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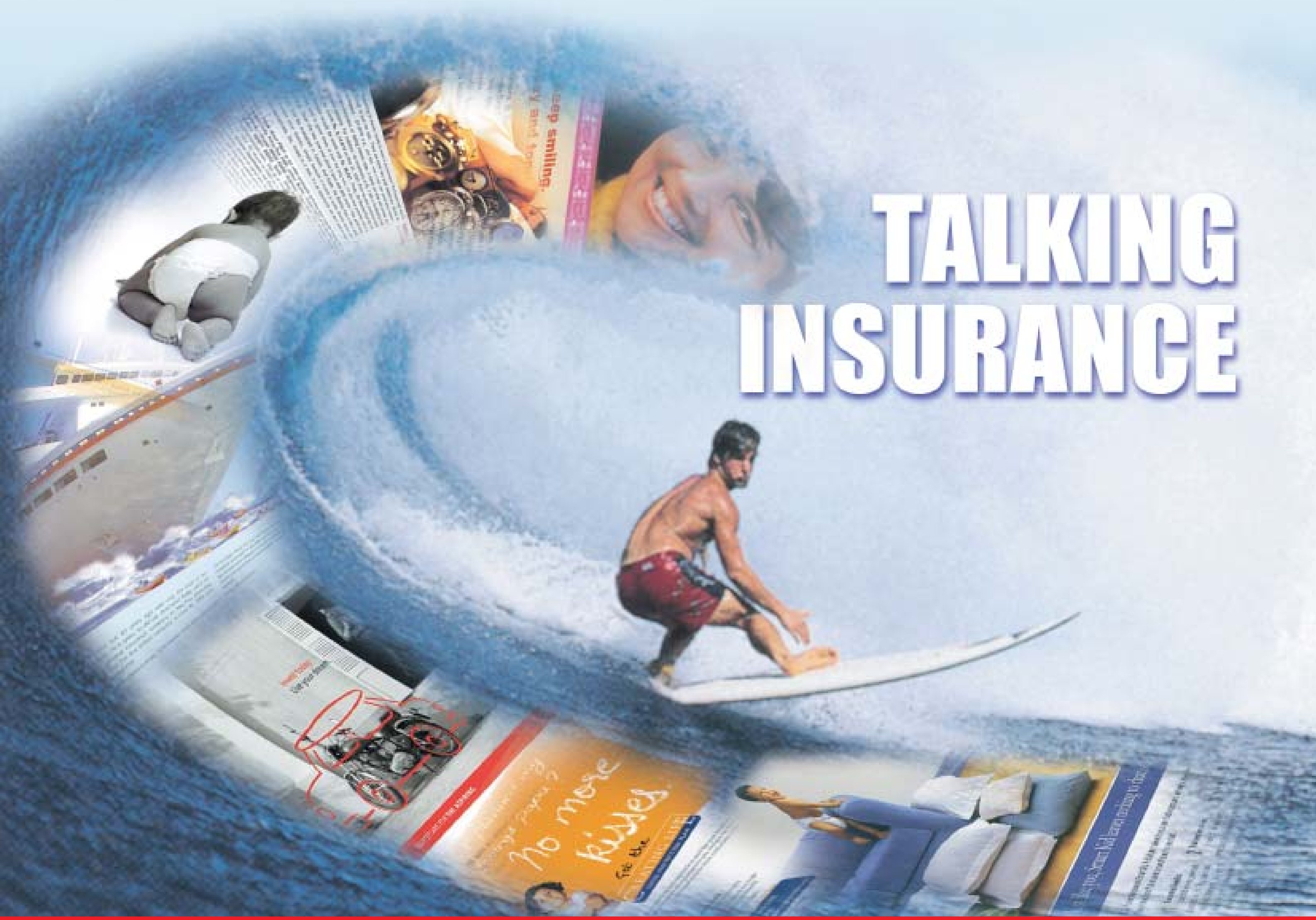

बीमा विनियामक और विकास प्राधिकरण

irda Journal
Volume I, No.12
NOVEMBER 2003

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From the Publisher

Responsible communications with its stakeholders marks the maturity of an entity. Ensuring the flow of accurate and appropriate information in order for its customers to make informed decisions has been the basis for the success of many an industry, specially in the financial services sector. Deviations from this basic premise may bring in short term advantages but both the customer, and hence naturally the industry, are ill-served in the long term.

An industry waking up to competition literally overnight, and offering an intangible product can have many compulsions driving its communications whether it is through obvious channels like advertising and publicity, or more subtle ones like proper disclosure or otherwise of its financial position and performance.

And in these cases it always serves all the stakeholders well if the importance of sufficient and proper information and the means of communicating it is well understood by all the players and strictly adhered to.

It is with this view that we bring you a special issue on advertising and communications in the insurance industry.

The IRDA had set out a detailed set of regulations on advertising and marketing related communications by insurance companies and their channels. The purpose was to lay down the rules clearly so that chances of mis-selling – which has caused havoc in other markets – may be avoided as much as possible.

In this issue of **IRDA Journal** you will see how companies have used the opportunity to communicate, some samplings of their communications philosophy and stragegy and also how IRDA monitors both their adherence to the Regulations and the continued applicability, adequacy and relevance of the Regulations themselves.

The issue you hold in your hands marks the end of one year in the life of the Journal. In the next issue, which coincides somewhat with three years of the re-entry of competition into the marketplace, we would like to bring you the market's assessment of liberalisation.

We will endeavour to make an objective assessment of the expectations of liberalisation and their realisation or otherwise.

We would also like to hear from you, dear readers, about what you think of the Journal and its utility to you. Please do fill in our survey form on the last page. We look forward to hearing from you, as always.

C. S. Rao

C.S.RAO

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Getting it Across

Advertising, publicity, public relations.... all words conjure up a dream world of promises rooted in our fondest aspirations. And that is what our current issue of **IRDA Journal** is all about. We bring you a range of articles on advertising of and communication about insurance both from the perspective of the insurance and the advertising industries.

Between life and non-life industries it is the life industry that has made distinctive moves, both in visibility and adspend, in the area of advertising and communications due to the nature of their product and customer base. So we will be largely reading about that in this issue.

Mr. H. Narayanan who for long headed the publicity and PR functions in the Life Insurance Corporation of India (LIC) traces the history and philosophy of the communications of the veteran company whose name has meant insurance in the Indian society for almost half a century.

This is the time of the challengers and so we have an article from ICICI Prudential Life Insurance Company's marketing chief, Mr. Saugata Gupta, telling us how his company approached advertising and brandbuilding and created an awareness of insurance outside the context of LIC.

The outsiders' view is from by advertising industry insiders. Mr. Ramanujam Sridhar makes his observations on brandbuilding as it is and as it should be in insurance and Mr. R. Sridhar comments on innovation or the lack of it in the communications strategies as seen this far.

In financial services and products it is most important to look to actions and not to words alone. And hence we have for you an outline of what the IRDA has done in streamlining communications from the insurance companies to the public and what it is doing in monitoring it.

Ms. Rashmi Abichandhani, Assistant Director, Legal IRDA paints a picture of what the advertising Regulations are all about and also gives her views on how they can be taken forward further for the benefit of the policyholders.

There is never a question about the most read and sought after section of the magazine given the information gap in the industry still in its early days in its present avatar. It is statistics and we have for you the half yearly results of the life and non-life industries and they present an interesting picture indeed. We also have the investment statistics of the last financial year for the life insurance industry – one of the largest institutional investors in the country and that too mostly on account of LIC.

Speaking of assessements, we are undertaking an assessment of a different kind in the forthcoming issue of the Journal. The December issue, slated to be our annual issue as we are stepping into the second year of publication, will take stock of the industry as it has grown in the last three years following the new, liberalised regime. If you wish to write on this subject, send us a short piece by November 15.

We have also been taking stock of the Journal itself and its role and purpose. You may have seen the survey form that we have been publishing in the magazine the last couple of months. We would like to draw your attention to it again – please fill in your opionions and send it to us. You can send it to us by e-mail too. As you know, we always love hearing from you.

K. Nitya Kalyani

Taking Stock

K. Nitya Kalyani

There is something magical about looking back. In a way it mirrors what we are always trying to do – look forward into the future.

And it's time to do both. Four years since the passing of the IRDA Act and three years after the first of the new insurance companies were registered and private Indian and foreign capital came back into the market after a break of nearly three decades, we would like to see where we stand.

When fundamental changes take place in the economy and in an industry, the many stakeholders involved are affected in different ways. There are opportunities to seize and new challenges to overcome and a myriad ways to react to all of them. Things never remain the same and in fact even the pace of change never remains the same.

When the market was liberalised the hopes and fears of the various stakeholders ran pretty high. Hopes came from those who saw bright possibilities from competition, including those who wanted to become the competition themselves. And the fears came – unfoundedly in many ways – from the extant industry that was comfortable in its monopolistic sway.

From time to time assessments have been made of the validity of these reactions and how the events have subsequently played out.

One way of assessing the significance of the events that have taken place and the way they have occurred is to look at them against what expectations we had of them.

What we would like to do in the next issue of the IRDA Journal, which also marks the publication stepping into its second year of existence, is to take a look at the developments in the industry in the context of what we set out to do when insurance industry reforms were mooted by the Government in the early 90s. The setting up of the Malhotra Committee for this purpose marked the first of these initiatives and perhaps we should look there for a starting point.

The Committee, in its report that recommended structural reforms and prudential norms, made a strong argument in favour of introducing competition into the market in order to give the customer a choice and better service.

Some of the desirable objectives the committee set out, for which liberalisation was necessary, were product innovation, customer focus, induction of technology into the industry, introduction and development of multiple channels of intermediation, the development of rural markets and insurance cover for the socially weaker sections of the society and the growth of the health insurance market which was an unmet demand and a social requirement. There were also focused recommendations regarding financial strengths and solvency, reporting by and monitoring of the companies and the very framework and approach required of a strong regulator.

We will endeavour to bring you a cross section of views and assessments from within and outside the industry.

These will touch upon the developments in the industry in the last three years and the expectations from liberalisation and the extent to which they have come true. They will include market development, intermediation, regulatory and policy issues. The purpose of the exercise is not only to look back, but to use that as a means to look forward.

We shall endeavour to see where the industry is going in the next few years given its energies, achievements, constraints and the challenges before it.

It should be an interesting journey!

EVALUATE

what has happened in the insurance industry in three years.

Are we more efficient? Are our customers happier?

Do we have .... more products, less complaints,

better technology and more profits?

Write to us what you think.

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GILT ACCOUNTS

The Reserve Bank of India (RBI), after clarification by the IRDA, has allowed insurance companies to hold two gilt accounts at any scheduled commercial bank at any location of their choice.

This permission comes following insurance companies' difficulties in operating with just one CSGL Account, which is what is permitted by the RBI for all institutions.

In the case of insurance companies, they have to maintain a deposit under section 7 of Insurance Act, 1938, in the form of Approved Securities, and any withdrawal or replacement of securities required the permission of the IRDA. Since only one gilt account was allowed, insurance companies found it difficult to do the transactions required under their investment portfolio in this account due to the conditions relating to deposit under section 7.

So, on explanation of this situation by the IRDA, RBI has permitted insurance companies to open another gilt account to do transactions under their investment portfolio.

NEW OMBUDSMEN

Three posts of Insurance Ombudsman which had been lying vacant have been filled recently.

The new Ombudsman of Kolkata is Mr. S. Chaudhury, while Dr. Ashok Kumar Kundra is the new Ombudsman at Chandigarh holding charge of Punjab, Haryana, Himachal Pradesh and Jammu & Kashmir. Mr. G. R. Reddy is the Ombudsman at Hyderabad.

A fourth vacancy, at Chennai, has not yet been filled up and meanwhile four other vacancies have arisen due to retirement. They are Bhopal (for Madhya Pradesh and Chattisgarh), Bhubaneshwar, Lucknow and Mumbai.

There are 12 Insurance Ombudsman's offices in select state capitals. The ombudsmen provide a mechanism for out of court settlement of individual consumer grievances and disputes within a timebound framework.

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'Profitability to Remain Under Pressure'

ICRA's Rating Report on Public Sector General Insurance Companies

■ Pressures on profitability likely ■ Underwriting quality to be the key value driver
■ Large investment portfolio, high solvency ratios and franchise strength short term protective factors

Credit rating agency ICRA Limited periodically reviews the performance of the public sector insurance companies. What follows is ICRA's recent rating opinion on the public sector general insurance companies which it has rated at iAAA, denoting highest claim paying ability.

Summary Opinion

The domestic insurance industry has seen considerable expansion since its deregulation in 2000, with both the incumbent public sector entities and the newer private sector companies raising their business levels aggressively. The public sector insurance companies have thus far maintained favourable market and financial positions, largely on the strength of the oligoplistic nature of competition, besides their national presence and franchise, sovereign ownership, low operating and financial leverage, and established reinsurance arrangements.

Additionally, their financial strength has been reinforced by their strong investment portfolios (built up during periods of high interest rates) and their access to good-quality equity portfolios, which provided considerable liquidity and financial flexibility. However, these strengths were partly moderated by certain systemic inefficiencies, and the inadequacy of the tariff structure in certain lines of businesses, which continue to affect their underwriting profitability. ICRA feels that in the emerging scenario, the public sector companies would be confronted with the following challenges:

Increase in competition, which may result in the loss of the more 'profitable' fire and engineering business to the private sector participants, who could score on the service platform.

- ▲ Likely de-tariffing, which could catalyse changes in the pricing environment.
- ▲ Increase in operating leverage and re-pricing of existing investment portfolios, which would mature over a period of time, at lower yields.
- ▲ Likely increase in business sourcing costs.
- ▲ Likely reduction in 'float' availability because of faster claims settlement compelled by increasing competitive pressures.

Background

The public sector companies have thus far enjoyed a sound financial position, achieved on the strength of their favourable capitalisation levels, established reinsurance arrangements, and access to a strong investment portfolio. Over the past few years, however, the pricing insufficiency in the Motor Third Party (TP) business and increasing expense levels have brought considerable pressures on underwriting profitability, with the combined ratio {(Net Claims Incurred +Management Expenses)/ (Net Premium Earned), where Net Premium Earned = Net Premium Written + Change in Reserve for unexpired reserve} for the public sector players, despite the considerable improvement in 2002-03, continuing to remain at high levels. Going forward, ICRA feels that while the market would continue to show good growth—a process that has been aided by the deregulation of the sector in 2000 – increasing competitive pressures, declining interest rates, pricing deregulation, and an evolving regulatory framework would present significant challenges to these public sector companies. The objective of this paper therefore is to examine some of these expected developments and ascertain their likely impact on the future performance of these companies.

Key factors behind current financial position

The public sector general insurance companies – New India Assurance Company Limited (NIAC), United India Insurance Company Limited (UIIC), Oriental Insurance Company Limited (OIC) and National Insurance Company Limited (NIC) – have, until the deregulation of the sector, operated in an oligopolistic environment. The lack of competition and a dominant market presence have, over the years, allowed these companies to establish a strong financial position, characterised by low levels of operating and financial leverage, strong reinsurance ties and a healthy investment portfolio built up during periods of high interest rates. Another source of strength for these companies has been their equity portfolios, which provide them considerable liquidity and financial flexibility.

The underwriting performance of the public sector companies improved considerably in 2002-03, driven by an improvement in the net claims ratio (refer Table 1 for movement in this ratio over the past two years). This improvement was primarily on account of the upward revision in the Motor Own Damage (OD) tariffs and also betterment in the claim performance of the Fire portfolio (largely in the absence of major catastrophes in 2002-03).

Table I: Net Claims Ratio of Public Sector Companies

%

Claims Ratios	2002-03	2001-02
National	83	95
Oriental	79	100
United	90	90

Table II: Combined Ratio of Public Sector Companies

%

Combined Ratios	2002-03	2001-02	2000-01
National	115.3	125.4	114.5
Oriental	113.6	132.9	116.4
United	118.9	118.7	123.1

However, an area of concern has been the underwriting profitability of these companies, as indicated by their combined ratios (refer Table 2 for movement in combined ratio for NIC, UIIC and OIC over the past three years), which despite the improvement in 2002-03 still remains poor. This is mainly attributable to the pricing insufficiency of the Motor business, particularly the Motor TP business, where pricing remains regulated, and the high expense levels of these companies.

Significant market expansion following deregulation of the general insurance business

As has been the case with most emerging Asian markets where insurance has been thrown open to private sector competition, the Indian general insurance market too has seen considerable expansion over the past two years, as the following table indicates.

Table III: Gross premium written

(Rs. in crores)

	2002-03	2001-02	2000-01
National	2,890	2,349	2,117
New India	3,929	3,512	3,041
Oriental	2,782	2,498	2,199
United	2,971	2,781	2,441
Public Sector	12,572	11,140	9,799
Growth %	13	14	
Private Sector	1,307	465	7
Total	13,879	11,605	9,806
Growth %	20	18	

The growth rates achieved over the past two years are considerably higher than the eight to 10 per cent growth seen in the industry prior to the opening up of the sector to private participation. While the private sector has been able to establish its footprint in the Indian market in a short span of time (by capturing a nine per cent market share), the deregulation of the sector has also benefited the public sector insurance companies, which have grown aggressively over the past two years.

Increasing competitive pressures, pricing deregulation to pose newer challenges to public sector incumbents

The general insurance business in India may be segmented into three broad portfolios: Fire, Marine, and Miscellaneous (the Miscellaneous portfolio would cover Motor TP and OD, Engineering, Aviation, Health, and Personal Accident lines of business). Currently, over 70 per cent of the business underwritten (Fire, Marine Hull, Motor and Engineering) is subjected to tariff controls, which results in different business lines having widely varying profitability levels. For instance, while Fire remains highly profitable at the existing pricing levels, the Motor business, with a claims ratio in excess of 100 per cent, is still unprofitable. The TP business, however, remains a tricky issue for the sector, with a claims ratio in excess of 220 per cent and tariff revision being a politically sensitive issue. The pricing insufficiency of this business is expected to remain so at least in the medium term, although of late, insurance companies have been provided some leeway in terms of increasing the loading of premium in certain cases.

Despite the expansion of the market, it is interesting to note that while the more profitable corporate business has driven growth for the private sector players, the public sector companies have relied quite heavily on the retail and Motor portfolios.

The private sector players have focused primarily on the profitable Fire and Engineering portfolios and achieved a fair amount of success in growing their portfolios by leveraging the relationships of their parents, and on the strength of their superior systems support and better claim administration procedures. This is evident from Table IV below, which presents the portfolio-wise premium levels for 2002-03.

The data clearly highlights the focus of the private sector players on the corporate sector, with the Fire and Engineering portfolios accounting for over 40 per cent of their gross premium income. It is also significant that the fire portfolios of the public sector companies has grown only marginally in 2002-03 (one per cent over 2001-02) – a pointer to the extent of competition in this business.

In the immediate future, however, ICRA feels that the extent of competition, particularly in the corporate business, may be tempered by the fact that the private sector players would need substantial reinsurance support to reinforce their low retention capacities if they wish to grow their corporate business from existing levels. But once the private players attain an optimum size and increase their capitalisation levels, they would be in a position to present a considerable

Table IV: Portfolio-wise premium for 2002-03

(Rs. in crores)

	Fire	Marine	Motor	Engg	Health	Others	Total
Public	2,557	1,122	5,037	590	963	2,303	12,572
%	20	9	40	5	8	18	100
Private	416	83	371	128	83	226	1,307
%	32	6	28	10	6	17	100
Total	2,973	1,205	5,408	718	1,046	2,529	13,879

challenge to the public sector companies, which would then need to devise newer strategies to maintain their market position.

The other notable strategy being adopted by the private sector is to maintain a low presence in the Motor business (the exceptions being Royal Sundaram and Bajaj Allianz), which although large, is difficult to administer, given the considerable moral hazard issues involved.

For the public sector companies, on the contrary, the key revenue driver has been their Motor business (although their retail lines of business have also shown good growth, albeit on a much smaller base), which as discussed earlier has historically been loss making.

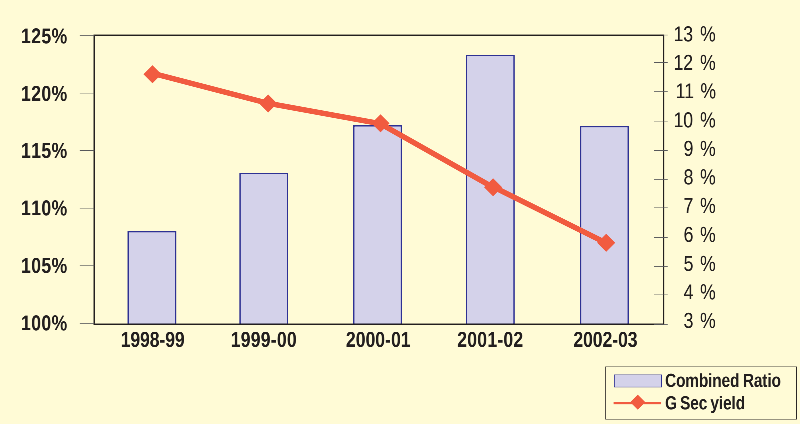
Despite the adverse claim experience of the Motor portfolio, however, these companies have depended on this portfolio for liquidity and growth, given that it accounts for almost 40 per cent of the premium base for these companies and is characterised by high retention levels. The performance of the Motor portfolios of the public sector companies have however shown considerable improvement in 2002-03, following the upward revision in Motor OD tariffs, which has resulted in the net claim ratio for UIIC, NIC and OIC declining from 144 per cent in 2001- 02 to 118 per cent in 2002-03.

The expected easing of regulatory controls on pricing in the medium term would also catalyse changes within the industry, with pricing likely to emerge as an important competitive tool. The impact is likely to be most significant in the profitable businesses (such as Fire), although the currently unprofitable portfolios (Motor) could

The market would continue to show good growth increasing competitive pressures, declining interest rates, pricing deregulation, and an evolving regulatory framework would present significant challenges to the public sector companies.

also see a pricing correction. While it is difficult to predict the strategies that the various players are likely to adopt in a de-tariffed environment, it is expected that the ability to price products appropriately, underwrite prudently and manage expense levels would progressively emerge as the key value drivers for the sector participants.

Relative Movement of Yields and Combined Ratio



Increasing operating leverage and repricing of investment portfolios would need to be countered by considerable increase in underwriting controls. The pricing of a general insurance contract is a function of the expected claim cost, the expenses incurred to source and service a client, and the yield available on the investible surplus. Thus, the price of an insurance contract should, in ideal circumstances, adjust to changes in claim costs, expense levels and investment yields, which have shown a steady and significant decline over the past few years. The movement of the combined ratio (a measure of underwriting profitability), for the public sector insurance companies relative to the trend in G Sec yields, over a five-year period is presented in the graph below.

