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CLEAR & SIMPLE

बीमा विनियामक और विकास प्राधिकरण

Journal

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From the Publisher

While clarity in communication is desirable in any sphere of activity, the insurance business almost demands it by its very nature. Since an insurance contract is a promise, clear and precise language in describing what is being promised and when and under what circumstances those promises would be honoured will make all the difference to smooth and fair business dealings. It is equally essential that the insured has a clear understanding of the limitations of the contract. This need is only underlined by the fact that one of the parties to the promise – the insured – does not have the information and the wherewithal to understand fully what he is buying and has to rely on the utmost good faith of the insurer.

The plain language movement, established well in government and business circles in the US and in many European countries, is still an emerging concept in India. Given that the industry is in its infancy, a move in the direction of use of plain language is a consumer friendly move. It is hoped that once the insurance contracts become intelligible, there will be greater awareness about insurance which will ultimately pave the way for better appreciation of the need for insurance leading to higher level of insurance penetration.

The Authority has been working on various new guidelines to streamline the working of the industry and the month that has passed by has seen initiatives relating to Group Insurance, Corporate Agents and changes in the appointment of Statutory Auditors for insurance companies.

The guidelines for Group Insurance Policies aim at removing distortions that have crept into group insurance contracts and categorically state that a group cannot be created for the sole purpose of taking insurance cover.

As for the Corporate Agents guidelines, we at the Authority have been receiving complaints about the misuse of the channel by using unqualified persons to solicit business, appointing sub-agents and charging a higher premiums to enable payment to these 'intermediaries' etc. All of these contravene legal and regulatory provisions. However, the corporate agency channel is significant for market reach and the Authority wishes to encourage it but with proper parameters of qualification, market conduct and compliance which are incorporated in the new guidelines.

The appointment of Statutory Auditors of insurance companies has been done until now from a panel of auditing firms maintained by the Authority. It was decided to disband the panel and let the companies choose their own auditors subject to prudent guidelines framed by the Authority. The guidelines are for private sector insurance companies since it is the CAG that appoints Statutory Auditors for public sector companies.

The next issue of the Journal would deal with the role of insurance in disaster management. This coincides with the major rain havoc disrupting life in Mumbai and a devastating fire causing huge damage to the production facility of ONGC at Bombay High.

C.S.Rao

C.S.RAO

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Simplicity as Sophistication

There's nothing as empowering as knowledge. And it can spread only through clear and simple communication of information. The use of plain language in insurance is what we look at in this issue of **IRDA Journal**. Though there have been efforts to bring in the concept to India it has not caught on. Perhaps the converse to Victor Hugo's saying that an idea whose time has come cannot be resisted is the fact that it can and will be well resisted until its time truly comes!

Perhaps, just perhaps, the time is nearing for the use of simple language in business contracts, specially insurance. But then again, only time will tell!

We have for you Mr. H. Ananthakrishnan, Deputy Manager from the Tariff Advisory Committee (TAC) currently on deputation to IRDA, writing on the application and importance of Plain Language to insurance. And if he writes as an insurance professional, our other debutante writer Ms. Indira Balaji writes as a professional editor on the value of simple and brief writing.

End User continues with Mr. Gnanasundaram Krishnamurthy exploring another of many facets to come and we have guest articles from on weather derivatives written by another debutant, Mr. Y. Srinivas from ICICI Bank. Mr. P. V. Subramanian, retired ED, LIC writes – again for the first time for us – on the problem of agents attrition in the life insurance business.

We begin a multi-part article on the state of health insurance – specifically Mediclaim – in India by two research scholars based in Delhi. Ms. Indrani Gupta, Professor and Head of the Health Policy Research Unit of the Institute of Economic Growth, Delhi and Mr. Mayur Trivedi, Consultant at the same institute, spent weeks researching the topic at National Insurance Company and have come out with their findings that we are pleased to bring to you.

The next issue of the Journal will be about disaster preparedness and management and the role of insurance. This follows the sad events at Gujarat, Mumbai and Bombay High and will try to cast light on where we stand and what we ought to do so that the effects of such disasters can be mitigated.

K. Nitya Kalyani

Bearing Up

K. Nitya Kalyani

As the shock of the floods in Mumbai and the stories of suffering, damage, loss and the survival spirit came through, so did another distressing fact. We in India still don't have a disaster preparedness and management plan. We have not worked out a system that will get us out of unexpected messes and save lives and control injury and damage while doing so.

We have no manual that says do this when this kind of a failure happens, we have no system that keeps life going on as it did London hours after the bombings in the Underground or in New York after the attack on the Twin Towers. We do have good Samaritans who help those in distress and courageous people who save others risking their own life and limb. But that's not enough. There has to be a system that will take care of most of the disruption, damage and loss that takes place and control it to the very minimum.

Close on the heels of the deluge was the fire at Bombay High. Stories of courage abounded here too. The loss was great, but the disaster was contained in an efficient way because there was a system. A manual, a procedure that said do A, B and then C when this happens.

Neither the floods nor the fire was an unknown happening. Mumbai floods to some degree every July when there is a normal monsoon. Chennai, Visakhapatnam and a host of East coast towns face October with dread each year when cyclones blow across the East coast.

Few have become wise enough to buy insurance against these perils. And the insurance industry does not seem to have stepped up its efforts to cover them either.

There has to be a system that will take care of most of the disruption, damage and loss that takes place and control it to the very minimum.

Perhaps they are conserving their bottom line. But shying away from selling a product when it is wanted can only be smart in the short term. The real opportunity is to create the market for it, exploit it, provide customers with the benefit of the coverage and make a profit in the bargain. Sure, easier said than done, more so given that we don't have enough market data for the occurrence of these events and for estimating the losses.

In this context see what Lord Peter Levene, Chairman of Lloyds of London said when asked how the London bombings in early July would affect the fortunes of the insurance industry (after all insurance company share prices would slump and markets would react to the claim payouts with hardening rates leading to tougher business conditions):

"It's the insurance industry's duty to pick up the pieces when things go wrong," he said. "It won't have a greater impact on the insurance industry than it does on the rest of the economy."

That's the sort of clarity of purpose that makes one proud to be part of an industry that makes a living out of protecting others. Of being the beacon of hope when disaster strikes.

In the next issue of **IRDA Journal** we shall take a look at some of the issues relating to disaster preparedness and management of disasters. We will also look at insurance and how it operates, how it could and should operate in these situations.

NEW INSURANCE ADVISORY COMMITTEE FOR IRDA

IRDA has issued the following notification on June 6, 2005 appointing a new Insurance Advisory Committee:

In exercise of the powers conferred by Sub-section (I) of Section 25 of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), the Authority hereby makes the following Notification, namely:-

The following members are appointed as members of the Insurance Advisory Committee with effect from 6th June, 2005:-

1. Mr. Gautam Sengupta, Sasitala, Post Krishnanagar, Distt Nadia 741101
2. Mr. H. M. Jain, Mumbai
3. President, Insurance Brokers' Association of India
4. Mr. P. C. Gandhi, Mumbai
5. CEO, Family Health Plan
6. Mr. Rajendra Chitale, Mumbai
7. President, Actuarial Society of India
8. Mr. N. M. Govardhan, Bangalore
9. Chairman cum Managing Director, General Insurance Corporation of India
10. Mr. C. N. S. Shastri, Puttaparthi (Andhra Pradesh)
11. Joint Secretary (Insurance), Ministry of Finance, Government of India
12. Joint Secretary dealing with Motor, Ministry of Surface Transport, Government of India
13. Joint Secretary, Department of Legislative Affiairs, Ministry of Law, Government of India
14. Director, National Insurance Academy, Pune
15. Managing Director, Institute of Insurance and Risk Management, Hyderabad
16. Representative of Confederation of Indian Industry
17. Representative of Federation of Indian Chambers of Commerce and Industry
18. Chairman, Life Insurance Corporation of India
19. CEO, HDFC Standard Life Insurance Company Ltd.
20. Chairman cum Managing Director, United India Insurance Company Ltd.
21. CEO, ICICI Lombard General Insurance Company Ltd.
22. Mr. Reghav Nersalay, Mumbai

C. S. RAO, CHAIRMAN

BROKER SUSPENDED

The licence of Vision Insurance Risk Analysis Management & Brokers Pvt. Ltd., registered as an insurance broker with IRDA, has been suspended with effect from July 13, 2005.

The Kanpur based brokerage company will not be entitled to payment of any remuneration for the insurance broking activities carried out w.e.f. July 13, 2005.

The suspension, according to the Order by the IRDA, was because the broker did not comply with the provisions of various regulations relating to it including obtaining and maintaining a professional indemnity insurance cover.

The Order passed by IRDA Member, Non- Life reads as follows:

Whereas your company M/s Vision Insurance Risk Analysis Management & Brokers Pvt. Ltd. is registered with IRDA as Insurance Broker (hereinafter referred to as 'the broker') having registration code No. DB 238/04. Whereas Regulation 24 of IRDA (Insurance Brokers) Regulations, 2002 (hereinafter referred to as 'the regulations')mandates that every insurance broker shall take out and maintain and continue to maintain a professional indemnity insurance cover throughout the validity of the period of the license granted to him by the Authority within 15 months from the date of issue of license.

WHEREAS the broker has however failed to furnish a copy of the professional indemnity insurance cover to IRDA (hereinafter referred to as 'the Authority') as prescribed by the regulations. IRDA vide its letter dated 18th March, 2005 had reminded the insurance broker to the requirement of taking professional indemnity insurance policy throughout the validity of the license. It was also brought to the notice of the broker that the Authority will not be sending any separate communication for fulfillment of this requirement at his end.

Whereas you have vide letter dated the 14th January 2005 paid the annual fees and apologised for the delay. Further you had in the reply attempted to explain the non intimation of change of address and contended that the then Principal Officer Mr. Vohra had not notified you about his intentions to discontinue with your company and that he is under investigation for irregularities and mismanagement.

WHEREAS the broker however did not submit a copy of the professional indemnity insurance policy to the Authority inspite of lapse of considerable time and therefore the Authority issued a Show-Cause Notice dated 17.6.05 to M/s Vision Insurance Risk Analysis Management & Brokers Pvt. Ltd. when the 15 months period expired on 17.6.05 directing the broker to produce a copy of the professional indemnity insurance policy failing which the Authority shall be constrained to consider suspending the broking license to act as Direct Insurance broker for failing to comply with Regulation 24 of IRDA (Insurance Brokers) Regulations, 2002 and for not responding to the directions of the Authority. The broker was advised to submit its reply within 10 days of the receipt of the notice failing which necessary action would be taken without any further notice. The broker has neither acknowledged the receipt of Show Cause nor submitted the copy of the professional indemnity insurance policy thus violating the regulations.

In view of the above and on examining the facts and material on record, the Authority is satisfied that this is a fit case to impose the penalty of suspension of license of the broker. Therefore, in exercise of the powers conferred upon the Authority by Regulation 34 of IRDA (Insurance Brokers) Regulations, 2002, the Authority hereby suspends the Licence No. 252/DB-238/04 granted to M/s Vision Insurance Risk Analysis Management & Brokers Pvt. Ltd. with immediate effect until further orders.

FURTHER M/s Vision Insurance Risk Analysis Management & Brokers Pvt. Ltd. are directed to acknowledge receipt of this notice and confirm suspension of all insurance broking activities with immediate effect. They will not be entitled to payment of any remuneration for the insurance broking activities carried out w.e.f. 13th July 2005.

Sd/- (Mathew Verghese), Member

IRDA Stops Empanelling Statutory Auditors

IRDA will not maintain a panel of auditors for private sector insurers to choose their statutory auditors from any more. Instead it has issued new guidelines for the appointment of statutory auditors by the companies. Statutory Auditors for public sector insurance company are appointed by the office of the Comptroller and Auditor General (CAG.)

The new system will be applicable from April 1, 2006.

The Authority has been maintaining a panel of auditors based on the applications received consequent to the circular issued by the Authority in February 2001 on the qualification, rotation etc., and advised insurers to appoint auditors from the list available in the web site.

The procedure for maintaining a panel of auditors has been reviewed in the light of the constraints in verifying and processing the applications received from Chartered Accountant firms for inclusion of their names in the panel and the need to provide more opportunities to eligible audit firms.

Following this new guidelines have been formulated and circulated to insurance companies to choose their own auditors. The Circular reads as follows:

25th July, 2005

Re : Appointment of Statutory Auditors by Insurance Companies

As you are aware, section 12 of Insurance Act 1938 prescribes that all insurance companies must be Audited annually by the Auditors. Regulation 3(4) of IRDA (Preparation of Financial Statements and Auditors Report of Insurance Companies) Regulations 2002 provides that "The Authority may, from time to time, issue separate directions/guidelines in the matter of appointment, continuance or removal of auditors of an insurer or reinsurer, as the case may be, and such directions/guidelines may include prescriptions regarding qualifications and experience of auditors, their rotation, period of appointment, etc., as may be deemed necessary by the Authority".

The Authority has also been maintaining a panel of auditors based on the applications received consequent to the circular issued by the Authority in February 2001 on the qualification, rotation etc., and advised insurers to appoint auditors from the above list available in the website.

The procedure for maintaining a panel of auditors has been reviewed in the light of (1) the constraints in verifying and processing the applications received from Chartered Accountant firms for inclusion of their names in the panel and (ii) the need to provide more opportunities to the eligible audit firms. The revised guidelines are accordingly issued herewith in supersession of earlier circular issued in February 2001 and the main features of the proposals are as under :-

(I) It has been decided that the Authority would not maintain henceforth a panel of auditors and instead prescribe the requirements to be satisfied by the Chartered Accountant Firms for appointment of Statutory Auditors. The qualifications and other requirements of the intending auditors are detailed in the enclosure.

(II) Consequent to (I) above, the insurance companies would be responsible for selection of audit firms that satisfy the eligibility criteria set by the Authority. The audit firms selected by the company should submit the information to the insurance company in the prescribed form along with certificates from ICAI/ by way of self declaration confirming (a) constitution of the firm and (b) absence of any pending disciplinary cases against them.

(III) Insurance companies should verify to their satisfaction the eligibility criteria before considering/approving their appointment.

(IV) Any change in the constitution of the firm/information submitted/certifications submitted should be duly informed by the audit firm to the insurance company within one week of such change.

(V) Insurance companies are required to intimate to the Authority, the name and address of the audit firms, for information within one week of their appointment. If it comes to the notice of the Authority that the appointment is not in line with the prescriptions/ information furnished by the Audit firm, the appointment is liable for cancellation and it is open for the Authority to consider such further action as may be deemed necessary in this context.

These revised guidelines will be applicable commencing from the financial year 1st April 2006.

Sd/- (C.R. Muralidharan), Member

(See page 7 for revised guidelines)

IRDA Warns Against Turning Down Motor TP Proposals

IRDA has issued a warning to all general insurers that they cannot deny Motor Third Party (TP) insurance cover to any vehicle having a valid fitness certificate.

The circular issued on July 29, 2005 reads as follows:

Re : Non-Acceptance of Third Party Motor Proposals.

We draw your attention to our earlier circulars dated 17th May, 28th June and 29th October, 2002 on the captioned subject.

The Authority is still receiving complaints regarding non-acceptance of motor third party proposals by certain offices of the insurance companies. As you may be aware, the Third Party Insurance is a compulsory cover as per the Motor Vehicles Act and cannot be denied by any insurer to any vehicle having a valid fitness certificate.

In this connection, we also draw your attention to TAC circular No.IMT/04/2003 dated 20th June, 2003 explaining the basis of rating of Third Party Liability risk as per matrix considering the individual risk perception and adverse claims experience, if any.

You are therefore, once again directed to see that no operating office denies Third Party Liability cover to any motor vehicle having a valid fitness certificate. Please acknowledge receipt and confirm that you are informing all your operating offices to comply with this direction from the Authority.

Sd/- (C.S. Rao), Chairman

IRDA on Handling Flood Claims

Following the extensive rainfall and flood damage in the western region of India, IRDA has instructed insurers about handling the claims that would arise. The Circular dated August 2, 2005 reads as follows:

All Life and General Insurers

Re : Handling of Insurance Claims Arising Out of Natural Calamities in the Western Region

As you are all aware, the Western Region of India has suffered extensively due to heavy and unprecedented rainfall in the region. The loss to lives and property is immense. All the insurers have announced steps to ensure speedy settlement of claims by setting up special cells besides waiving some of the procedural requirements in case of genuine claims. The Authority appreciates the pro-active stand of the insurers.

The Authority would like to be kept informed about the estimated amount of loss and the measures adopted by the insurance companies to ensure discharge of their policy liabilities under the insurance contracts immediately.

The Authority would seek returns from all insurers' on a weekly basis department wise in the enclosed format. The first return should be reach the Authority on 8th August 20005 to Mr. T.S.Naik, Deputy Director, and on every subsequent Monday, for the previous week, both for the week and on cumulative basis.

Please acknowledge receipt and compliance.

Sd/- (C.S. Rao), Chairman

* E-mail of Mr. T.S.Naik: tsnaik@irdaonline.org

IRDA Reconstitutes Committee on Surveyors and Loss Assessors

IRDA has announced the reconstituted committee on Surveyors and Loss Assessors. The Order issued on August 1, 2005 reads as follows:

Re : Surveyors and Loss Assessors Committee

In terms of Regulation 11 of the Insurance Surveyors and Loss Assessors (Licensing, Professional requirements and Code of Conduct) Regulations, 2000 issued by the Insurance Regulatory and Development Authority on 20.11.2000, the Insurance Regulatory and Development Authority constitutes with immediate effect the Surveyors and Loss Assessors Committee with the following Members:

1. Shri P. C. James, Executive Director (Non-Life), IRDA, Hyderabad.
2. Shri K. K. Bhat, AGM, The Oriental Insurance Co Ltd, New Delhi
3. Shri C. Seshagiri Rao, Surveyor & Loss Assessor, Hyderabad.
4. Shri Govinder Kapoor, Surveyor & Loss Assessor, New Delhi
5. Shri B. G. Patki, Mumbai.

The tenure of the Committee will be for a period of three years from the date of its constitution and it will exercise the functions referred to in Sub Regulation 12 of the Regulations.

Sd/- (C.S. Rao), Chairman

FEEDBACK WANTED

The IRDA web site (www.irdaindia.org) is being revamped. We aim to make it an up to date and information rich resource to serve your needs. Please send your suggestions and feedback on the content, functionalities and features the web site should have so that we can make it better.

Send your feedback by post to the Authority's office in Hyderabad or by email to the webmaster: deepak@irdaonline.org.

LICENSED BROKERS

H.S.Nagaraj Rao
ARC Insurance Solution Pvt. Ltd.
#40/12, Kumara Krupa Road,
Bangalore-560001
(080)22384488

A.S. Wadhwa
Hudson Insurance Brokers Pvt. Ltd.
SCO 124-125, Sector 34-A,
Chandigarh
(0172)2667237

R.K. Gupta
Vighnaharta Direct Insurance Broking
479, Sector 15A, NOIDA-201 301
(0120)2511753

B.S. Shashidar
IL&FS Investsmart Insurance &
Risk Management Services Ltd.
C-3, 3rd Floor, Paragon Condominium, P.B. Marg,
Worli, Mumbai-400 013.
(022)24972071

REVISED GUIDELINES FOR APPOINTMENT OF STATUTORY AUDITORS OF INSURANCE COMPANIES

I. Eligibility Conditions :

1) Auditor of an Insurance company shall be a firm ;

2) The firm should have been established and has been in continuous practice for a period of 15 years or more;

3) (a) It should have

(i) a minimum of five partners of whom at least two should have been in practice as partners in an audit firm for a minimum period of 10 years and

(ii) at least two other partners have been in continuous practice in the audit firm as their partner or had been in employment earlier with that firm for a minimum period of five years;

3) (b) Alternatively,

(i) it could be a firm which has at least seven Chartered Accountants including not less than two as partners who have been in continuous practice as partners in the firm for a minimum period of 10 years and

(ii) at least three Chartered Accountants, either partners or as employees, had been in continuous partnership/ employment with the audit firm for a minimum period of five years and

(iii) At least two partners of the firm shall be Fellow members of the Institute and had been in continuous practice for five years after enrolment as Fellows.

4) In both the cases mentioned in 3 (a) and 3(b) above, at least one partner or paid Chartered Accountant of the firm should have CISA/ISA or any other equivalent qualification.

2. Maximum Number of Statutory Audits in Insurance Industry at a time :

One Audit firm would not be permitted to carry out more than two Statutory Audits of insurance companies (Life/ Non-Life/ Reinsurer).

3. Rotation of Joint Auditors:

1) Each insurance company will have two auditors on a joint audit.

2) One of the joint auditors may have a term of five years and the other four years in the first instance. Thereafter, the maximum duration for which the auditor could be retained would be for a period of four years.

3) There will be a cooling period of two years. An audit firm which completes a tenure of five/four years as the case may be, at the first instance, in respect of an insurance company should not accept statutory audit assignment of that insurance company in the next two years. However, audit firm may accept statutory audit of any other insurance company subject to the compliance of maximum two statutory audits.

4) It is clarified that cooling period is applicable in respect of audit firms that completes a term of five/four years as the case may be as on 31st March 2006.

Formats for information to be furnished by audit firms for applying for Statutory Audit of insurance companies are available on the IRDA website at www.irdaindia.org under the What's New section.

Report Card:LIFE

21% growth in June

The life insurance industry underwrote a premium of Rs.1,76,108.27 lakh during the month of June, 2005, taking the cumulative premium underwritten for the first quarter of the financial year 2005-06 to Rs.4,43,743.94 lakh.

The total Individual and Group premium underwritten was Rs.3,70,020.14 lakh (83.39 per cent) and Rs.73,723.80 lakh (16.61 per cent) respectively as against Rs.2,66,748.66 lakh (72.89 per cent) and Rs.99,181.10 lakh (27.11 per cent) underwritten in April-June, 2004. The premium underwritten by the industry up to June, 2005, towards individual single and non-single policies stood at Rs.1,16,657.01 lakh and Rs.2,53,363.13 lakh respectively accounting for 3,38,010 and 35,40,260 policies. The group single and non-single premium accounted for Rs.65,059.94 lakh and Rs.8,663.86 lakh. The number of lives covered by the industry under the various group schemes was 14,74,701 during the first quarter of the FY 2005-06. LIC covered 9,37,553 lives under the group schemes accounting for 63.58 per cent of the market, followed by Tata-AIG with 1,80,461 lives (12.24 per cent) and SBI Life with 1,03,203 lives (seven per cent).

A further segregation of the premium underwritten during the period indicates that Life, Annuity, Pension and Health contributed Rs.1,71,679.35 lakh (64.21 per cent), Rs.6,892.41 lakh (2.58 per cent), Rs.88,714.15 lakh (33.18 per cent) and Rs.67.19 lakh (0.025 per cent) respectively to the total premium.

An Analysis of the statistics in terms of linked and non-linked premium indicates that 61.66 per cent of the business was underwritten in the non-linked category, and 38.34 per cent in the linked category, i.e, Rs.1,64,852.44 lakh and Rs.1,02,500.66 lakh respectively.

