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Guarding against Catastrophes

बीमा विनियामक और विकास प्राधिकरण

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From the Publisher

Nature's fury knows no bounds and it is still beyond human capacity to totally thwart its designs. However, it is very important to put in place an efficient mechanism to handle relief and rehabilitation; as also to pay attention to the financial losses that take place in great magnitude across the affected region.

The most efficient form of managing these losses is by risk transfer; as such losses are beyond the capacity of individuals, communities and even countries. Owing to its varied geo-climatic conditions; India has been prone to various types of natural disasters like floods, cyclones, earthquakes, landslides, tsunamis etc. Such natural disasters generally occur on a large scale and the losses are huge and widespread. It is lamentable that in the Indian scenario, the insured losses have been only a miniscule portion of the total economic losses. Such trends are common in several developing economies; and answers need to be found on how the insured losses can get closer to the total economic losses.

For the insurer, managing catastrophic risks involves a series of processes starting from assessment of the exposure, assessment of the accumulation of risks, writing the risks in an appropriate manner, arranging for proper reinsurance covers etc. In the unfortunate event of occurrence of such losses, the insurers have to act swiftly and carry out their tasks to mitigate the hardship of the victims. It is gratifying to note that the Indian insurance industry has amply demonstrated this quality by settling the claims on a priority basis, during the recent floods in Mumbai and Gujarat.

The importance of proper pricing of catastrophic risks needs no emphasis. Pricing should be driven by the risk exposure. Disaster management and preparedness forms the focus of this issue of the Journal.

While insurers take over the risk that others face, at a price; they are themselves vulnerable to a host of risks which they must tackle properly to emerge successful. Risk management for insurers would be the focus of the next issue of the **Journal**.

C.S. Rao

INSIDE

ISSUE FOCUS

Being Prepared for a Calamity ...

Catastrophes take humanity by surprise; and any amount of crisis management at the post-disaster stage would still leave a large gap that remains unfulfilled. There has been tremendous advancement in the field of weather forecasting, satellite images etc. but it has to be conceded that nature still holds the upper hand and inflicts disasters of different degrees in the form of floods, hurricanes, earthquakes, volcanic eruptions etc. While the geographic location of a place has great relevance as far as the frequency of the disasters is concerned, one should admit that any part of the world is vulnerable to one catastrophe or the other.

It would amount to a fatalistic attitude if we resign ourselves to this supremacy of nature and not take any proactive measures to curtail the severity of a disaster. Preparedness for the eventualities of a calamity has become a very important point on the agenda of an individual, a society or a nation. The Japanese way of tackling a disaster in the aftermath of an earthquake is an ideal example of disaster management and preparedness. Conversely, incidents like the Latur earthquake about a decade and a half ago in the Indian sub-continent should act as eye-openers. Thousands of people lost their lives on account of the poor masonry rather than the intensity of the earthquake, which measured just around 6 on the Richter scale.

While there is nothing that can be done about human and emotional losses, there can be a great deal of mitigation by being prepared financially against such disasters. Insurance provides the strongest tool in this sense; and it is once again a tragedy that financial preparedness remains a subject of low priority in developing economies. There is a strong need for an urgent reversal of such trends. For insurers, designing suitable products in this domain and pricing them appropriately remains a huge challenge, despite all the development of actuarial and statistical models. To add to their intrigue, disasters triggered by terrorist attacks surface from time to time; making reasonable assessments even more difficult.

Financial management of disasters and preparedness forms the focus of this issue of the **Journal.** There are various articles that throw light on different aspects of this hugely important domain. Gen. Vij (Retd.), Vice-Chairman of the National Disaster Management Authority (NDMA), India sets the ball rolling by highlighting the proactive role that the Government of India is playing in tackling this very sensitive issue in a country that is prone to disasters. In the next article, Prof. Alberto Monti discusses the role of governments in managing the increasing financial burden on account of catastrophes; as also the role of public private partnerships.

Mr. Katsuo Matsushita insists that it should be our goal to make a disaster resilient community, society and economy; in his article. The lack of proper models and sufficient data in the Indian domain makes product designing and pricing difficult and this is discussed in detail in the next article by Mr. R.Chandrasekharan. The importance of the role of insurance and reinsurance in disaster management is colossal; and this makes underwriting a very vital function. Mr. P.C. James delves into this very sensitive and important area and gives a threadbare account. Mr. G.V. Rao looks at natural disasters as wars being waged by nature against humanity; and he goes on to explain the importance of better awareness of the consequences. Environmental pollution has been quoted to be the reason – whether direct or indirect - for the ecological disequilibrium that causes natural catastrophes. What are countries doing to fight this menace and achieve certain standards with regard to emission of gases and global warming? Ms. Jayashree Bose takes up this sensitive question and provides some answers.

Risk is an inherent part of any business activity and cannot be wished away. For insurers, who are in the business of taking over others' risks, it is much more critical. Risk management for insurers will be the focus of the next issue of the **Journal**.

U. Jawaharlal

Report Card:LIFE

Life Insurance Industry records 120.41% growth

Life insurance industry recorded a growth of 120.41% in premium collection for the period April'06 to February'07 over the corresponding period in the previous year. Group Insurance schemes covered 16710402 lives in all, showing an increase of 29.92% . In terms of number of policies, the sector recorded a growth of 30.19%.

Individual premium

Individual Single Premium underwritten by life insurance industry is Rs.18958.80 crore (P.Y. Rs.8298.24 crore) for the period April'07 to February'07; of which the private insurers' share is Rs.2208.60crore (P.Y Rs.1570.95crore) and LIC garnered Rs.16750.21crore (P.Y. Rs.6727.29 crore). The Individual Non-Single Premium underwritten during April-February, 2007 was Rs.29605.48crore (P.Y. Rs.14221.03crore) of which the private insurers underwrote Rs.10532.70crore (P.Y. Rs.5165 crore) and LIC Rs.19072.78crore (P.Y. Rs.9056.03crore)

Group premium

The industry underwrote Group Single Premium of Rs.8428.94crore (P.Y. Rs.3370.56crore) covering 12834782 lives. Out of this, the private insurers covered 773901 lives underwriting Rs.678.48crore (P.Y. Rs.319.21 crore) and LIC covered 12060881 lives underwriting Rs.7750.46crore (P.Y. Rs.3051.35crore). During the corresponding period in the previous year, private insurers covered 698644 lives and LIC 9910788 lives. The Group Non-Single Premium underwritten during April-February, 2007 was Rs.944.58crore (P.Y. Rs.396.30crore) which was underwritten entirely by the private insurers, covering 3875620 lives (P.Y. 2252613).

Segment-wise segregation

A further segregation of the premium underwritten during the period indicates that Life, Annuity, Pension and Health contributed Rs.38711.65 crore(66.86%), Rs.1326crore (2.29%), Rs.17838.22crore (30.81%) and Rs.21.8crore (0.04%) respectively. In respect of LIC, the break up of life, annuity and pension categories was Rs.26368.16crore (60.51%), Rs.1160.56crore (2.66%) and Rs.16044.73crore (36.82%) respectively. In case of the private insurers, Rs.12343.49crore (86.17%), Rs.165.44 crore (1.15%), Rs.1793.49crore (12.52%) and Rs.21.8crore (0.15%) respectively was underwritten in the four segments.

Unit linked and conventional premium

Analysis of the statistics in terms of linked and non-linked premium indicates that 47.20% (Rs.27330.58crore) of the business was underwritten in the non-linked category, and 52.80% (Rs.30567.1crore) in the linked category. While private insurers' total business comprised of 87.2% of linked premium and 12.8% of conventional premium, composition of LIC's business has 41.49% share of linked premium and 58.51% of non-linked premium. During the corresponding period of the previous year; linked and non-linked premium indicates that 55.07% (Rs. 14460.73crore) of the business was underwritten in the non-linked category, and 44.93% (Rs. 11798.58crore) in the linked category. In case of LIC, the linked and non-linked premium was 30.96% and 69.04% respectively, while for the private insurers taken together it stood at 80.37% and 19.63% respectively.