The combined ratio for the public sector companies had shown an increasing trend until 2001-02, following which it declined because of the improvement in the net claim ratio for these players. While the high combined ratio adversely impacted profitability in the past, the falling yields have not had much impact thus far, as these companies have held on to investments made during the periods of high interest rates. Going forward, however, ICRA expects the profitability of these insurance companies to be strongly determined by the following three variables:

The operating leverage (Operating Leverage: Net Premium Earned/Net Worth) combined ratio, and average yield on investments. In ICRA's opinion, good business growth would lead to an increase in operating leverage. A high combined ratio on a larger premium base would, however, result in an increase in the level of underwriting losses, which would need to be compensated by stronger cash flows from the investment portfolio. Premium growth, despite increasing operating leverage, is however important for two reasons: one because it enables better absorption of fixed overheads, and two, because it increases the float on which an insurance company earns its investment income.

However, given the declining trend in investment yields, incremental fund generation, due to both premium inflow and the maturity of the existing portfolio, would need to be deployed in investment options offering considerably lower yields. In ICRA's opinion, the prospect of declining investment returns, could impact profitability unless these companies adopt strategies directed at considerably decreasing their combined ratio by tightening underwriting practices and reducing operating expenses. The public sector players have, over the past one year, taken certain initiatives towards these ends, but in ICRA's opinion, it may take some time for such initiatives to show results. ICRA therefore expects that until substantial reductions are effected in the combined ratios, these companies would need to rely on profits on the sale of equity shares/traded debentures for bolstering their profitability, which may however lower the liquidity levels and financial flexibility from the existing high levels.

Control over management expenses to remain critical

As discussed, the public sector general insurance companies would need to considerably reduce their combined ratios from the existing high levels so as to ensure strong core profitability. Apart from controlling the claim ratio, efforts would also be needed to control the expense ratio, as defined by the ratio of Management expenses to Net premium, which currently stands at around 30 per cent. A growing challenge for the public sector companies would be the likely increase in business sourcing costs, since the IRDA has now allowed insurance companies to pay commissions up to 15 per cent for detariffed businesses and five per cent for tariffed businesses.

ICRA feels that given the increasing competitive pressures, the public sector companies may have to considerably increase their commission levels to retain/acquire profitable customers, which in turn would impact their expense levels. The impact of the increase in business sourcing costs (brokerage and commissions) could however be mitigated by a reduction in fixed management overheads, such as establishment costs, either through work force rationalisation or closure of non-remunerative branches. Further, the expense ratio could also be controlled by absorbing the fixed overheads through growth in retail lines of business offering good business potential; however, ICRA feels that such growth would need to be supported by adequate underwriting prudence.

> The prospect of declining investment returns could impact profitability unless these companies adopt strategies directed at considerably decreasing their combined ratio by tightening underwriting practices and reducing operating expenses.

Faster claim settlement because of competitive/regulatory pressures to impact liquidity and reduce float availability

Despite their poor underwriting profitability, the public sector general insurance companies have so far been able to generate strong operating surpluses because of good growth in premium levels and the float (arising because of the considerable timing difference between the receipt of premia and settlement of claims) enjoyed by them.

As competitive forces within the Indian insurance market intensify, the quality of customer service provided and the transparency and timeliness with which claims are serviced would increasingly become a key differentiating factor between insurance companies. The public sector insurance companies are weaker on the service platform vis-à-vis their private sector counterparts, and would need to considerably improve and simplify their claim settlement procedures so as to be able to maintain their franchise. This would imply that the insurance companies would be under regulatory or competitive compulsions to settle claims more expeditiously; this would considerably reduce the extent of float available with them.

ICRA however feels that despite such pressures, these companies would continue to maintain fairly high levels of liquidity because to their access to sizeable equity portfolios, which would continue to be valued at a considerable mark-up over their book values.

Conclusion

The outstanding iAAA claim paying ability ratings of public sector general insurance companies, are primarily based on their strong national franchise and presence, besides their sound financial position characterised by favourable solvency, large investment portfolio and strong reinsurance ties. The domestic insurance industry has, over the past few years, witnessed significant changes, with competitive forces intensifying and interest rates (which drive investment returns) declining sharply from the hitherto high levels. Going forward, ICRA expects the Indian insurance market to undergo further changes once regulatory controls on pricing are freed. In the dynamic environment that is emerging, the profitability of the public sector insurance companies is likely to remain under pressure. The ability of these companies to successfully meet competitive challenges and demonstrate improvements in their underwriting practices, costs of operations and claim management and service standards will be critical to support the ratings at the current levels.

Driving into a Detariff Zone

Lalitha Ravindran

If one were to look at the history of the Indian insurance industry, major landmarks have taken place in every other decade starting from the 1930s till the end of the last century.

It was in 1938 the Insurance Act setting the rules and regulations for the insurance market was passed.

In 1956 the Life Insurance Act was passed giving birth to the Life Insurance Corporation of India (LIC).

In 1972, the General Insurance Business Nationalisation Act was passed nationalising all general insurance companies and organising them into four subsidiaries of the General Insurance Corporation of India (GIC).

And finally, in 1999, Insurance Regulatory and Development Authority (IRDA) Act was passed, opening up the industry to private Indian and foreign participation.

The market has evolved with each of these legislations. Insurance is a long-term business and it takes a while for the market to mature and support the economic growth of the country. But can the Indian market wait for another two decades for development of essential support agencies to take place? What does the market require to aid companies in a competitive, regulated and open market environment?

The Indian insurance industry faces multiple challenges today. One of them is the issues involved in moving from a tariff to a detariff market. The last experience, when marine insurance was detariffed in 1994, was disastrous for the industry. The general insurance industry had no clue what awaited them. Premium rates touched unrealistically low levels, leaving the industry reeling for years. The market cannot afford a similar experience.

Insurers, especially the smaller players now fear the move to detariff Motor Own Damage (OD) coverage. The reason, first and foremost, the Indian market does not have reliable, sufficient and detailed data required for actuarial analysis and pricing. Rating, based on limited data could mean a repeat of the 1994 experience. Preferential rating would not be possible. Thus clients, with a claim free track record are clubbed with those having a poor claim record. In a growing competitive environment, can insurers afford to offer a uniform rate to all? Growing insurance awareness brings with it a discerning insuring public who do not accept the 'one rate fits all' policy any longer.

The market today is getting fragmented with the entry of new insurance providers. As far as the private insurers are concerned, at this stage their premium turnover is too small to be used as a base for any actuarial exercise. The public sector companies have a wealth of legacy data, which lies in various dockets around India. Collecting and collating them for meaningful analyses at the time of detariffing Motor and other products while not an impossible task, is extremely time consuming, difficult and expensive. The question is who will foot the bill for this initiative?

Insurers, especially the smaller players now fear the move to detariff Motor Own Damage (OD) coverage. The reason the Indian market does not have reliable, sufficient and detailed data required for actuarial analysis and pricing.

What is the way out for India? A possible road map for India to move to a market experience based rating is to begin aggregating market data immediately. A market aggregator collects and aggregates detailed data from all the insurance companies and offers consolidated data back to the companies. This helps in better pricing, improved market segmentation, optimum reserve creation for unexpired risks and assists in product design.

A market aggregator collects policy and claims information from all the insurance companies in the market and consolidates the data. This is a highly specialised job. With the huge database at their disposal Market Data Aggregating Agencies (MDAA) can design policy coverages, analyse trends and provide other data related services. The market gets to use consistent and sufficiently large data. This makes pricing a lot more accurate and enables insurers to offer preferential ratings. Besides pure actuarial data an MDAA could offer policy wordings, new product designs, possible rating structures and underwriting rules.

This saves the industry valuable resources and time. Individual companies would have to duplicate the task at an incremental price. Experts in the statistical, actuarial and technology fields can be hired for the market as a whole. The best of talents can be afforded because of shared costs.

MDAAs help not only the insurers and regulators but also the customers who would have the confidence that they are priced at an accurate rate based on past claim history and risk profile. The lag time between filing products with the IRDA and getting an approval is kept to a minimum of 30 days (file and use period) since objections from the regulatory angle would be preempted. As an alternative the MDAA could apply for approval from the IRDA and offer an approved product for insurers to launch quickly.

Companies' ability to be respond suitably to the dynamics of the market, meeting regulatory, statutory and legal requirements could be possible with the least turnaround time. This would be the base product. Companies using this service could of course modify the 'vanilla' product to suit their company specific requirements.

This being a purely statistical exercise a large population size coupled with detailed data means better predictions. Predictions based on market data are a lot more accurate than they it would be if based on data of a single company. In a developing market like India it is all the more true, especially for the new entrants who together have a market share of around 10 per cent. Besides, information for a particular line of business, which is new to the company, can be approached more confidently, armed with accurate market experience. This is true even in a large market like the US, where most insurance companies use the products and services provided by the market aggregator, Insurance Services Office (ISO).

The Insurance Services Office (ISO), a thirty two year old organisation in the US, is a popular provider of state approved property and casualty products and services. They hire fellows and associates from the Casualty Actuarial Society (CAS), Certified Property & Casualty Underwriters (CPCU) as well as certified professionals from Insurance Data Management Association (IDMA). They are also supported by legal, government and regulatory experts who analyse the effects of changing legislations and regulations on the business. ISO provides standardised wordings and coverages based on years of market data. This can either be used as is or companies can modify them to suit their own requirements. Everyone, insurers, intermediaries and clients, benefit from ISO with reduced costs, prevent fraud and support competition by providing comparative information to aid decision-making.

What can IRDA do? IRDA has two major roles to play, development of the insurance market and protection of policyholders' interest. IRDA can facilitate the setting up of an MDAA. Regulations require that certain data be submitted to the Authority. But a lot more detailed data is required to be aggregated. This initiative has to begin immediately, when the operations are small and easy to manage and maintain. This way IRDA and the insurance companies become privy to aggregated data. This could be handled by an external agency with proper credentials and resources and enjoying IRDA's confidence.

> This being a purely statistical exercise a large population size coupled with detailed data means better predictions. Predictions based on market data are a lot more accurate than they would be if based on data of a single company.

In India the patronage of IRDA is required at this stage because nobody else is going to be able to manage and invest in such a venture. This will definitely go on to be a self-sustaining proposition being funded by the insurance entities through a fee on products and data. There is no question about the confidentiality of the data being published because these will be generic summarised data and not individual case history. For example, the MDAA will aggregate data on motor vehicles insured in terms of models, makes, seating capacity, driver profile and so on. The rate approval function of the IRDA would be a lot easier and meaningful if it had access to authentic actuarial data.

What are the benefits that the Indian market can look forward to with an MDAA? (See Table below)

In conclusion, the Indian insurance industry could get a boost with access to detailed, accurate market data both historical and current. It is important that this initiative is supported all the way by IRDA. Can the market afford to wait any longer?

The author is Senior Manager and Insurance Business Analyst, Insurance Business Group, Larsen & Toubro Infotech Limited.

Insurance Entity	Benefits from an MDAA
Insurers	• Benefit of complete market data • Shared costs of actuarial analysis • Quick turnaround time to react to changing consumer, regulatory, legal and statutory requirements. • Reliable, accurate and sufficient data to take strategic decisions • Supports competitive pricing but ensures that the limits are not crossed • Supports differential pricing • Assists in predicting losses more accurately • Ensures policy wordings and coverages meet the legal and regulatory requirement • Innovative product offerings
Intermediaries	• Better pricing rationale for their clients • Helps stay competitive
Regulator	• Confidence that products are appropriately priced • Realise the objective of developing the Indian market in a scientific manner • Since loss predictions are more accurate appropriate reinsurance policies can be spelt out • Industry as a whole keeps expenses low thereby supporting the growth of the market • Easy to provide a benchmark rate for the market
Clients	• Gives confidence that the products are priced properly • Gives a choice of coverages to choose from • Access to newer products

Report Card:LIFE

At the Half Year Mark

During the first half of the current financial year, the 13 life insurers have underwritten first year premium of Rs.5,43,595.87 lakhs towards 87,38,024 policies. Of this, individual business accounted for Rs.4,41,760.09 lakhs for 87,32,435 policies. The group business accounted for Rs.1,01,835.78 lakhs for 5,589 policies.

Interestingly, about 60 per cent of the business done by the life insurers during the current financial year has been in the second quarter. Correspondingly, 63 per cent of the policies underwritten during the six-month period have been accounted for in July to September, 2003.

Analysis of individual business statistics shows that LIC accounted for 88 per cent of the business in terms of premium and 94 per cent in terms of policies. As against this, the private insurers captured 12 per cent of the premium and six per cent of the policies. In terms of group business, LIC captured 93.63 per cent of the premium and 93 per cent of the policies.

The twelve private insurers captured only 6.37 per cent of the premium business and seven per cent of the policies underwritten during the period for group business. Further, in terms of the number of lives covered under the various group schemes, LIC accounted for 63.35 per cent, with the twelve private insurers underwriting 36.65 per cent of the lives covered.

A review of the performance of the private players further reveals that ICICI Prudential Life Insurance Company continued to lead with a 3.41 per cent market share of the premium underwritten and 1.29 per cent of the number of policies, followed by Birla Sunlife in terms of premium and HDFC Standard in terms of number of policies. In terms of the number of lives covered under the various group schemes, SBI Life led with 16 per cent, followed by Max New York Life at 8.85 per cent.

Under the Varishtha Pension Bima Yojana launched by the LIC in July this year a premium of Rs.2,28,141.83 lakhs towards 1,32,022 policies has been underwritten. This business accounts for 47 per cent of the first year business by LIC for the half year.

In terms of market share, during the half year ended September, 2003, the market share of the private players, in terms of premium, has gone up to 10.95 per cent as against 5.66 per cent in the Financial year 2002-03.

First Year Premium – September 2003

(Rs. in lakhs)

	Insurer	Premium u/w		% of Premium	No. of Policies/Schemes		% of Policies	No. of lives covered under Group Schemes		% of lives under Group Schemes
		Sept.	Upto Sept.	Upto Sept.	Sept.	Upto Sept.	Upto Sept.	Sept.	Upto Sept.	Upto Sept.
1	**Allianz Bajaj**	**1,244.19**	**4,717.69**	**0.87**	**14,368**	**67,607**	**0.77**	**3,031**	**18,271**	**0.88**
	Individual Single Premium	13.58	253.47		40	663				
	Individual Non-Single Premium	1,228.52	4,442.19		14,326	66,927				
	Group Single Premium	0.76	0.76		1	1		781	781	
	Group Non-Single Premium	1.33	21.27		1	16		2,250	17,490	
2	**ING Vysya**	**306.93**	**1,258.17**	**0.23**	**4,763**	**20,339**	**0.23**			
	Individual Single Premium	0.55	18.85		81	2,773				
	Individual Non-Single Premium	306.38	1,239.33		4,682	17,566				
	Group Single Premium									
	Group Non-Single Premium									
3	**AMP Sanmar**	**174.74**	**655.98**	**0.12**	**4,045**	**13,557**	**0.16**	**5,261**	**30,073**	**1.45**
	Individual Single Premium									
	Individual Non-Single Premium	172.88	589.94		4,043	13,548				
	Group Single Premium									
	Group Non-Single Premium	1.86	66.04		2	9		5,261	30,073	
4	**SBI Life**	**1,230.85**	**3,297.17**	**0.61**	**4,562**	**15,406**	**0.18**	**64,856**	**3,31,489**	**16.03**
	Individual Single Premium	182.47	471.22		290	722				
	Individual Non-Single Premium	196.33	757.15		4,240	14,568				
	Group Single Premium	474.57	1,238.39		4	14		4,682	13,436	
	Group Non-Single Premium	377.48	830.41		28	102		60,174	3,18,053	
5	**Tata AIG**	**1,514.20**	**6,304.14**	**1.16**	**15,545**	**63,305**	**0.72**	**9,912**	**70,506**	**3.41**
	Individual Single Premium									
	Individual Non-Single Premium	1,276.12	5004.25		15,540	63,271				
	Group Single Premium	37.71	195.52		1	1		6,558	43,674	
	Group Non-Single Premium	200.37	1,104.37		4	33		3,354	26,832	

(Rs. in lakhs)

	Insurer	Premium u/w		% of Premium	No. of Policies/Schemes		% of Policies	No. of lives covered under Group Schemes		% of lives under Group Schemes
		Sept.	Upto Sept.	Upto Sept.	Sept.	Upto Sept.	Upto Sept.	Sept.	Upto Sept.	Upto Sept.
6	**HDFC Standard**	**1,122.16**	**6,618.57**	**1.22**	**11,245**	**71,167**	**0.81**	**4,084**	**21,378**	**1.03**
	Individual Single Premium	411.43	2,345.14		921	5,510				
	Individual Non-Single Premium	662.57	4,013.40		10,316	65,602				
	Group Single Premium	48.16	260.03		8	55		4,084	21,378	
	Group Non-Single Premium									
7	**ICICI Prudential**	**5,207.48**	**18,520.07**	**3.41**	**22,640**	**1,13,150**	**1.29**	**4,755**	**6,624**	**0.32**
	Individual Single Premium	877.14	3,805.20		869	4,289				
	Individual Non-Single Premium	4,239.30	14,613.31		21,759	1,08,837				
	Group Single Premium	91.04	101.56		12	24		4,755	6,624	
	Group Non-Single Premium									
8	**Birla Sunlife**	**1,693.86**	**8,241.22**	**1.52**	**8,187**	**37,232**	**0.43**	**11,924**	**37,662**	**1.82**
	Individual Single Premium	110.66	473.08		964	5,045				
	Individual Non-Single Premium	1,439.83	5,916.85		7,211	32,141				
	Group Single Premium	31.77	166.06					236	1,254	
	Group Non-Single Premium	111.60	1,685.23		12	46		11,688	36,408	
9	**Aviva**	**541.34**	**2,214.30**	**0.41**	**5,320**	**27,163**	**0.31**	**5,675**	**20,310**	**0.98**
	Individual Single Premium	24.10	126.20		42	260				
	Individual Non-Single Premium	514.88	2,080.33		5,277	26,898				
	Group Single Premium									
	Group Non-Single Premium	2.36	7.77		1	5		5,675	20,310	
10	**OM Kotak Mahindra**	**516.96**	**2,613.66**	**0.48**	**3,482**	**16,567**	**0.19**	**2,166**	**34,211**	**1.65**
	Individual Single Premium	16.73	192.87		15	124				
	Individual Non-Single Premium	489.57	1,976.81		3,467	16,430				
	Group Single Premium									
	Group Non-Single Premium	10.67	443.99			13		2,166	34,211	
11	**Max New York**	**1,211.25**	**4,367.92**	**0.80**	**9,015**	**43,260**	**0.50**	**77,203**	**1,82,951**	**8.85**
	Individual Single Premium	3.69	45.36		8	71				
	Individual Non-Single Premium	1,005.73	3,970.96		8,992	43,138				
	Group Single Premium									
	Group Non-Single Premium	201.83	351.60		15	51		77,203	1,82,951	
12	**MetLife**	**181.84**	**724.42**	**0.13**	**2,014**	**7,495**	**0.09**	**2,678**	**4,387**	**0.21**
	Individual Single Premium	4.22	16.18		26	95				
	Individual Non-Single Premium	169.23	698.75		1,987	7,398				
	Group Single Premium									
	Group Non-Single Premium	8.39	9.49		1	2		2,678	4,387	
	Private Total	**14,945.80**	**59,533.32**	**10.95**	**1,05,186**	**4,96,248**	**5.68**	**1,91,545**	**7,57,862**	**36.65**
13	**LIC**	**95,223.07**	**4,84,062.55**	**89.05**	**18,60,759**	**82,41,776**	**94.32**	**3,59,667**	**13,10,089**	**63.35**
	Individual Single Premium	4,977.31	23,525.92		6974	38,039				
	Individual Non-Single Premium	68,781.52	3,65,183.34		18,52,567	81,98,520				
	Group Single Premium	21,464.24	95,353.29		1218	5,217		3,59,667	13,10,089	
	Group Non-Single Premium									
	Grand Total	**1,10,168.87**	**5,43,595.87**	**100.00**	**19,65,945**	**87,38,024**	**100.00**	**5,51,212**	**20,67,951**	**100.00**

Playing it Safe

G.V.Rao

The life insurance industry's investment in Government and Other Approved Securities has risen from about 58 per cent to 70 per cent in 2002-03 as against the norm of 40 per cent. The Market Securities levels have fallen to 30 per cent from 43 per cent of the previous year.

The Life Insurance Corporation of India (LIC) with life funds of Rs. 2,27,764 crores, 99.2 per cent out of the total life funds Rs. 2,29,710 crores (Rs. 2,14, 342 crores on March 31, 2002) at the end of March 2003 dominates the investment scene in the insurance sector. The rest of the 12 life players in the private sector contributed Rs.1,946 crores to the life funds representing the impact of liberalisation of the insurance sector.

The IRDA Regulations governing the deployment of investments of life funds have stipulated that not less than 50 per cent of the life funds should be invested in Government and Other Approved Ssecurities; not less than 15 per cent in Infrastructure and Social Sector and not more than 35 per cent in Other Securities subject to specified exposure norms with not more than 15 per cent in Other Than Approved Investments.

In the case of pension funds belonging to his Pension Business and General Annuity Business, every life insurer shall keep invested such funds in Government Securities and Other Approved Securities not less than 40 per cent and the balance in Approved Investments, to be governed by exposure norms, not exceeding 60 per cent.

Life Funds

Against these norms LIC has invested 64.1 per cent (52.9 per cent) of its life funds in Government and other Approved Securities at the end of March 2003. The share of its investments in infrastructure is 13.6 per cent (12.9 per cent): its share of investments in investments subject to exposure norms is 26.3 per cent (34.2 per cent). It would seem that the performance of the stock market has influenced LIC to redraw its list of priorities in managing its life funds. The shift in favour of Government and Other Approved Securities is noticeable. Its life funds grew by Rs. 14, 853 crores (seven per cent) in the year out of a total increase of Rs. 15,368 crores for the life insurance sector as a whole. The increased contribution of the private players is Rs. 515 crores.

The share of LIC in the total life funds of Rs. 2,29,710 crores is about 99.2 per cent (99.4 per cent). The private players have Rs. 1,946 crores (Rs 1,431 crores) as their share of life funds at the end of March 2003. The infrastructure sector has seen an additional investment of Rs. 6,000 crores during 2002-03.

The industry has raised its investments in Government and Other Approved Securities from about 53 per cent in 2001-02 to about 64 per cent in 2002-03. In the Approved and other Market Securities, it has dropped from about 34 per cent to about 22 per cent. This shift may have an impact on the investment returns for the year 2003-04.

Pension Business

In the case of Pension and Annuity business, there is a significant drop in 2002-03 of the invested funds: From Rs. 32, 507 crores at the end of 2001 - 02 it has dropped to Rs.30, 667 crores (5.8 per cent) at the end of 2002-03. It is LIC that has dropped it by Rs. 1,979 crores (6.1 per cent).

