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Editor:
K. Nitya Kalyani

Hindi Correspondent:
Sanjeev Kumar Jain

Design concept & Production:
Imageads Services Private Limited
Art Director : Shailesh Ijmulwar
Production : Anand and Usha

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Editor: K. Nitya Kalyani

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17, Red Hills, Hyderabad 500 004
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Parisrama Bhavanam, III Floor
5-9-58/B, Basheer Bagh
Hyderabad 500 004
Phone: 5582 0964, 5578 9768
Fax: 91-040-5582 3334
e-mail: irdajournal@irdaonline.org

From the Publisher

I spoke of the importance that the Authority places on self-regulation, market discipline and a code of conduct in the last issue with regard to intermediaries. This is an important measure for the main industry itself, that is the insurance companies.

The life council, the self-regulatory organisation for the life insurance industry, has come up after long deliberation, with rules for presenting any life product to customers. The specifics of the rules and the illustrations follow from the Protection of Policyholders' Interest Regulations of the Authority and will be binding on all life insurers.

In cases like insurance where the industry is a mature one and has players with promoters seasoned in this business and in many markets, regulation needs to be only a framework, providing the concept and not the details of conducting the business. It is with this view that self-regulation has been encouraged by the Authority. It has the advantages of consensus building within sectors of the industry and that of serving the larger good rather than narrower interests, if any.

It also places the self-regulated under a greater obligation towards compliance and the Authority's resources free to monitor the early warning signals and look to the future – both critical missions of a regulator.

Both these missions converge in monitoring investments of insurers – the Issue Focus of this issue of the **IRDA Journal** that you hold in your hands. With underwriting in non-life at a prolonged cyclical low, investment has become more critical in providing security and returns. But the market does not heed individual needs. At what is a crucial time, the non-life industry is losing its cushion, and doing so quite apparently. The life insurance industry is not far behind, but is still in a position to correct its generous past promises, something that the market returns and capital values are forcing it to do.

Expanding the markets would be one answer to stabilise incomes, increase cashflows and hence returns – the quantum if not the rate. And to the lay person the obvious answer is Rural Markets. If the riches beckon out there, why have so few chased it? We look for some answers, and maybe even some questions in the next issue of the Journal.

C.S. Rao

C.S.RAO

Inside

COVER STORY

Back to Basics

M.S.Sreedhar 23

VANTAGE POINT

Covering the Countryside

- Opportunities and Issues in Rural Insurance

R.V.Rajan 4

The Journey

Shivakumar Belavadi 36

Silver Linings!

In good times there is bad and, in bad times, good. It is this bittersweet irony that keeps hope alive. And the hope looks like it will be realised now as the market, which was the collective despair of all investors including and not the least, the insurers, suddenly forged ahead in the past weeks.

The correction may come, and indeed analysts have been predicting a series of corrections with the market drifting upwards eventually. But the irony of this rally is that we had just chosen to take a long hard look at investments and all it holds in terms of opportunities and threats to the insurers' bottomlines and policyholders' future. This is anyway a good thing to do and so we are happy to present in the Issue Focus this issue a bouquet of articles on investment in the insurance industry. One by Mr. P. A. Balasubramanian, Member (Actuary), IRDA, looks at investment priorities in the life insurance sector and another by Mr. M. S. Sreedhar, CFO and Company Secretary, Royal Sundaram Alliance Insurance Company at issues in the non-life sector.

Mr. Rumeer Shah traces the investment follies of the insurance industry in other markets, sounding a timely warning bell for those in the Indian market who may be on the brink of anxiety.

With the non-life industry's investment returns being completed, we also have observations on what the figures imply by Mr. G. V. Rao, who is fast specialising as our financial commentator and enjoying it!

The next issue will be on rural markets and rural marketing and we carry an introductory piece by Mr. R. V. Rajan, Chairman and Managing Director of Anugrah Madison Advertising Pvt. Ltd., and well-known rural marketing specialist. He comments on 'Rural Insurance : Issues, Challenges and Opportunities – Report on a Research Based Study' released some time ago by Foundation of Research, Training and Education in Insurance in India (FORTE), a collaboration between Federation of Indian Chambers of Commerce and Industry (FICCI) and ING Insurance.

In our July issue we carried a white paper on the data projects that the IRDA is proposing, and in this issue we carry responses to the medical and motor data proposals from two professionals with working experience in these fields. We will be carrying more of this in the future as the proposal creates debate which will shape the projects, so please write in with your suggestions and thoughts too.

We welcome two first- time writers for the Journal this issue. Mr. P. S. Prabhakar will be raising over the next few issues, some riddles that riddle general insurance accounting and Mr. Shivakumar Belavadi has written what we hope will be the first of many such pieces to come – describing his quest for professional qualification and recognition.

I end with a request. You are holding the 10th issue of the **IRDA Journal** in your hands. We would like to explore what you have found useful and irrelevant in the magazine through the best part of a year. Please take the time to answer the survey at the end of this issue and mail it to us. You can also send it to us by e-mail at the id irdajournal@irdaonline.org.

As always we look forward to hearing both the good and bad from you, candidly.

K. Nitya Kalyani

Covering the Countryside

- Opportunities and Issues in Rural Insurance

R.V.Rajan

After the hype generated by the information technology (IT) sector, it is time for insurance to become one of the most talked-about subjects in liberalised India.

In India, insurance has been always associated with life insurance and the Life Insurance Corporation of India (LIC) thanks to the massive efforts put in by the LIC over the years in spreading the life insurance story through the length and breadth of the country. Though general insurance has been in existence all these years, it has not caught on in a big way even in urban India. Though there is a lot that needs to be done in terms of insurance in the urban areas, the need for looking at the huge untapped rural markets, for insurance cannot be under estimated.

It is in this context that the study on "*Rural Insurance – Issues, Challenges and Opportunities*" undertaken by FICCI in association with ING Insurance, is both timely and useful.

Though the study is restricted to three markets, it is representative of the existing situation of insurance as a subject in rural India.

While the name of LIC, a government organisation represented by its agent seems to be reasonably established in the rural areas, what must worry and also pose a challenge to the private insurance operators, is the very negative image that the word 'private' has among the rural folks. To quote from the study, "Not many people are aware of any private insurance company and even the few who did mention a private insurance company were hesitant to put their money because they perceived the private companies as unsafe. The negative perception extends to all financial institutions which has private in their nomenclature."

The study also suggests that "to meet the challenge of gaining trust and building a positive image among villagers, it is important for the insurance companies to establish their credibility, particularly among the more educated and the village leaders. This segment is relatively more aware and seeks better quality service. They are likely to be the early adopters and their influence will encourage other villagers to follow them."

This is good news for ad agencies and rural specialists who will have a major role to play in developing appropriate communication packages aimed at the rural masses.

Another interesting contribution of the study is the definition of 'Rural' in the context of insurance.

> The study also rightly recommends the use of regional press and regional and local cable TV channels to promote insurance in rural india.

'A rural town should be defined as a town having a population not exceeding 10,000 with the majority of the male working population engaged in agriculture, agriculture-related activities and satisfying either one or more of the following criteria:

- Has branches of grameen banks/ cooperative banks or rural branches of a commercial bank
- Has agri-cooperatives
- Has agriculture markets (mandis)

This definition will straight away help marketers of insurance products to arrive at a reduced and more manageable number of towns/ villages that they have to reach to promote their products. This will also help in developing a more focused approach to marketing of insurance products in the rural areas.

Though the insurance agents play a vital role in persuading rural folks to go for life insurance, banks followed by post offices seem to be preferred institutions for both providing insurance policies and payment of premiums. While this is the ideal approach for individual policies, for group insurance the study also recommends various existing groups like self-help groups (SHGs), youth clubs and cooperative societies who can be approached by specially trained agents.

Penetration of general insurance and even the awareness about general insurance is very low in the rural sector. However, there is a felt need to protect their assets among rural folks, especially the more prosperous ones.

"Presently, penetration of general insurance in rural areas is mostly driven by mandatory requirements category. But people do perceive security as the foremost benefit of general insurance. This shows the potential that exists for general insurance, which needs to be tapped more aggressively and systematically."

If the more educated and affluent segments A and B are targeted first, it will help lay a solid foundation for penetrating the rural markets in a progressive manner.

The study also rightly recommends the use of regional press and regional and local cable TV channels as possible media vehicles to promote both life and general insurance in rural India.

On the question of delivery channels for general insurance products the study makes the following interesting recommendation:

"While the establishment of an agent network in rural areas does not seem to be a viable option for general insurance companies, at this time, there are various alternate delivery systems that can be used for penetration.

Commercial banks, post offices, grameen banks, kisan credit banks, district credit cooperative banks, producers' cooperative societies and non-governmental organisations (NGOs) specialising in micro finance are all platforms for the promotion of general insurance products. In addition, auto dealers could be made agents for the sale of motor and tractor insurance.

The successful experiment of the State Bank of India (SBI) in promoting pure term plans as group protection plans through its branches in Gulbarga district open the door for bancassurance in rural areas as a great opportunity for insurance companies. Bancassurance could be an effective alternative to the traditional "agents structure" in rural India.

For those interested, the study also gives detailed information on consumer profile, penetration of different products, on the premium loads that the market can bear, frequency of premiums, delivery mechanisms, sources of awareness, influencing factors, etc.

For those interested, the study also gives detailed information on consumer profile, penetration of different products and the premium loads that the market can bear.

The Annexure dealing with E-Choupal, Kisan cards and other relevant case studies should be eye openers for companies contemplating or entering the rural sector with insurance products.

Overall, it is a good effort to be commended for the depth and width of information provided, which the insurance companies will find very useful in marketing their products.

The author is CMD, Anugrah Madison Advertising Pvt. Ltd. and a specialist in Rural Marketing. Here, he comments on 'Rural Insurance : Issues, Challenges and Opportunities – Report on Research Based Study' released sometime ago by Foundation of Research, Training and Education in Insurance in India (FORTE), a collaboration between Federation of Indian Chambers of Commerce and Industry (FICCI) and ING Insurance.

The Vast BEYOND...

The one that we know exists but have not got around to winning over!

Rural India. They want insurance, are willing to buy it, and have a healthy list of curious questions about value for money and credibility and financial stability of insurance companies. Articulated or otherwise.

Our next issue is on rural markets and we welcome your articles on how to do it best.

Write about your experiences, your triumphs or failures and the lessons you learnt.

So that others can learn from them.

Send your contributions by September 15th 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

TAC Databasing Declined Lives

T.R.A. Krishnan

With the changed scenario, the Tariff Advisory Committee (TAC) is on the road to act as a data warehouse. In the recent past, one such project assigned to TAC, Chennai Regional Office (RO), is the database on declined lives.

A proposal on a life is said to be a declined life if an insurer, for any reason, i.e. health, occupation, hobbies, criminal records/ activities, insolvency, financial reasons etc. declines the proposal. Declination is, however, done mostly on health grounds as our data has shown thus far.

Some facts in the area of declined lives are:

- An insurer may unknowingly insure a life that has already been declined by another insurer.
- Declined lives are regarded as bad risks, in most cases uninsurable.
- An insurer may not have access to details of lives declined by other insurers.

The objectives of TAC are:

- To facilitate life insurers to cross check data so as to ensure that lives already declined are not accepted.
- To provide information to life insurers on declined lives in order to enable them to make right decisions on acceptance of risks.
- To maintain data on declined lives in a secure and confidential manner as required.
- To render this service on a no-cost basis as part of IRDA's/ TAC's ongoing obligations to the insurance industry.

Inputs on proposals declined are in the form of data voluntarily submitted in a format specified by the IRDA and acceptable to all life insurers. They contain information on insurance contracts cancelled and the reasons for declinature. Companies submit updates from time to time and the TAC ensures that it receives data only from authenticated sources to ensure data integrity.

The TAC warehouses the data and maintains its confidentiality. What it outputs is a specific reply as to whether the name queried is in the declined list, and if so, the reason for declination. Also, periodical analysis reports of the data are prepared.

The benefits to insurers are manifold. Such a negative list of declined lives enables insurers to take prudent decision on acceptance of declined lives. The major point of comfort is that the service is available from statutory – neutral authorities (IRDA and the TAC) and hence will be confidential. The TAC will give reliable service with prompt response.

The system we have designed has the flexibility to take care of specific needs of insurers and ensure a healthy information exchange. What we do is the conversion of raw data into analysable data, creation and maintenance of a search engine, periodic deletion of aged data if deemed necessary, all enabling us to provide answers to online queries over the Net.

There are some basic query parameters and they take the lead from the kind of information that the insurer has to submit. They include name, date of birth, address and pin code of the sum assured. Where multiple data is available then the queries will have to include filtering details like name of nominee, father's/ husband's name.

Search commands have been designed in such a way that they can fetch records of even those persons who have given slightly varied information to conceal their identity as a declined life.

The notable aspect of this project is that the software is developed by TAC, the Chennai RO, where we have sufficient in-house expertise to manage the database and answer queries in the quickest possible time.

The author is Regional Manager, Tariff Advisory Committee (TAC), at Chennai, and is in charge of the declined lives database initiative.

PREMIUM REQUIREMENT

The IRDA has announced that all life insurers should make available the premium rates with a facility of a premium calculator on their website for the information of the public.

The requirement is for the purpose of ensuring complete information to the prospective customers seeking to buy or research insurance products.

In case you do not get this facility from the insurance company's website, you may write to the Authority at irauth@vsnl.com for suitable action.

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File and Use for comprehensive CPM equipment cover

General insurers have been allowed by the Tariff Advisory Committee (TAC) to issue comprehensive package policy for CPM equipment subject to IRDA's File and Use system. Earlier, the policy was under the engineering tariff.

The Tariff Advisory Committee in its 4th meeting held on August 25, 1999, had considered a proposal to allow the insurers to issue contingency policy on 'First Loss Basis" on CPM equipment where there were difficulties experienced by the insureds in declaring values of the individual CPM equipment, particularly in the case of large projects and considering the multifarious covers like transit risks, internal breakdowns, etc., required in such projects.

It was decided at that meeting that the insurance companies may consider proposals for contingency policy subject to adequate reinsurance support including cover on First Loss Basis where there was difficulty in providing individual sum insured for various machineries at different locations. Subsequently in its meeting held on February 10, 2003, the TAC, arising out of representations from insurers for reviewing the above decision, had decided that the provision for issuing Contingency Cover could be continued subject to the rates and terms for tariff components being as per tariff and the minimum additional rate for machinery breakdown cover being 0.70% which would be over and above the applicable CPM Tariff rate. Also, the premium for non-tariff covers was to be in addition to the premium applicable for tariff covers.

One more condition was that the sum insured should be on 'reinstatement value' basis as in CPM/MB policies. In other words, First-loss Policies would not be allowed.

Pay for Delay

H.K. Awasthi

When the insured is deprived of the right to enjoy his money or invest his money in business, the loss has to be necessarily compensated by way of payment of interest by the insurance company. So held the Supreme Court in the case of United India Insurance Co. Ltd. Vs MKJ Corporation, reported in III (1996) CPJ8 (SC).

Not only this, but the award of compensation for harassment by public authorities compensates the individual, satisfies him personally and also helps in curing a social evil. It may result in improving the work culture and help in changing attitudes.

In the case of Basant Pandey & Ors. Vs LIC, (Complaint No. 3(M) of 2001 order dated 29.05.2003) decided by the Bench, presided by Justice N.S. Singh of the State Consumer Disputes Redressal Commission, Meghalaya, Shillong, a widow who had already borne the grief of the loss of her husband had to, along with her grandson, pursue LIC for over six long years to get payment of the sum assured and lastly had to knock the doors of the State Commission for redressal of her grievance, thereby defeating the very purpose for which the life insurance scheme has been devised and implemented.

In this case, during his lifetime, Mr. Ram Pandey, since deceased, took an insurance policy on his life for a sum assured of Rs.3 lakhs for a term of 15 years from August 28, 1993 to August 28, 2008. He paid three instalments of the annual premium on due dates. Unfortunately, Mr. Pandey died on October 12,1995, due to cardiorespiratory failure. Thereupon his wife Mrs. Basant Pandey and grandson Mr. Chandra Bhushan Pandey, who were the nominees, immediately handed over the claim to the LIC agent who kept on assuring them that the claim was being processed and payment would be released soon.

Since the claim was not settled, the nominees issued a pleader notice dated April 26, 1999, but the LIC still remained inactive. Mrs. Basant Pandey issued a reminder on August 8, 2000, and got another pleaders' notice dated June 6, 2001, served on LIC but these two not only failed to evoke any response from the LIC but there was no courtesy of any reply from the Corporation. Thus the claim remained unsettled and unresponded to for almost six years.

> In cases of inordinate delay in settlement of claim, the LIC should investigate the causes for the delay and fix the responsibility of the dealing hand.

Thereafter, the joint nominee filed a complaint before the State Commission on July 20, 2001, alleging negligence and deficiency in service on the part of the LIC by non-settlement of their genuine claim and prayed for directions to the LIC to pay the sum assured together with interest at the rate of 18 per cent p.a. from the date of death till the date of payment along with a sum of Rs. 50,000/- as compensation for the pecuniary loss due to delay in settlement of the claim and for the great mental agony and harassment inflicted by the LIC upon them.

The matter was adjourned a number of times. Meantime, the LIC released payment of the sum assured together with the bonus accrued and deposited the sum of Rs.3,60,300/- on September 11, 2002, with the Commission which was received by the complainant on September 14, 2002. The State Commission observed during the course of hearing that even though LIC had paid the sum assured after the complaint was filed it does not mean that it is the end of the matter. Because even if the grievances of a complainant are redressed during the pendency of a complaint, the rights of the complainant to seek compensation still survive and the Consumer Forum is required to apply its mind and pass necessary directions in that regard. Where the insurance company is found to have been negligent in performing its service or has unjustifiably delayed the settlement of the claim beyond a reasonable period then it has to compensate the insured by paying an interest on the amount settled and paid. Therefore, the State Commission directed the LIC to pay interest at the rate of 12 per cent p.a. on the sum of Rs.3,60,300/- from March 3,1996 to September 11, 2002, within 30 days.

In cases of inordinate delay in settlement of claim, the LIC should investigate the causes for the delay and fix the responsibility of the dealing hand. It is all the more necessary for the LIC to follow the Citizens' Charter in letter and spirit and become more customer-friendly. The LIC offices in remote areas have to be more active and prompt in providing services to customers to maintain its reputation.

Ignorance of the Law?

H.K. Awasthi

The surprising delay by 339 days on the part of National Insurance Co. Ltd., which has a vast legal department, in filing of revision petition before the National Consumer Disputes Redressal Commission speaks about the dilatory and casual approach to the claims of policyholders.

This issue came up before the National Commission while deciding the revision petition and the application seeking condonation of delay in the complaint filed by K.T. Lukose who had taken a Mediclaim policy from the National Insurance Co. Ltd., (III (2003) CPJ 32(NC)) for his wife and children. During the validity of the policy his wife underwent surgery and when he preferred a claim under the policy, it was repudiated on the grounds that there was an exclusion clause under clause 4.3 of the policy.

Both the District Forum and the State Commission did not accept the plea of the insurance company. The District Forum directed the company to pay Rs. 25,760.04 with interest at the rate of 15 per cent p.a. from the date of the complaint till payment. The State Commission upheld that order in the appeal by the insurance company which filed a revision petition after a delay of 339 days!

The National Commission while dismissing the revision petition observed that first having lost in two forums it was not necessary for the insurance company to still file the revision petition against the concurrent findings of the two forums. The National Commission did not accept the contention of the insurance company that the Commission's order for filing revision within 90 days came to their knowledge at a subsequent stage when earlier there was no such bar of limitation in filing revision. The Commission observed that it cannot be said that the insurance company was not aware of the order of the Commission, when it has such a vast legal department. Moreover in view of the Supreme Court decision it was quite clear that when there is no limitation provided specifically, the Limitation Act applies. It is not that there is further delay of the file moving from one branch to another but also for opinion from one person to another. The insurance company is not an ordinary litigant where the file has to move for opinion from one stage to another.

Considering the observations of the apex court under the Consumer Protection Act, 1986, in a number of cases against the insurance companies, it would be appropriate if IRDA formulates suitable guidelines for dealing with claims to avoid unwarranted litigation which not only harasses the claimant but also causes monetary loss to the companies.

It would be appropriate if IRDA formulates suitable guidelines for dealing with claims to avoid unwarranted litigation which not only harasses the claimant but also causes monetary loss to the companies.

The author is Manager (Legal), Consumer-voice.org. He can be contacted at cvvoice@vsnl.net. Further details on consumer affairs are available at the website: www.consumer-voice.org.

GOOD AND BAD

We welcome consumer experiences.
Tell us about the good and the bad you have gone through and your suggestions. Your insights are valuable to the industry.
Help us see where we are going.

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Creating National Data Warehouses

*The white paper on the integrated data projects that the IRDA is proposing (Know Thyself, **IRDA Journal**, July 2003, Page 12) has brought in some responses from readers that point to the need for them, the hurdles that lie in the way, and some interesting personal efforts.*

We present two of these in this issue. The following article, written by a medical doctor who works with a health services third party administrator, is, as the author puts it, an amalgamation of the experiences of different stakeholders in exercises somewhat similar to what the IRDA is proposing but on a much higher and sophisticated level considering the structure of healthcare in most developed countries, garnered through his reading of articles and websites.

"This article," he says, "only reinforces the need to use IT in healthcare for more administrative reasons apart from the currently widely used clinical applications. It also addresses the fact that in our country lack of standardisation and regulation are the major hurdles for implementation of such an initiative of this magnitude."

And it also discusses a starting point to taking on such an exercise.

The second article, written by a surveyor and loss assessor for claims including Motor claims, outlines his personal data collection initiative and some telling information from other sources and discusses some aspects of the big, bad world of motor accidents and the lack of information thereon.

The questions he raises on the non-implementation of the lacunae already identified and underlined reveal an obvious starting point for a national initiative to get all such data under one roof and see what stories they tell.

National Health Data–Riding on IT - Pathway, Issues and Concerns

Dr. Noel Coutinho

From the outset, health has been identified as one of the key sectors that can benefit from information technology (IT). Thus far, however, IT related to health has primarily supported applications of high performance computing and telemedicine to the delivery of medical care to individuals.

Relatively little attention has been paid, by either the private or the public sector, to applications that could improve the capacity of communities to carry out the non-clinical or population-based functions of health (i.e., services that identify local health problems, prevent epidemics and the spread of disease, protect against environmental hazards, and assure the quality and accessibility of health services).

Attention to these community-wide health services is important because only a small percent of all early deaths can be prevented by medical treatment. Population-based approaches, on the other hand, have the potential to prevent larger percent of premature deaths and morbidity through measures that target underlying risks and environmental, occupational, and infectious risk factors. Apart from all this is the potential savings and optimal utilization of healthcare finance and resources.

