental: and corporate governance norms relating to investors are still the responsibility of the Company Law Board. Any regulatory norms that may be applicable are in relation to the interests of the policyholder, insurers' market conduct and the growth of the market.

As there are only 16 investors in the non-life market, of a premium size of Rs. 20,000 crores, is there really a need to protect investors' interests? The Securities and Exchange Board of India (SEBI), the recognised entity to protect investors, has no role, as the market is a closed one, and the insurers are not obliged to answer the concerns of any investors other than the 16. This single measure inhibits fair market conduct.

Insurance Association of India

That self-regulation in insurance is an article of faith and law, and for fairly long, is evident by what is stated in sections 64A to 64T of the Insurance Act, 1938.

In India, regulation within the liberalised economic architecture has just begun, starting with uneasy relationships between the regulators and the regulated economic units.

These sections state that the Insurance Association of India, set up under the same sections, would constitute Life and General Insurance Councils, with a few nominees of IRDA, to aid and advise insurers in setting up standards of conduct and sound practices, and in the matter of rendering efficient service to policyholders, and to render advice to IRDA on expenses, including commissions. In addition, the insurers are required to report to IRDA on the conduct of any insurer prejudicial to the interests of policyholders.

There is a move towards breathing new life into these Councils. The Life Insurance Council has set up a Secretariat in April 2005. It is hoped that under the benign eye of the IRDA it will fulfill the statutory aspirations they are responsible for without the baggage of the past.

The Councils have powers to make regulations on their primary functions, with the prior approval of IRDA, and have them notified in the *Gazette of India* to give a legal backing to them. Aided by IRDA, how will the Councils function? The public, as an interested party, is watching out for developments. Will they have a say on what they want?

Will self- regulation solve current problems?

The Councils have an admirable opportunity in engaging the IRDA in discussion at an industry level. How should the Councils approach their tasks? As there is an active involvement of the IRDA in the functioning of the Councils — a colonial legacy of an SRO — any failure or weakness the Councils display will reflect on the Regulator as well, that the Regulator has been neither influential enough nor stringent enough to protect consumer interests. Will public pressure mount on IRDA or on the Council?

Sound business practices to be adopted should deal not only with the norms of good corporate governance but with effective internal control systems that would identify the corporate risk exposures on the financial health of the insurer and on its market conduct behaviour. These practices and control systems must lead to improved financial disclosures and transparent reporting on a voluntary basis for market scrutiny. This simply is the price one has to pay for self-regulation. Is the price too high? This is the foremost priority of the Councils.

The measure of success of self-regulation has to be seen at the market

place. Customer dissatisfaction at the claim settlement picture has reached colossal proportions. The so-called claim settlement ratios are those of settled ones. About 65 per cent of outstanding claims of Rs. 15,000 crore are tied up in courts; and not all of them are from Motor Third Party (Liability) TP. But what will self-regulation do for them? There is no publicised structured procedure to handle customer disputes in the industry that can reasonably assure one of unbiased evaluation of a dispute. The credibility of an insurer in keeping up his basic promise of a fair hearing and settlement is suspect.

The ingrained practices, the institutional inertia, the poor technical capability of officers that settle claims at the operating offices and the lack of concern of the higher offices leave one with despair on whether self-regulation will change the market behaviour of the insurers. But, to the public, what really is the choice? Only the courts?

The Councils have, therefore, an opportunity to spur a voluntary change of corporate behaviour and internal control systems in insurers, such that it impacts their financial health and the well-being of consumers. They can also influence the decision-making of the IRDA on these aspects, as a part of a statutory consultative process within them.

The Councils' powers to issue regulations on their responsibilities, with IRDA's approval, will also give them an opportunity to issue regulations, pre-empting unilateral regulations by IRDA, on their functional responsibilities. A forum to address each others' concerns, in an informal setting, will enable the industry captains to work in closer collaboration with each other. How bold will the Council be to pull up an erring member? Its effectiveness depends on its response to this issue. Will the Council bring out a cultural change in the insurers' behaviour?

The ultimate beneficiaries of the successful functioning of these Councils are the consumers and the future developments in the market: both the primary responsibilities of IRDA. IRDA has a greater stake in making self-regulation work. It will lessen its statutory burden, as the regulated will be helping it comply with its responsibilities.

The example elsewhere

Self-regulation, elsewhere in the developed world, has become a dirty word. The self-regulated have abused the trust their Governments and investors had reposed in them. The hitherto respected auditing firms are the worst hit. The Sarbanes-Oxley Act 2002 was enacted in the US to fix the corporate governance and auditing holes exposed by Enron and others. Public Accounting Oversight Boards have come up. The EU has now begun a similar call to end the European auditor's self-regulation and requiring individual Governments to set up independent regulators, following recent accounting scandals in Italy and the Netherlands. The UK's FSA has decided to bring brokers under its regulation. Lloyd's self-regulatory status is questioned.

> The Insurance Councils have an opportunity to spur a voluntary change of corporate behaviour and internal control systems in insurers, such that it impacts their financial health and the well-being of consumers. They can also influence the decision-making of the IRDA on these aspects, as a part of a statutory consultative process within them

If self-regulation failed, there could be more numerous and more detailed prescriptive rules by the Regulator. This is likely to lead to more litigation and loss of market momentum on innovation. The principles-based self-regulation is much safer; and can be made to endure if the self-regulated understood what the alternatives are likely to be if they failed. Choosing the lesser of the two evils is the better alternative.

The Malhotra Committee wanted a chartered status to be given to surveyors, the only intermediary to be so recognised by it. Insurance practitioners and brokers, who also deal with consumers, for some unaccountable reasons, were recommended to be accorded this status.

There is now a move by the Government to form a new institution for this distinguished community to be eventually given a chartered status on lines similar to that given accountants, cost accountants and company secretaries.

A lot of hope is generated that according surveyors a professional status will enable the body to rapidly acquire knowledge, skills and capabilities of world-class standards, in their self-interest and in their wanting to live up to their professional pride. They are given the vehicle to achieve the highest professional standards. The next step is for the surveyors to take.

This is a strong reaffirmation by the Government that it still has a lot of faith in self-regulated bodies. Its own involvement in the workings of these bodies through a minority representation gives it a say in their

functioning. Are these institutions really self-regulated with the Government as one of the active partners? The colonial legacy continues unabated.

The moot question is whether the Government will accept its share of responsibility should things turn sour with the self-regulated body. When crisis struck a large private sector bank recently, could the Indian Banks' Association, as a self-regulated body, be held responsible for the failure of its member?

No one really knows the answers to these questions. But everyone is clear that the Regulator is responsible for the health of the industry and its fair behaviour towards consumers.

Any institution that does not periodically count its shortcomings, and does not reform itself to serve the interests of its community of members better, in keeping with the changing environment and the new aspirations of its members, will inevitably have to face the evil effects of stagnation and decay.

The Insurance Councils have an excellent opportunity to serve better their own interests, intertwined with those of their customers, current and future. All the stakeholders have a strong incentive to make the Councils succeed. But the Councils need strong rules, and a culture of determined voluntary compliance, and a faith in themselves that they can work with integrity and ethically, and yet succeed at the market place, because they have brought their best of individualised human resources to the market place.

> The Councils need strong rules, and a culture of determined voluntary compliance.

The Councils need to strengthen the efforts of the IRDA to reduce the customer grievances and gain market credibility for fair conduct. Here is gingerly hoping that voluntary co-operation will work.

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Learning by Example

—Chapters from the Indian CA book

As the Indian insurance industry and the Regulator contemplate various forms of regulation, they can borrow from the example of the Indian Chartered Accountants' profession, which epitomises self-regulation, writes *P. S. Prabhakar.*

The fundamental craving of our nation's independence struggle from colonial rule was born out of the firm belief that we, as a nation, are capable of ruling and regulating ourselves and that we did not need outsiders to do that for us. Diverse as we have always been, in culture, language, manner and thought, it hardly mattered when it came to that belief of ours. The renowned Tamil poet Subramania Bharathi thundered: "We might have a thousand divisions amongst us, but is it any reason for an outsider to intrude?"

The Indian accounting profession was perhaps one of the earliest communities to have seriously pondered over the self-regulatory atmosphere soon after the country gained independence and even before the country was proclaimed a Republic, as the Chartered Accountants Act, 1949 was born. The clan of Chartered Accountants, which was a mere 1,689 in number in 1950, and which has grown over 70 times today, crossing the 1,20,000 mark, is perhaps one of the finest examples of a self-regulatory regime.

The accounting profession in India can therefore be used as a benchmark for other professions seeking to instill discipline, quality, fairness and self-regulation in their respective stakeholders.

Self-imposed regulations probably came from the innate desire of the profession to be accountable to the society at large, which includes bankers, creditors, investors, etc., who all value the attestation of an accountant. The attributes like integrity, competence, objectivity, confidentiality, independence, best professional behaviour, probity even in personal life, etc. should be the hallmark of an accounting professional and stand codified by the Institute of Chartered Accountants of India (ICAI).

The working of ICAI

The ICAI, a regulatory body, is run by a council consisting of 30 members, four-fifths of which are elected by the members at large in a due democratic process. Six are nominated by the Government, out of which three will again be the members of the profession and one each from CAG, DCA and CBDT. The council operates through three standing committees and 16 non-standing committees. Not only does the Institute postulate the accounting standards that are to be ensured by the members, while they do the attest functions but it has also detailed what a member can do and is not expected to do.

> The accounting profession in India can be used as a benchmark for other professions seeking to instill discipline, quality, fairness and self-regulation in their respective stakeholders.

However, the ethical and regulatory regime operating on the Indian CA profession is not contained only in the Chartered Accountants Act and the regulations. It is also contained in the Companies Act, 1956, which harmonises the regulatory and ethical regimes contained in the Chartered Accountants Act, added to the requirements of corporates under the Companies Act.

Such ethical and regulatory prescriptions in the Companies Act and the Chartered Accountants Act include, but are not limited to, the following:

- Section 11(2) Indian Companies Act, 1956 restricts the number of partners in a partnership firm to 20. Further, the Chartered Accountants Act restricts a Chartered Accountant firm to be either a sole proprietary or a partnership firm. Under the conjoint reading of the Indian Partnership Act, the Indian Companies Act and the Chartered Accountants Act, it is clear that there is a restriction on the type of entity and number of partners within such firms.
- Further, there are restrictions under the Companies Act on the number of Audits that a Chartered Accountant may accept.
- There are disqualifications prescribed under the Companies Act on the indebtedness of the Auditor if it exceeds a mere Rs. 1,000, a limit fixed in 1956, not revised at all but yet held sacrosanct.
- Further, a CA is disqualified to be an auditor of a company under the Companies Act if he holds shares in that company.
- Under the Companies Act, a firm cannot be a shareholder in a company and thereby cannot control a company. This restrains Indian professional firms from floating and thereby controlling a company, incorporated for carrying out certain activities that are not legally or technically possible to be carried out by the parent Chartered Accountants firm.
- One of the significant ethical requirements of the ICAI is that Indian CAs have to affix their individual signature, even though the appointment of auditors is in the name of the firm, while attesting. This singular requirement has ensured that the consequential liability arising from attestation are directly latched on the auditor concerned and are not fixed to any firm or organisation.

This is in contrast to the practices prevalent in the West, where it is possible for a practicing CA to attest by signing his firm name (e.g. X & Y, Chartered Accountants), then join the same auditee as an employee and take

up issues with the audit firm of which he was a part earlier, this time around from the other side of the table!

Indian Chartered Accountants cannot advertise, whether in India or abroad. They cannot canvass directly or indirectly for professional assignments. They cannot even have a logo, which in turn might build their "brand equity." Even if a firm of Chartered Accountants goes through the rigours of getting an ISO certification, it will not be allowed to make a mention of it in its business cards or official stationery.