First Year Premium Underwritten by Life Insurers for and upto June, 2005

(Rs lakh)

Sl No.	Insurer	Premium			Growth	Market share (Premium)	No. of Policies / Schemes			Growth	Market share Policies	No. of lives covered under Group Schemes			Growth	Market share (lives covered under group schemes)
		June,05	Upto June,05	Upto June,04		Upto June,05	June,05	Upto June,05	Upto June,04		Upto June,05	June,05	Upto June,05	Upto June,04		Upto June,05
1	**Bajaj Allianz**	**8,837.94**	**18,552.13**	**6,581.08**	**181.90**	**4.18**	**31,864**	**70,180**	**32,979**	**112.80**	**1.81**	**7,911**	**13,383**	**21,312**	**-37.20**	**0.91**
	Individual Single Premium	4,021.22	8,224.77	2,035.96			3,850	8,708	2,623							
	Individual Non-Single Premium	4,784.55	9,768.44	4,459.92			27,996	61,434	30,335							
	Group Single Premium															
	Group Non-Single Premium	32.17	558.92	85.19			18	38	21			7,911	13,383	21,312		
2	**ING Vysya**	**1,212.26**	**2,359.08**	**1,159.43**	**103.47**	**0.53**	**8,100**	**13,797**	**17,888**	**-22.87**	**0.36**	**3,921**	**6,142**	**3,827**	**60.49**	**0.42**
	Individual Single Premium	0.21	2.17	32.25			30	319	4,744							
	Individual Non-Single Premium	1,092.95	2,125.52	1,069.87			8,066	13,461	13,141							
	Group Single Premium	77.60	170.15	42.25								263	542	130		
	Group Non-Single Premium	41.50	61.24	15.06			4	17	3			3,658	5,600	3,697		
3	**AMP Sanmar**	**601.53**	**2,081.01**	**933.24**	**122.99**	**0.47**	**3,127**	**10,405**	**6,910**	**50.58**	**0.27**	**11,600**	**33,710**	**15,359**	**119.48**	**2.29**
	Individual Single Premium	356.78	1,328.06	384.92			595	2,196	808							
	Individual Non-Single Premium	192.37	581.68	499.70			2,518	8,187	6,090							
	Group Single Premium	8.05	37.75	2.50												
	Group Non-Single Premium	44.33	133.52	46.12			14	22	12			11,600	33,710	15,359		
4	**SBI Life**	**2,911.13**	**7,511.18**	**5,103.01**	**47.19**	**1.69**	**12,570**	**34,028**	**17,641**	**92.89**	**0.88**	**30,971**	**1,03,203**	**92,533**	**11.53**	**7.00**
	Individual Single Premium	326.54	915.77	1,280.54			472	1,405	726							
	Individual Non-Single Premium	796.51	2,208.09	1,064.84			11,981	32,276	16,718							
	Group Single Premium	1,573.37	3,730.04	2,211.52			1	2	1			10,203	26,998	26,784		
	Group Non-Single Premium	214.71	657.28	546.11			116	345	196			20,768	76,205	65,749		

5	**Tata AIG**	**3,200.57**	**8,552.01**	**4,995.26**	**71.20**	**1.93**	**19,718**	**60,780**	**46,591**	**30.45**	**1.57**	**77,083**	**1,80,461**	**81,849**	**120.48**	**12.24**
	Individual Single Premium															
	Individual Non-Single Premium	2,657.66	7,689.77	4,016.03			19,693	60,705	46,547							
	Group Single Premium	138.35	287.02	151.15								13,440	32,322	22,492		
	Group Non-Single Premium	404.56	575.22	828.08			25	75	44			63,643	1,48,139	59,357		
6	**HDFC Standard**	**6,411.79**	**14,202.14**	**5,310.88**	**167.42**	**3.20**	**22,827**	**51,066**	**26,752**	**90.89**	**1.32**	**13,620**	**37,676**	**34,322**	**9.77**	**2.55**
	Individual Single Premium	1,233.20	2,511.13	1,462.55			2,974	8,766	2,977							
	Individual Non-Single Premium	4,536.67	9,997.41	3,580.40			19,842	42,259	23,730							
	Group Single Premium	563.56	892.08	166.11			10	32	42			13,307	31,205	26,973		
	Group Non-Single Premium	78.36	801.51	101.82			1	9	3			313	6,471	7,349		
7	**ICICI Prudential**	**12,921.17**	**33,413.12**	**22,181.48**	**50.64**	**7.53**	**42,324**	**1,13,055**	**1,00,358**	**12.65**	**2.91**	**8,713**	**43,247**	**5,985**	**622.59**	**2.93**
	Individual Single Premium	363.18	1,286.87	4,350.49			332	988	2,554							
	Individual Non-Single Premium	11,091.62	26,897.37	14,814.74			41,979	1,12,003	97,766							
	Group Single Premium	6.34	48.60	7.01			9	24	3			269	32,938	658		
	Group Non-Single Premium	1,460.03	5,180.28	3,009.24			4	40	35			8,444	10,309	5,327		
8	**Birla Sunlife**	**3,454.97**	**8,167.41**	**9,362.15**	**-12.76**	**1.84**	**14,491**	**31,133**	**23,788**	**30.88**	**0.80**	**1,293**	**5,178**	**7,217**	**-28.25**	**0.35**
	Individual Single Premium	63.67	254.16	294.10			4,946	8,521	4,004							
	Individual Non-Single Premium	3,092.69	7,453.89	6,845.79			9,540	22,601	19,768							
	Group Single Premium	48.91	114.81	99.42								427	1,096	807		
	Group Non-Single Premium	249.70	344.55	2,122.84			5	11	16			866	4,082	6,410		
9	**Aviva**	**2,075.76**	**5,053.65**	**3,259.53**	**55.04**	**1.14**	**7,725**	**18,605**	**17,462**	**6.55**	**0.48**	**15,629**	**40,559**	**28,458**	**42.52**	**2.75**
	Individual Single Premium	35.85	-2.76	132.24			142	423	105							
	Individual Non-Single Premium	2,011.47	4,966.99	3,071.99			7,582	18,180	17,346							
	Group Single Premium	9.59	31.65	2.47					1			54	226	29		
	Group Non-Single Premium	18.85	57.77	52.83			1	2	10			15,575	40,333	28,429		
10	**Kotak Mahindra Old Mutual**	**1,364.80**	**3,395.51**	**1,733.60**	**95.87**	**0.77**	**4,473**	**12,831**	**7,792**	**64.67**	**0.33**	**4,410**	**14,630**	**26,418**	**-44.62**	**0.99**
	Individual Single Premium	192.52	143.72	293.76			148	411	192							
	Individual Non-Single Premium	1,154.28	3,118.01	977.38			4,325	12,410	7,595							
	Group Single Premium		5.99										371			
	Group Non-Single Premium	17.99	127.79	462.46				10	5			4,410	14,259	26,418		
11	**Max New York**	**2,835.75**	**6,399.52**	**3,033.19**	**110.98**	**1.44**	**21,868**	**60,182**	**30,887**	**94.85**	**1.55**	**8,297**	**13,507**	**27,216**	**-50.37**	**0.92**
	Individual Single Premium	23.95	51.26	65.90			22	57	42							
	Individual Non-Single Premium	2,831.55	6,317.35	2,926.48			21,840	60,110	30,827							
	Group Single Premium															
	Group Non-Single Premium	-19.76	30.90	40.81			6	15	18			8,297	13,507	27,216		
12	**MetLife**	**705.47**	**1,713.49**	**804.41**	**113.01**	**0.39**	**5,927**	**13,632**	**4,704**	**189.80**	**0.35**	**13,296**	**45,402**	**67,009**	**-32.24**	**3.08**
	Individual Single Premium	54.53	108.22	20.95			101	200	58							
	Individual Non-Single Premium	605.76	1,470.41	554.85			5,807	13,381	4,624							
	Group Single Premium															
	Group Non-Single Premium	45.18	134.86	228.61			19	51	22			13,296	45,402	67,009		
13	**Sahara Life**	**66.59**	**108.42**			**0.02**	**3,114**	**5,297**			**0.14**	**50**	**50**			**0.00**
	Individual Single Premium															
	Individual Non-Single Premium	66.54	108.37				3,113	5,296								
	Group Single Premium	0.05	0.05				1	1				50	50			
	Group Non-Single Premium															
14	**LIC**	**1,29,508.54**	**3,32,235.26**	**3,01,472.50**	**10.20**	**74.87**	**15,19,183**	**33,86,696**	**36,31,919**	**-6.75**	**87.25**	**4,19,634**	**9,37,553**	**7,85,746**	**19.32**	**63.58**
	Individual Single Premium	38,994.85	1,01,833.63	29,609.41			1,12,590	3,06,016	68,633							
	Individual Non-Single Premium	70,849.78	1,70,659.83	1,82,903.60			14,05,435	30,77,957	35,60,657							
	Group Single Premium	19,663.91	59,741.80	88,959.49			1,158	2,723	2,629			4,19,634	9,37,553	7,85,746		
	Group Non-Single Premium															
	Grand Total	**1,76,108.27**	**4,43,743.94**	**3,65,929.75**	**21.26**	**100.00**	**17,17,311**	**38,81,687**	**39,65,671**	**-2.12**	**100.00**	**6,16,428**	**14,74,701**	**11,97,251**	**23.17**	**100.00**

Note: Cumulative premium upto the month is net of cancellations which may occur during the free look period.

When Exclusions Outnumber Benefits

— Do insurance contracts hold water in the moral court as well?

If the consumer is to benefit, insurance policies must be written not only with law books by the side, but also an active conscience, observes *Gnanasundaram Krishnamurthy.*

On face value, one may not think of an insurance policy as a contract. However, in the eyes of the law, it is very much deemed a commercial contract, governed by the Indian Contract Act, 1872, apart from the Insurance Act, 1938 and allied acts and regulations. Legal though its nature may be, an insurance policy is also a bond of trust – trust that the insured places on the insurer. Trust that when things go wrong, the insurer will come around with financial help. Therefore, the policy must be written not only with law books by the side, but also an active conscience.

It is well settled in law that "where parties agree upon certain terms which are to regulate their relationship, it is not for the court to make a new contract, however reasonable, if the parties have not made it for themselves" [Gen. Assce. Society Ltd. Vs Chandmull Jain and another, AIR 1966 SC 1644 (V53 C 327)]. This is not, however, to say that contracts can cover anything in any way, regardless of the laws of the land. Contracts should be within the legal framework and not opposed to public policy under Section 23 of the Contract Act.

In case no. AIR 1986 SC 1571 between Central Inland Water Transport Corporation Ltd. and another Vs Brojonath Ganguly and another, the Supreme Court has observed that the Contract Act does not define the expression 'public policy' or 'opposed to public policy' and these expressions are incapable of precise definition. The Court further added that "the types of contract to which the principle formulated by them applies are not contracts which are tainted with illegality but are contracts which contain terms which are so unfair and unreasonable that they shock the conscience of the court. They are opposed to public policy and require to be adjudged void."

Thus, in a post-contract scenario, it is only the courts which can adjudge a contract as void as being opposed to public policy, if the provisions are "so unfair and unreasonable as to shock their conscience." Nevertheless, an issue remains: should this be adjudged only in a post-contract scenario, before a judicial forum?

Paying heed to conscience

Surely, the parties to the contract, in this case the insurers and the prospects, also have consciences to be exercised before entering into the contract, the part played by the insurer being fulsome. The terms of the contract in an insurance product are required to be approved by the Regulator also before being thrown open to the public for use. Certainly, the role the conscience has to play at two important centres in a pre-contract scenario, viz the insurer and the Regulator, can reduce heartaches and save trouble for the judicial, quasi-judicial and statutory grievance redressal authorities.

In a post-contract scenario, it is only the courts which can adjudge a contract as void as being opposed to public policy, if the provisions are "so unfair and unreasonable as to shock their conscience." Nevertheless, an issue remains: should this be adjudged only in a post-contract scenario, before a judicial forum?

The limitations and exclusions in insurance contracts are particularly suspect. It is common for insurance contracts to contain limitations and exclusions. These are generally decided with reference to the principles of insurance, risk underwritten and also as safeguards against manipulation, misrepresentation and fraud. However, sometimes one wonders if the premium paid is of any worth, as many benefits get excluded.

A travel policy of an insurer covered loss of checked baggage, in the care, custody and control of a common carrier, when the insured was a passenger in the carrier, during his trip. The policy excluded 'documented loss', which was defined as 'police or other local authority reports or documentation from the appropriate party responsible for the loss.' Checked baggage was defined as 'a piece of baggage which was checked in and in the custody of a common carrier and for which a claim check has been issued by the common carrier'. When loss of checked baggage was claimed by the insured, the insurer argued before the Ombudsman that the claim check was the documentation from the appropriate party responsible for the loss and therefore it was documented loss and not payable. Then what was the 'checked baggage' covered by the policy?

The same policy also lists out classes of property additionally excluded from the coverage of checked baggage loss as under:

"Animals, motor vehicles (including accessories), motor cycles, boats, motors, any conveyance (except bicycles while checked as baggage with a common carrier) snow skis, household effects, antiques, electronic equipment such as computers (including software and accessories), personal data assistants or hand held computers, cellular phones, digital video disc player, compact disc player, video camcorder, eyeglasses or sunglasses, contact or corneal lenses, artificial teeth, bridges or prosthetic limbs, hearing aids, money, securities, such as credit cards, debit cards, cheques, travellers cheques, membership cards, tickets or documents, business goods or samples, data recorded on tapes, cards, discs or otherwise, musical instruments, perishables and consumables".

Would it not be simpler to say what is covered?

Excluding exclusions will be an worthwhile exercise to be undertaken both by the insurers and the Regulator in the pre-contract phase itself. This will offer better protection of the end user's interests.

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Health Cover for All

— The state of voluntary health insurance in India

Insurance companies, in both the private and public sectors, should be involved in productive partnerships with various organisations to extend health coverage to the population, write *Indrani Gupta* and *Mayur Trivedi.*

"Health for All" remains a distant dream in India, with a large proportion of the population still unable to access quality healthcare. Evidence abounds on the inability of the health system to give affordable, accessible and quality care to those who need it the most (World Bank, 2001).

The Tenth Plan document admits, "In all states, patients incur out-of–pocket expenses to meet the healthcare cost in public and privately-funded hospitals... there are massive differences in private spending on healthcare services in public and private facilities between states... the high and low spending in private and public sector do not always go hand in hand with each other... the poorer segments of population have less access to both public and private sector curative services than the better off sections. The out-of-pocket expense on both public and private facilities for the lowest income quintile is about one-fifth that of the highest quintile population, suggesting thereby that the richest quintile utilises both private and public facilities more than the poorest quintile. The question whether the amount spent by different segments of the population results in their receiving the appropriate care remains unanswered, as the country is yet to evolve and monitor appropriate treatment protocols and cost of care for specific illnesses in different settings" (Planning Commission, 2004).

Achieving the goal

Clearly, high out-of-pocket burden of healthcare continues to be a major issue, and injects further inequities into a system already plagued by access and quality concerns, which impact differentially on the population. In this scenario, how does one hope to achieve the "Health for All" target? While it would be difficult to achieve this target in a very short time, one way of making some progress towards it would be to find ways of extending health coverage to the population. In other words, "Health Coverage for All" could be the tool for achieving Health for All (Gupta and Trivedi, 2004).

This in turn raises the following question: How can India achieve the goal of adequate health coverage for its population? In this article we argue that since there are practical constraints in scaling up social health insurance as well as stand-alone community health insurance schemes, one way of achieving greater coverage is to use the as-yet untapped potential that exists in the voluntary (commercial) health insurance sector. In particular, it may be necessary to build and promote productive partnerships among different stakeholders involved in the health insurance sector, who are currently working mostly on their own. Specifically, insurance companies in both the private and public sector should be involved in productive partnerships with the government, community based organisations and providers in the endeavour to extend health coverage to the population.

The question whether the amount spent by different segments of the population results in their receiving the appropriate care remains unanswered, as the country is yet to evolve and monitor appropriate treatment protocols and cost of care for specific illnesses in different settings.

The health insurance business, both in the private and public sector, has been growing both in terms of premiums and numbers. The private sector has seen greater growth than the public sector; at the same time, a lesser known fact is that the public sector (and now the private sector, though to a much lesser extent) has been undertaking innovative partnerships at the community level as well as with state governments, to offer made to order health insurance policies at reasonable cost (Gupta and Trivedi, 2004). There are several successful models that need to be documented and studied. In particular, the policymakers need to study and understand the cases of partnerships involving the insurance sector, the government, the NGO sector or community based organisations that have worked productively in extending health coverage to specified populations. Such innovations and partnerships are critical in the overall scenario of health coverage and its expansions. Since the voluntary commercial health insurance sector is here to stay and grow, such collaborations can only lead to a win-win situation, with many better off and none worse off.

The article will look at the role that insurance companies that offer voluntary insurance can play in helping the country achieve greater health coverage. This analysis will involve a closer look at the data of one public sector insurer – National Insurance Company Ltd. (NIC) – as a prototype of commercial voluntary insurance, to better understand their role

in the health insurance scenario, and examine whether and how they can make a positive difference to the health insurance scenario in India.

We shall discuss various aspects of the health insurance scenario in the country – the inherent limitations of scaling up in the present scenario; the state of private/voluntary insurance in India, including the growth in this sector; Mediclaim, the major health insurance product available in the Indian market today; the potential of voluntary health insurance in India using the Mediclaim data collected from NIC; the financial and other implications around scaling up issues; and the steps needed to move ahead to achieve the goal of Coverage for All.

Health coverage in India: current scenario

What is the health insurance situation in India? Several studies now exist on the state of health insurance in India (Ellis *et al*, 2000, Gumber, 2002); here we present an overview of the existing state of coverage under different schemes. Table 1 indicates the share of the various forms of heath coverage in India. Table 1

Overall, India has a varied mix of health coverage: employees in the government and public sector undertakings get various kinds of coverage as part of the employment package. For instance, organised sector workers earning less than Rs. 7,000 get covered through the Employees State Insurance Scheme (ESIS), private corporate sector offers health coverage either as a perk or through formal insurance coverage taken via insurance companies, and community health insurance is offered in a sporadic fashion in many states to specific sections of the population.

> Since there are practical constraints in scaling up social health insurance as well as stand-alone community health insurance schemes, one way of achieving greater coverage is to use the as-yet untapped potential that exists in the voluntary health insurance sector.

There is only one nation-wide scheme that has the three most important features of social health insurance (SHI) – compulsory contributions based on earnings, contribution from the employers and a separate autonomous body to manage the funds. Only the ESIS qualifies as SHI in its classical definition. The three main characteristics of this scheme are that it is mandatory, contributory and there is the Employee State Insurance Corporation (ESIC) that acts as the autonomous body and manages the funds.

Next to ESIS, the Central Government Health Scheme (CGHS), including those who are covered under the Medical Attendance Rule (All India Services (Medical Attendance) Rules, 1954), is the most important scheme, covering government employees, working and retired. These are then the two important schemes that cover most of the states of the country under a uniform administrative structure, and together extend coverage to around 20 to 25 per cent (depending on the assumed family size) of the organised sector population, including dependents. Overall, these schemes probably cover less than three per cent of the population, though in the absence of firm numbers, these are only the best guesses.

It the recent past, SHI has been much discussed in policy circles as an important tool to extend health coverage to a majority of the population (WHO, 2003a, 2003b). However, expansion of SHI is critically dependent on the share of the organised sector in employment, which is still quite low in India; in any case the organised sector has other means of health coverage as can be seen from Table 1. While estimates are not available, even if we assume that all the organised sector employees and their dependents are covered, about 135 million individuals can be covered, assuming an average household size of five. This implies that at most only 13 per cent of the population may be covered by all the existing schemes in the organised sector, including SHI.

Table 1: Health insurance coverage in India

Schemes	Beneficiaries (in million)
The Employees State Insurance Scheme (ESIS)	25.3
Central Government Health Scheme (CGHS)	4.3[1]
Railways Health Scheme	8
Defence employees	6.6
Ex-servicemen	7.5
Mining and plantations (public sector)	4
Health insurance (Public sector non-life companies)	10
Health insurance (Private sector non-life companies)	0.8
Health segment of life insurance companies (Public and private sector)	0.23[2]
State sponsored schemes	< 0.5
Employer run facilities/reimbursement schemes of private sector	6
Employer run facilities/reimbursement schemes of public sector	< 8
Community health schemes	3
Total	**~85**

Source: Gupta and Trivedi (2004a)

The rest of the population has recourse to the insurance being offered by public and private sector insurance companies, depending on the ability to pay. Some are covered by community health insurance and the remaining go without any insurance. The number of people covered by health insurance of non-life insurance companies is 10.8 million; health insurance by life insurance companies is 0.23 million. This implies that a very small percentage of the population – around one per cent - is covered by commercial health insurance offered by public sector and private sector insurance companies.

However, the growth in this sector in the recent years has been significant, and it will be argued here that the potential of making use of this vibrant sector to provide low cost health insurance is enormous. The aim should be to move on all fronts, and extend coverage in whatever form is workable and feasible, keeping in mind the goals of such coverage. If the goal is to ensure that a majority of the population has access to health cover that assures them quality care, then one should be open to any and every innovation and combination of health benefits/ insurance/coverage that go towards meeting this objective

Voluntary health insurance in India

The voluntary health insurance[3] sector can be broadly classified into two segments, viz., life and non-life. Voluntary 'health' insurance is a component of the 'non-life' insurance segment. Till Liberalisation, the insurance sector was operating with two public sector companies – Life Insurance Corporation of India for life insurance, and General Insurance Corporation (GIC) with its four subsidiaries for non-life insurance. With the entry of private insurers, the GIC subsidiaries were delinked from the holding company in 2000, and a separate body called General Insurers (Public Sector) Association (GIPSA) was created to facilitate interaction among the four. The GIC was converted to function as the National Re-insurer.

> There is only one nation-wide scheme that has the three most important features of social health insurance – compulsory contributions based on earnings, contribution from the employers and a separate autonomous body to manage the funds. That scheme is the ESIS.

This restructuring has helped in generating a competitive environment in the non-life segment, which has seen rapid expansion with an average annual growth of 14 per cent over the past few years. The gross premium has increased from Rs. 9,522 crore in 1999-2000 to Rs. 16,128 crore in 2003-04 (IRDA, 2004) and to more than Rs. 18,000 crore in 2004-05 (IRDA 2005). The growth of public sector companies has slowed down in the recent years while the private sector companies – that are trying to create their niche – are growing rapidly.

The evolution of the voluntary health insurance sector in India started with the introduction of the Mediclaim policy by GIC in 1986-87. It was, till recently, a reimbursement policy covering hospitalisation and domiciliary hospitalisation for a pre-specified period, but with the entry of the Third Party Administrators (TPAs), the option of cashless hospitalisation facilities is available from the network hospitals. The coverage is available to any individual aged five to 80 years, and the sum insured can be chosen between Rs. 15,000 and Rs. 5,00,000. There are additional features like reimbursement of the cost of medical check-up, claim free bonus, family discount etc. For the group policies, additional benefits like maternity coverage and family floaters are also available.