The investment of funds in Government and Other Approved

Investment Portfolio - Life Fund

	Government Securities		Other Approved Securities		Infrastructure Investments		Investments subject to exposure norms		Unapproved Investments		Total Life Fund	
	Mar. 2003	Mar.2002	Mar. 2003	Mar.2002	Mar. 2003	Mar.2002	Mar. 2003	Mar.2002	Mar. 2003	Mar.2002	Mar. 2003	Mar.2002
LIC	1,22,655.51	1,09,684.24	1,46,239.85	1,12,736.25	30,998.16	27,292.31	50,526.18	72,882.19	1,119.38	9,648.41	2,27,764.20	2,12,910.75
HDFC Std Life	133.89	84.23	133.89	84.23	39.20	32.12	43.12	20.63	9.11	9.78	216.22	136.98
Max New York Life	38.01	42.19	104.10	106.93	27.12	27.17	15.82	34.67	5.00	7.00	152.05	168.76
ICICI Pru. Life	229.58	106.27	229.58	106.27	63.56	32.55	95.23	33.05	35.84	14.10	424.22	171.86
Birla Sun Life	31.00	38.10	50.05	57.19	15.14	15.18	9.77	27.04	3.02	0.00	77.99	99.41
Tata AIG Life	99.33	74.86	99.33	74.86	24.93	29.98	15.58	34.76	4.39	0.00	144.24	139.59
OM Kotak Life	78.91	59.82	78.91	73.71	26.49	23.57	36.73	45.83	18.25	12.64	142.13	143.11
SBI Life	122.18	76.32	122.18	76.32	31.29	26.93	29.38	28.08	17.96	-15.70	200.81	131.33
Allianz Bajaj Life	100.14	73.45	105.14	73.45	37.68	24.44	48.79	38.77	-0.38	0.26	191.23	136.66
MetLife	57.17	57.59	57.17	57.59	15.18	15.23	10.52	31.16	7.54	15.50	90.41	103.98
AMP Sanmar	65.56		65.56		18.80		9.92	119.75			94.28	119.75
ING Vysya	53.80	42.98	58.80	47.98	15.25	14.99	24.00	17.44			98.05	80.41
AVIVA	66.39		66.39		23.08		26.88		3.49		116.35	

Securities has risen from about 58 per cent to 70 per cent in 2002-3 as against the norm stipulated of 40 per cent. The Market Securities levels have fallen to 30 per cent from 43 per cent of the previous year.

Linked Funds

No specific comments are made as the fund level is not quite large yet.

Conclusion

It is evident that funds have been shifted to safer investment scrips of Government and Other Approved Securities. Whether it was a right choice at a time when the stock markets are looking up is a point to be considered in retrospect. But the role of life insurance industry in the context of the national investment scene is something that needs to be recognised.

The author is retired CMD, Oriental Insurance Company Ltd.

Investment Portfolio - Pension Fund

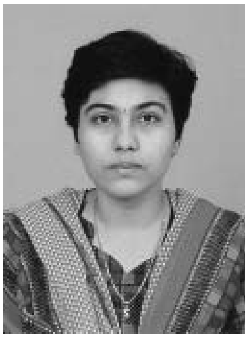
	Government Securities		Other Approved Securities		Approved Investments		Total Pension Fund	
	Mar. 2003	Mar.2002	Mar. 2003	Mar.2002	Mar. 2003	Mar.2002	Mar. 2003	Mar.2002
LIC	16.114.80	18,454.80	21,273.18	18,664.46	9,221.21	13,808.30	30,494.39	32,472.76
HDFC Std Life	35.99	2.20	35.99	2.20	2.86	3.04	38.85	5.24
Max New York Life								
ICICI Pru. Life	57.18	11.68	57.18	11.68	5.22	9.99	62.40	21.67
Birla Sun Life	20.12	4.38	20.12	4.38	8.50	2.18	28.62	6.56
Tata AIG Life	4.27		4.27		6.53		10.80	
OM Kotak Life	0.88		0.88		0.85		1.72	
SBI Life	0.81		0.81				0.81	
Allianz Bajaj Life								
MetLife								
AMP Sanmar	0.13		0.13		0.10		0.23	
ING Vysya								
AVIVA	0.16		0.16		0.06		0.22	

Investment Portfolio - Linked Fund

	Approved Investments		Unapproved Investments		Total Linked Fund	
	Mar. 2003	Mar.2002	Mar. 2003	Mar.2002	Mar. 2003	Mar.2002
LIC	473.63	4.21			473.63	4.21
HDFC Std Life						
Max New York Life						
ICICI Pru. Life	176.56	6.78	5.52		182.09	6.78
Birla Sun Life	68.65	3.49		5.26	68.65	8.75
Tata AIG Life						
OM Kotak Life						
SBI Life						
Allianz Bajaj Life						
MetLife						
AMP Sanmar						
ING Vysya						
AVIVA	9.47		0.02		9.49	

Insuring Insurance Advertisements

Rashmi Abichandani



In the last three years the Indian insurance market has seen the entry of new companies which offer a variety of insurance products both life and non-life. Obviously information to consumers has also increased tremendously, both from the old and, with their addition, the new companies, and this includes information about products and the companies themselves in an effort to reach out to the vast Indian market.

Customers of many products and services, specially in the financial services sector including insurance, suffer from an information asymmetry. With a view to promote healthy communication between the industry and the consumers at large and with a view to check unfair or misleading advertisements that the insurer or intermediary or insurance agent may publish so as to protect the interests of the policyholders, the Authority in exercise of the powers conferred by Section 26 of the Insurance Regulatory and Development Authority (IRDA) Act, 1999, in consultation with the Insurance Advisory Committee has framed the Insurance Regulatory and Development Authority (Insurance Advertisements and Disclosure) Regulations, 2000 (advertisement Regulations)

These Regulations apply *mutatis mutandis* to all insurance advertisement and also empowers the intervention of the Authority when advertisements are not as per the Regulations.

Regulation 2 of the advertising Regulations deals with the definitions. In Regulation 2(b) the term 'insurance advertisement' has been defined to mean and include any communication directly or indirectly related to a policy and intended to result in the eventual sale to solicitation of a policy from the members of the public and shall include all forms of printed and published materials or any material using the print and or electronic medium for public communication such as newspapers, magazines, sales talks, billboards, hoardings, panel, radio, television, website, e-mail, portals, representations by intermediaries, leaflets, descriptive literature/circulars, sales aid flyers, illustrations from letters, telephone solicitations, business cards, videos, faxes, or any other communication with a prospect or a policyholder that urges him to purchase, renew, increase, retain or modify a policy of insurance.

The explanation clarifies what shall not be considered to be an advertisement provided they are not used to induce the purchase, increase, modification or retention of a policy of insurance.

They include materials used by an insurance company within its own organisation and not meant for distribution to the public; communications with the policy holders other than materials urging them to purchase, increase, modify surrender or retain a policy; materials used solely for the training, recruitment, and education of an insurer's personnel, intermediaries, counselors and solicitors provided they are not used to induce the public to purchase, increase, modify or retain a policy of insurance, any general announcement sent by a group policy holder to members of the eligible group that a policy has been written or arranged.

Thus the term advertisement has been eloquently defined in the Regulation. The Regulation lays down the requirements which have to be fulfilled by the insurer, intermediary or the insurance agent for publishing the advertisement through various media including Internet website and e-mail, and thus it would not be wrong to term these as progressive regulations.

In this context I would like to cite an example. There was an advertisement by Company X which offered free insurance on purchase of its product x. The Authority sought clarifications from the insurance company involved. The insurer pleaded that advertisement was not filed with the Authority as it was not an 'insurance advertisement' and that the insurance company had entered into a memorandum of understanding (MoU) with Company X and issued the latter a special contingency policy.

The insurer referred to the explanation appearing in Reg. 2(b) above which says "any general announcement signed by a group policyholder to members of the eligible group that a policy has been written or appointed." The Authority examined the issue and held that the policy is a special policy available to all purchasers of product x and that the purpose of the advertisement was to advance the insurance business of the insurer, as such the exemption sought by the insurer is not available to it and it was held that the said advertisement offended the Regulations and the insurer was directed to discontinue the advertisement. This is one illustration of the vigilance being exercised by the Authority.

One of the most basic and essential requirements is that these advertisements should not be unfair or misleading. The term speaks for itself, however it has been elaborately defined in the Regulations.

One example was where a company offered a huge survival benefit at 80 years for a life insurance policy. The advertisement did not give complete information about the product and only highlighted one of the possibilities, i.e.: of survival up to 80 years.

On looking at the actual product, it emerged that on death before attaining 80 years, the benefit would be lower, and this was not mentioned. Also, the advertisement was considered as misleading as the amount advertised as the benefit for survival up to 80 years was not an intrinsic feature of the product but a benefit related to the level of premium. The insurer was informed of this and did change the advertisement as per the recommendations of the Authority.

The advertisement Regulations mandate that every insurer or intermediary or insurance agent shall establish and maintain a system of control over the content, form and method of dissemination of all the advertisements concerning its policies, shall have a Compliance Officer whose name and official position in the organisation be communicated to the Authority and who shall be responsible for overseeing the advertising programme, shall maintain an advertising register at its corporate office, shall maintain a specimen copy of each advertisement for a minimum of three years, shall file a copy of each advertisement with the Authority as soon as it is first issued together with an identifying number for the advertisement, the term number (s) of the policy(ies) advertised and when the product (s) was approved by the Authority, description of the advertisement and the method or media to be used for its dissemination, shall file a certificate of compliance with their annual statement. As per the regulations any change in an advertisement would be considered a new advertisement.

Regulation 6 requires that every advertisement by an insurance agent that affects an insurer must be approved by the insurer in writing prior to its issue and states that it shall be the responsibility of the insurer to ensure that the advertisements comply with these regulations and are not deceptive or misleading.

Further the Regulation requires the advertisement to mention the full registered name of the insurer/intermediary/insurance agent and that it should unequivocally communicate that insurance is the subject matter of solicitation. This is aimed at ensuring that the identity of the advertiser and his address are clearly disclosed to the public.

Regulation 10 goes a step further and prohibits endorsements and other third party involvement except as provided in the Regulations. The Regulations require every insurer or intermediary to follow recognised standards of professional conduct as prescribed by the Advertisement Standards Council of India (ASCI) and to discharge its functions in the interests of the policyholders. Further it mandates inclusion of the statutory warning regarding prohibition of rebates as prescribed in Section 41 of the Insurance Act 1938, in every proposal for an insurance product.

The procedure of filing of the advertisements with the Authority is with a view to have an eagle eye over the advertisements and to ensure conformity with the Regulations so as to promote healthy communication between the industry and, ultimately, to protect the interests of the public.

The procedure should be changed to ‘pre-use filing’ so that the intervention of the Authority would be more effective and, more importantly, can take place before there is a chance for any damage to happen.

In fact it is not only that the Authority that spots ‘problem’ advertisements, but alert consumers do bring to the notice of the Authority various discrepancies they observe.

The Authority welcomes people to act as its eyes and ears, and help the Authority to help them by bringing to the notice of the Authority any advertisements which are misleading or unfair.

Regulation 11provides that in case of any contravention of the regulations the Authority may either issue a letter to the advertiser seeking clarification within a specific time, not exceeding ten days, or direct the advertiser to correct or modify the advertisement already issued in a manner suggested by the Authority, or direct the insurer to discontinue the advertisement or initiate any other action that may be deemed fit by the Authority. Any failure on the part of the advertiser to comply with the directions may lead to further action including levy of penalty.

It would not be out of place to mention that the Authority has in a number of instances sought clarifications from the advertiser and has in some cases directed the advertiser to correct or modify the advertisement. The entire procedure enumerated above goes a long way in protecting the interests of the public. In my opinion though the ground work is done by the present Regulation and to a large extent the interests of the public is protected, one lacuna needs to be addressed and that is regarding the time of filing of the advertisements with the Authority.

At present an advertisement are to be filed within two days of its first issue. However, if there is a problem, by the time the Authority intervenes the advertisement is already in full public view and the damage already done. So my suggestion is that the procedure should be changed to ‘pre-use filing’ so that the intervention of the Authority would be more effective and, more importantly, can take place before there is a chance for any damage to happen.

This would ensure that advertisements, which are a very essential, effective and powerful medium of marketing products, are also healthy and acceptable so that the interests of the public are better protected. In short a stitch in time saves nine.

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

My Friend, the Insurance Agent

Ramanujam Sridhar

"Other things being equal, people will buy from a friend. Other things being unequal, people will still buy from a friend".

Well, replace 'friend' with brand. A brand, in the insurance sector, or any other sector for that matter, has to feel like a friend.

Which takes me back in time to my youth and my first brush with the insurance industry through an agent.

His name was Sowrirajan; we used to call him Sowri. In a sense he was extended family. I remember him running up and down the choultry taking care of guests at my sister's wedding. He made me take my first life insurance policy at the age of 20. He had planned it in such a way that I would get money at the age of 40 to buy a car. A car! Hardly a priority in the mind of a young bank clerk, who was busy counting other people's money and writing other people's fixed deposit receipts.

Today, I have a car and, although I no longer live in Chennai, another insurance adviser whose name is Rajendran keeps telling me that I am underinsured (who in India isn't?), and how I should get my children insured.

To me, the insurance brand of choice is LIC (which incidentally has 100 per cent share of my family's and my insurance business) and its agents are my only contact point with the brand. Yes, an insurance brand has several people who handle it, all of whom can affect its image.

Building the insurance brand

Branding is all about being unique and differentiated. And this has really been the problem with the insurance branding effort in India. It has been dominated by LIC the leader by far who has been sitting on a gold mine.

The insurable population in India is 400 million with 80 per cent of the Indian population without insurance cover. And the gross premium as a percentage of the gross domestic product (GDP) is a mere two per cent. So actually, most insurance advertising has been sporadic at worst and generic at best. More so in categories like Health insurance where the percentage of total population covered is a miniscule 0.2 per cent!

And in a scenario where, until very recently, LIC was the only player, most advertising tended to be either merely informative or plain dull. Brands can afford to be casual and uncaring in near monopolistic situations. And we have enough Indian examples like HMT that quickly felt the heat of concerted opposition and slowly and steadily declined.

And yet, in all fairness, the LIC brand has not exactly been sitting back on its huge policyholder base. It has improved its responsiveness, service and technology. It is proactive – sending cheques well in advance to reasonably surprised policyholders. Its advertising is better today and yet I must mention this. LIC must shed its public sector baggage; stop working with 10 different advertising agencies, each of which represents the brand differently.

Branding is all about being unique and differentiated. And this has really been the problem with the insurance branding effort in India.

LIC must consolidate its business – clearly, solidly, firmly with just a couple of ad agencies. Is LIC solid, reliable, on the ball and innovative? With it or what? Clearly a company can't be different things to different people or represent different personalities in different ads. And furthering this divide is advertising agencies that agree to disagree. Yes, LIC is improving. It is clearly not an HMT, nor does it wish to be. And ensuring that it is on its toes is a host of insurance brands, who have entered the Indian market with dollars in their pockets and hope in their eyes.

And speaking of LIC, they are sitting on a gold mine of high net worth individuals who are underinsured. LIC has hardly any relationship marketing effort worth talking about. Can it not borrow from the Jet Airways and the Shoppers Stops of this world? Brand loyalty is a terrific thing that brands strive for and rarely achieve. I wonder if LIC is even striving for this.

MNC brands? What will they do?

The fact that MNC brands have deep pockets is well recognised and well documented. And yet, are resources alone sufficient to ensure success? We know that brands like Kellogg's tried to evangelise the concept of having cereals for breakfast. Die-hard idli-vada fans like me never converted to the healthier, more nutritious, cereal. Others, after some time, bought into the concept of 'breakfast cereal' from Kellogg's but went and bought the bag of cereal from Mohan's!

Whilst I have not studied the financial services market to the extent I would have liked to, I can still hazard a guess. The name and size of the international partner may have limited relevance to the Indian consumer. After all, huge conglomerates have been known to wind up their Indian (or Mexican) operations at the drop of a hat. So what's important? It's the Indian partner. Has he been there, done that? What is his distribution? Is he as old as the hills, thereby suggesting solidity and reliability that is often yearned for but rarely achieved? I suspect the ICICIs, Sundarams and Kotaks will do better irrespective of the size of their international partners.

Many of the MNC insurance companies have been involved in some brand building activity or the other. Some have used public relations and others a consolidation of advertising and public relations.

A couple of campaigns come to mind. One recalls the use of Snoopy by Metlife. Clearly a case of concept being extended globally. Without having the benefit of studying the "before" and "after" one can perhaps stick one's neck out and say that Snoopy is not a way to life here in India. Perhaps this is the reason why the ad campaign for Metlife has been recently changed.

Another campaign that one can recall is AMP Sanmar's use of Steve Waugh the Australian test captain who finds India a second home. He is a celebrity here and one suspects that his frequent visits here, exploits on the field and involvement in charity all help.

But otherwise I feel that a lot of insurance advertising is warm, emotive, relationship led and easily interchangeable. An attempt is being made to use humour and one must also not forget that radio is emerging as an option.

Advertising?

Often enough, advertising makes a difference to brands. Just ask Levers, P&G or Nestle. Now what happens to financial products and advertising for them?

I would suspect that in the world of insurance, advertising might be a lot less relevant. It informs, creates awareness and perhaps builds reassurance. But does it actually sell? It may not, but it is a necessary hygiene factor. And yet what can advertising do in a "me-too" world?

In the world of insurance, there seems to be too few Gillette Mach 3s and too many me-toos.

Similar sounding, similarly named, similar returns products. This results in too many similar looking ads and brands, confusing the consumer or having her plain disinterested.

(Gillette is an amazingly successful company that has come up with products that are superior in performance to whatever the competition is offering. Earlier it was the Gillette Sensor now the Mach 3, which has three blades, clearly superior to the competitive offerings).

To talk about something that is inherently superior seems possible and feasible and yet how many of us have this advantage? Similar sounding, similarly named, similar returns products. This results in too many similar looking ads and brands, confusing the consumer or having her plain disinterested. So which insurance company can come up with a financial Mach 3? Yes, there's an opportunity somewhere. And which insurance company can build a clear, distinct, corporate image for itself?

So what's the future?

The future of branding in the insurance industry is in strategy. Gary Hamel said, "If a company is interested in understanding the future, most of what it needs to learn, it must learn outside of its own industry".

Well, clearly the insurance industry must look outside. What did Titan do? It realised that gifting was not a fad but a trend. Rather it created the trend. Today, gifting occupies 55 per cent of Titan's sales. What did Intel do? It talked to the end consumer when it was so easy to talk to the original equipment manufacturer.

Strategy can and will be the cutting edge. The trouble is that brands tend to worry (at times unduly) about the short term. Successful brands think long term and act short term. Insurance companies have to be here for the long haul.

Yes, India beckons. The question is, "Do you have it in you?" And the answer to the question is simple. My friend, the LIC agent was strong on personal relationships but low on competencies. Today's new breed is probably more competent, but many not have a network or relation building skills. The brand that will make it in the future, will have this unique blend of friendship and competence. So my friends in insurance, "Just do it".

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Building a Brand

- the ICICI Prudential Experience

Saugata Gupta

When the insurance industry was first opened up and private players entered the field in 2000, there was a host of challenges that lay before them. Consumer attitudes towards insurance were largely indifferent, and insurance was regarded as an inflexible, tax-saving product that offered low returns. Rarely was it recognised for the multi-dimensional protection instrument that it is. Service levels were low, products were not transparent and were typically sold as the 'one-size-fits-all' kind, with very little relevance to a consumers' actual need.

The most broad-based challenge for all companies was to spread awareness about life insurance – how it works, its benefits and most of all, its absolute necessity for anyone who has dependents. At a more company-specific level, the task for ICICI Prudential was to build a relevant brand that customers could trust.

Being a frontrunner in the life insurance industry, ICICI Prudential has always performed both the category task, as well as the brand task, with the help of advertising and public relations (PR). The company's initial campaigns addressed various myths and misconceptions about life insurance, seeking to change customer attitudes.

For instance, life insurance had long been regarded as expensive, rigid, difficult to understand and good only for tax saving. As a result of ICICI Prudential's advertising, life insurance is now increasingly seen as a complete solution to meet one's myriad needs - health, wealth, life, child protection and retirement. It's a financial product that provides a stable return on investment, protects life at affordable cost, secures a child's future, does retirement planning in the most effective way and provides additional health protection. It is now an integral part of the consumer's wealth management basket.

The other major communications task at the time of launching operations was to present the visiting card of the company to the public at large and build credibility and stature, so as to give the consumer the confidence that 'here was a company that could be trusted to invest funds with'. This required a corporate campaign, which started with advertising to establish the brand, build awareness and give the brand a larger than life image. The aim was to position ICICI Pru as the new and modern face of the life insurance provider in India and change the perceptions of the target audience to view insurance not as a compulsory tax saving instrument, but as a means to lead a worry free and secured life.

> Once the corporate image and brand identity were established, we had to give the customer a rational and tangible reason to buy – first of all insurance, and secondly, from ICICI Prudential.

Amongst ICICI Prudential's innovative steps was the introduction of lifestage and need-based solutions selling, thereby unshackling the category and meeting specific customer needs. The brand proposition for all the ad campaigns was reflected in the line "We cover you. At every step in life", i.e. that ICICI Pru Life is the only private life insurance company that provides consumer insurance solutions which are relevant to the unique needs at every stage of life. The campaign also provided several lines of support serving to inculcate trust and belief in the company, such as the competitive advantage or product performance, a showcase of products available for different segments, the flexibility and value addition in products and the sound financial backing and credentials of ICICI and Prudential

The advertising idea was encapsulated in an endearing, lasting and universally recognised symbol of protection – the 'sindoor'. The company launched a mass media campaign including print, outdoor, Internet and radio and finally culminating in the corporate film. With the geographical expansion of the company, TV became a viable medium and the corporate campaign was run on TV, because the medium lends itself well to an emotional type of film that strikes a chord with the audience.

This campaign contributed extensively to raising brand awareness of the company and was short-listed as one of the 12 most effective campaigns for the year 2001 in the Effie awards. The Effies – the name signifying that the awards are for effective advertising - are amongst the most significant international advertising awards because they lonour the one truly important achievement in advertising - results, i.e. how the advertising really worked for the brand. In another major achievement, ICICI Prudential has, this year, been selected as a Superbrand, making it the only private life insurer in the country to receive this honour. As a Superbrand, ICICI Prudential is in the company of international behemoths like Coke, Levi's, Adidas, Sony and McDonalds; as well as Indian brands like The Times of India, Jet Airways and Raymonds.