The firms cannot make presentations to prospective clients. There are even restrictions as to how a Chartered Accountants firm should design its web site. The Code goes to the extent of prescribing the size and style of the name boards that can be hung outside offices.

A CA cannot even have his name printed in the telephone directory in bold or any special lettering. He cannot accept any original work from a client introduced to him by another CA, without an express permission of the latter. In fact, whenever a CA accepts any new audit assignment, he is expected to communicate with the previous auditor and obtain his no-objection. He is not allowed the liberty of champerty i.e., to charge fees based on any percentage of turnover of the organisation he audits.

Indian CA firms cannot have non-CAs as partners. Neither can Indian CAs or CA firms have any profit-sharing arrangement with non-CAs. Thus is it not possible for Indian CAs to structure multi disciplinary practice to offer a one-stop professional facility to clients. The Chartered Accountants Act prohibits such multi-disciplinary firms.

A rigorous code of ethics

Rigorous as they may seem, the code of ethics extant and the regulations laid out by the ICAI do clearly lay out the restrictions placed on its members on these issues. This laudable restriction draws the line between profession and business. Between ideas and products. Between professionals and traders. Between earning fee for personal value and charging on the basis of brand value.

The in-built disciplinary mechanism in the ICAI is wide enough to conduct full-scale inquiries into complaints on its members and has a detailed quasi-judicial process prescribed.

The Institute has a proactive Disciplinary Cell to ensure compliance of professional ethics and Code of Conduct in terms of the Chartered Accountants Act as well as various pronouncements issued by the Central Council of the Institute.

The Institute not only entertains complaints from stockholder/user groups but also takes suo moto action in cases that come to the knowledge of the Institute through external information. The provisions contained in the Code of Conduct of the Institute are more stringent than any other in the world and the actions taken by the Institute against the defaulting members are also very severe. There are very few cases where the Indian courts have taken more stringent action against the members than what is proposed by the Institute.

> **The provisions contained in the Code of Conduct of the Institute are more stringent than any other in the world.**

The other two important self-regulatory parameters are the requirements in respect of Continuing Professional Education (CPE) and Peer Review Mechanism.

In the complex and globalised economic environment, it becomes evident for all professionals to keep themselves abreast of all the professional/technological changes in their respective fields. The Continuing Professional Education Directorate of the ICAI assumes the responsibility of updating the members on professional issues arising out of new legislation, technological changes and latest pronouncements of the Institute, as well as other developments relevant to the profession.

The modus operandi adopted in this regard is the holding of seminars/ training programmes, conferences, publication of technical material, teleconferences etc. The CPE is already mandatory for members in practice who will have to gain a specified number of CPE credit annually by undergoing approved learning activities.

The system of Peer Review that has recently been introduced in the profession is one that allows a "friendly oversight' by another member to ensure that all is well and, if not, to suggest ways and means to improve.

Stifling growth

However, there have been some adverse consequences of these restrictions also. The profession is made up of several small to medium size firms with inadequate infrastructure for growth or increase in the level of competence. But for a handful, there are hardly any firms that operate on a nationwide basis. This structure handicaps the Indian accounting professionals from taking full advantage of the potential global market in accountancy services.

Arguably, these restrictions might have contributed to lowering of the quality standards in the profession. The restrictions on the number of partners and the number of audits have led to a situation where competent firms with adequate infrastructure are unable to accept more assignments and grow further, with the result that the assignments get handed over to firms which may not be as adequately equipped. The consumers of such services are also prevented from using the services of a firm of their choice.

The all-round decimation that we witness in all the spheres of life has not spared the accounting profession either, though the Institute cannot be faulted of mala fide intentions whatsoever. The course a student has to take and complete has become extremely arduous and now spans a period of six years, and it appears that the present system of education as prescribed is effectively dissuading aspirants from the profession. The way chartered accountancy is structured today in India could be said to be an interesting case of self-regulation being too severe.

The author, who used to work with the nationalised general insurance industry, is a practising Chartered Accountant.

The Logistics of It All

— The who, why and how of self-regulation

As more and more players enter the insurance market and the broking community expands exponentially, the need for self-regulation is only accentuated. But how? *V. Sithapathy* finds the answers.

In the 21st century world of commerce – where geographic boundaries are ceasing to exist and implementing the law of the land is getting increasingly tougher – the importance of self-regulation has assumed giant proportions. Governments cannot police every aspect of the running of enterprises without stifling their growth. Self-regulation, on the other hand, ensures that an industry enjoys healthy growth, while unfair practices are kept at bay.

For any professional or a body of professionals to have a meaningful existence and contribute to the growth of the profession, it is necessary to have a code that will intrinsically regulate the method by which the business affairs of the professional body or its members are conducted.

There has been a long-felt need for self-regulation in the Indian insurance industry, particularly for brokers. As more and more players enter the fray and the broking community expands exponentially, the need is only accentuated. However, questions remain: who will perform the regulation, and how?

A not-for-profit organisation like the Insurance Brokers Association of India is well positioned to provide self-regulation services. Because of the independent nature of the association, it can set and assist the standards by which its constituents – be it the member company, its employees, groups or individuals – can operate.

The need

The need for a self-regulated regime stems from the experience the world over that a codified law suffers from the following patent deficiencies/loopholes:

- The statute will assume that the subjects will follow the law in its letter and spirit.
- Modifications/amendments to the statute will be required as its implementation is evolved.
- A statute is brought into force because it has been implemented in a particular country and the lawmakers tend to adopt it as it is, overlooking the terrestrial realities.
- Unintended gaps in the law, due to drafting lapses or otherwise, leading to discretion in decisions.

A self-regulated environment can achieve various things, such as certainty in business decisions through fair business practices; stabilised standards of service; implementation of the law in letter and spirit; and the guarantee that no person found guilty of malpractices goes unpunished.

- The assumption that penal consequences provided for in the statute will ensure necessary compliance is often misplaced.

The objective of drafting a self-regulatory Code of Practice is to improve the position of the insuring public in making informed decisions. The Code should invariably ensure that the insuring public is made aware of any potential disadvantage, including the implications in financial terms, in procuring a cover for the risk or in replacing an existing policy covering the risk. It is this external pressure and internal demand which will drive us towards formulating the code.

Process of code development

The process should involve identification of market practices, weeding out of the bad practices, and setting the good practices as standards. The standards could cover the rights and duties towards:

- members *inter se*
- insurers
- insured
- general public

The standards set should be deliberated at length by all the stakeholders concerned comprising the constituents and the beneficiaries.

To enable sincere implementation of the standards, the mechanism adopted could be monitored through a disciplinary committee independent of the board of management. The committee could comprise independent professionals from different fields, such as engineers, lawyers, company secretaries and chartered accountants.

A self-regulated environment can achieve various things, such as certainty in business decisions through fair business practices; stabilised standards of service; implementation of the law in letter and spirit; and the guarantee that no person found guilty of malpractices goes unpunished.

With detarifing round the corner, the sooner the self-regulatory practices are delegated, the easier and more efficient it will be to regulate the market forces.

The author is a Director and Principal Officer of VIG India Insurance Services Pvt. Ltd. and Secretary of the Insurance Brokers Association of India. The views expressed here are his own.

प्रकाशक का संदेश

स्वयं विनियमन

इस अवधारणा के साथ चलते हुए कि बाजार की शक्तियाँ किसी उत्पाद के सबसे अधिक प्रभावशाली विकल्प को सुनिशचित करती हैं अथवा सेवा एक अवधारणा है जोकि स्वयं विनियमन द्वारा जाँच तथा संतुलन किसी उद्योग के धन संबंधी तथा खंड तथा सर्वोत्तम व्यावहारिकता को बढ़ावा देते हैं। जटिल उद्योगो को विनियामित तथा पर्यवेक्ष करने के लिए उनके सेवा प्रदान करने वाले नेटवर्क के साथ स्वयं विनियम्न तकनिकी रूप से विषय ज्ञान को काम में लाने के लिए तथा बाजी लगाने वालों के स्वयं हित को प्रकाशवान करने के लिए प्रेरित करता है आवश्यक लेकिन अपर्याप्त स्तर का पर्यवेक्षण तथा नियन्त्रण।

बीमा उद्योग में यह अवधारणा वर्ष 1938 के बीमा अधिनियम से शामिल हुआ- इसके पीछे लगातार लगे रहे तथा पिछल माह जीवन बीमा काऊंसिल इस सफर में मील का पत्थर साबित हुआ। काऊंसिल विभिन्न मुद्दों का निपटाना कर रही है जैसे - अपविक्रय (बिक्री के समय लाभों का समान रेखांकन) तथा प्रकटन (जटिल उत्पादों के भावी असमंजस स्थित में स्पष्टता लाना). इसके आगे अभी अन्य भारी कार्य हैं, एक ऐसे उद्योग के प्रतिनिधित्व के अनुरूप जो विकास की असंख्य संभावना तथा अनिवार्यता रखता है।

साधारण बीमा काऊंसिल, जो बाजार के आचरण में व्यस्त है तथा अन्य मुद्दे अपना संरचनात्मक ढाँचा बनाते हुऐ अपनी जगह बना लेंगे। आईआरडीए ने पहले ही एक संस्था के प्रत्येक क्षेत्र विशेष से बर्ताव करने के लिए एक प्रणाली प्रस्तावित की है जो व्यापक रूप से क्षेत्र के हितो को तथा बीमा दलालों, तृतीय पक्ष प्रशासको (हैल्थ सेवाएँ) टीपीए निर्माण के विभिन्न स्तरों पर संस्थओं में स्वयं विनियमन की तरफ अग्रसर है

आई आरडीए के इस अंक में हम इस खंड के प्रतिनिधियों के विचार लाये हैं जोकि स्वयं विनियमन के विषय-क्षेत्र तथा स्वयँ विनियमन की कार्यप्रणाली पर प्रकाश डालेगें जिससे मुद्दों तथा जरूरतों की तस्वीर साफ हो सके।

इस जर्नल में सबसे प्रसिद्ध अंतर्वस्तु विषय इस माह पिछले वर्ष के अंतिम व्यवसाय सांख्यिकी के साथ विशेष अर्थ ले रही है। जबकि गैर जीवन बीमा क्षेत्र में संयत 13 प्रतिशत का विकास दर्ज हुआ, उद्योग में ऐसा समूह है जिसके बारे में विशलेषकों का मानना है कि यह मंदी में है। जीवन बीमा के क्षेत्र में वृद्धि 36 प्रतिशत.