The extent to which population-based health can achieve its mission depends, in large part, on the effective collection, analysis, use, and communication of health-related information. Since the client for health is the community, data is needed not only about people (including their health status, personal risk behaviours, and medical treatment), but also about potential sources of disease and injury in the environment and sources of care. These data need to be linked to each other and aggregated geographically, so that it is possible to do such things as detect an incipient epidemic from isolated cases seen by different care providers, relate clinical events with proximate health hazards, and correlate the use and costs of personal healthcare services with ambient behavioural and environmental risks to health.

> Attention to these community-wide health services is important because only a small percent of all early deaths can be prevented by medical treatment.

Since those with important roles to play in population health are so diverse – encompassing public health agencies at various levels, health professionals and institutions, managed-care plans, public and private organisations, policymakers, and consumers – information systems technology is also needed to educate and empower different groups about health problems and to link them together to take effective action. If the expanding base of available information is to be more a blessing than a curse, these groups will need the means to retrieve, manipulate, and display information so that it can be efficiently put to use for specific health-related purposes.

The initiative to develop a National Health Information Knowledge Bank (NHIKB) should focus on enhancing the basic infrastructure for telecommunications and computer technology in all sectors of healthcare in the country. Conceptually, the NHIKB is like a giant electronic web that will allow each user's computer, telephone, and television to interconnect with others, regardless of their location or the distance between them, and will enable each user to communicate with everyone else who is connected to the web. Over this network, public and private information sources and data processing utilities will be able to transmit, store, process, and display information in many forms and provide information retrieval and processing services on demand, as if connected in the next room. This technology has the potential to revolutionise the way the healthcare and related industry functions and develops by providing them with information when they need it and where they need it – whether in the form of text, data or images.

The major barriers that emerge, above and beyond basic resource constraints and the limited appreciation by both the public and policymakers of the importance of population-based health, include:

- A lack of nationally uniform policies to protect privacy while permitting critical analytic uses of health data.
- A lack of nationally uniform, multipurpose data standards that meet the needs of the diverse groups who record and use health information.
- Insufficient awareness of the applicability of IT in meeting the information needs of population-based public health.

- A health workforce that lacks essential information technology skills; and organisational and financing issues that make it difficult to integrate information systems or bring potential partners together.

What is required is a strategic plan that capitalises on what a broad range of actors – state and local public health agencies, government agencies, professional associations, educational institutions, and other groups – can do individually and together to overcome these barriers. This plan, which should be viewed as one component of a larger public health information strategy, should be designed to:

- Bring the broad public health community together to develop a comprehensive public health information strategy, including a compelling vision (and specific examples) of how IT can improve population health.
- Advance a nationally uniform framework for privacy, data standards, unique identifiers, and data sharing, without which, it is very difficult to implement integrated health information systems.
- Bring public health, healthcare, research, and informatics groups to the table to ensure that privacy of individually-identifiable health information is protected in ways that permit critical analytic uses of health data, and that standards for health data meet the needs of the diverse groups who collect and use health information.
- Promote the use of information in public health through legislative initiatives that foster accountability for improving population health, overcome categorical barriers, and permit states to use available funds to develop and maintain integrated health information systems.
- Facilitate partnerships between the public health community and other sectors to identify and make progress towards common information goals (including both policy issues and health information systems projects).
- Improve information technology skills among public health professionals through changes in curricula and new approaches to continuing education; and take advantage of all available opportunities to educate the health and IT communities about the importance of the IT to population health and about information policy issues.

> The medical data warehouse project should advance a nationally uniform framework for privacy, data standards, unique identifiers, and data sharing.

A core team for action derived out of the diverse spread of stakeholders would have to be set up. The key areas to be addressed by this team would be:

1. To develop the guiding principles to be used to support the development of:
   - A common reference information model for healthcare information
   - A common reference terminology model for healthcare information
   - A common method for implementation of healthcare information exchange
   - A common trust framework (privacy and security) for healthcare information and records, and
   - A common approach for coordination and conflict resolution
2. The guiding principles shall maximize interoperability and compatibility in the context of regulatory, legal, and accreditation guidelines for healthcare information and records.
3. To develop a strategy to identify and address healthcare informatics issues requiring harmonization or interoperability.

4. To develop and execute a business plan for National Health Information Knowledge Bank in accordance with the objectives of the mission.
5. To actively promote awareness among all stakeholders regarding standard systems, opportunities to participate, and the benefit of healthcare information standards.
6. To promote harmonization of national and international standards through formal cooperation with appropriate government agencies, professional societies, accreditation organisations and other such groups.
7. To identify and reach out to the stakeholders and market segments that may be affected by or who could contribute to the mission.
8. To provide effective advocacy for healthcare informatics.
9. To delineate the regulator's role related to applying healthcare informatics standards to facilitate the delivery of healthcare (e.g. patient safety, quality assurance and improvement, performance effectiveness, outcomes, and public health needs).

The author is in charge of Medical Management at United Healthcare India (Pvt.) Ltd.

A Systematic Study of Road Accidents

H.M. Walia

Every human life lost and a vehicle or piece of property damaged due to road accident is a national loss. Therefore, study of road accidents assumes great significance. Why do we have the highest rate of road accidents while the population of vehicles in India is comparatively low? What can we do to improve the present scenario? What do the tables in the next page suggest?

The National Crime Records Bureau reveals one accidental death every two minutes in India. Of a total of 2,58,409 accidental deaths in 1998, 36.4 per cent were road deaths. The country's total road-length stood at around 2.05 million km with nearly 2,35,83,000 motor vehicles in India including private cars, taxis, jeeps, motor cycles, scooters, buses and goods vehicles. Although national highways constitute just two per cent of the total road-length of India, they account for 40 per cent of the traffic, and 34 per cent of the fatal accidents. Again, buses and trucks, which are under two per cent of the vehicle population in most places, account for over 50 per cent of these mishaps. Experts suspect that these heavy monsters have a lion's share in the 31.23 per cent hit-and-run cases, where the impacting vehicles are categorised as unknown.

Most accidents can be prevented by better design and construction of roads, better traffic rules enforcement and driver training and awareness.

Who is listening to the following organisations ?

The Ministry of Surface Transport has asked automobile manufacturers to implement new specifications for steering wheels, seats and brakes. Senior government officials said the specifications were outlined after a series of field tests.

During the tests, two major flaws were detected in the seat belts. It was observed that the seat locks failed to withstand high intensity jerks. Another problem was the malfunctioning of retrenchment lock during high-speed impacts. Function of retrenchment lock is to hold back the belt during collisions. These flaws made the Ministry realise the need for standardizing seat belt locks, retrenchment locks and the belt itself.

"Certain jerk levels have been specified for each of these equipment. Strength of the belt has been increased by 50 to 60 per cent. The new norms require tests to be conducted on the maximum design speed of 120 km/hour instead of 40 km/hour standard. Norms governing the distance covered by the vehicles after application of brakes have also been reduced. To ensure passenger safety, the Ministry has suggested the use of light-weight high-tenacity steel for panel in front of dash board. Padded dash boards were introduced in October, 2002, itself. The Ministry has also made power steering mandatory for all heavy vehicles.

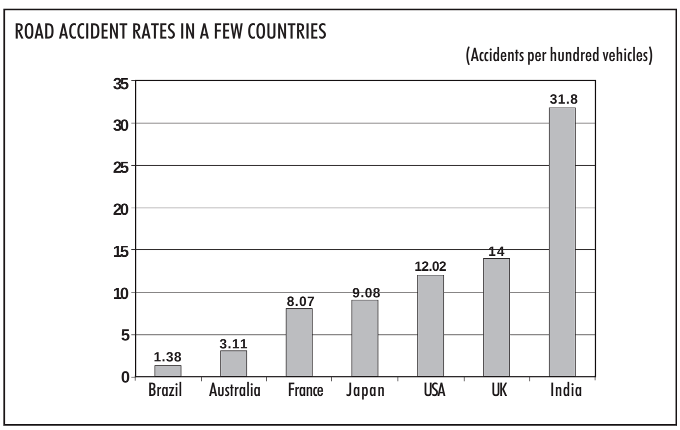
Automotive Research Association of India (ARAI) pointed out that supported by the latest technology, the automobiles manufactured today are capable of reaching much higher speeds thereby demanding greater tyre performance. Accidents have been reported due to tyre bursts which can either be due to excessive speeds or due to excessive wear and tear. Another reason was overloading and use of old worn out tyres with wrong inflation. Some additional tests like plunger test to evaluate the strength of the tyre for Indian road conditions are also being considered. Which means the quality of tyres currently available in the Indian market is simply unsuitable for high speeds which the new generation of cars can generate on expressways like the Mumbai-Pune Expressway or the Delhi-Agra highway. The friction generated by high speeds causes overheating of tyres leading to tyre burst. And the friction is much higher on concrete surfaces.

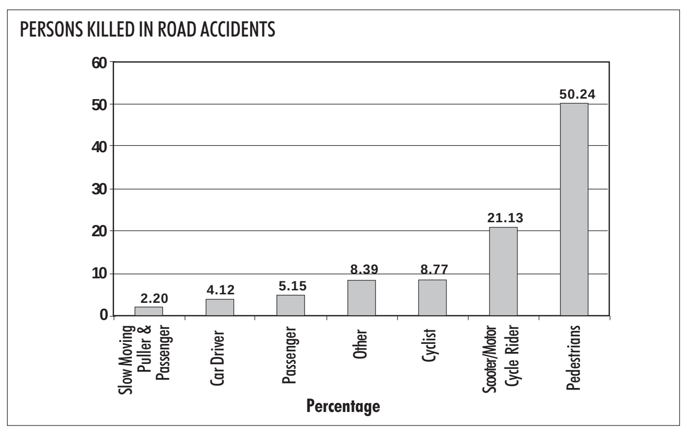
While cross ply nylon tyres are rated for speed of up to 135 km/hr, the passenger car radials are rated for speed up to 180 km/hr. In Europe and the US, tyre manufacturers use 70 per cent synthetic rubber and 30 per cent natural rubber, but in India this ratio is reversed. Synthetic rubber increases the durability and speed endurance of tyres.

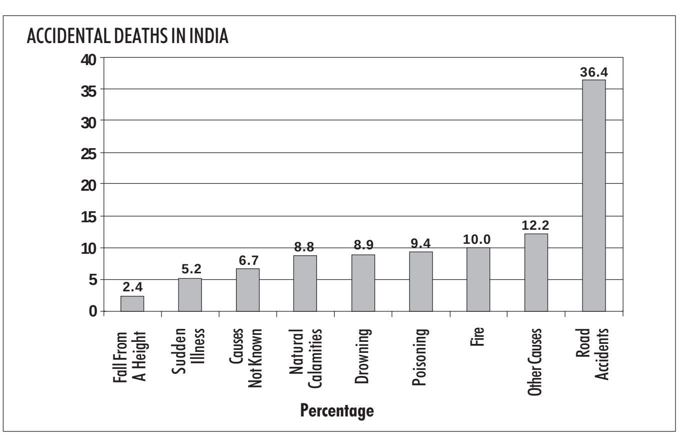
Automobile Manufacturers: They have a major role to play in product and passenger safety in the following ways:

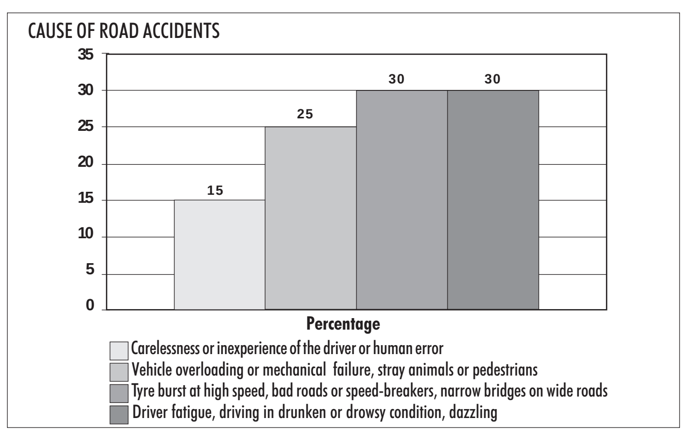
Crash Test: For crash test, there are three methods as explained below:

- Drive the vehicle at the speed of 40-60 km/hour with a dummy driver and crash it into a concrete wall and study the impact on the crumple zones of body shell and other parts. European countries use this method.
- Drop the vehicle from a helicopter from a certain height over the ground and study the impact on the crumple zones of body shell and other parts. Russians use this method.
- Crash Simulation: We have travelled quite a distance from the early days when every new car model was









subjected to such crash test involving huge monetary and other costs. It is impractical to create a physical prototype and have it crashed to study the impact and behaviour of the model as it is very expensive. That's where crash simulation software comes into picture.

Crash simulation is the art of visualising a crash in a virtual environment by employing the fundamentals of science, which has a direct bearing on safety and cost of production. In crash simulation, a model (car/ bike) is subjected to stresses and strains in a virtual environment, the impact of which is tabulated against defined standards. These mathematical models are continuously improved based on real-time results. Crash simulations may not have any influence on accident rate but it has drastically reduced casualties. Crash testing has become a legislative requirement in the design cycle of an automobile. Auto makers apply CAE-based simulation tools to determine the product behaviour in various crash situations. The software helps validate crashworthiness of a vehicle via virtual prototypes. Crash helps the auto-makers to bring a real crash scenario into a virtual environment and analyse the product behavior. Performance requirements are laid down for every discipline of automobile designing like head restraints, seat belt assemblies etc.

National Highway Authority of India: Now there have been many categorisations of roads and considerable changes in the nomenclature have taken place. There are roadways, state highways, national highways, expressways, flyways, subways, causeways etc. Thousands of truckloads of goods are transported daily along these roads or highways. Some of these trucks carry as much as 15 tonnes of goods in the absence of weight limits. Naturally, a road or so-called highway built decades ago with the help of a three-tonner road roller is not able to cope with such excessive weight-laden trucks. Such roads must be properly metalled and rolled with much heavier road rollers of a heavier tonnage than the weight of the trucks passing over them. Such disproportionate planning and building of roads causes immediate cracks, fissures and depressions on these roads which later become big pot-holes. They are responsible for the majority of vehicular breakdown on roads.

Another point of view is that while planning and building new roads, it should be kept in mind from the beginning as to which roads should be an arrangement of the passage of four lanes of traffic. Besides, there should be provision for by-lanes for slow-moving vehicles and pedestrians. The pedestrians path should be flanked on both sides by rows of trees. This will also provide adequate greenery and shade and will go a long way in solving ecological problems. There should be a clear-cut demarcation between the up and down lanes. Such a step will go a long way in providing a safeguard against collisions. This will also ensure smooth and fast flow of traffic.

The conflict between fast and slow vehicles leaves the slower ones vulnerable.

Yet another factor responsible for traffic problems is the presence of innumerable bottle-necks and a jungle of thoughtlessly built speed-breakers. A large majority of these speed-breakers are unauthorised and unwanted. In reality, they are more vehicle-breakers than speed-breakers. It is high time that the authorities concerned should take strict and punitive measures in this regard. Speed-breakers should normally be constructed departmentally at suitable places like busy road intersections and schools, etc. In a nutshell, the points raised above must be looked into seriously and prompt action taken.

Transport Research and Injury Prevention Centre (IIT, Delhi): It points out the inappropriate infrastructure design which encourages mixing of high-speed and low speed traffic. And the killer is the need for speed. Road design in India completely ignores the most-vulnerable road users – the pedestrian and two-wheeler drivers. There's no room on the road for the slower traffic. Consequently, heavy vehicles like buses end up sharing the left lane. The conflict between the fast and slow vehicles leaves the slower ones vulnerable. If the vulnerable traffic cannot be segregated, the only solution in stopping the madness is reducing speeds. The mix of vehicles is a social reality to which our planners are not sensitive. Even traffic decongestion measures like flyovers and subways too are conceived only for fast vehicles and because there is little provision for pedestrian pathways and cycle tracks, the conflict of speed occurs.

Motor Vehicles Act, 1988: There are many lacunae in our Motor Vehicles Act, 1988, the main one being that the victims have to wait for years to get an award. There are although countless number of Supreme Court and High Court judgements in this regard but still people have to wait for years even to get an interim award in a simple accident case. The law should be modified for the betterment of society.

The author is a surveyor and loss assessor for Motor, Engineering and Marine claims and is based in Patna.

Report Card:LIFE

Based on the statistics furnished by the life insurers for the four months ended July, 2003, of the current financial year, a brief analysis of the trends is given in the ensuing paragraphs.

During the four-month duration, the 13 life insurers have garnered first year insurance premium of Rs.3,29,104.84 lakhs, towards 48,96,949 policies. Of this, individual business accounted for Rs.2,66,468.65 lakh premium for 48,93,847 policies. The group business accounted for Rs.62,636.22 lakh towards 3,102 policies.

Analysis of individual business statistics further reveals that LIC accounted for 88.91% of the business in terms of premium and 93.90% in terms of policies. As against this, the private insurers captured 11.09% of the premium and 6.10% of the policies. In terms of group business, LIC captured 95.26% of the premium and 93.42% of the policies. The twelve private insurers captured only 4.74% of the premium business and 6.58% of the policies underwritten during the period for group business.

A review of the performance of the private players further reveals that ICICI Pru continued to lead with a 3% market share of the premium underwritten and 1.48% of the number of policies, followed by HDFC Standard and Tata AIG. The insurers who have to still make a mark in terms of premium underwritten include ING Vysya, Metlife and AMP Sanmar.

During the month of July, 2003 LIC launched the Varishtha Bima Pension Yojana. The number of policies underwritten under the Yojana were 36,654 for a total premium of Rs.68,760.02 lakh.

Premium Underwritten by Life Insurers for the Period Ended July 2003

(Rs. in lakhs)

S.No.	Insurer	Premium u/w		% of Premium	No. of Policies		% No. of Policies
		July	Upto July	Upto July	July	Upto July	Upto July
1	**Allianz Bajaj**	**745.56**	**2,565.13**	**0.78**	**12,596**	**38,842**	**0.79**
	Individual Single Premium	35.55	206.20		91	525	
	Individual Non-Single Premium	707.71	2,345.42		12,502	38,304	
	Group Single Premium	0.00	0.00		0	0	
	Group Non-Single Premium	2.30	13.51		3	13	
2	**ING Vysya**	**281.53**	**717.66**	**0.22**	**4,127**	**11,751**	**0.24**
	Individual Single Premium	1.79	18.30		262	2692	
	Individual Non-Single Premium	279.73	699.37		3,865	9059	
	Group Single Premium	0.00	0.00		0	0	
	Group Non-Single Premium	0.00	0.00		0	0	
3	**AMP Sanmar**	**165.60**	**348.92**	**0.11**	**3,124**	**6,735**	**0.14**
	Individual Single Premium	0.00	0.00		0	0	
	Individual Non-Single Premium	139.38	307.66		3,123	6731	
	Group Single Premium	0.00	0.00		0	0	
	Group Non-Single Premium	26.21	41.26		1	4	
4	**SBI Life**	**489.39**	**1,358.79**	**0.41**	**2,510**	**6,809**	**0.14**
	Individual Single Premium	71.10	185.99		110	290	
	Individual Non-Single Premium	143.41	382.77		2,382	6465	
	Group Single Premium	201.03	484.54		0	4	
	Group Non-Single Premium	73.85	305.49		18	50	
5	**Tata AIG**	**973.35**	**3,625.07**	**1.10**	**10,639**	**35,252**	**0.72**
	Individual Single Premium	0.00	0.00		0	0	
	Individual Non-Single Premium	816.43	2,774.80		10,635	35,228	
	Group Single Premium	29.70	117.79		0	0	
	Group Non-Single Premium	127.22	732.49		4	24	

(Rs. in lakhs)

S.No.	Insurer	Premium u/w		% of Premium	No. of Policies		% No. of Policies
		July	Upto July	Upto July	July	Upto July	Upto July
6	**HDFC Standard**	**1,056.25**	**4,541.91**	**1.38**	**13,731**	**49,418**	**1.01**
	Individual Single Premium	309.83	1,614.86		725	3,884	
	Individual Non-Single Premium	724.46	2,739.27		12,998	45,495	
	Group Single Premium	21.96	187.78		8	39	
	Group Non-Single Premium	0.00	0.00		0	0	
7	**ICICI Prudential**	**2,859.71**	**9,883.14**	**3.00**	**19,722**	**72,359**	**1.48**
	Individual Single Premium	643.54	1,992.54		818	2,665	
	Individual Non-Single Premium	2,212.02	7,885.25		18,903	69,690	
	Group Single Premium	4.15	5.35		1	4	
	Group Non-Single Premium	0.00	0.00		0	0	
8	**Birla Sunlife**	**1,602.68**	**4,025.96**	**1.22**	**8,906**	**20,893**	**0.43**
	Individual Single Premium	61.61	242.74		1,648	2,341	
	Individual Non-Single Premium	1,250.80	3,208.23		7,250	18,526	
	Group Single Premium	34.68	95.93		0	0	
	Group Non-Single Premium	255.59	479.06		8	26	
9	**Aviva**	**454.90**	**1,169.76**	**0.36**	**5,186**	**16,564**	**0.34**
	Individual Single Premium	20.20	70.90		51	165	
	Individual Non-Single Premium	433.42	1,096.29		5,134	16,397	
	Group Single Premium	0.00	0.00		0	0	
	Group Non-Single Premium	1.28	2.57		1	2	
10	**OM Kotak**	**582.46**	**1,532.82**	**0.47**	**4,401**	**9,524**	**0.19**
	Individual Single Premium	128.85	162.45		50	94	
	Individual Non-Single Premium	422.99	990.99		4,346	9,420	
	Group Single Premium	0.00	0.00		0	0	
	Group Non-Single Premium	30.61	379.37		5	10	
11	**Max New York**	**575.62**	**2,327.27**	**0.71**	**6,369**	**26,270**	**0.54**
	Individual Single Premium	9.14	30.09		13	45	
	Individual Non-Single Premium	533.36	2,176.51		6,339	26,198	
	Group Single Premium	0.00	0.00		0	0	
	Group Non-Single Premium	33.12	120.67		17	27	
12	**MetLife**	**97.47**	**406.82**	**0.12**	**987**	**3,999**	**0.08**
	Individual Single Premium	1.26	9.09		10	54	
	Individual Non-Single Premium	96.21	396.63		977	3,944	
	Group Single Premium	0.00	0.00		0	0	
	Group Non-Single Premium	0.00	1.10		0	1	
	PRIVATE TOTAL	**9,884.50**	**32,503.25**	**9.88**	**92,298**	**2,98,416**	**6.09**
13	**LIC**	**96,121.71**	**2,96,601.59**	**90.12**	**15,95,437**	**45,98,533**	**93.91**
	Individual Premium*	79,387.99	2,36,932.27		15,94,481	45,95,635	
	Group Single Premium	16,733.72	59,669.32		956	2,898	
	Group Non-Single Premium	0	0		0	0	
	GRAND TOTAL	**1,06,006.21**	**3,29,104.84**	**100.00**	**16,87,735**	**48,96,949**	**100.00**

* Break up into Single and Non-Single Premium not available.