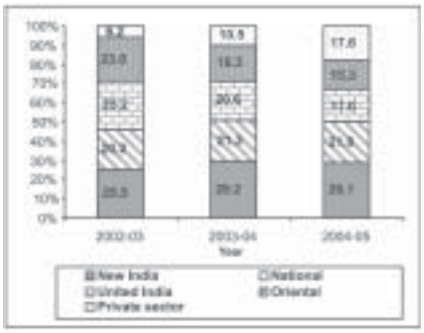
How successful has Mediclaim been in India from a business perspective? While the details on its performance in its early years are not available, during 1999-2000, the last year before the entry of private companies, some 2.3 million Mediclaim policies were sold, adding up to a total health premium of Rs. 200 crore (Gina Singh, 2001)[3]. With the entry of the private players, the health business has also increased sharply. The health premium has shown an impressive eight-fold growth in the last five years, reaching Rs. 1,732 crore in 2004-05. This statistics clearly reflects the contribution of the health segment to the overall growth of the insurance sector; while the insurance sector is growing as a whole, the health segment is contributing to this growth to a great extent.

Table 2: Percentage growth in gross premium in insurance companies in 2003-05

Insurer	2003-04						2004-05					
	Fire	Marine	Engg.	Motor	Health	Total	Fire	Marine	Engg.	Motor	Health	Total
Public sector	-3.33	-13.32	-4.44	13.46	28.89	6.56	-1.46	2.85	4.31	9.30	17.79	5.43
New India	-10.97	-21.90	18.79	8.06	54.92	3.17	2.54	-2.31	-3.71	8.23	27.33	4.38
National	-1.63	-13.14	-19.62	29.73	42.36	18.27	3.05	34.93	4.68	19.02	26.28	11.94
United India	4.67	-11.32	-6.46	3.87	10.85	3.33	-6.69	-18.57	10.42	-7.79	5.24	-3.77
Oriental	-1.62	-4.01	-7.03	12.28	7.87	1.02	-5.61	10.00	5.87	14.80	6.85	7.31
Private sector	63.58	120.85	43.51	86.67	130.32	67.40	28.70	48.56	60.48	70.39	114.21	57.35
Total	6.57	-3.92	3.94	18.66	35.13	12.30	5.39	10.22	17.85	16.13	27.91	12.73

As Table 2 indicates, in 2003-04, the gross premium of the health segment increased 35 per cent, compared to 19 per cent in Motor and seven per cent in Fire; for the public sector companies at least, the health insurance segment has shown the most growth. During 2004-05, the health insurance segment continued to top the list, albeit at a slower rate of 28 per cent.

Graph 1: Market share of health insurance premium across companies over the years



A small but growing segment

In terms of share of the business, however, health insurance still remains a small segment for non-life insurance companies. Table 3 shows the proportion of major segments in non-life insurance business across public and private sectors. In 2002-03, the health segment was the least important portfolio (among these five categories) contributing only 4.6 per cent of the total business of private sector companies; for the public sector companies it was only seven per cent of the total business. In 2004-05, health is the third most important portfolio after Motor and Fire. The health portfolio has got a higher momentum for private sector companies, where the proportion has almost doubled to reach 8.6 per cent of the total business. Even for the public sector companies, the health portfolio has grown over the years from 7.3 per cent to about 10 per cent of total business in 2004-05.

With the entry of the private players, the health business has also increased sharply. Health premium has shown an impressive eight-fold growth over the past five years.

How does the picture differ across various companies? As Graph 1 indicates, the major proportion of the health business is still with the public sector companies. While the private sector expanded from as little as 6.2 per cent in 2002-03 to 17.6 per cent of the total health business in 2004-05, the public sector remains the major health insurer in India. Among the public sector companies, New India Assurance Company Limited holds the highest share with 25 per cent and 29 per cent respectively in 2002-03 and 2004-05, followed by NIC with 21 per cent. While the private sector companies are also slowly acquiring market share, two public sector companies – Oriental Insurance and United India Insurance – have seen significant reductions of eight and seven per cent respectively, in their market shares.

Table 4 gives further details of the growth of the Health and other non-life businesses. The health segment looks quite vibrant among the private players. ICICI Lombard and Bajaj Allianz are the main players in the health business. Cholamandalam – the latest entrant - seems to be focusing more on its health business; 12 per cent of its business comprises Health insurance, which is the second highest among the private players, followed by 13 per cent of the top player ICICI Lombard. The rapid growth of total non-life and health during the past two years suggests that the insurance market, including health, has benefited immensely from the opening up and privatisation, and is probably going to see an even higher growth in the near future.

In comparison to the private sector, the public sector companies have witnessed relatively slower growth. The total business has grown by just five per cent while the health segment has

Table 3: Proportion of major business segments in non-life insurance sector

	Segment	2002-03	2003-04	2004-05
Public sector	Motor	39.0	41.5	43.1
	Fire	19.6	17.8	16.6
	Health	7.3	8.8	9.8
	Marine (Cargo + Hull)	8.7	7.0	6.9
	Engg.	4.3	3.9	3.9
Private sector	Motor	28.7	32.0	34.6
	Fire	32.7	32.0	26.1
	Health	4.6	6.3	8.6
	Marine (Cargo + Hull)	6.3	8.3	7.8
	Engg.	8.8	7.6	7.7
Combined	Motor	38.0	40.2	41.4
	Fire	20.9	19.8	18.5
	Health	7.0	8.4	9.6
	Marine (Cargo + Hull)	8.4	7.2	7.1
	Engg.	4.8	4.4	4.6

increased 24 per cent, both the numbers being much lower than the 55 per cent and 148 per cent, respectively, in the private sector. However, it must be remembered that the private sector companies have the advantage of being latecomers with a lower base, so any increase over these levels would look substantial. Also, in terms of volume of business, the four public sector companies had about Rs. 1,428 crore of business in 2004-05, whereas the private sector companies together had a modest Rs. 304 crore.

Among the public sector insurers, NIA seems to be more focused on the health portfolio, with 44 per cent growth in 2004-05. Overall, even in the public sector, the health business is growing faster than other non-life business. It is interesting to see that the market shares of different companies keep changing over time, which is an indicator of a thriving and competitive market. Thus, the time is ripe for health policymakers to go ahead with innovations and forge partnerships between insurance companies on the one hand, and service providers including NGOs on the other, to expand the scope of health coverage in India.

It can be safely said that in the coming years, the growth of the voluntary health insurance business is likely to escalate. Although the typical product available in the market (Mediclaim) is restricted to only an omnibus policy, with no element of risk differentiation and no choice of cover specific to the client's requirement, the business is growing and is likely to grow more. There have already been innovations in this standard product and many similar but more flexible products are out in the market as well, from both the private and the public sector. It is clear that there is immense scope for exploiting this 'growth' opportunity for extending health coverage beyond the traditional clientele through innovation and partnerships. In the next issue, we will take a closer look at the demand side aspects by analysing the Mediclaim data of NIC.

The time is ripe for health policymakers to go ahead with innovations and forge partnerships between insurance companies on the one hand, and service providers including NGOs on the other, to expand the scope of health coverage in India.

Table 4: Details of health business across various insurers during 2003-2004

Insurer	Health premium (In Rs. Crores) 2004-05	Health premium as a percentage of total non-life business 2004-05	Growth of health premium (2003/04-2004/05) (%)	Growth of total premium (2003/04-2004/05) (%)
ICICI Lombard	118.78	13.4	257.0	74.7
Bajaj Allianz	70.39	8.3	242.2	79.0
Royal Sundaram	30.02	9.1	88.8	28.5
IFFCO-Tokio	28.37	5.6	73.3	56.0
Tata AIG	26.64	5.7	35.3	32.7
Cholamandalam	20.12	11.8		75.3
Reliance	7.98	4.9	2.4	0.3
HDFC Chubb	1.97	1.1		59.2
Private sector	304.27	8.6	148.0	55.3
New India	504.28	11.9	43.9	4.5
National	364.29	9.5	26.3	11.9
United India	294.19	10.0	5.2	-3.8
Oriental	265.14	8.7	13.9	5.9
Public sector	1,427.9	9.8	24.0	5.2
Total	1,732.17	9.6	36.0	12.3

Endnotes

1. Recent estimates (as mentioned in Budget 2005-06) is 4.47 million
2. A more recent figure till September 2004 is 0.32.
3. It should be noted that the use of the term "voluntary" is being used here to refer solely to the insurance being offered by the public and private sector companies, and does not refer to stand-alone community health insurance schemes.
4. http://www.jobsahead.com/services/jobworld/mag/0129/5/

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IRDA Issues Guidelines on Group Insurance Policies

In view of the reported misuse of group insurance policies, IRDA has issued guidelines on what constitutes a group for the purposes of such policies with a view to rationalise the approach to be adopted by insurers in dealing with various groups.

The following is the text of the Guidelines issued on July 14, 2005 by the Authority.

Guidelines on Group Insurance Policies

Group insurance constitutes an important activity of insurance business and the schemes offered by the insurance companies provide certain classes of individuals, the advantage of a beneficial coverage at a moderate cost. The tremendous growth of the economy and the consequential growth of the organised sector lead the insurers to play a decisive role in designing various group insurance schemes. Most of the group insurance schemes pertain to Employer – Employee groups, but group insurance is also being sold to organisations where there is some commonality of interest. There are various aspects that are connected with group insurance: e.g.: what shall constitute a "group" in the context of group insurance, the market conduct that is supposed to be adopted by the insurers in canvassing group insurance schemes and setting up administration standards for group schemes. With a view to rationalise the approach to be adopted by insurers in dealing with various groups the following guidelines are being issued under section 34 of Insurance Act, 1938 to be adhered to by all the insurers.

A: Definition of a Group

1. A group should consist of persons who assemble together with a commonality of purpose or engaging in a common economic activity like employees of a company. Non-employer-employee groups, like employee welfare associations, holders of credit cards issued by a specific company, customers of a particular business where insurance is offered as an add on benefit, borrowers of a bank, professional associations or societies may also be treated as a group provided the president/ secretary/ manager/group organiser in his capacity as organiser of the group has an authority from majority of the members of the group to arrange insurance on their behalf or is doing so as part of a necessary security for other matters such as a bank on the life of borrowers. For employer – employee groups the scheme may be either contributory or non contributory and there will be no limit to employer contribution. Where an insurer is not clear whether a particular group insurance proposal can qualify as per these guidelines, the insurer may refer the matter to IRDA with facts of the case for clarification.
2. No group should be formed with the main purpose of availing insurance. There should be a clearly evident relationship between the member and the group manager for services other than insurance. While a homogeneous group of persons may decide to buy a group insurance policy to achieve saving in cost, a person negotiating "group" rates and then going round finding members to insure will not be considered as a legitimate group.
3. While it is not proposed to prescribe the minimum size of a group through these guidelines, it is expected that insurers will exercise prudence in requiring a minimum group size. However, different criteria may apply to micro-insurance groups.
4. Though entry into or exit from the group may go on continuously, entry into the group insurance policy for individual members will be either from a well defined date such as the next anniversary of the policy or from the first of the following month or from a clearly identifiable event other than merely joining the group, such as date of commencement of employment or date of sanction of a loan etc. subject to payment of premium in time. Insurance will, however cease, as soon as a member leaves the group except where it is agreed in advance to continue the benefit even after the member leaves the group, such as in case of an employee who retires. In case of travel related insurance, insurance may attach from the date of the travel subsequent to acceptance of risk and receipt of the premium.

B: Marketing of Group Insurance

1. An insurer may sell group insurance policies either directly or through an insurance agent or insurance intermediary.
2. An insurer shall not enter into any memorandum of understanding or marketing arrangement, or referral arrangement or any similar arrangement, howsoever described, for sale of insurance products with any person or entity not licensed under the Insurance Act. Any existing arrangement that is not in compliance with these guidelines should be terminated forthwith. However, this should not prejudice transactions up to the effective date of termination so long as it is not in violation of the provisions of the Insurance Act or Regulations. The IRDA may relax this condition in case of sale of micro-insurance products either on a case to the case basis or through a regulation on micro-insurance. This does not affect any arrangement made by the insurer with the group organiser or manager with regard to administration of the group insurance so long as there is no payment or reimbursement of expenses other than the commission that is legally payable.
3. An insurer who is using corporate agents for sale of its products shall require the corporate agent to file certificates at least once a year, from an independent auditor at the expense of the corporate agent, confirming compliance by that corporate agent with Section 64VB relating to collection and credit of premium, IRDA (Insurance Advertisements and Disclosures) Regulations, 2000, IRDA (Protection of Policyholders' Interests) Regulations, 2002 and sections 40A and 40C of the Insurance Act, 1938.

C: Group Insurance Administration

1. The premium charged and benefits admissible to each member of the

group shall be clearly specified in the group policy and the administrator/ group manager shall not have the liberty to vary the premium or benefits with regard to the individual members unless the same is a part of the change in the policy benefits and conditions by the insurance company or is made in accordance with a pre-determined basis of determining the sum insured such as the outstanding loan amount. In any case, such changes should be agreed to by the insurer.

2. Group discounts on premium are given for the benefit of the insured members of the group and should not be appropriated as additional remuneration by the agent or corporate agent or broker or group organiser or manager. Such discounts should be based on valid underwriting considerations such as the group size and shall be passed on to the members. Where a part or whole of the premium is paid by the group organiser, for example, the employer in respect of insurance of his employees, the discounts may be shared by those who paid the premium in proportion to the premium paid by them.

3. The commission paid to the agent or corporate agent in respect of a group insurance policy shall not exceed the percentage approved by IRDA or as specified in the Insurance Act, 1938 read with the IRDA Act, 1999 and Regulations framed thereunder. Insurer will pay commission at a predetermined and published rate and should not indulge in determination of commission rate on a case to case basis.

4. There shall be no other payment whether as management expenses or documentation expenses or profit commission or bulk discount or payment of any other description, to the agent or corporate agent or group organiser or group manager. The group manager should be specifically prohibited from collecting by way of premium from the members of a group, any amount higher than the amount charged by or paid to the insurer for such insurance. If the group manager wishes to collect a service charge from the members to cover his costs, he should clearly disclose it as an additional cost and not as premium, in his communications to his members.

5. There shall be attached to each group insurance policy, a complete list of the persons insured thereunder. Where this is not feasible, in view of the large size of the group, a clear reference shall be made to a list maintained in the books of the group organiser or manager that cannot be subsequently manipulated, as being the list of persons insured.

6. Where an employer buys a group insurance policy as a service benefit for its employees and pays the premium in full or in part, the employer may be treated as the policyholder with the employees being treated as the beneficiaries. In such cases, the employer may issue confirmation of insurance protection to individual employees with clear reference to the group insurance policy and the benefits secured thereby. In respect of such group policies, the claims of individual persons insured thereunder may be processed through the employer.

7. In non-employer-employee cases, the individual group member would be treated as the insured beneficiary and the group organiser will be only the holder of the group policy. In such cases every care should be taken by the insurer in the matter of issue of certificate of insurance to the members of the group, who are truly the insureds. It is necessary that such certificate contains information on the schedule of benefits, the premium charged and important terms and conditions of the insurance contract. The certificate shall also state the procedure to be followed to register a claim with the insurer including the full address of the office of the insurer where the claim should be registered. While the group organiser or manager may play a role in facilitating the registering and settlement of a claim, the insurer is totally responsible to ensure that the claim payment is made in the name of the insured member even if the cheque is sent to the group manager for administrative convenience.

8. For operational convenience, in respect of non-employer-employee groups the insurer may provide the facility to the group organiser or manager to issue certificates of insurance to persons insured under the group, provided the underwriting guidelines for acceptance or rejection of such a risk do not require use of subjective judgment and can be easily programmed into a computer that will review acceptance and print the certificate of insurance. In such cases, the certificate forms shall be supplied by the insurer with in-built security features and in pre-numbered lots to the group organiser or manager. Utilisation and full accounting of the certificate forms should be independently checked by the staff of the insurer every time before furnishing a fresh lot of forms, either by personal verification or based on a certificate by the auditor of the agent.

9. Under any circumstances the insurer will be responsible for the certificate of insurance issued by a group organiser or administrator, in certificate forms provided by the insurer.

10. The insurer shall remain responsible to ensure that all sales material and prospectus of the insurance plans are properly drawn up and comply with the Regulations on Insurance Advertisements and Disclosures and on Protection of Policyholders Interests.

11. The insurer shall conduct a surprise inspection of the books and records of the group organiser or manager at least once a year to ensure total compliance with these guidelines or require a certificate of such compliance from the auditors of the group organiser or manager, at least once a year.

12. The insurer shall be held responsible to the persons insured, in respect of the group policy in case of failure of the group organiser or manager to account for the business to the insurer, if the person insured can prove that he had paid the premium and secured a proper receipt leading him to believe that he was duly insured.

These Guidelines will apply with immediate effect.

Sd/- (C. S. Rao), Chairman

IRDA's New Guidelines on Corporate Agents

IRDA has issued guidelines on July 14, 2005, for insurers appointing corporate agents. Earlier the Authority had instructed companies to stop issuing corporate agent licences in view of some reported anomalous practices in the market. The new guidelines are meant to streamline market practices and reads as follows:

Introduction

In order to spread awareness about insurance and to increase the coverage of a large section of population who have remained outside the pale of insurance coverage all these years, the Insurance Regulatory and Development Authority introduced a variety of intermediaries as "distribution" is key to insurance penetration. The Corporate Agent is a concept introduced with a view to taking advantage of the presence of a large number of firms, corporations, banks, NGOs, cooperative societies and panchayats who are in contact with people in the normal discharge of their activities and utilise their presence and services for canvassing the sale of insurance contracts. Since insurance contracts are highly technical in nature, the Regulations issued by the Authority stipulated that the canvassing should be done only by "Specified Persons" engaged by the Corporate Agents and such specified persons should have the qualification prescribed by the Authority. In the case of corporate executives also, the Authority prescribed certain qualifications in order for the Corporate Agent to obtain a license.

Instances have, however, come to the notice of the Authority wherein Corporate Agents have resorted to use of introducers or finders or sub-agents who, in fact, sold the contracts and the Corporate Agent passed on varying levels of commission to them within the overall commission received from the Insurance Companies or by improperly charging to the public a higher premium than paid to the insurer and using the margin to pay the sales persons. The Authority had also noticed that a large number of Firms were floated by the same set of individuals under different or similar names and utilised the services of a large army of people who did not have the requisite qualifications to sell insurance products and paid remuneration for procuring the contracts.

In order to streamline the system of licensing of Corporate Agents, the Authority has, in addition to the Regulations already in force, decided to issue the following instructions under section 34 of Insurance Act, 1938 for compliance by the Insurance Companies while issuing the licenses to the Corporate Agents.

Authority competent to grant licence

The decision to engage any 'Person' as a Corporate Agent will be taken only in the Corporate Office of the Insurance Company and proceedings appointing the 'Person' as Corporate Agent will be issued by an officer who will specially be designated by the Chief Executive Officer to issue such orders. The officer so designated shall maintain a list of Corporate Agents appointed by the Company and will be responsible for ensuring that the Corporate Agents comply with the Regulations and the circulars and instructions issued by the Authority from time to time. The officer will also communicate to the Authority the uptodate list of Corporate Agents engaged by the Insurer on a half yearly basis. In this communication the officer should specially highlight the cancellation of licenses, if any, and give brief reasons leading to the cancellation.

Constitution of Corporate Agency

1. The applicant for Corporate Agency should normally be a company whose principal business should be other than distribution of insurance products. Insurance distribution should be a subsidiary activity. While selecting the Agent, stress should be placed on the availability of client base or access to data which would facilitate identification of prospects. The applicant could be any one of the entities indicated in sub regulation 2(k) of IRDA (Licensing of Corporate Agents) Regulations.
2. The Corporate Agent should canvass insurance products with the help of insurance professionals who satisfy the qualifications laid-down in the Regulations. They should not use any other modes like introducers, finders or sub-agents by whatever name they are called for procuring business.
3. In exceptional cases, grant of Corporate Agency for exclusively doing insurance intermediation can be considered by an insurer. In respect of such cases the Corporate Agent should be a Public Limited company with a minimum share capital of Rs.15 lakhs. The Capital should be kept in the form of a deposit in a Bank account to be utilised for setting up the office, or be invested in assets, subject to approval by the Insurer. No amount should be allowed to be given to any Director, shareholder any other entity as a loan or advance.
4. Such Companies created exclusively to canvass insurance business shall be set-up and owned by insurance professionals or its employees should be insurance professionals. Business will be transacted by only full time employees having required qualification as per regulations based on properly documented needs analysis process. The record of sales process should be available. These records should be available for inspection by the insurer and/or the IRDA, if required. Such an Agent can make use of the client data base from any organisation for which they

can pay a fee not related to success or otherwise of the prospects becoming clients. The payment for client data plus Corporate Agency commission should be within the overall commission limit as per the Insurance Act.

5. As indicated in the second proviso to the Regulation 3(2) of the Licensing of Corporate Agents Regulations, ordinarily, only one license can be granted to one group provided the group does not have any other insurance activity such as broker, insurer etc. Hence any application from a company for a Corporate agency licence where any member of the group is already engaged in insurance agency or brokerage or similar insurance activity, should be referred to IRDA for approval before a licence is issued. For this purpose, the applicant for a corporate agency licence should be required to make a solemn affirmation about any insurance related activities of any members of the group to which the applicant belongs. For this purpose, the members of a family, and shareholders holding a share of more than 10% in the share capital of the applicant company, shall be regarded as being in the same group.

6. The Application form for licence to act as a Corporate Agent shall be modified to enable verification of compliance with the above guidelines.

Organisation

7. The Chief Insurance Executive, the Designated Officer and other specified persons who will be employed by the applicant should be whole time employees of the applicant. At least one of the persons should have insurance qualification to the extent of FFII or AFII or such other qualification or experience that IRDA may, at its sole discretion, consider adequate.

8. Only whole time directors, partners or employees will be involved in supervising the sale of insurance. They should be sufficiently qualified to hold an agency licence in their own names. Those who would be actually selling the policies should obtain the certificate as specified person after undergoing practical training and examination as specified in the Regulations and then only they can be appointed as specified persons and be given the responsibility for soliciting and procuring insurance business on behalf of the corporate agent.

9. NGOs and SHGs who work as a corporate agent in the area of Micro-insurance may apply to IRDA and secure exemption from the requirement to maintain any specified shareholder fund. They will be guided by the provisions of Micro-insurance regulations as and when that is introduced.

10. If a corporate agent terminates its representation for an insurer, it should secure the specific written approval of IRDA before it can enter into an agency relationship with another insurer. IRDA may call for such information as necessary, including the observations of the insurer whose agency relationship is terminated, before deciding on such application.

11. Nothing contained in these guidelines shall take away the right of an insurer to cancel its agency agreement with a corporate agent in terms of its agency contract with it. Such termination of the agency agreement shall be reported immediately to IRDA by the insurer. In the event of such termination of agreement by the insurer, the corporate agent should secure the specific written approval of IRDA before it can enter into an agency agreement with any other insurer.

Sales Organisation

12. All sales support material, such as prospectus, sales brochures, sales illustrations and publicity write up, shall be submitted to and approved before use by the insurer for which the agent is working. The insurer shall be responsible to organise specific training for the staff of the corporate agent related to its products that will be sold by the corporate agent.

13. Every paper and every statement put forth by the corporate agent, whether written or oral, shall clearly state the position of the agent as a corporate agent and state the name and address of the insurance company for which it is acting as agent.

14. The agent shall not make ambiguous statements that can mislead the public such as "In association with .. . .", "by arrangement with . . ." or similar expressions that can mislead the lay reader into assuming that the agent is an insurer.