जर्नल का अगला अंक यह परीक्षण करेगा कि शिकायत निपटान प्रणाली आन्तरिक तथा उद्योग के लिए। यह एक ऐसा विषय है जिसमें विनियामक सदा रूचि रखता है, पोलसीहोल्डर धारक के हीतों की रक्षा उसका प्रथम कर्त्तव्य है।

सी. एस. राव

“ कुछ तो लोग कहेंगे ”

ज्यादा विनियमन समस्या का आवश्यक रूप से समाधान नहीं है। सहयोगी दृष्टिकोण नये नियम बनाने से अधिक मददगार हो सकता है। नियम छिद्र बनाते हैं तथा यह छिद्र कुयोजन की तरफ ले जाते है।

लार्ड पीटर लेविंज, अध्यक्ष, लायडस् आफ लंदन

व्यवसाय के स्तर को देखते हुए तथा जिस प्रकार यह विकसित हुआ है यह ठीक समय है कि अलग पूँजी संरचना को देखा जाए। लेकिन ये गलत होगा कि अवरोध हटाने को लक्ष्य समझ लिया जाए। यह सड़क पर मील के पत्थर से अधिक कुछ नहीं है।

सर ब्रेन सटीर्वट, अध्यक्ष, स्टेन्र्डड लाईफ द्वारा उनकी कंपनी के अवरोध हटाने की योजना की आलोचना पर।

हाँ, यह एक महत्वकांशी योजना है जिसके अनुसार नई पेंशन योजना प्रणाली कार्य करे, लेकिन हमें कहीं तो प्रारंभ करना होगा।

श्री डी स्वरूप, अध्यक्ष, पीएफआरडीए

विकासशील देशो में गरीबों का बडा अनुपात है, वृद्ध लोग अनौपचारिक क्षेत्र में कार्यरत हैं। इन्हे किसी भी प्रकार के औपचारिक पैंशन प्रणाली का समर्थन प्राप्त नहीं है।

संयुक्त राष्ट्र एएससीएपी सर्वे, ऐशियन जनसंख्या के वृद्ध होने पर।

मैं सोचता हूँ कि ये (अधिवर्षिता फंड) फ्रिंज लाभ कर से मुक्त होने चाहियें। हमें इसमें भिन्नता करनी होगी कि लंबे समय के लिए नियोक्ता द्वारा कर्मचारी को उपलब्ध करवाया गया लाभ तथा कम समय के लिए उपलब्ध लाभ की प्रकृति। अधिवर्षिता फंड में योगदान एक लम्बे समय का लाभ है।

श्री सी. एस. राव अध्यक्ष, आईआरडीए

वह कारण जिसके परिणाम स्वरूप कंपनियाँ अपने का गैरतर्कसंगत स्थिति में पाती है वह ऐसे अपराध हैं जो उनकी वफ़ादारी कर्तव्यनिष्ठा को भंग करते हैं।

श्री डेविड ब्राऊन, जिन्होंने स्पीटजर म्यूचवल फंड और बीमा की जाँच-पड़ताल की।

उदारवाद का अंत क्या?

लाभ सिर्फ बीमाकर्ताओं को मिलते हैं, ग्राहक को नहीं

एक व्यक्ति जितहा अधिक बीमा पर खर्च करता है वह वित्तीय रुप से उतना ही अधिक सुरक्षित रहता है। ***जी. वी. राव***

क्या उदारवादी अर्थव्यवस्था जल्दबाजी में अस्तित्व में आई? क्या इसके लिए अधिक बाजार तैयारी की आवश्यकता नहीं थी? कुछ मामले ऐसे हैं जो अभी तक सुलझ नहीं पाए हैं, इनसे बाजार पर क्या प्रभाव पड़ेगा? क्या सभी समस्याओं की पहचान कर ली गई है और हम इनसे निपटने में सक्षम हैं?

परिचय अंश 1: वेधन स्तर का पोर्टफोलियो वाइस अध्ययन किया जाना चाहिए ताकि पता चल सके कि किस सेगमेंट का अधिक तेजी से विकास हो रहा है और यदि यह विकास उद्योग या फिर इसके वितरण चैनल्स या फिर बीमित व्यक्ति के माध्यम से हो रहा है तो यह पता लगता है कि ग्राहक उच्च जोखिम कारक के प्रति जागरुक हैं। वेधन स्तर में कुछ बढ़ोतरी ही काफी नहीं है। किस क्षेत्र में इसका विकास होना चाहिए तथा किन मामलों के साथ?

परिचय अंश 2: हाल ही में आई सुनामी विपदा से काफी आर्थिक नुकसान हुआ है और बीमा उद्योग पर भी इसका खासा असर पड़ा है। बीमा कंपनियों ने इस क्षेत्र के अबीमित या अंडर बीमित लोगों के उत्थान के लिए कुछ भी कार्य नहीं किया। यह बीमा कंपनियों की भेद-नीति को दर्शाता है।

बाजार में यह चर्चा है कि किस प्रकार उदारवादी अर्थव्यवस्था से बीमा बाजार में परिवर्तन आया है या इसके प्रीमियम क्लेकशन पर कैसा प्रभाव पड़ा है। निजी बीमाकर्ताओं एवं विदेशी निवेशकों के आने से प्रतियोगिता बढ़ी है। सेलर्स मार्केट बायर्स मार्केट का रुप ले चुका है। कई लोगों को इससे रोजगार भी मिल रहा है।

इस मामले पर एक सवाल यह उठता है कि इन सभी आर्थिक लाभों के बारे में एक ग्राहक क्या सोचता है। किस प्रकार इन सभी मापदंडों पर लाभ को केलकुलेट किया जा सकता है।

इससे उदारवाद के बाद गैर जीवन बीमा बाजार के विकास को मदद मिलती है। बाजार किस प्रकार परिवर्तित हुआ है, और किस तरीके से? इससे किसे लाभ पहुँचा है और किसे नहीं?

जीवन बीमा को यदि देखें

इसमें कोई शक नहीं है कि जीवन बीमा बाजार काफी तेजी से आगे बढ़ रहा है तथा उदारवाद से इसके विकास में काफी सहयोग मिला है। जीवन बीमा प्रतिवर्ष 35 प्रतिशत की दर से वृद्धि कर रहा है तथा इसमें निवेशित पूँजी जो वर्ष 2003-04 में 90,000 करोड़ रुपये थी आज बढ़कर 3 लाख 50 हजार करोड़ रुपये हो गई है। भारतीय जीवन बीमा निगम जिसका कुछ वर्षों पहले तक बाजार पर एकाधिकार था, आज दबाव में है। आज इसे निजी बीमा कंपनियों से प्रतियोगिता का सामना करना पड़ रहा है। प्रीमियम हो या फिर पॉलिसी हर जगह इसे प्रभाव पड़ रहा है।

> बाजार में यह चर्चा है कि किस प्रकार उदारवादी अर्थव्यवस्था से बीमा बाजार में परिवर्तन आया है या इसके प्रीमियम क्लेकशन पर कैसा प्रभाव पड़ा है। निजी बीमाकर्ताओं एवं विदेशी निवेशकों के आने से प्रतियोगिता बढ़ी है।

बाजार दबाव से यह पता पड़ता है कि केवल नए उत्पादों को जारी करने से ही ग्राहकों को संतुष्टि नहीं होगी। एलआईसी को ग्राहकों के प्रति अपनी उत्तरदायिता बढ़ानी होगी तथा ग्राहक उसके साथ आसानी से बिजनेस कर सकें इसके लिए अपनी बिजनेस प्रक्रिया को सरल करना होगा।

गैर जीवन बीमा बाजार

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

उत्तरदायी पद पर बैठे एक व्यक्ति ने अभी हाल ही में एक प्रकाशन में बयान दिया है कि बीमाकर्ता की बिक्री, तकनीकी एवं उत्पादकता शैली तथा साथ ही वितरण चैनल्स में सुधार की आवश्यकता है। नैतिक मूल्य भी इसमें कायम रहने चाहिए। अंडरराइटिंग तकनीक में सुधार होना चाहिए तथा बीमाकर्ता को यह पहचान होनी चाहिए कि भविष्य में केवल व्यक्तिगत बीमा ही आगे आएगा। क्या इन्हीं बातों पर ध्यान देने की आवश्यकता है? ये सामान्य मुद्दे हैं तथा इनमें सुधार की काफी आवश्यकता है।

क्या ये तथ्य आईआरडीए की विकास योजनाओं के अंतर्गत आते हैं। उनका ध्यान इस ओर लाने के लिए बीमा उद्योग क्या कर रहा है? अब हमें मुख्य मुद्दा जो उदारवादी अर्थव्यवस्था के बाद गैर जीवन बीमा क्षेत्र में लाभ का है, उस ओर अपना ध्यान केन्द्रित करना चाहिए।

विकास के लिए चेकलिस्ट

उदारवादी अर्थव्यवस्था से हुए फायदे को किस प्रकार केलकुलेट किया जा सकता है? इस प्रक्रिया के लिए क्या तरीका होना चाहिए। निम्नलिखित क्षेत्रों में हम इसका अध्ययन कर सकते हैं:

1. प्रीमियम एवं वार्षिक वृद्धि दर में बढ़ोतरी
2. बाजार वेधन - जोखिम जागरुकता का स्तर जीडीपी के प्रतिशत के रुप में सकल बीमा प्रीमियम से समझाया जा सकता है।

3. बीमा प्रीमियम का घनत्व
4. गैर-आवश्यक बीमा कवर्स में प्रीमियम वृद्धि संरचना
5. प्रतियोगी वातावरण की स्वस्थता का स्तर
6. प्रदान की गई सेवा के प्रति ग्राहकों का अनुभव
7. घोषित नए उत्पादों की संख्या
8. जोखिम प्रबंधन एवं संबंधित विज्ञान में आधुनिक जानकारी
9. राष्टीय विकास में योगदान
10. लाभ की प्राप्ति
11. लोगों को रोजगार मुहैया कराना
12. कोरपोरेट गवर्नेंस का विकास
13. कार्मिकों की गुणवत्ता

उपरोक्त चेकलिस्ट हमें एक आइडिया दे सकती है कि उदारवादी अर्थव्यवस्था से हमे कितना फायदा हो रहा है परन्तु इसका पूर्ण अध्ययन इसके माध्यम से संभव नहीं है। यह लेख बाजार वेधन के प्रमुख बिन्दूओं को रेखांकित करने में मदद करेगा तथा साथ ही वर्तमान प्रतियोगिता के स्तर को भी रेखांकित करेगा।

बाजार वेधन

अंतर्राष्टीय रुप में बाजार वेधन का स्तर - - जीडीपी से सकल बीमा प्रीमियम का प्रतिशत - - यह बीमित व्यक्ति की जोखिम जागरुकता को प्रदर्शित करता है। इसके लिए एशिया के दो विकासशील देश भारत एवं चीन की तुलना की जा सकती है।

2003 में भारत की जीडीपी 595 बिलियन डॉलर थी तथा यह विश्व की 12 वीं सबसे बड़ी अर्थव्यवस्था थी। विश्व स्तर पर इसके जीडीपी का प्रतिशत 1.6 था। इसकी जनसंख्या लगभग 1.05 बिलियन थी तथा प्रति व्यक्ति जीडीपी 569 डॉलर थी। इसका गैर जीवन बीमा प्रीमियम 3712 मिलियन डॉलर था जो विश्व स्तर पर 28वें रैंक पर आँका गया। गैर जीवन बीमा बाजार में इसका वेधन 0.62 प्रतिशत था।

चीन की जनसंख्या 1.3 बिलियन थी। इसकी जीडीपी 1366 बिलियन डॉलर थी तथा विश्व स्तर पर इसकी अर्थव्यवस्था सॉंतवें नंबर पर थी। प्रति व्यक्ति जीडीपी 1,092 डॉलर रही। विश्व जीडीपी में इसका प्रतिशत 3.8 था। इसका गैर जीवन बीमा प्रीमियम 14,468 मिलियन डॉलर रहा तथा इस क्षेत्र में इसका बाजार वेधन 1.03 प्रतिशत था।

यह तथ्य देखने योग्य है कि चीन की जीडीपी भारत के मुकाबले 2.3 गुना है तथा गैर जीवन बीमा प्रीमियम कलेक्शन 3.9 गुना है। चीन की बाजार वेधन भारत से 1.7 गुना है।

भारत में प्रीमियम को बढ़ाने के लिए क्या स्त्रीत हैं। यदि कोई पोर्टफोलियो के वृद्धि दर को गौर से देखे तो मोटर एवं स्वास्थय जैसे नुकसान देने वाले बाजार में जोखिम जागरुकता ज्यादा है। जबकि लाभ देने वाले सेगमेंट जैसे अग्नि एवं मैरिन में जोखिम जागरुकता बहुत कम है।

2003 में भारत की जीडीपी 595 बिलियन डॉलर थी तथा यह विश्व की 12 वीं सबसे बड़ी अर्थव्यवस्था थी। विश्व स्तर पर इसके जीडीपी का प्रतिशत 1.6 था। इसकी जनसंख्या लगभग 1.05 बिलियन थी तथा प्रति व्यक्ति जीडीपी 569 डॉलर थी।