First Year Premium of Life Insurers for the Period Ended February, 2007

Sl No.	Insurer	Premium u/w (Rs. in Crores)			No. of Policies / Schemes			No. of lives covered under Group		
		Feb, 07	Up to Feb, 07	Up to Feb, 06	Feb, 07	Up to Feb, 07	Up to Feb, 06	Feb, 07	Up to Feb, 07	Up to Feb, 06
1	**Bajaj Allianz**									
	Individual Single Premium	79.14	957.42	1128.94	14294	112261	87429	0	0	0
	Individual Non-Single Premium	362.01	2011.26	793.12	233522	1271997	439238			
	Group Single Premium	0.60	4.79	2.27	0	1	1	495	2287	744
	Group Non-Single Premium	6.31	23.63	15.90	17	197	164	16910	636591	298965
2	**ING Vysya**									
	Individual Single Premium	1.29	22.89	9.48	92	1667	987			
	Individual Non-Single Premium	34.15	318.45	172.25	19414	165371	94576			
	Group Single Premium	0.00	2.31	8.94	0	0	0	0	517	2403
	Group Non-Single Premium	0.32	6.23	9.18	3	43	60	56236	68735	24980
3	**Reliance Life**									
	Individual Single Premium	7.13	89.03	105.70	1270	14553	15809			
	Individual Non-Single Premium	105.42	484.67	37.97	56105	295404	40195			
	Group Single Premium	10.64	22.21	1.13	3	24	0	5915	20299	0
	Group Non-Single Premium	0.65	8.64	5.97	20	153	84	83598	237013	118654
4	**SBI Life**									
	Individual Single Premium	61.40	387.64	75.83	8713	57827	11921			
	Individual Non-Single Premium	151.18	840.74	164.45	59513	351381	181073			
	Group Single Premium	25.99	196.47	191.48	0	2	2	15067	117627	179968
	Group Non-Single Premium	83.59	287.14	80.69	5	279	1704	282793	1151000	676181
5	**Tata AIG**									
	Individual Single Premium	2.41	16.60	4.80	329	1907	0			
	Individual Non-Single Premium	44.51	440.00	329.66	34789	345787	258261			
	Group Single Premium	5.57	47.95	21.22	0	7	2	35772	260403	139586
	Group Non-Single Premium	5.63	41.96	49.77	8	74	226	14986	208972	403531
6	**HDFC Standard**									
	Individual Single Premium	11.47	109.80	97.62	28923	118669	104749			

6	**HDFC Standard**									
	Individual Single Premium	11.47	109.80	97.62	28923	118669	104749			
	Individual Non-Single Premium	111.05	992.47	617.80	39636	283090	206150			
	Group Single Premium	17.33	134.63	40.11	19	101	88	18416	166979	115064
	Group Non-Single Premium	4.60	61.20	23.36	2	29	19	535	49072	14299
7	**ICICI Prudential**									
	Individual Single Premium	54.93	360.16	79.55	8546	54393	31852			
	Individual Non-Single Premium	437.51	3095.54	1672.72	217612	1520013	640410			
	Group Single Premium	13.61	248.92	41.91	1	135	112	12923	137507	238624
	Group Non-Single Premium	48.31	364.24	161.87	19	276	122	18992	330558	106105
8	**Birla Sunlife**									
	IIndividual Single Premium	4.56	32.77	19.56	16492	67821	64705			
	Individual Non-Single Premium	61.17	532.39	418.67	35012	238203	140637			
	Group Single Premium	0.31	6.87	8.72	0	0	0	139	3870	5862
	Group Non-Single Premium	5.52	79.33	31.09	6	131	42	4353	54816	12498
9	**Aviva**									
	Individual Single Premium	3.98	29.03	8.44	534	3282	2487			
	Individual Non-Single Premium	56.76	529.90	296.54	25243	237923	126210			
	Group Single Premium	0.13	2.87	1.22	0	1	0	62	1609	786
	Group Non-Single Premium	1.28	21.09	3.32	13	76	16	58332	328587	176150
10	**Kotak Mahindra Old Mutual**									
	Individual Single Premium	2.34	30.67	22.86	314	3348	3260			
	Individual Non-Single Premium	56.09	370.43	201.74	17956	117469	68407			
	Group Single Premium	1.80	11.47	2.20	0	9	2	7269	62803	14190
	Group Non-Single Premium	2.34	31.09	7.02	11	158	79	10983	250264	101553
11	**Max New York**									
	Individual Single Premium	12.72	81.79	1.51	982	5997	232			
	Individual Non-Single Premium	62.82	633.81	360.76	41194	452512	365496			
	Group Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
	Group Non-Single Premium	0.24	4.29	1.08	53	110	83	354	58414	34453
12	**Met Life**									
	Individual Single Premium	1.25	6.63	4.84	197	1351	1122			
	Individual Non-Single Premium	21.89	213.38	95.54	11178	85496	77179			
	Group Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
	Group Non-Single Premium	1.04	14.82	7.05	9	193	165	26712	398407	285244
13	**Sahara Life**									
	Individual Single Premium	2.24	15.20	11.83	630	4042	2997			
	Individual Non-Single Premium	2.53	9.53	3.77	4515	20495	15440			
	Group Single Premium	0.00	0.00	0.01	0	0	14	0	0	1417
	Group Non-Single Premium	0.00	0.94	0.00	1	3	0	60	103191	0
14	**Shriram Life**									
	Individual Single Premium	10.06	68.98		2238	14941				
	Individual Non-Single Premium	5.22	55.65		4167	53539				
	Group Single Premium	0.00	0.00		0	0		0	0	
	Group Non-Single Premium	0.00	0.00		0	0		0	0	
15	**Bharti Axa Life**									
	Individual Single Premium	0.00	0.00		0	0				
	Individual Non-Single Premium	1.63	4.48		1389	3412				
	Group Single Premium	0.00	0.00		0	0		0	0	
	Group Non-Single Premium	0.00	0.00		0	0		0	0	
	Private Total									
	Individual Single Premium	**254.91**	**2208.60**	**1570.95**	**83554**	**462059**	**327550**			
	Individual Non-Single Premium	**1513.94**	**10532.70**	**5165.00**	**801245**	**5442092**	**2653272**			
	Group Single Premium	**75.99**	**678.48**	**319.21**	**23**	**280**	**221**	**96058**	**773901**	**698644**
	Group Non-Single Premium	**159.83**	**944.58**	**396.30**	**167**	**1722**	**2764**	**574844**	**3875620**	**2252613**
16	**LIC**									
	Individual Single Premium	783.75	16750.21	6727.29	506576	5344099	1781706			
	Individual Non-Single Premium	1187.93	19072.78	9056.03	4045567	19800645	19083831			
	Group Single Premium	481.06	7750.46	3051.35	1900	17265	14444	1071602	12060881	9910788
	Group Non-Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
	Grand Total									
	Individual Single Premium	**1038.66**	**18958.80**	**8298.24**	**590130**	**5806158**	**2109256**			
	Individual Non-Single Premium	**2701.87**	**29605.48**	**14221.03**	**4846812**	**25242737**	**21737103**			
	Group Single Premium	**557.05**	**8428.94**	**3370.56**	**1923**	**17545**	**14465**	**1167660**	**12834782**	**10609432**
	Group Non-Single Premium	**159.83**	**944.58**	**396.30**	**167**	**1722**	**2764**	**574844**	**3875620**	**2252613**

Note: 1.Cumulative premium upto the month is net of cancellations which may occur during the free look period.

2. Compiled on the basis of data submitted by the Insurance companies.

Correction: The premium figures given in the previous issue were in crores of rupees; and not in lakhs as reported earlier.

FIRST YEAR PREMIUM OF LIFE INSURERS FOR THE QUARTER ENDED DECEMBER, 2006 (Provisional & Unaudited)

INDIVIDUAL SINGLE PREMIUM (INCLUDING RURAL & SOCIAL)

(Rs.in Lakh)

Sl. No.	PARTICULARS	PREMIUM		POLICIES		SUM ASSURED	
		Dec'2005	Dec'2006	Dec'2005	Dec'2006	Dec'2005	Dec'2006
	Non linked*						
1	Life						
	with profit	16909.69	17916.58	21621	20507	24925.26	27614.98
	without profit	56704.37	65893.87	215076	224771	245342.89	267480.06
2	General Annuity						
	with profit	5.00	0.00	6	0	8.30	0.00
	without profit	100.67	688.82	111	253	0.00	40.68
3	Pension						
	with profit	3196.18	11215.89	4654	6318	109.82	252.64
	without profit	9950.84	172.48	2751	70	106.40	142.01
4	Health						
	with profit	0.00	0.00	0	0	0.00	0.00
	without profit	0.00	0.00	0	0	0.00	0.00
A.	Sub total	86866.75	95887.62	244219.00	251919.00	270492.67	295530.37
	Linked*						
1	Life						
	with profit	4.85	0.05	4	0	4.24	0.00
	without profit	136232.74	235313.00	174110	309608	163258.55	355796.02
2	General Annuity						
	with profit	0.00	0.00	0	0	0.00	0.00
	without profit	13.34	120.11	0	0	0.00	0.00
3	Pension						
	with profit	0.13	0.25	0	0	0.00	0.00
	without profit	413183.29	1363293.37	1216965	4036361	405.72	208.58
4	Health						
	with profit	0.00	0.00	0	0	0.00	0.00
	without profit	0.00	0.00	0	0	0.00	0.00
B.	Sub total	549434.35	1598726.78	1391079.00	4345969.00	163668.51	356004.59
C.	Total (A+B)	636301.10	1694614.41	1635298.00	4597888.00	434161.18	651534.96
	Riders:						
	Non linked						
1	Health#	2.55	1.71	16	21	30.00	32.41
2	Accident##	12.37	3.99	1158	911	911.05	571.61
3	Term	1.86	0.81	82	27	51.71	20.41
4	Others	0.00	0.05	0	0	0.00	0.00
D.	Sub total	16.78	6.56	1256.00	959.00	992.76	624.43
	Linked						
1	Health#	1.28	2.32	23	65	29.85	70.89
2	Accident##	3.41	9.53	85	7795	243.63	4874.02
3	Term	0.10	0.19	1	4	1.11	8.25
4	Others	0.00	0.00	0	0	0.00	0.00
E.	Sub total	4.79	12.05	109.00	7864.00	274.59	4953.16
F.	Total (D+E)	21.57	18.61	1365.00	8823.00	1267.35	5577.59
G.	**Grand Total (C+F)	636322.67	1694633.01	1636663.00	4606711.00	435428.53	657112.55

* Excluding rider figures.
** for policies Grand Total is C.
# All riders related to critical illness benefit, hospitalisation benefit and medical treatment.
Disability related riders.
The premium is actual amount received and not annualised premium.
Compiled on the basis of data submitted by the Insurance companies.