15. Where group insurance is sold through corporate agents the same should comply with the guidelines on group insurance.

16. Where insurance is sold as an ancillary product along with a product being sold by any of the major shareholders or their associates, the agent shall ensure that the shareholder or its associate does not compel the buyer of the other product to necessarily buy the insurance product through it. The insurer shall also not require the agent to insure every client with it. The buyer of the primary product shall have the liberty to choose his own insurer. Where the insured is charged for the insurance element of the product, the actual premium relating to the insurance shall be clearly disclosed and shall be no more than the amount paid to the insurer in respect of such insurance.

17. In the corporate agency system there shall be no sub-agents or "introducers" or "referral providers" or "lead generators" by whatever name called. Sale of insurance products shall only be done by persons qualified as "specified persons". This does not prevent other employees of a corporate agent's or its sister company's organisation referring prospects to the specified person for sale of insurance products provided such a reference shall not be rewarded on the basis of success of sale.

Sales & Services administration

18. The agent shall not be given the discretion of underwriting the business. The agent may be permitted to confirm insurance cover only on the basis of very clear underwriting criteria provided by the insurer for whom the agent is acting.

19. The Name of the agent shall not appear on the certificate of insurance in a prominent manner that could mislead the buyer of insurance. The name and address of the insurer shall be the only name appearing at the head of the Certificate of Insurance. Where the agent is authorised by the insurer to issue the certificate of insurance based on underwriting criteria provided by the insurer, the name of the agent shall be clearly suffixed with the words "as agent for . . . ."

20. Unless the computer system used by the agent is directly linked to the insurer's computer system so that all particulars of the business transacted are automatically captured in the insurer's system, the agent shall provide to the insurer, a complete set of records in respect of the business sold by the agent, including completed proposal forms, copies of policies or certificates of insurance and a premium register with particulars of payment to the insurer, daily or at the most, on a weekly basis. Requirements of Section 64VB shall be fully complied with.

21. A corporate agent shall not charge an administration fee or service charge or any other charge to the policyholder insured through it. The corporate agent shall advise the policyholder the premium as quoted by the insurer, net of any group discount where applicable, without adding any margins to cover its costs. Likewise, the insurer shall not pay any amount other than the permitted agency commission, whether as administration charge or reimbursement of expenses or profit commission or in any other form to the corporate agent. This does not prevent the insurer from sharing expenses of co-branded sales literature with the corporate agent. Such expenses, however, should be reasonable and should not in any way be linked with the success in sale or premium earned by the corporate agent. The insurer shall not also enter into additional relationships with the corporate agent with payment of remuneration such as risk management fees or risk inspection charge or loss minimisation expenses.

22. While the agent may be given the role of facilitating claims processing, the agent shall not be given authority to settle any claim.

23. Every corporate agent or corporate insurance executive or specified person shall be guided by code of conduct specified in Section 9 of IRDA (Licensing of Corporate Agents) Regulations, 2002.

Periodical Returns

24. Every corporate agent shall submit to the insurer monthly statistics of business transacted through it, in such forms as the insurer may specify from time to time.

25. Every corporate agent shall file with the insurer, its annual audited accounts together with such other statements in such forms as the insurer or IRDA may specify from time to time, within 6 months of the close of the financial year.

26. Every corporate agent shall furnish to the insurer and IRDA, such information in respect of the business transacted by it, in such form and within such time as may be specified by IRDA or by the insurer, as and when required.

27. Every insurer shall ensure continued compliance with the Regulations and these guidelines.

Applicability

These guidelines will apply to all new applications for corporate agency and to all renewals of existing corporate agency licences. It will be the responsibility of the Corporate DP of the Company to ensure that the corporate agent applying for the renewal of license satisfies all the requirements of the guidelines prescribed here. In case of non-compliance of the some of the guidelines the Corporate DP may recommend for renewal to IRDA, in which event IRDA may exercise discretion by allowing such period of time to achieve compliance with these guidelines. IRDA may also agree to issue the license subject to the corporate agent providing an undertaking not to canvass any new business, merely to enable the corporate agent to secure the benefit under Section 44 of the Insurance Act, 1938.

All Insurers and the Corporate Agents are requested to comply with the provisions of the guidelines.

Sd/- C.S. Rao, Chairman

Getting Closer to the Customer

— Language is a powerful tool. The simpler the better.

Using Plain Language will benefit the insurance industry by increasing insurance awareness about insurance, better understanding of the products and will lead to higher sales says *K. Nitya Kalyani.*

There is an endearing joke about a little girl who was just learning to read English, and who can forget the heady thrill of finding new material for our new found skills at that age. One day she picked up a book, read for a few silent moments and burst out crying.

"Mommy, I can't read anymore," she sobbed. And her mother's bewilderment turned to amusement in seconds when she picked up the book and found it was in French!

Anyone who has tried reading their insurance policies – and few of us do unless its absolutely necessary – can relate very well to that little girl. The letters look about the same, and so do some words. But we suddenly cannot read! And why would be willingly buy what we do not understand?

The same goes for contracts of any kind the other defining characteristic of these documents being the fineness of the print!

The original purpose may not have been to stymie the reader or the end user of the contract, though it is tempting to think it was. The purpose was likely to be to elaborately set out the terms and conditions of the contract in precise terms and, in those days when it all started it probably was unthinkable that legal documents be in anything but the finest legal language which, unfortunately, is inaccessible to most of the rest of us.

It is also true that the profile of the insured has changed over the last couple of hundred years. The spread of insurance to the common man is a more recent phenomenon – of less than a century's vintage, and hence the need for making things simple arose only when those insureds reached a critical mass in terms of numbers. When they started to matter and when their voice was worth hearing so to say.

That their understanding of what they are paying for is critical today is not a matter of any doubt. And so it is natural that a movement to simplify the language of insurance contracts happened in the last few decades.

The time is right in India for this movement. In fact we can still be just a bit ahead of the need for plain language if we start now. If done, it has the potential to bring in huge benefits by spreading awareness about insurance as a product itself and its importance in an individual's life.

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Creating plain language policy wordings is only a first step in India. To truly reach the country's teeming prospects, the industry should start reaching out in regional languages. While advertising is happening in regional languages sufficiently, awareness creation also has to go the same way because today, more than ever, the knowledge of English does not equal the possession of purchasing power. Also, since there are over two dozen companies today the pie needs to be made much larger.

Any wide reaching move like adopting Plain Language policy wordings cannot happen overnight. There are mindset changes and procedure and policy changes that are required. Policy wordings for example are part of the approval process under the 'file and use' procedure. Or, where the tariff applies in non-life insurance, the Tariff Advisory Committee (TAC) presides over changes in wordings. So introducing changes in language will be subject to compliance at one of these two points.

And there will be critical inputs needed from the legal departments of companies before they can change any contract wordings. Following from this would be the questions of legal interpretation where there are different versions for the same product.

Even given these this is a venture well worth getting into. There is a lot of worthwhile work to do in demystifying insurance as a product, the industry and its dealings and the legal framework in which it operates for the outside world. Unless they start understanding what it is about and stop fearing it, they cannot be expected to start buying it. A good place to start would be the IRDA mandated tagline in insurance company advertisements namely: 'Insurance is the subject matter of solicitation,' which needs to be replaced with something like 'The product that is being sold is insurance.'

As marketing guru Seth Godin puts it, "Make it easy for your customer to do business with you." In fact, why would any business do otherwise?

Say What You Mean...

- Plain language can say more and say it better

Simple language is not only easier to understand but also reaches the audience better, observes *Indira Balaji* while tracing the growth of the plain language movement.

"It is imperative that you shall read the notes, advice and information conscripted opposite and then complete the form overleaf (all sections) prior to its immediate return to the Council by way of the envelope provided. If there are any points on which you require explanation or further particulars we shall be glad to furnish such additional details as may be required by telephonic, electronic or terrestrial means of communication."

If this paragraph discombobulates – or baffles – you, see what it means:

"Please read the notes opposite before you fill in the form. Then send it back to us as soon as possible in the envelope provided. If you have doubts, please contact us through phone, e-mail or post."

Why bother with the earlier paragraph, when the message can jolly well be conveyed through the second? This forms the crux of the plain language (PL) movement that has firmly established itself in advanced countries, and is finding interest in pockets in India.

The PL movement calls for clear and simple writing – writing that is stripped of complexity but not of style. It is language that the intended audience can read, understand and act upon the first time they read it. Whether you are preparing a brief, writing a contract, publishing a newsletter or training workers, the writing needs to be precise and without pompous words.

For organisations, it involves targeting the information and vocabulary at the desired customer. It includes presenting logical and coherent information in an integrated, well-structured and suitably designed and inviting format. After all, clear communication is an indispensable part of long-term business strategy – a customer who follows what you say sticks to you. Verbose writing, on the other hand, antagonises the target audience. A customer once complained to a PL activist group about a letter she received from her bank: "Receiving information in this form makes us feel hoodwinked, inferior, definitely frustrated and angry, and it causes a divide between us and the writer."

A spate of corporate scandals in the 1990s has given greater impetus to the Plain Language (PL) movement. As plain language activists have pointed out, if shareholders had better understood the annual reports, the "rogue" companies could not have got away with so many wrongdoings.

Looking back

Though people for long have protested the convoluted language often employed by corporates and government bodies, especially in contracts, it was in 1973 that the PL movement took tangible shape in the US. That was the year when Citibank (then called First National City Bank) announced its decision to voluntarily move to plain language, since it found itself in lawsuits (relating to bad loans) too often for comfort. An internal committee discovered that not only consumers but also lawyers, judges and even the company's lending officials had problems in understanding the terms of the loan.

In 1975, the bank introduced the first-ever loan note in plain language. The effect was immediate. Apart from winning praise from all quarters – consumers, consumer advocates, politicians and other banks – Citibank found a substantial decrease in the number of bad loans. The move to plain language pushed up its bottom line as well, giving it an increased market share during the 1970s and '80s.

Around the same time, the US Congress took legislative action to spread the use of PL. The Magnuson-Moss Consumer Product Warranty Act, 1975, required warrants to be written in "simple and really understood language". Soon, the Federal Trade Commission mandated insurance companies to rewrite their warranties. Again, it proved beneficial to their businesses, as the insurance companies quickly found out. So pleased were they that they soon simplified a wide range of insurance policies, though not required by law to do so.

A spate of corporate scandals in the 1990s has given greater impetus to the PL movement. As plain language activists have pointed out, if shareholders had better understood the annual reports, the "rogue" companies could not have gotten away with so many wrongdoings.

Even as Citibank set the ball rolling in the US, the Australian Sentry Life

Insurance Company, responding to a customer survey, produced an insurance policy in PL.

A parallel movement was taking place in the UK, where the Plain English Campaign was launched by a Liverpool woman who was fed up with unintelligible government forms. She took hundreds of the offending documents to Parliament Square and publicly shredded them.

During the late 1970s, the British Government launched various initiatives to boost the use of PL in forms, contracts, warranties, policies, etc. In 1979, the Plain Language Campaign was formed and the next year, the organisation started giving Plain English Awards. The Plain Language Commission, launched by Martin Cutts in 1994, offers training, writing, editing and typography services. It also gives accreditation and awards to organisations that best employ PL.

In 1999, the PL movement gained substantial clout as the English court system abolished some time-honoured legal terms for modern equivalents. A *subpoena* is now a *witness summons*, an *in camera hearing* is now a *private hearing*, a *plaintiff* is a *claimant*, and a *writ* is now a *claim form*.

The PL movement is not an English-only phenomenon. Various countries, such as France, Germany, Sweden, Italy, Denmark and Singapore, have also sought to rid their administrative and corporate machineries of confounding officialese. In most countries, PL is a popular concept advocated by the government, consumer bodies and companies. However, in certain countries, the government has taken steps to make it mandatory, at least at the administrative level. For instance, in Sweden, PL has been deemed a priority issue. Officially appointed "language experts" are required to review all government bills drafted by the legislature, and no government bill can be released without the approval of linguists and lawyers at the Ministry of Justice.

India: kicking off

In India, implementing PL presents a multi-fold problem. While a fair chunk of the population is illiterate, the rest reads and writes at least a hundred different languages, each with its own set of grammatical rules, vocabulary and nuances. For the 11 per cent of population that comprehends English, plain language is still far away. With the consumer movement itself in a nascent stage, PL as an integral part of it is yet to come of age.

However, the nation's consumer movement has recognised the importance of the concept, and sought help from the international PL movement. In 1992, the Federation of Consumer Organisations of Tamil Nadu (Fedcot) conducted a series of workshops and lectures under the leadership of Cutts of the Plain Language Commission. The growth of the movement in India is indicated by the fact that Cutts has visited the country four times in the 1990s.

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The Tariff Advisory Committee, along with Cutts, rewrote the Standard Fire and Special Perils policy in plain English a couple of years ago although the new version has not been put to use yet. IRDA also has a clarification programme underway. In 1999, various accounting bodies began to lobby for plain language in Indian tax laws.

For efficient organisations

Organisations must voluntarily adopt PL because it best expresses their intentions and provides the certainty that consumers desire. Business documents that are incomprehensible often turn out to have no legal effect. Also, poorly drafted documents lead to management problems and higher administrative costs due to three reasons: increased costs in dealing with enquiries and complaints; increased time and costs devoted to staff training; and reduced effectiveness in explaining product features and safety issues.

Plain language, on the other hand, inspires confidence in customers, as it reflects clear thinking on the part of the organisation. Also, customers increasingly expect to understand the documents before signing them. Unintelligible documents undermine customer confidence. Interestingly, a survey by the Plain Language Institute showed that the more experience a person has with business or legal documents, the more likely that person is to get frustrated and angered by incomprehensible language. PL, therefore, is often an effective marketing tool – you gain an edge if your customer's comfort level is higher with you than with your competitor.

Staff training is also easier with PL. Employees can comprehend and process clear documents better, which in turn enhances their accuracy and work consistency.

When legal problems crop up, PL documents prove an asset, as there is little ambiguity. Advocates and judges (human as they are) can work more efficiently if they do not have to decipher

and re-decipher tedious verbiage. Take the case of a New Zealand company that *won* a lawsuit but still had to pay the court costs. The judge said the dispute arose in the first place because of the company's poorly written contract terms.

The PL scenario in insurance

Insurance has always been considered a fertile territory for advancing PL reform. The policies, terms and conditions and other documents of an insurance company are typically steeped in verbosity. The insurers are often loath to rewrite documents in PL because they are wary of how the courts might ultimately interpret them. There is therefore a natural tendency to copy the traditional gobbledygook. The following sentence, taken from an errors and omission clause in a property insurance policy, is a case in point:

"We will not disclaim coverage under this policy if you fail to disclose all hazards as of the inception date of the policy, providing such failure is not intentional."

A PL version would read:

"Unless your failure to disclose all hazards is intentional, we will not disclaim coverage under the policy."

The process, however, is far from simple. Re-wording an insurance policy in plain language is not just about replacing the original language with simpler, more straightforward words. In fact, that is a dangerous way of viewing the task. Legal language has its own subtleties, and a PL drafter must understand and respect those subtleties. Or else, the new version will not be faithful to the original.

Going PL

Once an organisation decides to adopt PL, there are various ways to do it. Basically, all employees can be directed to write official documents in simpler language. However, writing/re-writing more sophisticated and specialised documents – such as legal contracts and insurance policies – in PL requires trained hands. PL-specific training is not very advanced in India. Nevertheless, a reasonably experienced writer can be instructed to maintain PL meticulously.

The following points form the framework of plain language:

- Familiar words and a conversational, personal tone
- Logical presentation of information, with the most important ideas first, and linked from one paragraph to the next
- Action verbs and active construction, not passive

Insurance has always been considered a fertile territory for advancing PL reform. The policies, terms and conditions and other documents of an insurance company are typically steeped in verbosity. Insurers are often loathe to rewrite documents in PL because they are wary of how the courts might ultimately interpret them.

- Short words and sentences, where possible (ideal word limit per sentence being 20 words)
- Short paragraphs, with each paragraph centre around a particular idea
- Concrete examples to illustrate ideas or concepts
- Illustrations or diagrams to present ideas, if this makes them easier to understand

As a natural consequence of the PL movement, it has been noticed that the format and lettering can also be made reader-friendly. The layout needs to be uncluttered. The font and type size selection is also critical. As against *serif* fonts, which have pointed bits (ends), *sans serif* fonts are plain. Serifs, used continuously, can be distracting. PL activists recommend sans serifs such as Arial and Helvetica. The type size, measured in units called 'points', should ideally be maintained between 10 and 12.

For organisations who find it difficult to train their staff in PL, there is ready help from the Web. Online services, such as WordDog.com, convert documents to plain language for a fee. The software picks out wordy phrases, unnecessary words, clichéd and overworked expressions and redundant sentences. It then offers alternatives – short, concise words that are easier to understand.

The PL movement does face its share of criticism. Some call it baby talk, while others say that simplifying the language makes it impossible to express complex ideas. However, the success of the movement counters these charges. Good reason for us to eschew sesquipedality... sorry... avoid using long words!

The author is a freelance journalist specialising in editing business copy.

Words, Words, Words

—The simpler, the better in business contracts

Only the best minds and best writers can cut through the often unnecessary complexities of technical and legal writing and present the information in a way that is understandable to a wider audience, points out *H. Ananthakrishnan*.

Everything that coruscates with effulgence is not aurous.

Even as the moving hand of the teacher wrote the sentence, his booming voice echoed in the classroom - "Students! Write this in simple English."

Now, for one steeped in the belief that there was only one type of English, that is complex, with its noun clause and adjective clause, the existence of another version, however simpler, was no consolation. The only consolation was the blank expression on the faces of almost all students. Finally, when the teacher himself, a bit triumphantly, wrote the simpler version, there was a collective sigh of relief as if a great burden had just been lifted off our chests.

Having learnt my first lesson in plain language, I ventured to study law to encounter clauses and sub clauses of a different kind. I was amazed to find that the virus had not restricted itself to just two versions, but had mutated to take insidious forms *not withstanding anything to the contrary*. Unravelling the maze of legalese and logomachy would have made an ardent su-do-ku solver proud. Finally, when I was just beginning to feel hopeful of coping with the language and joined the insurance industry armed with a degree in Law, I encountered the most lethal version of the virus – in the form of insurance contracts – commencing with "Whereas…

Whereas I was at total loss (no pun intended) to figure out the metamorphosis of faith into good faith and then utmost good faith, wading through the mysteries of various provisions and provisos of the contract was an exercise in creative misinterpretation.

The evolution of legalese, a cynical person may comment, may have something to do with *uberrima malafide*, in a subversion of the honoured concept of *uberrima fide*. This inherent distrust in human nature, which manifests especially in interpreting contractual obligations of the parties, devises innovative ways of camouflaging the simplest of intentions under the debris of the most verbose language.

The evolution of legalese, a cynical person may comment, may have something to do with *uberrima malafide* in a subversion of the honoured concept of *uberrima fide*. This inherent distrust in human nature manifests especially in interpreting contractual obligations of the parties.

One example, the 'Reinstatement Clause' in Fire insurance, would suffice to illustrate:

If the Company, at its option, reinstate or replace the property damaged or destroyed, or any part thereof, instead of paying the amount of the loss or damage, or join with any other Company or Insurer(s) in so doing, the Company shall not be bound to reinstate exactly or completely but only as circumstances permit and in reasonably sufficient manner, and in no case shall the Company be bound to expend more in reinstatement than it would have cost to reinstate such property as it was at the time of the occurrence of such loss or damage nor more than the sum insured by the Company thereon. If the Company so elect to reinstate or replace any property the insured shall at his own expense furnish the Company with such plans, specifications, measurements, quantities and such other particulars as the Company may require, and no acts done, or caused to be done, by the Company with a view to reinstatement or replacement shall be deemed an election by the Company to reinstate or replace.

The above provision is *self explanatory* for advocating plain language reform in insurance contracts. When viewed in the context of reforms in the insurance sector – with thrust on Health insurance and Micro insurance affecting a huge population whose plain language could be only be their vernacular – the need is obvious.

Evolution of plain language

Jeremy Bentham abhorred the language of lawyers as "excrementitious matter" and "literary garbage". He advocated codification in which all the law would be systematically divided into codes on various topics. Individual parts of each code should be small enough for people to remember, and written clearly enough for citizens to know the exact idea of the will of the legislator. Truly, Bentham was far ahead of his time.

Thomas Jefferson lambasted the traditional style of statutes "which from

their verbosity, their endless tautologies, their involutions of case within case, and parenthesis within parenthesis, and their multiplied efforts at certainty by saids and aforesaids, by ors and ands, to make incomprehensible, not only to common readers, but to lawyers themselves."

The modern plain English movement did not really arise until the 1970s. Since the 1970s, countries around the world have adopted the principles of plain language. The first notable plain language initiative began in Canada in 1971 in both its official languages, English and French. One example is the initiative to use plain language to simplify the *Employment Insurance Act*, which, despite its application to some 3 million unemployed insured workers per year, is considered to be one of the most difficult federal laws to understand.

Plain language in insurance contracts

Kenneth S. Wollner, in his treatise, *How to Draft and Interpret Insurance Policies*, makes a strong appeal to incorporate plain language in insurance policies. The focus of the book is the critical reading and writing of insurance-contract provisions to provide guidance on how to express coverage clearly and succinctly. The goal is an important one, not only because it advances the plain language cause but also, as Wollner points out, because the standards of interpretation applied by courts place a very heavy burden on the drafter to write clearly, unambiguously and conspicuously – or risk an unwanted interpretation. Wollner provides guidance on how to avoid the syntactical ambiguity that can arise from the imprecise use of *and* and *or*.

Example:

"This policy shall pay the loss of director and officer…"

Two interpretations are possible –

- The insurer shall pay the loss of a person who is a director, or an officer, or a director and an officer.
- The insurer shall pay the loss of a person who is both a director and an officer.

The Clinton administration mandated in 1998 that federal regulations be written in plainer prose; in fact, this was part of its "reinventing government" initiative. American legislative drafting manuals now advocate the use of plain language principles. One such manual recommends avoiding elegant variations, as well as legalistic terms such as *such*, *said*, *aforesaid* and *to wit*. It also favours active voice over the passive.

It is heartening to note that in India, too, steps are being taken to make the policy document a customer-friendly one. The IRDA (Protection of Policyholder's Interests) Regulations, 2002 makes it mandatory that all policies should clearly contain 'material' information.

The movement has also taken root in other countries. The Australian Sentry Life Insurance Company, responding to a survey of its customers, produced a plain language insurance policy. The reforms initiated by the English courts have received a fair amount of press attention because they have replaced traditional legal terms with modern alternatives.

Criteria for plain language usage

Generally various international fora have adhered to the following standards in a contract:

- The contract should use short words, sentences and paragraphs.
- The contract should use active verbs.
- The contract should not use technical legal terms, other than commonly understood legal terms.
- The contract should not use Latin and foreign words or any other word whenever its use requires reliance upon an obsolete meaning.
- If the contract defines words, the words should be defined by using commonly understood meanings.
- When the contract refers to the parties to the contract, the reference should use personal pronouns, the actual or shortened names of the parties.
- The contract should not use sentences that contain more than one condition.
- The contract should not use cross-references, except those that briefly and clearly describe the substances of the item to which reference is made.
- The contract should not use sentences with double negatives or exceptions to exceptions.