उदारवादी अर्थव्यवस्था के बाद वृद्धि दर में कमी आई है। 2003-04 में अग्नि में 7.5 प्रतिशत एवं मैरिन में 7 प्रतिशत की कमी दर्ज की गई। आज मोटर एवं स्वास्थय के क्षेत्रों में ही प्रीमियम में बढ़ोतरी देखने को मिल रही है। विश्व स्तर पर बीमा वेधन 8.1 प्रतिशत है। एशिया में देखा जाए तो यह 7.5 प्रतिशत है जबकि भारत में यह सिर्फ 0.62 प्रतिशत ही है। भारतीय बाजार में इसका उत्थान अभी काफी बाकी है तथा यह अभी शैशवावस्था में ही है।

क्या यह विकास हमें संतुष्ट कर सकता है। वेधन स्तर पोर्टफोलयो वाइस मापित किया जाना चाहिए ताकि यह पता लग सके कि किस सेगमेंट में तेजी से बढ़ोतरी हो रही है और यह बढ़ोतरी किस कारण से हो रही है। यह उद्योग द्वारा स्थापित वितरण चैनल्स हैं या फिर ग्राहकों में आई जागरुकता जिसके कारण यह विकास संभव हो सका है। साथ ही यह भी देखना होगा कि किस सेगमेंट में इसके विकास की आवश्यकता ज्यादा है और कहाँ कम।

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

हाल ही में आई सुनामी त्रासदी के दोरान भी बीमा कंपनियों का बुरा हाल देखने को मिला है। बीमा कंपनियों ने इस त्रासदी में तबाह हुए अबीमित या अंडर बीमित लोगों के उत्थान के लिए कुछ भी करने का प्रयास नहीं किया। यह बीमा कंपनियों की भेद नीति को दर्शाता है जो किसी भी तरीके से सही नहीं है। बीमाकर्ताओं का कोई भी सामाजिक संपर्क या फिर सामाजिक दायित्व नहीं है।

बीमा का घनत्व

बीमा घनत्व से देश भर में बीमा के विकास का तुलनात्मक अध्ययन किया जा सकता है। इसे प्रति व्यक्ति बीमा प्रीमियम से केलकुलेट किया जाता है। एक व्यक्ति जितहा अधिक बीमा पर खर्च करता है वह वित्तीय रुप से उतना ही अधिक सुरक्षित रहता है। बीमा घनत्व जितना अधिक होगा, बीमा कवर भी उतना ही अधिक होगा तथा उत्पाद उतना ही अधिक सफल होगा।

वैश्विक स्तर पर इसका औसत 273 डॉलर है। श्रीलंका में यह 7.8 डॉलर, थाईलैण्ड में 38 डॉलर, मलेशिया में 87 डॉलर, अमेरिका में 1990 डॉलर, चीन में 11.2 डॉलर तथा भारत में मात्र 3.5 डॉलर है।

टैरिफ में बढ़ोतरी के साथ प्रामियम में बढ़ोतरी होती है। अधिक लोग यदि बीमा उत्पादों को खरीदें तो भी इसमें वृद्धि होती है। 9 सितम्बर की घटना के बाद भी इसमें काफी बदलाव देखने को मिले हैं।

लेखक ओरिएन्टल बीमा कंपनी में सेवानिवृत मुख्य प्रबंध निदेशक हैं।

दरों में परिवर्तन

डिटेरिफिग खतरनाक हो सकती है एक ऐसे बाजार में जो अपने ऊपर आत्मविश्वास से भरा न हो तथा पर्याप्त बीमा लेखन कौशल की कमी रखता हो । मान्यता ***जी. वी. राव***

(पिछले अंक का शेष)

दरों में परिवर्तन की प्रक्रिया को 1994 में प्रारंभ किया गया था तथा यह मैरिन कार्गो सेगमेंट में था। क्योंकि यह एक लाभ देने वाले सेगमेंट में किया गया था इसलिए इसे बीमाधारक लोगों से किसी विरोध का सामना नहीं करना पड़ा। इससे प्रीमियम दरों में कमी हुई जो आज भी देखी जा सकती है। अग्नि बीमा जो कार्गो बीमा से भी ज्यादा लाभ देने वाला है, कई बीमाकर्ता प्रीमियम दर घटाने का प्रयास कर रहे हैं।

टैरिफ से अग्नि बीमा जैसे लाभ देने वाले सेगमेंट मे इनइक्विटी बढ़ी है तथा यह जरुरत से अधिक दरों का भुगतान कर रहे हैं। जिस प्रकार मैरिन कार्गो सेगमेंट की प्रीमियम दरों में कमी आई। 2003-04 में मैरिन कार्गो के कुल बाजार में पिछले वर्ष के मुकाबल 8 प्रतिशत की कमी देखी गई तथा इसका कुल बाजार 6प्रतिशत का रहा। अत: डिटैरिफिंग ने अग्नि एवं मोटर सेगमेंट के बाजार शेयर में कमी लाई है। यदि इतने लाभ देने वाले सेगमेंट का यह हर्ष रहा है तो उन सेगमेंट का क्या होगा जो पहले से ही घाटे का सामना कर रहे हैं या फिर पर्याप्त लाभ नहीं दे पा रहे हैं।

घाटों का प्रभाव

मोटर सेगमेंट में भारी नुकसान के बाद बीमाकर्ता सुक्ष्म बीमा एवं व्यक्तिगत बीमा के साथ किसी प्रकार का प्रयोग नहीं करना चाहते हैं चाहे भविष्य में बाजार के विकास में कितना ही उपयोगी क्यों न हो। इसमें निवेश चाहिए तथा साथ ही प्रबंधन का समय भी चाहिए ताकि विपणन की एक नई संस्कृति सामने आए और संगठन की बिक्री में इजाफा हो। सभी अपने अपने स्तर के लिए एक दूसरे से प्रतियोगिता कर रहे हैं। बीमाकर्ताओं के नर्वस सिस्टम में मानों शिथिलता आ गई है, वे परिवर्तनों का सामना करने में असमर्थ हैं। यहाँ तक कि वे अपनी समस्याओं को भी व्यक्त नहीं कर सकते हैं। ठीक तरह से तैयार नहीं की गई डिटैरिफिंग उनकीसमस्याओं को और भी बढ़ा देगी। उन्हें मजबूत आधार पर अपने अंडरराइटिंग हाउस को पुन: खड़ा करना होगा। उन्हें एक ऐसी संस्कृति तैयार करनी होगी जहाँ आंतरिक फोरम के माध्यम से तकनीकी मामलों पर विचार किया जाएगा तथा जोखिम घटकों को नियंत्रित करने के लिए सीखा जाएगा। जब उनके विपणन बल में शाखा प्रबंधक, डिविजनल प्रबंधक एवं अपेक्षाकृत कम जानकारी रखने वाले बीमा कर्मचारी होते हैं, उन्हें अंडरराइटिंग होमवर्क तेजी से एवं काफी सचेततापूर्वक करना होगा।

> एक न एक दिन डिटैरिफिंग आएगा। यह जब भी आए बाजार को इसे ग्रहण करने के लिए सदैव तैयार रहना होगा। एक शुद्ध जोखिम पहेली सलाह एक ऐसा आइडिया था जिसकी अनुपालना नहीं की गई।

समाधान की तलाश

एक न एक दिन डिटैरिफिंग आएगा। यह जब भी आए बाजार को इसे ग्रहण करने के लिए सदैव तैयार रहना होगा। एक शुद्ध जोखिम पहेली सलाह एक ऐसा आइडिया था जिसकी अनुपालना नहीं की गई। डिटैरिफिंग पूर्णत: दो आधारभूत मामलों पर टिका है: इसे लाने के लिए जिम्मेदार कौन है? विश्व स्तर पर यह अनुभव किया गया है कि जब कभी डिटैरिफिंग आता है तो बाजार में अस्थायित्व बढ़ता है। अत: इसके लिए सावधानीपूर्वक योजना तैयार करने की आवश्यकता है। सरकार को टीएसी एवं आईआरडीए को इसके लिए एक टाईमोम देना चाहिए ताकि इसपर समय पर काम किया जा सके। एक समिति का निर्माण किया जाना चाहिए जो निष्पक्ष हों तथा पर्याप्त जानकारी रखते हों।

डिटैरिफिंग मामले में निर्णय लेने के लिए बाजार डाटा का संग्रह ही आधारभूत नहीं है। इससे शायद समस्या की मात्रा को समझने मे मदद मिलेंगी, पर समस्या की जटिलता को पहले से ही समझा जा चुका है। बाजार क्या चाहता है - टैरिफ की निरंतरता या फफिर डिटैरिफिंग। बाजार को इसकी कार्यवाही के लिए तैयार रहना होगा।

यदि टैरिफ निरंतर रहता है तो यह अधिक दिनों तक नहीं रह सकेगा। यह जितना अधिक समय लेगा डिटैरिफिंग की समस्या और भी बढ़ती जाएगी। पिछले वर्षों में बीमाकर्ताओं ने अपनी संरचना में कुछ विशेष परिवर्तन नहीं किया है। वे यह समझने में भूल कर चुके हैं कि ग्राहकों ने अपनी प्रोफाइल को बदल लिया है। उदारवादी प्रक्रिया से ग्रामीण एवं सामाजिक सेक्टर्स को कुछ अधिक फायदा नहीं मिला है, क्योंकि बीमाकर्ता अपना अधिकतर समय कोरपोरेट ग्राहकों पर ही व्यतीत कर रहे हैं।

भारतीय पेशेवर कई क्षेत्रों में काफी सफल रहे हैं। इसी तरह अंडरराइटिंग स्कील में भी वे अपनी श्रेष्ठता साबित कर सकते हैं। उन्हें सीखने के लिए एक अवसर चाहिए। ग्राहकों को भी इस प्रकार प्रेरित किया जाना चाहिए कि वे बीमा के प्रति जागरुक हों एवं इसे खरीदने में रुचि दिखाएं और यह डिटैरिफिंग के माध्यम से हो सकता है।

लेखक ओरिएंटल इंश्योरेंस कंपनी के सेवानिवृत्त मुख्य प्रबंध निदेशक हैं।

जनता तक पहुँच

बीमा को बढ़ावा देने के लिए सुक्ष्म अर्थव्यवस्था द्वारा पहुँच

डॉ. संजीव झा एवं सजु जॉर्ज ने अनभिज्ञ ग्राहकों के ऊपर बीमा में उदारीकरण के प्रभाव का अध्ययन किया तथा गैर जीवन बीमा के विकास के लिए रास्ते तलाशने की कोशिश की।

परिचय अंश१: उदारीकरण के कुछ वर्षों में बीमा में पारदर्शिता देखने को मिली है तथा जनता की भी इसके प्रति जागरुकता बढ़ी है। हांलाकि वित्तीय सेवाओं में बैंकिंग सेक्टर, जीवन बीमा, म्युचुअल फंड एवं पूंजी बाजार के बाद गैर जीवन बीमा के प्रति ही लोग अपनी जागरुकता व्यक्त कर रहे हैं।

परिचय अंश२: आज, स्वास्थय बीमा के तथ्य यह बताते हैं कि इस प्रकार का बीमा बाजार ज्यादा लाभदायक नहीं है। मुद्दा यह नहीं है कि स्वास्थय ज्यादा लाभ नहीं दे रहा है, परंतु संपत्ति के मामले में टैरिफ लाईन ज्यादा फायदेमंद है तथा इससे गैर टैरिफ लाइन जैसे स्वास्थय एवं मैरिन पर दबाव पड़ता है। इससे कीमतों में कमी आती है, और जो वित्तीय लेखा-जोखा सामने आता है उससे यह सूचना मिलती है कि भारत में स्वास्थय बीमा का कोई खास महत्व नहीं है।