FIRST YEAR PREMIUM OF LIFE INSURERS FOR THE QUARTER ENDED DECEMBER, 2006 (Provisional & Unaudited)

INDIVIDUAL NON - SINGLE PREMIUM (INCLUDING RURAL & SOCIAL)

(Rs.in Lakh)

Sl. No.	PARTICULARS	PREMIUM		POLICIES		SUM ASSURED	
		Dec'2005	Dec'2006	Dec'2005	Dec'2006	Dec'2005	Dec'2006
	Non linked*						
1	Life						
	with profit	688363.38	1473047.07	13322601	13235618	11465549.87	12194892.60
	without profit	46632.33	184422.95	1746868	672260	3142299.29	1463508.61
2	General Annuity						
	with profit	78.53	16.62	777	160	1448.48	268.49
	without profit	0.00	0.00	0	0	0.00	0.00
3	Pension						
	with profit	4702.95	4051.24	36140	15802	22376.45	16246.75
	without profit	621.45	1156.21	2329	3882	0.00	0.00
4	Health						
	with profit	0.00	0.00	0	0	0.00	0.00
	without profit	449.02	1553.22	20884	103476	71229.16	462807.97
A.	Sub total	740847.65	1664247.31	15129599.00	14031198.00	14702903.25	14137724.42
	Linked*						
1	Life						
	with profit	82.45	12.78	277	61	486.57	116.75
	without profit	287452.91	655506.87	939865	2649443	2597049.28	6369772.18
2	General Annuity						
	with profit	0.00	0.00	0	0	0.00	0.00
	without profit	7127.77	0.00	41106	0	12748.66	0.00
3	Pension						
	with profit	18.17	5.78	45	5	0.00	0.00
	without profit	23292.95	121142.28	72484	428004	3081.83	56829.22
4	Health						
	with profit	0.00	0.00	0	0	0.00	0.00
	without profit	0.00	0.00	0	0	0.00	0.00
B.	Sub total	317974.25	776667.71	1053777.00	3077513.00	2613366.34	6426718.15
C.	Total (A+B)	1058821.90	2440915.02	16183376.00	17108711.00	17316269.59	20564442.58
	Riders:						
	Non linked						
1	Health#	314.15	260.90	22794	14700	28811.36	20072.15
2	Accident##	662.68	490.85	271543	293903	518246.64	492201.27
3	Term	74.21	36.11	19460	5979	17118.69	6540.28
4	Others	371.64	1344.09	7744	3941	28488.30	208116.04
D.	Sub total	1422.68	2131.95	321541.00	318523.00	592664.99	726929.74
	Linked						
1	Health#	221.64	384.78	9099	10888	55948.11	35266.17
2	Accident##	253.51	460.62	50740	103207	88394.43	601224.50
3	Term	45.45	61.77	5086	6909	10668.53	14217.01
4	Others	61.52	89.29	12401	15414	1371.59	35145.06
E.	Sub total	582.11	996.46	77326.00	136418.00	156382.65	685852.74
F.	Total (D+E)	2004.79	3128.42	398867.00	454941.00	749047.64	1412782.48
G.	**Grand Total (C+F)	1060826.69	2444043.43	16582243.00	17563652.00	18065317.23	21977225.06

* Excluding rider figures.
** for policies Grand Total is C.
# All riders related to critical illness benefit, hospitalisation benefit and medical treatment.
Disability related riders.
The premium is actual amount received and not annualised premium.
Compiled on the basis of data submitted by the Insurance companies.

FIRST YEAR PREMIUM OF LIFE INSURERS FOR THE QUARTER ENDED DECEMBER, 2006 (Provisional & Unaudited)

GROUP SINGLE PREMIUM (INCLUDING RURAL & SOCIAL)

(Rs.in Lakh)

Sl. No.	PARTICULARS	PREMIUM		NO. OF SCHEMES		LIVES COVERED		SUM ASSURED	
		Dec'2005	Dec'2006	Dec'2005	Dec'2006	Dec'2005	Dec'2006	Dec'2005	Dec'2006
	Non linked*								
1	Life								
a)	Group Gratuity Schemes								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	89908.88	103079.54	1100	1250	412330	483164	165299.80	266090.26
b)	Group Savings Linked Schemes								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	2109.75	2287.75	1462	564	441080	106522	410714.33	136315.50
c)	EDLI								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	374.63	382.13	741	745	440518	655287	178005.95	201130.87
d)	Others								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	32946.74	424780.77	7922	11031	8266963	9086298	2905569.54	20392448.29
2	General Annuity								
	with profit	50234.37	51328.14	5	7	2436	1972	0.00	0.00
	without profit	44201.92	40178.48	15	45	5773	5196	0.00	0.00
3	Pension								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	41467.55	46733.19	62	123	48458	77055	0.00	0.00
4	Health								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	0.00	0.00	0	0	0	0	0.00	0.00
A.	Sub total	261243.84	668770.00	11307.00	13765.00	9617558.00	10415494.00	3659589.62	20995984.92
	Linked*								
1	Life								
a)	Group Gratuity Schemes								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	2767.32	5032.19	6	24	3518	82961	35.18	4664.45
b)	Group Savings Linked Schemes								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	0.00	0.00	0	0	0	0	0.00	0.00
c)	EDLI								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	0.00	0.00	0	0	0	0	0.00	0.00
d)	Others								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	363.13	913.15	1	2	352	5078	3.52	50.78
2	General Annuity								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	0.00	0.00	0	0	0	0	0.00	0.00
3	Pension								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	245.09	5629.32	0	10	0	8356	0.00	0.00
4	Health								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	0.00	0.00	0	0	0	0	0.00	0.00
B.	Sub total	3375.54	11574.66	7.00	36.00	3870.00	96395.00	38.70	4715.23
C.	Total (A+B)	264619.39	680344.66	11314.00	13801.00	9621428.00	10511889.00	3659628.32	21000700.15
	Riders:								
	Non linked								
1	Health#	28.59	21.17	21	10	14499	4582	23942.62	410635.43
2	Accident##	67.20	24.32	18	26	16658	12244	148733.05	1405106.42
3	Term	0.00	0.00	0	0	0	0	0.00	0.00
4	Others	0.00	0.00	0	0	0	0	0.00	0.00
D.	Sub total	95.79	45.49	39.00	36.00	31157.00	16826.00	172675.67	1815741.85
	Linked								
1	Health#	0.00	0.00	0	0	0	0	0.00	0.00
2	Accident##	0.00	0.00	0	0	0	0	0.00	0.00
3	Term	0.00	0.00	0	0	0	0	0.00	0.00
4	Others	0.00	0.00	0	0	0	0	0.00	0.00
E.	Sub total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
F.	Total (D+E)	95.79	45.49	39.00	36.00	31157.00	16826.00	172675.67	1815741.85
G.	**Grand Total (C+F)	264715.18	680390.15	11353.00	13837.00	9652585.00	10528715.00	3832303.99	22816442.00

* Excluding rider figures.
** for no.of schemes & lives covered Grand Total is C.
# All riders related to critical illness benefit, hospitalisation benefit and medical treatment.
Disability related riders.
The premium is actual amount received and not annualised premium.
Compiled on the basis of data submitted by the Insurance companies

FIRST YEAR PREMIUM OF LIFE INSURERS FOR THE QUARTER ENDED DECEMBER, 2006 (Provisional & Unaudited)