More Money... But Could Do Better!

Investments of Non-Life Insurers for 2002-03

G.V.Rao

The IRDA has specified a pattern of investment to be followed by non-life insurers, in terms of quality and quantity, to ensure their financial viability to meet the obligations of policyholders. The quality of the investments is measured in terms of return that an insurer gets on its portfolio and the extent to which it has non-performing assets in its portfolio. The Authority has also laid down extensive reporting systems to keep track of the performance of the investment portfolio, total investment income, return on various investments, downgraded investments and compliance of the exposure/ prudential norms. All traded instruments in the market have to get an acceptable credit rating.

The investment policy of each insurer has to be approved by its board, and its implementation is carried out through an investment programme overseen by a committee consisting of a couple of non-executive directors, the Appointed Actuary and the investment chief of the insurer. A half-yearly review of the investment policy is mandatory under the regulations.

Under the regulations, insurers are required to invest not less than 30 per cent in Government securities of the Centre and the States: five per cent as loans to housing and fire fighting establishments and 10 per cent in infrastructure, as the minimum. Investment in other market securities should not exceed 55 per cent. In prescribing these parameters the IRDA wanted to ensure that the value of the assets held and their realisation in case of necessity are ensured in the ultimate interests of the policyholders.

This note seeks to analyse the comparative investment pattern followed by the insurers as at the end of the financial year 2002-03. The investment situation of the GIC has not been taken into account, as it is not part of the non-life industry any more having been redesignated the national reinsurer. The invested funds of the two new insurers Cholamandalam and HDFC Chubb have also not been taken into account in this analysis as they commenced their operations in the middle of last year. Further, since the realised investment incomes of each insurer for the fiscal are not yet made available, the relationship between the investment pattern followed by the

Sectoral Investments by Non-life Insurers as at March 31, 2003 (March 31, 2002)

(In crores)

Company	SG & OG incl. CG	Housg. and Fire	Infrastructure	Other Investments	Total
National	1,574 (1,392)	213 (190)	270 (233)	1,622 (1,532)	3,679 (3,346)
New India	2,540 (2,240)	421 (443)	447 (431)	3,955 (3,769)	7,363 (6,885)
Oriental	1,346 (1,053)	280 (275)	436 (410)	1,898 (1,949)	3,960 (3,686)
United India	2,169 (1,868)	371 (369)	713 (550)	2,110 (2,003)	5,364 (4,790)
PSUs' Total	**7,629 (6,553)**	**1,285 (1,277)**	**1,866 (1,624)**	**9,585 (9,253)**	20,366 (18,707)
ICICI	95 (42)	19 (9)	29 (19)	75 (47)	218 (117)
Bajaj	108 (90)	24 (13)	35 (21)	128 (95)	295 (219)
Tata AIG	114 (54)	16 (9)	30 (30)	70 (62)	230 (155)
IFFCO	72 (51)	13 (8)	27 (16)	88 (26)	200 (102)
Royal Sundaram	75 (56)	20 (10)	22 (18)	55 (38)	172 (121)
Reliance	105 (60)	12 (10)	20 (16)	44 (64)	181 (150)
Total Pvt. Sector	**569 (354)**	**104 (59)**	**163 (120)**	**460 (337)**	1,297 (864)
Total Industry	**8,198 (6,907)**	**1,389 (1,336)**	**2,031 (1,745)**	**10,045 (9,592)**	21,662 (19,571)

Pattern of Investment by Non-life Insurers as at March 31, 2003 (March 31, 2002)

PSU %	37.5 (35)	6.3 (6.8)	9.2 (8.7)	47 (49.5)	
Pvt. Sector %	43.9 (40.8)	8 (6.8)	12.6 (13.9)	35.5 (39)	
Industry %	37.8 (35.3)	6.4 (6.8)	9.4 (9)	46.4 (49)	

SG & OG incl. CG : State government and other government securities including central government securities.
Housg. and Fire : Housing and fire fighting equipment.

insurers and the incomes generated are not analysed.

Industry analysis

- The total invested funds, as on March 31, 2003, is Rs. 21,662 crores (Rs. 19,570 crores) representing a growth in invested funds of Rs. 2,092 crores (10.7 per cent). The national economy, by way of additional investments made, has significantly benefitted in 2002 -03 from this sector higher than the growth rate of the GDP.
- Of the additional funds invested of about Rs. 2,092 crores, about Rs. 1,658 crores has emanated from the public sector as additional investment, whereas Rs. 433 crores has come from the private sector players. With the industry having achieved a growth rate of about 20 per cent last year, perhaps there ought to have been more funds for investment?
- Of the increase of Rs. 2,092 crores, Rs. 1300 crores (63 per cent) has gone into government and guaranteed securities, Rs. 286 crores (14 per cent) into infrastructure and Rs. 453 crores (21.7 per cent) into equity market. The overwhelming preferred choice towards government securities is notable. How will this measure impact on the investment income generation for 2003-04? With the rise in the market index, after April, 2003, was it prudent (in retrospect) to have moved towards assured returns of government securities instead of market trading in equity?
- The industry currently holds 37.8 per cent (35 per cent) of their overall invested funds in government securities, 46.4 per cent (49 per cent) in equity market and 9.4 per cent (8.9 per cent) in infrastructure investments in 2002-03. The figures in brackets represent the composition for the previous year.

PSUs' performance

- The public players hold 94 per cent of the invested funds of Rs. 21,662 crores. Of the total addition to invested funds of Rs. 1,660 crores, United India leads others with an accretion of invested funds of Rs. 574 crores, followed by New India with Rs. 478 crores, National with Rs. 373 crores and Oriental with Rs. 274 crores. Though National Insurance had the highest growth rate last year, it ranks relatively lower in additional invested funds. In the absence of more information it is not possible to draw any conclusions for the differing amounts of invested funds by each.
- Of the Rs. 1,660 crores increase, Rs. 1,076 crores (65 per cent) has gone into government securities and only Rs. 332 crores (20 per cent) to equity investments.
- While National and United India have over 40 per cent of their investments tied up in government securities, New India and Oriental have only about 35 per cent as their shares. Significantly, Oriental has raised its share in it from 28.6 per cent to 34 per cent in 2002-03. Correspondingly, New India and Oriental have higher share in the equity portfolio. Are the investment strategies of each insurer evident from this analysis?

Private players' performance

- Of the Rs. 433 crores addition, the private players have invested Rs. 215 crores in government securities and added to their equity investment by Rs. 121 crores over last year. How will this shift impact on their investment income for the next year?
- The private players have 43.8 per cent (41 per cent) of their funds tied in government securities and 35.5 per cent (39.2 per cent) in equity portfolio. The figures in bracket represent those of the public players.
- Obviously, the investment strategies followed by the private players are quite different from the public players. Their investment incomes will reflect the result of these strategies next year?

Conclusion

It is interesting to speculate why the four public players, held by one shareholder, the Government, should follow investment strategies and policies that are vastly differing in their programme, policy and content. What are the specific strategies and methodologies they are individually planning and implementing? The ultimate goal of all of them is to maximise returns on invested funds. As such, there is a need to re-examine the whole gamut of investment issues not only to understand their investment situation better but also to professionalise their investment objectives, through the advice of investment experts, even if it needs outsourcing, in case the in-house expertise is lacking. Since, underwriting income generation in the immediate future is inconceivable, investment returns hold the key for the financial viability of insurers.

It is time to look up to the half-yearly review of invested funds for 2003-04. Hopefully there will be a full disclosure by releasing not only the numbers on invested funds to comment upon but with the comparative investment incomes generated as well. The regulations should be revised for the reporting of investment incomes every quarter instead of on an annual basis as now required.

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

How a Life Insurer Invests

P. A. Balasubramanian

The principal objective of any life company is to meet its commitments to the policyholders, which it makes at the time of selling an insurance product. The commitments may be primarily to make payments if and when the contingent event happens.

Generally, life insurance contracts are long term wherein premiums are received regularly either till the end of the term or till the contingent event happens, which is when the claim payment is made. But some contracts may be single premium contracts or may have restricted premium term much shorter than the policy term.

In normal circumstances, where a life company is growing and carrying on new business, the inflow of funds is much higher than the outflows arising due to expenses and claim payments, leaving surplus funds with the company. The surplus funds thus arising need to be invested so as to earn a positive return. In fact, while designing an insurance product, the premiums are arrived at by assuming certain investment returns on the premiums received.

The investment returns earned are generally combined with other surpluses to meet the expectations of policyholders and shareholders. The excess inflows and the need to accumulate funds make it vital for a life company to have an investment policy for its long term survival.

The broad objectives of any investment policy are:

a) To match the currency of assets and liabilities
b) To invest generally in long term instruments to match the term of the liabilities
c) To ensure that the investments are adequately diversified in order to reduce the risks of excessive investments in a particular instrument or class of instruments
d) Maximisation of yield subject to safety of investments
e) Ensuring that sufficient liquidity is available with the insurer

It has to be ensured that the insurers must at all times maintain a prescribed minimum level of solvency as a protection of the policyholders' legitimate interests. Therefore, unlike in the case of mutual funds where maximisation of returns is the only objective, the investment management of life funds has twin objectives of meeting the liabilities of the company as they fall due and of maximising returns. The former has precedence over the latter.

Let us examine how the investment management of life insurance funds is carried out, particularly in the Indian context. An attempt has been made to look at the following issues, which are the drivers for investment management and how these issues are addressed:

Factors influencing investment policy

Nature of liabilities

A life company generally markets different products to meet the various needs of the insuring public ranging from pure term insurance to endowment type with high saving element, unit-linked insurance, life annuity and pension. The nature of liabilities differs for each type of contract sold. The term of the liabilities will be generally long to very long term and the currency will predominantly be the local currency, and in case of overseas subsidiaries it will be in the relevant currencies.

The level of free assets

The level of excess of assets over the liabilities including statutory solvency requirements will determine the investment policy as the free assets will enable the insurer to mismatch the liabilities in pursuance of the objective of maximisation of returns.

Economic and political environment

The economic and political environment of a country in which the insurer is conducting his business will be one of the most important factors in managing the investments.

India, for several years, had a mixed economy with administrative controls over all facets of financial and business sectors. After liberalisation and financial sector reforms, today the market to a large extent determines the interest rates with the RBI and the Government setting and monitoring the monetary/ fiscal policies respectively. As a result of liberalisation, the contours of investment management have changed with investment returns now being a function of having superior skills in identifying the opportunities, analysing the risk profile and mitigating the various risks with least cost.

Regulation

Typically the world over, the insurance industry is regulated and regulations in three areas, viz. solvency norms, admissibility of assets, prudential and exposure norms influence investment management.

The extent of regulation varies. It may be prescriptive with detailed specifications of the kind of assets which will be admitted for valuation purposes, exposure norms and so on. On the other hand the regulation may allow freedom with disclosure whereby the insurance company shall have the freedom to invest subject to full disclosure of the investments with the regulator stepping in on asset valuation to ensure that the insurer has followed investment policy and practices on prudent lines.

The Insurance Regulatory and Development Authority (IRDA) has given detailed guidelines regarding investment pattern, exposure and prudential norms besides prescribing the basis for valuation of each of the assets.

The investment pattern prescribed by the IRDA is as follows:

(Percentage of Controlled Fund)

(i) Central Government Securities	Not less than 25%
(ii) Government Securities or other approved securities including (i) above	Not less than 50%
(iii) Approved Investments as specified in Schedule I	
a) Infrastructure and Social Sector	Not less than 15%
(b) Others to be governed by Exposure/ Prudential Norms. Investment in "other than approved Investments" can in no case exceed 15% of the fund	Not exceeding 35%

It may be seen that the IRDA has clubbed Infrastructure and Social Sector and stipulated that investment under this category be not less than 15 per cent.

Therefore under the new Regulations, the mandated investments are 65 per cent covering the government and social sectors and the other investments could go up to 35 per cent, as against the 25 per cent prescribed prior to the IRDA Regulations.

So there is some leeway for the investment of balance 35 per cent of the funds. The investment management skills have to be of very high order to generate returns which meet policyholders' expectations while complying with the Regulations.

The exposure and prudential norms are also fairly extensive. The investment Regulations may keep undergoing modifications based on the development in capital markets with the introduction of new instruments like Pass Through Certificates (introduced in the Indian markets recently) and the experience of the insurance companies in the investment management.

Investments in Infrastructure and Social Sector need attention second. Currently the slow pace of progress in the implementation of infrastructure projects has constrained the off-take of funds. This may result in a large insurer being unable to deploy the funds in this sector to the prescribed level to comply with the Regulations. The Central and state governments as well as the authorities concerned need to take steps to facilitate investments in this sector.

The definition of rural and social sector is quite rigorous. It is indeed quite challenging for the insurance companies to evolve norms for granting loans in the social sector where most loanees are individuals with little or no security.

As for percentage of investments separately in infrastructure and social sector, it is expected that every insurer shall endeavour to maintain a proper balance between the investments made in infrastructure and social sectors.

These investments, notwithstanding the issues mentioned above, have to comply with the norms as specified in Schedule I of the Regulations. It is provided that paper issued for development of infrastructure and social sectors duly guaranteed by the Government, or otherwise rated AA by an independent rating agency issued by others would qualify as approved investment.

Most of the infrastructure projects are implemented under new companies without any track record. The general view among the rating agencies is that project bonds/ debentures will not get a rating of more than A+ on their own. As these projects involve substantial investments, guarantees from parent companies may not be forthcoming. Therefore there is a possibility that some of the bonds may not qualify as approved investment.

Another regulatory issue for existing insurers is the definition of Capital Employed. While defining capital employed for new insurers, free reserves have been taken into account. However, in the case of existing insurers, free reserves are not included in the definition of capital employed. The matter has been referred to IRDA for clarification.

The Regulator has prescribed a solvency margin of four per cent of Mathematical Reserves after reinsurance *plus* 0.3 per cent of Sum At Risk after reinsurance. The RSM is subjected to a maximum reinsurance adjustment of 85 per cent. The value of RSM is then compared with Available Solvency Margin (ASM). ASM is equal to the sum of excess in Policyholders' Funds and excess in Shareholders' Funds.

The ratio of (ASM/ RSM), called solvency ratio, provides the level of solidity of an insurer. The IRDA has stipulated a minimum solvency ratio of one for existing insurers and two for new insurers.

The solvency requirements, the resilience of a company's solvency which is tested under certain adverse investment conditions, are designed to ensure that the insurance companies adopt a prudent investment policy, if the free reserves are not significant, as safety of assets assumes primacy.

The basis for valuation of various assets has been prescribed by the IRDA. The basis of valuation becomes an important input for investment management since the valuation of the assets and liabilities as prescribed by the Regulator determines the actuarial surplus available for distribution.

Policyholders' reasonable expectations

Investment management shall also take into consideration the policyholders' reasonable expectations

(PRE). The expectations will be based generally:

a) To meet the guaranteed payments as they fall due (non-profit policyholders);
b) To achieve a real return and a return in excess of that guaranteed on without profit policies;
c) The returns should be in line with past returns achieved by the company;
d) The returns should be at least as much as provided by the competitors.

The bonus policy

The method of bonus distribution followed by the company has a significant impact on the investment policy and management. The Reversionary and Terminal Bonus method gives maximum flexibility in pursuing the investment management. This method is predominantly followed in the UK and in India by the existing insurers and likely by the new players. The method helps to smoothen the returns over a long period.

Competitors

How competing companies are performing will be a valuable input into the decision-making process. Moreover, the regulators use the industry aggregate solvency ratio as a benchmark.

Liquidity requirements

Generally life insurance companies may not face much of liquidity problems as the investment income and the premiums received may be more than sufficient to meet the cash outflows in terms of claims payments and expenses.

Taxation of asset proceeds

Another aspect, which needs to be looked at, is the tax efficiency of the returns on assets as the objective is to maximise post-tax returns. Currently, insurance companies in India pay tax at the rate of 12.5 per cent of the valuation surplus. Therefore the tax treatment of investment returns by way of either income or capital gains on various assets may not be significant at present. However, tax efficiency will play a significant role in devising investment policy, if the basis of taxation of insurance company undergoes a change.

It is predominantly the PRE, the nature of liabilities, the level of free assets available and the regulatory norms, which are the drivers for any company's investment policy. It may be noted that even though the bonuses are discretionary, the policyholders expect a certain amount of return. Therefore it would not be prudent for the companies to pursue high risk/ high return strategies and as far as possible, the strategies need to balance risk and return. The supervisory norms about the requirement of capital for writing various types of business and the supervisory reserves, which need to be maintained in respect of these businesses, will determine the availability of free assets, and investment freedom is a function of these free assets.

Currently the slow pace of progress in the implementation of infrastructure projects has constrained the off-take of funds. This may result in a large insurer being unable to deploy the funds in this sector to the prescribed level to comply with the regulations.

Having regard to the factors which drive the investment policy, a company sets out its investment objectives. Given a set of objectives, the decision-making process involves delineating the investment strategy. Based on the investment strategy and careful analysis of the various asset categories, the historical returns given by each of them, the expected returns given the current and future economic scenario, asset allocation takes place.

Some main asset categories and their characteristics are discussed in the next section.

Asset categories

Fixed income securities - government bonds

By far the largest class of assets in any insurer's portfolio by virtue of regulatory requirements and liquidity are government bonds. The aggregate outstanding government bonds having different maturities was about Rs.4,28,395 crores as at March, 2001. LIC is one of the largest purchasers of government bonds and these are usually held till maturity. In recent years, trading in dated securities has picked up and the trading volumes increased from Rs.1,10,387 crores in 1995-96 to Rs.6,18,185 crores in 2000-01, thus showing a compounded growth of about 41 per cent p.a. during this period. (Source: NSE's Indian Securities Market- A Review)

Fixed income securities - corporate bonds

Corporate bonds/ debentures form another major asset category. The credit risk of corporate bonds is higher than that of government bonds and consequently the expected yield is higher. The turnover of corporate bonds, including public sector undertaking (PSU) bonds, ranged from Rs.7,662 crores In 1997-98 to Rs.14,541 crores In 2000-01 as against the corresponding turnovers of government bonds of Rs.1,85,708 crores and Rs. 6,98,121 crores, in 1997-98 and 2000-01 respectively. It may be mentioned that corporates raised Rs.5,24,34 crores on private placement basis in 2000-01.

As compared to the raising of debt by corporates, the trading is not very significant. The volume of trading in the secondary market of corporate bonds is much less than that of government bonds, thus hampering liquidity. Therefore, it is reasonably expected that the subscribers to the corporate debt shall take into account the non-marketability of these securities while arriving at yield margins over the corresponding government bonds.

Pre-requisites for managing fixed income securities

The fixed income manager need to have a thorough understanding of domestic and global economy and the factors which drive the economic policy of the Government. The monetary and fiscal policies, along with a host of economic factors, drive the yields. Generally, the yield curve may be upward sloping. However, various other factors such as liquidity, the Government's borrowing programme, exchange rates, inflation and levels of economic growth influence the shape of the yield curve. Therefore, the ability of the investment manager to collate the market information, global economic events, appreciate the interdependency of international markets in the light of his/ her own objectives will help enhancing the returns.

The manager, besides having macro economic understanding, shall also have to possess sound financial analysis capabilities as he/ she has to analyse the corporate financials in conjunction with the business plans of a corporate, who is issuing the debt. The credit rating of the corporate helps in decision-making. The strengths of corporate, viz. financial, managerial, marketing and technical, shall determine the spread one may charge for its debt paper.

Thirdly, the characteristics of the securities such as duration, convexity etc., need to be taken into consideration for decision-making.

Equities

Equities are the other asset category which help an insurer to enhance expected returns and also match liabilities as equities are treated as perpetuities. In the long run, equities are expected to provide the highest returns compared with other categories of assets. However, the returns are not certain and there is a possibility of erosion of capital values, let alone income.

In view of the high volatility of returns and a vast range of sectors and companies available for investment, the investment manager for equities need to be supported by intensive research, both fundamental and technical.

Short term investments

Short term instruments like treasury bills, repos, commercial paper, certificates of deposit etc. also form a substantial part of a life insurer's portfolio as funds will be temporarily parked in these instruments before being finally placed in asset classes in line with the investment policy.

It is predominantly the policyholders' reasonable expectations, the nature of liabilities, the level of free assets available and the regulatory norms, which are the drivers for any company's investment policy.

Structured products

In recent times, securitisation concept is gaining ground. In the last couple of years, mortgage-backed securities were issued to a range of investors. Insurers may have a look at these instruments as these can be customised to meet the needs of a investor.

Valuation of assets

IRDA has issued detailed guidelines for valuation of different asset categories, viz. fixed income securities, equities and real estate. It has also prescribed how to deal with change in values and other related issues.

The issues relating to valuation of assets needs separate discussion and suffice it to say for the purpose of our current discussion that detailed regulation is put in place for valuation of assets.

Conclusion

The investment management of life funds require multifaceted skills for assessing the characteristics of the liabilities, aspirations of the policy holders and other factors which have a bearing on the investment policy, for identifying appropriate assets and devising relevant asset allocation strategies, managing various risks associated with each of the investment strategies and/ or assets and putting strong organisation in place for efficient management of the funds.

The investment organisation set-up with strong internal controls is as important, if not more, as the fund management skills for achieving returns which are consistent with the expectations of all the stakeholders in a life insurance company.

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The author is Member (Actuary), IRDA.

Back to Basics!

M.S.Sreedhar

"Prediction is difficult, especially about the future."

– Niels Bohr

In an era of rapid change, there will inevitably be a greater demand on the management of the non-life insurance industry. This must give us enough food for thought, as the industry's record over the last few years is not very inspiring. The most prominent reason for this trend is that over the past years we seem to have forgotten how to make an underwriting profit. Further, profits generated from investments have not been sufficient to provide either for the growth of assets base or give an adequate return on capital employed.

The investment function seeks to support the core insurance business and in the process aims to optimise returns ensuring at the same time adequate level of liquidity to promptly meet claim payouts and other obligations.

Key Challenges

"An investor who has all the answers doesn't even understand all the questions."

- Sir John Templeton

I have attempted to discuss under the following heads the key challenges facing management of investment activity in a non-life insurance company and possible methods to handle them.