The Indian context

It is heartening to note that in India, too, steps are being taken to make the policy document a customer-friendly one. The IRDA (Protection of Policyholder's Interests) Regulations, 2002 makes it mandatory that all policies should clearly contain 'material' information. Regulation no.

7 gives 17 such matters to be stated in the policy. Circular no. IRDA/Gen/Feb/ 2001 dated February 26, 2001 stipulates *inter alia* that –

a) the prospectus of the products explain in simple and unambiguous language, easily understood by a layman, the important features of the cover, the exclusions and limitations, the conditions to be fulfilled by the policyholder, the basis of assessment of the claim, the method of payment of the claim and the premium payable;

b) the proposal form contains questions which are clear to understand, which ask questions covering all matters material to the risk and which clearly states that failure to disclose facts material to the assessment of the risk or providing misleading information may render the contract void;

c) the policy is written in simple language easily understood by the layman.

The Group constituted by the IRDA for Motor (OD) detariffing has also attempted to simplify the policy wordings much along the lines mentioned.

Countering criticism

Perhaps as a sign of the growing significance, plain language writing has its critics. However, what the critics fail to appreciate is that it is often much harder to simplify than to complicate. Only the best minds and best writers can cut through the often unnecessary complexities of technical and legal writing and present the same information in a way that is understandable to a wider audience. Writing simply and directly – while communicating complex information- only *looks* easy.

My teacher in school would surely have appreciated this, when he wrote the simpler version on the blackboard - *"All that glitters is not gold"*.

The author is Officer On Special Duty, IRDA. The views expressed here are his own.

प्रकाशक का संदेश

किसी भी गतिविधि के क्षेत्र में संप्रेक्षण में स्पष्टता की आवश्यकता होती है, बीमा व्यवसाय भी अपनी प्रकृति के कारण इसकी माँग करता है। बीमा संविदा क्योंकि एक वादा है इसलिए एक स्पष्ट तथा संक्षिप्त भाषा की आवश्यकता है जो यह वर्णन करे कि क्या वादा किया गया है, कब तथा किन परिस्थितियों में यह आश्वासन पूरे किये जायगें यही एक उचित व्यवसायिक लेन-देन में अन्तर बता सकता है। यह समान रूप से महत्वपूर्ण है कि बीमाकृत को बीमा संविदा की सीमाओं की भी पूरी जानकारी हो। यह इस तथ्य से महत्वपूर्ण हो जाता है कि इस वादे का एक पक्ष - बीमाकर्त्ता - को सूचना नहीं होती और उसे यह जानने में कठिनाई होती है की वह क्या खरीद रहा है और उसे बीमाकृत के परम् सद्भाव पर निर्भर होना पड़ता है।

सरल भाषा अभियान, संयुक्त राष्ट्र अमेरिका तथा कई यूरोपिय देशों में सरकार तथा व्यवसाय में भली प्रकार स्थापित हो गया है तथा भारत में यह अभी भी अपना रूप ले रहा है। यह जानते हुए की व्यवसाय अभी अपनी शैशव अवस्था में है सरल भाषा की और रूझान एक उपभौक्ता मित्रवत कार्य होगा। यह आशा की जाती है कि एक बार अगर बीमा संविदा बोधगम्य हो जायेगें तो बीमा के प्रति बड़े पैमाने पर जागरूकता पैदा होगी जो बीमा के बेहतर विकास के लिए रास्ता खोल देगी बीमा प्राधिकरण उद्योग की कार्यप्रणाली को पटरी पर लाने के लिए कई नये मार्गनिर्देश जारी कर रहा है और जो महीना व्यतीत हुआ है वह सामुहिक बीमा के लिए पहलकारी साबित हुआ है।

अभिकर्त्ता तथा बीमा कंपनियों के वैधानिक अंकेक्षण में परिर्वतन

सामुहिक बीमा पालसी के मार्गनिर्देश का लक्ष्य उन विचलनों को दूर करना है जो सामूहिक बीमा संविदा में उग आयी थी तथा यह सख्ती से कहा गया है कि कोई भी समूह मात्र बीमा लेने के लिए नही तैयार किया जा सकता।

जहाँ तक निगमित अभिकतओं को प्रश्न है हम प्राधिकरण में ऐसी शिकायतें प्राप्त कर रहे हैं कि इस माध्यम का दुरूपयोग कुछ अयोग्य लोगों द्वारा व्यवसाय प्राप्त करने के लिए किया जा रहा है जिससे ऐसे मध्यस्थ इत्यादि राशि प्राप्त कर सकें। फिर भी निगमित अभिकर्ता माध्यम बाजार पहुँच के लिए महत्व रखता है तथा प्राधिकरण इसे बढ़ावा देना चाहती है लेकिन योग्यताओं के उचित मापदण्ड, बाजार आचरण तथा अनुपालन को नये मार्गनिदेर्शों में शामिल किया गया है।

अब तक वैधानिक अंकेक्षकों की नियुक्ति प्राधिकरण द्वारा सुस्थापित किये गये अंकेक्षको फर्मो के पैनल से की जाती थी। यह निणर्य लिया गया की इस पैनल को भंग किया जाए तथा कंपनियाँ प्राधिकरण द्वारा बनाये गये विवेकसम्मत मार्गनिर्देशों के अनुसार अपने अंकेक्षको का चुनाव स्वयं करें। यह मार्गनिर्देश निजी क्षेत्र की बीमा कंपनियों के लिए हैं क्योंकी सार्वजनिक क्षेत्र सीएजी द्वारा अंकेक्षको की नियुक्ति की जाती है।

जर्नल का अगला अंक आपदा प्रबन्ध में बीमा की भूमिका पर चर्चा करेगा। यह एक रूचिकर संयोग है कि बडी वर्षा आपदा ने मुबई में जीवन को अस्त-व्यस्त किया है तथा भयंकर आग ने मुबई हाई स्थित ओएनजीसी की उत्पादन सुविधा को बुरी तरह क्षति ग्रस्त किया।

सी. एस. राव

“ कुछ तो लोग कहेंगे ”

यह बीमा उद्योग का कर्तव्य है कि वह टुकड़े इक्कठे करे जब परिस्थितियाँ गलत हो जाए। इसका इतना बुरा असर बीमा उद्योग पर नहीं होगा जितना कि बाकी की अर्थव्यवस्था पर होगा।

लार्ड पीटर लेविन, अध्यक्ष, लायडस् आफ लंदन, लंदन सबवे बम्ब धमाकों पर।

एपीआरए आवाज़ उठाने को प्रेरित करना चाहती है। तथा बीमाकर्त्ताओं को इसे भी प्रोहत्साहन देना चाहिये। जो (सही तथा उपयुक्त) मानक हो को निरुत्साहित करने से रोके अथवा आवाज़ उठाने की रूकावटो को करे।

श्री स्टीवन सोमोजी, आस्ट्रेलियन प्रूडेंशल विनियामक प्राधिकरण (एपीआरए) सदस्य, आस्ट्रेलियन विनियामक की निगमित प्रबंध पर स्थिति स्पष्ट करते हुए विशेषत: सही तथा उपयुक्त व्यक्ति की जाँच के लिए।

हमें यह विश्वास है कि यह संस्तुति ..... विस्तृत रूप से सुधार करेगी कि किस प्रकार लोग भवन विशेषत: उँचे मंजिल... का रखरखाव, निमार्ण तथा डिजाइन करते हैं तथा यह एक सुरक्षित तथा अधिक प्रभाव शाली भवन निष्क्रमण तथा अपातकाल प्रभाव को प्रस्तुत करेगा।

यू.एस. कामर्स विभाग, नैशनल इंस्टीयूट आफ स्टेन्डर्ड तथा टेक्नोलाजी के इन्वेस्टीगेटर श्री शाम सुन्दर वर्ल्ड ट्रेड सेन्टर पर 9/11 के बाद ट्वीन टावर का निरिक्षण करते हुए ।

कई संयुक्त पहलों के कारण ख़तरा आया है : सरबेनिया- आक्सले के अनुपालन, बेसल के कार्य प्रस्तुति 2 ; फाईनेशल सेक्टर एक्शन प्लान के अन्तर्गत विभिन्न निदेशों के अनुपालन, नये अन्तर्राष्ट्रीय वित्त रिर्पोटिग मानकों का परिचय ; बहुत समय से लम्बीत जीवन बीमा कंपनियों के लिए लेखा तथा रिर्पोटिग मानकों के परिचय कराने के लिए एफएसए कार्यरत है

सर काल्म मैकार्थ, अध्यक्ष एफएसए, चालू वित्तिय विनियमों कि लागत तथा प्रभाव पर चिंता व्यक्त करते हुए।

जीवन बीमा प्रीमियम सतत् वृद्धि के लिए स्थापित है, जैसा कि बचत उत्पादों की बिक्री प्रगामी रूप से बढेगी, नये बाजारों में, जीवन बीमा प्रिमियम वर्ष 2005 में जीडीपी की अपेक्षा 2.5 प्रतिशत प्वांइट तीव्रता से बढेगा। इस वर्ष विशेष रूप से औद्योगिक देशों में गैर जीवन बीमा के घीमी गति से बढ़ने की संभावना है। यदि यह पूर्वानुमान लगाया जाए कि औसत दावा स्तर, विक्रय पर वर्ष 2005 में दौबारा दो अंको में है।

स्वीस री सिगमा अध्ज्ञन य 2004 में विश्व बीमा परङ्ग जो 145 देशों के बीमा बाजार का अध्ज्ञन करती है।

(अर्थव्यवस्था की चालू शक्ति इस योग्यता को प्रतिबिंबित करती है जिसमें वहन योग्य वृहत आतंकवादी जोखिम को आवरण दिया जा सकता है।) यह बड़े क्षेत्र में संघीय ढाँचा के आधार के कारण है। इस प्रकार के संरक्षण को दूर करने से हम उस अनिश्चितता में लौट जायेगें जो सितंबर 11, 2001 के बाद अनुभव की गई थी।

श्री हावर्ड मिल्स, न्यूर्याक स्टेट के बीमा अधीक्षक, नैशनल एसोसिएशन आफ इंशोरेंस कमीशनर (एनएआईसी) के लिए आतंकवादी जोखिम बीमा अधिनियम (टीआरआईए) की अवधि की समाप्ति दिसंबर 31, 2005 पर।

सूक्ष्म बीमा पर एक विस्तृत अध्ययन

-अर्थ, तरीके एवं ढंग

के.जी.पी.एल. रमादेवी के अनुसार कम प्रीमियम एवं आसान पॉलिसीज जो आर्थिक एवं सामाजिक रुप से पिछड़े ग्रामीण इलाकों के लिए तैयार की गई है उससे अभी अल्प विकसित बीमा क्षेत्र को देश भर में फैलने में काफी मदद मिलेंगी।

भारत अभी क्रासरोड पर है। एक तरफ कई सेक्टर में काफी तेजी से आर्थिक विकास हो रहा है तथा लोगों की खरीदारी की क्षमता बढ़ रही है, ब्रांड्स के प्रति लोगों में जागरुकता बढ़ रही है, कम्यूनिकेशन नेटवर्क का विकास हो रहा है जिससे व्यापारिक एवं कोरपोरेट सेक्टर का काफी विकास हो रहा है। दूसरी तरफ यहाँ 300 मिलियन से ज्यादा लोग गरीबी रेखा के नीचे अपना जीवन-यापन कर रहे हैं जो एक सजगता का विषय है। यदि हम भारत के आर्थिक विकास की बात करें तो उन लोगों के ऊपर भी अपना ध्यान आकर्षित करना होगा जो गरीबी रेखा के नीचे अपना जीवन गुजार रहे हैं। उन लोगों के जीवन स्तर को सुधारे बिना हम भारत के सच्चे विकास की बात नहीं कर सकते हैं। इन लोगों के जीवन स्तर को सुधारने में बीमा क्षेत्र काफी मदद कर सकता है।

गरीबों के लिए बीमा को कभी प्राथमिकता नहीं दी गई। बीमा कंपनियों के लिए यह अनिवार्य किया गया कि वे ग्रामीण एवं पिछड़े इलाकोव में जाकर भी अपने उत्पाद बेचे तथा इसके लिए एक न्यूनतम प्रतिशत निर्धारित कर दिया गया। विभिन्न नेटवर्क का इस्तेमाल कर किसानों को ऋण के प्रति तो जागरुक कर लिया गया परन्तु बीमा को लेकर उनमें जागरुकता की अभी भी कमी है।

इस दूरी को कम करना

क्योंकि पारंपरिक बीमा उद्योग ग्रामीण लोगों की बीमा जरुरतों को पूरा करने में सक्षम नहीं रहा, और क्योंकि ग्रामीण इलाकों में बीमा उत्पाद बेचने को कभी भी प्राथमिकता नहीं दी गई। सुक्ष्म बीमा की मदद से इस दूरी को काफी हद तक कम किया जा सकता है तथा इस समस्या से निपटा जा सकता है। सूक्ष्म बीमा एक प्रकार का बीमा है जो कम प्रीमियम पर सीमित सुरक्षा प्रदान करता है, इसलिए इसे सूक्ष्म बीमा कहा जाता है।

इसका लक्ष्य गरीब लोग हैं तथा यह उन्हें सामाजिक एवं आर्थिक सुरक्षा प्रदान करता है। यदि वैज्ञानिक मापदंडों पर इसका विकास किया जाए तो यह गरीब लोगों की जिंदगी को काफी हद तक सुधारने में मदद कर सकता है। ग्रामीण समाज को इसके द्वारा स्वास्थ्य बीमा, दुर्घटना बीमा तथा सामाजिक सुरक्षा प्रदान किया जा सकता है।

> यदि ढंग से ध्यान दिया जाए तो आज का सूक्ष्म बीमा बाजार ग्रामीण गरीबों के जीवन को काफी परिवर्तित कर सकता है। ग्रामीण समाज को इसके द्वारा स्वास्थ्य बीमा, दुर्घटना बीमा तथा सामाजिक सुरक्षा प्रदान किया जा सकता है।

पूर्व के बीमा संस्थान गरीब एवं कमजोर तबकों तक पहुँचने में असक्षम थे क्योंकि गरीबों के पास धन की कमी थी तथा इसमें खर्च अधिक था। अन्य एनजीओ तथा अन्य संस्थान जो गरीब लोगों तक पहुँचे हैं वे उन्हें बीमा के प्रति जागरुकता प्रदान कर सकते हैं। कई बार वे ऐसे दूर-दराज के इलाकों में काम करते हैं जहाँ लोगों की बीमा जानकारी काफी कम है। इन संस्थानों की वहाँ के स्थानीय लोगों से अच्छे रिश्ते स्थापित हो सके हैं, इसलिए वे इनके साथ बेहतरीन संवाद स्थापित कर सकते हैं।

एसएचजी, एनजीओ तथा कई कॉओपरेटिव संस्थान जो ग्रामीण गरीबों के जीवन स्तर को सुधारने के लिए प्रयासरत हैं, वे सूक्ष्म बीमा गतिविधियों से काफी सहायता प्राप्त कर सकते हैं। ये लोग मध्यस्थ एवं कोरपोरेट एजेंट के रुप में अपना कार्य कर सकते हैं तथा साथ ही अपना नया चैनल भी स्थापित कर सकते हैं, ताकि सूक्ष्म बीमा का विकास किया जा सके तथा इसके लिए किसी प्रारंभिक पूँजी की भी आवश्यकता नहीं है।

एक अध्ययन

एसएचजी, एनजीओ या अन्य कॉऑपरेटिव संस्थान सूक्ष्म बीमा गतिविधियों को किस प्रकार अंजाम दे सकते हैं, इसका एक अध्ययन किया गया तथा इनकी मजबूती, कमजोरियों, संभावनाएँ तथा चेतावनियों पर प्रकाश डाला गया।

मजबूती - इन लोगों का ग्रामीण जीवन से काफी बेहतरीन परिचय है।बीमा के प्रति जागरुकता प्रदान कर सकते हैं। कई बार वे ऐसे दूर-दराज के इलाकों में काम करते हैं जहाँ लोगों की बीमा जानकारी काफी कम है। इन संस्थानों की वहाँ के स्थानीय लोगों से अच्छे रिश्ते स्थापित हो सके हैं, इसलिए वे इनके साथ बेहतरीन संवाद स्थापित कर सकते हैं। इनका हर जगह पर वितरण नेटवर्क है। ये

लोग मध्यस्थ एवं कोरपोरेट एजेंट के रुप में अपना कार्य कर सकते हैं तथा साथ ही अपना नया चैनल भी स्थापित कर सकते हैं।

कमजोरियाँ - उन्हें न्यूनतम पूँजी के साथ अपना संचालन करना है, इसलिए हानि की स्थिति में उनके पास पूँजी की कमी रहेगी। बीमा अंडरराइटिंग करने के लिए काफी उच्च तकनीकी ज्ञान की आवश्यकता है जो उनके पास नहीं है। साथ ही फ्लिप साइड से देखें तो सीमित भौगोलिक संचालन तथा बीमाधारकों के होमोजिनियस होने की वजह से इसमें ज्यादा जोखिम की गुंजाइश है। प्राकृतिक विपदाओं का भी प्रकोप इन क्षेत्रों में अधिक रहता है साथ ही आज के प्रतियोगी समय में भी यह इतना सकारात्मक परिणाम नहीं देता है।

संभावनाएँ - क्योंकि ये समूह लक्षित लोगों की सामाजिक एवं आर्थिक स्थिति से काफी अच्छी तरह से परिचित हैं, प्रभावी एवं वहनीय प्रीमियम उत्पादों का विकास किया जा सकता है। भारत के अशिक्षित गरीबों के लिए आसान क्लेम के उत्पादों को विकसित करने में ये मदद कर सकते हैं। उनके पूर्व सेटअप की वजह से संचालन खर्च में भी काफी कमी आएगी।

चेतावनियाँ - बीमा व्यापार काफी अलग है। यह काफी तकनीकी है तथा इसके लिए उच्च प्रबंधकीय कौशल की आवश्यकता है। इसके लिए पर्याप्त प्रशिक्षण लेना होगा।

इन सबके बावजूद, गरीब लोगों की आवश्यकताओं को पूरा करने के लिए सूक्ष्म बीमा एक बेहतरीन साधन है।

वैश्विक मानदंड

यदि हम वैश्विक अध्ययन करें तो पाएँगें कि सुक्ष्म बीमा माइक्रो फाइनेंस इंस्टीट्यूशन्स द्वारा अपनी सेवाओं के रुप में प्रदान किया जाता है। इसका कारण यह है कि बीमा से जोखिम घटता है तथा बचत गतिविधियों में बढ़ोतरी होती है। यह दिलचस्प है कि सुक्ष्म बीमा सामाजिक एवं आर्थिक दोनो स्तर पर महत्वपूर्ण है। सामाजिक स्तर पर बीमा लोगों के घरेलु नुकसान में कमी लाता है जिससे गरीबी की स्थिति में कमी आती है। आर्थिक स्तर पर यह लोगों की बचत में वृद्दि करता है। दूसरे शब्दों में यह आर्थिक के साथ साथ सामाजिक सुरक्षा एवं स्थायित्व भी प्रदान करता है।

फिलिपिंस, इंडोनेशिया, कम्बोडिया तथा कुछ अफ्रीकी देश बीमा को सामाजिक सुरक्षा के लिए आवश्यक मान चुके हैं तथा इसके लिए

> एसएचजी, एनजीओ तथा कई कॉओपरेटिव संस्थान जो ग्रामीण गरीबों के जीवन स्तर को सुधारने के लिए प्रयासरत हैं, वे सूक्ष्म बीमा गतिविधियों से काफी सहायता प्राप्त कर सकते हैं।

सूक्ष्म बीमा की सहायता ले रहे हैं। यहाँ की सरकार परोक्ष या अपरोक्ष रुप से इस कार्य में लगी है। कुछ पड़ोसी देश जैसे बांग्लादेश एवं नेपाल में एसएचजी तथा एनजीओ इस कार्य में लगे हैं।

बांग्लादेश - सूक्ष्म फाइनेंस मॉडल में अग्रणीय, ग्रामीण बैंक एवं डेल्टा लाइफ इंश्योरेंस बेहतरीन तरीके से इस कार्य को अंजाम दे रही है। साथ ही कई एनजीओ भी इस कार्य में लगे हैं।

नेपाल - नेपाल में गरीबों को चिकित्सा सेवा प्रदान करने के लिए हेल्थ माइक्रो इंश्योरेंस स्कीम को प्रारंभ किया गया है। ललितपुर मेडिकल इंश्योरेंस स्कीम, जो सूक्ष्म बीमा की देश में काफी पुरानी स्कीम है, ने स्थानीय हेल्थ पोस्ट की स्थापना की है ताकि लोगों के स्वास्थय में विकास किया जा सके।

साथ ही सामाजिक स्तर पर कई ऐसे कार्यक्रमों का आयोजन किया जा रहा है जो लोगों में स्वास्थय के प्रति जागरुकता पैदा करते हैं, इनमें पब्लिक हेल्थ कंसर्न ट्रस्ट प्रमुख हैं। इसकी स्थापना डॉक्टरों के एक समूह द्वारा की गई है। ऐसे कार्यक्रमों की सफलता से उत्साहित होकर नेपाल सरकार अंतर्राष्ट्रीय मजदूर संगठन के साथ मिलकर इस क्षेत्र में काफी कार्य कर रही है।

भारत में स्थिति

भारत सरकार सूक्ष्म बीमा उपलब्ध कराने के लिए विभिन्न प्रकार के कार्यक्रम चला रही है। आईआरडीए द्वारा भी इसे लेकर विभिन्न मापदंड तैयार किए जा रहे हैं। यदि आवश्यकता पड़ी तो काफी बड़ी जनसंख्या को इसके अंदर शामिल किया जाएगा जिससे न केवल बीमा उद्योग का विकास होगा, साथ ही ग्रामीण लोगों के आर्थिक एवं सामाजिक जीवन में भी सुधार होगा।

पूँजी की आवश्यकता - सोल्वेंसी के लिए पूँजी की काफी आवश्यकता है। हाँलाकि यह केवल एक महत्वपूर्ण आवश्यकता नहीं है तथा सोल्वेंसी के स्तर को पर्याप्त पूँजी से ही निर्धारित नहीं किया जा सकता है। 100 करोड़ रुपये की न्यूनतम पूँजी एमआईओ के लिए निर्धारित है।

आवश्यक मानदंड -

सही संचालन के लिए कंपनी की सोल्वेंसी पर्याप्त होनी चाहिए। पॉलिसीधारक में विश्वास पैदा करने के लिए भी यह काफी आवश्यक है। निम्नलिखित मानदंड किसी भी कंपनी के सही संचालन के लिए काफी आवश्यक है -

1. पिछले पाँच वर्षों के संचालन का रिकॉर्ड
2. अनुभवी कर्मचारी

3. न्यूनतम लक्ष्यप्राप्ति
4. पारदर्शी लेखा प्रणाली
5. श्रेष्ठ कार्य प्रणाली

योग्यता मानदंड -

निम्न संगठन सुक्ष्म बीमा करने के लिए योग्य माने जा सकते हैं -

1. सोसाइटीज एक्ट, 1860 के अंतर्गत रजिस्टर्ड सोसाइटीज
2. पब्लिक ट्रस्ट एक्ट, 1920 के अंतर्गत रजिस्टर्ड ट्रस्ट
3. कंपनीज एक्ट, 1956 के अंतर्गत रजिस्टर्ड कंपनी
4. नॉन बैंकिंग फाइनेंस कोरपोरेशन जो गरीबोव को वित्तीय एवं बीमा सेवा प्रदान करते हैं।
5. अन्य