GROUP NEW BUSINESS — NON - SINGLE PREMIUM (INCLUDING RURAL & SOCIAL) *(Rs.in Lakh)*

Sl. No.	PARTICULARS	PREMIUM		NO. OF SCHEMES		LIVES COVERED		SUM ASSURED	
		Dec'2005	Dec'2006	Dec'2005	Dec'2006	Dec'2005	Dec'2006	Dec'2005	Dec'2006
	Non linked*								
1	**Life**								
a)	Group Gratuity Schemes								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	2308.21	4876.83	29	26	20824	45067	22097.63	17361.99
b)	Group Savings Linked Schemes								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	1.33	2061.00	1	0	1014	222323	1332.30	415415.00
c)	EDLI								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	386.14	420.74	185	178	285706	275170	239001.03	227110.78
d)	Others								
	with profit	38.95	0.00	23	0	7874	0	23415.30	0.00
	without profit	3873.00	17123.95	1797	887	1353394	2121899	2207857.95	4199298.97
2	**General Annuity**								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	0.00	0.00	0	0	0	0	0.00	0.00
3	**Pension**								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	68.14	91.31	1	3	804	68	191.50	5.50
4	**Health**								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	0.00	0.00	0	0	0	0	0.00	0.00
A.	**Sub total**	**6675.77**	**24573.83**	**2036.00**	**1094.00**	**1669616.00**	**2664527.00**	**2493895.71**	**4859192.24**
	Linked*								
1	**Life**								
a)	Group Gratuity Schemes								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	8749.46	20082.47	133	203	115561	173072	30375.39	173907.53
b)	Group Savings Linked Schemes								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	0.00	0.00	0	0	0	0	0.00	0.00
c)	EDLI								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	0.00	0.00	0	0	0	0	0.00	0.00
d)	Others								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	361.94	531.09	11	10	218	152	118.64	137.50
2	**General Annuity**								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	667.48	3581.25	8	5	378	1743	667.48	3581.25
3	**Pension**								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	10982.29	19946.10	53	103	10256	48085	0.00	0.00
4	**Health**								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	0.00	0.00	0	0	0	0	0.00	0.00
B.	**Sub total**	**20761.17**	**44140.91**	**205.00**	**321.00**	**126413.00**	**223052.00**	**31161.50**	**177626.27**
C.	**Total (A+B)**	**27436.94**	**68714.75**	**2241.00**	**1415.00**	**1796029.00**	**2887579.00**	**2525057.21**	**5036818.51**
	Riders:								
	Non linked								
1	Health#	13.96	17.82	5	12	1126	5654	10676.92	24170.23
2	Accident##	22.44	32.12	43	26	48981	17996	117886.08	90849.11
3	Term	0.05	0.16	1	1	26	95	13.00	292.50
4	Others	0.80	0.49	1	4	32	3571	2066.53	19823.85
D.	**Sub total**	**37.25**	**50.59**	**50.00**	**43.00**	**50165.00**	**27316.00**	**130642.53**	**135135.69**
	Linked								
1	Health#	0.00	0.00	0	0	0	0	0.00	0.00
2	Accident##	0.00	49.11	0	37	0	23609	0.00	137369.10
3	Term	0.00	0.00	0	0	0	0	0.00	0.00
4	Others	0.00	0.00	0	0	0	0	0.00	0.00
E.	**Sub total**	**0.00**	**49.11**	**0.00**	**37.00**	**0.00**	**23609.00**	**0.00**	**137369.10**
F.	**Total (D+E)**	**37.25**	**99.70**	**50.00**	**80.00**	**50165.00**	**50925.00**	**130642.53**	**272504.79**
G.	**Grand Total (C+F)	27474.19	68814.45	2291.00	1495.00	1846194.00	2938504.00	2655699.74	5309323.31

* Excluding rider figures.
** for no.of schemes & lives covered Grand Total is C.
# All riders related to critical illness benefit, hospitalisation benefit and medical treatment.
Disability related riders.
The premium is actual amount received and not annualised premium.
Compiled on the basis of data submitted by the Insurance companies.

Managing Risks Efficiently

WHILE PROVIDING PROTECTION FOR THE VARIOUS RISKS THAT INDIVIDUALS AND CORPORATE ENTITIES FACE, INSURERS THEMSELVES FACE SEVERAL RISKS. MANAGEMENTS HAVE TO BE EVER ALERT TO CONSTANTLY MONITOR THESE RISKS; AND EMERGE SUCCESSFUL' OPINES **U. JAWAHARLAL.**

There is no business activity or enterprise which is not replete with risk. Finance experts emphasize on the risk-return trade off thereby indicating that as the element of higher returns goes up; correspondingly the risk that is associated with it also increases. Further, individuals also face risks of various kinds for their day-to-day activities and for their very mundane existence. A very efficient form of providing a hedge against these risks is by way of transferring them. Insurers are in the business of taking over the risks of policyholders – individuals as well as corporate entities. It needs no emphasis to mention that the take-over of the clients' risks puts insurers in different types of risks which they must manage efficiently in order that they achieve their corporate goals.

There are various risks that insurers face; and depending on their exact line of activity, they may have to tackle these differently. There are also, however, several risks that insurers face commonly, irrespective of their line of operation. Reputation risk, for example, is one risk that all entities have to combat. They must not be lured by short term gains by putting their long-term reputation at risk. The goodwill that has been created with years of hard work can be decimated by a single episode of thoughtless adventurism.

Considering that insurance business is highly capital intensive, efficient investments play a major role in the successful conduct of business. Particularly for life insurers, where the contracts are predominantly long-term in nature; there has to be a proper assessment of the inherent risks – especially in a highly volatile interest rate scenario and the global economic trends. Emphasis must be on the security of capital, while profitability by way of higher interest on investments is always welcome. Further, there has to be a proper asset liability management; and any mismatch in this area would highly impede the business interests.

In the case of life insurers, mortality and morbidity trends play a huge role in the successful conduct of their business. Proper analyses of statistics with updated tools of information are essential in order that the long term commitments and assurances made are realistic. Where the payouts are related to market performance, there must be clear enunciation of the terms; so that there is no scope for any misgiving in the end that could erode their reputation.

Underwriting a risk properly and scientifically is of utmost importance to an insurer. In the absence of this, the very pedestal of prudent management could crumble. While this is true for any insurance business, it is particularly relevant for the non-life insurance industry in India which has just been de-tariffed. It is very easy to get carried away by the business opportunities that come calling at the doorsteps; but insurers would do better to show their maturity in the acceptance of risks. Underwriting should remain at the top of the management's agenda and should never be subservient to the marketing function. There must be a proper assessment of the retention levels; and insurers should organize proper reinsurance for risks undertaken above that level. There must be objective assessment of the risks to be transferred to the reinsurers; and insurers should plan properly for creating a long-term relationship with the reinsurers and not get carried away by short term goals.

Above all, management must always be alert to the various forces that can act in different directions; and take strategic decisions in tune with the corporate philosophy. Corporate governance is one area where managements have to focus in detail and ensure that the organization is being run on sound lines.

'Risk Management for Insurers' is the focus of the next issue of the **Journal**. There will be articles on different facets of risk management written by expert practitioners and professionals.

Risk Management

in the next issue...

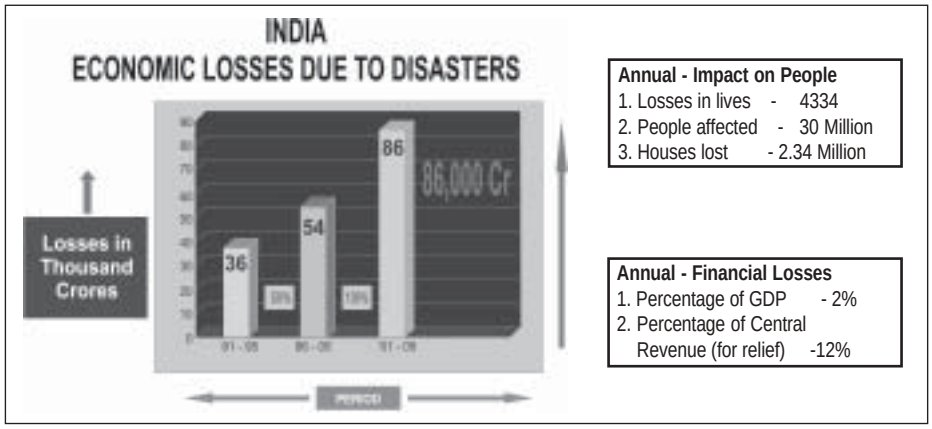
Disaster Management

Role-play by Government

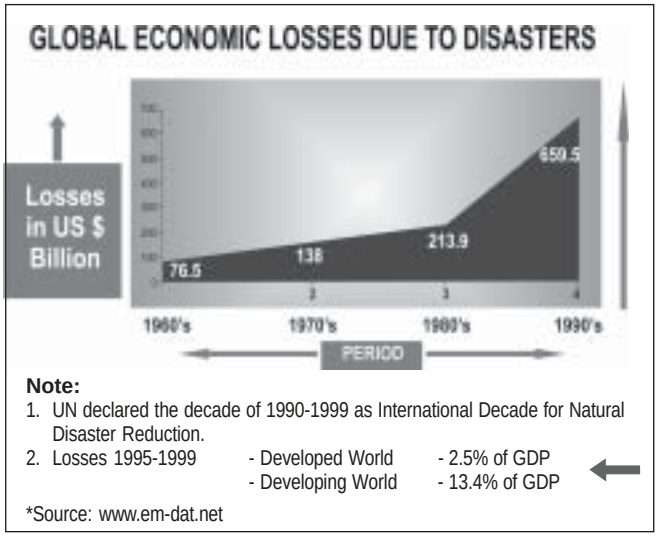
THIS IS AN ARTICLE BASED ON THE KEY-NOTE ADDRESS DELIVERED BY **GEN. N.C. VIJ**, PVSM, UYSM, AVSM (RETD.), VICE-CHAIRMAN, NATIONAL DISASTER MANAGEMENT AUTHORITY, INDIA AT THE FIRST CONFERENCE ORGANIZED UNDER THE AUSPICES OF ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD), AT HYDERABAD ON 26-27TH FEB, 2007.

In the recent years, there has been a dramatic increase in the frequency and severity of natural disasters in the world; and their consequential effects, in terms of loss of lives and manifold increase in economic and financial losses. The global economic losses due to disasters from the 1960s to the 1990s show almost a nine fold increase.

The economic losses suffered due to disasters in India from 1991 to 2005, also depict an alarming trend in the degree of vulnerability and exposure to risk amounting to financial loss of nearly 2 per cent of the GDP.