- Managing generic investment risks
- Managing investment in a dynamic scenario
- Asset-Liability management
- Asset allocation strategy

Managing Generic Investment Risks

Non-life insurance companies, like all others, have the option of investing their funds in fixed income securities, equity, real estate and so on.

There are inherent risks in each of these avenues of investments:

Default/ Credit Risk – Investments in debt instruments are especially fraught with this risk and the higher the return offered, higher is risk that the investee company may default on payment of interest/ repayment of principal.

Liquidity Risk – Liquidity may be defined as the ability to dispose of an investment at the right time and at the right price. Liquidity of the portfolio, given the short-term nature of non-life insurance contracts, is important and all the more critical for start-up companies that are trying to satisfy rising customer expectations in terms of service standards.

Interest rate risk – Longer the maturity of the investment portfolio, greater is the adverse effect of rising interest rates. Also, current yields on the portfolio may be low if the companies follow a conservative duration policy, especially in a market offering good incremental spreads in yields.

Reinvestment Risk – Constant changes in the investment environment could mean that reinvestment of maturity/ sale proceeds may not offer the desired rate of return.

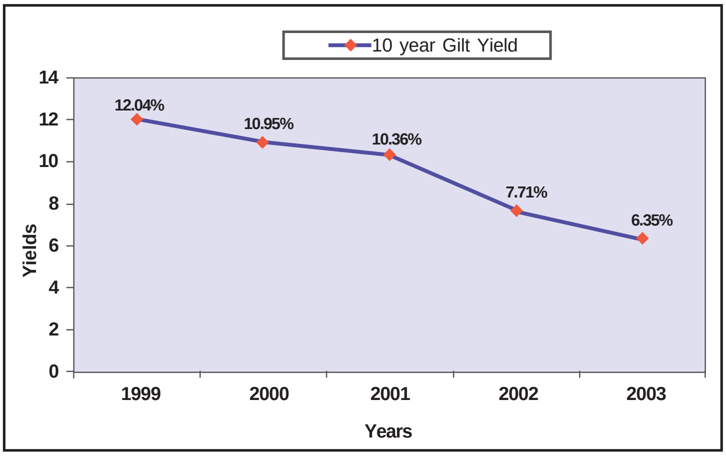
Market Risk – Equity investments are exposed to volatility that arise due to expectations in the market, leading to fluctuation in value.

Regulatory Risk – The regulatory policies prescribed could have an impact on the overall investment policy and portfolio of insurance companies.

It is imperative to mitigate these risks to ensure that investments meet with the overall objective of protection of policyholders' and shareholders' funds and production of an optimal rate of return.

Current Investment Scenario - Declining Yields

The Fixed Income market in India has undergone a metamorphosis over the past few years. It has transformed from an 'administered' interest rate regime to interest rates 'determined by market forces.' There has been a secular downward movement in interest rates over the past few years as can be seen from the fall in gilt yields over the past five years. Ten-year gilt yields have fallen by nearly six per cent over the past five years (see graph below). Similar fall has also been witnessed in yields of Corporate Debt Securities, where the benchmark five-year bond yield has fallen by nearly four per cent over the same period. There have also been huge compressions in the spreads offered by corporate debt securities over similar tenure gilt securities.



With the industry exposure of over 75 per cent of total investments in Debt Securities, such a steep fall in yield due to falling inflation and other factors has certainly had a major impact on the rate of return generated on the investment portfolio. With the inverse relationship between yields and prices of fixed income securities, the declining yields has meant huge notional capital gains on the existing fixed income portfolio of the insurers, especially public sector insurers, who are holding substantial high coupon securities in their portfolio. However, realisation of these gains will expose the portfolio to higher reinvestment risks.

With such a declining yield on fixed income securities, there are two possibilities:

a) Increase the average maturity of the portfolio to improve the rate of returns – however insignificant it may be – and thereby increase the susceptibility of the portfolio to interest-rate risk, or

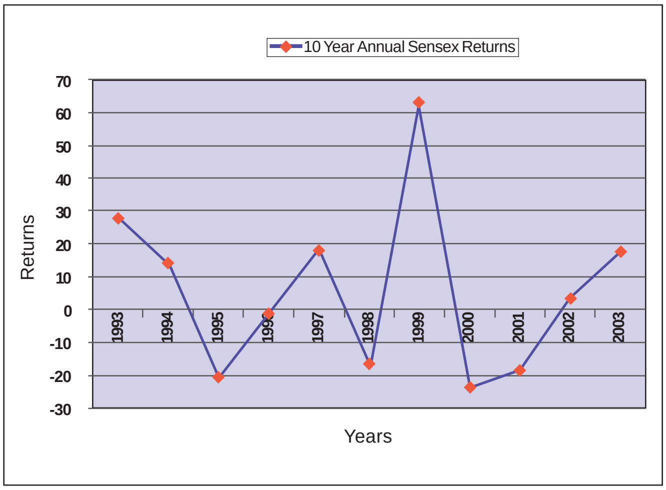
b) Effect premium rate increase to offset the loss of investment income.

Established players could resort to option (a) since they have the capacity to hold on to the securities till maturity and withstand the price volatility in the meantime. Option (b) is the ideal route but may be difficult to implement in the market that has just been thrown open for new companies.

But, the overall decline in return on investments is inevitable, given the preference for fixed income securities by non-life insurers. This will be the key challenge and it will be interesting to see how insurance companies react to this situation.

Current Investment Scenario - Volatility of Equities

Investments in equities have for long been advocated as the perfect avenue for investment to hedge against inflation. These are touted as the best investment options for long-term investors. But as seen from the graph below representing the annual BSE (Bombay Stock Exchange) sensex returns for the past 10 years, the volatile nature of these investments have to be guarded.



Increasingly, market timing or active portfolio management seems to be providing the required returns to the investor, rather than the buy and hold strategy. The traditional buy and hold strategy is a thing of past. However, any active portfolio management strategy will bring with it other risks, that have to be managed. Internationally also, investments in equities by insurance companies have been muted and is around 20 per cent of their total investments.

Current Investment Scenario - Lack of Investment Avenues

Given the overwhelming preference for debt investments by non-life insurers, one of the major obstacles for investments continues to be the dearth of quality corporate bonds that are actively traded. This is due to subdued activity in the secondary market by major players and also the crowding-out effect due to issuance of large volumes of sovereign and state government debt. One of the ways to overcome the above for the bigger and established institutions would be to increase their trading activities.

Insurers should also look at instruments such as:

- Collateralised and securitised debt
- Mutual fund schemes
- Foreign securities

Latest risk mitigation tools like derivatives should also be utilised to protect their portfolios against volatility

Asset Liability Management (ALM)

The matching of Assets and Liabilities is vital and a difficult thing to achieve in a non-life insurance company. The mismatch could occur if the change in the value of assets of an insurance company as a consequence of interest rate or equity market movement is not matched by an equivalent movement in the value of its liabilities.

ALM should be through a system that seeks to introduce a formalised framework for management of business and market risks by measuring, monitoring and managing liquidity, exchange rate and interest rate risks of an insurance company, which will be closely integrated to the liabilities.

Asset Allocation Strategy

The four basic sources of cash flow inherent in all non-life insurance companies are:

- Capital employed

- Cash flow from underwriting operations (premiums less claims and expenses)
- Cash flow from investment income (interest/ profit on sale of investments)
- Cash flow from asset liquidation (sale of investments/ assets)

The accumulation arising out of the underwriting cash flows and the income accruing thereon is usually classified as Policyholders' Funds. On the other hand, the accumulation arising out of the capital deployed, plough back on profits and the earnings thereon contribute to the Shareholders' Funds.

The risk tolerance levels of these two key contributors are different. The Policyholders' Funds represent the loss reserves maintained for claims payable to the policyholders and the reserve for unexpired risks (UPR, which represents the amount set aside to cover the cost of claims that may arise during the unexpired period of the risk, as on the Balance Sheet date) on insurance contracts. Both these reserves keep growing in line with the growth in business.

Non-life insurance companies face greater volatility in the underwriting results (premium less claims and expenses) relative to life companies, although cash flows from operations of a non-life company are generally positive. The insurance company acts as a custodian of the Policyholders' Funds as it is meant to meet current and future obligations towards its policyholders. This naturally reduces the flexibility of investing these funds compared to the Shareholders' Funds, which is the risk capital.

It is, perhaps for this reason, that the regulations seek to guide the investments of Policyholders' Funds to certain mandated categories such as government securities, housing, infrastructure and social sector (perceived to be low risk but not necessarily) and prescribe various safeguards in Section 27B of the Insurance Act, 1938. The Shareholders' Funds however, present an opportunity to explore certain high-risk high return or volatile categories of investments such as Real Estate, Equities, Low-rated bonds, etc.

At this point in time, IRDA regulations do not make a distinction between Shareholders' and Policyholders' Funds in deciding the "asset allocation" strategy. Perhaps, with new insurance companies having come into play with limited capital it was thought fit to prescribe asset allocation for the entire assets of the company representing both the Policyholders' and Shareholders' Funds. Irrespective of this, many new non-life players seem to have decided to kick-start with a defensive strategy of maintaining the entire portfolio in fixed income securities and thus, have not begun investments in equities, real estate and low-rated bonds. The established public sector insurance companies enjoying a bigger asset base with higher quantum of equity have allocated around 22 percent of total investments in equities.

> International trends over the last five years seem to indicate that there is a definite trend towards increased investment risk exposure within the insurance industry.

The key challenge is to keep reviewing the asset allocation in tune with the changing mix of Policyholders' and Shareholders' Funds. Companies must strive to strike a balance between risk and return.

Profitability of Non-life Companies - Quo Vadis

International trends over the last five years seem to indicate that there is a definite trend towards increased investment risk exposure (although these risks are being taken through higher exposure in corporate debt rather than equities, with overall equities exposure coming down) within the insurance industry. Insurers have been increasingly willing to incorporate more credit and market risk in their portfolios, in an effort to earn higher margins and increase their profitability.

However, strong investment results are no longer assured in the context of low interest rates and volatile equity markets. To achieve the desired Return On Capital, insurers will have to maintain investment returns or improve underwriting results. Maintaining investment results will be very difficult because asset base cannot be increased at the will of the insurer. Increase in risk capital will also not be an economical option as the cost of capital will be higher than the after-tax investment yield.

Hence, the major challenge for insurers will be to improve underwriting results - "Back to Basics!"

"Two roads converged in front of me, I took the one less travelled by and that has made all the difference"

– Robert Frost

The author is CFO and Company Secretary, Royal Sundaram Alliance Insurance Company Limited. The views expressed here are his own.

Investments: The Double Edged Sword

Rumeer Shah

Investment results are an increasingly critical determinant of both the adequacy and volatility of insurance companies' economic well-being. Insurers today are faced with a myriad regulations, including investment guidelines, asset valuation reserves, and risk-based capital standards. To generate investment returns can no longer be an isolated operation of the organisation.

In the past, and in current times as well, the life/ health segment of the industry has sold these primary products: cash value whole life, term life, endowment, and indemnity health insurance. Companies package the products differently, but the packaging does not significantly affect underlying investment practices. Because of the dominance of whole life and endowment, and the belief that whole life was forever, companies invest in such long-term vehicles, as 15-20 year government debt, and infrastructure as well as real estate. This has led to investment returns being below most companies' expectations. Also, instability and unusual risk taking have virtually defined the better part of the last 20 years of the industry.

Industry Dynamics

The insurance industry assumes that insurable losses are fortuitous. This assumption implies zero covariance between the loss cash flow and the cash flow generated by the market portfolio. When the covariance between the loss cash flow and the cash flow generated by the market portfolio is zero the appropriate discount rate for pricing insurance contracts is the risk-free rate, and hence the insurance contract is priced to generate an operating loss equal to the risk-free rate.

Insurance firms (more so the non-life companies), therefore, generate most of the value for their stakeholders from the difference between the return from investing and the cost of underwriting funds. However, risk-based capital and other solvency regulations limit areas of investment and hence, it is imperative that insurance companies manage their investments in the most prudent manner to generate sustainable profits. Investment income is a key determinant in the calculation of premium rates for any insurance company under the various insurance policies and for declaration of bonuses by life insurers. It is the core function of an insurance company which cannot be outsourced. Since the insurance companies keep the policyholders money in their fiduciary capacity they are also required to maintain a minimum level of solvency to meet the reasonable expectations of the policyholders'.

> Investment income is a key determinant in the calculation of premium rates for declaration of bonuses by life insurers. It is the core function of an insurance company and which cannot be outsourced.

Over the years, insurance companies' investments have changed markedly to reflect the prevailing market conditions. The plot has hardly been any different for companies across the globe. The 1980s saw an unprecedented rise in nominal interest rates and as a result, the industry took on more business at a furious pace in view of future economic gain. Scarcely did they stop to think of the devastating effect it would have on asset-liability mismatches, which were a direct consequence of this profligacy.

That strategy worked well for several years. New companies became household names based on their aggressive crediting strategies, which, in turn, were based on aggressive investment strategies. Beginning in the latter half of the 1980s, however, conditions began to change. The inverted yield curve was replaced with a steep positively sloped curve. The rates on treasury bills and corporate securities fell persistently. Health insurance, which proved to be a different ball game, saw depressed earnings.

Competition increased as well. In addition to traditional competitors, upstart insurance companies, mutual funds and banks chipped away at client bases. Higher technology moved into the investment arena due to the falling costs of computing and the application of higher mathematics and financial economics to the investment field. Mortgage-backed securities and other forms of asset-backed investments were joined by a wide variety of derivative instruments. This led to a collapse of inflation dependent vehicles, which caused an increasing number of insurers and other financial institutions to fail.

That, in turn, fuelled the quest for nominal yield. Portfolios were loaded with long dated private placements, residential mortgages and fully amortising commercial mortgages. Because companies tended to go in and out of various tax phases, preferred stocks and municipal bonds sometimes made up significant portions of insurers' portfolios. Some companies had modest allocations toward riskier investments such as stocks or venture capital. Few made extensive use of the investment grade public securities market

The investment income per dollar invested fell like lead during the 1985-1995 period and required insurance companies to rapidly alter their portfolio compositions. Investment departments responded by significantly shortening maturities. Since the yield curve was inverted, yield was actually enhanced. Those long-term, fully-amortizing mortgages were killing portfolio yields, so new cash flows were invested in five-to-seven year bullet maturities. Refinancing risk was not an issue since many believed that interest rates would always be high and property values would continuously rise. The decade did not unfold as desired and the industry saw its product under attack from upstart saving vehicles. To compete, the industry responded with such products as interest-sensitive whole life, universal life, variable products, single-premium deferred annuities and guaranteed investment contracts. Insurers also did some things that would prove harmful in later years, including selling to substandard segments, replacement selling, and taking more underwriting risk in health insurance.

Same World, New Rules - some lessons from past investment management

In response to these situations, insurers are now faced with a myriad regulations, including risk-based capital standards and asset valuation reserves/ interest maintenance reserves, mark-to-market accounting for certain fixed-income securities and increased inquiries from agents and policyholders.

In measuring investment performance, management has traditionally employed statutory book value accounting. This methodology is valuable for providing information on performance and earnings potential over time. It is also one of the few ways in which measurement of the asset characteristics is linked to the liability characteristics. However, performance measurement based on book value/ cash flow is a static measure and fails to capture the impact of both business and market volatility through time. Volatility changes a portfolio's investment and risk characteristics such as interest rate, credit, options and liquidity.

Some managers argue that it is difficult to develop a mathematically and statistically robust policy of investments. True. However, it must not be confused with not having a sustainable investment policy. Knowing the parameters of interest rate risk and yield requirements allows the investment department to focus on asset allocation. In this step, the objective function is to maximise either economic value or accounting value. External conditions, such as risk-based capital standards, acceptable duration mismatch and investment policy guidelines regarding diversification/ credit become constraints. They are not to be confused with objectives.

Establishing effective cash flow models can greatly enhance the ability of insurance companies to replicate insurance liability structures. This is an arduous process, but it can be done. Some investment banking firms have made considerable progress in facilitating this effort. The investment officer can begin to translate this information into investment strategy formation. The results of the economic value analysis suggest how much interest rate risk the company is willing to bear. This has a very direct impact on decisions regarding the optimal duration and convexity characteristics for the investment portfolio. That, in turn, also will provide guidance to the investment officer regarding the appropriateness of using financial instruments designed to modify duration or convexity.

> Some managers argue that it is difficult to develop a mathematically and statistically robust policy of investments. True. However, it must not be confused with not having a sustainable investment policy.

It is a bad policy to make diversification, risk-based capital, targeted durations or any other such items the driving force in an investment portfolio. The asset allocation work provides the primary shape to the portfolio. It outlines how much of the portfolio should be committed to real estate, bonds, cash, foreign holdings, private placements and other asset classes. Though junk bond investments have been targeted in US and Europe as the primary cause of industry's financial distress, it was not this investment avenue per se, but the lack of diversification of the portfolio, which is to blame. For example, lately mortgage-backed loans have formed an alarmingly high presence in investment portfolios to the extent that its composition has increased from a low of 13 per cent during 1980-90 to almost 40 per cent between 1990-2000.

Insurance companies as important institutional investors, have been significant source of funds over the years, helping to finance capital formation and to increase the productivity of the economy by channeling the savings of millions of investors. Insurers also have a major role to play in maintaining efficient, orderly, capital markets, thereby equalising rates across the markets. In general, a fundamental shift in the direction of shorter term maturities and more liquid instruments can be observed for the past decade. The average maturity of bond holding has been cut to half, in the span of a decade, as asset-liability matching has become a key concept of proper management. Every insurance company must therefore, determine its specific portfolio goals in light of its desire to fulfill three objectives: (1) to maintain solvency (2) to be competitive (3) to achieve profitable growth in order to generate value for its owners.

The author holds an M.S. in Insurance and Risk Management from the College of Insurance, St. John's University, New York. His research interests include investment management of insurance companies, as well as multi-channel marketing strategies. He can be contacted at rumeershah@netscape.net.

प्रकाशक का संदेश

पिछले अंक में मैनें मध्यवर्तियों के मध्य प्राधिकरण में स्वंय विनियमन, बाजार अनुशासन, आचार संहिता के महत्व पर चर्चा की थी मुख्य उद्योग के लिये बीमा कंपनियाँ में यह महत्वपूर्ण कारक हैं।

जीवन काउंसिल उन नियमों के साथ जो जीवन बीमा उत्पाद अपने ग्राहकों को प्रस्तुत कर सके तथा जीवन बीमा उद्योग की स्वंय विनियामित संस्था बड़े विचार विमर्श के बाद अस्तित्व में आयी है। विशिष्ट नियमों के उदाहरणों के द्वारा प्राधिकरण के पॉलिसी धारक को संरक्षण विनियमों को समझा जा सकता है और वह जीवन बीमाकर्ताओं पर बाध्य होगा।

बीमा के क्षेत्र में जहाँ उद्योग परिपक्व है और ऐसे कारोबारी तथा अनुभवी प्रवर्तक इस व्यवसाय में हैं, कई बाजारों में विनिमय मात्र एक ढाँचा हो सकता है जो सिद्धांत बतायेगा और यह व्यापार करने की विस्तृत पद्धति नही बतायेगा। इसी मत से स्वंय विनियम को प्राधिकरण द्वारा प्रोत्साहन दिया जाता है। इसे उद्योग के विभिन्न क्षेत्रों में सहमति बनाने का सुलाभ है और यह है बड़े अच्छे को सेवा प्रदान करना न कि छोटे हितों यदि कोई हो को देखना।

यह स्वंय विनियमित को अनुपालन हेतु अधिक बंधन में रखते हुए तथा प्राधिकरण के स्त्रोत खुले है। जल्दी खतरे के संकेत जानने के लिये तथा भविष्य की ओर देखने के लिये - जो विनियामक के कठिन लक्ष्य हैं।

यह दोनों लक्ष्य परिवर्तित होते हैं बीमाकर्ता के निवेश की जाँच के रूप में।

प्राधिकरण का जो अंक आपके हाथ में है उसका 'अंक विशेष' उसमें बीमा लेखन गैर जीवन बीमा क्षेत्र में दीर्घकालीन चक्रीय रूप से भिन्न है। निवेश सुरक्षा तथा वापसी दिलाने में नाजुक बन गया है। लेकिन बाजार व्यक्तिगत आवश्यकताओं को छुपाता नही है। ऐसे नाजुक समय में गैर जीवन बीमा क्षेत्र अपनी गुंजाइश को खो रहा है। जीवन बीमा क्षेत्र भी काफी पीछे नही है लेकिन वह अभी इस स्थिति में है कि इसे ठीक करे।

पूर्व में खुले बड़े आश्वासन, ऐसा जोकि बाजार प्रतिफल तथा पूंजी मूल्यों करने के लिये बाध्य कर रहे हैं।

स्थिर आय के लिये एक ही उत्तर है कि बाजार को बढ़ाया जाये नकदी अधिक प्रवाह में रहे तथा परिणाम स्वरूप प्रतिफल मिले। मात्रा दर नही है तथा एक आम आदमी के लिये प्रत्यक्ष उत्तर ग्रामीण क्षेत्र है? यदि यह वहाँ तक पहुँच सके। इतने कम ने इसका लाभ क्यों उठाया है? हम कुछ उत्तर खोजेंगे और हो सकता है कोई प्रश्न भी अगले अंक में...।

सी. एस. राव

सी. एस. राव

एक बीमांकक तथा एक किसान एक रेल से सफर कर रहे थे। उन्होनें भेड़ों का झुंड देखा। बीमांकक ने बताया वहाँ 1248 भेड़े हैं।

किसान बोला- हाँ मैं इनके मालिक को जानता हूँ, उसके पास इतनी ही भेड़ें हैं। पर आपको कैसे मालूम पड़ा?

बीमांकक- मैनें कुल टांगों को गिना और उसे चार से विभाजित कर दिया।

"कुछ तो लोग कहेंगे"

ग्रूप को अपने लंबे समय की भारत में पूंजी निवेश से लाभ हुआ है। यू.के., आस्ट्रेलिया तथा जापान कि बैंगलोर केन्द्रीय सेवा जल्द ही यू.ए. ग्राहकों को आवरण प्रदान करेगी।
ग्रूप के लिये वहाँ पर बनाई गयी प्रत्येक जॉब औसत वार्षिक लागत बचत 18000 यूरो या 40 प्रतिशत तक है। लेकिन बैंगलोर का बड़ी संख्या का ग्रेजुवेट पुल को ग्राहक सेवा स्तर में सुधार मिलता है।

श्री डेनिस हाल्ट,
मुख्य कार्यपालक - ए.एक्स.ए. , यू.के.