सुक्ष्म बीमा का फ्रेमवर्क तैयार करने के लिए अन्य आवश्यक मानदंडों की भी आवश्यकता है। रजिस्ट्रेशन के बाद भी कंपनी के कार्यों एवं उपलब्धियों का समय समय पर परीक्षण आवश्यक है।

एक संभावनाओं से भरा बाजार

बीमा उद्योग के विकास में ग्रामीण क्षेत्र काफी योगदान प्रदान कर सकते हैं। गरीब एवं ग्रामीण लोगों में बचत की आदत भी होती है। कम आय वाले परिवार भी अपनी कुल आय का एक तिहाई अपने भविष्य के लिए बचाकर रखते हैं। उनमें विश्वास पैदा करना भी काफी आसान है। पर इससे पूर्व उनमें बीमा के प्रति जागरुकता पैदा करने की आवश्यकता है तथा साथ ही बीमा शब्दावलियों को उनकी समझ के अनुसार बनाना होगा। इसके लिए क्षेत्रीय भाषाओं का इस्तेमाल करना होगा। यह आवश्यक है कि ज्यादा से ज्यादा लोगों को बीमा का लाभ मिले। इसके लिए उपलब्ध चैनल्स का इस्तेमाल किया जा सकता है।

> फ्लिप साइड से देखें तो सीमित भौगोलिक संचालन तथा बीमाधारकों के होमोजिनियस होने की वजह से इसमें ज्यादा जोखिम की गुंजाइश है।

इस लक्ष्य की प्राप्ति के लिए सभी उपलब्ध चैनल्स को परस्पर जोड़ना होगा तथा इनका पर्याप्त इस्तेमाल करना होगा। ये वे चैनल्स हैं जो ग्रामीण, आर्थिक रुप से पिछड़े तथा गरीब लोगों के परस्पर संपर्क में हैं। वित्तीय सुरक्षा प्रदान करने के साथ ही सूक्ष्म बीमा इन होगों का आर्थिक एवं सामाजिक विकास करने में सक्षम है। यदि वैज्ञानिक मापदंडों पर इसका विकास किया जाए तो यह गरीब लोगों की जिंदगी को काफी हद तक सुधारने में मदद कर सकता है। ग्रामीण समाज को इसके द्वारा स्वास्थ्य बीमा, दुर्घटना बीमा तथा सामाजिक सुरक्षा प्रदान किया जा सकता है।

लेखिका आईआरडीए में सहायक निदेशक के पद पर कार्यरत है तथा उपरोक्त विचार उनके स्वयं के हैं।

सूक्ष्म बीमा कार्यक्रमों की रुपरेखा

अरुप चटर्जी कहते हैं कि सुक्ष्म बीमा की आवश्यकता को नकारा नहीं जा सकता है, परन्तु कई सवाल उठते हैं कि इसे किस प्रकार प्राप्त किया जाए।

गरीब एवं सामाजिक रुप से पिछड़े लोगों को भोजन, वस्त्र, आवास एवं शिक्षा की आवश्यकता है। हांलाकि लंबे काल के लिए उन्हें सुरक्षा एवं खुशी प्रदान करने के लिए उनके जोखिम को सुरक्षित करना होगा, ताकि संपत्ति के नुकसान, अस्वस्थता, दुर्घटना या मृत्यु के समय उन्हें सुरक्षा प्रदान की जा सके। गरीबी निवारण कार्यक्रम में इस विषय को विस्तृत रुप से लिया गया है।

सुक्ष्म बीमा के तरीके ने बीमा कंपनियों के ध्यान को आकृष्ट किया है। साथ ही एनजीओ, दान देने वाली कंपनियों तथा अन्य संस्थान जो गरीबी निवारण के क्षेत्र में कार्यरत हैं, वे भी इसकी तरफ आकृष्ट हुए हैं। सूक्ष्म क्रेडिट कार्यक्रम की सफलता ने इसकी सकारात्मकता को काफी बढ़ा दिया है। गरीबी निवारण कार्यक्रम में इस विषय को विस्तृत रुप से लिया गया है।

हांलाकि अभी सूक्ष्म बीमा की संभावनाएँ काफी सीमित है। इसके लिए लोगों को जागरुक करने की काफी आवश्यकता है। इसका संचालन मँहगा है तथा पर्याप्त चैनल्स भी उपलब्ध नहीं हैं। परन्तु यदि यदि वैज्ञानिक मापदंडों पर इसका विकास किया जाए तो यह गरीब लोगों की जिंदगी को काफी हद तक सुधारने में मदद कर सकता है। ग्रामीण समाज को इसके द्वारा स्वास्थ्य बीमा, दुर्घटना बीमा तथा सामाजिक सुरक्षा प्रदान किया जा सकता है। एसएचजी, एनजीओ तथा कई कॉओपरेटिव संस्थान जो ग्रामीण गरीबों के जीवन स्तर को सुधारने के लिए प्रयासरत हैं, वे सुक्ष्म बीमा गतिविधियों से काफी सहायता प्राप्त कर सकते हैं। भारत में 300 मिलियन से ज्यादा लोग गरीबी रेखा के नीचे अपना जीवन-यापन कर रहे हैं जो एक सजगता का विषय है। यदि हम भारत के आर्थिक विकास की बात करें तो उन लोगों के ऊपर भी अपना ध्यान आकर्षित करना होगा जो गरीबी रेखा के नीचे अपना जीवन गुजार रहे हैं। उन लोगों के जीवन स्तर को सुधारे बिना हम भारत के सच्चे विकास की बात नहीं कर सकते हैं। इन लोगों के जीवन स्तर को सुधारने में बीमा क्षेत्र काफी मदद कर सकता है। क्योंकि पारंपरिक बीमा उद्योग ग्रामीण लोगों की बीमा जरुरतों को पूरा करने में सक्षम नहीं रहा, और क्योंकि ग्रामीण इलाकों में बीमा उत्पाद बेचने को कभी भी प्राथमिकता नहीं दी गई। सूक्ष्म बीमा की मदद से इस दूरी को काफी हद तक कम किया जा सकता है तथा इस समस्या से निपटा जा सकता है।

गरीबों के बारे में आम मान्यता यह है कि वे लोग या तो बचत कर सकते हैं या फिर बीमा खरीद सकते हैं। यह उन लोगों के परिप्रेक्ष्य में सही हो सकता है जो हर दिन कमाते हैं और खाते हैं। जिन्हें यदि एक दिन काम न मिले तो भूखों मरने की नौबत आ जाए। परन्तु कई परिवार ऐसे भी हैं जो गरीबी रेखा के आसपास हैं तथा वे पर्याप्त बचत कर सकते हैं।

सूक्ष्म बीमा को लागु करने के लिए सभी उपलब्ध चैनल्स को परस्पर जोड़ना होगा तथा इनका पर्याप्त इस्तेमाल करना होगा। ये वे चैनल्स हैं जो ग्रामीण, आर्थिक रुप से पिछड़े तथा गरीब लोगों के परस्पर संपर्क में हैं। वित्तीय सुरक्षा प्रदान करने के साथ ही सूक्ष्म बीमा इन होगों का आर्थिक एवं सामाजिक विकास करने में सक्षम है। गरीबों के बारे में आम मान्यता यह है कि वे लोग या तो बचत कर सकते हैं या फिर बीमा खरीद सकते हैं। यह उन लोगों के परिप्रेक्ष्य में सही हो सकता है जो हर दिन कमाते हैं और खाते हैं। जिन्हें यदि एक दिन काम न मिले तो भूखों मरने की नौबत आ जाए। परन्तु कई परिवार ऐसे भी हैं जो गरीबी रेखा के आसपास हैं तथा वे पर्याप्त बचत कत सकते हैं।

जोखिम को संभालने के लिए केवल बीमा ही एकमात्र उपाय नहीं है तथा हर जोखिम का बीमा भी संभव नहीं है। फिर भी बड़े जोखिम जैसे मृत्यु एवं दुर्घटना काफी हद तक मदद कर सकते हैं। यदि हम वैश्विक अध्ययन करें तो पाएँगें कि सुक्ष्म बीमा माइक्रो फाइनेंस इंस्टीट्यूशन्स द्वारा अपनी सेवाओं के रुप में प्रदान किया जाता है। इसका कारण यह है कि बीमा से जोखिम घटता है तथा बचत गतिविधियों में बढ़ोतरी होती है। यह दिलचस्प है कि सुक्ष्म बीमा सामाजिक एवं आर्थिक दोनो स्तर पर महत्वपूर्ण है। सामाजिक स्तर पर बीमा लोगों के घरेलु नुकसान में कमी लाता है जिससे गरीबी की स्थिति में कमी आती है। आर्थिक स्तर पर यह लोगों की बचत में वृध्दि करता है। दूसरे शब्दों में यह आर्थिक के साथ साथ सामाजिक सुरक्षा एवं स्थायित्व भी प्रदान करता है।

सरकार के पास फंड की कमी, गरीब लोगों तक बीमा कंपनियों की कम पहुँच तथा बीमा के बारे में फैली भ्रांतियाँ सूक्ष्म बीमा के विकास में बाधक है तथा इससे सामाजिक एवं आर्थिक विकास रुकता है। अफ्रीका में सूक्ष्म बीमा कार्यक्रम को सीमित स्तर पर प्रारंभ किया गया है। सामुदायिक स्तर पर इसके क्रियान्वयन की आवश्यकता है तभी लोगों को इसके बारे में जागरुक किया जा सकता है। एनजीओ तथा एसएचजी इस दिशा में काफी कार्य कर सकते हैं। क्योंकि ये समूह लक्षित लोगों की सामाजिक एवं आर्थिक स्थिति से काफी अच्छी तरह से

परिचित हैं, प्रभावी एवं वहनीय प्रीमियम उत्पादों का विकास किया जा सकता है। भारत के अशिक्षित गरीबों के लिए आसान क्लेम के उत्पादों को विकसित करने में ये मदद कर सकते हैं। उनके पूर्व सेटअप की वजह से संचालन खर्च में भी काफी कमी आएगी।

परन्तु सामुदायिक आधार में काफी कमियाँ भी हैं, जैसे पूँजी की अपर्याप्तता, राजस्व में गति नहीं, रिस्क पूल का छोटा होना, सीमित प्रबंधन क्षमता, इत्यादि।

वहन क्षमता पर प्रश्न

अधिक से अधिक लोगों को सूक्ष्म बीमा के दायरे मेंलाने के प्रयास किए जा रहे हैं। इस स्कीम को विस्तृत किया जा रहा है तथा कई गैर सरकारी संस्थानों की भी मदद ली जा रही है। ये संस्थान ग्रामीण लोगों के जीवन स्तर के सुधार की दिशा में कार्यरत हैं तथा उनसे इनका पहले से संपर्क स्थापित है। भारत में 300 मिलियन से ज्यादा लोग गरीबी रेखा के नीचे अपना जीवन-यापन कर रहे हैं जो एक सजगता का विषय है। गरीबों के बारे में आम मान्यता यह है कि वे लोग या तो बचत कर सकते हैं या फिर बीमा खरीद सकते हैं। यह उन लोगों के परिप्रेक्ष्य में सही हो सकता है जो हर दिन कमाते हैं और खाते हैं। जिन्हें यदि एक दिन काम न मिले तो भूखों मरने की नौबत आ जाए। परन्तु कई परिवार ऐसे भी हैं जो गरीबी रेखा के आसपास हैं तथा वे पर्याप्त बचत कर सकते हैं। गरीबी रेखा से नीचे वालों के लिए ऋण सुरक्षा देकर उन्हें सूक्ष्म बीमा दिया जा सकता है। शर्त यह है कि गरीबों को दिए जा रहे इस ऋण का डिजाईन सरल हो ताकि वे लोग इसे आसानी से समझ सकें।

वहन क्षमता को दुरुस्त करने के साथ ही यह भी आवश्यक है कि ग्रामीण एवं गरीब लोग बीमा की जरुरत को समझ सकें। वे स्वयं इसके प्रति जागरुक हों। गरीब लोगों को जोखिम का खतरा अधिक रहता है। थोड़ा सा भी संकट आने पर भूखों मरने की नौबत आ सकती है। ऐसे समय में बीमा उन्हें सहारा प्रदान करता है। इससे उनमें बचत की आदत आती है। सामाजिक स्तर पर बीमा लोगों के घरेलु नुकसान में कमी लाता है जिससे गरीबी की स्थिति में कमी आती है। दूसरे शब्दों में यह आर्थिक के साथ साथ सामाजिक सुरक्षा एवं स्थायित्व भी प्रदान करता है।

किसी को यह शक नहीं है कि जहाँ जरुरत हो वहाँ सरकार द्वारा सब्सिडी देने की भी आवश्यकता है तथा सरकार इसमें दखल करे।

1. फाइनेंसिंग के लिए सुक्ष्म बीमा एक महत्वपूर्ण साधन है तथा आम जनता की इसमें रुचि होनी चाहिए।
2. वे लोग जो गरीबी रेखा के नीचे अपना जीवन यापन कर रहे हैं, उन्हें यदि क्रेडिट सुविधा प्रदान की गई तो वे पहले अपनी मूलभूत जरुरतों को पूरा करने को प्राथमिकता देंगें ना कि वे भविष्य के जोखिम के बारे में सोचेंगें। अपनी सुरक्षा जरुरतों को पूरा करने के लिए उन्हें जनता की सीधी मदद चाहिए। उन्हें फ्री चिकित्सा सेवा उपलब्ध करवाकर या फिर सूक्ष्म बीमा के माध्यम से चिकित्सा सुरक्षा प्रदान की जा सकती है। सूक्ष्म बीमा के लिए उन्हें सरकार से सब्सिडी की आवश्यकता है। जितने अधिक लोग सूक्ष्म बीमा से जुड़ेंगें, रिस्क पूल उतना ही अधिक बड़ा होगा जिससे स्कीम को अधिक स्थायित्व मिलेगा। सब्सिडी के बिना अधिक गरीब लोग इससे नहीं जुड सकते हैं।
3. सुक्ष्म बीमा के लिए कुछ डिजाईन तैयार किया जा सकता है तथा इसका विकास किया जा सकता है। प्रीमियम भुगतान में लचीलापन होना इस दिशा में काफी आवश्यक कदम है। साथ ही गरीबों को क्रेडिट प्रदान कर भी इसे अधिक लोगों तक जोड़ा जा सकता है।
4. अधिक विस्तृत रुप में, आम जनता यदि चाहे तो जोखिम में काफी कमी ला सकती है। स्वास्थय जागरुकता कार्यक्रम चलाकर एवं लोगों को इसके बारे में शिक्षा प्रदान कर बीमारियों एवं दुर्घटना से बचा जा सकता है।

> बचत की एवं बीमा की प्राथमिकताएँ अलग अलग है। बचत को लेकर लोगों में जागरुकता देखी जा सकती है, परन्तु बीमा क्षेत्र अभी भी अनछुआ है तथा इसके बारे में विभिन्न भ्रांतियाँ सुनी जा सकती है।

यह आवश्यक है कि उन लोगों के मध्य अंतर स्थापित किया जाए जो सूक्ष्म बीमा को वहन कर सकते हैं और जो नहीं। बीमा में कमी का केवल एक कारण वहनीय क्षमता ही नहीं है, अन्य कारण भी हो सकते हैं।

संकटपूर्ण ग्राउंडवर्क

एक माइक्रो फाइनेंस संगठन जो अपने सदस्यों के लिए बीमा कार्यक्रम प्रारंभ करना चाहता है, उसे कुछ ग्राउंडवर्क तैयार करना होगा। एक बीमा योजना को प्रारंभ करने में निम्न तीन कदम हैं -

1. माइक्रो फाइनेंस कार्यक्रम सदस्यों की बीमा जरुरतों का अध्ययन
2. इन सदस्यों के लिए एक उपयुक्त स्कीम तैयार करना
3. स्कीम प्रारंभ करने से पूर्व ग्राउंडवर्क तैयार करना।

इसमें निम्नलिखित शामिल हैं –

1. सदस्यों के जोखिम का अध्ययन, इनमें बीमारी, अयोग्यता तथा मृत्यु शामिल हैं।
2. इन जोखिम के ऊपर आने वाले खर्च का विवरण

माइक्रो फाइनेंस कार्यक्रम के प्रबंधकों एवं कर्मचारियों उपरोक्त तथ्य शायद जानते हैं। फिर भी, यदि कोई संगठन बीमा स्कीम लेना

चाहता है तो उपरोक्त का विस्तृत अध्ययन आवश्यक है।

अपने कर्मचारियों के लिए बीमा स्कीम डिजाईन करने से पूर्व किसी संगठन के पास निम्न विकल्प हैं -

1. कितना जोखिम कवर किया जाए। कई संगठन सिर्फ जीवन बीमा उपलब्ध करवाते हैं जिसमें प्राकृतिक एवं आपदिक मृत्यु शामिल रहती है।
2. यह निर्णय लेना कि किसी बीमा कंपनी से जुडा जाए या कंपनी के स्तर पर ही यह किया जाए।
3. स्कीम सदस्यों के लिए आवश्यक हो या फिर स्वेच्छा से।

यह निर्णय लेना कि किसी बीमा कंपनी के साथ लिंक किया जाए या नहीं, या फिर कर्मचारियों के लिए बीमा अनिवार्य किया जाए या नहीं, किसी माइक्रो फाइनेंस संस्थान पर निम्न प्रभाव पड़ता है -

निर्णय 1 – बीमा कंपनी के साथ लिंक करना या नहीं

विकल्प (अ) - बीमा कंपनी के साथ लिंक करना

एमएफआई का कार्य
बीमा कंपनी का कार्य

सदस्यों को स्कीम के बारे में जानकारी देना।
बीमा स्कीम डिजाईन करना, जैसे प्रीमियम एवं सम एश्योरड
सदस्यों को नामांकित कर प्रीमियम इकट्ठा करना। प्रीमियम फंड का प्रबंधन करना।
क्लेम के समय सदस्यों की मदद करना।
क्लेम का मुल्यांकन करना।
क्लेम के निपटारे के लिए बीमा कंपनी से बात करना।
सदस्यों को क्लेम रकम भिजवाना।

एमएफआई को फायदा
एमएफआई को नुकसान

किसी बीमा विशेषज्ञ को नियुक्त करने की आवश्यकता नहीं। प्रीमियम रकम ऋण देने के लिए उपयोग में नहीं आती
वित्तीय जोखिम का दायित्व बीमा कंपनी के पास। क्लेम के निपटारे में समय लग सकता है।

बीमा कार्यक्रम से होने वाले लाभ का नुकसान।
विकल्प (ब) - बीमा कंपनी के साथ लिंक नहीं करना

यदि बीमा कंपनी के साथ लिंक नहीं किया गया है तो संस्थान को सभी बीमा जोखिम का वहन करना होगा तथा इसका प्रबंधन करना होगा। यह सुझाव दिया जाता है कि संस्थान को किसी बीमा कंपनी के साथ लिंक करना चाहिए, भले ही आरंभ के कुछ वर्षो के लिए। क्योंकि संस्थान के पास कर्मचारियों की संख्या काफी कम है। जैसा कि पहले भी बताया जा चुका है कि बीमा व्यापार अधिक लोगों को

> सूक्ष्म बीमा का संचालन काफी मँहगा है तथा यह देखा गया है कि प्रभावी एवं उपयोगी उत्पादों को प्रस्तावित करना अभी कठिन है।

कवर करने से तथा काफी बड़े क्षेत्र में ही सफल हो सकता है।

निर्णय 2 – स्कीम को कर्मचारियों के लिए अनिवार्य हो या फिर स्वेच्छा से

विकल्प (अ) - कर्मचारियों के लिए अनिवार्य करना

एमएफआई को लाभ
एमएफआई को ध्यान देने योग्य

प्रीमियम संग्रहन आसान।
सभी सदस्य इसे लेना न चाहें।
संग्रहीत फंड का लेखा आसान।
सदस्यों की संख्या अधिक होने के कारण कम प्रीमियम
पर बीमा की भी बीमा कंपनी से बात की जा सकती है।

विकल्प (ब) - कर्मचारियों के लिए स्वैच्छिक बनाना

एमएफआई को लाभ
एमएफआई को ध्यान देने योग्य

संगठन को कर्मचारियों को इसके लिए ज्यादा तैयार करने व केवल वे सदस्य जो उच्च जोखिम में हैं वे ही इसे लें।
की आश्यकता नहीं। दूसरे कर्मचारियों को होने वाले लाभ तथा कम सदस्यों के शामिल होने की स्थिति में कम प्रीमियम के लिए
को देखकर वे स्कीम ले लेंगें।
बीमा कंपनी से बात नहीं की जा सकती है।

स्कीम का प्रबंधन करना आसान नहीं।

भारत जैसे देश में सूक्ष्म बीमा को विकसित करने के लिए उपयुक्त बीमा उत्पादों का डिजाईन तैयार करना होगा। कवरेज के प्रकार, न्यूनतम आयु, न्यूनतम एवं अधिकतम कवरेज इनका सही निर्धारण हो। बीमा एक्ट, 1938 के प्रोविजन्स को इसमें शामिल किया जाए।

एजेन्ट तैयार करना

साथ ही इसके लिए बीमा एजेन्ट को प्रशिक्षण प्रदान करना होगा। उन्हें इन उत्पादों को बेचने के लिए प्रोत्साहित करना होगा। सूक्ष्म बीमा काफी तकनीकी है, तथा इसके लिए पेशेवर एजेंट्स की आवश्यकता है। भविष्य में हम इसके विकास को देखते हैं तथा इसके द्वारा ग्रामीण जीवन में परिवर्तन को भी देखते हैं।

लेखक आईआरडीए में उप-निदेशक के पद पर कार्यरत हैं तथा उपरोक्त विचार उनके स्वयं के हैं।

Clearing The Clouds

—Weather insurance and derivatives seek to do that

While none can stop the sun and the rain, businesses certainly can protect themselves from the risks they pose, says *Y. Srinivas*.

To businesses, the weather is more than just a topic of conversation. It can play a crucial role in determining the profitability of most companies, especially those engaged in or related to seasonal businesses. The US Department of Commerce estimates that nearly one-third of the nation's economy, or $3.5 trillion, is modulated by weather. These figures would be fairly large for the Indian industry, as well.

The dependence on weather conditions by any particular company poses a risk, called weather risk, which denotes the sensitivity of the performance of the company to weather conditions. Entities such as soft drinks manufacturers, icecream dealers, breweries, wind farms and a host of other corporates are exposed to weather risk.

Corporates abroad are increasingly finding new techniques to manage weather risk using traditional financial engineering tools. At present, insurance companies and financial institutions are largely assisting these efforts by offering structured financial solutions aimed at weather risk management.

Weather risk defined

Weather risk can be defined as financial gain or loss due to a change in weather conditions over a period of time. This risk has an impact on the financials of the company, as it can impact the volume of the business activity dependent on weather conditions. The financial impact can be summarised in three different forms:

1. Revenue impact: The weather affects both the price and the volume of products sold by companies engaged in seasonal businesses, thus resulting in variability of company's revenue based on the weather conditions.