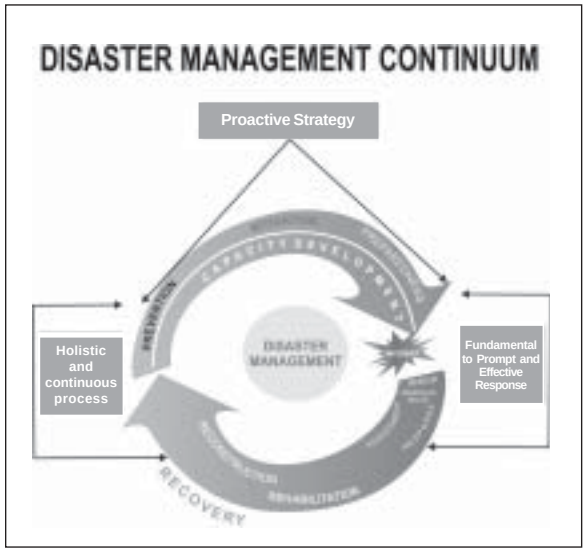
The Government of India (GOI), in recognition of the importance of Disaster Management as a national priority and in conformity with the Yokohama declaration on disaster management, had set up a High-Powered Committee in August 1999 and also a All Party National Committee on Disaster Management after the Gujarat earthquake, for making recom-mendations on a comprehensive institutional frame-work for disaster management in the country.



A review of the financial mechanism for disaster manage-ment was also initiated and for the first time, Tenth Five-Year Plan Document had a detailed chapter on the disaster management. Moreover, the terms of reference of the Twelfth Finance Commission were also modified to facilitate this process.

In the aftermath of 'Tsunami', the Government of India took a defining step by enacting the Disaster Management Act 2005, which envisaged the creation of the National Disaster Management Authority (NDMA), headed by the Prime Minister; and State Disaster Management Authorities (SDMAs) headed by respective Chief Ministers, to spearhead and implement a holistic and integrated approach to Disaster Management in the country.

It is a unique legislation which not only includes a comprehensive framework for facilitating the formulation and implementation of effective disaster management policies but also lays down the financial and techno-legal regime. These instruments will enable the National and State Authorities in implementing proactive strategy for efficient management of disasters rather than a mere response to their occurrences.



The challenges before us are to realize the National Vision in the spirit of the Act and also to contend with the emerging threats in terms of epidemics of hitherto unknown diseases, technical failures which may lead to disruption of critical infrastructure, new forms of terrorism including nuclear, chemical, biological radiations and cyber attacks. Global warming and consequential emerging weather trends are also major areas of concern to contend with. We actually are in the midst of a "multiple threat situation" wherein we have extreme vulnerability to natural disasters, global terrorism, inadequate risk management instruments and high poverty rate with increasing population pressures.

Role of Financial Institutions

Financial institutions have a pivotal role to play both in terms of post disaster reconstruction but also even more importantly, in instituting the proactive strategy to mitigate the effects of disasters by mobilizing financial resources. There are four fundamental components of holistic management of disaster risk reduction i.e. (i) Risk Mitigation Investments, (ii) Institutional Capacity Building, (iii) Emergency Preparedness and Rehabilitation and (iv) Reconstruction Financing. Out of these, three lie in the domain of Ex-ante financial applications and only the Rehabilitation and Reconstruction Financing is an Ex-post financial measure.

Mitigation

It is a well established fact that mitigation and pre-paredness are the key components of disaster management strategy. This is borne out by the experience of the developed countries which suffer far lesser economic and human losses as compared to the developing countries; or the countries who are late starters in this field.

Keeping this aspect in view, we have undertaken the following initiatives:-

- Recommendations on integrating financial aspects of disaster mitigation measures into the developmental plans by an inter-ministerial working group under the aegis of NDMA.
- Installation of Tsunami Early Warning System which is expected to be commissioned in September 2007.
- Reviving of **National Cyclone Risk Mitigation Project** in collaboration with the World Bank.
- Creation of National Disaster Mitigation Reserves for 325,000 personnel affected by disasters in eight strategic locations in the country.
- Working towards Operationalization of the National Disaster Response Force of approximately 10,000 personnel with 144 composite teams.
- Restructuring and Reorientation of the Civil, Defence and Home Guards; and up-gradation of Fire Services.

In the catastrophe risk financing domain, India is said to be ranked among the top 50 countries suffering economic losses due to natural disasters. Most of the losses are uninsured. In India, the penetration of Catastrophe Insurance is under 0.5 per cent, whereas in Turkey it is to the tune of 17 per cent.

Excessive reliance on ex-post disaster funding dampens countries' incentives for pro-active risk management. In the absence of insurance, personal savings, and effective mechanisms of targeted social assistance, the poorer sections of the society are most vulnerable to natural disasters. Lack of liquidity in the aftermath of natural catastrophes severely retards economic recovery. Large catastrophe events may entail years of unsustainable fiscal deficits and thus can jeopardize the country's chances of economic growth. We need to reverse this trend and institute international best practices for catastrophe risk management.

CATASTROPHIC INSURANCE PENETRATION IN DEVELOPING COUNTRIES

- IRAN - Under 0.05%
- PHILIPPINES - Under 0.3%
- **INDIA - Under 0.5%**
- CHINA - Under 0.5%
- BULGARIA - Under 3%
- ROMANIA - Under 5%
- TURKEY - 17%

To fulfill the National Vision and implement the proactive strategy for disaster management, we need the financial mechanism which will enable us to achieve the following objectives:-

- Centre stage the economic perspective of risk and vulnerability through systematic awareness on Return on Investment (RoI), thus motivating the stakeholders to institute proactive financial measures for physical risk management (mitigation).
- Reduce fiscal exposure of the governments to adverse consequences of natural disasters thus ensuring stable economic growth and fiscal management.
- Make much needed liquidity readily available in the public and private domains as well as to the individual households immediately following a natural disaster by increasing insurance penetration for natural hazards and making catastrophe insurance management an integral part of overall government risk management practices.

* * *

Managing and Financing Large Scale Risks in OECD Countries

Challenges and Institutional Solutions

ARE GOVERNMENTS ADOPTING EFFICIENT STRATEGIES TO MANAGE THE INCREASING FINANCIAL BURDEN OF CATASTROPHES? ARE FINANCIAL SECTOR INSTITUTIONS PREPARED TO WITHSTAND DISASTERS BOTH FROM A FINANCIAL AND AN OPERATIONAL VIEWPOINT?

PROF. ALBERTO MONTI DISCUSSES THESE QUESTIONS IDENTIFYING THE KEY FEATURES OF EXISTING INSTITUTIONAL SOLUTIONS IN OECD COUNTRIES, BASED ON THE OUTCOME OF A STOCKTAKING EXERCISE UNDERTAKEN WITHIN THE OECD NETWORK PROJECT.

Introduction

The global economic and financial impact of disaster risks has dramatically increased over the past decades, and the trend is towards higher degrees of vulnerability and exposure, leading to larger losses. This appears to be due to several factors, including social, demographic, political, environmental and climatic issues. The new dimension of the international terrorism threat after 9/11 is just one of the examples, as it is the changing meteorological risk scenario associated with the increasing uncertainty of weather patterns. The growth of urban developments and population density in exposed areas also contributes to this phenomenon.

In light of the above, the financial management of large scale catastrophes has become a central topic in the political agenda of governments in OECD and non-member economies, which have taken very different institutional approaches to managing the increasing financial burden of catastrophes.

From a comparative perspective, it is crucial to understand what the key features of existing institutional solutions in OECD countries are; with a view to assessing the efficiency level of strategies designed and adopted by governments to manage the increasing financial burden of catastrophes, and the level of preparedness of financial sector institutions to withstand disasters both from a financial and an operational viewpoint.

Challenges

The key question then becomes how best to financially manage catastrophic risks from a public policy perspective, with a view to reducing the total cost of disasters. What is clear is that the respective roles and responsibilities of the public authority, participants in the financial sector (e.g. insurance and reinsurance companies, as well as institutional investors), businesses and individuals must be clearly determined ex ante, in order to develop

The key question becomes how best to financially manage catastrophic risks from a public policy perspective, with a view to reducing the total cost of disasters.

an effective catastrophic risk management strategy at Country or Regional level.

The incentive mechanisms introduced by different forms of public sector participation in the financial management of catastrophic risks must also be investigated, together with the opportunity to adopt different approaches to tackle different types of catastrophic risks (e.g. natural calamities, industrial/technological accidents, and intentional man-made disasters).

Finally, the level of preparedness of financial sector institutions to withstand disaster events both from a financial and from an operational viewpoint must be clearly assessed. If governments rely on the financial sector to deal, at least in part, with the management of large scale catastrophes, then it becomes critical to make sure that financial sector participants are able to perform this function in case one or more catastrophes occur. Catastrophic risks, moreover, may have an impact on financial systemic stability.

Institutional solutions

From a constitutional viewpoint, in certain legal systems, pursuant to the principle of solidarity, the mutualisation of losses arising out of disaster events is perceived as a fundamental right of the citizens.

Almost every OECD country provides basic social security to compensate for personal injury and allows tort claims against liable parties, at least in case of man-made disasters. As far as property damages and economic losses are concerned, however, the situation differs. Some states directly provide, to a greater or lesser extent, compensation to property owners by means of either structural arrangements (such as compensation funds) or ad hoc disbursement of public funds in the aftermath of a catastrophe, while others leave the protection of private property to individuals and firms. In this respect, private insurance plays an important role in the coverage of property damages and economic losses caused by large scale events, but the level of disaster insurance penetration, as well as the actual terms and conditions of coverage, vary significantly across domestic markets.