Once the corporate image and brand identity were established, we had to give the customer a rational and tangible reason to buy – first of all insurance, and secondly, from ICICI Prudential. This brought us to the next phase of communication - to inform the consumer about the comprehensive product range and present the benefits of the same.

This was tackled through product advertising, which gave the customer information that would help him/her make a decision. ICICI Prudential launched product-specific advertising campaigns for most of its products - largely through print and outdoor advertising - once more performing a category task, particularly in the retirement solutions and child solutions category. The retirement solutions campaign attempted to drive home the benefits of early retirement planning, while the SmartKid campaign educated customers about a life insurance product that would leave nothing to chance in providing for their child's future.

In fact, the retirement solutions campaign launched last September marked the first time that a private life insurer ventured into TV advertising for a specific product category and was one of ICICI Prudential's most effective campaigns, highly successful due to the integrated efforts of product development, advertising and direct marketing. Recognising the dire need for systematic retirement planning amongst the Indian public early on, ICICI Pru invested the necessary resources in building awareness and introducing products. The challenge in this slow growth, low awareness, category was to re-position the traditional concept of retirement planning and create relevance for it among the 30 to 40 years age group that traditionally had many emotional barriers against retirement planning.

The word 'retirement' itself brought to mind all the negatives associated with old age – mainly the loss of social, financial and physical independence - causing 'avoidance' or deferment of any decision relating to planning for retirement. ICICI Prudential launched a campaign specifically to address this psychological barrier by offering a fresh perspective: be forever young and lead an unchanged life – an aspirational appeal for the target group.

The advertising campaign was complemented by other activities like seminars to spread awareness about the need for retirement planning and direct marketing innovations. The efforts paid off, and ICICI Pru increased its market share of pensions market to 23 per cent of the total pensions market and 73 per cent amongst the private players in the market within six months of launching its retirement campaign. The company also won a silver in the Effies 2003 for its retirement solutions campaign.

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Moreover, according to recent syndicated ORG MARG studies, the ICICI Prudential brand name and

advertising had the highest recall amongst all private players, and was only marginally behind LIC. On a cost per saliency point basis, ICICI Prudential, with an advertising budget of about Rs 20 crore in FY03, stands as one of the most efficient advertisers in the category.

Three years since the liberalisation of the life insurance industry, we see consumers becoming increasingly aware of and actively managing their financial affairs. They are looking to insurance companies to offer them a complete solution and one of the biggest challenges facing insurers is to continuously re-evaluate customer needs and develop products to fulfill this need.

ICICI Prudential's strategy is to remain customer-centric in all that it does, thereby constantly evaluating and meeting customer needs. Regular focus groups, individual meetings with customers, listening to the Voice of the Customer, etc, are all methods that the company implements to ensure that the customer remains central to the ICICI Prudential's being.

The author is Chief – Marketing, ICICI Prudential Life Insurance Company.

LIC's Advertising Odyssey

H. Narayanan

Since Saturday September 5, 1956, the day on which the first advertisement of the newly formed Life Insurance Corporation of India (LIC) appeared in Indian mainline papers, various campaigns, commercials and jingles have informed and moved the readers and prospects of the corporation.

LIC launches various advertising campaigns to meet its corporate objectives. As a provider of a service the task of the corporation in achieving its advertising objectives is more difficult compared to the marketers of tangibles.

As Mr. G. N. Bajpai, a former Chairperson of the LIC, once mentioned in a press interview, three major factors influence the advertisements of the corporation. That life insurance is a one-to-one business and not a mass product, that the major part of the business is finalised in the drawing room of the client and finally, it is the brand and the confidence level of the people that matter. Various campaigns of the corporation aim to address these three major tasks.

Over the years the various advertising and publicity campaigns of the LIC were conceived to meet the following objectives:

- Creating awareness in the mind of the public about the need for life insurance
- Promoting and positioning various life insurance products
- Corporate branding and societal marketing
- Highlighting the various customer centric activities including consumer education

To achieve the corporate objectives through a structured publicity programme the corporation in the mid 1990s adopted the Publicity Policy with well-defined mission statement and statement of objectives. This policy aims to translate the corporate aspirations into meaningful achievements.

From the 50s to the 90s, globally the concepts in advertising underwent a metanoia and, keeping pace with these changes, LIC has also defined and redefined its advertising and publicity strategies.

During the nascent years of the corporation, and up to the middle of the 1970s, the basic task was to create awareness in the minds of the Indian public about the importance of life insurance as a financial security instrument for the family and also to build corporate image.

In those days when the reach of the media was very limited many of the advertisements of the corporation failed to make any impact in certain parts of the country. The visuals and the copy did not blend with the socio-cultural fabric of many states particularly in the Southern regions of the peninsula. In subsequent years in conformity with global changes and challenges the layout concept and copy platform also changed and the advertisements started having a universal appeal.

> Many may not know that the phrase, 'Yogakshemam Vahamyaham' (Your welfare is my responsibility) is from the Gita, but everyone knows the lines mean the security of life insurance.

As an example as to how the approach has changed over the years one may cite the 2002 campaign 'A touch of Warmth…A feeling of security' with the visuals of the intertwined legs and feet of a child and its parents eloquently portraying the warmth of togetherness and the security of life insurance

Similarly another recent campaign 'Love… Care, Support & LIC' has impressive and non-controversial visuals and supportive copy. Had the same advertisement been produced in the 60s or 70s the models would have been clad in costumes familiar to the Northern eye and almost alien to the traditions of certain other regions of the country.

But back to the very beginning.The everlasting contributions for the pan-national image of the LIC came from two sources. Surprisingly the suggestion for the slogan came from an insignificant cog in the bureaucratic machinery of New Delhi's North block. S. Ananthachari, Stenographer to the then Principal Finance Secretary, suggested a verse from Chapter IX of the Bhagavad Gita - the song celestial.

Many had reservations about choosing a line from the scriptures as a slogan for a public corporation. But the then Finance Minister Chintaman D. Deshmukh went all out to accept this line from the Gita without any tinkering, and the rest is history. Many may not know that the phrase, 'Yogakshemam Vahamyaham' (Your welfare is my responsibility) is from the Gita, but everyone, from the snowcapped Himalayas to the surf drenched coasts of Kanyakumari, knows the lines mean the security of life insurance.

The logo of the corporation, slightly scooped palms of two hands protecting the flame of life was conceived and designed by Advertising & Sales Promotion Associates, a leading advertising agency, from which Radeus and Da Cunha Associates branched out and became the principal advertising agencies of the Corporation. In course of time, considering the expansion of the business and to bring in better transparency in its publicity activities, the Corporation enrolled more agencies.

To handle the public relations and publicity activities of the fledgling organisation in 1957 a Publicity & Public Relations Department was formed at the Corporate Office of LIC at Mumbai with P. U. Oza heading it. The first publicity budget was Rs. 12.50 lakhs! The amount that was considered a mega advertising budget in those days, appears a small speck before the present publicity budget of around Rs 100 crores of the Corporation. Considering the need to create awareness about life insurance in the country more than 70 per cent of that initial budget was earmarked for press campaigns and the rest for other publicity activities.

In the same year LIC also brought out its house journal 'Yogakshema'. The first issue was released in May 1957. This house journal of the LIC, which is considered one of the best corporate house journals, received its first award in 1960 at the All India Printers Conference at Bangalore and in 1964, the first prize in the category of periodicals in English for design and excellence in printing. The award was bestowed by the then Vice-President of India Dr. Zakir Hussain. Thereafter Yogakshema continues to be on a winning spree. It has won awards under different categories from the Association of Business Communicators (ABC) Press & Public Relations Association (PAPRA) and the Public Relations Society of India (PRSI).

The advertising team of the LIC also received recognition in the same year for its creative excellence for evolving a uniform pattern of business and identifiable public image. The award, Khatau Gold Medal, was given by the Indian Society of Advertisers.

Corporate sponsorship of art and artists is a now fashionable way to also achieve publicity. In 1963 – forty years ago - the LIC conducted a competition to select a mural for its entrance at Yogakshema, its new corporate office that was inaugurated on November 26, 1963 by Jawaharlal Nehru. One of the winners was, hold your breath... M. F. Hussain, and he was paid Rs. 1,000 for the painting! (Hussain's 1961 canvass 'Bulls' sold for a whooping U S $1,07,550 at New York on September17, 2003.) The other winner, K. K. Hebbar, was also paid the same.

Even now both the murals adore the West and East wing entrances of Yogakshema. The original canvas along with that of Hebbar and many others are in the collection of the Corporation.

Till the mid 1980s the advertisement of the LIC were in the nature of institutional advertising and for product promotion. A beginning towards target specific campaigns started in 1964 on the birthday of the first Prime Minister of India. In those days when children were not considered important purchase decision influencers, every year on November 14 the LIC used to come out with an advertisement on the theme of children as a mark of respect to the first Prime Minister of India Jawaharlal Nehru who was fondly called 'Chacha Nehru' by children. Surprisingly at a time when all the insurance companies chase children as a major segment LIC appears to have given up its pioneering effort in creating awareness in the minds of children about life insurance security!

> The branding of LIC's products under the blanket 'Jeevan' was conceived way back in the 1980s when the concept of brand building in Indian marketing circles was in its infancy.

LIC's concern for life insurance for women started long ago. In 1983 when the society looked at working women as a second pay-cheque LIC recognised her importance to the family as a mother, wife and office-goer. LIC's campaign targeting women received the highest creative excellence award for 1983. Similarly the 2002 campaign 'Jeevan Shree for Successful Women and Men Too' received wide acclaim for its headline projecting women as the primary target, a refreshing change from other financial advertisements.

In 1987 LIC ventured into the new medium of television serial sponsorship. It sponsored the well-known Children's' programme 'Puraskar' as a Sunday morning slot in the commercial channel of the Doordarshan. The programme that was about children who received President's Award for showing outstanding presence of mind and bravery. From then on LIC started sponsoring many TV serials and produced one called '*Kuch Khoya Kuch Paya*' based on G. N. Dandekar's Marathi novel Padugavali. The title song for the serial was by Lata Mangeshkar and the serial was on air during December 1989 to April 1990.

In a competitive market, brand building is *sine-qua-non* for the success of any product. As far as the life insurance industry is concerned LIC pioneered branding and brand building. The branding of LIC's products under the blanket 'Jeevan' was conceived way back in the 1980s when the concept of brand building in the Indian marketing circles was in its infancy.

During the launch of two innovative products 'Jeevan Mitra' and 'Jeevan Saathi', the Corporation thought of promoting the plans of insurance as a tangible product instead of describing the generic benefits through lengthy copy as was the practice till then. The idea was to make the customers familiar with the brand and its attributes. These two products launched in July 1985 under identifiable brand names set the trend for LIC's future advertising, which continues even now with Jeevan Bharati being one of the new additions.

The Jeevan blanket for an intangible financial product was well received by the public and media alike. Marco, a well-known columnist of those days, highly commended this innovative branding in one of his columns in the Economic Times. The then Union Finance Minister, Mr. N. D. Tiwari, while launching another LIC product spoke highly of the poetic appeal of the brands. And years latter the same sentiments were echoed by another Union Finance Minister of the time, Mr. P Chidambaram, in his budget speech of 1996. He specifically appreciated the powerful 'Jeevan' brand registration in the public mind. Since then brand building has also become an important concern.

From 1967, the year in which commercial broadcasting started at Akashvani, Mumbai, LIC has been using the commercial channels of radio as an effective medium to reach various target groups, particularly the rural segments. Many LIC jingles won prestigious awards like the Advertising Society award, Radio Advertising Practitioners' Association (RAPA) award etc. It may be interesting to know that many of the star play back singers of India like Kavitha Subramaniam (nee Krishnamurthy), Hariharan, Suresh Wadkar et al had lend their voices to the various jingles of LIC during their upcoming years.The present writer remembers Kavitha and Hariharan as versatile, talented and unassuming youngsters. The colonial cousin had no chignon in those days. Wadkar had his own style and had established himself as a singer of distinction.

From the early eighties consumers became more aware of their rights and many criticisms were also voiced against the functioning of the Corporation. The Consumer Education & Research Centre (CERC) Ahmedabad, launched a scathing criticism of LIC through its monograph 'A Fraud on Policyholders- a Shocking Story'. To clear the misgivings and to highlight the socially meaningful role of the corporation the LIC launched advertisement campaigns in the form of institutional advertisements. Apart from the regular advertisements the corporation also sponsored a column called *'lici'* written by a well-known columnist in an advertorial style.

As a further step to minimise misgivings, the corporation also started many consumer education campaigns familiarising the customers with various 'Dos & Don'ts' The corporation manifested its customer centrist approach through a good typographic copy titled 'LIC has only one policy, to serve the people of India better…' Another campaign 'Re-kindle security' impressed the revival of lapsed polices and another one as a command copy educated the customers on the importance of nomination, age admission,

From 1967, the year in which commercial broadcasting started at Akashvani, Mumbai, LIC has been using the commercial channels of radio as an effective medium to reach various target groups, particularly the rural segments.

keeping the policy safe, promptly informing changes of address etc.

To instil a sense of pride about the profession of life insurance agency, LIC launched agents oriented campaigns like 'Your friend in need' 'Who is the Agent in this picture?' 'Life, as an LIC agent' and a celebrity endorsement print and electronic media campaign featuring the well known LIC agent, Mrs. Ritu Nanda.

LIC 's public service campaign in connection with the 30th anniversary of the corporation received an award for excellence in communication in the Black & White advertising category from the International Advertising Agencies Association at Australia during their Australian Continent Annual Meeting. The award had to be for B&W for LIC started its foray into colour only from the middle of the 90s to match the advertising blitz of the private entrants! Nowadays the print and electronic media advertisements of the corporation are excellent and some of them match global standards.

LIC is one of the pioneers in India, along with the house of Tata, in subscribing to the concept of societal marketing. The various steps the corporation had taken to enhance the quality of life would be beyond the scope of this article. However to create an awareness in the mind of the public that the policyholders' money is ploughed back for nation building activities the corporation occasionally releases advertisements highlighting its investment activities under a suitable base line 'People's money for people's welfare.'

As an organisation committed to the philosophy that handing over a liveable earth to the progeny is the responsibility of the present generation, LIC releases advertisement emphasising the importance of the environment on April 22 World Earth Day. During Diwali of 2002 the corporation came out with an impressive advertisement highlighting the need to avoid pollution.

The corporation's concern for a safer world is reflected in many of its print media sub-tags. Eg. 'Cigarette smoking is injurious to health' 'Prevent pollution - check your PUC regularly' 'Water is precious - conserve it' 'Save water it's a national resource' 'Preserve the wild - it's free but precious' et al. Of late such meaningful taglines are obvious by their absence, will the Corporation reconsider?

Around this time the LIC conceived a new tag line for its print media, 'In the Service of the People'. This line had meaning when the public sector was perceived as a white elephant. After a long time, keeping in tune with the changing times the tag changed to read, 'We Know India Better', a covert signal to the new entrants that they were yet to feel the pulse of the Indian market and also a veiled reply to a couple of foreign insurance companies who tried to pique the LIC with their pre-entry campaigns!

During the last 47 years LIC had brought out many print and electronic media advertisements known for their terseness in communicating the message, and also for their *elan, eclat*, and elegance. One or two of them for their *faux pas!*

For example when the corporation launched its most popular pension plan 'Jeevan Dhara', the TV spot of 30 seconds modelled cute toddlers. The video indeed was a visual delight. LIC received many congratulatory phone calls, some expecting mothers even wished that they should have babies as cute as those in the commercials! Grand parents wanted to gift Jeevan Dhara to grandchildren. But all the vibrant enthusiasm to sign on the dotted lines wilted when they came to know that the product was for 50 + blokes!

Similarly LIC never thought that the Estate Duty, a big selling point in those days would ever be abolished. Not knowing the Estate Duty will be abolished the LIC scheduled a campaign to be released on March 1, 1985, with convincing copy as to why one should opt for life insurance for saving Estate Duty. But the Finance Bill abolished the Duty and the advertising department of LIC had to burn the midnight oil chasing the publications with stop release orders! Still in some publications the advertisement and LIC had to put up with the embarrassment!

The advertisements of LIC are indicators of the changes in social values. There was a time when widowhood and death were anathema and were carefully avoided in the copy. An LIC calendar of the 1970s that caricatured a wife asking her sick husband whether he had paid his LIC premium received such flak from the public and the agents saying that the depiction of a housewife in that light was derogatory to the Indian ethos and womanhood. If the author remembers it right, the cartoon was by Ahmed. But now when Sudhir Dar shows a newly married couple rushing to the LIC office in their wedding finery everyone enjoys the joke!

While on cartoons it may be worth mentioning that the inimitable R. K. Laxman took a dig at the Government's populist loan mela in his famous 'You Said It' pocket cartoons. Looking to a loan mela the Common Man thinks that in future people may not be satisfied with 'free' loans, but may demand free LIC policies!

Keeping in tune with the changing times the tag is changed to read, 'We Know India Better', a covert signal to the new entrants that they were yet to feel the pulse of the Indian market

Talking of free life insurance policies, for the first time the LIC decided to honour the Indian medal winners at 1986 Seoul Asian Games. All the 37 medal winners (5 Gold, 9 Silver and 23 Bronze) were presented with free life insurance policies of different denominations, premium prepaid by the LIC. The beneficiary included India 's sprint queen P. T. Usha.

For rural publicity, apart from wall writings, slides in cinema theatres, puppet shows, katha kalakshepams (public story recital) etc since 1959 LIC has been using mobile publicity vans and, due to the advent of television and availability of cable channels, even in remote areas these vans had become obsolete and some of them were converted to ambulances and donated to charity organisations!

While promoting hoardings the corporation had also learned to take various criticisms in the right spirit. This was aptly brought out in a regional house journal of the corporation. In a cartoon the boss looks through his office window and tells his secretary, "This office had a wonderful view until this horrible hoarding came up in front."

It was this spirit of the corporation at every tier to take criticism in the spirit with which it is to be taken and redress the grievances of the clients that has made the LIC what it is today.

Two of LIC 's posters a ' A Symbol of Love' and 'An Everlasting Bond' received universal appreciation. Around the same period LIC's poster 'Hands that work-Hands that protect' designed by then photographer of LIC, Yash Mehta, won the CAG award.

Since the production of its first documentary 'A Wise Policy' in 1958 LIC's foray into the production of documentaries started. Based on the poster copy, 'A Symbol of Love' the corporation commissioned the well-known documentary film maker Dr. S. Krishnaswamy of "Indus Valley to Indira Gandhi" fame to make a documentary bringing out the various aspects of its performance from 1956 to 1986.

The present commercial voice-over tags of the Corporation 'Jeevan Bima-Zindagi ke saath bi- Zindagi ke baad bhi' is a terse, vigorous and energetic message, a message that motivates the agents to executives to face new challenges.

Maybe LIC could think of producing a documentary in 2006 during its Silver Jubilee Year bringing out its inseparable involvement with India and its people for the last fifty years.

The author is retired Chief, Public Relations and Publicity, Life Insurance Corporation of India (LIC)

Differentiate or Die

R. Sridhar

That's the name of a book by Jack Trout, one of the authors of another famous book "Positioning – the battle for your mind."

'Differentiate or die' came to my mind as I keep seeing the sameness in most insurance advertising. Early in the advertising business my erstwhile boss Mr. S. R. Ayer at Ogilvy & Mather taught us two tests to check advertising effectiveness.

- "So what?" he would ask anytime we showed him some work. If your advertising was built on a weak premise, didn't have a relevant, compelling promise in an engaging manner, it did not stand the sharpness of this question. We just had to get back to the drawing board. It meant the death of all pompous, self-congratulatory advertising.
- "Mask the logo" test. Take any advertising and mask the logo. Can people recognise the brand? If they cannot, or they confuse it with your competitor, you are in trouble!

Interestingly another famous advertising creative genius – Neil French – argues that the tone and style of your advertising should be so distinctive, that you cannot be mistaken for someone else. Like Amitabh Bacchan's voice or Dilip Kumar's voice or, for that matter, even Johnny Lever's voice. Neil French says that well crafted copy that manages this can actually get rid of the logo, conventionally displayed on bottom right hand corner.

I started out by talking about differentiation, because I see the sameness in insurance advertising. From just five insurance companies in 2000 you now have 26 companies, since the insurance sector was opened to private operators too. In this clutter mediocrity and sameness will abound.

Imagine you have to advertise an insurance plan that helps you with post retirement income. What do you show and what do say? You and I can easily think of what most insurance companies will do. You will see predictable 'A' for Apple kind of work. A plan for children's education will show children. A retirement plan will have to show a grey haired gentleman with his gracious looking wife. An accident plan must show crutches. You will be assaulted by visual and verbal clichés. Some might be better produced, but most will be similar.

> It is not what our message does to reader, but what the reader does with our message that determines the success of our advertising and, indeed, the brand.

Seasoned creative people will desist this 'category' behaviour. What does this mean? Let us take the Fevicol advertising campaign. Most adhesives might work hard to tell you that their adhesives are the best. Fevicol on the other hand has seized the high ground on bonding and owns it. Fevicol constantly finds fresher interpretations for it. It has become a metaphor for 'sticking together', 'staying stuck' etc. What is the proof that it is so? You see cartoons that use this idea. I have seen movies where a character is stuck and the other is saying something like "Kyon, Fevicol lagaya kya?"

Fevicol broke the rules of the category. That is what we mean by desisting category behaviour. This becomes critical when there are more players, many brands, and severe clutter and there is no clarity or distinctiveness. Amul stands apart through its distinctive style in the hoardings. Cadbury's can't be mistaken for any other chocolate. Asian Paints can't be confused with any other paint.

Building preference for your brand in a crowded world of confusing options is the role advertising has to play in the insurance business. Today that preference finally rests in the hands of the agent, whether we like it or not. What difference is there between LIC, ICICI Prudential or Tata-AIG for instance? LIC has been in the business longer. Other than that I would think they are all equally trustworthy. Frankly I don't remember anything distinctive about their advertising to ring a bell.

Here is the real issue. If I want to look at a life insurance policy today whom do I call first? Who is on top of my shopping list? That is the challenge that insurance companies face. To be on top of the shopping list.

In the old days advertising bore most of this burden of differentiation. All things being equal advertising built an affinity to your company/brand and made it desirable. Today the situation is much tougher.

Customers have very little time; they are under pressure and seek instant answers for everything. Your advertising can be great and the consumer feels motivated enough to call your company. You can lose this prospect because the call was badly handled or in a poor sales call. But the matter does not end there though. Customers talk and exchange notes much more than before. The Internet is another great vehicle to share bad experiences. Such stories spread like wild fire.

Insurance companies must therefore see this entire game of acquiring customers in a holistic fashion. The first step however is to get a share of the customer's mind. And stand apart.