2. Cost impact: Weather risk might impact the cost of the raw materials or other operations of a company. Consider, for example, the recent impact of the tsunami disaster on coastal India. It has lead to a sharp rise in the costs of raw materials available in the affected areas.

3. Valuation impact: Weather risk can create negative shocks to the asset and liabilities values on the balance sheet (financial asset market values and/or total return, capacity, inventory, receivables or payables, such as forward obligations).

Many companies have only an intuitive understanding that their business is affected by the weather. However, they cannot pinpoint the exact weather conditions that has the greatest effect or how much it costs them in monetary terms. Such an analysis will examine exactly how, and when this impact is most damaging.

Weather risk management

Weather risk management refers to the process by which the weather risks are systematically identified, assessed, monitored and then hedged against any possible losses. The process of weather risk management begins by understanding accurately how the weather affects a company's revenue. Many companies have only an intuitive understanding that their business is affected by the weather. However, they cannot pinpoint the exact weather conditions that has the greatest effect or how much it costs them in monetary terms. Such an analysis will also then examine exactly when in the year this impact is most damaging.

After identifying the weather risks that apply to their type of business, the risk manager should adopt a very rational approach to hedge the company's exposure using financial solutions. Two types of risk management tools that are currently being used for this are weather derivatives and weather insurance.

Weather derivatives

Weather derivatives offered by banks are aimed at offsetting the adverse impact of the weather risk on a company's cash flows. They contribute towards a more efficient use of funded capital and reduce the cost of equity and debt funding. They ensure that corporates are in a position to meet investor expectation and deliver profits by meeting their cash flows even in the face of bad weather.

It may be mentioned that traditional derivative contracts, such as forwards and swaps, written against underlying equity, commodity or interest rate risk, hedge only the price risk component of the revenue or cost structure of a firm. However, weather derivatives can help the company to bridge the gap between price variation and the margin between revenue and costs by providing a solution even with reference to variations in the volume. Rabo Bank and ABN Amro have pioneered the concept of weather derivates in India.

A simple weather derivative transaction works something like this. Take, for instance, a fertiliser company whose fortunes for the year depend on the monsoons arriving by early July. When the company enters into a

weather derivative transaction, it strikes a deal whereby if the rains arrive on July 1, the bank does not pay any amount to the company. However, for every day's delay in rain, the company is compensated with an agreed amount. So, irrespective of the climatic conditions, the company maintains its financial position using a weather derivative.

There are several variants of weather derivative instruments including:

1. Swing option contract: Swing option contracts allow the buyers to vary the amount of a commodity that they buy. This flexibility permits an entity to cover the effects of demand or supply shocks resulting in capacity or storage constraints linked to weather risk.

2. Weather swaps: Weather swaps are contracts where two parties agree to exchange their respective weather risks. This produces a more stable cash flow when the weather conditions are volatile. Depending upon the movement of the weather index, the parties to the weather swaps settle the transaction. Swaps usually provide protection from adverse weather in return for giving up some of the upside of a favourable season. For instance, a swimsuit manufacturer may buy a swap to protect against the average temperature over a summer period being 'cool' in return for sacrificing some of the extra revenue earned during a 'hot' summer.

3. Precipitation swaps or options: These instruments are linked to the degree of rainfall or snowfall. The party taking out a precipitation swap would receive payment for precipitation above a certain level. Parties interested in this might include holiday resorts that rely on good weather to bring in revenue. The parties on the other side might include ski resorts, which rely on a certain level of snow.

4. Sunshine option: This instrument, triggered by the number of hours of sunshine, can also be used by summer holiday resorts, which can be compensated if the number of hours of sunshine falls below a certain level.

Certain other weather derivatives currently being traded in the market are weather related caps, collars and floors, each giving a specific flexibility to the parties to the contract.

Aside from being purely hedging instruments, weather derivatives can also be used as marketing tools. Weather-linked bonds, commonly known as nature-linked bonds, are examples. The return on the nature-linked bond is pegged to a suitable meteorological index such as rainfall or temperature. A trigger level is defined which remains active during the exposure period and determines the return on the bonds.

Weather insurance

Weather insurance is popular in the US, Canada, the UK and other western countries. It has found application across diverse industries like agriculture, food processing, energy, leisure and reinsurance. In India, ICICI Lombard pioneered weather insurance primarily as a weather risk mitigation tool with applications in agriculture, rural lending and energy.

Standard property insurance typically covers income losses only when they result from direct physical damage to insured property by a covered peril. Weather insurance fills the gap by providing coverage when weather causes a loss in income or increase in expenses, but with no attendant physical damage.

Weather insurance protects against adverse weather conditions and can cover perils such as rain, snow, wind and temperature. It seeks to address the drawbacks of the existing measures while addressing the core issue of risk mitigation in an economically viable way. Standard property insurance typically covers income losses only when they result from direct physical damage to insured property by a covered peril. Weather insurance fills the gap by providing coverage when weather causes a loss in income or increase in expenses, but with no attendant physical damage.

Weather insurance offers advantages both to the insured and to the insurer. To the insured, it generally covers losses arising out of the four leading weather perils – excessive rainfall, inadequate rainfall, too high and too low temperatures. Thus, through a single policy, the insured is able to cover his weather risk that may result in financial loss. There are benefits for the insurer as well. The "valued" policy is less subject to manipulation by the insured and therefore the moral hazard is reduced, allowing the underwriting and pricing of the product to use more predictable methods.

Weather derivatives vs. weather insurance – an evaluation

Although weather insurance and weather derivatives are two different risk management techniques available to a risk manager, the two work on different models for mitigating risk. Insurance generally functions by dispersing catastrophic risk across a broad array of policyholders. However, derivatives reduce risk through trading, i.e., matching counterparties with complimentary and offsetting risk profiles.

Weather derivatives are different from weather insurance covers. The former do not require a party to have an insurable interest and do not provide loss indemnification, which are the key features of any insurance contract. In the latter case, a claim is paid on account of adverse weather, which needs to be proved, while in the derivative version, the payment is made the moment weather turns against the corporate. As a result, even parties without any exposure to weather risks and consequently no potential for demonstrating weather related loss might enter into a weather derivative transaction.

Weather insurance has offered protection against catastrophic natural events. Insurers are able to provide such protection through the collection of premium across a broader base of policyholders. In fact, as extreme weather conditions may affect a large geographical area, a viable weather insurance model must rely on infrequent occurrences or substantial premium.

Weather derivatives, in contrast, do not disperse risk across the base of participants but match parties with offsetting risks. The risks dispersed under a derivative transaction also need not be catastrophic. Weather derivatives primarily work on the principle of risk transfer. The risks of the counterparties are minimised through negotiations these parties may have directly or indirectly and thereby agree to cover each other's risks to a greater or lesser extent.

Thus, weather derivatives are a helpful adjunct to weather insurance offerings. In cases where insurance is prohibitive either due to high likelihood or concentration of loss, weather derivatives offer a market-based means for participants to hedge their exposures. Weather derivatives can serve the insurance industry itself as an important outlet for dispersing weather risk beyond the typical insurer/ reinsurer model.

The way ahead in India

The concept of weather risk management is very new as far as the Indian industry is concerned. Though the market is largely in need of such products, mainly due to its dependence on agriculture, insurance is not used as a tool, as the financial markets are not very well developed. Certain steps can be taken to popularise the concept of weather related products:

- Development of reliable weather related indices (consistent and transparent disclosure, minimised measurement error), tailored specifically to financial transactions.
- Robust analysis of regional weather risk volatility and sensitivity over a period of time.
- Requirement of more rigorous statistical error diagnostics on historical volatility around seasonal averages.
- Greater number of market participants who are aware of the implications and the utility the weather risk securitisation products.

Weather derivatives are a helpful adjunct to weather insurance offerings. In cases where insurance is prohibitive either due to high likelihood or concentration of loss, derivatives offer a market-based means for participants to hedge their exposures.

In September 2003, UK-based Northern Foods, the microwave meals giant, ousted its chief for the company's financial losses. This was perhaps the first case where an unhedged weather risk cost the CEO his job. Northern Foods discovered that people do not eat microwave meals on a hot day — yet the company did not protect itself with weather derivatives. This goes to prove the importance of weather derivatives and insurance to the profitability of a company.After all, no one wants to be under the weather.

The author is Manager, ICICI Bank. The views expressed here are his own.

An overview of the impact of weather on various industries

Risk Holder	Weather Type	Nature of Risk
Energy industry	Temperature or cool summers	Lower sales during warm winters
Hill resorts	Snowfall below-average snowfall	Lower revenue during winters with
Building material companies	Temperature/Snowfall (construction sites shut down)	Lower sales during severe winters
Farmer	Temperature/Snowfall extreme temperatures or rainfall	Significant crop losses due to
Hydro-electric power generation	Precipitation	Lower revenue during periods of drought

"ਦਾਅਵੇ ਦੇ ਕਾਗਜ਼-ਪੱਤਰ ਭੇਜੇ ਹੋਏ ਮੈਨੂੰ ਤਿੰਨ ਹਫ਼ਤੇ ਹੋ ਗਏ ਹਨ। ਆਸ ਹੈ ਉਹ ਛੇਤੀ ਹੀ ਪੈਸੇ ਭੇਜ ਦੇਣਗੇ।"

"ਜੀ ਹਾਂ, ਉਹ ਜ਼ਰੂਰ ਭੇਜਣਗੇ। ਜਦੋਂ ਸਾਰੇ ਕਾਗਜ਼-ਪੱਤਰ ਤਰਤੀਬ ਵਿਚ ਹੋਣ ਤਾਂ ਉਨ੍ਹਾਂ ਨੂੰ 30 ਦਿਨਾਂ ਦੇ ਅੰਦਰ ਅੰਦਰ ਹਿਸਾਬ ਚੁਕਦਾ ਕਰਨ ਪੈਂਦਾ ਹੈ। ਇਹ ਅਸੂਲ ਹੈ!"

ਭਾਰਤ ਵਿਚ ਬੀਮਾ ਕੰਪਨੀਆਂ ਦੀ ਨਿਗਰਾਨੀ ਕਰਨ ਵਾਲੀ ਸੰਸਥਾ ਬੀਮਾ ਵਿਨਯਮਕ ਅਤੇ ਵਿਕਾਸ ਪ੍ਰਾਧਿਕਰਣ (ਆਈਆਰਡੀਏ) ਪਾਲਸੀਧਾਰਕਾਂ ਦੇ ਹਿੱਤਾਂ ਦੀ ਰਖਵਾਲੀ ਕਰਦੀ ਹੈ। ਆਈਆਰਡੀਏ ਦੇ ਬਣਾਏ ਕੁਝ ਕਾਇਦੇ ਇਸ ਪ੍ਰਕਾਰ ਹਨ :

- ਬੀਮਾ ਕੰਪਨੀ ਨੂੰ ਸਾਰੇ ਸੰਬੰਧਿਤ ਕਾਗਜ਼-ਪੱਤਰ ਮਿਲਣ ਦੇ 30 ਦਿਨਾਂ ਦੇ ਅੰਦਰ ਅੰਦਰ ਦਾਅਵੇ ਦਾ ਭੁਗਤਾਨ ਕਰਨਾ ਪਵੇਗਾ ਜਾਂ ਕੋਈ ਚੁਕਵਾਂਕਾਰਣ ਦੇ ਕੇ ਇਸ ਨੂੰ ਵਿਵਾਦਕ੍ਰਮਤ ਕਰਨਾ ਪਵੇਗਾ।
- ਬੀਮਾ ਕੰਪਨੀ ਪ੍ਰਸਤਾਵ ਸਵੀਕਾਰ ਕਰਨ ਦੇ 30 ਦਿਨਾਂ ਦੇ ਅੰਦਰ ਅੰਦਰ ਭਾਵੀ ਪਾਲਸੀਧਾਰਕ ਨੂੰ , ਪ੍ਰਸਤਾਵ ਫ਼ਾਰਮ ਦੀ ਇਕ ਨਕਲ ਮੁਫ਼ਤ ਮੁਹਈਆ ਕਰਵਾਏਗੀ।
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- ਬੀਮਾ ਕੰਪਨੀ ਨੂੰ ਆਪਣੇ ਪਾਲਸੀਧਾਰਕਾਂ ਦੇ ਕਿਸੇ ਵੀ ਚਿੱਠੀ-ਪੱਤਰ ਦਾ ਜਵਾਬ 10 ਦਿਨਾਂ ਦੇ ਅੰਦਰ ਅੰਦਰ ਦੇਣਾ ਚਾਹੀਦਾ ਹੈ।

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Report Card: GENERAL

15% growth in the first quarter

G. V. Rao

The non-life industry has, for the first quarter of the 2005-06 financial year, recorded an impressive growth of 14.75 per cent. The new players have continued to build on their relentless drive on their own past high growth rates. Three of the new companies namely, ICICI Lombard, Bajaj Allianz and IFFCO-Tokio are the protagonists for the drive for premium growth both in quantum and in percentage terms.

Of the total industry accretion of Rs. 707 crore for the first quarter in current fiscal, these three players alone have contributed Rs. 423 crore. The individual accretion of each of these three is higher than any of the established players by a huge margin, emphasising that size, infrastructure and relatively low capital structure are no bar to competing in the market place to gain consumer acceptance.

Performance during June 2005

June 2005 has seen the non-life industry record an accretion of Rs. 187 crores (14 per cent growth), slightly lower than the industry average for the quarter of 14.75 per cent. The new players have contributed Rs. 140 crore (58.8 per cent growth rate), the four established players Rs. 44 crore (4.2 per cent growth) and ECGC Rs. 2.6 crore (4.24 per cent growth).

Of the Rs. 140 crore accretion by the new players, ICICI, Bajaj and IFFCO alone out of the eight new players, have contributed Rs. 121 crore.

Of the established players Oriental is at the top of the heap with Rs. 22 crore accretion (9.4 percent growth), New India with Rs. 19 crore (6.1 per cent), UIIC with Rs. 17 crore (7.8 per cent) rank next. National Insurance is still on a negative accretion run in the year more by design than by any failure of effort, signifying a dramatic reversal in its strategy.

ECGC has achieved a growth of 4.2 per cent by recording an accretion of Rs. 2.6 crore.

GROSS DIRECT PREMIUM (within India) JUNE, 2005

(Rs.in lakhs)

INSURER	PREMIUM 2004-05 FOR JUNE '05	PREMIUM 2004-05 UPTO JUNE '05	PREMIUM 2003-04 FOR JUNE '04	PREMIUM 2003-04 UPTO JUNE '04	MARKET SHARE UPTO JUNE, 2005	GROWTH % YEAR ON YEAR
Royal Sundaram	3,755.00	12,035.00	2,475.00	8,120.00	2.19	48.21
Tata-AIG	4,084.33	16,896.64	3,588.00	13,621.07	3.07	24.05
Reliance General	711.08	4,773.60	1,466.06	5,235.55	0.87	-8.82
IFFCO-Tokio	6,793.58	23,628.39	3,703.93	13,101.76	4.29	80.35
ICICI Lombard	10,322.90	42,339.04	5,325.24	22,048.51	7.69	92.03
Bajaj Allianz	9,049.58	31,904.31	4,980.27	21,031.22	5.80	51.70
HDFC Chubb	1,699.00	4,242.32	1,189.64	3,784.35	0.77	12.10
Cholamandalam	1,420.58	7,166.27	1,052.30	4,627.17	1.30	54.87
New India	32,801.00	1,17,641.00	30,864.00	1,07,749.00	21.37	9.18
National	28,229.58	93,483.58	29,753.75	99,289.67	16.98	-5.85
United India	23,409.00	89,492.00	21,714.00	85,802.00	16.26	4.30
Oriental	25,500.00	93,358.00	23,206.00	83,908.00	16.96	11.26
ECGC	4,718.92	13,435.87	4,457.96	11,336.03	2.44	18.52
TOTAL	**1,52,494.56**	**5,50,396.02**	**1,33,776.16**	**4,79,654.33**	**100.00**	**14.75**

The market share of the new players in the premium completion for June 2005 is 33 per cent up from 21.6 per cent for June 2004. Without ECGC in the reckoning, it is 34.4 per cent up from 22.6 per cent in the same month last year. The surge in their market share is sharp.

Performance up to June 2005

The premium completed up to June 2005 was Rs. 5,504 crore up by Rs. 707 crore (14.75 per cent growth). The new players have contributed Rs. 514 crore to it (56.1 per cent growth) and the four established players Rs. 172 crore (4.6 per cent growth) and ECGC Rs. 21 crore (18.5 per cent.)

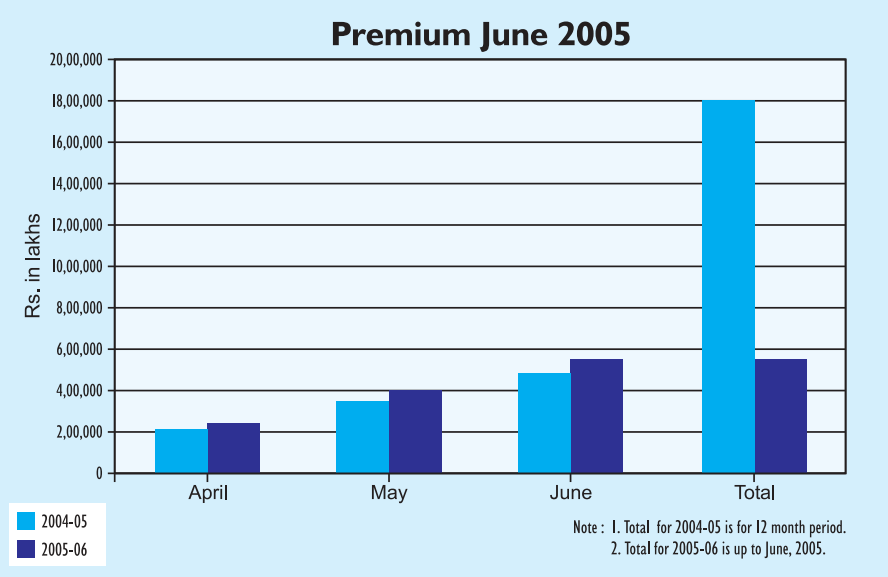
The most interesting performances been those of ICICI with a record first quarter accretion of Rs. 203 crore (92 per cent growth), Bajaj with Rs. 109 crore (52 per cent) and IFFCO with Rs. 105 crore (81 per cent growth). These three companies have quantum accretions far higher than any of the older companies, with New India coming in as a fourth player with an accretion of Rs. 99 crore (9.2 per cent growth). Oriental with Rs. 95 crore stands fifth in quantum accretions.

ICICI has emerged as the clearest leader among the new players with a premium level of Rs. 423 crore pushing Bajaj with a premium of Rs. 319 crore to a distant second rank.

The established players have continued to struggle for premium growths even more severely now than in the previous fiscal. It was National Insurance that drove the premium levels for them for the last two years; with National currently on the defensive, the other three players have not raised their levels of marketing effort.

Market Shares

Without ECGC figures the new players at the end of the first quarter in 2005 fiscal have raised their market share to 35 per cent up from 23.6 per cent as at the end of the first quarter 2004. With ECGC, their market share is 25.98 per cent up from 19 per cent as at the end of first quarter 2004.



It is evident that the new players are giving a tough fight to the older ones in all departments of business, as seen from the sharp increase in their market share.

Future prospects

With the recent floods in Gujarat, Maharashtra and Orissa causing enormous losses to the industry, the attention of insurers will be diverted to settling claims and many new players will feel they are on trial to prove their credentials as credible insurers. Brokers will be hard put to justify their intermediary status of realising claims for their customers. It is a situation in which the entire industry has suddenly been put to a severe test of credibility. Hopefully, the industry will rise to the occasion.

Many insurers will be chastened to reappraise their current reinsurance arrangements in terms of adequacy of quantum and adequacy of security and in terms of prompt settlement of reinsurance claims.

It is a time for redeeming promises made to customers and the next quarter is sure to divert the attention and time of insurers to looking at the conveniences of current customers rather than only on winning new ones. The easy times of the last three years have come to an abrupt end and the pay off time has come in rather unexpectedly. How the industry will respond is the foremost thought on people's minds.

The author is retired CMD, The Oriental Insurance Company.

Plugging The Churn

—Agents attrition rates give cause for concern

It is as important to retain good personnel in the agency force, as it is to spot and nourish fresh talent, observes *P. V. Subramanian.*

The Agent is the face of the nation's insurance industry – its very blood and backbone. While other channels of selling insurance products exist, these are dwarfed by the agency force, which enjoys near-monopoly status.

And yet, life insurance agency is nobody's preferred cup of tea. The climate certainly is changing and one does hope it changes at a faster pace given that over 75 per cent of the agents are part-timers. The other 25 per cent or a little less wait for a 'better' break while 'doing' agency. A very high rate of attrition is inevitable given the scenario, but not unavoidable.

The regulations are clear as to the minimum educational qualification a prospective agent shall posses, the content and time period of training he/she would undergo and the minimum score required in the 'test' to qualify before a licence is issued. No monetary investment is called for. Here is an opportunity for the millions of educated unemployed in our country; yet only about 3,00,000 'new' agents have come in, in the post liberalisation era! No count yet on how many went out, not to mention the inactive ones; the licence is valid for three years. The situation warrants a concerted and comprehensive action on the part of the Regulator, the insurance companies, their officials and the agents themselves.

The agency profession is very rewarding, given the high first year commission and the prospect of trailing commission after a minimum of five years in the field, not to mention the largesse showered by way of incentives! Even when there was no competition (discount other competitors in the 'savings' market), the first year commission had been a matter of negotiation between the agent and the prospect. Mind you, there is a law against 'rebating' dating back to 1938! That 'rebating' is at least a distinct possibility, if not a definite happening, is established by this very provision, which prohibits it. But till date not even once has this provision been invoked! No prize for guessing whether it is because of the fear of law or its ineffectiveness. Quite unfortunately, this gives openings to those who can bring in money as a USP in a field where ones knowledge, skills and conviction are to be the investments. It makes one wonder if this Section 41 of the Insurance Act of 1938 deserves to remain in the statute books.

The licensing process is one that does not lend value to the profession. It is a process under which form is given more importance than substance. Is '100 hours' as a time period or the content more important? There are ever so many 'work arounds' that make a mockery of this process and all the partners involved are equally guilty.

The licensing process, nay, its implementation, is another, which does not lend value to the profession. It is a process under which form is given more importance than substance. Is '100 hours' as a time period or the content (as long as they take) more important? There are ever so many 'work arounds' that make a mockery of this process and all the partners involved are equally guilty. Also, the process as 'practiced' has shifted the responsibility of 'compliance' to the accredited training institutions! And how well conceived is the licensing process itself can be a matter of another discussion.

Working with a large and well spread out agency force is one sure way of increasing presence and, consequently, sales –a strategy the companies believe in and to a very large extent quite so. This puts pressure on the agency managers to recruit a large number of agents. But not one company I know of has a stipulation on the number of agents (out of the number so recruited) that should produce business. So the agency managers rely on the comfort of numbers to fulfill their targets counted by the premium income, number of policies, etc. The more agents the merrier and God save the 'also ran' agents, as well as those that hardly ran. Quite unfortunately, these numbers are not small. But the justification offered is that the fitter ones would survive and eventually, yes, eventually the better ones would stay and lend dignity to the profession.