In consideration of the peculiar insurability problems posed by catastrophic risks, moreover, governments have sometimes entered into partnerships with the private insurance sector with a view to making disaster insurance available to the general public. Special institutional arrangements involving public-private partnerships have been set up in a number of OECD and non member countries to deal with losses caused by natural catastrophes, man-made disasters and terrorist attacks.

Ex post v. ex ante solutions

The opportunity to develop an ex ante strategy for the financial management of large scale catastrophes is suggested by the observation that ex post approaches to the compensation of disaster losses imply several limitations. In most cases they proved to be cost ineffective and untargeted: delivery of compensation is often too slow and the fiscal burden unbearable for the State in the long run. Moreover, ex post allocation of public funds may divert resources from other projects, and critical decisions have to be made under political pressure and financial distress.

It is, however, extremely difficult for governments to make a credible commitment that they will not provide any compensation once a catastrophe occurred: this is usually referred to as the Samaritan's Dilemma. A recent example was offered by Turkey, where ex post compensation was granted to uninsured persons notwithstanding the mandatory earthquake insurance provisions under the scheme managed by the Turkey Catastrophe Insurance Pool (TCIP): such an approach, of course, may have a negative impact on prevention.

It shall be noted, nevertheless, that certain disaster risks are so large and/or remote that it may be more efficient to deal with them on an ex post basis, since ex ante solutions may prove too costly. While it is very difficult to draw a sharp line between different types of risks, this aspect shall be taken into account when designing an institutional scheme.

Public Private Parterships (PPP)

As anticipated, in the OECD area there is a trend towards institutional solutions that involve some sort of public private partnerships (PPP) for the financial management of large scale disasters. In the context of a PPP, insurance and reinsurance sector participants, capital markets and the public authority, they all have a role to play.

The insurance and reinsurance industry can contribute technical expertise in various phases of the risk management process, which includes risk assessment and underwriting; risk transfer; investment and management of reserves; claims handling and loss adjustment.

The opportunity to develop an ex ante strategy for the financial management of large scale catastrophes is suggested by the observation that ex post approaches to the compensation of disaster losses imply several limitations.

The efficiency of a system providing voluntary or compulsory insurance coverage against disasters, in fact, depends on the professional expertise of insurance companies both in the underwriting and in the claims handling phases.

The efficiency of a system providing voluntary or compulsory insurance coverage against disasters, in fact, depends on the professional expertise of insurance companies both in the underwriting and in the claims handling phases. The availability of reliable disaster risk models, and the ability of the insurance industry to process claims arising out of a catastrophic event in an expedite manner often turn out to be crucial elements.

Capital markets, in turn, may provide additional source of funding and financial capacity to absorb catastrophic risks. The market for "cat bonds" and other insurance linked securities is relatively young, since it started in the late nineties, but it is constantly growing. According to the latest available data, 2006 have been yet another record year with total new issues in the amount of USD 4,69 billion (USD 1,99 bn in 2005 / USD 1,14 in 2004 / USD 1,73 in 2003). The recent years have also witnessed the emergence of new trigger types, new sponsors, transactions covering pandemic risks and other extreme mortality risks in life insurance settings, as well as an increased use of shelf offerings that allow more flexibility and lower costs; it is also interesting to note a growing securitization activity in non-bond form, such as sidecars, Industry Loss Warranties (ILWs) and other vehicles.

Since modern catastrophe risk securitization transactions inevitably entail some degree of basis risk - i.e. the risk associated with imperfect hedging of the underlying portfolio losses – it becomes crucial to determine the objectives pursued by the sponsor. The cat bond issued in May 2006 on behalf the government of Mexico, for instance, is aimed at providing the necessary liquidity for emergency response measures, not at covering the losses caused by a severe earthquake. A similar objective is pursued by the Caribbean Catastrophe Insurance Facility (CCIF), recently launched under the auspices of the World Bank, which allows Caribbean governments to purchase parametric insurance coverage that will provide them with an immediate cash payment after the occurrence of a major hazard event, thus enabling them to overcome the typical liquidity crunch that follows a disaster and start recovery operations without delays.

Finally, there is a broad range of potential roles for the public authority in a PPP. Public sector participation may entail the introduction of a mandatory or quasi-mandatory disaster insurance regime (to provide sufficient risk pooling and to reduce adverse selection) with the provision of the necessary legal and regulatory framework. Reinsurance arrangements, dedicated lending facilities or other form of state guarantee may limit private sector exposure in case of catastrophic losses. Furthermore, the public authority may intervene simply by the creation of the basic preconditions for the private insurance market to work properly, for example through the enactment of legal rules concerning preventive and mitigation measures, land use, mandatory building codes, fiscal measures and cat reserves.

If the public authority elects to make a financial commitment, it may choose to act, directly or through a special purpose entity, as primary insurer (such as in Spain, New Zealand for earthquake risks and Iceland), reinsurer of last resort (such as in France and Australia for terrorism risks), lender of last resort (such as in Australia and in the UK for terrorism risks) or guarantor (such as in Spain, New Zealand for earthquake risks, France and Iceland). Special risk sharing agreements between the private and the public sectors have also been implemented in the United States for terrorism risks (under TRIA and TRIEA) and in Japan for earthquake risks (under the Earthquake Insurance Law of 1966).

Another aspect to be considered in the institutional design of a scheme is the temporary or permanent nature of the PPP, as well as the determination of an exit strategy.

It is also important to note that the institutional arrangements set up in OECD countries cover different types of perils. Some of them have a broad scope of application, encompassing coverage for a wide range catastrophic risks (the Spanish Consorcio de Compensación de Seguros offers a good example of this approach), others focus instead on single perils or categories of perils (such as: natural calamities, earthquake, terrorist acts, technological accidents, etc.). A number of schemes, moreover, require an "official declaration" to trigger coverage: this is the case under the US Terrorism Risk Insurance Act (and TRIEA), the Australian terrorism scheme (led by the ARPC), the Mexican FONDEN and the French schemes covering respectively natural catastrophes and technological disasters. This has also been the case in Spain until 1986, when the requirement for an official declaration was removed. The institutional solutions adopted in OECD countries, furthermore, differ in terms of type of losses covered. Most of the schemes provide compensation for property damage, but the nature of the property covered may vary (commercial

vs. residential properties, private properties v. public properties and infrastructures, etc.). There is a trend towards the inclusion of business interruption losses, as witnessed by the experience of Consorcio in Spain and Pool Re in the United Kingdom. Finally, only a few schemes cover liability exposures (see e.g. the Australian ARPC), and even less provide coverage for life, accident and health (while these losses may be covered by social security laws in some countries).

The mandatory nature of the scheme is often cited as a key component of several institutional arrangements implemented in OECD countries. However, one must clarify the meaning of "mandatory" under a scheme. Some countries have made the purchase of catastrophe insurance coverage mandatory: this is the case, for instance, of Turkey (earthquake), Iceland and Switzerland. Others have simply required insurance companies to make catastrophe insurance available, by introducing a mandatory offer of coverage that can be declined by the policyholder: this is how the US TRIA/ TRIEA (terrorism) and the California earthquake scheme work. In a number of countries, moreover, fire or other first party insurance policies are marketed on a voluntary basis, but insurance companies are required by law to include coverage for catastrophic risks in such policies: this is the case, for instance, in Australia (terrorism), Belgium, France (natural catastrophes, terrorism and technological disasters), New Zealand (earthquake), Norway and Spain. Finally, the mandatory component of the scheme may concern the participation of private insurance companies in special pooling and/or reinsurance arrangements.

The pricing of catastrophe coverage is yet another feature of the various schemes. While some apply a risk-based pricing mechanism, others have opted for flat pricing, invoking the principle of solidarity. In any event, it is important to recognize the impact of risk differentials across the territory of a Country or Region and to incorporate such risk differentials in the pricing mechanism, with a view to providing proper incentives to those most exposed to risk, while keeping coverage affordable and pricing manageable.

Competition law issues must also be taken into account, since the establishment of insurance pools, product-tying mechanisms, centralized pricing mechanisms and information sharing agreements may conflict with applicable antitrust laws and regulations.

Conclusions

Coping with issues related to natural catastrophes and man made disasters has led to the achievement of different 'mixed' models where state funding is accompanied by the implementation of specific (public or private) insurance coverage systems and by other instruments, including catastrophe bonds and weather derivatives. The trend is, indeed, to set up mixed models where several measures are established both on a public and on a private scale, and they coexist and interact with one another.

It shall be noted that there is no standard institutional solution for all countries, due to the different exposure to disaster risks, different social and political instances, as well as different legal and cultural backgrounds. In any case, a clear and transparent allocation of risks and responsibilities among public authorities, firms and individuals is a key component of any scheme, and a driver to the success of any catastrophe risk management program. It is also critical to link policy tools (i.e. the technical features of a scheme) with the underlying policy objectives pursued by the government, such as providing adequate financial protection to all individuals and entities, or simply making coverage available.