For this we must understand how advertising works. Most people think that creating awareness and recall is the purpose of advertising. (You just have to read the strategy statements and preambles to campaign presentations by agencies). It is a given. Nobody creates advertising to go unnoticed or be forgotten. There is more to advertising than awareness and recall, because awareness and recall by themselves don't guarantee a favourable disposition towards your brand or its purchase.

It is not what our message does to reader, but what the reader does with our message that determines the success of our advertising and, indeed, the brand. Communication occurs when the audience does something with our message. Because people are not passive sponges just waiting there to receive our messages.

Therefore we should be thinking not about what we are going to tell them, but about what we want them to think, feel and do after seeing our messages. Responses should be the name of the game.

Every piece of advertising creative is up against mental cages that all of us have constructed over the years. The bars of the cages are all the things that life has taught us. Our knowledge, our attitudes, our values, our beliefs, our convictions. As the cage becomes stronger and more complex, we feel increasingly comfortable inside it and increasingly confident in our ability to cope with the world beyond the cage.

This cage is the most powerful element in our communication process. It acts as a filter in the process of interpretation. Because we look at the world through the bars of the cage, the bars impose their own pattern on what we see.

Advertising has to find ways to penetrate the bars of this cage. You can penetrate the bars of the cage by sending a piece of news, support and encourage feelings and behaviours, base a message on some existing part of the cage, share experiences or answer dreams. Merely throwing messages at people and expecting people to act is wishful thinking.

This is the biggest challenge before the insurance companies in India. For instance one of the beliefs could be "All insurance companies are the same".

There is more to advertising than awareness and recall, because awareness and recall by themselves don't guarantee a favourable disposition towards your brand or its purchase.

How does advertising tackle this? Creating preference for their brands through differentiation and penetrating the bars of customers' mental cage is the biggest task for advertising.

It will be interesting to see who moves first in this direction. Your guess is as good as mine.

If you are a manager or an executive in one of the insurance companies,

I strongly urge you to subject all your work to the following three tests.

- So what? Ask 'So what?' to the claims that are being made in your advertising. If they sound weak or irrelevant you can catch it early.
- Mask the logo. And check it with several people. If you advertising looks or sounds the same, you know what to do.
- Bars of the cage. Understand which bars of the consumer's mental cage are you addressing through your advertising.
- Have photographs of your prospects on your walls. Imagine how your advertising will appeal to that man in Pollachi, the lady in Nagpur or the old man in Kolkatta.
- See plenty of good advertising that stands apart in its category. Observe rule breaking advertising and analyse why they succeed.
- Insist on seeing competitive advertising every time you are presented new work.
- Look at insurance advertising that worked in developed markets. Study path breaking work.
- 'What if?' Challenge the agency to go completely visual. If they were not allowed to use words what kind of pictures would they use? How? And why?
- Constantly challenge unwritten rules and assumptions.
- Don't be afraid to demand great advertising.

If you are agency professional you just do two things.

- Put yourself in the shoes of the client. Go through points 1 to 10.
- Put yourself in the shoes of the reader to whom the advertising is targeted. Be honest. Would you really read this advertisement? Leave alone respond to it? Listen to your honest free mind. If you find yourself humming and hawing you should be looking to changing the work.

The author has been in advertising, direct marketing and brand consulting for over 30 years now. His professional consulting firm, Ideas-RS (www.ideasrs.com), works in the area of corporate innovation and creativity and focuses on "helping individuals and organisations benefit from the power of ideas".

प्रकाशक का संदेश

उत्तरदायी संचार परिपक्वता सत्तत् ईकाई के हितधारकों के लिये दोनों ओर से काम करती है। वह यह भी सुनिश्चित करता है कि ठीक तथा उपयुक्त सूचना का प्रभाव उनके ग्राहकों पर हो तथा उन्हें अनेक निर्णयों की सूचना मिल सके जिसके आधार पर उद्योग को सफलता मिलती है। वित्तीय सेवा उद्योग में विशेष रूप से छोटे समय का मूल आहते से विचलन लाभ उपलब्ध करवायेगा दूसरी तरफ दोनों के लिये ग्राहक तथा प्राकृतिक रूप से उद्योग के लिये लंबे समय के लिये इससे सेवा बीमार हो जायेगी।

एक उद्योग जो रातों-रात प्रतिस्पर्धा में चलने लगा और अमूर्त उत्पाद के संबंध में अनिवार्यताएँ उसे संचालित करें तो यह प्रत्यक्ष माध्यम जैसे विज्ञापन प्रचार अथवा अधिक विलक्षण जैसी समुचित घोषणाएँ अथवा वित्तीय स्थिति का निष्पादन होगा।

इन मामलों में यह सभी सत्ता इकाईयों की सेवा करेगा यदि पर्याप्त तथा सूचना औचित्य को सम्प्रेषित करने के तरीके सभी कारोबारियों को समझ कर उन्हें सख्ती से अपनाना चाहिये।

इस विचार को ध्यान में रखते हुये हम यह अंक विशेष रूप से बीमा उद्योग के विज्ञापन तथा संप्रेषण पर प्रकाशित कर रहे हैं।

प्राधिकरण ने विज्ञापन तथा विपणण के संबंध में विस्तृत विनियमन संबंधित संचार के लिये रखे हैं। जिनमें बीमा कम्पनी तथा उनके सूचना माध्यम शामिल हैं। इसका उद्देश्य है कि नियमों को स्पष्ट रूप से रखा जाये जिससे गलत विक्रय की संभावनायें कम हो, जिन्होनें अन्य बाजारों में एक डर पैदा किया है उससे जहाँ तक संभव हो बचा जाना चाहिये।

प्राधिकरण के इस अंक में आप देखेंगे कि कंपनियां इस अवसर का लाभ संचार, अपने संप्रेषण के नमूनों दर्शन तथा कार्यनीति के लिये किया है। प्राधिकरण किस प्रकार इनकी जाँच करता है। इन विनियमों का पालन करवाता है तथा उनको सतत् रूप से लागू करने की योजना तथा संदर्भ व विनियमों द्वारा स्वत: प्रकट होती है।

यह अंक जो आपके हाथ में है, इस जर्नल के जीवन का पहला वर्ष पूर्ण हो चुका है। अगले अंक में बाजार में प्रतिस्पर्धा के तीन वर्ष पूरे होने पर हम आपके सामने बाजार का उदारीकरण व मूल्यांकम प्रस्तुत करेगें।

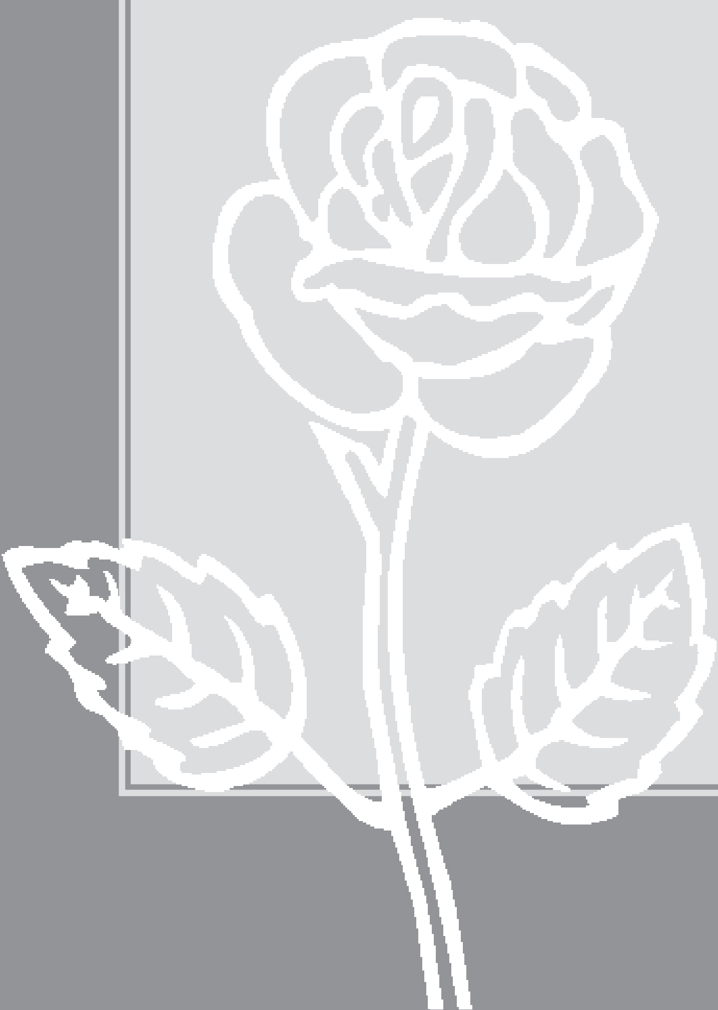
हमारा प्रयास होगा कि उन अपेक्षाओं का वस्तुनिष्ठ मूल्यांकन प्रस्तुत करें जो उदारीकरण के समय थी। उनको साकार किया गया है या विपरीत।

प्यारे पाठकों हम आपसे यह भी सुनना चाहेंगे आप इस जर्नल के बारे में क्या राय रखते हैं और इसकी उपयोगिता क्या है? आखिरी पृष्ठ पर दिया गया सर्वेक्षण फार्म भर कर हमें प्रेषित करें। हम हमेशा आपसे सुनने के इच्छुक हैं।

सी. एस. राव

सी. एस. राव

पहली वर्षगांठ पर
जहाँ दूरअंदेशी एक साल के लिये हो,
तो फूल लगाइये।
जहाँ दूरअंदेशी दस साल के लिये हो,
तो पेड़ लगाइये।
जहाँ दूरअंदेशई अनंत काल के लिये
हो, तो लोगों का विकास कीजिये।



“ कुछ तो लोग कहेंगे ”

जितनी अधिक पूँजी बीमा उद्योग से उपलब्ध होगी उतने अधिक यह परियोजनाएं निधि प्राप्त करेगी। बीमा उद्योग एक बेहतरीन इंजन साबित हो सकता है, लंबे समय के लिये पूंजी बाजार स्थापित करने के लिये।

श्री गैरी बीनाव, अध्यक्ष व मुख्य कार्यपालक अधिकारी, न्यूयार्क लाइफ इंटरनेशनल इंश्योरंस

जीवन बीमा निवेश को सतत् कर बर्ताव देने की आवश्यकता है। यह प्रीमियम देय अवधि नही होना चाहये वरन् पॉलिसी अवधि होनी चाहिये जो कर का आधार होनी चाहिये।

एस. बी. माथुर, अध्यक्ष - भारतीय जीवन बीमा निगम

साझेदारी किस प्रकार चलती है इसका महत्वपूर्ण प्रभाव पड़ेगा किस प्रकार उद्योग का विकास होता है।

श्री लियो पुरी, मैकेजी एण्ड कम्पनी

निवेश पर घटते हुये वापसियों का प्रभाव लाभशीलता पर पड़ेगा। जब तक यह कंपनियां ऐसी कार्यनीति नही अपनाती जो इनके यौगिक अनुपात को काफी हद तक कम कर जिससे बीमालेखन पद्धतियाँ नजदीक आये तथा कार्यचलन खर्त कम हो सके।

आई सी आर ए रिपोर्ट, सार्वजनिक क्षेत्र की साधारण बीमा कंपनियों के ऊपर

पूँजी आवश्यकता, बीमालेखन तथा आरक्षितियों के लिये प्रयोग मॉडल में होना चाहिये। बढ़ोतरी तथा हम अपेक्षा करते हैं कि कुछ फर्म यह मॉडल प्रयोग करेंगे अपनी व्यक्तिगत पूँजी के मूल्यांकन के लिये। इन परिणामों की विश्वसनियता कम हुई है जहाँ इन मॉडलों को व्यापार बढ़ाने व मूल्यांकन करने के लिये प्रयोग नही किया गया।

वित्तीय सेवा प्राधिकरण (एफ एस ए) ग्रेट ब्रिटने बीमाकर्ता का जोखिम प्रबंध प्रक्रिया पर प्रतिक्रिया

भारतीय बीमा बाजार यथोचित प्रतिस्पर्धा में आ रहा है, यह ग्राहकों के लिये अच्छा है। हमें ऐसा अहसासा होता है यह अधिक प्रतिस्पर्धा में जल्दी आ गया है। सभी दिये गये मूल्य ठीक हो यह जरूरी नही जब ब्रोकर का बाजार बढ़ेगा तब यह और अधिक प्रतिस्पर्धा पूर्ण हो जायेगा।

ऑस्कर स्मिथ, अमेरिका का पुर्नबीमा ग्रुप

स्वागत!

आठ महिनों के लंबे इंतजार के बाद आईआरडीए के एक नए सदस्य (जीवन) श्री टी. के. बनर्जी बनें। श्री बनर्जी एलआईसी से अगस्त में सेवानिवृत्त हुए और सितम्बर में आईआरडीए के सदस्य बने। एलआईसी में वे कार्यकारी निदेशक(विपणन एवं अन्तर्राष्ट्रीय संचालन) के पद पर कार्यरत थे।

एलआईसी में 1966 में भर्ती हुए श्री बनर्जी अपने 37 वर्षों के कार्यकाल में इसके सबसे बड़े क्षेत्र, पश्चिमी क्षेत्र के इंचार्ज रहे तथा साथ ही कई अन्य महत्वपूर्ण पदों पर कार्य किया।

आईआरडीए के साथ अपने आगामी साथ को देखते हुए वे भारतीय उधोग में विश्व स्तरीय तरीके लाने के लिए प्रयासरत हैं जिनमें वित्तीय एवं बीमांकन संचालन भी शामिल हैं।

वे महसुस करते हैं कि बीमाधारकों के हित में प्रचार एवं सूचना आईआरडीए का प्रमुख कार्य होना चाहिए। और यह कोई आसान कार्य नहीं हैं बल्कि, यह एक अप्रत्यक्ष वित्तीय साधन है जिसके बारे में हम बात कर रहे हैं। वे कहते हैं, ''बीमाधारको में विश्वास पैदा करना एक कठिन कार्य है और इसके लिए बीमा कंपनियों की विश्वसनीयता काफी महत्वपूर्ण हैं।''

आमलोगों में इस बात के लिए जागरुकता लाने की जरुरत है कि कुछ क्षेत्रों जैसे यूनिट-लिंकड पॉलिसीज में विकास हो रहा है तथा ये क्षेत्र देश में नए हैं तथा इनमें निवेश जोखिम के बारे में पूरी तरह समझाया जाना चाहिए। वे महसूस करते हैं कि इस प्रकार की जागरुकता पैदा करना अनिवार्य हैं।

उधोग के विषय में वे चुनौतियों को दो रुपो में देखते हैं। प्रथम तो यह है कि आज कई नए विपणन चैनल हैं और उधोग के पास सुविधाएँ हैं और उधोग का उत्तरदायित्व इनका बौद्दिक रुप

से इस्तेमाल करना हैं। बैंकिंग उत्पादो से संबंधित उत्पादों का विकास बीमा सेक्टर द्वारा विशेष तौर पर विपणन के लिए निर्धारित चैनलों के माध्यम से किया जाना चाहिए, अन्यथा ये चैनल अपने निर्वैयक्तिगत स्वभाव के कारण हानि उठाएँगे।

श्री बनर्जी का स्वास्थय बीमा पर अच्छा कमांड हैं। चाहे जनरल बीमा उधोग जिसमें स्वास्थय शामिल है या फिर जीवन बीमा में राइर के रुप में स्वास्थय बीमा का विकास आवश्यक है क्योंकि अभी तक केवल 5 प्रतिशत जनसंख्या को ही इसके अंतर्गत कवर किया गया हैं।

श्री बनर्जी ने स्वास्थय देखभाल और स्वास्थय बीमा विकास की प्रथम आईआरडीए बैठक को संबोधित करते हुए कहा की इस वर्ग के व्यापार के विकास में आईआरडीए एक महत्वपूर्ण भागीदार है क्योंकि इसकी कई सामाजिक जिम्मेदारियाँ हैं। इस बैठक में कई शेयरधारकों जैसे अस्पतालों, कर्मचारी राज्य बीमा निगम, केन्द्र सरकार के स्वास्थय एवं वित्त विभागों के अधिकारियों, बीमाकर्ताओं, गैर-सरकारी संगठनों तथा लघु बीमा में रुचि रखने वाले संगठनों ने भाग लिया।

वे कहते हैं कि यह एक बड़ा मूद्दा है और इसके हल के लिए बड़े स्तर पर बातचीत की जरुरत हैं।

श्री बनर्जी का केवल एक ही बेटा है जो मुम्बई में सॉफ्टवेयर उधोग में कार्यरत हैं। उनकी पत्नी जो एक गृहिणी है जल्द ही उनके साथ हैदराबाद आ जाएगी। जिन्दगी भर ही वे उनके साथ एक शहर से दूसरे शहर घुमते रही है क्योंकि श्री बनर्जी का औसतन प्रत्येक दो वर्षों में स्थानांतरण होता रहता था।

परन्तु एक बार जब ये बंगाली कुलीन व्यक्ति यहाँ अपने घर में बस जाएँगे और अपने पारंपरिक रवीन्द्र संगीत का आनंद उठाने लगेंगे तो श्रीमती बनर्जी के लिए सबकुछ फिर से सामान्य हो जाएगा।

कॉल सेंटर

दस्तूर तथा गैर दस्तूरी टेलीफोन व्यक्तिगत रूप से या लिखित रूप से पूछताछ बीमाधारक अथवा फील्ड में कार्यरत लोगों द्वारा माँगी गई सूचना प्राप्त करने के लिये कंपनी अभिलेख को ढूँढना। पॉलिसी की स्थिति, व्यवस्था, लाभ, प्रीमियम, बिल समस्या आवरण तथा प्रीमियम देने की विधियों से संबंधित मामले, पॉलिसी तथा प्रीमियम स्थिति तथा पॉलिसी में परिवर्तन, प्रीमियम शैड्यूल। संबंधित परिवर्तनों के लिये नोटिस तथा कार्यवाही को पुष्टि प्रदान करना। संबंधित विभागों को तथा फील्ड कार्मिको के साथ सम्न्वय कर कार्यवाही करना। देरी से दिये जाने वाले प्रीमियम के संबंध में पॉलिसी को विश्तोषित करना, सुपरवाइजरों के लिये कार्यवाही बताना। फील्ड कर्मि को कालित हुई पॉलिसियों के बारे में बताना, प्रीमियम देने की समस्याएँ तथा पॉलिसी की स्थिति में परिवर्तन के लिये बीमाधारक अनुरोध, सुपरवाइजरों को कार्यवाही की योजना बताना। आंतरिक रिकार्ड को बनाना व उसे समय-समय पर सूचना उपयुक्त डाटाबेस प्रणाली शामिल है।

देखभाल के प्रति डाक्टर का कर्तव्य

एच. के. अवस्थी

एक डॉक्टर के अपनें मरीजों के प्रति कई कर्तव्य हैं और यदि वह अपने मरीजों की सही तरीकों से देखभाल नहीं करता है तो निश्चित ही वह अपने कर्तव्यों से विमुख हो रहा हैं।

डॉ. लक्ष्मण बालकृष्ण जोशी बनाम डॉ. त्रिम्बक बाबू गोडबोले एवं एएनआर, एआईआर 1969 एससी/28 मामले में माननीय उच्च न्यायालय ने कहा की ''एक व्यक्ति जो मेडिकल सलाह देता है एवं उपचार करता है वह मेडिकल में निपूण होता है तथा इसका संपूर्ण ज्ञान रखता हैं।

ऐसे व्यक्ति के पास जब कोई मरीज सलाह के लिए जाता है तो उस व्यक्ति के कई कर्तव्य होते हैं जैसे, यह निर्णय करना की केस को हाथ में लिया जाए या नहीं, किस प्रकार का इलाज किया जाए तथा इलाज के दौरान देखभाल का कर्तव्य।

व्यवसायियों को अपने कार्यों में बेहतरीन कुशलता एवं ज्ञान लाना चाहिए तथा साथ ही देखभाल की तरफ भी ध्यान देना चाहिए। एक डॉक्टर को यह अधिकार है कि वह अपने मरीज के लिए सही इलाज का चयन कर सकें।

ऑखों के एक अनुभवी शल्य चिकित्सक नें एक मरीज का इलाज करने का फैसला किया। उसने मरीज की शल्य चिकित्सा की और उसे सरकारी अस्पताल में भर्ती किया और पाँच दिनों के पश्चात उसे छुट्टी दे दी।

जब संक्रमण फैला तो उसने मरीज को एक विशेषज्ञ केन्द्र में भेज दिया। डॉक्टर द्वारा मरीज को विशेषज्ञ केन्द्र में भेजना यह दर्शाता है कि वह अपने मरीज की हालत के बारे में सावधान था।

अत: इसे उदासीनता नहीं कहा जा सकता है (डॉ. पी. सी. द्वेदी बनाम श्रीमती कमलाबाई पांडे, III (2003) सीपीजे 170)। और श्रीमती कमलाबाई का इलाज एक सरकारी अस्पताल में किया गया जहाँ उनसे कोई फीस नहीं ली गई। ग्राहक की भाषा के अंतर्गत वह ग्राहक नहीं थी जैसा की ग्राहक सुरक्षा एक्त, 1986 के सेक्शन 2(1)(डी) में बताया गया है।

हाँलाकि एक और उदाहरण भी है जहाँ डॉक्टर ने इलाज में लापरवाही दिखाई हैं। एक गर्भवती महिला श्रीमती संतोष बाई पत्नी श्री रमेश चन्द्र प्रजापति, डॉ. जया मिश्रा की सलाह पर उज्जैन चेरिटिबल अस्पताल में भर्ती की गई थी। 1 मार्च 1999 को दोपहर 1 बजे उनका सोनोग्राफी टेस्ट किया गया।

मरीज को दोपहर 3 बजे भर्ती किया गया। डॉक्टर ने पाया की भ्रूण मर चुका था। डॉ. जया मिश्रा ने मरीज की पुन: जाँच की और कुछ दवाईयाँ एवं इंजेक्शन लिखकर दिए तथा साथ ही 12 से 14 घंटों के भीतर डिलिवरी की सलाह दी तथा यदि जरुरी हुआ तो शल्य क्रिया द्वारा डिलिवरी की सलाह देकर घर चली गई।

नर्स ने मरीज को आवश्यक इंजेक्शन दिया । कुछ समय पश्चात मरीज की तकलीफ काफी बढ़ गई और योनि से खून निकलने लगा। नर्स ने डॉक्टर को इसकी जानकारी दी परन्तु डॉक्टर ने कहा कि यह सामान्य है और चिंता करने की कोई बात नहीं हैं।

कुछ समय पश्चात खून काफी मात्रा में बहने लगा और डॉक्टर को पुन: इसकी जानकारी दी गई परन्तु इस बार भी कोई ध्यान नहीं दिया गया। केवल नर्स ही मरीज की देखभाल करती रही और इस प्रकार 31 मार्च को सुबह 8 बजे मरीज की मृत्यु हो गई। इस आशय की रिपोर्ट पुलिस में दर्ज करवाई गई।