जबकि एशिया के बाजार ने वर्ष 2001 में कुल विश्वव्यापी गैर जीवन बीमा प्रीमियम में 6 प्रतिशत का योगदान प्रदान किया यह लायड् की एक प्रतिशत से कम की आय को बताता है। बीमालेखाकर्ता इसको लेकर सर्तक हैं... ग्राहक इस क्षेत्र से हमारे पास आते हैं क्योंकि वह कोई घरेलू बाजार तथा लचीला आवरण ऐसे मूल्य पर जिसे वे निर्वाह कर सके एक बार फिर उन पर हमला हुआ है। हमारी कम मात्रा में भी निपुणता है ऊँचे निपूर्ण जोखिमों के लिये।

लार्ड पीटर लेविन
अध्यक्ष - लायड ऑफ लंदन

मैं गंभीर रूप से बाजार भाग में रूचि नही रखता। हमें जिसमें रूचि है वह लाभ का बीमालेखन है। बीमा उद्योग तथा लायड्स व्यापार से लबा लब है वह कम किया गया है। प्रीमियम से पीछा छुड़ा कर न कि लाभ द्वारा। यह आधारभूत पाप है पिछले मूल पाठ है। मैं समझता हूँ कि बाजार भाग को बढ़ाना एक खतरनाक नीति है।

नैक प्रीतिजोन,
मुख्य कार्यपालक - लॉयड् ऑफ लंदन

अन्य समस्याओं के साथ, एचआईएच अपनी सूचना व्यवस्था में कई कमियों में फँसा हुआ है। परिणामस्वरूप वह समय से तथा विश्वसनीयता से वंचित रह जाता है जो प्रब्धन को चाहिये तथा प्रबंध के उपलब्ध न होने जिसके आधार पर निर्णय लिये जाते हैं। ग्रूप की क्षमता वित्तीय प्रभाव पर नजर रखने की परिचलनों पर जो बार बार खड़े होते हैं। कमीशन ऑफ इन्कवायरी के समय।

एचआईएच रॉयल आयुक्त, न्यायाधीश नेविल ओवन,
एचआईएच के गिर जाने पर।

हम अपने भविष्य को मजबूत बना रहे हैं। हम कोई भी नयी गारंटी युक्त योजना प्रारंभ नही करें। यदि हम ऐसी योजना लायेंगे तो वह बहुत कम वापसी देगी। अधिकतम पाँच वर्ष के लिये।

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

इसमें संदेह नही है कि एचआईएच पूर्णत: असफल हो गया है क्योंकि उनके व्यापारिक ढाँचे में अंदरूनी कमी थी। उनके दावों में मजबूती नही थी। जिसके कारण मुख्यत: निर्णय अंधेरे में लिये जाते हैं।

यह कई आस्ट्रेलियन कंपनियों के लिये चेतावनी है जिनका प्रचलन डाटा तथा प्रबंधन अलग नही है, और वे भी समान समस्या से मुखातिब हो रहे हैं।

आस्ट्रेलिया की मैगजीन सी.आई.ओ. द्वारा एचआईएच के
समाप्त होने पर दिये गये विचार।

कार्य सूची - विनियामक का कार्य

जी.वी. राव

जून 2003 से आईआरडीए के नये अध्यक्ष के साथ बीमा उद्योग को नई अपेक्षाएँ व इच्छाएँ जागृत हुई कि बीमा उद्योग प्राकृतिक रूप से आगे बढ़ेगा। उन्होनें यह कार्यभार एक महत्वपूर्ण समय पर संभाला है। बहुत से मामलो में इनको तुरन्त ध्यान देने की जरूरत है। यह लेख उन बहुत सी बातों में से कुछ को संबोधित कर रहा है। आईआरडीए अध्यक्ष को जो समस्याएँ गैर जीवन बीमा क्षेत्र में झेलनी हैं।

इनमें शामिल हैं वित्तीय स्वतंत्रता के साथ सरकार से जुड़े मुद्दे बीमा एवँ जोखिम प्रबंधन संस्थान (आईआईआरएम) में भागीदारी तथा सरकार के नामित व्यक्ति की नियुक्ति भारत सरकार के वित्त मंत्रालय द्वारा एक आईआरडीए के सदस्य के रूप में। इसके अतिरिक्त बीमाकर्ताओं से जुड़े मामले जिनका स्वास्थय बहुत उत्साहवर्धक नही है।

वितरण से जुड़े मामले जो ज्यादा वित्तीय है। पेशेवर होने की अपेक्षा अपनी कार्यप्रणाली तथा नजरिये में। तृतीय पक्ष प्रशासकों की स्थिति जिन्होनें रास्ते में ही किये गये सभी वचन भंग कर दिये हैं। मोटर तृतीय पक्ष से जुड़े हानि देने वाले व्यावसायिक मुद्दे तथा इसका मूल्य निर्धारण तथा स्वास्थ्य बीमा को सामाजिक तथा व्यावसायिक रूप में स्वीकार करवाना।

वह इससे तथा अन्य मुद्दों से कैसे व्यवहार करेंगे? वह कौन सी कार्यसूची होगी जिसके द्वारा वह बीमा को आर्थिक प्रगति का एक हथियार बना सकें?

आज का बाजार

पिछले आईआरडीए अध्यक्ष के समय में बीमा के विकास के लिये बहुत बड़ी गतिविधियाँ हो रही थी जैसे बाजार में प्रतिस्पर्धा लाने के लिये बीमाकर्ताओं का सामने लाकर धार पर प्रचलन को रखना।

वितरण क्षेत्र के मध्यवर्ती पेशेवर जैसे मध्यस्थ, ब्रोकर तथा निगमित एजेंट सर्वेयर को अनुज्ञापत्र देना तथा उनका वर्गीकरण तथा बड़ी संख्या में बाजार में अनुशासन बनाने के लिये विनियम बनाना जो बीमा कारोबारियों के आचार-विचार तथा बीमा योग्य जनता के लिये थे।

वह प्रयास किये गये जनता में बीमा की आवश्यकता की जागरूकता लाने के लिये। बीमा शिक्षा ने युवाओं में जोर पकड़ लिया क्योंकि बीमा एक आकर्षक पेशा नजर आने लगा। भारतीय विनियामक संरचना की सराहना विश्व भर में की गयी। बाजार में उत्तरदायित्व का एक संतुलन स्थापित हुआ।

छोटे से समय में बहुत से व्यवहार्य कदम उठाये गये और आईआरडीए कार्यालाय सदा गतिविधियों से भरा रहता था। इस बात पर ध्यान नही दिया गया कि इन उपायों का मूल्यांकन भी किया जाये। बहुत कम उपाय जैसे ब्रोकर तथा निगमित एजेंटों का बाजार में प्रवेश, तृतीय पक्ष प्रशासक, हेल्थकैयर में मध्यस्थ के रूप में बाजार के प्रभाव को देखे बिना नये एजेंटों की नियुक्ति दरों पर बट्टा दिया जाना, जिससे ग्राहक को लाभ होता था यह सब कुछ बहुत जल्दबाजी में किया गया जिससे सार्वजनिक चर्चा में किये गये वायदे जो बीमा लेने वाली जनता तथा उपभोक्ता संगठनों के प्रति थे।

इन उपायों के प्रतिफल से बीमित जनता को बहुत अंतर नही हुआ। इन सभी उपायों से मध्यवर्तियों को सबसे अधिक लाभ हुआ जो उपाय सुझाये गये। जिन्हें तथा कथित पेशेवर सेवाओं का नाम दिया गया छोटे समय के लिये। जल्द ही आवश्यकता है कि राष्ट्रीय परिचर्चा आरंभ की जाये जिससे यह जाना जा सके। परिदृश्य में कितना परिवर्तन आया है इन उपायों के द्वारा इसका लाभ समाज तथा बीमा करवाने वाली जनता को कितना मिला है?

वित्तीय स्वास्थ्य

गैर जीवन बीमा उद्योग के समक्ष सबसे बड़ी चुनौती वित्तीय स्वास्थ्य के लिये खड़ी है। इसीलिये उसे बीमाकर्ता की दृष्टि से देखने की जरूरत है। उद्योग की वित्तीय स्थिति वर्ष 2001-02 से खराब हुई है जो चिंता का विषय है।

उद्योग के 10 बीमाकर्ता कुल मिलाकर 68 करोड़ रूपये की संयुक्त बीमा हानि उठा रहे हैं। तीन वर्ष पहले 1000 करोड़ के लाभ की अपेक्षा। क्या उद्योग बीमारी की स्थिति में जा रहा है? उद्योग प्रीमियम अनुपात के 30 प्रतिशत से भी अधिक हानि में जा रहा है जबकि 80 प्रतिशत व्यापार टैरिफ से जुड़ा है। यह सभी अधिक मोटर तृतीय पक्ष व्यापार के कारण हो रहा है। इस समस्या का समाधान कैसे निकाला जाये? सांख्यिकी के अभाव में। किसी दूसरे स्थान से गैर टैरिफ बाजार का अध्ययन कर सबक सीखते हुये यहाँ कि परिस्थितियों को ठीक करना है।

निवेश प्राप्तियाँ कम हो रही है। परिणामत: परिचालन पर दबाव बढ़ रहा है, आईआरडीए अध्यक्ष को सुनिश्चित करना है, व्यापार दर कम की जाये, ग्राहक अच्छी सेवा पायें, ज्यादा मुकद्दमेबाजी न हो तथा बीमाकर्ता उचित लाभ कमायें। जिससे बीमित जनता की शोधन क्षमता को बढ़ाया जा सके। निवेश बीमित टैरिफ का बंधन है। अन्य जैसे हैं विनियामक बाजार में भाग लेता है और बीमालेखन का कार्य करता है तथा बीमा आवरण की दरों को निर्धारित करता है।

कुल मिलाकर उद्योग की वित्तीय स्वास्थ्य की जिम्मेदारी उसकी है। जिससे कारोबारियों को बढ़ती हुई प्रबंध दर पर सतर्क किया जा सके। घटती उत्पादकता, ग्राहकों की शिकायतों पर बुरा उत्तर तथा बाजार फैलाने में नये पैनेपन की कमी।

आईआरडीए को निवेशक के साथ संवाद करना चाहिये तथा बीमाकर्ताओं के बोर्ड को अपनी कार्य योजना वर्तमान कमियाँ दूर करने की कोशिश करनी चाहिये। जो बुरी क्षमता को बढ़ाते हैं तथा उन्हें नियमित रूप से दृष्टि में रखने की आवश्यकता है।

बाजार का विकास

अग्नि तथा मैरिन पोर्टफोलियो धीरे से वृद्धि पा रहा है तथा आर्थिक विकास के बराबर नही है। बाजार अभी भी इनके संबंध में उधारी से प्रतिफलित है जबकि मोटर तथा स्वास्थ्य संबंध में ग्राहक से प्रतिफलित है।

अभी बहुत कम सृजनात्मकता अथवा शक्तिशाली है। बेचने वालों की ओर से बीमाकर्ता - बीमा जागरूकता बनाने के संदर्भ में, असंगठित क्षेत्र में बाजार में दबाव को नही बना सके।

बीमाकर्ताओं को तेजी से अभियान तथा शिक्षा भावी ग्राहकों बीमा की जरूरत की सलाह देने की।

गैरसंगठित क्षेत्र को संगठित करने जो कि संभ्रांत आय, समय गरीब तथा बीमा के लाभों को जानने से वंचित विशेषत: व्यक्तिगत रेखा पर?

ग्रामीण क्षेत्र के लिये कौन से उत्पादन को तैयार किया जाये जो समर्थ मूल्य पर बीमा चाहते हैं उनके लिये। ग्रामीण बाजार को अब और संगठित कैसे किया जा सकता है? क्या प्रीमियम की कोटा प्रणाली ही इस वृद्धि को बढ़ाने के लिये काफी होगी। बीमाकर्ताओं को प्रवेक्षण करना गतिविधियों तथा बढ़ाये गये कदमों का अनुमान लगाना तथा महत्वपूर्ण निष्कर्ष अंत में निकाले जा सकते हैं।

नये कदम के रूप में बीमाकर्ता अपने स्थान पर रखे जाये कि वह असंगठित क्षेत्र को संगठित के तथा ग्रामीण क्षेत्र को आईआरडीए द्वारा बुलाया जाना चाहिये जिससे प्रगति की समीक्षा की जा सके।

मध्यवर्तियों की भूमिका

मध्यवर्तियों की भूमिका तथा उनकी पूर्ति स्तर की समीक्षा होनी चाहिये। टैरिफ बाजार में मध्यवर्ती बहुत कुछ नही कर सकते जिससे वह अपनी तकनीकी तथा व्यावसायिक कुशलता का प्रदर्शन कर सके। उनकी सेवाओं का सदुपयोग टैरिफ भाग में हो सकता है जिससे गैर संगठनात्मक क्षेत्र संगठात्मक ग्रामीण क्षेत्र में हो सकता है।

मध्यवर्तियों द्वारा मिलकर अस्वस्थप्रद प्रथाओं के चलन से कुछ निगमित ग्राहकों के अतिरिक्त बाजार पूरी तरह ढह जायेगा। जल्द ही गैर लाभप्रद व्यापार की पद्धति भी नही बदलेगी। स्थिति जालसाजी की है और भ्रष्टाचार से परिपूर्ण है। यह मध्यवर्तियों द्वारा समाज को भ्रष्टाचार की तरफ ले जाने वाली है। ब्रोकर था निगमित एजेंटों के लिये एक भूमिका है जो निभायी जानी है। अब के लिये बीमाकर्ता द्वारा बीमा करने की लागत आगे बढ़ा कर एक सीमा तक ले जायी गयी है। यह उद्योग की हानि क्षमता में वृद्धि तीव्रता से करेगा। यह चिंता का विषय है।

ब्रोकरों की संख्या पर तुरन्त जमाव लगा देना चाहिये जिससे यह मूल्यांकन किया जा सके कि क्या इसने बाजार को वास्तव में कोई लाभ पहुँचाया है या हमारी अपेक्षाओं से अधिक भ्रष्ट किया है।

ग्राहक जिसका हित सर्वोपरि है उसे वह छूट न देकर जो वह अब तक प्राप्त कर रहा था उसे छोटा किया गया है, क्यों? क्या उन्हें यह सलाह के बारे में जानने का प्रयत्न किया है कि उनका हित मध्यवर्तियों से सुरक्षित रहेगा या अपने आप से? इस पर पुन:चर्चा तथा पुर्नस्थापना की जरूरत है।

टीपीए देरी कर रहे हैं तथा दुविधा की स्थिति उत्पन्न कर रहे हैं जो अभी हैल्थकेयर क्षेत्र तक है। कोई भी खुश नही है क्यों टीपीए? उनका विवेक क्या होता है? पूरी प्रक्रिया को एक बार फिर बंद करने की जरूरत है कुछ टीपीए ब्रोकर के रूप में भी कार्य कर रहे हैं। एक ग्रूप के अंदर ही इसी प्रकार कुछ अस्पताल मेडिकल सेवायें उपलब्ध करवा रहे हैं।

वर्तमान आईआरडीए अध्यक्ष की प्राथमिकता हैल्थ बीमा है। इसको नीचे ले जाने वाले कारको में नैतिक जोखिम दो दल जो समझौते से बंधे हो।

यह एक असाधारण विवरण है बताये जाने के लिये लेकिन आवरण की सीमाओं को स्पष्टीकरण न देते हुये। बीमित की उद्घोषणा को जानते हुये पॉलिसी शर्तों में शामिल नही किया जाना चाहिये। बीमाकर्ताओं की छवि इससे खराब होती है। बहुत से बीमाकर्ता जानते हैं कि बीमा आवरण में भविष्य में बीमारी हो सकती है। एक मेडिकल पुर्नभुगतान पॉलिसी जानकारी वाली बीमारियों के लिये देते हैं। एक आवरण निकाले तथा कहे कि बीमाकर्ता ने उन बातों का स्पष्टीकरण नही दिया लाभों की सीमाओं को नही बताया। आमतौर पर यह वेंडर पर होता है कि वह ऐसी स्थिति से पैदा होने वाले मामलों को निपटाने के लिये क्या करे। बीमाकर्ता द्वारा पॉलिसी की जानकारी का विज्ञापन दिया जाना चाहिये जिससे भावी खरीददार हेल्थ बीमा के लिये वह स्वंय उसे ले न कि उसे यह बेचा जाये।

सरकारी निर्गम

आईआरडीए से संबंधित वित्तीय स्वतंत्रता के संबंध में। प्राधिकरण की स्थापना तथा वित्तीय मंत्रालय के प्रतिनिधि को प्राधिकरण की सदस्यता देने के प्रश्न मीडिया ने बहुत चढ़ा कर प्रस्तुत किया। यह मुद्दे समय के साथ संतुष्टि से हल हो जायेंगे।

उचित प्रतिस्पर्धा सुनिश्चित करना

निजी क्षेत्र के कारोबारी व्यापार की धार पर खड़े हैं। उनमें तथा सार्वजनिक क्षेत्र के कारोबारियों में उचित प्रतिस्पर्धा महत्वपूर्ण है। जब तक टैरिफ अभिभावी रहेगा निजी क्षेत्र के लोग सार्वजनिक क्षेत्र से अच्छा प्रदर्शन करेंगे। यह सार्वजनिक ज्ञान है कि इस बाजार में पीछे से धन देने की मनाही है और यह बढ़ रही है। जब तक यह लाभकारी व्यापार के लिये न हो तथा सृजनात्मक लेखा व्यवस्था स्थापित न कि जा सके। प्राधिकरण का प्राधिकार इस संबंध में दंडित करने का न केवल जटिल है वरन् यह दंड बहुत कम है तथा गैर अनुपातिक है।

विवाद न्यायनिर्णय

बीमा अधिनियम 1938 की धारा 64 यू एम के उपधारा 2 तथा 3 के अंतर्गत प्राधिकरण अध्यक्ष को शक्ति है कि वह बीमाकर्ताओं को दिशा-निर्देश दे सकते हैं कि वे दावों का निपटान कर सके जो पॉलिसी शर्तों के अनुसार देय नही है अथवा निरस्त कर दिये गये है। वह इन प्रावधान के अनुसार दावा दस्तावेजों को मँगवा सकते हैं। अन्य सर्वेयर कि नियुक्ति कर सकते हैं तथा उसकी सलाह से कार्यवाही कर सकता है।

यह शक्ति लागू की गयी है जिसके कारण बीमा क्षेत्र में चिंता हुई है। मेरी नजर में कोई भी मध्यस्थता जो वह करता है न्यायिक शक्तियों को लेकर बिना न्यायिक प्रक्रिया के जबकि न्यायालय ऐसे विवादों के निपटान के लिये उपलब्ध है।

आगे अन्य सर्वेयर कि रिपोर्ट अवांछनीय है। क्योंकि पहला सर्वेयर भी प्राधिकरण से लाइसेंस प्राप्त था और इसके बाद लिया गया भी। कोई भी निर्णय बिना मतलब के प्राधिकरण का दबाव बनायेगा और सर्वेयर अपनी रोजी-रोटी के लिये रूक जायेगा।

इस भाग में यद्यपि सरकार अपील करने की प्राधिकरण है जरूरत इसे दूर करने की है तथा बाजार व्यवस्था को स्वतंत्र रूप से कार्य करने दिया जाना चाहिये।

यह मानना होगी कि बीमा अभी भी संभ्रांत लोगों द्वारा लिया जाता है और उन्हें अपने उच्च संपर्कों को प्रयोग करने की अनुमति नही दी जानी चाहिये। जिससे उन्हें रास्ता मिलता है। विधि प्रक्रिया के अतिरिक्त अन्य कुछ भी नही। प्राधिकरण को अपने कार्य करते हुये बीमाकर्ता के साथ ऐसी स्थिति में नही आना चाहिये जब वह निरंकुश हो जाये।

पुर्नबीमा क्षमता तथा दरों के आधार पर

अन्तर्राष्ट्रीय बाजार भरे पड़े हैं, भारतीय बाजार पर दबाव है टैरिफ को हटाने के लिये क्योंकि यह भविष्य में होने वाली हानि के लिय बहुत कम आकलन करते हैं। बीमाकर्ता को बड़ी संख्या में वित्तीय अरक्षितियाँ बनानी चाहिये जो भविष्य के जोखिमों की उच्च मूल्य को आवरण प्रदान कर सके। प्राकृतिक आपदा का आना भारत में स्वभाविक है।

सरकार को इन बड़ी आपदाओं के लिये बड़ी आरक्षतियाँ रखने के लिये प्रोत्साहन देना चाहिये। जिसके उद्योग स्वस्थ रेखा पर प्रगति कर सके।

भारतीय बीमा बाजार का मूल आधार इस बात पर निर्भर करता है कि वह विश्व में जारी झुकावों पर दरों पर ध्यान रखे जो पुर्नबीमाकर्ता द्वारा प्रयोग की जाती है। पुर्नबीमा की दरें तथा प्रतिष्ठा भी महत्वपूर्ण है। प्राधिकरण का इसमें शामिल होना सतत् बिना रूकावट के होना चाहिये।

टैरिफ

टैरिफ को समाप्त करना एक दुष्कर मामला है। इसका यह अर्थ नही है कि सेवाओं की जरूरत नही है लेकिन इसकी प्रक्रिया तथा समय ठीक नही है। अभी तुरन्त आवश्यकता है जिससे बाजार अधिक परिपक्व हो, मध्यवर्तियों के साथ वह महत्वपूर्ण भूमिका अदा करेगें। ग्राहक जोखिम के समक्ष व्यक्तिगत रूप से आयेंगे लेकिन यह प्रक्रिया धीरे धीरे चालू रहनी चाहिये व इसे हानि वाली जगह से प्रारंभ करना चाहिये।

वित्त पर नजर रखना

झुकावों को जानने के लिये प्राधिकरण को बीमाकर्ताओं से तिमाही आंकड़े बिना लेखा परीक्षा प्राप्त करने चाहिये। लेकिन यह संवैधानिक रूप से आवश्यक नही है। प्राधिकरण अध्यक्ष को बीमाकर्ताओं को तिमाही परिणाम समाचार पत्रों तथा सार्वजनिक सूचना के लिये घोषित करने के लिये कहना चाहिये।

उन्हें बीमाकर्ताओं की क्षमताओं के बारे में सार्वजनिक वाद-विवाद को बढ़ावा देना चाहिये व ग्राहकों की माँग को अतिरिक्त सहयोग मिलना चाहिये। एक छ: माह का समय इसके लिये निर्धारित करना चाहिये।

नये विनियमन लाने की बजाय उन्हें बीमाकर्ताओं के बीच स्वंय आचार संहिता लाकर उसको प्रसिद्धि देनी चाहिये जिससे बीमित जनता को लाभ मिल सके। उन्हें अपनी जिम्मेवारी को बीमाकर्ताओं के साथ बाँटना चाहिये जिससे बाजार का संगठन अच्छा बनाया जा सके।