Notwithstanding the differences in the approaches and in the various institutional solutions, it clearly emerges that disaster insurance is called upon to play an increasingly important role in this field to minimise the total costs of disasters and highlight the importance of individual responsibility in disaster prevention and mitigation. The situation is rapidly changing in several legal systems, and this confirms the need for constant monitoring and information sharing, with a view to being able to learn from the experience of others.

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There is a trend towards the inclusion of business interruption losses, as witnessed by the experience of Consorcio in Spain and Pool Re in the United Kingdom.

Disaster Resilient Society

Comprehensive Policy Framework

'WE NEED A LONG TERM AND SUSTAINABLE SOLUTION BUT WE CAN'T WASTE ANY TIME MORE' INSISTS **KATSUO MATSUSHITA.**

Developing countries are already integral participants in the inter-related economies and cross-border supply, value and innovation chains.

Globalization and changes of risk paradigm

What has globalization brought us? There are positive and negative sides of the coin. On the positive side, it has brought macro economic growth in many regions and nations. Hundreds of millions of people have now escaped poverty. Literacy rates have been rising and more children have access to basic education. Developing countries are already integral participants in the inter-related economies and cross-border supply, value and innovation chains.

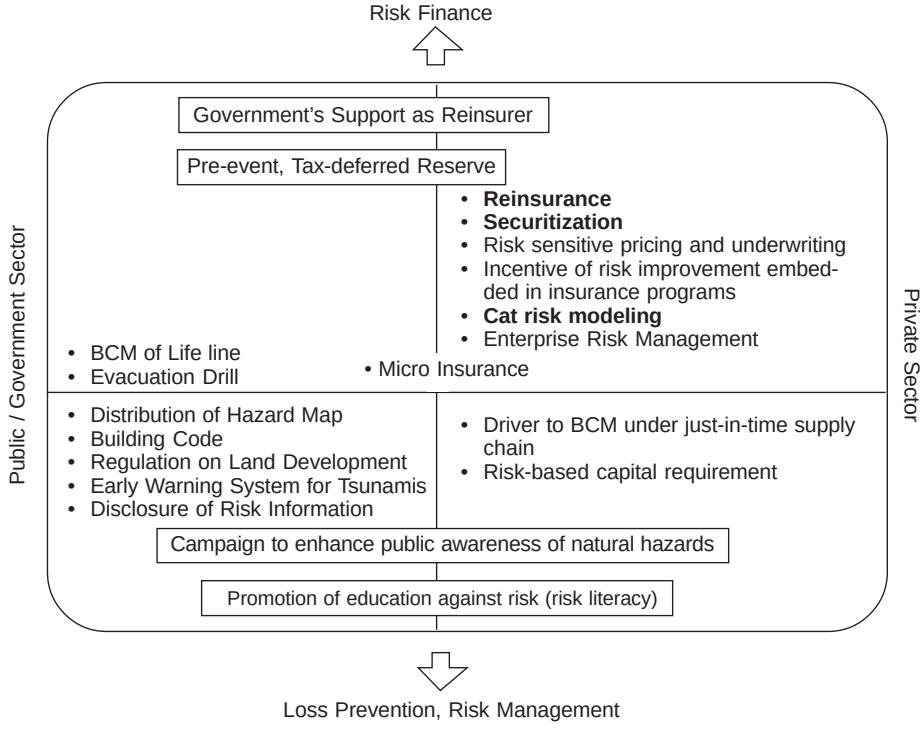
Looking at the other side of the coin, we find:

- Aggravated divide between urban and rural areas, among regions and nations
- Accumulated property value and exposures in large urban areas
- Densely populated urban areas in developing and emerging economies
- Environmental damage, high CO_2 emissions, global warming and climate changes have increased natural catastrophes in frequency and magnitude
- Pandemics spread more rapidly around the world

In short, disaster vulnerability has risen with the progress of global economic integration.

Measures to cope with large-scale catastrophe risks

The attached chart presents the various measures of how to cope with catastrophe risks. They range from measures to be taken up by private sectors to those taken up by public sectors, and from loss prevention/mitigation before the



occurrence of disaster to risk finance and post disaster financial aid.

Integrated collaboration is a must

It is widely recognized that when it comes to disaster prevention, no stand-alone measure can bring any meaningful solution to society and community. What we need is a coalition of action plans and well coordinated implementation of these plans. For example, collaboration between:

- Risk finance and loss mitigation/risk management
- Government agencies in charge of land use planning and another government agency in charge of insurance supervision
- Insurers and community/NGOs
- Private sector and public sector towards various measures, for example, institutionalization of reinsurance pool and tax incentives for catastrophe reserves
- Insurance market and capital market
- Micro-insurance and insurance/ reinsurance market
- Prevention of ecosystem degradation and prevention of catastrophe such as landslides and floods.

We need global collaboration and integrated cooperation against global issues

Our goal is to make a disaster resilient community, society and economy and to enhance risk awareness and risk literacy. To this end, international institutions should strengthen their message that disaster reduction/ mitigation is essential for sustainable development.

Given the cross-border nature of catastrophe risk from which we have learned and shared bitter lessons, international well-coordinated measures against large scale-risk are indispensable. For example:

- Exchange of best practices
- Deployment of warning systems against Tsunamis, Windstorms and Hurricanes
- Articulate role of and contributions from international insurers, reinsurers and providers of Risk Management services. Their contribution would includeÿ (1) Providing capacity and loss prevention expertise, (2) Facilitating exchange of international best or better practice, and (3) Helping developing countries build quality data bases which are so essential to make a cat-risk model a workable and useful tool for risk financing.

Comprehensive policy framework

We need a comprehensive policy framework where we shall pay attention to (1) pre-event prevention, (2) risk financing and (3) financial aid after the event of disaster with careful evaluation of resource allocation. Resource allocation is, ultimately, an allocation of public funds, including tax incentives. We should seriously study on how to allocate public fund among these three measures.

Our goal is to make a disaster resilient community, society and economy and to enhance risk awareness and risk literacy. To this end, international institutions should strengthen their message that disaster reduction/ mitigation is essential for sustainable development.

An effective tax incentive is one of the most important public fund allocations. The following is a viable example of incentives.

- Tax policies to promote the building of disaster resilient houses.
- Tax incentives to provide pre-event cat-reserves in the insurance and reinsurance sectors.

Let me explain how the pre-event, tax-deferred reserves have been working in Japan to maintain the financial resilience of insurers.

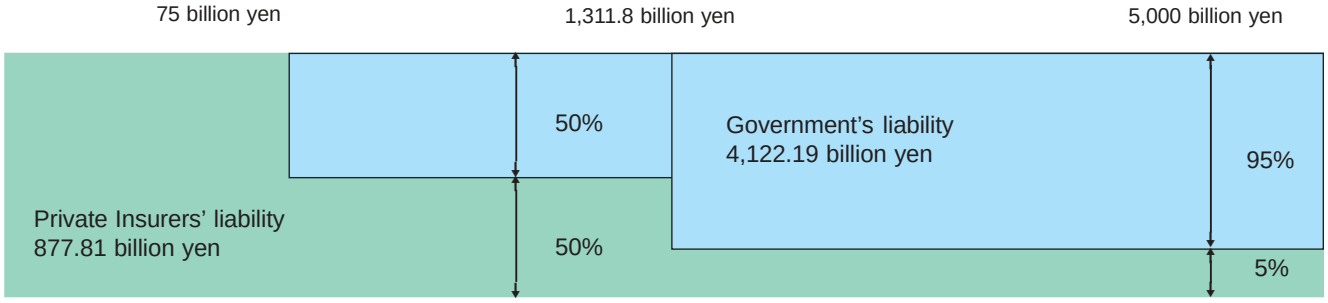
The Japanese islands were hit by ten typhoon landfalls in the year 2004 with Japanese YEN 745 billion (USD 6.3 billion) of insured losses, equivalent to 11% of the total net tangible assets of our industry.

Despite this magnitude of insured losses, rating agencies such as S&P and Moody's instantly declared that they would maintain the AA rating that was then assigned to major Japanese general insurers.

This is because they clearly understood that insurers' financial resilience would be maintained by the release of catastrophe reserves. In fact, insurers paid claims to insured and dividends to shareholders as usual that year. Partly due to this reserve system, there have been almost no insurance availability and affordability issues in Japan. The role of this reserve has been great in maintaining insurers' solvency and in bringing benefits to consumers and business customers.

Another example of the use of public fund, in Japan, to protect people is the financial compensation sharing scheme between the government and the private insurers for earthquake risk on residential houses. As illustrated below, the maximum limit of indemnity is 5,000 billion yen (US Dollar 42 billion) and the government functions as the reinsurer of last resort.

Liability sharing scheme between the Government and Private Insurers



Aggregate limit of liability per one event: 5,000 billion yen (41.5 billion US$)

- Up to 75 billion yen (0.6 billion US$) : Private insurers liable for 100%
- Over 75 billion yen up to 1,311.8 billion yen (10.8 billion US$) : Government liable for 50%, Private insurers liable for 50%
- Over 1,311.8 billion yen up to 5,000 billion yen (41.5 billion US$) : Government liable for 95%, Private insurers liable for 5%

Encourage local initiative and empower communities

We, insurers, must go beyond financial compensation and have to promote risk and disaster awareness among people, especially in disaster-prone areas. This is a pre-condition to make risk based pricing acceptable to them. Risk-based pricing is indispensable for the sustainable operation of insurance or pooling arrangements. Also, the linkage between disaster prevention and environmental preservation should be restated Look at the serious risk of flood and landslide caused by devastating deforestation. What is good for the environment is also good for disaster prevention. What is terrible for the environment is also terrible for disaster prevention.