जिला उपभोक्ता मामला निवारण समिति में इसके खिलाफ शिकायत दर्ज कराई गई जिसमें उपेक्षा के कारण मृत्यु के लिए 3 लाख रुपये तथा कार्रवाही खर्च के लिए 7,500 रुपये एवं 500 रुपये की माँग की गई।

समिति ने डा. मिश्रा को इसके लिए दोषी माना तथा तत्काल ही डा. मिश्रा एवं उज्जैन चैरिटेबल अस्पताल को संयुक्त रुप से 80,000 रुपये के भुगतान की आज्ञा दी तथा साथ ही 500 रुपये खर्च के देने को कहा। हाँलाकि डा. मिश्रा एवं उज्जैन चैरिटेबल अस्पताल ने मध्य प्रदेश राज्य मामला निवारण समिति, भोपाल में एक अपील दायर की परन्तु यह अपील खारिज कर दी गई।

समिति ने अपनी जाँच रिपोर्ट में कहा की जब खून बहना शुरु हुआ और मरीज की हालत नाजुक थी तो अस्पताल एवं डा. मिश्रा का यह कर्तव्य बनता था कि मरीज की तत्काल आधार पर देखभाल की जाती तथा खून को रोकने के लिए आवश्टक उपाय किए जाते और अस्पताल एवं डा. नें इसकी उपेक्षा की। (उज्जैन चैरिटेबल ट्रस्ट अस्पताल बनाम रमेश चन्द्र, III(2003) सीपीजे 181)। चूँकि डाक्टर और मरीज के बीच का रिश्ता विश्वास पर कायम है अत: डाक्टरों को अपने कर्तव्यों के प्रति सतर्क होना चाहिए।

लेखक (प्रबंध विधि) उपभोक्ता आवाज संस्था। उनसे cvvoice@vsnl.net पर संपर्क किया जा सकता है या वेब साईड www.consumer-voice.org पर जानकारी प्राप्त की जा सकती है।

बेहतर खुलासे के लिए

कुछ साल पहले, म्युट्अल फंड और पब्लिक इश्यू द्वारा जारी कागजात इन बीमांकन चेतावनीयों से संबंधित थे कि पिछला प्रदर्शन भविष्य में अच्छी कमाई की गारंटी नहीं हो सकता है। सिगरेट के डिब्बों पर लिखी चेतावनी को कोई खास महत्व नहीं दिया जाता हैं।

पर इस चेतावनी के पीछे महत्वपूर्ण कारण हैं। चाहे यह चेतावनी म्युट्अल फंड द्वारा जारी कागजात में हो या फिर सिगरेट के पैक पर। और जल्द ही यह उन कागजातों पर भी रहेगा जो आपको जीवन बीमा पॉलिसी बेचने से संबंधित हैं।

जनवरी 2004 से, प्रत्येक कागजात जो एक जीवन बीमा कंपनी, इसके एजेन्ट या प्रतिनिधि अपने ग्राहको को देंगे उसमें कुछ महत्वपूर्ण तथ्य शामिल करने होंगे।

प्रथम यह है कि किस प्रकार निम्न एवं उच्च रिटर्न दरों पर पॉलिसी पर रिटर्न न्यायसंगत होगा तथा दूसरा है स्तरीय शब्दों पर चेतावनी। चेतावनी इस बात का खुलासा करती है कि किन प्रकार के लाभों पर गारंटी है और किन पर नहीं, तथा यह भी की संबंधित सूचना आवश्यक तथ्यों में शामिल होगी तथा ये तथ्य एक पूर्वानूमान पर आधारित है और रिटर्न पर किसी प्रकार का वादा नहीं करते हैं।

उदाहरण के तौर पर ये दरें जीवन बीमा समिति द्वारा तय की जाएगी जो भारत में नामांकित सभी जीवन बीमा कंपनियों की स्व-नियामक संस्था हैं। समय समय पर अर्थव्यवस्था में ब्याज दर के आधार पर इसका निर्धारण किया जाएगा, कंपनियों को समय समय पर इसकी समीक्षा करनी होगी और यदि आवश्यक हुआ तो साल में एक बार (अप्रैल में) इसकी पुनरावृति करनी होगी और खासकर यदि ये अवैध घोषित किए जाते हैं। समिति का यह निर्णय सभी सदस्यों के लिए मान्य होगा। अन्य फैसले जो समिति द्वारा लिए गए हैं (देखें पृष्ठ 6) भी खुलासे एवं ग्राहकों के लिए सूचना से संबंधित है।

विभिन्न उदाहरणों एवं स्थापित दरों के माध्यम से क्या प्राप्त किया जा सकता हैं?

ध्यान देने योग्य बात यह है कि ग्राहक जो लाभ पॉलिसी से प्राप्त करते हैं के विषय में कंपनियाँ पारदर्शी होनी चाहिए तथा विभिन्न कंपनियों की विभिन्न पॉलिसियों पर रिटर्न का तुलनात्मक अध्ययन करने के लिए एक साझा घोषणापत्र होना चाहिए। बीमाधारकों को पॉलिसी रिटर्न के बारे में संपूर्ण जानकारी दी जानी चाहिए ताकि वे एक ठोस निर्णय ले सकें।

एक वित्तीय उत्पाद को समझना आसान नही हैं। और दुर्भाग्यवश वित्तीय उत्पादों के अधिकतर क्रेता इन्हें समझने का प्रयास भी नहीं करते हैं।

पॉलिसीदाताओं की तरफ से सूचना प्रदान करने में कमी हैं और यह वह है जिसके लिए समिति जीवन बीमा उत्पादों के मामलों में पूरा करने के लिए प्रयासरत हैं।

विभिन्न उदाहरणों को इस्तेमाल करने का उद्देश्य यह है कि विभिन्न कंपनियाँ विभिन्न दरें लगाती है (वे समिति द्वारा तय दर से कम लगा सकती है पर अधिक नहीं) साथ ही वे विभिन्न चार्जेज (पॉलिसी चार्ज एवं फंड मेनेजमेंट चार्ज) भी लगाती है अत: उदाहरणों के माध्यम से ग्राहकों को यह बताया जा सकता है कि कौन सा उत्पाद खरीदा जाए। वे एक ठोस निर्णय ले सकते हैं।

दुनिया के अन्य बाजारों में कंपनियों द्वारा गलत तरीकों से जीवन एवं पेंशन उत्पादों की बिक्री पर जुर्माना एवं चार्जेज लगाए जाते हैं। यह तथ्य भारतीय बाजार में लागु करने से यहाँ भी उधोग के विकास में मदद मिलेगी तथा साथ ही ग्राहकों का भी उधोग में विश्वास बढ़ेगा।

चाहे यह किसी वित्तीय उत्पाद की खरीद हो या फिर केवल तंबाकु की, विभिन्न सूचनाओं एवं चेतावनीयों की मदद से जरुरतमंदों की जरुरतों एवं खुशी का ध्यान रखा जा सकता है।

ग्रुप योजनओं में लाभ का बँटवारा

आई आर डी ए का मानना है कि केवल 1000 से अधिक जीवन आवरण प्रदान करने वाली ग्रुप पॉलिसियाँ ही लाभ में भागीदारी का प्रस्ताव रख सकती है।

ऐसी योजनाओं में जहाँ उपलब्ध अनुभव के आधार पर यह कम हो लाभ में भागीदारी का प्रस्ताव स्थगित रखा जाना चाहिये, तब तक जब तक वर्ष में संचयी आधार पर 1000 जीवन का लक्ष्य प्राप्त न कर लिया जाये। लाभ का वितरण वार्षिक योजना के अतिरिक्त उपलब्ध नही करवाया जा सकेगा।

एक सितम्बर 2003 से जारी दिशा-निर्देश के अनुसार आई आर डी ए ने मुख्य कार्यपालक अधिकारियों तथा नियुक्त बीमांककों के परामर्श के बाद किये है, जिससे मानक बाजार प्रक्रिया लाभ वितरण/अनुभव के संबंध में तैयार किये जा सके।

यदि योजना इस दिनांक से पहले प्रारंभ कि गयी हो व योजना में लाभ का वितरण प्रस्तावित हो तो यह लागू रहेगी तथा इसके लिये सूत्रों तथा परिकल्पना को तुरंत प्राधिकरण में जमा करवाना होगा। यदि उन्हें अर्जी पहली बार उपलब्ध करवाना है तो नये दिशा-निर्देश लागू होंगे।

इस बात का निर्णय कि हानि को आगे ले जाया जाये अथवा नही उसका निर्णय तुरंत बीमांककों द्वारा किया जायेगा। इस बात का ध्यान रखते हुये कि मूल्य निर्धारण सूत्र के अंतर्गत लाभ का वितरण तथा लाभ बाँटने के लिये परिकल्पनाएँ, मार्ग-निर्देश यह भी दर्शाते हैं कि लाभ में भागीदारी 75 प्रतिशत से अधिक नही होनी चाहिये। यदि उस योजना के अंतर्गत आवरण प्रदान किये गये जीवनों की संख्या 1 लाख से कम हो तथा 90 प्रतिशत से अधिक नही होना चाहिये, यदि ऐसे जीवनों की संख्या 1 लाख से अधिक हो।

इस संदर्भ में मृत्युदर की परिकल्पना 60 प्रतिशत से कम नही होनी चाहिये। जिसक दर परिकल्पना पर लागू किया गया है और जो भारतीय जीवन बीमा निगम के लिये 1994-1998 में चरम अनुभव था।

अनुभव दर/लाभ वितरण सूत्र तथा संबंधित पूर्वानुमान को उत्पाद विवरण को प्राधिकरण में जमा करवाते समय देना चाहिये।

हम कैसे करे

आर. कृष्णमूर्ति

हमारा मानना है कि गाँवों में व्यापार करना हमारी बाध्यता नहीं अपितु हमारे लिए एक अवसर हैं। ग्रामीण व्यापार को विकसित होने में कुछ समय लगता है तथा साथ ही पर्याप्त निवेश, प्रबंधन समय एवं अन्य श्रोतों की भी आवश्यकता पड़ती हैं। और टह ज्यादा बेहतरीन परिणाम भी नहीं देता हैं। प्राय: बीमा कंपनियां प्रारंभ में अपने पाँव फैलाने के लिए मेट्रो बाजारों का ही सहारा लेती है। परन्तु वे विभिन्न कीमत प्रभावी पहल के साथ ग्रामीण बाजार पर भी रिसर्च का कार्य करती रहती हैं।

जहाँ तक हमारी बात है, एसबीआई लाइफ ने ग्रामीण बाजार पर अपनी पकड़ मजबूत करने के लिए पर्याप्त कदम उठाए हैं। हम गाँवों में समूह एवं व्यक्तिगत दोनो प्रकार के उत्पाद बेच रहे हैं। हमने ग्रामीण इलाकों में अभी तक 3,00,000 लोगों का बीमा किया है तथा 8.2 करोड़ रुपयों का प्रीमियम इकट्ठा किया हैं।

मध्यस्थ

हम विभिन्न संस्थागत माध्यमों जैसे क्षेत्रीय ग्रामीण बैंकस् (आरआरबी) की मदद से ग्रामीण बाजारों में अपने उत्पाद बेचते हैं। हम आरआरबी को बेहतरीन एजेंसी मानते हैं। भारत के बड़े बैंकों से उन्हें समर्थन प्राप्त हैं। उनकी विशेष कार्य प्रणाली हैं और वे एक या दो जिलों में अपना कार्य संचालित करते हैं। आरआरबी के अधिकतर कर्मचारी ग्रामीण इलाकों से है अत: उन्हें ग्रामीण आवश्यकताओं की पूरी जानकारी है और वे उन्हें भली-भाँति समझ सकते हैं। आज हमारा लगभग 20 आरआरबी से गठबंधन हैं जो विभिन्न बैंकों द्वारा प्रायोजित हैं।

हमने लगनशील ग्रामीण एजेन्टों की भर्ती का भी कार्य प्रारंभ किया है तथा यह आंध्र प्रदेश राज्य प्रशासन की मदद से किया जा रहा हैं। जिला अधिकारियों की मदद से हमनें कृष्णा जिलें में 50 बेरोजगार युवकों का चयन किया हैं। चयनित उम्मीदवारों को हमने बीमा सलाहकार बनने के लिए प्रशिक्षित किया ताकि वे ग्रामवासियों का बीमा कर सकें। अब हम इस पहल के विस्तार पर विचार कर रहे हैं।

उत्पाद

हम दो प्रमुख उत्पाद ग्रामीण ग्राहकों को बेचते हैं और वे हैं: प्योर टर्म इंश्योरेंस जो एक ग्रुप स्कीम हैं तथा सुदर्शन जो एक व्यक्तिगत इंडोमेंट उत्पाद हैं। ग्रुप टर्म इंश्योरेंस आरआरबी के ग्राहकों को बेचा जा रहा हैं। 60 साल तक की आयु के सभी ग्राहकों को इसमें शामिल किया जा रहा हैं जो 25,000 रुपये के बीमा के लिए समान प्रीमियम 10 रुपये का भुगतान करते हैं। इसके लिए किसी भी प्रकार के मेडिकल प्रमाण-पत्र या अन्य औपचारिकताओं की आवश्यकता नहीं हैं केवल ग्राहक को अपने स्वास्थय का एक घोषणा पत्र देना पड़ता हैं। पिछले 12 महीनों में इस योजना के अंतर्गत 3 लाख से भी अधिक ग्राहकों को शामिल किया गया हैं। हमारे द्वारा बेचा गया सुदर्शन पॉलिसीधारकों को लंबे काल की अवधि के लिए प्रेरित करता हैं। इस उत्पाद की आज काफी माँग हैं तथा अधिकतर ग्राहक 15 वर्ष के टर्म पर यह उत्पाद खरीद रहे हैं। औसत सम एश्योरड लगभग 75,000 रुपये प्रति पॉलिसी हैं। हम और भी अधिक बचत उत्पादों को लाने पर विचार कर रहें हैं। यहाँ भी हमनें मेडिकल एवं अन्य औपचारिकताओं से बचनें की कोशिश कर रहें हैं।

जहाँ तक पेंशन उत्पादों की बात हैं हमनें इसमें कुछ पहल की हैं। हमने सफलतापूर्वक 'लाइफलोंग पेंशन' को इस वर्ष मार्च में जारी किया हैं। हमनें किसान क्रेडिट कार्ड भी जारी किए हैं। आज कोमर्शियल बैंकों द्वारा 2 करोड़ से भी अधिक क्रेडिट कार्ड जारी किए जा चुके हैं। कार्ड से यह सिद्द होता है कि हमारे ग्राहकों की ऋण क्षमता काफी मजबूत हैं तथा उनके बैंकों से अच्छे संबंध हैं। हम इन कार्डधारकों को सेवानिवृति बचत सुविधा भी प्रदान करते हैं जो एक समूह पेंशन व्यवस्था के द्वारा किया जाता हैं। किनान को इसके लिए सिर्फ 2000 रुपये वार्षिक की बचत करनी पड़ती हैं। कार्डधारक 60 वर्ष की आयु के पश्चात अपनी समस्त को लाइफलोंग पेंशन योजना में परिवर्तित कर सकते हैं।

दो आदर्श विशेषताएँ हैं: एक लाख रुपये तक के सम एश्योरड के लिए 60 वर्ष तक की आयु तक उत्पाद में लाइफ कवर तथा अकाल या अन्य कारणों से तीन लगातार वर्षों में भुगतान एवं इससे पॉलिसी लाभ में कोई फर्क नहीं पड़ेगा। पेंशन के लिए राशि न्यून कार्य संपादन दर पर सीधे बैंक खाते से ली जाती हैं।

दावे

प्रारंभ में ग्रुप टर्म इंश्योरेंस के अंतर्गत यह काफी अधिक था क्योंकि आरआरबी ने जोश में लोगों का बगैर किसी आर्थिक एवं स्वास्थय परीक्षण के उच्च सम एश्योरड के लिए नामांकन कर दिया था। हमने इससे निपटने के लिए कार्यविधि को थोड़ा सख्त बनाया। हमने आरआरबी के कर्मचारियों को इसके लिए प्रशिक्षित किया। हमने अभी तक छोटे खातों के लिए ग्रामीण बाजारों में लगभग 600 दोवों का भुगतान किया हैं। कुल बीमित संख्या से यदि तुलना करें तो एक लेखांकक के नजरिये से यह एक बेहतरीन आनुभव हैं।

समर्थन

ग्रामीण बाजार हमारे लिए एक आकर्षण का विषय हैं। ग्रामीण बाजारों के लिए हमारे उत्पादों की संपूर्ण जानकारी स्थानीय एवं सरल भाषा में लिखी हैं। हम स्थानीय भाषाओं में प्रशिक्षण देते हैं और हाल ही में हमनें स्थानीय भाषाओं में रेडियो पब्लिसिटी भी प्रारंभ की हैं। हमने आयु प्रमाणीकरण प्रक्रिया को सरल बनाया है क्योंकि अधिकतर ग्रामवासियों के पास पर्याप्त कागजात नहीं होते हैं। हम आरआरबी के उन कर्मचारियों को जो बेहतरीन प्रदर्शन कर रहे हैं, विभिन्न तरीकों से प्रोत्साहित भी करते हैं।

लेखक एसबीआई लाइफ इंश्योरेंस कंपनी के प्रबंध निदेशक एवँ मुख्य कार्यकारी अधिकारी है

साधारण बीमा आवश्यकताएं व सुविधाएं

संजीव जैन

बीमित अथवा दावाकर्ता बीमा समझौते के अंतर्गत हुई हानि की सूचना जल्द से जल्द बीमाकर्ता को देनी चाहिये और उस बढ़े हुये समय तक आवश्यक जिसका प्रावधान बीमाकर्ता द्वारा किया गया है। ऐसे पत्राचार की प्राप्ति के बाद साधारण बीमाकर्ता को तुरन्त उत्तर देना चाहिये तथा उस प्रक्रिया में पूरी जानकारी देनी चाहिये जो उसे अपनानी होगी।

उन मामलों में जहाँ हानि/दावे के मूल्यांकनके लिये सर्वेयर कि नियुक्ति करनी हो यह नियुक्ति बीमाधारक से सूचना प्राप्त होने के 72 घंटे के भीतर नियुक्ति कर दी जानी चाहिये।

यदि बीमाधारक सर्वेयर द्वारा आपेक्षित सभी सूचनाओं को उपलब्ध न करवा सके और यदि सर्वेयर बीमाधारक से पूँजी सहयोग न प्राप्त कर सके। बीमाधारक अथवा सर्वेयर को जैसा मामला हो उसकी सूचना बीमाधारक को लिखित रूप में देनी चाहिये। यह कार्य बीमा देने में परिवर्तित हो सकता है।

हानि का मूल्यांकन करते समय सर्वेयर प्राधिकरण द्वारा बनायी गयी आचार-संहिता से बंधा होगा तथा अपनी अन्वेषण को अपनी नियुक्ति के 30 दिन के भीतर बीमाकर्ता को दे तथा उसकी प्रतिलिपि बीमा कृत को उपलब्ध करवाये यदि बीमाधारक उसकी मांग करे। विशेष परिस्थितियों में अपनी कठिन प्रकृति के कारण सर्वेयर बीमाधारक को सूचना देते हुये बीमाकर्ता के समय बढ़ाने का अनुरोध अपनी रिपोर्ट देने के लिये कर सकता है। किसी भी अवस्था में सर्वेयर 6 महीने से ज्यादा रिपोर्ट प्राप्त करने के लिये नही कर सकता।

यदि बीमाकर्ता सर्वे रिपोर्ट प्राप्त होने पर यह महसूस करता है कि यह किसी कारण से पूर्ण नही है वह सर्वेयर को सूचना देते हुये विशेष मामलों में अतिरिक्त रिपोर्ट देने को कह सकता है। ऐसा निवेदन बीमाकर्ता द्वारा मौलिक सर्वे रिपोर्ट भेजने के 15 दिन के भीतर मँगवा लेनी चाहिये।

दावे के मामले में अतिरिक्त रिपोर्ट बीमाकर्ता द्वारा केवल एक बार माँगी जा सकती है। पत्राचार प्राप्त होने के बाद सर्वेयर एक अतिरिक्त रिपोर्ट तीन सप्ताह के भीतर बीमाकर्ता को उपलब्ध करवा देगा।

सर्वे रिपोर्ट या अतिरिक्त सर्वे रिपोर्ट प्राप्त होने पर जैसा भी मामला हो बीमाकर्ता को 30 दिन के भीतर दावे का निपटान कर देना चाहिये। यदि बीमाकर्ता किन्हीं कारणों से दावे को पॉलिसी शर्तों के अनुसार निरस्त करना चाहता ह वह ऐसा पॉलिसी सर्वे रिपोर्ट या अतिरिक्त सर्वे रिपोर्ट जैसा मामला हो के 30 दिन के अन्दर कर सकता है।

बीमाधारक द्वारा दावे की स्वीकृति के बाद 7 दिन के भीतर भुगतान किया जाना चाहिये। यदि इसमें देरी हो बीमाकर्ता को बैंक ब्याज दर से 2 प्रतिशत अधिक दर से जो वित्तीय वर्ष के प्रारंभ में लागू हो से भुगतान करना होगा। जिस वर्ष दावे को पुनरिक्षण किया जाये।

शिकायत निपटान प्रक्रिया

प्रत्येक बीमाकर्ता को समुचित प्रक्रिया तथा प्रभावशाली यंत्र स्थापित करना चाहिये जिससे पॉलिसीधारक की शिकायत को प्रभावशाली ढंग से तथा तीव्रता से निपटाया जा सके साथ ही सूचना बीमा लोकपाल के बारे में पॉलिसीधारक को पॉलिसी दस्तावेज के साथ प्रेषित करनी चाहिये।

शिकायत कक्ष/ विभाग

पक्का निर्णय लेने के लिये विवेक का प्रयोग करते हुये किसी भी कंपनी का शिकायत विभाग पॉलिसीधारक की शिकायत के निपटान तथा बीमाकंपनी के ग्राहकों की शिकायत के निपटान के लिये जिम्मेदार है। इन्हें विभिन्न विभाग से सम्न्वय अनुसंधान सभी ग्राहकों की शिकायतों का निपटान करना है। इन्हीं शिकायतों में विनियामक एंजेसी (आईआरडीए का बीमा विभाग इत्यादि) तथा सभी प्रशासनिक शिकायते शामिल है।

बीमाधारक के कर्तव्य

1. बीमाकर्ता तथा बीमाधारक दोनों से अपेक्षा है कि वह सभी प्रकार के भौतिक तथ्य प्रस्ताव तथा पॉलिसी के संबंध में प्रकट करेंगे।
2. यदि तृतीय पक्ष के ऊपर कोई न्यायिक कार्यवाही करनी हो तो दावे के संबंध में वसूली के लिये एक दूसरे से बीमाधारक व बीमाकर्ता सहयोग करेंगे।
3. बीमाधारक वह सभी सूचनाएँ उपलब्ध करवायेगा जो बीमाकर्ता मांगेगा तथा वैसी सूचनाएँ भी जिनके लिये बीमाकर्ता यह समझता है वह जोखिम का मूल्यांकन करने के लिये महत्वपूर्ण भूमिका अदा करती है।

विक्रय के बाद

जीवन बीमा

मुफ्त देखने की अवधि

बीमाकर्ता बीमित को पॉलिसी भेजते समय फोर्वर्डिंग पत्र में यह सूचना देगा कि पॉलिसी प्राप्त होने के 15 दिन के भीतर वह पॉलिसी शर्तों पर पुन: विचार कर सकता है।

यदि बीमाधारक इनमें से किसी शर्त को स्वीकार नही करना चाहता है तो उसके पास विकल्प है कि वह पॉलिसी को यह कह कर वापस कर दे कि उसे शर्ते मान्य नही हो। वह देय प्रीमियम की वापसी का हकदार होगा जिसमें केवल अनुपातिक जोखिम प्रीमियम तथा प्रस्तावक की मेडिकल जाँच तथा कर्मचारी के खर्चे देय नही होंगे।

यूनिट लिंक पॉलिसी के संदर्भ में उपरोक्त कटौतियों के अतिरिक्त बीमाकर्ता को पॉलिसी निरस्त करवाने के दिन यूनिट पुन खरीद का

Estimates, Valuations and Provisions

P. S. Prabhakar

The Provisions for Outstanding Claims very much form part of Policyholders' Funds and constitute a significant portion of the major cost for the insurance companies. However, these are estimations based on information in possession of the insurance companies on the date of closing the books. The information could include surveyor's assessments, spot survey reports, insurers' guesstimates based on the available documents and sometimes even simply on the data given, not given or partially given by the claimants themselves in the claim forms.