निष्कर्ष

उपरोक्त बताये गये मुद्दे नये नही है, लेकिन गंभीर हैं। वे बाजार को तोड़ रहे हैं। एकाधिकार बाजार से उद्यमी आधारित व्यवस्था परिवर्तन धीमा होना चाहिये क्योंकि व्यक्तियों के लिये परिवर्तन की गति निर्धारित करनी होगी। सार्वजिनिक कारोबारियों को मार्गदर्शन, दिशा-निर्देश तथा सलाह की जरूरत है, जिससे वे प्रतिस्पर्धा तो उन परिस्थितियों में अपना सके जिनमें वह कार्य करते हैं।

प्राधिकरण की भूमिका सभी में संतुलन बनाने की है जिसमें बीमाकर्ता तथा बीमित जनता शामिल है। सलाह और स्वीकृति के अलावा कोई दूसरा रास्ता नही हो सकता। बीमाकर्ता की वित्तीय सुढ़ढता तथा शोधन क्षमता बहुत गंभीर मुद्दे है। जिन्हें वर्तमान में चुनौती के रूप में पारित किया जा रहा है।

लेखक ओरियेन्टल बीमा कंपनी के सेवानिवृत अध्यक्ष व प्रबंध निदेशक हैं।

न्याय-चक्र के विघ्न

एच. के. अवस्थी

किसी भी निष्कर्ष पर पहुँचने से पूर्व हमें अपनी गहरी वेदना प्रकट करनी होगी। जिस प्रकार बीमा कंपनियाँ अपनी अर्जी दाखिल करती है। इस प्रकार के मामले बीमा कंपनियों के विधि विभाग के लिये चारा नही है और इस प्रकार की अर्जियाँ बेकार में दाखिल नही की जानी चाहिये। हमने अपने आप को रोका है, अर्जियों की उच्च लागत के लिये। अबसे इस प्रकार की अर्जियाँ यदि बीमा कंपनियाँ द्वारा दाखिल की जाती है हम निश्चित रूप से भारी लागत लगाएँगे। ग्राहक की असमर्थता किसी स्तर पर समाप्त होनी चाहिये। बीमा कंपनियों का यह कर्तव्य है कि छिछोरे मामले दाखिल न किये जायें जो न्यायचक्र को लंगड़ा बना देते हैं। ऐसे तुच्छ मामलों को दाखिल करने के लिये कोई उपयोगिता नही है। यह कुछ नही केवल समय को बर्बाद करना है। इसकी एक प्रति बीमा कंपनियों के सभी अध्यक्ष व प्रबंध निदेशकों को भेजी जाती है।

यह निष्कर्ष थे राष्ट्रीय उपभोक्ता विवाद निपटान कमीशन के अर्जी संख्या 2640 वर्ष 2002 तथा 2648 वर्ष 2002 के निपटान करते हुये। जिसे न्यू इंडिया एश्योरेंस कंपनी ने पंजाब राज्य उपभोक्ता विवाद निपटान कमीशन द्वारा जिला फोरम के आदेश को मानते हुये किया था जिसमें यह पाया गया था कि मेडिकल डॉक्टर जो अर्जी में दूसरा पक्ष थे उन्होनें अपने मरीजों के इलाज में लापरवाही की थी।

शिकायतकर्ता द्वारा किसी भी मदद की अपेक्षा संबंधित बीमा कंपनी से नही की गयी थी। तीन शिकायत जिला फोरम में सात विरोधी पक्षों के विरूद्ध की गयी थी। पुर्नयाचिका संख्या 2640/2002 में चिकित्सक आर. पी. एस. वालिया को चिकित्सा लापरवाही का दोषी गाल ब्लेडर के ऑपरेशन के समय बताया गया था।

यह ऑपरेशन था मोहिन्दर कौर का और डॉ. अजय गोयल एनेस्थीसिस थे। श्रीमती कौर को वंटीकुलर टेर्काडिक के विकास के बाद वर्नाकुलर फाइबरलेशन वह कार्डिक डायसर्मा से भी पीड़ित थी। वह कोमा में चली गयी तथा फिर वापस चेतन अवस्था में नही आयी। चिकित्सकों के विरूद्ध आरोप थे। नर्सिग होम यूनाइटेड इंडिया इंश्योरेंस द्वारा बीमित गया था। डॉ. वालिया नेशनल इंश्योरेंस कंपनी द्वारा बी मा प्राप्त किये हुये थे। न्यू इंडिया एश्योरेंस कंपनी का मत था कि यह मामला मेडिकल लापरवाही का है। जिला फोरम ने 2 लाख रूपये की क्षतिपूर्ति को कहा तथा 12 प्रतिशत ब्याज दर तथा सभी विपक्षी पक्षों के लिये एक - एक हजार रूपये देने को कहा और यह क्षतिपूर्ति की जिम्मेदारी बीमा कंपनियों को सौंपी गयी थी।

बीमा कंपनियों ने राज्य कमीशन के समक्ष इसकी अपील इस आधार पर की कि जिला फोरम का प्रतिवादी आदेश आनुपातिक क्षतिपूर्ति जो बीमा कंपनियों द्वारा दी जानी है इसका खुलासा नही करता है। राज्य कमीशन ने सभी अपील ठुकरा दी इसलिये न्यू इंडिया ने एक पुर्नयाचिका राष्ट्रीय कमीशन में दाखिल की। राष्ट्रीय कमीशन का मानना था कि बीमा कंपनियों को बीमा पॉलिसी के अंतर्गत दावा राशि देनी चाहिये न कि दावा। यह दावा दर्ज करना चाहिये था कि मेडिकल चिकित्सकों कि तरफ से कोई लापरवाही नही की गयी। पुर्नयाचिका करना पूरी प्रक्रिया को गाली देना है क्योंकि बीमा कंपनियों के पास साधन है। सभी और एक-एक आदेश को चुनौती देने के लिये बिना वचन तथा परिस्थितियों को ध्यान में रखते हुये जो उन्हें पॉलिसी के अंतर्गत देना है। बीमा कंपनियों के लिये न ये जरूरी था और न ठीक था। चिकित्सकों का यह पक्ष बढ़ाया जाता जिससे वे अपनी देनदारी से बच सकें। यह एक विधि बाध्यता है, जिसे पूरा करना चाहिये।

इसी प्रकार एक अन्य मामले में चिकित्सकों द्वारा लापरवाही एक अवयस्क को अपना जोड़ों के पास से अपना हाथ कटवाना पड़ा जिसके कारण वह स्थायी रूप से अशक्त हो गया। जिला फोरम ने अवयस्क तथा उसके अभिवावकों को याचिका दायर करने की अनुमति प्रदान की तथा 2 लाख रूपये की क्षतिपूर्ति का आदेश दिया। उस चिकित्सक के लिये जिसके बीमा कंपनी द्वारा देनदारी बनती थी। बीमा कंपनी द्वारा अपनी अपील में राज्य कमीशन ने जिला फोरम के आदेश को पक्का किया फिर भी बीमा कंपनी ने पुर्नविचार याचिका संख्या 2648/2002 राष्ट्रीय कमीशन के समक्ष पेश की जिसमें कोई तर्कबद्ध कारण नही दिया गया था। ऐसा करना बीमा कंपनी के लिये ठीक न था और न ही माँग करता था की वह ऐसी याचिका दायर करे।

यह कहना गलत न होगा स्वास्थ्य सेवाओं को विकसित तथा प्रोत्साहन देने के लिये बीमा उद्योग के लिये आई आर डी ए को अधिक प्रभावशाली भूमिका निभानी होगी। इन्हें सभी बीमाकर्ताओं को दिशा-निर्देश जारी करने चाहिये। जिससे बेकार की मुकद्दमेंबाजी से बचा जा सके जो व्यथित व्यक्ति की व्यथा और बढ़ा देती है क्योंकि बड़ी संख्या में सलाहकार तथा विधि पेशेवर होते हैं। यह ऐसा है कि किसी मक्खी को आग से जलाया जाये।

पिछले दिनों विधि आयोग ने अपने सलाहकार पेपर में विनियमन व्यवस्था के आंतरिक शक्ति की बात की थी। इसलिये एक पूर्ण रूप से बनी शिकायत निपटान व्यवस्था की जरूरत है। आयोग ने एक शिकायत निपटान प्राधिकरण बनाने की बात की थी जिसमें एक विधि तथा दो तकनीकी सदस्य हो, जो बीमा धारकों के बीमाकर्ता के विरूद्ध दावों, शिकायतों इत्यादि से निपटान करे। यह प्राधिकरण वर्तमान में कार्यरत बीमा लोकपाल व्यवस्था को बदल दे ।

एक यह भी प्रस्ताव है कि बीमा अपील ट्रिब्यूनल का गठन किया जाये जिसमें एक जज वर्तमान अथवा सेवानिवृत्त सर्वोच्च न्यायालय से अथवा उच्च न्यायालय के मुख्य न्यायधीश प्रिसाइडिंग अधिकारी हो जिन्हें बीमा का अनुभव हो। विधि आयोग ने यह भी सुझाव दिया है एक संवैधानिक अपील का जो सर्वोच्च न्यायालय में कि जा सके। ट्रिब्यूनल के निर्णय के विरूद्ध ऐसे उपाय विनियामक व्यवस्था को पक्का करेंगें तथा वर्तमान विनियमों की पुर्नसंरचना होगी।

लेखक (प्रबंधक - विधि)
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छूट पर बट्टा न लगायें

सलाह और सेवा के लिये मूल्य अलग-अलग

संजीव झा

विनियामक तथा विभिन्न वित्तीय उत्पाद उपलब्ध करवाने वाले संघ बड़े पैमाने पर फैबी छूट प्रथा को लेकर ठीक ही चिंतित हैं। मध्यवर्ती जिस कमीशन के हकदार स्वंय हैं उसे वह सौदा तय करने के लिये बलि चढ़ा देते हैं।

यह भी ठीक है कि विनियामक तथा संघ न्यूनतम योग्यता तथा प्रशिक्षण पर जोर दे रहे हैं जिनमें व्यक्ति तथा निगमित सभी शामिल हैं जो मध्यवर्ती बनना चाहते हैं या स्वंय के वित्तीय उत्पाद बेचना चाहते हैं। युक्ति यह है कि वित्तीय उत्पाद अपनी प्रकृति में बहुत जटिल होते हैं और यह जरूरी नही एक ही नमूना सभी को रास आये।

यह दुर्भाग्यपूर्ण विश्वास न केवल बिक्री अनुभव का वरन् बीमा के अन्य वित्तीय उत्पादों का भी है। छूट देने की बुराई तथा गलत बिक्री छूट देते हुये दूर नही हो सकती और यह भी सत्य है। विनियामक इसे और कठिन बना देंगे जब तक इस समस्या का आधारभूत विवेकपूर्ण आर्थिक हल नही खोजा जायेगा यह प्रथा अधिक से अधिक प्रचलित होती जायेगी।

इसके मूलभूत में क्यों देश भर में ग्राहक यह भरोसा करते हैं कि आज के स्तर की सेवा तथा सलाह जो मध्यस्थों द्वारा दी जा रही है वह गैर जीवन बीमा कंपनियों द्वारा दिये जा रहे 15 प्रतिशत कमीशन से संतुलन नही बनाती है और दूसरी तरफ जीवन बीमा उत्पाद बेचने के लिये इससे दुगुने से भी ज्यादा (जब इक्विटी म्यूचवल फंड बेचने के लिये मात्र 1.5 प्रतिशत कमीशन दिया जाता है)। एक ग्राहक के रूप में वह अपने आप को ठगा सा महसूस करता है वह इस पर भी कठिनाई से भरोसा करके हैं कि कोई अन्य संभरणकर्ता इससे उन्हें इससे भी अधिक छूट नही देगा। जिसका सीधा कारण है 1. ग्राहक को अपने उत्पादों का पता नही होना तथा 2. ग्राहक अपने संभरणकर्ता के पास जा सकते है जिनको अपने कार्य व्यापार की पूरी जानकारी हो तथा किसी अन्य की मदद की जरूरत न हो।

क्या आप उसकी सलाह लेना चाहेंगे जिसका छद्म हित उस सलाह से जुड़ा हो। एक काल्पनिक परिस्थिति में क्या आप एक ऐसे व्यक्ति से सलाह लेना चाहेंगे जो अपनी कार आपको बेचना चाहता हो और उसके लिये आपको सलाह भी देना चाहता हो।

भारत तथा विश्व के अन्य भागों में एक आश्चर्यजनक बात हमारे सामने आती है, हम वित्तीय उत्पादों बीमा सहित के संबंध में उन लोगों की सलाह यह जानते हुये भी लेते हैं कि तथाकथित सलाहकार उस उत्पाद पर कमीशन प्राप्त करेगा जो वह हमें बेचना चाहता है।

इस समस्या की जड़ निजी उत्पादों के प्रवर्तन से हाल के दिनों में सामने आयी है। अभी कुछ दशक पहले तक निजी कारोबारियों की बहुत कम जरूरतें थी यह इसलिये था क्योंकि हमारा औसत आर्थिक स्तर निम्न प्रति व्यक्ति आय में परिलक्षित होता था। सभी आय का उपभोग कर लिया जाता था जिसमें मूल आवश्यकताएँ रोटी, कपड़ा और मकान शामिल था। जोखिमों कि सुरक्षा हेतु बहुत कम या आय बिलकुल नही बचती थी। जिसमें समृद्धि बढ़ाने वाले उत्पाद (म्यूच्वल फंड, बांड इत्यादि शामिल हैं।

इसलिये वित्तीय उत्पादों को बेचने के लिये जो कुछ चाहिये वह केवल साधारण बिक्री पेशेवर या शिक्षित सलाहकार नही है वरन् प्रचारक की आवश्यकता है। ऐसे सुसमाचारकों कि जरुरत है जो आपको बचत या बीमा की जरूरत के लिये तैयार कर सकें जो अंतत: आपको यह बता सके कि आज आपका भाग्यशाली दिन है मैं कखग कंपनी का मध्यस्थ था। प्रचारक अभिकर्ता मात्र किसी कंपनी के उत्पाद बेचने का नही वरन् वह अपनी कंपनी को बनाये रखने के लिये उत्पाद की माँग बनाते हैं।

आज परिदृश्य काफी बदल गया है। ऊँचे आय के स्तर के साथ सामाजिक, सांस्कृतिक सुरक्षा कवच में बदलाव आया है। परिणामस्वरूप शिक्षा के उच्च स्तर तथा बड़े पैमाने पर वित्तीय उत्पादों का विपणण करने के लिये धनराशि खर्च की जा रही है। इस प्रकार के प्रचार कि आवश्यकता पहले से कम है। अभी सबसे अधिक जरूरत है सेवा प्रदान करने की और कुछ हद तक सलाह की (जिसके दर्शन विभिन्न बैंकों के वेल्थ मैनेजर से होते हैं।)

सच्चाई में प्रतिस्पर्धा दबाव यह है ज्यादातर उत्पादों के ब्रांडो में विश्वव्यापी अंतर कम हो रहा है तथा आपूर्ति फीस सुकड़ रही है अथवा सफलता की ओर बढ़ रही है, लेकिन यह सत्य है बीमा में (जो मुख्यत: एक मद बन गया है) मध्यवर्ती फीस अंतर 17.5 प्रतिशत तक उच्च है (गैर जीवन बीमा, ब्रोकर) स्पष्ट है। कोई इसका भुगतान कर रहा है और नि:संदेह तुरन्त यह उपभोक्ता है और लंबे काल में ऐसे हरफनमौला जो एक दूसरे को समाप्त करने में लगे रहते हैं। जिससे उनका बाजार शेयर बढ़ सके तथा उद्योग इस प्रथा से संतुष्ट है। इस फीस को सलाह की विवेकपूर्ण दर मानते हुये जबकि इस फीस वर्णित किया जा सकता है। कैरियर तथा सचिवालय सहायता के रूप में।

ऐसी सलाहकार की शक्ति को आसानी से जाँच की जा सकती है। मान लीजिये कोई प्रस्ताव जो ग्राहक को बताता है कि उसके मोटर बीमा के नवीकरण को 15 प्रतिशत छूट के साथ बेचा जा रहा है यदि वह होम डिलेवरी अथवा सचिवालय सेवायें चाहता है तो उसे दो प्रतिशत प्रीमियम देना होगा और यदि सलाह चाहिये तो 15 प्रतिशत अतिरिक्त प्रीमियम देना होगा। स्पष्ट रूप से इसके लिये कोई तैयार न होगा। कुछ लोग सचिवालय सेवा लेने के लिये अवश्य तैयार हो सकते हैं। मान लीजिये यदि 15 प्रतिशत को समाप्त कर दिया जाये तो बीमा दुकानें नहीं आ सकेंगी, गैर जीवन बीमा क्षेत्र के अभिकर्ताओं / सलाहकारों के कार्यलायों के बाहर लंबी कतारें होगी, बीमा उद्योग अपरिहार्य कारणों से छूट प्राप्त करेगें, अपने अग्नि प्रीमियम दर पर जो निष्क्रिय जोखिम है।

उपरोक्त छूट देने का प्रभावशाली विवरण नही है। लेकिन यह विवरण है इस तथ्य का ज्यादातर गैर जीवन बीमा उत्पादों में सलाहकार/अभिकर्ता बहुत

कम या बिलकुल नही के बराबर मूल्य जोड़ते हैं और उसके लिये बड़ा कमीशन देकर हम ग्राहक को गलत सेवा उपलब्ध करवा रहे हैं। एक गैर सेवा जिसे यह प्रथा अपने असली रूप में विनियामक द्वारा संरक्षित है। अभिकर्ता लगातार झगड़ालू ग्राहक को छूट देता रहेगा जब तक कि विनियामक वास्तविकता को स्वीकार नही कर लेता।

ग्रेट ब्रिटेन में जहाँ वित्तीय विनियामक वातावरण संभवत: सबसे बढ़िया निर्मित हुआ है। ऐसे निर्बद्ध अभिकर्ताओं की अविवेकपूर्ण सलाह पर वाद-विवाद जारी है। यह भी दृष्टिगोचर हो रहा है कि ब्रिटेन के विनियामक जल्द ही ध्यान देगें इसके कम उपयोग की तरफ जिससे ग्राहक संबंधित बड़े लाभ उठाये जा सकें।

आज भारतीय विनियामक केवल निबद्ध अभिकर्ता तथा मध्यस्थ को अभिज्ञात करता है लेकिन मजबूत से मध्यस्थ भी आढत कमाना चाहते है। सलाहाकार शुल्क नहीं ग्राहकों से। स्वतंत्र वित्तीय सलाहकार (आईएफए) का कोई विनियमन प्रावधान ही है और इसने कई आईएफए को बाध्य किया है। विभिन्न निबद्ध अभिकर्ता विभिन्न कंपनियों के नाम से करने के लिये। यह विचलन विनियामक की भावना से होना केवल एक सम्मानपूर्वक कदम है जो ग्राहक को पक्ष रहित सलाह उपलब्ध करवाता है। यह कुछ समय की बात ही है जब विनियामक ऐसे आईएफए की भूमिका को पहचानेगा तथा विनियमों को बदलेगा। यह अस्सी के दशक के अंत में ब्रिटेन में हुआ जब आईएफए को निबद्ध अभिकर्ता के रूप से एक अलग व्यापार की संरचना को मान्यता दी गयी।

आर्थिक विवेक को साथ रखने के लिये तथा ग्राहक अधिक विकल्प पा सके यह महत्वपूर्ण है कि निम्नलिखित परिवर्तनों पर परिचर्चा की जाये:

- इनके रहने के लिये विनियामक स्वीकृति प्रदान की जाये I. निबद्ध अभिकर्ता II. स्वतंत्र वित्तीय सलाहकार तथा III. मध्यस्थ
- आरएफए/ब्रोकर को अनुमति दी जाये कि वे शुल्क के आधार पर न कि कमीशन के आधार पर कार्य करें।
- फीस कमाने के लिये पहली शर्त होगी उस कमीशन को वापस करना जो या जो शुद्ध दर प्राप्त करने के लिये या अन्यथा ग्राहक को दिया गया हो (कानूनपूर्वक छूट) आईएफए अथवा मध्यस्थ द्वारा।
- उपभोक्ता को अच्छी सूचना देना तथा एक सलाहकार ढूँढने के लिये अधिक आत्मविश्वास देना जिससे सुनिश्चित किया जा सके कि कैसे मध्यस्थ सेवा करेंगे और कैसे उनको भुगतान होगा।

यदि उपरोक्त को होना है तो गैर जीवन बीमा क्षेत्र में पड़ता विवेकपूर्ण स्तर तक पहुँच जायेगा तथा ग्राहक पक्की तरह न केवल बेहतर सलाह से वरन् बेहतर उत्पाद से लाभान्वित होगा। परिणामस्वरूप उपलब्ध करवाने वाला बाजार हिस्से को बढ़ाने के लिये बाध्य हो जायेगा।

ग्राहक को यह लाभ होगा कि वह सलाह कि लागत को असंबंद्ध कर सकेगा। उत्पाद या सेवा कि लागत से इसलिये मानक वनिला उत्पाद (जैसे ज्यादातर टैरिफ उत्पाद) उपभोक्ता सीधे रूप से खरीद सकेंगे। बिना सलाह लिये जिसकी उन्हें जरूरत नही हैं। इसी समय ग्राहक एक पेशेवर मध्यस्थ के लिये सेवा तथा सुविधा के लिये शुल्क देने को तैयार हो जायेंगे।

यह असंबंद्धता इसलिये भी जरूरी है कि इससे सलाह का मानक ऊँचा होगा। अभिकर्ता या मध्यस्थ जो आज मात्र कौरियर का कम करते हैं उन्हें वह शुल्क मिलेगा जो उन्हें मिलना चाहिये तथा ज्यादातर मामलों में यह जुड़ा हुआ है सफलता से। जो ग्राहक द्वारा दी जाती है उपलब्ध करवाने वाले द्वारा नही।

उपलब्ध करवाने वाले अब वास्तव में नीतिगत विश्लेषण कर सकेंगे। अपने वितरण को बाह्य रूप से स्त्रोत करने के लिये अथवा आंतरिक रूप से निवेश की जाने वाली सक्षमता के बारे में जान सकेंगे। बलशाली अभिकर्ता इस स्थिति में होंगे कि उच्च कमीशन की माँग कर सकें। लेकिन शक्ति फिर इस बात में होगी कि उनकी अपनी क्षमता कितनी है न कि विनियामक से उन्हें कितना संरक्षण मिलता है।

इसमें कोई संदेह नही है कि हम आज मनोवैज्ञानिक रूप से कमीशन आधारित प्रणाली पर चल रहे हैं और इसमें छूट प्रथा शामिल है। वास्तव में एक ग्राहक के लिये उच्च शुल्क देना निम्न प्रकार की मूल्य जोड़ सेवा के लिये बेचना होगा। आगे चलकर जब मध्यस्थ सलाहकार कुशलता को प्राप्त कर लेंगे पुर्नभुगतान के नये तरीके उपजेंगे कुछ मात्र लेन-देन पर आधारिक होगी जबकि अन्य खुदरा के आधार पर सफलता के लिये बोनस होगा।

आर्थिक इतिहास ने हमें बताया है कि सबसे अच्छे विनियामक वो होते है जो दी गयी बाजार व्यवस्था को निबंद्ध कर लेते है। यह कम होता है। विनियामक परिवर्तन को आगे बढ़ाये। आज पिछले कुछ वर्षों के मुकाबले ग्राहकों को वित्तीय उत्पादों को खरीदने की जरूरत है। जबकि वित्तीय उत्पाद को खरीदने के लिये बड़े विवेक की जरूरत पड़ती है। दूसरे प्रकार की संपत्तियों को खरीदने के मुकाबले बहुत से ग्राहक बहुत सुप्रवीण होते हैं। वित्तीय उत्पादों की खरीद को लेकर और कुछ नही होते। इसलिये एक उपलब्ध करवा वाले के लिये इन ग्राहकों को अलग अलग ढंग से बर्ताव करना अनिवार्य है। इसलिये यह जरूरी है कि हम उत्पाद या सेवा मूल्य को सलाह से अलग करें। यदि हम ऐसा कर सके तो विजेता ग्राहक ही होगा। कुल मिलाकर वही तो है जिसके ऊपर हम सब निर्भर करते हैं।

लेखक जोखिम तथा अनिश्चितता का विधार्थी है तथा गैर जीवन बीमा उद्योग के बीमा लेखन, कार्यनीति तथा विक्रय क्षेत्र से संबंध रखता है। यहाँ बताये गये विचार व्यक्तिगत है sanjayjha@hotmail.com पर संपर्क कर सकते हैं।

The Journey

Shivakumar Belavadi

- Earning the CII, London, Fellowship

Just 23 Indian professionals in 65 years have gone this far.
And only two in the last 27 years!
It is not only the sheer challenge of the course that has kept Indian insurance professionals off prestigious and essential international qualifications, but the fact that the industry never demanded professional development during the many decades that we spent looking inwards.
Here is the story in his own words, of one that cared, or dared.