निरंतर और कई बार अर्थव्यवस्था और बीमा के संबंधों के बारे में लिखा गया है, परन्तु इनमें से बहुत कुछ आम जनता तक नहीं पहुँच सका है। यह लेख उन प्रभावों का अध्ययन करेगा जो उदारीकरण के कारण बीमा सेक्टर पर पड़ा है तथा आम जनता पर इसका क्या प्रभाव पड़ा है। प्रारंभिक धारणा यह है कि बीमा बाजार में जोखिम का काफी महत्व है तथा ग्राहक जोखिम सुरक्षा ही खरीदता है। इस धारणा पर परीक्षण किया गया और बीमा विशेषज्ञों के मध्य इस इश्यू पर विचार विमर्श किया गया। हांलाकि यह लेख जोखिम इश्यू पर डिबेट के लिए नहीं लिखा जा रहा है बल्कि बीमा बाजार का उदारीकरण जिसमें खासकर गैर जीवन बीमा शामिल है पर महत्वपूर्ण बिन्दू उठाता है।

हमारा संपूर्ण लेख गैर जीवन बीमा पर आधारित है।

हम इस विषय का अध्ययन निम्नलिखित तीन चरणों में करेंगें।

निरंतर और कई बार अर्थव्यवस्था और बीमा के संबंधों के बारे में लिखा गया है, परन्तु इनमें से बहुत कुछ आम जनता तक नहीं पहुँच सका है। यह लेख उन प्रभावों का अध्ययन करेगा जो उदारीकरण के कारण बीमा सेक्टर पर पड़ा है

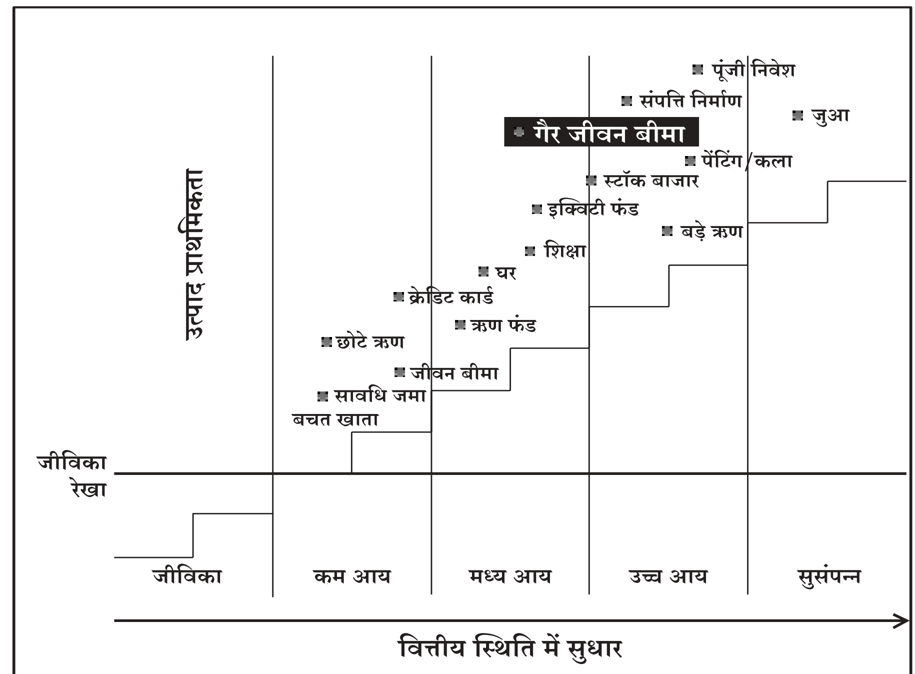
1. भारतीय ग्राहकों की प्राथमिकता सूची में गैर जीवन बीमा का स्थान क्या है? (वित्तीय आवश्यकताओं का पदानुक्रम)
2. ऐसा क्यों है? (स्थितिपरक विश्लेषण)
3. इसे किस प्रकार बदला जा सकता है? (संभावित सुक्ष्म आर्थिक पहुँच)

वित्तीय आवश्यकताओं का पदानुक्रम

उदारीकरण के पिछले वर्षों में बीमा सेक्टर काफी पारदर्शी हुआ है तथा आम जनता भी इसके प्रति अपनी जागरुकता दिखा रही है। हांलाकि वित्तीय सेवाओं में बैंकिंग सेक्टर, जीवन बीमा, म्युचुअल फंडड, शेयर मार्केट इत्यादि के बाद गैर जीवन बीमा के प्रति के प्रति ही लोग अपनी जागरुकता दिखा रहे हैं।

वित्तीय उत्पादों के लिए मासलो का पदानुक्रम निम्न प्रकार व्यक्त कर सकते हैं: यह प्रथम चार्ट

चार्ट १: वित्तीय उत्पादों के लिए मसलो का पदानुक्रम



एक भारतीय की वित्तीय आरश्यकताओं को प्रदर्शित करता है तथा उसके आर्थिक विकास को पाँच चरणों में विभाजित करता है। मात्र जीविका या भरण-पोषण के चरण में एक व्यक्ति की प्राथमिकता केवल जिंदा रहने के लिए भोजन की व्यवस्था होती है। वित्तीय उत्पादों से उसे कोई सरोकार नहीं होता है।

जब व्यक्ति दूसरे चरण में प्रवेश करता है तो कुछ आधारभूत वित्तीय उत्पाद जैसे बचत खाता, सावधि जमा खाता और छोटे ऋण की सुविधा प्राप्त करना चाहता है। तीसरे चरण में पहुँचते ही नई वित्तीय आवश्यकतायें महसूस होने लगती है। अधिकतर ग्राहक इसी सेगमेंट से आते हैं। घर, शिक्षा, जीवन बीमा एवं क्रेडिट कार्ड के साथ साथ गैर जीवन बीमा भी उसकी प्राथमिकता की सूची में आता है। जैसे ही ग्राहक उच्च आय वर्ग में पहुँचता है उसकी जोखिम उठाने की क्षमता में वृद्धि हो जाती है तथा वह इक्विटी फंड एवं स्टॉक बाजार की तरफ अपना झुकाव प्रदर्शित करता है। साथ ही वह संपत्ति का निर्माण भी करता है।

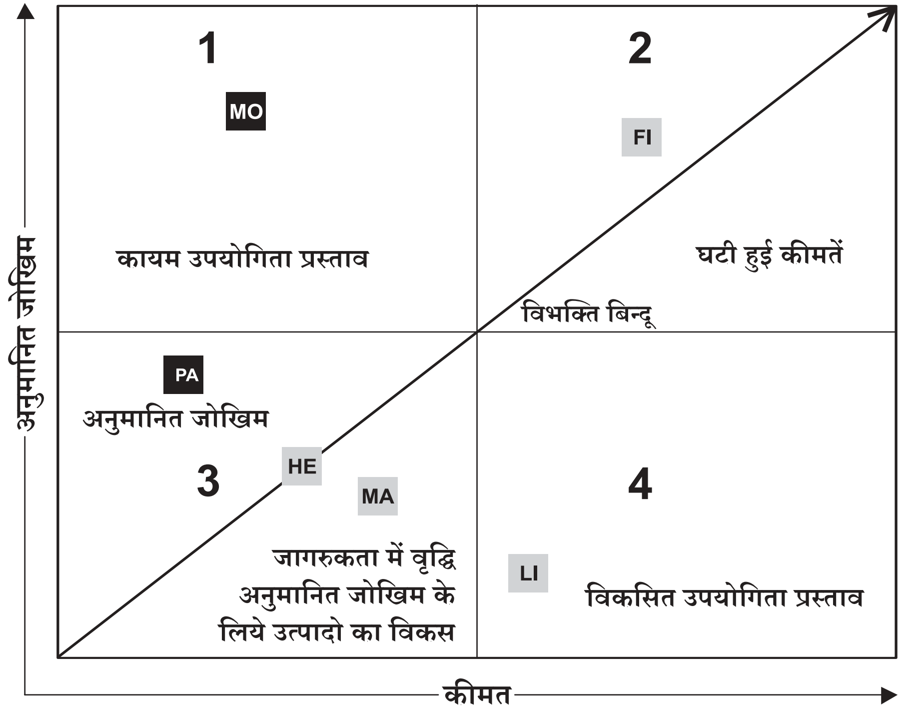
सुसंपन्न वर्ग वह है जहाँ खर्चों को प्राथमिकता दी जाती है जैसे क्लब सदस्यता, छुट्टियाँ मनाने विदेश जाना, जुआ खेलना, इत्यादि।

उपरोक्त चार्ट से यह निष्कर्ष निकलकर सामने आता है कि गैर जीवन बीमा का भारतीय बाजार में ज्यादा माँग नहीं है। लोगों की प्राथमिकता में पहली आरश्यकती स्वयं की सुरक्षा एवं अपनी संपत्ति की सुरक्षा होनी चाहिए ताकि वह अपनी जिंदगी पुन: उस स्तर से प्रारंभ कर सके जहाँ से उसने खत्म किया था न कि वह स्तर जहाँ से उसने शुरु किया था। ऐसे में जीवन बीमा, दुर्घटना बीमा, स्वास्थय बीमा, अग्नि बीमा एवं मोटर बीमा की उपयोगिता बढ़ जाती है।

प्राथमिकता में नीचा स्थान

क्यों आज तक भारतीय उपभोक्ता के लिए गैर जीवन बीमा प्राथमिकता सूची में नीचा स्थान रखता है?

चार्ट २: अनुमानित जोखिम बनाम कीमत



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चार्ट 2: अनुमानित जोखिम बनाम कीमत

उपरोक्त चार्ट में बीमा के विभिन्न उत्पादों को प्रदर्शित किया गया है था बाजार में उनकी स्थिति का चित्रण किया गया है। हांलाकि यह चार्ट सिर्फ उदाहरण स्वरुप बनाया गया है पर इससे बाजार की स्थिति को अच्छी तरह समझा जा सकता है।

> अर्थव्यवस्था का एक मूल सिद्धांत यह है कि कोई भी व्यवहार किसी कीमत पर होता है। उदारवाद के काल से ही प्रतियोगिता काफी बढ़ी है पर कीमत अपने स्तर तक नहीं पहुँच पाई है

इस चार्ट में उपलब्ध उत्पादों को चार भागों में दर्शाया गया है तथा चार्ट को बीच में से विभाजित करने वाली विकर्ण रेखा इसे दो क्षेत्रों में विभाजित करती है।

पहला भाग उन उत्पादों को प्रदर्शित करता है जो बाजार को काफी प्रभावित करते हैं। यहाँ ध्यान रखने योग्य बात यह है कि कीमतों को मेन्टेन रखा जाए। मोटर वाहन बीमा इस भाग में ही आता है।

दूसरा भाग उन उत्पादों को बताता है जिसकी ग्राहकों को आवश्यकता होती है पर इनकी उच्च कीमतों के कारण ये उत्पाद बाजार में अपना इतना प्रभाव नहीं दिखा पा रहे हैं। अग्नि बीमा इसी भाग में आता है।

तीसरे भाग में वे उत्पाद आते हैं जो बाजार में काफी उपलब्धि प्राप्त कर सकते हैं, यदि उनकी तरफ विशेष ध्यान दिया जाए। इससे बाजार को भी काफी मदद मिल सकती है। स्वास्थय, मैरिन एवं व्यक्तिगत दुर्घटना बीमा इसी भाग में आते हैं।

चौथे भाग में वे उत्पाद हैं जिनकी बाजार में आवश्यकता काफी कम है। भविष्य में यदि इन उत्पादों का विकास होगा तो ये सिर्फ जनता की जोखिम के प्रति सोच में बदलाव के कारण ही हो सकता है। देयता बीमा इस भाग के अंतर्गत आता है।

संभावित सुक्ष्म आर्थिक पहुँच

ग्राहकों की प्राथमिकता एवं उनकी विश्लेषण के कारणों को ध्यान में रखते हुए हम दो संभावित सुक्ष्म आर्थिक पहुँच तक पहुँचे हैं तथा ये निम्न है-