There are really no hard and fast rules on how to make these provisions and it is left to the discretion and judgment of the claims department staff as also to pruning by the managements and hence, unlike the URR, which will be a structured estimate, the provision for outstanding claims will always be an unstructured estimate. This not only significantly influences (sometimes, even unduly) the bottomline but also has the potential to distort the company's liabilities in the Balance Sheet on a given date.

Next, the offspring of the Provision for Outstanding Claims, called IBNR (Incurred but not Reported), was for time immemorial propped up as an adhoc percentage of the parent figure. For the first time, IRDA has stipulated that it should be valued actuarially. Indeed a sound move, though it is also expected that the procedures in this aspect are transparent, fair, judicious and also reviewable by IRDA's in-house inspection team which should contain qualified and renowned Actuaries.

This is very important in view of the fact that Chartered Accountants in their routine audits, may not at all be competent to 'audit' actuarial valuations and normally go blindly by the certifications in this regard.

IBNER (Incurred but not enough reported) is again a brainchild of IRDA's new regulations and whatever stated for IBNR holds good for IBNER too. (It is to be, however, noted that the IBNR and IBNER will not qualify for tax deductions like Outstanding Claims provisions).

The Institute of Chartered Accountants of India (ICAI), the only official body which can come out with industry-specific Accounting Standards (and, which also has recently been on an 'issue spree' of such standards) could perhaps, in consultation with IRDA and also top brass of the industry, devote special attention to this all important aspect of insurance accounting. Rather than the hard aspects of accounting, which will see the actual funds flowing in and out and finding their ways to the financials, it will be such soft aspects (like estimates and provisions) of accounting that are susceptible to become nerve-centres of what has come to be sarcastically called as "Creative Accounting".

> It will be the soft aspects, like estimates and provisions, of accounting that are susceptible to become nerve-centres of what has come to be sarcastically called as "Creative Accounting."

Before this extended discussion on Outstanding Claims is wound up, there is one point that really needs to be mentioned to be fair to insurers. The claims cost creates the major hole in the pockets of general insurers, the chief contributor being Motor Third Party (TP) claims. It is a matter of surprise that in our country the insurers have not been able to strongly lobby for the removal of the 'unlimited liability' clause in the Motor Vehicles Act, 1988 (MVA). This is the singular reason for bleeding of the insurance companies in our nation, where people are given the message that it is more profitable to die in road accidents rather than in rail or even air mishaps. As long as this crucial aspect is not addressed, our general insurance industry's gestation period may be never ending. Even Justice Rangarajan Committee's recommendations on this have not been very forthright.

Catastrophe Reserve

IRDA's new regulations talk of building 'Catastrophe Reserves' in the books of general insurers and, as the very name suggests, this is a buffer provision for mitigating catastrophic losses that might hit the insurance companies. The point really is, why at all should companies be asked to build these reserves if they can cover themselves amply with Cat XL (Catastrophe Excess of Loss) covers? Perhaps IRDA could monitor the adequacy or otherwise of such covers that insurers buy for themselves but isn't it a little too much to teach risk management strategies to the insurers themselves? It is like a business concern building its own insurance sinking fund, besides taking adequate insurance policies. Again, the amounts set up to build such reserves would not even be tax deductible but the Cat XL premiums (as a cost element) would be. It is hoped that IRDA would apply its mind to this aspect.

Policyholders Vs Shareholders

The definite distinction between the two classes of stakeholders viz., policyholders and shareholders has at last got statutory recognition, especially in terms of financials.

In the pre-IRDA scenario, the investment incomes of the general insurance companies were fully credited to the Profit and Loss Accounts and the "Underwriting Result" did not have any part of this income, giving the impression that the insurance business of a company that was being carried on across the length and breadth of the country through thousands of operational offices was simply losing money and that only the investment department housed in a corner of the head office was making up for it by ingenious investment activities and was solely responsible, if at all, for changing the colour of the bottomline from 'danger red'. How the investment portfolios of these PSU general insurance companies were managed (mostly stage managed) could be material of another full blown series of articles!

Little consideration was given to the fact that the investible funds consisted both of policyholders' and shareholders' funds. Very wisely, the IRDA regulations have mandated that the investment incomes attributable to the Policyholders' Funds should be taken to the credits of the respective revenue accounts to reflect a truer picture of the underwriting results.

The requirement that Policyholders' Funds should be more judiciously and cautiously invested than Shareholders' Funds is very much in line with international practices and no one can have serious complaints.

Interestingly, Form F of the now deleted III schedule to the Insurance Act, 1938, which prescribed the Revenue Account formats, did certainly indicate such an appropriation in the Revenue accounts themselves but the public sector unit (PSU) insurance companies preferred to feign ignorance of that. However, with IRDA's new and more pronounced diktats, they have not been able to dress their windows anymore in the manner they liked. However, the requirements that Policyholders' Funds should be more judiciously and cautiously invested than Shareholders' Funds is very much in line with international practices and no one can have serious complaints.

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

Change

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Report Card: GENERAL

Growth rate yet to catch up with last year

G.V.Rao

Half-yearly Review

At the end of the second quarter of the current fiscal, non-life insurance business has surged by 12.4 per cent to record a premium income of Rs. 7,880 crores (Rs. 7,011 crores). The accretion of Rs. 869 crores has come about with the eight private players contributing about Rs. 514 crores and the four public players Rs. 355 crores. To the growing size of the market of Rs. 869 crores, the private players have contributed nearly 60 per cent.

Out of the total premium generated of Rs. 7,880 crores the share of the public players is Rs. 6,773 crores (5.5 per cent growth rate) and that of the private players Rs. 1,107 crores (87 per cent). The market shares of the two seem to be stabilising at about 85 per cent for the public sector and 15 per cent for the private players.

At the end of September 2003, it would seem that a few private players like the ICICI-Lombard with an accretion of Rs. 162 crores (222 per cent growth), Bajaj Allianz with Rs. 90 crores (70 per cent), Tata-AIG with Rs. 78 crores (68 per cent), IFFCO-Tokio with Rs. 67 crores (66 per cent) are spearheading the growth of the private players already in business for more than a year.

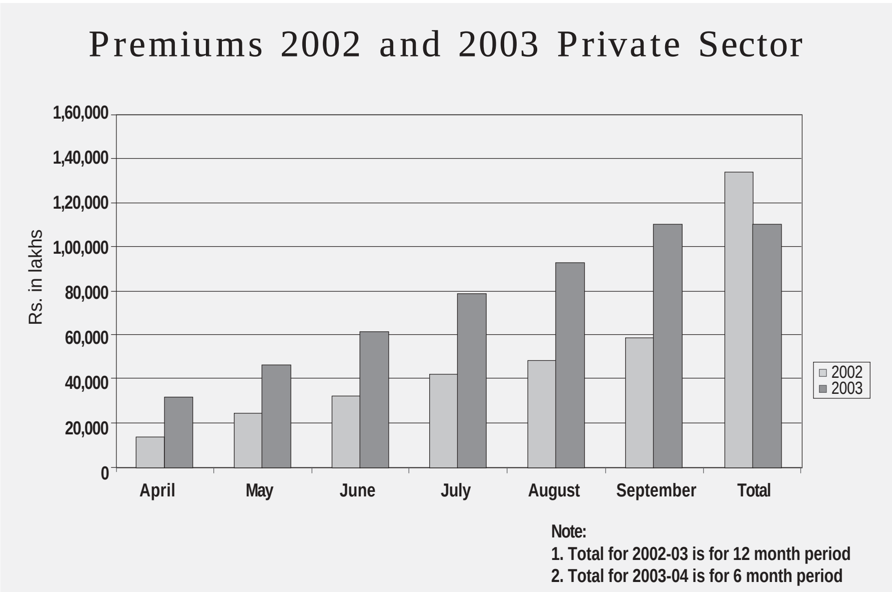
In contrast, among the public players National Insurance with an accretion of Rs. 239 crores (17 per cent) is the lone insurer leading the battle for market share. UIIC with Rs. 58 crores (3.6 per cent), Oriental with Rs. 35 crores (2.4 per cent) and New India with Rs. 23 crores (1.1 per cent) seem to be in defensive mode of consolidation and perhaps on a profitability trajectory. In the absence of department-wise growth figures, it is not possible to determine in what segments of business the market as a whole is developing and what particular strategies each insurer has adopted towards the market. Is the major growth taking place in Motor and Health that are customer driven segments?

A growth rate of 12.4 per cent at the halfway point as against a growth rate of nearly 20 per cent for the last fiscal does not look that good. With the entry of brokers, corporate agents, TPAs and with more professional agents recruited, the market should have reflected how their entry has made a difference in terms of improved growth rates and rising premium volumes. Perhaps the

Gross Premium Underwritten – September 2003

(Rs. in lakhs)

Insurer	Premium 2003-04		Premium 2002-03		Market share upto September, 03	Growth % Year on Year
	For the month	Upto the month	For the month	Upto the month		
Royal Sundaram	2,146.76	13,221.29	1,613.97	8,909.40	1.64	48.40
Tata AIG	2,954.26	19,401.11	1,468.18	11,603.19	2.40	67.20
Reliance General	800.50	8,092.49	1,522.07	8,610.74	1.00	-6.02
IFFCO-Tokio	2,364.31	16,769.51	1,616.28	10,114.36	2.08	65.80
ICICI Lombard	3,938.48	23,485.63	1,814.24	7,276.34	2.91	222.77
Bajaj Allianz	3,502.34	21,806.56	2,024.56	12,787.13	2.70	70.54
HDFC Chubb	755.99	3,595.18			0.44	
Cholamandalam	579.87	4,355.37			0.54	
New India	30,076.00	1,94,670.00	29,382.00	1,92,438.00	24.09	1.16
National	27,755.00	1,66,418.00	23,077.00	1,42,534.00	20.59	16.76
United India	25,745.00	1,65,630.00	24,692.00	1,59,845.00	20.50	3.62
Oriental	20,197.00	1,50,469.00	19,328.00	1,46,969.00	18.62	2.38
ECGC	3,510.01	20,191.49	2,572.63	15,901.50	2.50	26.98
PRIVATE TOTAL	**17,042.51**	**1,10,727.14**	**10,059.29**	**59,301.15**	**13.70**	**86.72**
PUBLIC TOTAL	**1,07,283.01**	**6,97,378.49**	**99,051.63**	**6,57,687.50**	**86.30**	**6.03**
GRAND TOTAL	**1,24,325.52**	**8,08,105.63**	**1,09,110.92**	**7,16,988.65**	**100.00**	**12.71**



market trends in the next few months will indicate what difference these new distribution channels have made to organise the unorganised market of personal lines and rural sectors.

A growth rate of 5.5 per cent for the public players, at the end of the second quarter, shows how tough the market competitive conditions have become for them. It is interesting to speculate the measures they intend taking to diversify the market in the under-served and unorganised sectors that are waiting for their intervention even while they have to defend their existing customer accounts from being knocked out by aggressive competitors and new distribution channels.

They seem to have a tough job on their hands. The private sector growth rate that was 90 per cent at the end of August has dropped to 87 per cent. Is this a trend of toughening conditions for them?

How was the month of September 2003 for the market?

The market grew in September by Rs. 142 crores (in August it was Rs. 117cr) with a growth rate of 13.2 per cent (11.4 per cent in August). Of the Rs. 142 crores accretion, Rs. 70 crores (Rs 70 crores) was the contribution of the private players and Rs. 72 crores (Rs 46 crores) from the public players. National Insurance contributed Rs. 46 crores (Rs 52 crores), UIIC Rs. 10 crores (Rs3 crores), Oriental Rs. 9 crores (-Rs 16 crores) and New India Rs. 7 crores (Rs 7 crores). Public players have improved their results in premium growth in September.

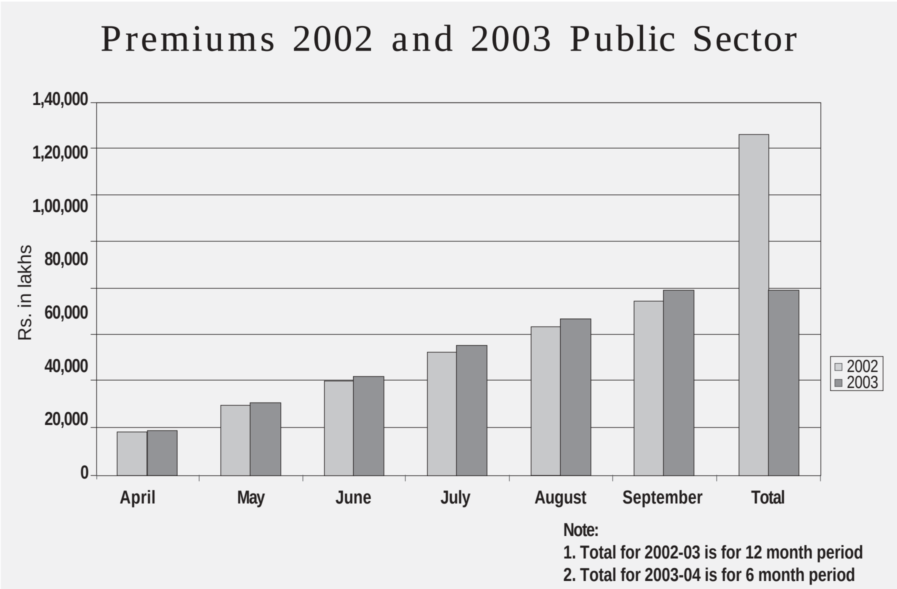
Among the private players ICICI-Lombard has shown an accretion of Rs. 21 crores (Rs. 32 crores in August), Baja Allianz Rs. 15 crores (Rs. two crores), Tata-AIG Rs. 15 crores (Rs. 11 crores), IFFCO-Tokio Rs. seven crores (no growth). Their contribution has remained at the same level as in August of Rs. 70 crores.

Forecast

Will the growth rate of the market stabilise at about 12 per cent to 13 per cent by the end of the fiscal? The market may grow to about Rs. 16, 500 crores (Rs. 14, 200 crores) with public players contributing Rs. 14, 000 crores and the private players Rs. 2,300 crores. With the entry of brokers, corporate agents and others these figures may go up.

On the claims front, it would appear that the year 2003-04 is still enjoying lots of bountiful luck as no major man-made or nature-driven claims have been reported. With these trends, the underwriting balances of insurers should hopefully improve to make them financially strong. Meanwhile the battle for premium growth is still the only talk in town.

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



IT – Ask 'Why?' First

G.V.Rao

Insurance is information intensive

Information Technology (IT) could be a valuable aid for efficient customer service, effective management and meaningful regulation in insurance business. Insurance policies are intrinsically promises of future performance of a contingent nature.

While the product sold is intangible, the subject matters of most policies are real people and property and their financial interests. Insurance is an information-intensive business. It not only generates a lot of data but is also expected to collect data from external sources for running its business.

Business is futuristic

Pricing of risks, underwriting of insurance business, processing of claims, evaluating company performance, finance and accounts and delivery of service depend upon the collection and analysis of a variety of data about customers, risk factors of the subject matter covered, past claims experience and a futuristic view of economic developments. The nature of insurance business is such that information management has become a crucial management tool for a variety of management tasks.

The public image of the industry depends on how this data collected is harnessed for the benefit of customers and for evaluating profitability, cost, revenue and performance levels of a variety of distribution channels, customers and departments. If it is used, as most often it is, for systems control, accounting, business transactions, fulfilling legal formalities, and not with the basic and fundamental purpose of benefiting the customers and adding to their convenience and exploiting future business opportunities then its major purpose is flawed.

Knowledge should be decentralised

Decentralisation of collated information to knowledge workers who actually perform tasks involving customer interface, has become the norm now. Networks, terminals, process outlets and linkage through telecommunication channels is a familiar corporate scene. Data processing to systems analysis to decision supporting and decision-making is the accepted corporate code. As long as any portion of business transactions is carried on manually, delays, information gaps and inaccuracies in the data are not uncommon.

Computer culture

Spread of computer culture within the company depends upon the number of staff that is not only computer literate but is aware fully of what the installed systems can deliver. A keenness to improve and learn the systems and software already installed for upgrading information support for futuristic planning is another aspect of managerial responsibility.

> If IT is used, for systems control, accounting, business transactions and fulfilling legal formalities, and not with the basic and fundamental purpose of benefiting the customers and adding to their convenience and exploiting future business opportunities then its major purpose is flawed.

This requires large scale training inputs to ensure that the staff at all levels has not only the necessary information available to make decisions but is willing enough to absorb future developments in the software industry with a sense of delight, familiarity and enhanced job satisfaction. The rate of obsolescence of technology is high and long term planning in acquiring technology is important to improve on how service is delivered in future. IT and how it is harnessed is a powerful competitive advantage for an organisation in product innovation, customer needs analysis, communication, strategy planning and performance evaluation.

Management of IT

It is not only the quality of information or the timeliness of its availability that determines how IT is harnessed in an organisation but of what use such information is put to towards achievement of well-defined corporate goals/targets/objectives that is at the heart of management of IT.

IT captures a variety of data that is converted into information when properly collated, and through an intelligent analysis such information gets translated into knowledge. Such knowledge is available for supporting decision-making by those responsible for making them. Defining IT goals at micro-level and at macro-level is vital. The aim of IT should be to improve organisational performance in identified and targeted areas that are linked to performance.

Analysing existing customer profiles, determining their insurance needs – current and future – tracking present service delivery standards, making operational improvements to enhance customers' profitability contribution should form the core of IT management. It is necessary to self-diagnose if the present IT systems in operation are used to obtain the best results towards the corporate objectives.

In most organisations, IT systems are installed to speed up existing antiquated work procedures and processes that are meant to control the work that their staff does than keeping the customer and his service needs uppermost in view, IT has failed to make an impact in most public sector organisations, as a competitive advantage, at the market place in India. This has probably happened as the basic core and fundamental objectives of installing IT systems and their subsequent upgrades, have not been clearly defined nor understood as required by the corporate managements.

Assessing the status of current IT performance and focusing on understanding of its current usage and finding potential gaps for improvement at various levels should be an on-going exercise. While knowledge is an undoubted corporate asset, it needs exploitation to achieve results beneficial to the corporation. The role of top management in leveraging the capabilities and competencies of knowledge workers cannot be overstated in its pursuit.

Lack of computer literacy, at the middle and top management levels, has failed to inspire the organisations to become learning organisations, as they ought to be and on a continual basis. Any change in work culture, as usage of IT as a corporate language necessarily involves, has to be top-driven. Unless the top and middle management levels themselves become sources for new learning, organisational improvements will prove as incremental.

IT, as an important management tool to improve performance levels, will succeed only when employees from bottom up become energetic participants of learning and acquiring new knowledge and skills to use them. Creating conditions for "knowledge pull" rather than "knowledge push" is what the managements should concentrate on.

Embedded knowledge also needs to be shared with others, even while the corporation is generating new knowledge. But before spending lavishly on the journey of acquiring IT knowledge and using it, one has to know the destination points and how long the journey will take.

Lack of computer literacy at the middle and top management levels has failed to inspire the organisations to become learning organisations as they ought to be and on a continual basis.

Conclusion

Acquisition of IT knowledge and knowledge management has become an important source to add value to business transactions in a fiercely competitive environment. IT has to be harnessed for achievement of identified and well-defined corporate objectives and to exploit current and future market opportunities. Building customer profiles, their profitability levels, their future needs and cementing relationships with them is the basic purpose. All systems should be geared with this end in view. Acquisition of market intelligence, analysis of trends in business of one's own and competitors, determining market opportunities to expand customer base is another.

IT provides the means to enhance customer service standards by cutting down delays in analysing customer-related information and responding to customer demands. The systems have to be customer-friendly and not corporate-control-oriented. A constant review of the IT objectives in relation to the performance of IT systems is necessary.

No business other than insurance depends on the vagaries of customers' results as insurance does. No business is as international as insurance is. There is no profession that has to be as quick in making decisions as in insurance. There is no service as demanding from the customers' expectations as insurance is.

As the public image of the insurance industry continues to be negative, it is all the more necessary to ensure that IT is leveraged to make decisions based on information that is readily available, easily accessible and soundly made.

The author is retired CMD, Oriental Insurance Company Ltd.

ePolicy Solutions Opens Facility in India

California-based ePolicy Solutions announced that it has established "a dedicated development facility in India, through an agreement with Mastek Limited, a global IT solutions company.

Torrance, California-based ePolicy Solutions Inc., enables insurance companies, agents and brokers to extend their functionality from web-based policy administration to document issuance, including rating, quoting, cancellation, reinstatement, endorsements and more. Mastek is a $79 million (July 2002-June 2003) publicly held, global IT application outsourcing company that delivers cost-effective quality solutions as per the customised requirements of Fortune 1000 organisations worldwide. With its principal offshore delivery facility based in Mumbai, India, Mastek operates through 20 offices located in the United States, Europe, Japan and Asia Pacific regions.