It has been an experience attempting this coveted Diploma!

It began in 1997 when I felt that to make a difference in the emerging scenario, one needs Professional Recognition. I scouted various options. Amongst the many I considered at that stage were ICFAI, MBA and CPCU.

Finally I decided upon acquiring a Fellowship of the Chartered Insurance Institute (CII), London. For it is the CII to which most Indians related to in the past. It still occupies the position of the premier institute of professional insurance learning in Asia, Europe and the Pacific Rim.

The first step was the enrolment. For a third world denizen working in a public sector insurance company, the thought of arranging £550 was indeed daunting. The sheer volume of foreign exchange required made my heart miss a beat. A few of my friends chipped in and I managed to arrange the required amount. Those were still the difficult days of remitting foreign exchange. With some effort I managed to get the forex from State Bank of Mysore in Bangalore. I still remember the helpful officials at the bank who went out of their way after the close of banking hours to arrange for the forex demand draft.

Having enrolled as a student, I had to get the study material. At around £75 per subject, 'buying' was a difficult proposition. A few friends in Dubai chipped in. Colleagues of mine at Oriental Insurance helped me out through the National Insurance Academy, Pune. With all this, I sourced the material from assorted quarters.

Then the study and examination – I came to Mumbai in October 99 and attempted all the three papers (having been exempted from others because of my qualification as a Fellow of the Insurance Institute of India). I fortunately cleared all, with distinction in Principles of Marine Insurance and Management.

I was now a Chartered Insurer! ACII I have arrived! FCII – here I come!

India had opened up the insurance sector and I found myself in Tata AIG General Insurance Company, Mumbai. I set myself the target of Fellowship in 2003.

This is, in general, a difficult task, because there are no examinations to clear, but three years of 'Grind' to satisfy the CII of your continued Professional Commitment and Competence.

I had to submit a plan of how I would work to the Fellowship, which was approved by the CII. Then came the actual task of executing the plan, which broadly involved the following steps:

Continuous Professional Development (CPD)

In the words of CII, CPD component of Fellowship "is designed to facilitate the genuine development of individuals." One needs to accumulate 180 points over a three-year period through selected prescribed activities. A minimum of 50 points is required in any one year. The purpose is to ensure that "you remain aware of the continual need to reassure the public about your professionalism." This requires a demonstration of commitment and contribution to the insurance profession.

The activities had to be undertaken in addition to my routine work at the office.

To complete the requirements, I took classes at some professional institutes on insurance topics – I gained three points per lecture. But preparing, presenting and interacting with the participants gave me new insights and taught me humility. I participated in important international seminars on petroleum trading and cargo shortages and international law. I honed my computer utilisation skills at classes, wrote articles, interacted with professionals – and gathered points.

It was a pure treat all the way, come rain or shine. Sure gain with some strain.

Professional Ethics Programme

This programme involves a formal study of a compilation on Business Ethics by Dr. Elaine Sternberg. What the purpose of a business is and how ethics impinge upon business decisions are at the core of this module. It adopts a teleological methodology and gives a working model for day-to-day business decision-making. To judge the assimilation of content, two situations are given on which analysis should be made and decisions arrived at. The submissions are to be made to CII evaluators using a structured response format. The analysis and case studies were eye openers and I shall cherish the values I have imbibed in the process, for life.

These were forwarded to CII evaluators whose approval came forth without a hitch.

Submission of a Dissertation to the CII

I wanted to do something relevant to the Indian situation, which also touched upon some area of my work. Marine Recovery from Cargo Carriers has not had the required focus in India. More so from road carriers, where de jure, the letter of law is widest in its scope, but de facto recoveries are, perhaps, the smallest. I hence decided to submit a dissertation on Marine Recovery from Road Carriers in India.

I had to collect data and information from various corners with sources as varied as National Insurance Academy – Pune, law firms, offices of insurers, libraries, newspapers, magazines and the Internet.

To make the dissertation fully rounded I had to research the transport industry in India, the legal framework and environment in India, judicial precedents, practices in insurance companies and track records. A daunting task indeed! Putting it all together on the foundation of reason and logic but with personal conviction was probably what convinced the CII that I deserved the Fellowship!

I finished the entire process on January 9, 2003. I despatched all the necessary material along with a Statement of Personal Achievement – which is the synopsis of the efforts and achievements in attempting the Fellowship, and came back home with the last courier bill of Rs. 1,850. All I had to do now was to wait.

On April 2, I received a communication from CII that, having satisfied the CII of all requirements, I had been elected a Fellow of the Chartered Insurance Institute !

The process has been involving, demanding on time (and the pocket), tiring, sometimes frustrating, but in the end,Very Satisfying. This three-year stint attempting the Fellowship has indeed made me look at and appreciate insurance from a wider and deeper perspective. Mission accomplished. The eternal journey of Commitment to Professionalism is on!

I have recently collected details of the past Fellows from India from CII. (See list). There are 23 people from India who have qualified since 1938. In the last 27 years there have been only two other Fellows from India – Ms. Susan Ahluwalia in 1989 and Mr. Shrirang V. Samant in 1995 (at present MD of HDFC Chubb General Insurance Co). The illustrious Mr. S.V. Mony (Former Chairman of GIC and Present Vice-Chairman of AMP Sanmar Life Insurance Co in India) became a Fellow in1970.

Many friends, colleagues and well-wishers have helped me in the process. I remain in deep gratitude to all who made this long journey possible.

I would be happy to help and assist friends who wish to pursue this path.

List of Fellows of CII, London, from India

S.NO.	NAME	YEAR
1	Tuli Rajendra L	1938
2	Wadhwan Sahdev K	1947
3	Biswas Anil K	1950
4	Rangarajan Srinivas	1951
5	Jain Chaman L	1954
6	Gupta Sat P	1955
7	Das Gupta Anil K	1958
8	Bhattacharya Gopal C	1962
9	Gupta Dewan C	1963
10	Jain Indramal R	1964
11	Arunachalam Mariappa	1965
12	Madan Bishamber N	1967
13	Pal Binay K	1967
14	Writer Minoo H	1967
15	Mony Sankara V	1970
16	Nagaraja N	1972
17	Rajgopalan Subramanian	1973
18	Samarth Ramesh D	1973
19	Maulik Sudhir C	1974
20	Muralidharan V C	1975
21	Majumdar Piyush	1976
22	Ahluwalia Susan J	1989
23	Samant Shrirang V	1995

The author, a Chartered Insurer, is Assistant Vice President - Claims (Commercial Lines and Energy), Tata AIG General Insurance Co. Ltd. You can mail him at shiva.belavadi@tata-aig.com if you want to undertake the CII Fellowship journey as well.

PROFESSIONAL ADVANCEMENT

We want to hear your stories. Tell us about your journeys. What you did, what made you do it and how you did it.

Come on, be an inspiration to your colleagues!
(And blow your own trumpet a bit!)

Report Card: GENERAL

Dull July for general insurers

G.V.Rao

The growth rate of 20 per cent witnessed in the month of June, 2003, has slid to 11.7 per cent in July, 2003. The overall premium completed in July, 2003, was about Rs. 1,300 crores with an accretion of Rs. 136 crores over the premium level of last year. Of this Rs. 136 crores (11.7 per cent growth) the four public players contributed Rs. 55 crores (5.2 per cent growth) and the eight private players Rs. 81 crores (92 per cent growth).

Among the four public players, New India recorded a fall of Rs. 13 crores. National Insurance continues its march with a growth of Rs. 42 crores (17.4 per cent) followed by the United India with Rs. 21 crores (7.5 per cent) and Oriental with Rs. 6 crores (2.4 per cent). Among the eight private players Bajaj continues to stay ahead of the pack with a growth of Rs. 23 crores (121 per cent) followed by ICICI with Rs. 18 crores (138 per cent), Reliance with Rs. 10 crores (167 per cent). Tata-AIG and IFFCO have added Rs. seven crores each.

The rate increases in Motor TP business took effect in July, 2002. Is the performance of public players a reflection that the growth of Motor business has slowed down? Has the Voluntary Retirement Scheme (VRS) offered to Development Officers begun to hurt their marketing efforts even in respect of retention of business not to speak of expanding their market share? What specific strategies have they put in place to meet the stiff competition mounted by the private players? The provisional figures for 2002-03 showed that in Fire and Marine the growth momentum has slowed down and it is the Motor segment that is driving their growth levels.

Performance up to July 2003

The growth rate at the end of June, 2003, of 12.7 per cent has slightly slid to 12.3 per cent at the end of July, 2003. The market premium has grown overall

Gross Premium Underwritten – July 2003

(Rs. in lakhs)

Insurer	Premium 2003-04		Premium 2002-03		Market share upto July, 2003	Growth % Year on Year
	For the month	Upto the month	For the month	Upto the month		
Royal Sundaram	1,799.95	8,848.59	1,543.87	5,914.44	1.57	49.61
Tata AIG	2,400.27	13,821.93	1,818.36	8,623.02	2.45	60.29
Reliance General	1,605.50	6,834.01	555.30	6,746.30	1.21	1.30
IFFCO-Tokio	2,417.16	12,891.28	1,739.68	7,914.45	2.28	62.88
ICICI Lombard	3,142.48	15,757.90	1,277.41	4,886.20	2.79	222.50
Bajaj Allianz	4,183.56	16,088.31	1,862.22	8,725.59	2.85	84.38
HDFC Chubb	746.25	1,938.95			0.34	NA
Cholamandalam	615.66	3,031.41			0.54	NA
New India	29,357.00	1,33,851.00	30,664.00	1,33,306.00	23.71	0.41
National	28,265.00	1,12,697.00	24,082.00	98,052.00	19.96	14.94
United India	29,959.00	1,15,369.00	27,904.00	1,10,937.00	20.43	4.00
Oriental	25,316.90	1,10,261.35	24,739.56	1,05,795.12	19.53	4.22
ECGC	3,745.79	13,195.12	2,979.51	11,392.57	2.34	15.82
PRIVATE TOTAL	**16,910.84**	**79,212.38**	**8,796.84**	**42,810.01**	**14.03**	**85.03**
PUBLIC TOTAL	**1,16,643.69**	**4,85,373.47**	**1,10,369.07**	**4,59,482.69**	**85.97**	**5.63**
GRAND TOTAL	**1,33,554.53**	**5,64,585.85**	**1,19,165.91**	**5,02,292.70**	**100.00**	**12.40**

by Rs. 606 crores (12.3 per cent) to record a premium of Rs. 5,515 crores at the end of July, 2003. Of this, Rs. 606 crores accretion, the share of the four public players was Rs. 241 crores (5.4 per cent growth) while the share of the eight private players was Rs. 364 crores (85 per cent growth).

Of the accretion of Rs. 241 crores among the four public players, the share of National Insurance alone is Rs. 146 crores (17.4 per cent growth) followed by Oriental with Rs. 45 crores (4.2 per cent growth), United India with Rs. 43 crores (4 per cent growth) and New India with Rs. six crores (0.4 per cent growth). The slide in the growth rate of New India, which is a market leader, should be a matter of some concern. Is the fact that among the eight private players five of the players have their Head Offices in the West, proving a tough competitive proposition to it?

In contrast, the performance of the eight private players who have added Rs. 365 crores accretion (85 per cent growth) has been remarkable in terms of expanding the insurance market. Of this, Rs. 109 crores addition by ICICI, Rs. 74 crores by Bajaj, Rs. 52 crores by Tata-AIG and Rs. 50 crores by IFFCO characterise them as the four majors in the private sector.

Market Shares

The market share of the four public players has slid from 91 per cent as at July, 2002, to 86 per cent on a comparative basis at July, 2003. The four public players together seem to have reconciled to growth rates below the GDP rate though National Insurance has set a different trend among them. With their undoubted strengths of infrastructure and trained manpower they have the resources to leverage to build strong growth in the unorganised market of personal and rural insurance segments. Mobilising their agency and marketing force and accessing new customers with modern technological and cost-effective means is an urgent task they need to look at. The change taking place in the marketing of financial products by banks is illustrative of how banks are reinventing themselves.

The private players have shown that liberalisation of the insurance sector has heightened the levels of competition and has made the market grow a little faster. But the opportunities for even higher growth seem encouraging and bright, if the public players decided that they have the willingness, drive and determination to take on the competition and pioneer personal lines and rural markets.

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

Revenue Recognition Riddles

P. S. Prabhakar

General insurance finance is riddled with unique and specialised concepts such as a heavy influence on the bottom line by various estimations, statutory limitation on management expenses, relationship between the capitalisations and risk-bearing capacities and the protection of policyholders' interests vis-à-vis expectations of stakeholders.

Behind the facade of a seemingly exact figure shown in the bottom line in a general insurance company's financials, lo and behold, there are estimations galore! Provisions for unexpired risks, provisions for outstanding claims (not only of the company but also that of the co-insurers and reinsurers), premium deficiency, claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) et al.

Liberal estimations of these reserves offer comfort for regulators, who are the custodians of policyholders' interests. Steady building up of such reserves, generally, augurs well for the health of the companies. Of course, in private insurance companies, the pinch will be felt beyond profitability, as the consequent impact will also be on the valuation of their stock. Hence profit-conscious managements, representing shareholders' interests would like to keep these 'reserves' at the minimum possible levels. Understandable conflicts!

The world over, regulators and legislations governing insurance finance take due care only to err on the safe side, essentially to 'protect' the policyholders' interests. Though, in a few countries, regulations are not extant, in some they are indeed rigid. It is the extent of such rigidity that sometimes creates fissures between the interests of the stakeholders and that of the policyholders.

In our country too, the Insurance Act, 1938, contained provisions on financial disclosure requirements, solvency margin parameters, formats etc. and a cursory glance would reveal that they were well thought out diktats, and rightly focused on protection of policyholders' interests even in the then open-market regime. The provisions of the Act were scrupulously followed by the industry, which had over 108 private companies prior to the nationalisation of the industry in the early seventies and also faithfully followed by the public sector insurers, in the post-nationalisation scenario. No one had any serious complaints.

> IRDA's fresh set of regulations of 2002 sought to grant an escape route by bringing back the 'adhoc regime,' by saying that though the premium recognition should still be on 'accrual basis' the minimum of URR should be at percentages prescribed.

Came IRDA, we saw radical and fundamental changes not only in accounting norms, disclosure requirements, formats etc. but also in very concepts of revenue recognition vis-à-vis provisioning for Unexpired Risk Reserves (URR).

For time immemorial, the URR provisioning was done on the basis of percentages of 'Net Premium' and for this ad-hoc percentages (possibly arrived at after considering international practices and historical parameters) indicated in the Solvency Margin requirements {Sec. 64V(1)(ii)(b)} were followed. They were 40 per cent for Fire, Marine Cargo and Miscellaneous portfolios and 100 per cent for Marine Hull.

[However, as the Income Tax Act and Rules allowed insurers to provide up to 50 per cent for Fire and Miscellaneous and 100 per cent for Marine, many insurers (and, after nationalisation, all PSU insurers) took advantage of the same and so provided.]

Essentially, this meant that the companies recognised the revenue by making adjustments for URR in their Net Premium Income (Premium less reinsurances), calling this Net Earned Premium Income.

The IRDA set out to change this. In the first set of regulations that came out in 2000, it was required that the companies recognise the premium income over the contract period or the period of risk. Which, simply meant, proportionately. Period.

For example, if Rs.3,650 is collected for a vehicle insurance policy that commenced on September 18, 2002, to expire on September 17, 2003, the revenue recognisable is Rs. 1,950 for the financial year ending March 31, 2003, as the policy runs its course for 195 out of 365 days in the current financial year. The balance of Rs. 1,700 is to be kept as unearned premium, as it is attributable and allocable to the succeeding accounting periods. Perhaps, the idea germinated from the perception that in the days of high-end computers and sophisticated methods of accounting, any percentage ad-hocism in provisioning was not necessary and that the revenue accounting could be almost realistic.

IRDA's fresh set of regulations of 2002, possibly realising that the earlier regulations on this score were found 'complicated' by the existing and the new insurers alike, sought to grant an escape route by bringing back the 'adhoc regime,' by saying that though the premium recognition should still be on 'accrual' basis, the minimum of URR should be at percentages prescribed. (Let me come to the 'percentages' part later).

However, the problem is far from over. To begin with, this has brought a complete lack of uniformity in the methods employed by insurance companies for URR provisioning. It is gathered that some employ what is called 1/365th method, some adopt 1/24th method and many, taking advantage of the situation that 'actual accrual' can never be worked out correctly, simply continue adopting ad-hoc percentages, claiming that they are the 'minimum.'

The software applications employed by companies are different, the logics they go by vary, the methods adopted are dissimilar and the treatments their financial figures receive in their statements diverse. Uniformity in 'formats' prescribed does not mean a thing. The financials of different companies in this 'happening' industry may be absolutely incomparable with each other, making statistics meaningless.

Added to this, clearly, there is an all-important point that has been missed by the rule-framers and not also queried by rule-followers. The URR provision, basically, is on the 'Net' basis. For this, only percentages, however ad-hoc they may seem, can work. Pro-rata recognition of revenue is possible only on 'Gross' premium. This is essentially because the reinsurance programmes are not policy wise, except for very major ones. They are, mostly, on treaty basis and the underwriting year for reinsurance markets will be blatantly different from the financial year basis that we might be following. The actual manner in which the whole premium accounting and RI cessions accounting works is too mind boggling to be wished away with any simplistic solutions in the name of bringing in any 'seeming realism.'

Now, even forgetting the reinsurance aspect completely and assuming that premium accounting can be done in 'recognising-as-it-accrues' basis, let us take three case studies for consideration:

Case Study 1: A Fire policy is issued for Rs. one crore on August 1, 2002, and the policy is to run through till July 31, 2003. The premium collected is Rs. one lakh. There is an accident on November 30, 2002, resulting in a loss of Rs. 20 lakhs. The policyholder does not choose to reinstate the policy to its original sum insured. In this case, inasmuch as 20 per cent of the policy has been definitely used up by November 30, 2002, will not the matching concept of accounting require appropriation of the proportionate revenue by that time and that the 1/365th method or whatever can be applied only to the balance?

> The actual manner in which the whole premium accounting and reinsurance cessions accounting works is too mind boggling to be wished away with any simplistic solutions in the name of bringing in any 'seeming realism.'

Case Study 2: Again a Fire policy is issued for Rs. one crore on August 1, 2002, and the policy is to run through till July 31, 2003. The premium collected is Rs. one lakh. There is an accident on November 30, 2002, resulting in total loss and the entire sum assured is payable and the policy cancelled. How is the revenue to be recognised?

Case Study 3: A Motor policy is issued for Rs. 4 lakhs on December 1, 2001. An accident occurs on December 15, 2001. The repair claim is settled for Rs. 75,000. Again there is another accident on February 28, 2001, resulting in total loss of the car. How will the revenue recognition be done?

These are but few examples of shop floor situations to show that the real dimensions can be lot more challenging, both in nature and in content.

Before the discussion on the URR provisions is wound up, one small point also merits consideration. It is a fact that though most of the general insurance contracts are annual in nature, there are exceptions: For instance, marine cargo policies are short term; project insurances last a few years of validity; even fire policies for residential dwellings are now issued for a period of 10 years. How will these situations jell with the requirement of revenue recognition 'over the contract period' and consequent the URR provisioning?

Here, the ad-hocism in URR percentages is not advocated blindly, but certainly such an ad-hocism will smoothen out many such nebulous situations and rough edges besides being convenient. Besides, it is time tested. Is the idea of the change in the concept of accounting of the revenue recognition necessary at all?

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

UK House to probe job losses to India

A House of Commons Committee in the UK plans to launch a wide-ranging inquiry into alleged loss of call centre and IT jobs from the UK to countries like India.

Across the ocean, in the US, Bills have been put forward by legislators in five US states, requiring workers hired under state contracts to be American citizens or fill a special niche, citizens cannot fill.

"We will be raising the issue of the removal of UK jobs to call centres to places like India," Martin O'Neill, Chairman of the Commons Trade and Industry Select Committee has been reported saying.

Last month, former US ambassador Robert Blackwill and former secretary of state Henry Kissinger made comments indicating that opposition in the US to outsourcing could soon become a "political problem."

In view of the economic recession over the past two years, US firms have embraced a decades-old trend to hire educated workers overseas who can be employed for a fraction of the cost of US-based programmers.