1. व्यावहारिक कीमत बिन्दू पर उचित उत्पाद

अर्थव्यवस्था का एक मूल सिद्धांत यह है कि कोई भी व्यवहार किसी कीमत पर होता है। उदारवाद के काल से ही प्रतियोगिता काफी बढ़ी है पर कीमत अपने स्तर तक नहीं पहुँच पाई है और इसकामुख्य कारण है टैरिफिंग की निरंतरता। एक मुक्त बाजार में उत्पाद की स्थिति को निम्न चार्ट की मदद से समझा जा सकता है-

चार्ट ३ यह प्रदर्शित करता है कि उत्पादों पर प्रतियोगिता का क्या प्रभाव पड़ता है। मुक्त बाजार की परिकल्पना करने पर कुछ उत्पादों जैसे अग्नि के प्रीमियम की दर का निर्धारण करने में सहुलियत होगी तथा इससे बीमा उत्पाद लंबे समय तक बाजार में टिक सकेंगें।

2. जागरुकता पैदा करने में निवेश

संचालन स्तर पर यह विवाद छिड़ा हुआ है कि क्या लोग बीमा में जो पूँजी निवेश करते हैं वे विपणन या ब्रांडिंग के फलस्वरुप ऐसा करते हैं या फिर विशाल एजेंसी फोर्स की स्थापना एवं अधिक कार्यालय खुलने से ऐसा हुआ है। जीवन बीमा के बारे में कहा जा सकता है कि वास्तविक स्थिति इन दोनों तथ्यों के मध्य में है।

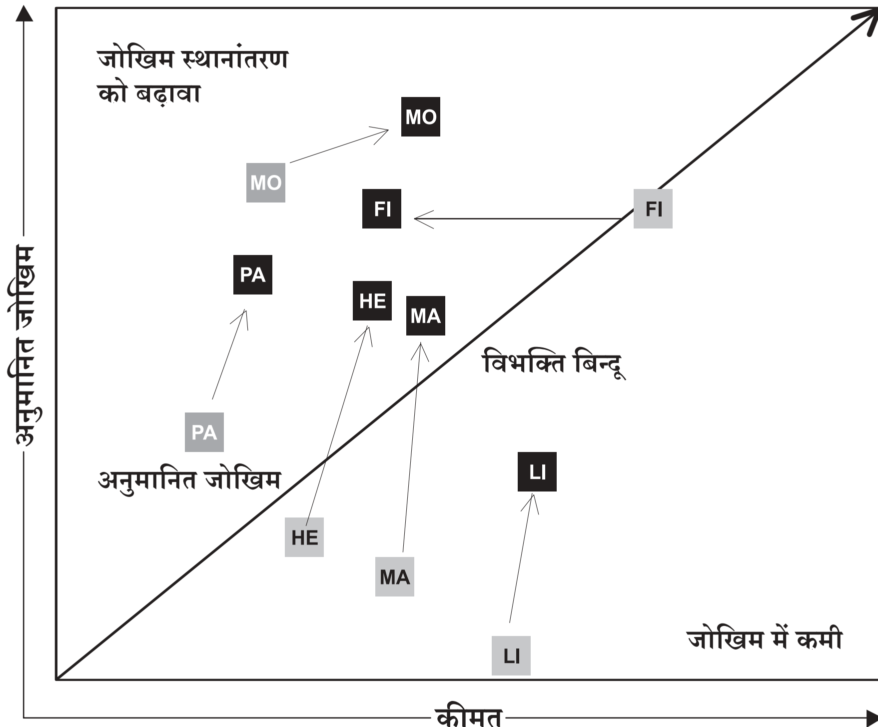
इस प्रकार की जागरुकता के कारकों को निम्न चार्ट 4 से समझा जा सकता है-

चार्ट 4 विभिन्न माध्यमों के मध्य एक अंतर प्रस्तुत करता है जो बीमा के विपणन में अपना प्रमुख योगदान करते हैं।

चार्ट ४: गतिशील माध्यम कि समझ

चैनल/तकनीक	ग्राहक से संपर्क	परिवर्तय	जागरुकता का प्रभाव	मध्य में ही स्थगित
सीधे (शाखा के माध्यम से)	कम	उच्च	कम	छोटे
ब्रोकर	कम	उच्च	मध्य	छोटे
एजेन्सी	उच्च	मध्य	उच्च	मध्य
सीधे विपणन	उच्च	कम	उच्च	लंबे
ब्रांडिंग	उच्च	कम	उच्च	लंबे

चार्ट ३: उत्पादों पर प्रतियोगिता का क्या प्रभाव



डॉ. संजीव झा रॉयल सुन्दरम में उपाध्यक्ष (खुदरा एवं चैनल प्रबंधन) हैं। सजु जॉर्ज रॉयल सुन्दरम में प्रबंधक (नीति एवं परिवर्तन हैं)

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INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY

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Report Card:GENERAL

Non-Life Industry Ends Fiscal with 13% growth

G. V. Rao

Performance in March 2005

The last month of the fiscal 2004-05 has turned out to be quite disappointing for the non-life industry. The overall premium accretion for March 2005 is just Rs. 120 crore (7.2 per cent growth), with the four established players contributing hardly Rs. 17 crore (1.23 per cent growth) to it. The new players have done well with a growth of 42 per cent, but not exceptionally so, as in the past months. With March 2005 having more than 10 per cent of the annual premium, it cannot be regarded as a lean month either.

Established players

National Insurance, among all the players, has recorded the highest monthly accretion of Rs. 70 crore (21.5 per cent); while New India has recorded a substantial drop of Rs. 61 crore (-11.3 per cent), the only insurer to have done so. United India has managed to retain its monthly renewals. Oriental has maintained its usual modest growth. It is for the first time in the year that the growth rate of the established players has been as low as 1.23 per cent. The performance of New India has pulled them down.

New players

Bajaj Allianz and IFFCO-Tokio have recorded Rs. 30 crore accretion each, halting the accretion blitz of ICICI Lombard to Rs. 13 crore in the month. Tata AIG and Royal Sundaram have recorded Rs. 10 crore accretion each.

The new players have turned in an overall accretion of Rs. 98 crore (42.6 per cent growth). The four established players have contributed just Rs. 17 crore (1.23 per cent); ECGC has shown an accretion of Rs. five crore (9.6 per cent).

What has caused the dramatic turn of events that reduced the monthly growth to just 7.2 per cent? The uneven performance of the four established players defies any explanation of what roadblocks each has hit to turn out a performance that is so unexpected. What did the distribution channels do in March to widen the market? Or was it just a battle for claiming shares of the organised market?

Premium performance in 2004-05

The non-life industry has completed a provisional premium of Rs. 18,094 crore in 2004-05 (12.8 per cent growth) as against Rs. 16,037 crore in 2003-04 (12.3 per cent growth) and Rs. 14,281 crore in 2002-03.

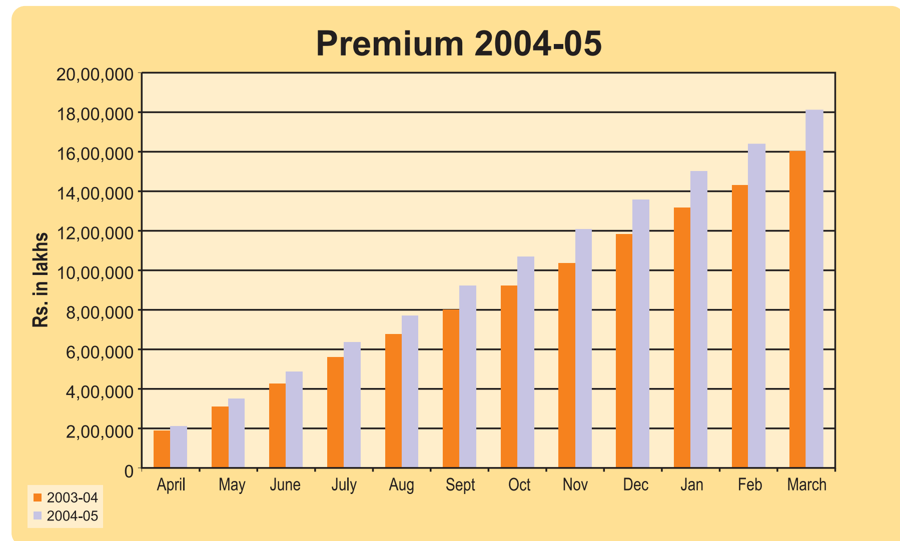
GROSS DIRECT PREMIUM (within India) MARCH, 2005

(Rs.in lakhs)

INSURER	PREMIUM 2004-05		PREMIUM 2003-04		MARKET SHARE UPTO MAR, 2005	MARKET SHARE UPTO MAR, 2004	GROWTH % YEAR ON YEAR
	FOR MAR '05	UPTO MAR '05	FOR MAR '04	UPTO MAR '04			
Royal Sundaram	3,846.00	33,150.00	2,899.00	25,802.00	1.83	1.61	28.48
Tata AIG	3,934.93	46,886.82	2,881.86	35,331.92	2.59	2.20	32.70
Reliance General	798.32	16,167.96	694.66	16,105.56	0.89	1.00	0.39
IFFCO-Tokio	6,603.75	50,738.69	3,610.12	29,563.76	2.80	1.84	71.62
ICICI Lombard	6,289.18	88,516.71	5,044.05	50,672.18	4.89	3.16	74.69
Bajaj Allianz	8,063.66	85,275.43	5,003.43	47,630.86	4.71	2.97	79.03
HDFC Chubb	1,931.22	17,777.88	1,617.72	11,166.78	0.98	0.70	59.20
Cholamandalam	1,486.51	17,010.66	1,364.87	9,668.31	0.94	0.60	75.94
New India	48,109.00	4,20,703.00	54,216.00	4,04,569.00	23.25	25.23	3.99
National	39,614.98	3,82,498.16	32,568.00	3,41,700.00	21.14	21.31	11.94
United India	26,538.00	2,95,183.00	26,592.00	3,03,805.57	16.31	18.94	-2.84
Oriental	25,603.00	3,03,823.00	24,891.00	2,83,211.00	16.79	17.66	7.28
ECGC	5,681.94	51,794.50	5,170.70	44,512.90	2.86	2.78	16.36
TOTAL	1,78,500.49	18,09,525.80	1,66,553.41	16,03,739.84	100.00	100.00	12.83

The established players have completed a premium Rs. 14,022 crore in 2004-05 (5.2 per cent growth) as against Rs. 13,333 crore in 2003-04 (6.2 per cent growth) and Rs. 12,556 crore in 2002-03. The new players have completed Rs. 3,555 crore in 2004-05 (57 per cent growth) as against Rs. 2,259 crore in 2003-04 (67 per cent growth) and Rs. 1.351 crore in 2002-03.

ECGC has done Rs. 568 crore up from Rs. 374 crore in 2002-03. Among the new players, both ICICI and Bajaj are not allowing the gap between them to grow wider. The gap of Rs. 32 crore between them remains the same as in the previous year. They are poised to cross Rs. 1,000 crore in 2005-06. IFFCO has ensured its third rank crossing Rs. 500 crore mark and widening the lead between it and Tata.



Accretion analysis for 2004-05

The overall premium accretion during 2004-05 is Rs. 2,058 crore (12.8 per cent growth). In the previous fiscal 2003-04 the accretion was Rs. 1,756 crore (12.3 per cent growth). The current year ended has shown a small increase of 0.5 per cent growth—Rs. 302 crore over last year. Quite a few players have shown their premium completion for 2003-04 in slightly different numbers than the published figured for last year.

To the accretion of Rs. 2,058 cr, the new players have contributed Rs. 1,296 crore (57 per cent growth as against Rs. 908 crore last year (67 per cent growth). The four established players have contributed Rs. 689 crore (5.2 per cent growth) as against Rs. 777 crore last year (6.2 growth). ECGC has recorded an accretion of Rs. 123 crore as against Rs. 71 crore last year. Established players' growth in quantum is shrinking in contrast to the quantum increases of new players.