Establishing a dedicated development center in India is an important business strategy for ePolicy Solutions that transforms our company, Mr. Lou Kwiker, President, CEO and Co-founder, ePolicy Solutions is quoted saying. He added that his company would be able to immediately strengthen its execution and core web-services technology, RightRisk(TM), by leveraging the software development processes used by Mastek, which are assessed at CMM Level 5, the highest level available.

ePolicy Solutions will now do product development and customer implementations out of three locations -- Torrance, California, Wrentham, Massachusetts, and Mumbai, India.

RightRisk pairs robust J2EE, object-oriented architecture with a Web interface for full policy processing end to end. It property and casualty insurers by automating their underwriting, rating, quoting, binding and issuance processes online in real time at the company, agent and customer level.

LIC to cut management costs

The Life Insurance Corporation of India (LIC) is making plans to cut management costs by more than half to bring it in line with international norms of about three to four per cent of premium income, it is reported.

LIC Chairman Mr. S. B. Mathur is reported saying that this is planned over three to four years from the present level of about seven per cent. The target for this cost reduction would be management expenses as commissions could not be reduced given the competitive market today.

The company is already trying to deal with lower sales due to both competition and due to lower investment incomes due to falling interest rates in the market.

One more avenue for cost management identified by the LIC is new collection models for premiums and for this the company is looking at new marketing channels including tie-ups with banks and corporate agents.

The company has, it is reported, brought down management expenses from 12 per cent plus in 1999-2000 to 10 per cent in the following fiscal, and further down to a little over seven per cent in fiscal 2002.

'New insurers will spur healthcare'

The emergence of private sector insurers is expected to cause structural changes amongst healthcare providers, ICRA has said in an analysis of the domestic healthcare sector.

"The emergence of managed care is usually followed by decreasing hospital profitability in the short-term. Over the long-term, the dynamics of managed care are known to have led to decreased utilisation of hospitals, both in terms of admissions and average length of hospital stay, and to a shift in demand towards outpatient care," says the report.

The study observes that the key trends likely to alter the demand for medical care services include demographic profile (towards a higher proportion of the aged), epidemological transition towards non-communicable diseases and increasing concerns about the quality of care among users. It adds that on the supply side quite a few investor-owned hospitals have come up, while the number of foreign alliances have increased, private health insurers are likely to enter the market and medical care providers are using information technology to improve the reach of their services.

The demand outlook for private medical care providers appears positive as the current scenario of demand exceeding the supply is likely to continue at least over the next decade. ICRA says the role of the private sector can expand as the Government is constrained by its fiscal position and the growing preference for private medicare.

ACTUARIALLY SPEAKING

The Actuarial Society of India (ASI) has recommended that the Central Government guarantees for policies issued by the Life Insurance Corporation (LIC) ought to be withdrawn, once the public sector insurer has built up the required solvency margin.

The Government could build up free resources from the amounts receivable by it as surplus distributed by LIC over, say, 10 years, and then dispense with the guarantees, ASI has stated in its response to the Law Commission consultation paper on a comprehensive insurance law.

ASI has also called for scrapping of the Rs. 10 crores deposit required to be made by insurance companies under section 7 of the Insurance Act.

However, this provision was made when the minimum capital requirement was low and there was no concept of solvency margin. In addition, ASI has sought strengthening of the provisions of section 44 aimed at protecting both the insured and claimant as well as the life insurer.

New crop insurance policy

The Central Government plans to bring in a new crop insurance policy to compensate the loss incurred by farmers because of the gap between the minimum support price (MSP) and the market price of agricultural produce, it is reported.

Union Agriculture Minister, Mr. Rajnath Singh is reported saying that the draft for the new crop insurance policy is ready and soon it will be put before the cabinet for approval.The Centre was taking steps to give maximum benefits to the farmers and the new crop insurance policy would be introduced as a part of this endeavour, Mr Singh added.

Under this policy, the insurer will pay the difference between the MSP announced by the Government and the market price, he said.

Interest rate swap woes for LIC and GIC

It is reported that some state governments which have sought interest rate resets from the Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC) and permissions for prepayments have threatened to stop taking loans from them.

The states reportedly want the interest rates to be reset to about six per cent plus in line with recent market trends. LIC and GIC have so far not permitted any of the states to either prepay or reset any of the interest rates. LIC' s outstanding loans to all the states are currently in the region of about Rs 45,000 crores including borrowings by state-owned corporations, utilities and local bodies supported by state government guarantees.

The bulk of these loans were taken at rates above 12 per cent, mostly for capital expenditure. All the funds provided by LIC are usually long-term in nature. Some of them could extend beyond 2010.

The states have apparently been seeking a reset of the lending rates - along the same lines as the debt swaps permitted by the Centre for its high-cost loans - in a bid to reduce their revenue deficits and meet more of their committed plan expenditures. These debt swaps allowed states' interest expenditure to come down from about 14 per cent to the current level of around six per cent plus.

But the insurance companies would be adversely affected by any premature redemptions and their policyholders' funds would suffer. As it is they have been impacted by the falling returns on fixed rate investments in the recent past.

LIC not entering cards now

Life Insurance Corporation of India (LIC) has shelved its plans to launch a credit-cum-debit-card since corporatisation is high on its agenda.

Company officials are reported saying that the plan may be revived once the corporatisation issue is solved. Also, the banks with which it was planning to launch the card were not ready to handle the kind of volumes LIC was targeting it is reported, and also that LIC also did not have the requisite data, such as income profile and other financial figures, for its huge database of policyholders.

The corporation had identified a Fortune 500, $59.2 billion company — Capital One - as its partner for foraying into the credit-cum-debit card business. LIC had entered into talks with three possible partners — SBI Cards, Capital One and GE Capital for entering the field.

It was talking to Corporation Bank, Citicorp group, and Bank of Punjab for providing banking services required for launching the card. Officials said LIC will require a large network capable of handling large volumes from these banks.

LIC is looking for the best deal of the three entities with which it had entered into talks and had put a few riders such as waiver of joining fees and annual fees for card holders, reduced rate of interest advances through the card.

A.M. Best Assigns Rating to African Reinsurance Corporation

A.M. Best Co. has assigned an initial financial strength rating of A- (Excellent) to African Reinsurance Corporation (Africa Re), Nigeria. The rating outlook is stable.

The rating reflects Africa Re's excellent capitalisation, consistent and sustainable underwriting performance and an excellent market position in the African markets. Offsetting factors include limited investment returns, lack of international exposure and its relatively small size says the rating agency.

Excellent capitalisation - According to A.M. Best's risk-adjusted capital model—Retained earnings and positive unrealised gains on foreign exchange resulted in a 22 per cent increase in capital and surplus to $ 62.8 million in 2002. A proposed capital raising exercise during 2003 should result in a capital increase of $ 50 million capital by mid 2004. A.M. Best expects this to be sufficient to support Africa Re's business growth strategy.

Consistent and sustainable underwriting performance—Accounting on a three-year funded basis, Africa Re has been consistently profitable over the past five years, a trend that is likely to be maintained through 2004. A slight deterioration over the exceptional performance in 2002 is expected in 2003 as a result of cautious initial reserving due to increased presence in more volatile lines of business.

Excellent market position - Africa Re's reliance upon compulsory cessions from African cedents has diminished substantially over the past five years (20 per cent in 2002). It is expected to maintain a very good market position in continental Africa based on strong, well-established business relationships cemented by high service standards. Market position was strengthened by 50 per cent growth of gross premiums in 2002. Further growth of 30 per cent is anticipated in the combined years of 2003 and 2004 following an increased profile in South Africa (its largest market by gross premiums in 2002), growth of the energy book and expansion into the Middle East and India.

Limited investment return - Management applies a prudent strategy to invested assets, holding the majority (96 per cent) in cash, cash equivalents or high investment grade fixed income securities. Approximately 80 per cent of assets are held offshore. Strong investment returns are sacrificed for consistency, and current negative trends in interest rates have driven investment income down from 7.1 per cent in 2001 to 5.2 per cent in 2002. Prospectively, this will deteriorate further to near four per cent in 2003.

EC Drops Probe of Lloyd's Regulation

The European Commission (EC), the European Union's (EU) regulatory authority, has dropped an investigation of the British government's rules concerning the Lloyd's market.

The EC began the probe in response to complaints by a number of Lloyd's "Names," who lost money when they were required to contribute large amounts to pay for asbestos and environmental claims. They charged that the losses were mainly due to insufficient regulatory supervision by the British government in violation of EU directives. Up until 2001, when it became subject to the U.K.'s Financial Services Authority, Lloyd's was largely self-governing.

The EC's decision indicated that it was satisfied that the current regulations governing Lloyd's were in line with its standards. It left open the possibility, however that aggrieved "Names" could still pursue actions in U.K. courts for losses suffered as a result of inadequate regulation in the past.

A report from Reuters cited remarks by Roy Perry, a Member of the European Parliament from the U.K., who represents the Lloyd's "Names," as indicating that the decision had failed to address their main contention that the U.K. had failed to properly supervise Lloyd's during the '80's and '90's when the huge losses occurred. Perry called on the EC to answer that question by November 15.

UK insurers and risk management

A new Financial Services Aurthority (FSA) report summarises the findings of a recent survey of risk management practices and procedures in the UK insurance industry. This survey was designed to provide the FSA with information about high-level risk management practices following its risk assessment visits in 2002.

The main findings in the report are:

* Since the FSA's 'Arrow' risk assessment visits in 2002, many UK insurance firms have improved the way they manage risk and can demonstrate this through more comprehensive documentation.

* Many firms have decided that separate risk assessment functions and risk committees are needed, and have made progress in establishing them.

* Some firms have designed risk management systems more for the purpose of meeting the terms of FSA guidance than for delivering effective risk management. In some firms, risk management systems are regarded as a compliance requirement, rather than core business processes.

* Although risk functions are being developed, they are often located within a business line. This means that it is difficult to achieve an adequate separation between employees involved in taking on or controlling risk day-to-day and those involved in identifying and analysing risk.

* Many firms have not clearly defined their appetite for, or tolerance of, risk.

* The quality and frequency of risk information for governing bodies varies significantly from firm to firm.

The use of models for underwriting, reserving and capital requirement is increasing, and we expect that some firms will use models to support their individual capital assessments. However, the credibility of these results is reduced where these models are not used by the business for performance assessments, where data is not collected to validate the results, and where the risks modelled are not reconciled to the findings of risk assessment functions. Few firms collect operational loss data for use in models.

Mitsui chairman wins Personality of The Year award

MITSUI Sumitomo Insurance Co. Ltd.'s Chairman and Chief Executive Officer, Mr. Takeo Inokuchi has been named Personality of The Year at the 7th Asia Insurance Industry Awards 2003 held in Singapore.

Mr. Inokuchi, regarded as one of the innovators of the Japanese general insurance industry, is an avid promoter of deregulation and globalisation.

He had also enhanced the fairness and transparency of the Japanese market while being an active proponent of going regional in Asia said Asia Insurance Review, Singapore, which jointly organised the award with London-based The Review Worldwide Reinsurance magazines.

The winners include Taiwan branch of ING Life Insurance Co of America which was named life insurance company of the year, Insurance Australia Group Ltd as the general insurance company of the year, Australia and New Zealand Institute of Insurance and Finance, and Life Office Management Association as educational service provider of the year.

Singapore's MAS to get power to set rules for insurance funds

The Monetary Authority of Singapore (MAS) will have the power to set rules for insurance funds once the Insurance Act is amended.

The rules will spell out what receipts, income, expenses and liabilities could go into insurance funds.

Singapore Deputy Prime Minister Mr. Lee Hsien Loong said in Parliament that the MAS will not allow insurance companies to use the participating policyholders' fund to compensate policyholders who have been mis-sold insurance products.

"This would safeguard policyholders' interests from being compromised by unfair practices by insurers," he said.

A.M. Best Affirms Rating of Singapore Reinsurance Corporation Ltd.

A.M. Best Co. has affirmed the financial strength rating of A- (Excellent) of Singapore Reinsurance Corporation Ltd. The outlook is stable.

The rating reflects Singapore Reinsurance's superior financial strength, resilient earning profile and well-established presence in the Singapore market. The rating also considers the improved pricing environment, which has contributed to its underwriting margin.

Singapore Reinsurance is strongly capitalised on a risk-adjusted basis. At the end of fiscal year 2002, the company's statutory solvency ratio stood at 186 per cent. The Best's Capital Adequacy Ratio (BCAR), which measures capitalisation on a risk-adjusted basis, demonstrated that the company is superiorly capitalised. The net underwriting leverage ratio, standing at 0.36 times as at the end of 2002, reflects the company's adequate capital.

Despite the recent global economic downturn, Singapore Reinsurance consistently generated an operating profit due to its prudent investment policy. Compared to other regional reinsurers, Singapore Reinsurance's underwriting results are superior, which is reflected in the relatively high level of return on asset and return on net premiums as at the end of 2002 (3.4 per cent and 16.7 per cent, respectively).

The company's market presence is well-established in its domestic market. As at the end of 2002, the company's market share in Singapore (based on net reinsurance premiums placed) is over 20 per cent. Although the competition in the Singapore market is intense with 20 reinsurers and a market total of over $ 180 million in gross premium, Singapore Reinsurance's market presence remains strong.

These factors are partially offset by the company's deteriorating underwriting margin and small underwriting capacity in overseas business. In addition, the unfavorable investment environment in fiscal year 2002 continued to pressure the company's overall profitability.

Singapore Reinsurance's underwriting result improved slightly and was directly affected by the under-pricing of the automobile line of business in the market. The company's automobile loss ratio deteriorated from 90.1 per cent in 2001 to 93.6 per cent in 2002.

Singapore Reinsurance's business profile on a global scale is less established than other regional reinsurers due to its underwriting policy avoiding the high-risk markets. The size of the company is smaller than its regional peers, and almost 90 per cent of the company's business is generated from domestic business. Consequently, the extent of organic growth in premium from the overseas portfolio will be limited, although increasing marketing efforts are being made in China and India.

Lloyd's to investigate 'Names' leak

Lloyd's of London has pledged to investigate how confidential lists of the so-called 'Names' who finance the multi-billion pound insurance market became public.

Prominent among the 5,500 entries for 2000 are said to be judges, senior lawyers, former ministers and top military.

The Lloyd's market, which dates back almost three centuries, is divided into syndicates with each made up of Names who stand surety for any claims that may arise. Members stand to benefit if the policy premiums they charge are greater than the payouts.

Lloyd's Names have unlimited liability, with those people now being asked to make up for shortfalls in policies underwritten in 2000 and 2001. The report said many were now planning to quit the market after suffering large losses.

Lloyd's recorded a loss of £3.11 billion for 2001 following the September 11 disaster and other catastrophes.

However, the world's oldest insurance market announced a return to the black for 2002 with a profit of £834 million. That followed a combination of steep increases in insurance premiums, low claims and disciplined underwriting.

Lloyd's switched to reporting its results on an annual basis last year as part of reforms aimed at modernising the historic market. Changes also include phasing out the number of Names who have unlimited liability.

Dear Editor

WE CAN HELP

I have gone through your research project detailed in (Know Thyself, **IRDA Journal**, July, 2003). I am delighted to note that the IRDA is out to tackle issues faced by the industry and to set standards for future evaluations.

We, in Amity, have been always seeking projects wherein energies of the students can be harnessed for practical training. I am very sure that you will find something for us in Delhi where we can be of assistance to you in collecting and analysing data. We have a strength of 104 students for our Post Graduate Diploma in Insurance Management/ MBA (Insurance).

In the context of medical informatics, I suggest the standard format may be evolved which would be required to be compulsorily maintained by all the hospitals. The cost for completion of this data could be reimbursed by the IRDA as a grant. This data can be captured from hospitals in metros and other centres according to population classification of cities. The data needs to be segregated in relation to private hospitals and government hospitals but again needs to be classified according to the charges for services provided. The entire exercise will have to be split into assignment to be executed by different units so as to collect and collate the same with speed.

Please let us know how you intend to make use of our services which we will be keen to render to make this project of national value a great success.

R. R. Grover,
Director,
Amity School of Insurance and Actuarial Science,
NOIDA

Teamwork for Excellence

I had the opportunity of going through the **IRDA Journal**. It had truly expanded my mental horizons and enlightened me on many subjects about the winds of change which are blowing across the industry.

While studying the business performance we see that the industry's growth rate has slowed down from that of the previous year. It is also a matter of concern for the State owned public sector units that they have been driven to the wall to defend their existing accounts.

These trends should make the public players ponder over what must be done to regain the initiative to prove their undoubted strengths. Time and again it has been discovered that an excellent organisation with all the competencies available loses the race to an average level company all because the latter has a high level of synchronised teamwork. Where there is a high level of teamwork, a mutually supportive atmosphere, a tendency to work taking all the members along together, there is a greater rate of success.

All the State owned PSUs should be concerned about what they should do now and in future and, not what has not been done. Each one of us is capable of doing much more than our allotted tasks. Let us go ahead with our corporate goals and achieve growth with profitability, prompt and efficient customer service and create an image for our organisations and feel proud to be its members. Let us look beyond our routine roles and add more significance to our work profile and thus achieve an excellence which would be unmatched by others. If all of us try sincerely no barrier can deter us. It should be our objective to ensure that employees at all levels get right direction and of course the organisation also expects the same amount of support, co-operation and active involvement with due accountability at all levels.

Kuldeep Sumbly
Oriental Insurance Company Ltd.
Kotdwar
Uttaranchal State

Change of Address ?

Fill this form and send it to us.

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Company/Organisation : ____________________
Nature of business : ____________________
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FICCI's Meet

Federation of Indian Chambers of Commerce and Industry (FICCI) helds it Eighth Conference on Insurance on the theme : "Indian Insurance Sector : Achievements & Prospects" on October 15 and 16 at Delhi.

Mr. S.B. Mathur, Chairman, LIC, speaks at FICCI's Insurance Conference. Also seen in the picture is Mr. P. Murari, Advisor to President, FICCI.

From the City

Alderman Gavyon Arthur met Mr. C. S.Rao, Chairman, IRDA, during his visit to Hyderabad on September 12 along with Mr. J. A. Cooke, Head – International Relations, Association of British Insurers (ABI).

L to R: Mr. C. S. Rao, Chairman, IRDA, greets the Lord Mayor of London, at the IRDA office.

Exhibit A!

Mr. Vijay Pawar, President, Reliance General Insurance Company Limited, shows Mr. C.S.Rao, Chairman, IRDA, around his company's stall at the FICCI Conference on Insurance held in Delhi on October 15 and 16.

L to R: Mr. Vijay Pawar and Mr. C. S. Rao at Exhibiton. Also seen in the picture is Mr. D. Varadarajan, Advocate and member of the Insurance Advisory Committee, IRDA.

Have your say!

Dear Readers

The **IRDA Journal** was launched in December, 2002, to serve as the forum for stakeholders of the insurance industry to make their views and experiences known to the Regulator and to teach others. You have supported us with your views and suggestions on various aspects of what is happening in the industry and your experiences and ideas. Where your support has been most visible and encouraging is in the steadily increasing requests for copies that arrive at the office expressing interest in the contents of the Journal, encouraging us to take strength in the belief in which the publication was launched, which is that the industry needs such a medium of communication to listen to its stakeholders.

Once again, as always, we want your opinion. This time on the Journal itself. The Journal is shortly to complete its first year of existence. To help us take stock of where we have come and what needs to be done ahead, please answer the following questions and send it back to us by post to:

Editor
IRDA Journal,
Insurance Regulatory and Development Authority
Parisrama Bhavanam, III Floor, 5-9-58/B , Basheer Bagh, Hyderabad – 500 004
Or e-mail us at irdajournal@irdaonline.org.

Please transcribe your envelope with the words 'IRDA Journal Survey' or mention this in the subject line of your e-mail. Please feel free to use extra sheets of paper if you need them.

Do you find the IRDA Journal useful in your day to day work?

What sections are the most useful and what can be bypassed in future when we revamp contents?

What new sections or types of articles (including topics) would you like to see regularly featured in the Journal?

Do you find the writing in the Journal easy to read and understand. Is the reading experience enjoyable?

What needs to be done with regard to writing, rewriting and editing?

Your comments on the design, layout and use of visual elements in the Journal.

Name : ....

Address : ....

....

Company : ....

E-mail : ....

“ ”

The more money that is available from the insurance industry, the more will these projects be funded. The insurance industry can be a tremendous engine for the creation of a long-term capital market.

Mr. Gary Benanav, Chairman and Chief Executive Officer, New York Life International Inc.

The prospect of declining investment returns could impact profitability unless these companies adopt strategies directed at considerably decreasing their combined ratio by tightening underwriting practices and reducing operating expenses.

ICRA's Rating Report on public sector general insurance companies

(The Indian insurance) market is becoming reasonably competitive, this is good for the client. We feel that it is becoming overcompetitive too early. Not all the values being used are accurate and when the broker market grows it will become much more competitive.

Mr. Oscar Smith, Country Manager (India), Reinsurance Group of America

The use of models for underwriting, reserving and capital requirement is increasing, and we expect that some firms will use models to support their individual capital assessments. However, the credibility of these results is reduced where these models are not used by the business for performance assessments.

Financial Services Authority's (FSA) review of UK insurers’ risk management practices

The way partnerships play out will have a significant impact on the way the industry develops.

Mr. Leo Puri, McKinsey & Co

There has to be consistent tax treatment of life insurance policy investments. It is not the premium paying period but the policy period that should be the basis for taxation.

Mr. S. B. Mathur, Chairman, LIC.

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Events

November 9-12, 2003
Venue: Singapore
The Third International Underwriting Congress
featuring 50 Experts from the World's Leading Insurers and Reinsurers

November 10-12, 2003
Venue: Pune
Workshop on Micro Insurance by National Insurance Academy (NIA)

November 13-15, 2003
Venue: Pune
Workshop on Distribution Channel Management (Non-Life) by NIA

November 24-25, 2003
Venue: Pune
Seminar on IT Governance by NIA

November 27-29
Venue: Pune
Programme on Cyber Liability by NIA

December 8-9, 2003
Venue: Hyderabad
Eighth Insurance Summit, 2003, organised by the Confederation of Indian Industry (CII)
Theme: Realising the Growth Potential

December 8-12, 2003
Venue: Pune
Data Warehousing and Data Mining by NIA

December 15-16, 2003
Venue: Pune
Seminar on Frontline Effects of Insurance Regulations by NIA

December 17-20, 2003
Venue: Pune
Insurance Management of Infrastructure Projects by NIA

February 18-19, 2004
Venue: Delhi
Sixth Global Conference of Actuaries organised by the Federation of Indian Chambers of Commerce and Industry (FICCI)in association with Actuarial Society of India (ASI)