The attrition rate – 27 to 40 per cent are the figures reported in the press – represent agent numbers who were officially terminated, but do not include those licensed, still on rolls but not contributing. Definitions of phrases such as 'attrition', 'active' and 'participating' with reference to agents vary from company to company.

For the educated unemployed or under-employed, the agency platform is a good one to rest on until something better turns up. The prospects of income through commission, the status of representing a PSU or an MNC, the initial pampering one receives from the officials like the agency managers, etc.

are all quite comforting. But the less committed soon fall by the wayside. Agreed that there is no fixed formula to recruit a 'good' agent, but I dare say that flippant recruitment does take place quite deliberately.

The situation is not hopeless, as one would be led to think: a few suggestions come to mind. The Regulator will do well to leave it to the market to develop 'good' agents for which the pre-licensing process shall be limited to testing the competency of the prospect in terms of knowledge and skill; the market is full of many modern and sophisticated methods that would be real 'tests'. Even the prescribed written test now in vogue can be made much more imaginative and 'testing'.

"Rebating" is the other provision that attracts the wrong kind, money-laundering, to this profession. The regulations stipulate that the agent shall disclose the commission eligibility if enquired into by the customer – similar provisions exist in the sophisticated markets as well. Even the practice of agents parting with part or whole commission to clients is even officially allowed in certain markets. Although provided solely with a view to introduce transparency and response to the customers' right to information, the effects go well beyond the limits of propriety and ethics. There is, nevertheless, hope in the form of the Narasimhan Committee, which may make appropriate recommendations.

A conscious effort, nay, a *conscientious* one, on the part of the companies and their sales team members can definitely establish a better recruitment process that would result in an improved survival ratio. A terminated agent is a cost down the drain and the presence of one in a locality makes recruiting another in that locality difficult; above all it hurts the brand. With rising consumer awareness will come the awareness to identify quality (in agents). Efforts put in by the companies in these early stages will stand them in good stead. An agent is often called an investment and if so, the need of the hour is to treat him as one!

A terminated agent is a cost down the drain and the presence of one in a locality makes recruiting another in that locality difficult; above all it hurts the brand.

And maybe, the ratio of performing agents to the number recruited could be part of the agency managers' performance appraisal.

In a larger context, the Regulator can possibly play a developmental role. Granted that the larger the number of agents the deeper the penetration and spread, provided of course the agents 'participate'. The longer they stay in the profession the better the customer contact and the post sales service. These are good reasons to launch an attack on the attrition rate. Although the productivity norms of the agents and their managers are the companies' prerogative to determine, maybe IRDA can play a persuasive role in the larger interest of all.

The profile of the agency profession is changing for the better and a shove from all stakeholders would help bring down the attrition rate considerably. The companies would benefit by way of cost reductions, which in turn benefits the customer. And the Regulator can hardly complain.

The author retired as Executive Director, Life Insurance Corporation of India and later was Consultant, AMP Sanmar Life Insurance Company.

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INSURERS CRACK THE WHIP ON BPO RECRUITMENTS

The spurt in the number of reported incidences of fraud in Indian business process outsourcing firms (BPOs) has insurers sharpening their claws. Insurance companies are now insisting on proper employee checks before recruitment, it has been reported. This means BPOs can no longer expect to get away with just checking the background of the prospective employee based on the two references given.

"BPOs also need to have proper risk management cells in place and proper legal vetting of contracts defining the terms of indemnity limits," Mr. V. Ramakrishna, Managing Director, India Insure, an insurance brokerage firm, has been quoted as saying. BPOs will have to conform to the international security standards of the BPO industry, defined as 7799, he added.

The rising threat of litigation from foreign companies (clients of the BPOs) also has the Indian insurers adding muscle to their legal teams. Both AIG and Chubb, world leaders in liability insurance, have a large panel of lawyers sitting in their US and UK offices, senior insurance officials have been quoted as saying. ICICI Lombard, leading in the Indian market for the sale of liability insurance, has established a specialised liability team in the country.

In the West, BPOs typically scrutinise their staff through private security agencies, which to do a thorough check on employees in terms of their background, their families and their criminal records, if any. Indemnity policies do not pay claims if a fraud is committed by an employee with a criminal record.

At the same time, while the Indian insurance industry has decided to ensure greater risk management of BPO and IT companies, the BPO industry itself is looking at self-regulation, Mr. Ramakrishna said.

IT companies scuttle for greater crime cover

As security issues are posing the greatest threat to the Indian IT services industry, the top players, including Infosys, Wipro and Satyam, are doubling their crime protection covers, say media reports. At the same time, insurance companies providing liability insurance are declining blind coverage of third party losses even under a crime policy.

This follows the recent exposé by British tabloid *The Sun* of an Indian BPO employee selling classified information and siphoning off overseas customers' funds. This single incident had heightened the risks for the $3.8 billion BPO industry, say the reports. It can have a negative impact on the Indian industry, as foreign clients insist on third party coverage before signing any contractual agreements with the BPOs. Third parties are essentially the clients of the foreign company that outsource to an Indian BPO.

For instance, customers of Citibank can file a lawsuit against the bank which, in turn, will be a cost to be borne by the insurance company dealing with the Indian BPO. Crime insurance is an extension of a professional indemnity cover aimed to protect a company against frauds.

Today, most Indian IT enabled services (ITES) and BPOs have bought professional indemnity cover to the extent of $2-5 million. They are expected to double their limits, especially in the case of BPOs handling sensitive data related to mutual funds, banking and insurance. About 15-20 per cent of the entities in the BPO and IT industry have sought crime insurance cover in the range of $5 million. Professional indemnity cover is far more popular, with coverage to the extent of $75-80 million, according to reports.

Earlier, crime insurance was considered a licence for employees to commit crimes and hence was not very popular. Today, with the changing situation, BPOs and IT companies have realised the danger of not having cover in place.

STUNTMEN WANT LESS RISKS, MORE INSURANCE

Following decades of working in the shadows to make the movie heroes appear dashing and adventurous on screen, India's stunt performers want to be rewarded for the risks they undertake.

The Stuntmen's Association of India - the nodal body for over 500 men and women who work in the movies – is asking producers for insurance schemes as part of a package that includes a 25 per cent wage and special awards. "We don't hesitate to take risks but the rewards should match these risks," Mr. Rashid Mehta, President of the association, was quoted as saying. "We never get what we deserve."

The stunt performers do not have a long working life. After working for about seven years, they usually retire since their body no longer allows them to take the pressure and risks associated with the dangerous stunts they perform.

"We are in touch with some insurance companies but nothing has been confirmed yet. The premiums they want are high in comparison to our income," Mr. Mehta said.

Says stunt director Kaushal: "We don't shy away from taking risks, but there should be something to back us in our bad times. At the least, insurance is what we expect from the film industry."

ACCREDITATION SYSTEM FOR INDIAN HOSPITALS SOON

The Indian healthcare industry will soon opt for a system of accreditation, a formal procedure through which a governmental or non-governmental agency grants recognition to healthcare institutions that meet certain standards, it has been reported.

Under this system, certain standards will be incorporated in all health centres ranging from nursing homes to top tertiary care hospitals. The standards will be gauged by the quality of infrastructure, manpower, outcomes, incidence of infections, level of patient information, patient safety etc. in hospitals.

Submitting a draft report on this issue to the Quality Council of India (QCI), Dr. Naresh Trehan, Chairman, CII National Healthcare Committee, said the system 'would ensure accountability of hospitals in the standards they maintain'. Dr. Y. P. Bhatia, CEO, Rajiv Gandhi Cancer Institute, who headed a previous task force constituted jointly by CII's healthcare committee and the Indian Healthcare Federation, said various standards, such as the Joint Commission International, and Australian and Thai accreditation standards, were studied and the best from each of them was taken while keeping in mind the recommendations needed to suit the Indian system.

QCI, an autonomous body created by an act of Parliament, will review the draft and throw it open to discussions.

According to CII, if India has to become a medical destination of the world and increase the level of confidence of the health insurance sector, accreditation would be needed urgently.

INSURANCE FIRMS FLOODED WITH LOSS OF PROFIT CLAIMS IN GUJARAT

Massive Loss of Profit claims from large manufacturing houses may push insurance claims in the aftermath of the Gujarat floods to more than Rs. 300 crore, it has been estimated by press reports. The worst hit however, would be small traders or shopkeepers, with little or no insurance cover. The initial estimates peg the damages at Rs. 50 crore.

As reconstruction work starts in Gujarat, insurance companies are getting ready to face claims that, according to initial estimates, may amount to Rs. 50 crore. Insurers, however, expect this figure to go up to at least Rs. 300 crore after companies assess the damage and Loss of Profit claims begin pouring in.

"So far we have already received around 700 claims from Gujarat, that amounts to about Rs. 9 crore. But in the next few days, once the damage is properly assessed the number will go up," Mr. A. V. Girijakumar, AGM, New India Assurance, has been quoted as saying. Among the worst hit are small traders and shopkeepers, as most of them do not have large insurance covers. However, what insurance companies really fear are "Loss of Profit" claims from large manufacturing plants.

According to media reports, a Philips manufacturing unit has already reported flood damage of Rs. 12 crore. The other large area of concern is damage to goods in transit that are yet to be reported.

LIC revamps incentive package to stem employee churn

Severe competition in the life insurance sector may give LIC employees reason to smile. The country's largest financial institution plans togive performance-linked salaries to check poaching of assistant branch managers at its 2,048 branches, it has been reported.

"All employees of the branch that fares better than the others will get productivity-linked lump-sum incentive (PLLI)," Mr. A. K. Shukla, Chairman, LIC, was quoted as saying.

PLLI was introduced in 2000. It was decided at the time that depending on the growth in premium, LIC employees, across the board, would get an additional incentive capped at 6 per cent of their salaries. In the past two years, as LIC's growth in premium on a larger base has not been as expected, employees have not received PLLI.

With the induction of a new chairman, LIC will restructure PLLI within six months and incentives will be paid to deserving employees. "Just because the corporation has not qualified at the corporate level, employees should not suffer if individual branches have performed well," Mr. Shukla said. Talks with unions will shortly take place, and employees will not get a percentage of the profits, but a targeted amount.

The target will no longer be just the premium growth rate, but will also include the ability of the staff to reduce expense ratios and increase productivity and cut costs.

INDIA LEADS THE PACK IN TERRORISM COVER

India is better placed as against developed countries in terms of terrorism insurance, it has been reported. The Indian general insurance industry had set up its own independent terrorism pool after the 9/11 attacks in the US. In contrast, the developed world had to rely on individual governments to establish a separate terrorism pool to take care of probable contingencies. The terrorism pool is a corpus of funds collected from all insurers to offset possible future losses arising out of such violence.

This step became imperative when such risk cover was excluded globally by insurers. Today, India's terrorism pool has increased the coverage from Rs. 300 crore per risk in 2001 to Rs. 500 crore as on February 2005.

The 7/7 and 22/7 blasts in London have seen developed nations rushing to extend their terrorism insurance pools. The German government announced its decision to extend the backing of the country's terrorism pool, Extremus AG, for another two years. The cover would have expired on December 31, 2005. The US insurance industry has also asked the Congress to extend its programme of guarantees to help cover losses from terrorism. The US' Terrorism Risk Insurance Act (TRIA) expires at the end of the year.

With the growing occurrence of terrorist attacks globally, international insurance players feel the dire need for 'private and public partnership in financing risk'. According to a report released by the British Insurance Brokers Association (BIBA), there has been an increase of around 274 per cent in terrorist attacks worldwide.

India has decided to set up its own terrorism insurance pool, pricing the risk cover at 50 paise for every Rs. 1,000 sum assured (that is value of the property), in the case of industrial risks and 30 paise for every Rs. 1,000 sum assured in the case of non-industrial risks.

Spitzer and US Govt. no longer cooperating in insurance probe: report

Mr. Eliot Spitzer, New York Attorney General, and US federal officials are no longer cooperating on parallel probes of the US insurance industry, according to a report in *The Washington Post*. Each has made separate deals with witnesses in their probe of the industry, says the report, adding that such independent deals will probably make the witnesses less useful to the other side.

New York state and federal officials jointly interviewed insurance executive witnesses until late April or early May 2005. Since then, however, they have conducted separate interviews.

The typical intra-agency tensions have been made worse by news leaks from a high-profile interview in April with investor Mr. Warren Buffett, head of Berkshire Hathaway, Inc., whose businesses include General Re Corp., a leading reinsurance firm. The unit is part of a wide-ranging probe into a product known as a finite reinsurance, which has allegedly been used by some buyers such as American International Group to make their earnings look better.

The three-hour session with Buffett was held at the Securities and Exchange Commission's offices in New York and included federal prosecutors from the Justice Department and the Eastern District of Virginia, SEC lawyers and Mr. Spitzer's staff. But when news reports of the session quickly surfaced, federal investigators blamed members of Mr. Spitzer's staff for the leaks, according to the *Post*.

Mr. Spitzer has publicly criticised the federal government for its enforcement track record. "Not a word has come out of the White House about maybe there being a structural problem in the insurance industry," he said in a speech to business writers and editors in Seattle in May.

US DOCTORS PLAGUED BY RISING PREMIUMS, SAYS REPORT

A new report released by the Americans for Insurance Reform (AIR), titled *Measured Costs*, has found that insurance companies have been raising doctors' premiums even though expenses related to claims have risen slowly, near medical inflation. The report follows another study co-released in July by a coalition of national consumer organisations, Falling Claims and Rising Premiums in the Medical Malpractice Insurance Industry, that reaches similar conclusions. That study, reported in the *New York Times*, sparked two state attorneys general and a state insurance commissioner to explicitly challenge the insurance industry's excessive rate hikes for doctors.

Both studies support the conclusion that the reasons for the dramatic premium increases for doctors cannot be found in any sort of lawsuit "explosion" but must be found elsewhere – the business and accounting practices of the insurance industry. The "tort reform" remedy pushed by the insurance and medical lobbies is failing to do anything to help doctors with their insurance problems.

AIR's report has been authored by Mr. J. Robert Hunter, an actuary and Director of Insurance for the Consumer Federation of America (CFA). He says: "The change in medical malpractice loss costs over the past 10 years shows the same pattern as paid losses, year after year rising near the level of medical inflation. There is no justification for the sudden spike in rates that American physicians have endured, other than the lack of competition that occurs during the insurance industry's periodic hard market episodes."

GERMAN LIFE INSURERS ORDERED TO MAKE POLICIES MORE TRANSPARENT

The German constitutional court has ordered Allianz Life and other domestic life insurers including AMB Generali Holding AG to disclose more information on how final policy payouts are calculated. The insurers do not give enough information about how surpluses on mature policies are calculated, failing to tell consumers that calculations are based on the book value of companies' reserves, rather than a possibly higher market value, said the court.

Legal provisions regulating insurers' obligations to policy holders "don't fulfill constitutional rules protecting consumer rights," the court in Karlsruhe said in a statement. Insurers aren't bound to take "adequate" account of surpluses when paying out on mature policies, it said.

Consumer-rights groups have expressed dissatisfaction with a lack of transparency on insurance products and changes to the way they are taxed. That has frustrated the government's plans to persuade more people to buy life insurance to provide for their old age. Shortfalls in funding for the compulsory state pension programme may lead to a freeze in payouts for a second consecutive year. The 116 year-old programme may need a °450 million ($540 million) cash injection in September to pay 23 million pensions on time.

CAR INSURANCE – MYTHS AND FACTS

A recent online survey of 1,000 drivers conducted by Drive Insurance from Progressive, a US-based writer of personal auto, motorcycle, recreational vehicle and boat insurance through independent insurance agencies, has found that many drivers continue to accept common car insurance myths as true. It is up to insurance agents and brokers to help consumers separate fact from fiction, says the firm. The following are some of the myths as put forth by the survey, and the related facts, regarding vehicle insurance:

Myth: Car insurance companies consider vehicle colour when determining rates.

Fact: Colour is not used to calculate auto insurance rates. Information that is used includes the vehicle's year, make, model, body type and engine size, as well as information about the driver.

Myth: Car insurance rates are not regulated and car insurance companies can charge whatever they want.

Fact: Regulators review the information that companies collect as well as the rates they charge; insurers cannot deviate from those rates.

Myth: Comprehensive coverage protects drivers in all situations.

Fact: Comprehensive coverage is one type of protection available on an auto insurance policy (others being Collision, Uninsured Motorist, etc.). Comprehensive coverage pays only for damage caused by an event other than a collision, such as fire, theft, or vandalism; it also covers weather-related (e.g., hail, flood) damage, damage caused if a vehicle collides with an animal and it provides a rental car if a vehicle is stolen.

Myth: Rental reimbursement coverage protects drivers who crash their rental car while on vacation.

Fact: Rental reimbursement coverage pays for the cost of a rental car if a driver's personal car is in the shop as a result of an accident and he or she needs a replacement vehicle.

Myth: Bundling insurance coverages always results in a cheaper car insurance rate.

Fact: Just because a driver buys more than one product from the same insurance company, it does not always follow that he/she is getting the best rate available. In many cases there are savings to be had by talking with an independent agent or broker who can create a custom insurance package with policies from competing insurance carriers.

Myth: Car insurance rates go down dramatically when drivers turn 25.

Fact: Young and older drivers typically have the most car crashes and different car insurance companies' customers have different claims experiences. At Drive Insurance, for example, crash frequency starts to decline when drivers reach their mid to late twenties. However, when developing an auto insurance rate, insurers generally consider a variety of other information about the driver in addition to their age, including information about their vehicle, their past claims history and the claims experience for other customers like them. One or more of these pieces of information could lead to a driver getting a higher, lower or the same rate when he/she turns 25.

US firm launches tool to gauge consumer attitudes

US-based market research firm Yankelovich, Inc. has launched a tool that links the attitudes of individual consumers to insurance industry-specific product behaviours. The tool, Attitudes in Action, enables marketers to tailor their messages to a specific individual's wants and needs and customise their offers to attitudes linked to individual names and addresses. These insurance-specific attitudes can be used for selecting target lists and performing database enhancements, thereby improving marketing productivity through higher response rates and reduced costs.

In addition to insurance, Attitudes in Action can be applied to three other financial services sectors - credit cards, investments and loans and mortgages. Yankelovich used Attitudes in Action to score its proprietary compiled consumer database of 230 million names: ConsumerCONNECT. This unique database makes it possible to identify the specific individuals who hold particular category-specific attitudes - for both lists and data enhancements - and then to deliver marketing targeted to individual customers who hold specific attitudes.

The product develops data links to consumers' attitudes about relevant issues such as customer service, trust, privacy and many other areas, and connects them to insurance products and services. The database also divides the products and services into attitudinal segments, with names indicating behaviour, e.g., "seeking incentives," "no penalties" and "high expectations."

The goal of the new tool is to help insurance marketers target their most valuable prospects, profile key consumer or geographic markets, perform geographic analysis for site performance and/or selection, and deliver effective messaging.

BROKERS MEET

The Annual Conference of the Insurance Brokers Association of India (IBAI) was held in New Delhi on July 23, 2005.

L to R: Mr. C. S. Rao, Chairman, IRDA lights the lamp to inaugurate the conference. Looking on are Mr. Bharat J. Boda President, IBAI, Mr. Martin Hall, Head Business Development Xchanging, UK, Mr. Mathew Verghese, Member, IRDA and Mr. S. V. Mony, Secretary General, Life Insurance Council of India.

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It's the insurance industry's duty to pick up the pieces when things go wrong. It won't have a greater impact on the insurance industry than it does on the rest of the economy.

Lord Peter Levene, Chairman, Lloyds of London, about the London subway bombings.

(The economy's current strength reflects the ability of businesses to cover affordably catastrophic terrorism risks.) This is in large part due to the federal backstop. The removal of that type of protection could return the insurance market to the uncertainty experienced in the aftermath of September 11, 2001.

Mr. Howard Mills, New York State's Superintendent of Insurance warning on behalf of the National Association of Insurance Commissioners (NAIC) about the expiry of the Terrorism Risk Insurance Act (TRIA) on December 31, 2005.

We believe these recommendations ... should greatly improve the way people design, construct, maintain and use buildings, especially high-rises....(and) also should lead to safer and more effective building evacuations and emergency responses.

Mr. Shyam Sunder, World Trade Center lead investigator from the U.S. Commerce Department's National Institute of Standards and Technology that investigated the fires and collapses of the WTC's twin towers following the 9/11 terrorist attack.

The threat arises from the combination of so many initiatives: the application of Sarbanes-Oxley; the work to prepare for Basel 2; the implementation of the various directives introduced under the Financial Services Action Plan; the introduction of new International Financial Reporting Standards; the FSA's work to introduce long overdue new accounting and reporting standards for life insurance companies.

Sir Callum McCarthy, FSA Chairman, expressing his deep concern of the cost and effect of current financial regulation.

Life premiums are set for continued growth, as sales of savings products are expected to pick up gradually. In the emerging markets, life premiums will grow around 2.5 percentage points faster than GDP in 2005.

Non-life business is expected to expand at a slow pace this year, especially in the industrialised countries. Assuming average claims levels, return on sales may be a low double-digit figure again in 2005.

Swiss Re's sigma study "World insurance in 2004," which examines the insurance markets of 145 countries.

APRA does want to encourage whistle-blowing and expects insurers to encourage this too. What the (fit and proper) standards will do is require various steps to remove disincentives or obstacles to whistle-blowers.

Mr. Steve Somogyi, Australian Prudential Regulation Authority (APRA) member, on the Australian regulator's position on corporate governance and particularly the "fit and proper person" test.

RNI No: APBIL/2002/9589

Events

01 - 06 August, 2005
Venue: Pune
Programme on Networking
by National Insurance Academy (NIA), Pune

08 - 13 August, 2005
Venue: Pune
Personnel Management & Industrial Relations
by NIA, Pune

08 - 09 August, 2005
Venue: Pune
Health Insurance Scenario by NIA, Pune

08 - 10 August, 2005
Venue: Pune
Workshop on Communication & Presentation Skills
by NIA, Pune

11 - 13 August, 2005
Venue: Pune
Corporate Governance - Silver Jubilee Seminar
by NIA, Pune

11 - 13 August, 2005
Venue: Pune
Programme on Cyber Laws by NIA, Pune

16 - 18 August, 2005
Venue: Pune
Financial Audit & Control by NIA, Pune

18 - 20 August, 2005
Venue: Pune
Customer Relationship Management
by NIA, Pune

18 - 20 August, 2005
Venue: Pune
E-Business & E-CRM by NIA, Pune

22 - 27 August, 2005
Venue: Pune
Website Management and Maintenance
by NIA, Pune

29 August - 03 September, 2005
Venue: Pune
Retail Insurance (Non-Life)
by NIA, Pune

29 August, 03 September, 2005
Venue: Pune
Lateral Thinking & Decision Making
by NIA, Pune

29 August, 03 September, 2005
Venue: Pune
Linux Orientation by NIA, Pune

10 - 14 September, 2005
Venue: Monte Carlo
Monte Carlo Rendezvous

18 - 21 September, 2005
Venue: Amsterdam
International Union of Marine Insurance (IUMI)

25 - 27 September 2005
Venue: Singapore
Singapore International Reinsurance Conference

26 September, 2005
Venue: Singapore
Asia Insurance Industry Awards 2005

29 Sep - 01 Oct 2005
Venue: Singapore
12th Indonesia Rendezvous