The market strategies of the new players have proved to be far more effective to provide tough competition to the experience, expertise, infrastructure and customer intimacy built up over years by the established players. With the established players consistently losing market share in Fire, Marine and Engineering portfolios, they have come to rely on Motor, Health, PA and Liability portfolios as growth portfolios.

To the accretion of Rs. 689 crore achieved by the established players, National Insurance has contributed Rs. 408 crore, followed by Oriental with Rs. 276 crore, New India with Rs. 161 crore. United India remains the sole insurer registering a fall of Rs. 87 crore among the whole team.

Market shares

The new players have achieved a market share of 20 per cent against all odds and expectations. In each financial year they have been improving their market share by five per cent. One hopes that the March monthly performance by the established players is an aberration and not a trend towards losing market share further.

Having lost market momentum, it is more difficult for the established players to retrieve the situation. It is not the loss of premium as much as the erosion of their market image in the eyes of the corporate and retail customers that should cause them real worry. When the existing market has become tough, they should aim to create new markets. That requires imagination, a pioneering spirit and customer dedication. They have the wherewithal for it.

As yet, the new captains of the established players have not articulated any new plans they have to regain customer confidence and trust in them to recover lost profitable business and for market expansion. Market orientation and strategies need an overhaul.

If it is only the driver of the vehicle that has been changed, and there is no intention to change the gears of the engine, the vehicle that has been traversing on the hilly terrain is sure to splutter and will eventually find it difficult to carry the load. One does hope that gears too will be changed in 2005-06 to make the engine work at its optimum efficiency to negotiate the ups and ups. 2005-06 surely is a more challenging year ahead for all the players.

The author is retired CMD, The Oriental Insurance Company Ltd.

INSURANCE SECTOR HITS HIGH-GROWTH PATH

The Indian insurance industry has grown 83 per cent since the opening up of the sector, and the public sector players have not suffered due to the entry of private sector players, Mr. C. S. Rao, Chairman, IRDA has been quoted saying. Insurance premium income has risen to Rs. 82,415 crore in 2003-04, against Rs. 45,000 crore in 2000-01, it has been reported.

Mr. Rao, speaking at a one-day seminar on 'Growth of Insurance Industry in India' organised by the Indian Merchants' Chamber (IMC) in Mumbai, said he expects premium income in the life insurance sector to grow 15 to 16 per cent and non-life insurance premium by 14 per cent in 2005-06, thanks to healthy demand from the manufacturing sector.

The Health and Personal line segments are projected to witness maximum growth during the current financial year. The former is likely to grow by 10-15 per cent.

If the cap on foreign direct investment is increased to 49 per cent from the current 26 per cent, as has been recently announced, a greater number of players are likely to enter the market. This, again, would not threaten the public sector players, said Mr. Rao.

ICRA Downgrades National Insurance's Claim Paying Ability

Credit rating agency ICRA has downgraded Kolkata-based state-owned insurance firm, the National Insurance Company's high claim paying ability, from 'IAAA' to 'IAA+', it has been reported. The downgrade reflects the sharp decline in the company's profitability and its concern on the qualifications made by the auditors of the company with regard to the valuation of its liabilities towards its policyholders, according to ICRA.

With the operating environment becoming increasingly competitive, the profitability of the company could come under further pressure unless steps are taken to enhance the underwriting practices, prune costs and improve claim management and service standards, according to ICRA. However, the rating company is confident that National Insurance's strong national franchise and presence, its access to a strong and liquid investment portfolio and its healthy capitalisation levels will help its claims paying abilities.

National Insurance, similar to its public sector peers, has operated in an oligopolistic environment until the deregulation of the sector, ICRA has been reported as saying. However, over the past few years, growing competitive pressures have started affecting the company's market position, particularly in more profitable businesses like Fire and Engineering, which are being aggressively targeted by the private sector incumbents.

National Insurance has projected good growth in 2003-04 driven by its focus on the Motor business (it tied up with Maruti Udyog Ltd. for insuring 75 per cent of all new vehicles sold by Maruti in 2003-04). Despite the improvement in the claim ratio on the Motor portfolio, aided by the favourable claim experience on the Maruti business, the overall net claim ratio of the company showed a sharp increase from insurance portfolio where the claim ratio increased from 94 per cent to 98 per cent and also on account of the substantial losses booked by it on certain liability policies underwritten by it, said ICRA.

EPF ALLOWED TO INVEST 5% IN STOCKS

The Government has given clearance to the Employees' Provident Fund (EPF) to invest up to five per cent of its equity in stocks, it has been reported. Last month, the EPF board of trustees had decided not to take risks and invest up to five per cent of its portfolio in the stock market, as recommended by the Government in January. Non-government pension funds have assets of about Rs. 1.3 trillion and the Government expects nearly Rs. 20,000 crore to flow into the stock market.

The EPF fund has nearly 85 per cent of its Rs. 1.28 trillion corpus invested in the Special Deposit Scheme run by the State Bank of India, which offers just 8 per cent annual interest. This has created a mismatch in the pension fund's earning and revenues, since it gives a better rate to its depositors.

India Ranks High in Terrorism Risk: Survey

India, along with Pakistan, Israel and the Palestinian territories, Saudi Arabia and Colombia, faces severe terrorism risk, according to a survey by insurance broker Aon. The crown, however, goes to Iraq, while Nepal and Somalia have been 'upgraded' to the 'worst' category since the 2004 survey.

Danger has risen in 31 nations, many of them in Western Europe. Former hot spots East Timor and Western Sahara were among just five places where risk levels went down in 2004. In richer nations, despite a lack of recent terror attacks, the threat has not gone away, the survey warns.

Aon's map, published for the second year running, divides the world into five categories of risk - low, guarded, elevated, high and severe. Since last year, Iraq has shot from fifth to first place in the rankings, with 2,922 terror incidents recorded in the 12 months to February 2005.

The UK, Germany, Belgium, the Netherlands, Australia, Egypt and Ivory Coast have been moved from "guarded" to "elevated". Other European nations, including the Czech Republic and Denmark, have also moved up a grade and now face a "guarded" level of risk.

"Increased extremist activity" by Islamist groups and anti-Western sentiment against countries that supported the US-led coalition in Iraq are the main reason for the higher risk levels, Aon says.

However, a handful of countries have become safer. Cyprus has fallen from "high" to "elevated," because its proximity to the Middle East has encouraged tighter counter-terrorism measures. East Timor, Burkina Faso and the Central African Republic have all gone from "guarded" to "low", while Western Sahara has declined to "guarded."

Women Prove Million-dollar Agents for Insurers

Women not only shop well, but also sell well, and if the elite MDRT (Million Dollar Round Table) club in 2004 had one thing to prove, it was that Indian women are emerging as better salespersons than men. This is particularly so in the life insurance business, wherein direct selling accounts for a major chunk. In this field, natural empathy and social affability seem to be helping women, it has been reported.

MDRT is an exclusive club of top performing agents across the world. In India, among the top players, around 35 per cent were women. In many cases the percentage of women MDRT was even more than the percentage of women in the overall agent force.

MDRT qualifying agents earn hefty commissions. It is a title given to insurance agents who either achieve a qualifying premium target of Rs. 22 lakh or a base commission of Rs. 5.5 lakh.

As per reports, insurers are today increasingly recruiting women over men into their sales force. It has been observed that a majority of women insurance agents are in the age group of 35-50 and have a strong sense of proving themselves, which renders them more committed then men. Also, many women take up the life advisory services as a full-time profession while most men pursue it as a part-time profession.

Women also tend to make more efforts than the men. For instance, they spend more time in training programmes and in understanding the products. They also manage to spend more time during 'cold calls' than men.

MUTUAL FUND AGENTS FIND INSURANCE PASTURE GREENER

Mutual fund agents are increasingly tapping better opportunities in the insurance business, it has been reported. The agent workforce of private life insurance players is now six times that of the mutual funds. In the recent past, India had a formidable 1,00,000 mutual fund agents. As per industry data, out of that, 85,000 constituted the UTI agents alone.

But now, with the AMFI (Association of Mutual Fund in India) certification becoming compulsory, the agent force has dwindled. Thanks to poor distribution standards and an inability to understand the workings of sophisticated financial instruments, only a portion of aspirants could get the certification to distribute MFs. As per AMFI, there were only 25,000 agents with AMFI registration numbers.

In contrast, the private life insurance agent force has grown tremendously. The need for higher geographical penetration has seen insurance companies recruiting aggressively. At last count, they added up to a massive 1,50,000. ICICI PruLife topped the list among the private players, which had close to 50,000 agents, while Bajaj Allianz had 30,000. At least six of the 11 private life insurance players had an agent force of 10,000 and plus.

The woes are compounded by the fact that MFs hardly come with offer documents in any language other than English. This does not help those who give examinations in Hindi, particularly in the non-urban area.

Lucrative commissioning structure for insurance companies has also made the MF agents pass over. With the starting of the private insurance business since late 2000, many have found it more remunerative to sell insurance policies than mutual funds. The rapid rise in insurance agent force is a case in point.

PSU Insurers add Rs. 3,000 crore to Tax Kitty

LIC, GIC and the four state-owned general insurance companies have contributed over Rs. 3,000 crore in corporation tax for 2004-05, following higher growth in business and profits, it has been reported.

LIC alone paid about Rs. 2,000 crore tax but has sought exemption for the amount set aside for meeting solvency margin, according to a Finance Ministry official. GIC contributed Rs. 650 crore while the four GIPSA companies — New India Assurance, National Insurance, Oriental Insurance and United India — paid Rs. 150-200 crore each, it is reported. Although the insurers have not yet come up with their audited results, they have paid the taxes in advance.

LIC has sought an exemption for a portion of its surplus that went for meeting solvency margin. However, the tax department has not heeded to LIC's request and the corporation had to reportedly deposit Rs. 2,000 crore in taxes, sources said. In accordance with IRDA's directive, LIC has so far provided close to Rs. 16,500 crore for meeting the solvency margin. IRDA stipulates that assets should exceed liabilities by 1.5 times for life insurance companies. LIC has appealed against the tax treatment at an appellate tribunal for getting the tax benefit on the amount set aside for solvency requirement.

LIC's surplus or profits was estimated at close to Rs.16,000 crore last fiscal on account of higher growth in premium income. The corporation's surplus stood at close to Rs. 11,000 crore in 2003-04. It distributed 95% of the surplus (about Rs.10,438 crore) to over 14.11 crore policyholders by way of bonus during 2003-04 and the remaining 5% (Rs. 548.13 crore) to the Government.

BEATING NET BLUES WITH POLICIES

With e-commerce rapidly gaining ground, and critical business operations increasingly becoming dependent on the Net, Internet service providers (ISPs) and applications service providers (ASPs) may soon have to face loss-of-service lawsuits, it is feared. Thus, enterprises are considering "Internet liability insurance" to protect them if they are ever sued for damages, it has been reported.

ISPs believe that their contracts protect them from lawsuits. For instance, no ISP was significantly affected by the "denial of service attacks" on major Web sites including eBay and Yahoo in January 2005. The standard practice is for an ISP or ASP either to issue a credit for the amount of time the Web site is down or to refund an amount equivalent to what the company would pay the ISP or ASP if charged by the hour.

But, however detailed and meticulously planned a contract may be, certain problems cannot be foreseen. An ASP provider recalls an incident: "We had a squirrel get into the building. He started chewing on a fibre optic cable and the system went down. Who do you blame for that?"

What awes insurers is the size of the claims. One claim, like the 'Love Bug' virus, can wipe out an insurer. Only a handful of insurance companies in the US have attempted to write Net policies. Premiums range from $20,000 to $50,000 a year, which takes it out of the reach of small Internet-based companies that are yet to make a profit.