O'Neill said he planned to quiz telecom giant BT over the loss of call centre jobs at a hearing later this year and that would be part of a wider inquiry into the failure of the IT revolution to deliver the expected jobs miracle, a report in The Independent said.

By the end of this year, HSBC plans to employ 8,000 people in India, China and Malaysia, BT is planning to create 2,200 new call centre posts in India and Aviva, the insurance company, plans a 1,000-person call centre and claims-processing unit in India.

The inquiry move is expected to bring cheer to trade unions which have launched protests against decisions by some of Britain's best-known companies to move jobs abroad.

The unions claim British workers lose their jobs by thousands while countries such as India get a reputation as nation of wage slaves.

Research by the analysts Key Note, predicted 100,000 of the existing 600,000 call centre jobs would disappear between now and the end of 2008 and research by the consultants Deloitte and Touche claimed India would be the main beneficiary of an expected outsourcing of 2 million, mainly administrative and technology-related jobs by 2008.

LIC may foreclose seven more schemes

The Life Insurance Corporation of India (LIC) had placed six to seven assured return policies on a watch list, senior LIC officials are reported having admitted.

Though no formal announcement has been made, many of the plans put on the watch list offer returns in excess of seven per cent. In 2002-03, LIC closed over 20 plans as its investment returns fell by over five percentage points in the last 18-20 months.

After careful consideration of the impact of these plans on the institution's balance sheet, LIC will close the ones that are highly popular and are long-term in nature. The trigger for this is the falling interest rates, which can no longer support returns of seven per cent-plus.

Rising market cheers insurance companies

With the Sensex crossing the psychological 4,000-mark, it is party time for insurance companies, including the largest capital market player, the Life Insurance Corporation (LIC). LIC, with a fund size in excess of Rs. 2,60,000 crore, General Insurance Corporation, with around Rs. 10,000 crore of assets, and New India Assurance, with over Rs. 7,000 crore of assets, have a clear-cut strategy of cashing in on the rally and re-enter the market at the time of correction.

Senior officials of each of these companies maintain that the ongoing rally is on the basis of strong fundamentals and would not recede except for corrections. Fund managers at different insurance companies are unanimous in their view that the Sensex can easily touch 4,500 points in the next four to five months.

LIC has a segregated trading portfolio on a day-to-basis consisting of more than 20 stocks which is used by the Corporation to enter or exit the market. The Corporation expects pharma, FMCG, metal, and banking sector stocks to rally further in the coming days. Apart from profiting in the process, the life insurance juggernaut has a specific role in supporting and creating stability in the market. "At each stage of the rally, we act as a supporting element for the market to balance the overall forces," an LIC official is quoted saying. On its part, GIC is purely transacting in old-economy stocks and has thus far shunned new economy stocks.

LIC Oman bound

LIC (International) E C, the offshore subsidiary of Life Insurance Corporation of India catering to insurance needs of non-resident Indians in the Gulf countries, is to shortly commence operations in the Sultanate of Oman.

An agreement was signed recently appointing Gulf Insurance Agencies Company LLC, Muscat, as the chief agent for marketing products in Oman, LIC said in a press release and added that with presence in Oman, the company would now cover all the GCC countries.

It is also envisaged that the two companies would form a joint venture as early as possible with an objective of extending the life insurance services to Omani nationals as well.

The LIC subsidiary currently has operations in Bahrain, Saudi Arabia, Kuwait, Qatar and Dubai.

LIC to step up equity investments

With markets looking up, Life Insurance Corporation (LIC) plans to step up its exposure in equities by over 25 per cent to Rs. 6,000 crores this fiscal, depending on the availability of attractive stocks.

It also plans to invest about Rs. 7,000 crores in infrastructure projects in 2003-04, LIC Chairman, Mr. S. B. Mathur is reported saying. Last fiscal, the insurer invested Rs. 4,000 crores in equities.

He is also reported saying that, that did not rule out investing in good bank stocks but said LIC will not take up strategic stake in any other bank before it sees benefits coming out of its investment in Corporation Bank.

LIC has over 14 per cent stake in Corporation Bank and about 9 per cent in Oriental Bank of Commerce. The FI was one of the promoters in UTI Bank.

LIC has interest mainly in old-economy stocks and has been a major market mover in the last few years.

The plans to step up investments in equities also coincides with the rise in Sensex in the last few months.

FIs will take stock of future disinvestments

Financial institutions (FIs) will take a joint view on divesting their residual stakes in VSNL, CMC, IPCL and IBP, companies in which the Government is looking at selling its residual stake through public issues.

The Life Insurance Corporation of India (LIC), General Insurance Corporation (GIC) along with its four subsidiaries and Unit Trust of India (UTI) will meet to decide on their stand if the government takes the public issue route to sell its residual stake.

"We will take a joint decision along with other FIs on whether to participate in the public issue which the disinvestment minister has announced is likely to take place by the end of the year. The decision to participate will depend on the pricing of these issues and will have to be decided on a case-to-case basis," Mr. S. B. Mathur, Chairman, LIC is quoted saying.

"We are keeping an eye on the scrips and will make an evaluation of the price at an appropriate time," he added.

LIC has stakes in all the four companies in the which Government intends to divest.

The insurance major holds around 3.56 per cent in CMC, 3.98 per cent in Videsh Sanchar Nigam Ltd (VSNL) and around 3.26 per cent in IPCL.

GIC, New India Assurance and Oriental Insurance Company hold two per cent, 2.13 per cent and 1.22 per cent respectively in CMC.

Mutual funds such as the UTI hold around 4.11 per cent in IBP, while banks along with financial institutions hold six per cent in IBP.

The Government holds 26 per cent stake each in IBP Ltd, VSNL and CMC, while its holding in IPCL is 33.95 per cent.

New panel on disaster management, insurance

In the light of the warning issued by the World Bank (WB) on disaster management and to examine the possibility of a unified legislation on the same, the Centre has formed a high-level task force on insurance and climatic changes with eight members under the chairmanship of General Insurance Corporation (GIC) Chairman Mr. P.C. Ghosh.

The terms of reference of this task force are:

- To identify specific national needs and concerns relating to insurance and other related issues arising from adverse impacts of climate change
- To develop strategies and approaches related to insurance and risk assessment in the context of climate change and extreme weather events in various sectors
- To prepare an approach paper on the theme 'Climate Change and Insurance'

The World Bank had earlier warned that natural disasters pose a major threat to India's economic development, inflicting losses amounting to $13.8 billion during 1996-2001 and eroding two per cent of the GDP.

Truth test for insurance claims

Insurance fraud costs the industry £1bn a year and to put a curb on that, banking giant HBOS plans to use voice-sensitive lie detectors to cut down on fraudulent insurance claims.

The technology, developed by security software specialists DigiLog UK, will be used on HBOS' claims hotline for a three-month trial period starting in September.

HBOS says it will screen between 300 and 400 telephone claims during the trial – and will inform customers if they are being used as guinea pigs.

"It won't be used in isolation and clearly it will be voluntary. Refusing to take part won't impact on the claim at all," said HBOS spokesman Mark Hemingway.

"If it reduces fraud then that will impact on premiums and that will be good for everyone. Genuine claimants have nothing to fear."

HBOS, which has around two million policyholders, already uses a range of methods to detect fraud, including cross-checks with rival insurers to see if more than one claim has been submitted.

Can the technology distinguish someone who is simply nervous speaking to strangers over the phone? It also examines policyholders' claims history, and checks claims for weather damage against Met Office data.

The Association of British Insurers (ABI) estimates that fraud in household and motor insurance costs around £1 bn a year.

Malcolm Tarling of the ABI said: "Companies are currently looking for ways to weed out fraudsters and using up-to-date technology is part of a range of fraud detection methods.

"The majority of claims are genuine and insurers want to devote more resources to dealing with these."

HBOS will start its phone line "lie detector" pilot next month.

Telephone lie detectors are used by only one other insurer – Lloyd's of London Syndicate Highway Insurance – which has had the technology in place for more than a year.

The system, known as a "voice stress monitor" picks up speech patterns such as long pauses before answering questions.

Highway Insurance said the proportion of claims it turns down has risen to 18 per cent since it introduced the technology, from just five per cent previously.

DigiLog says that the system to be piloted by HBOS is "two tiered."

Managing Director Kerry Furber said: "We use the technology in a live environment, and we also use operators that have been trained in identifying behaviours associated with truth and deception.

"We're then able to be fairly certain, not 100 per cent, but fairly certain, that there are risk problems within a claim that need further validation."

"The psychology of that persuades many claimants to withdraw from the process altogether."

Axa to consolidate

Axa is ready to be a consolidator in the global insurance industry by returning to the acquisition trail in Europe and the US to improve the France-based group's distribution.

Henri de Castries, Chief Executive, said: "We don't want to overpay or overstretch, but if we see opportunities either in Europe or the US, we will be well positioned to pick them up."

Mr. de Castries said the only area in which Axa was not prepared to consider further acquisitions was Asia, where it would focus on improving the performance of its existing businesses, particularly in Japan.

Shares in Axa on Tuesday rose by 3.8 per cent, even though its first-half operating profits slumped by 75 per cent from • 837 m to • 209 m. This was because of a much higher than expected write-down on its investment portfolio of • 1.1 bn, compared to • 225 m last year, and the stronger euro.

However, underlying earnings – which strip out investment contributions and September 11 claims – rose six per cent to • 1.09 bn ($1.24 bn) in the first half, where most analysts had expected a fall. Assuming constant exchange rates, the results would have been up 15 per cent.

This was mainly due to an improved performance from the group's property and casualty side, which increased its underlying earnings by 76 per cent to • 402 m, as underwriting conditions improved.

The P&C businesses' combined ratio – a key measure of claims and costs as a percentage of premiums – was reduced from 104.6 per cent to 101.8 per cent, ahead of the group's year-end target of 104, which has now been reduced to 103.3.

Ongoing efforts to trim operating costs combined with higher premiums and better underwriting were responsible for the underlying profit growth, Mr. de Castries said. "There is still room for significant improvement, which should increase earnings in the years to come," he said.

Dennis Holt, Chief Executive of Axa UK, said the group was benefiting from its long-standing investment in India. The group's Bangalore centre serviced customers in the UK, Australia and Japan – and would soon cover US customers.

Mr. Holt said each job created there represented an average annual cost saving of • 18,000, or 40 per cent, for the group, but Bangalore's large pool of graduates meant customer service levels improved.

Malaysian Motor underwriting overhaul

Bank Negara is making efforts to develop a new motor underwriting framework to replace the one currently in use, which has not been reviewed since 1978.

The revision was aimed at introducing a new framework that would be fairer and more equitable to consumers.

Meanwhile, industry players said although Bank Negara and the insurance industry had agreed on the framework to deregulate premiums – particularly for the fire and motor classes, currently fixed by tariff – they differed on what impact such deregulation would have on insurance premiums.

“In theory, driven by competition, insurance companies could lower premiums. But it would only be a matter of time before insurance companies count their losses and start to increase rates,” an official of a leading insurance company said.

Industry players said the industry, through the General Insurance Association of Malaysia (Piam), had proposed to revise the motor tariff some two years ago but had their proposal rejected by Bank Negara, which believed it could eventually lead to an increase in premium rates.

The source said the industry was asked last year to come back with a new proposal, which would, among other things, include “sweeteners” for policyholders to justify an increase in insurance premium.

The latest proposal – which will see policyholders essentially getting additional insurance coverage, but at higher rates – has yet to receive the green light from Bank Negara.

Anger over car insurance rates in Canada

Canada’s auto insurers, squeezed by soaring injury claims, falling investment income and slow-moving regulators, are hitting drivers with huge increases in premiums.

The public outcry has led politicians across the country to promise mandatory cuts in premiums and other reforms. That has left insurance executives wondering whether their industry, already flooded with red ink, will be the chief casualty, or whether their long campaign for regulatory change is finally paying off.

Michael Donoghue, Chief Executive of the Allstate Insurance Company of Canada, a unit of the Allstate Corporation of Northbrook, Ill., said that while his company “had posted disastrous results in seven of the last eight quarters,” he was encouraged by the current furor.

“It seems like it had to become a political issue before the governments wanted to do anything,” Mr. Donoghue said. “I see a good understanding of the issues.”

But George Cooke, Chief Executive of the Dominion of Canada General Insurance Company in Toronto, expressed concern that with American and European-controlled companies writing about two-thirds of auto insurance policies in Canada, heavy underwriting losses and political pressures could discourage foreign investment.

There has already been considerable consolidation. According to the Insurance Bureau of Canada, a trade group, 37 property and casualty companies have merged, sold or closed their Canadian operations since 1998; the number of active companies has fallen to 207 from 231.

As in the United States, auto insurance rules are a patchwork in Canada. Each of the 10 provinces draws up its own regulations, trying to balance the interests of consumers, insurance companies, lawyers and healthcare providers, among others.

Lloyd’s of London seeks approval for Reinsurance License in China

Lloyd’s of London Chairman Lord Levene will file a submission soon seeking approval to establish an on-shore reinsurance branch in China. Having an on-shore presence would allow Lloyd’s to reinsure local currency business, providing Chinese insurers with full access to the Lloyd’s market.

“An on-shore presence will allow Lloyd’s to play a broader role in China, helping to transfer major risks from the balance sheets of local insurers and providing full access, in local currency, to the capacity, knowledge and technical expertise of the Lloyd’s market,” said Lord Levene.

Lord Levene was in China as part of a high-powered business delegation led by Mike O’Brien, British Minister of State for International Trade and Investment, taking place in conjunction with a visit by British Prime Minister, Tony Blair.

“China represents an important strategic opportunity for Lloyd’s. We are working to develop a closer relationship with Chinese insurers and provide them with the capacity to support the rapid growth of its domestic market.”

Currently, Lloyd’s is only able to provide off-shore capacity in foreign currency. Chinese legislation only allows for foreign reinsurance companies to establish reinsurance branches in China and does not recognise Lloyd’s unique market structure.

Lloyd’s has been supporting Chinese insurers with specialist reinsurance capacity and expertise since the 1970s in areas such as Marine, Aviation, Energy and Nuclear power risks. Lloyd’s established a representative office in Beijing in 2000 to promote a better understanding of Lloyd’s with the local insurance market and regulatory authorities.

Dear Editor

Broking is Still a Baby

This is with reference to the article by Dr. Sanjeev Jha on rebating (Don't Discount the Rebate, **IRDA Journal**, August, 2003, Page 36). I would like to highlight a few points on intermediation.

Insurance is a contract and to handle that requires a special skill-set! Just because we don't find good professional insurance executives does not mean that they are never required in the first place. When were lawyers ever treated as commodity traders?

Throughout the world the sectors in nascent stages always required protection and nurturing. Without adequate regulations it may not be possible for the sunrise sectors to evolve into anything worthy.

The advice of a good agent/ broker is vindicated 'once a loss event occurs,' but then it would be too late to do anything. Companies which have faced huge claims have repented that they did not get proper advice while taking the policy. Good advice requires good professionals who would cost money.

The IRDA has made it very clear that its intention is to make the broker's role very transparent. A broker is expected to reveal to the client what money he makes on a transaction. (It is not very tough for the client to find out). The value addition of brokers currently is neither perceived well nor do most of the brokers help the cause. Again that does not mean that there is absolutely no value addition.

It is the responsibility of the insurer to see brokers in the right perspective like lawyers, chartered accountants or doctors. It is regrettable to see a few insurers, in order to solicit business, promoting/ using brokers only as conduits. On the contrary insurers should educate corporates that rebating is illegitimate.

By paying the so-called hefty commission the insurance companies are converting their marketing and promotion costs from fixed to variable. In India, insurance companies have fat marketing departments which work in parallel, and sometimes in competition, with the intermediaries. There is no historical data to show that the insurer's marketing department is more effective than a good broking house/ IFA.

Insurance companies can look at doing away with their marketing activity and concentrate more on underwriting and claims which is their purpose of being.

Selling of mutual funds is very different from selling of insurance. In a mutual fund it is normally accepted that your capital is judiciously protected, (there is of course, a different risk profile). The protection offered through insurance is of your future loss. There is a mechanism for mutual funds to cut losses by withdrawing their investment. But how does that compare with your loss once occurred?

If a loss occurs and the insurer fails to pay, then the customer in all probability would be finished. This requires more diligence on the part of the customer and advisor to choose the right product and provider.

Unlike in a mutual fund, what is being sold in insurance is a promise which is always costly in the short-term, but cheaper in the long run. To sell a mutual fund one does not require to take a professional indemnity policy. Companies like Sundaram Finance and Cholamandalam are built on that tenet.

Trust is the key ingredient in the business and therefore it would always require an expert or at least a trustworthy person to confirm that the decision is right. So, an intermediary is indispensable. It would be impudent to say that the ground reality is to be unethical. If we cannot be ethical and trustworthy in this business then we have no right to be here.

It is true that regulations are those that articulate market practice. It is true that regulations do not drive changes. But that argument cannot be applied to a nascent market, which is like a new born baby. Let the market mature first, then boys will be boys and men will be men.

Till then the price needs to be protected. Delinking price for advice from the price of product will only develop a 'quack' market and the customer will never win then!

N. Raveendran
Managing Director and Principal Officer,
Alegion Insurance Services Ltd., an insurance brokerage house

Too Costly

Greetings. Congratulations to you and your team for unfailingly bringing out the **IRDA Journal** every month on dot. The Journal will go a long way in disseminating professionalism in the insurance industry and keeping all stakeholders duly updated.

A 'To-Do' List – An Agenda for the Regulator by Shri G. V. Rao, former CMD of Oriental Insurance Company (**IRDA Journal**, August 2003, Page 8) is educative and contains enough material for triggering a brain-storming workshop amongst the general insurance officers. It is true that the reforms initiated by the IRDA have benefited only the middlemen so far and the ordinary customer has not gained anything. Perhaps it was inevitable for the IRDA not to focus too much on this aspect for the sake of putting in place all players in a competitive insurance market. Now the time has come for IRDA to concentrate on the vital issues of real benefits to the insuring public/ customers.

Data relating to 2001-02 operations reveal that the average cost of issuing and servicing a policy was as high as Rs.651, though there are lakhs of policies which do not fetch even Rs.100 as premium. Add to this the cost of bogus and inflated claims paid. There is lot of scope to reduce this cost to somewhere around Rs.300 to Rs.400.

the IRDA needs to enforce total computerisation, cheap delivery systems, higher and higher productivity at lower and lower cost, stringent penalty on claimants and other intermediaries for bogus and inflated claims, etc. to retrieve the financial health of all insurers. Intermediaries and middlemen who have so far benefited out of IRDA reforms should be asked to shoulder their responsibility and contribute their best in return.

K. V. Krishnan
Mumbai

Mr. C. S. Rao, Chairman, Insurance Regulatory and Development Authority, speaks at the Bancassurance conference.

Talking Bancassurance!

Asia Insurance Review, the Singapore-based insurance magazine organised the 4th Asian Conference on Bancassurance and Alternative Distribution Channels in Mumbai on August 18 and 19. The theme of the conference was: Choosing the Right Bancassurance Business Model.

IT is it!

Asia Insurance Review organised the 5th Asia Pacific Conference on IT and e-applications in Insurance on August 21-23 in Bangalore. The theme was IT and e-applications to Boost Business and Efficiency – Getting Beyond the Hype and Mantras to Exploit the Right Technologies Best Suited to your Business.

Mr. P. A. Balasubramanian, Member (Actuary), IRDA, speaks at the IT and e-applications conference.

Change of Address ?

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Our Address : 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

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 thier 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 : ....

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'The group is benefitting from its long-standing investment in India. The Bangalore centre services customers in the UK, Australia and Japan and would soon cover US customers.

Each job created there represents an average annual cost saving of £18,000, or 40 per cent, for the group, but Bangalore's large pool of graduates meant customer service levels improved.'

Mr. Dennis Holt,
Chief Executive of Axa, UK

"

While the Asian market in 2001 accounted for six per cent of global non-life insurance premiums, it represented under one per cent of Lloyd's income. Underwriters are alert to this.... Clients in the region come to us as they cannot find in their domestic markets the flexibility of coverage they want at a price they can afford. Once again, they are attracted by our expertise in our lower volume, higher expertise risks.

Lord Peter Levene, Chairman,
Lloyd's of London

I am not terribly interested in market share. What we need to be interested in is underwriting for profit. The insurance industry and Lloyd's are littered with businesses that have been undone as a result of pursuing premiums rather than profits. It is a cardinal sin. That is the most fundamental lesson of the past. I think pursuing market share is a very dangerous policy.

Mr. Nick Prettejohn,
Chief Executive of Lloyd's of London

Amidst other problems, HIH was plagued by a variety of deficiencies in its information systems. As a result, it was deprived of timely and reliable information as a basis for management decisions. Questions concerning the reliability of information provided to management and the group's ability to keep track of the financial impact of its operations arose time and again throughout the commission's inquiries.

HIH Royal Commissioner, Justice Neville Owen,
in his report on the HIH collapse.

We are strengthening our future financial position. We will not launch any new guaranteed scheme. If at all we launch such a scheme, it will have a low return and for a maximum five years.

Mr. S. B. Mathur,
Chairman, LIC

...failings in (HIH's) information management systems...left decision makers largely in the dark.

There's a clear warning here for the many Australian companies still operating numerous different systems for managing data and hence facing similar problems extracting a organisational health.

Comment in CIO magazine of Australia on the contribution of information technology inadequacies to the HIH failure.

RNI No: APBIL/2002/9589

Events

September 2-4, 2003
Venue: Kuala Lumpur
2nd Asia Insurance Review's Asian Conference on Claims Management in Insurance with a one day workshop on Motor Insurance

September 11-13, 2003
Venue: Bali
10th Indonesian Rendezvous
Future of Local Insurance Industry in the Global Insurance Environment

September 14-16, 2003
Venue: Adelaide
The 38th Annual IIIA Convention

September 15-17, 2003
Venue: Pune
Actuarial Appreciation Programme for Senior Executives (Life) by National Insurance Academy (NIA)

September 21-26, 2003
Venue: Bangkok
11th Annual LOMA/ LIMRA Strategic Issues Conference
Building Professionalism

September 23-24, 2003
Venue: Singapore
Asia Insurance Review's 3rd Asian Conference on Healthcare
Meeting the Challenges of the Demands of Healthcare Insurance

September 29-30, 2003
Venue: Taipei
2nd Asia Insurance Review's Conference on Catastrophes Insurance in Asia, Seeking Real Solutions to CAT Exposures in Asia

October 5-7, 2003
Venue: Singapore
Singapore International Reinsurance Conference organised by Singapore Reinsurers' Association
Coping with today's paradox of price and affordability of reinsurance for Asian companies