Nevertheless, insurers are trying to take Net policies to smaller firms. US-based St. Paul Travelers Cos. Inc. has introduced a new Internet liability policy for small to mid-size companies that conduct online business, it has been reported. The policy, designed for technology businesses with $5-100 million in annual revenues that conduct business on the Web, specifically covers failure to protect private customer or client data from hackers or accidental disclosure online, as well as the failure to prevent the spread of computer viruses.

"Virtually all businesses are prone to hackers or viruses if they use e-mail or transact business through the Internet," said Mr. Bill Rohde, President of St. Paul Travelers' Global Technology Underwriting business unit. "But most commercial general liability policies don't cover these risks."

CLAM UP AND RIDE SAFE

Mobile phones, unruly traffic and drunken driving are normally blamed for road accidents, but a new study places a big portion of the blame on an entirely new quarter – backseat riders. According to a new report by insurance firm Direct Line, unwanted instructions or advice by backseat riders often distract motorists, resulting in accidents or near misses. Further, the report suggests that 25 per cent of motorists have driven dangerously after being distracted by backseat drivers, who believe that they were being helpful by offering advice.

According to the *Daily Mail*, a survey of 2,000 adults also showed some passengers told the driver to switch windscreen wipers or lights on or even made physical actions as if they were driving the car. While one-third said that they became stressed and annoyed if they were interrupted by a passenger, 10 per cent of women said they had pulled over and stopped driving if their motoring skills had been criticised by a passenger.

"Backseat drivers not only cause unnecessary stress, but are dangerously distracting motorists, which is resulting in road accidents," says the report. "We urge all drivers to focus their minds 100 per cent on driving safely and concentrate on the road ahead rather than on a passenger, and if passengers are being distracting, drivers need to let them know."

Former HIH Insurance CEO Receives Jail Sentence

Mr. Ray Williams, former chief executive of Australian firm HIH Insurance Ltd. who oversaw the company's multibillion-dollar collapse, has been sentenced to four-and-a-half years prison for his role in the country's largest-ever corporate failure, it has been reported.

Mr. Williams pleaded guilty in December 2004 to three counts stemming from his management of HIH from 1998 to 2000, including failing to properly exercise his duties as a company director, publishing a misleading document and overstating operating profits by A$92.4 million. He faced a maximum of five years in prison for each of the first two charges, and a two-year sentence for the third charge.

HIH was Australia's second largest insurer when it collapsed in March 2001 with debts of A$5.3 billion, leaving thousands of policyholders with unpaid claims and sparking the failure of a number of home-building companies insured by HIH. In 2003, a judicial inquiry into the HIH collapse documented corporate excesses including Mr. Williams letting his secretary stay at company expense in a plush Sydney hotel during the week and fly home each weekend to a tropical resort area of Queensland state. Once, HIH spent A$1.17 million on lavish Christmas parties, and the day before its collapse it paid out A$10 million in bonuses to senior executives.

The Healthiest of 'em All

Wondering which American university to send your child to? Consider Wyeth's study before you decide.

The pharmaceuticals manufacturer, in a study, found that the residents of San Jose are the healthiest among 50 of the largest cities in the US. The state of California has been found to be ahead of most of the country when it comes to overall health, with five of its metro areas in the top 10, it has been reported. They are San Jose, San Francisco, Oakland, Sacramento and the Orange County area, plus San Diego in 12th place. Seattle (4), Salt Lake City (5) and Denver (9) also made strong showings in the West.

Top-ranked San Jose has the highest "health status" category score and rates high in the other four major categories with the exception of "mental wellness," in which its score is barely better than average. By contrast, the second-ranking city, Washington, D.C., holds the highest mental wellness score, along with uniformly high scores across the other categories.

The remaining top 10 healthiest cities are San Francisco (3); Seattle (4); Salt Lake City (5); Oakland (6); Sacramento (7); Orange County (8); Denver (9) and Austin (10).

The bottom 10 cities are New Orleans (50); San Antonio (49); Cincinnati (48); Orlando (47); Columbus (46); Cleveland (45); Detroit (44); Las Vegas (43); New York (42); and Indianapolis (41).

One common theme emerging is that nearly all city dwellers could do a better job tending to the physical, mental, social and nutritional aspects of their lives and working toward a more balanced lifestyle.

BNI Signs Deal for Insurance of Housemaids

Housemaids typically demand coffee, food, saris, salary hikes and, if the trend soon catches on, insurance.

Bahrain National Insurance (BNI) and Jakarta Manpower have signed an agreement for BNI to provide domestic servants insurance on housemaids recruited through Jakarta Manpower company, it has been reported.

Under the terms of the agreement, BNI will provide a specially designed insurance scheme on domestic servants covering personal accidents and bodily injury whilst working in Bahrain. The insurance will be provided as an additional benefit from Jakarta Manpower to their clients. Whenever a housemaid or any other domestic assistant is recruited through Jakarta Manpower, a policy will be issued, covering her/him against personal accidents and bodily injury including death from accidents. The policy will also include the cost of repatriation of mortal remains to the housemaid's home country.

RISK MANAGERS RISK IT

Scandals do not induce risk managers, who buy insurance for large corporations, to change brokers, Mr. Jay Gelb, an analyst at Lehman Brothers, has been reported as saying. Mr. Gelb reportedly asked risk managers at the 2005 Risk and Insurance Management Society conference whether they planned to change brokers. "They said uniformly they don't expect to switch to another broker, even in the wake of the allegations of bid-rigging and steering that have been levelled against the largest brokers," he has written in a note to clients.

Mr. Eliot Spitzer, New York Attorney General, sued Marsh & McLennan in October 2004, claiming the world's largest insurance broker rigged bids for commercial insurance and steered business to favoured carriers who paid the company the most contingent commissions.

Marsh settled the suit earlier this year by agreeing to pay $850 million in restitution to policyholders and adopting a slew of reforms. The reportedly scandal sparked concern that the company might lose clients to smaller rivals. However, that was unlikely, Mr. Gelb said. Instead, risk managers expect more transparency in their dealings with brokers.

A main factor that deters risk managers from changing brokers is cost. Also, since most large brokers have been tainted by the recent scandals, there are very few alternatives. Plus, risk managers often develop relationships with the individual brokers they work with, their companies' reputation notwithstanding.

EIGHTH WONDER FOR TRAVELLERS – INSURANCE

In the middle of a long-awaited cruise, your child is down with measles. As you board the flight (whose ticket cost you two month' salary) to Mauritius, you slip and break you hip. Pessimistic worst-case scenarios all right, but highly plausible. Mitigating the effect in such cases is travel insurance. Travel insurance is a lot more than paying for lost baggage; it can mean peace of mind in a crisis, it has been reported.

As, for most people, a trip is a major investment, it needs to be protected, feel travel firms. In cases where hospitals take the passport of foreign traveller-patients and do not let go until the bills are paid, travel insurance turns out to be a great help. Terrorist attacks have only heightened the need for it.

Americans have been estimated to buy travel insurance 60-70 per cent of the time. However, on average industry-wide, travellers buy insurance only about 20-30% of the time. Travellers can purchase insurance from their travel agent, direct from an insurance company or from the cruise line or tour operator.

Basic insurance generally covers trip cancellations, interruptions, delays, medical evacuation and the cost of medical care, and issues with luggage (lost, stolen or delayed). More costly add-ons include extra medical coverage, coverage for pre-existing medical conditions, family coverage (although one minor child sometimes is covered per paying adult), airline (or cruise line or tour operator) default or bankruptcy, lost luggage, accidents, "change-my-mind" coverage and rental car collision or damage. There is even specialty sportsmen coverage for hunters and fishermen, and insurance for those who want to live abroad for up to a year.

ROUND UP

Tariff Advisory Committee (TAC) held a meeting at its Head Office in Mumbai on April 7, 2005 on possible co-ordination and sharing of information on motor accidents among various stakeholders like IRDA/ TAC, road transport authorities, vehicle manufacturers, traffic police and automobile associations.

With 1.1 million passenger vehicles and 6.3 million two wheelers sold in 2004, and with statistics showing that 80,000 people are killed in India every year in two lakh road accidents the TAC brought together the authorities to discuss the burning issue that has great impact on the insurance market.

L to R: Mr. Dilip Jadhav, Additional Commissioner, Transport, Maharashtra, Mr. S. D. Shinde, Transport Commissioner, Maharashtra and Dr. D. V. S. Sastry, Director General (R&D), IRDA.

L to R: Mr. Pradeep Swain, AGM, Tariff Advisory Committee (TAC), Mr. Sunil Merchant, President Western India Automobile Association (WIAA), Mumbai, Mr. Nitin Dossa, Executive Chairman, WIAA and Mr. K. K. Srinivasan, Secretary, TAC.

L to R: Dr. D. V. S. Sastry, Director General (R&D), IRDA, Mr. C. S. Rao, Chairman, IRDA and Mr. Mathew Verghese, Member (Non-Life), IRDA

More regulation was not necessarily the solution. A collaborative approach may be more helpful than an onslaught of new rules. Rules generate loopholes and loopholes lead to malfeasance.

Lord Peter Levene, Chairman, Lloyd's of London

Given the scale of the business and the way it has developed, it is the right time to look at a different capital structure. But it would be wrong to see demutualisation as a destination. It is no more than a milestone along a road.

Sir Brian Stewart, Chairman, Standard Life on criticism of his company's demutualisation plans.

Yes, it is indeed an ambitious plan to get the new pension system working, but we need to make a start somewhere.

Mr. D. Swarup Chairman, PFRDA

Developing countries have a large proportion of poor, older people working in the informal sector. They do not have the support of any formal pension system.

A United Nations Escap survey on aging Asian populations.

The reason companies find themselves in untenable positions is they've engaged in crimes that breach their fiduciary duty.

Mr. David Brown, who has run Spitzer's mutual fund and insurance investigations.

I think it (superannuation funds) should be exempted from the fringe benefit tax. We have to distinguish between long-term benefits provided to an employee by an employer from those that are short-term in nature. Contribution to superannuation funds is a long-term benefit.

Mr. C.S. Rao, Chairman, IRDA

RNI No: APBIL/2002/9589

Events

09 - 14 May, 2005
Venue: Pune
Research Methodology and Market Intelligence (Life)
by National Insurance Academy, (NIA) Pune

10 & 11 May
Venue: Singapore
Insurance Executive's Summit on Technology
by Asia Insurance Review

16 - 21 May, 2005
Venue: Pune
Service Differenciation and Relationship Management (Life)
by NIA, Pune

16-17 May 2005
Venue: Pune
Silver Jubilee C.D.Deshmukh Seminar on Future of Life Insurance Markets
by NIA

23 - 28 May, 2005
Venue: Pune
Prevention of Insurance Frauds (Non-Life) by NIA, Pune

30 May - 1 June, 2005
Venue: Pune
Principles of Actuarial Science for Non-Actuarial Executives (Life) by NIA, Pune

30 May - 02 June, 2005
Venue: Pune
Data Warehousing, Data Mining and Knowledge Management (Life) by NIA, Pune

02 - 04 June, 2005
Venue: Pune
Programme For Ombudsman Secretaries /Deputy Secretaries by NIA, Pune
Lateral Thinking & Decision Making (Combined) by NIA, Pune

1 - 2 June, 2005
Venue: Singapore
Reinsurance Dispute Settlement & Arbitration in Asia by Asia Insurance Review

27 - 28 June, 2005
Venue: Manila
Catastrophe Insurance in Asia by Asia Insurance Review

12 - 14 June, 2005
Venue: Singapore
LOMA/LIMRA Strategic Issues Conference

20 - 23 June, 2005
Venue: Pune
Information Security Management. (Non-Life) by NIA, Pune

30 June - 02 July, 2005
Venue: Pune
Actuarial Appreciation Prog. (Non-Life) by NIA, Pune