In international seminars and conferences, we tend to discuss on how to transfer the experiences of developed countries to developing countries. However, we should not forget the importance of local initiatives. Let us encourage local and regional initiatives. Let us try to discover local wisdom, hidden wisdom that would be effective for the promotion of disaster awareness and preparedness.

I believe this is the case especially in countries and regions with higher geographical diversity like India. To find a successful case, however small it may be, and to share such a case within the region, across the nation should be the initial step of community empowerment.

Political will and commitment

Political will is of the utmost importance to cope with cat-risk and to make a cat-resilient society and economy. Commitment and determination at the highest level of policymakers are vital. International institutions such as the Organization for Economic Co-operation and Development (OECD) or ISDR (International Strategy for Disaster Reduction) should advise nations/governments strongly to:

- Incorporate disaster prevention and reduction into the top priority policy agenda.
- Promote international and regional cooperation.

Finally, to think and discuss deeply about this issue/agenda is good. However, good contemplation cannot be accepted as an excuse for no action. We don't have the luxury to waste time.

The author is General Manager, The General Insurance Association of Japan (GIAJ).

We, insurers, must go beyond financial compensation and have to promote risk and disaster awareness among people, especially in disaster-prone areas.

Insurability of Natural Catastrophes

Capacity building for Indian Market

R. CHANDRASEKHARAN WRITES 'ONE OF THE SHORT-COMINGS OF THE INDIAN INSURANCE INDUSTRY IS THE LACK OF CREDIBLE DATA TO SIMULATE POTENTIAL LOSS FROM A NATURAL CATASTROPHE OF A HIGH SEVERITY'. HE FURTHER GOES ON TO ADD THAT AT BEST, INSURANCE COMPANIES ARE FOLLOWING AN AGGREGATE LOSS MODEL WHEREBY THEY ASSESS THE IMPACT OF A NATURAL CATASTROPHE BY ANALYZING THE SEVERITY OF A SINGLE EVENT APPLIED TO THEIR PORTFOLIO.

Whenever a disaster occurs, it is Government's first duty to save life. Government's next duty is to restore the society's services and communication network; initially on a temporary basis and thereafter, by reconstruction.

Any ideal insurance proposal consists of two essential components viz. even spread of risks and absence of selection. Natural catastrophes do not fulfill these principles. Normally, they occur in the areas prone to such perils and thereby giving very less spread. People living outside the catastrophe zones normally select against insurers by not insuring them.

Natural Catastrophes

There is probably no place on the earth which is entirely free from risk of earthquakes. The standard Household Policy on buildings and contents tend to cover risk of earthquakes. Similarly, industrial and commercial risks too contain peril specific clauses; thereby the potential loss arising out of earthquake would be catastrophic. The next common catastrophe is caused by flooding as a result of tidal waves, windstorm, etc. When prolonged rain causes dams / reservoirs or rivers to overflow, the risk of inundation occurs with associated disastrous results. Flooding associated with strong winds such as hurricane is well-known.

Whenever a disaster occurs, it is Government's first duty to save life. Government's next duty is to restore the society's services and communication network; initially on a temporary basis and thereafter, by reconstruction.

Insurer's heavy losses have resulted mainly from increased accumulation of risks in urban areas. However, there has been a discernible pattern of windstorms in recent years. With increased number and severity of natural catastrophes and the potential threat due to climate change as a result of global warming, capital needed to absorb the impact of catastrophe risks is the key topic of interest in present day conferences dealing with Natural catastrophes.

Indian sub-continent is prone to earthquakes and wind-based natural perils. Within the last decade, four events of high severity have affected the economy. (Table 1) Whilst Gujarat earthquake has produced loss of more human lives than insured property losses, Gujarat cyclone and Mumbai floods produced Rs.3,000 crore of insured losses.

The following two questions have been repeatedly asked in many forums:

Should the catastrophe risks be managed by insurance companies on their own?

Does the Indian non-life insurance market have sufficient capacity for catastrophe losses?

In this article, an attempt is being made to answer these questions with regard to conceptual framework for capacity building to absorb the financial impact of natural catastrophes. Certain overall estimates are attempted.

Building Capacity to absorb impact of Natural catastrophes:

Risk improvement and Govt. role

When you look at the market capacity to absorb financial impact of natural catastrophes, risk improvement emerges the lasting and long term solution. It is necessary for any Government to step in by refusing to permit building on soft grounds or on epicenter lines. The widths of streets are to be related to the heights of the buildings and similar risk improvement measures to prevent or reduce the impact the losses.

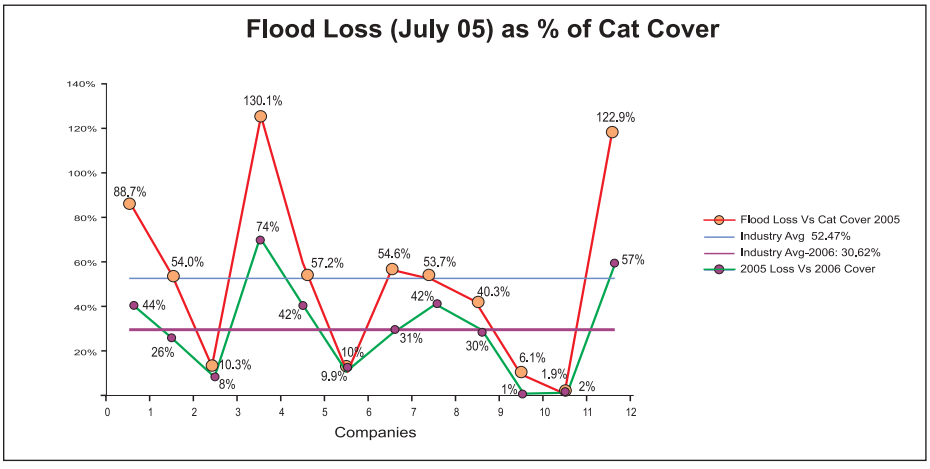
Commercial insurance capacity

Against a formidable list of catastrophic events and their effects, one wonders whether Indian insurance companies have made half hearted attempts so far. Public unwillingness to pay [due to selection against insurance companies] as also excessive premiums reduces the capacity. A small degree of self insurance [deductibles] on the part of insured would guard against fraudulent claims and make the individual sustain an interest in the preservation of the property.

As a percentage of the Gross Direct Premium [GDP], 1998 Gujarat Cyclone accounted for 12.59% of the GDP of the industry while 2005 Mumbai floods accounted for 12.28% of the GDP. At current levels of insurance penetration in urban areas, anywhere between Rs.1500 to Rs.3000 crore would be the possible impact of the catastrophes similar to Mumbai floods or Gujarat earthquake.

The following graph shows the impact of Mumbai flood losses on the extent of reinsurance covers purchased by each of the insurance companies in India.

The July-05 Mumbai flood has taken insurance companies by surprise. Two insurance companies exhausted their reinsurance protection. In 2006, all insurance companies had purchased more catastrophe reinsurance cover. With the increased reinsurance cover purchased, Mumbai flood loss would be only 30% of the reinsurance cover purchased by all the insurance companies put together in 2006-07; as against 52% of the reinsurance cover in 2005-06.



Insurance Industry Perspective

Table 1

Major Indian catastrophes during the last decade

Rs. (in Crore)

Name of event	Year	Market loss	Equated to 2006	Gross Premium	Penetration (%age of GDP)
Gujarat cyclone	1998	1096	1591	8703	0.71
Orissa cyclone	1999	170	215	9454	0.54
Gujarat EQ	2001	431	500	9799	0.56
Mumbai floods	2005	2500	2500	21337	0.61

Unfortunately, accurate data of catastrophe peril premium collected is not available, as earthquake covers are optional covers and flood risk can be excluded if the insured so desires.

Financial Sources available for insurance companies

Three sources are available for meeting such catastrophic losses. The first source would ideally be the premium collected for insuring cat perils (reduced by the cost of Reinsurance protection purchased) for paying the losses. Unfortunately, accurate data of catastrophe peril premium collected is not available, as earthquake covers are optional covers and flood risk can be excluded if the insured so desires. As a result, the natural catastrophe peril premium within the Fire and Engineering portfolio premium which includes coverage for household commercial as well as industrial risks cannot be separated. Therefore, one needs to look at a proxy index to work out the capacity available from premium. Ratio of past loss experience on GDP is one such measure. As stated earlier, based on Gujarat cyclone or Mumbai flood

losses as a percentage of the gross premium, one could assume that 15% to 20% as a load of any one catastrophe event on the insurance premium of the market. (Table 2)

Table 2

Premium + underlying loss retentions

Rs. (in Crore)

Load factor based on Past experience	2005-06	Estimates 2006-07	Projections 2010
GDP		25,000	40,000
15.00%	3200	3750	6000
17.50%	3750	4375	7000
20.00%	4275	5000	8000

The second source for meeting the catastrophic losses is the Excess of Loss protection obtained by the insurance companies. On the assumption that the risks covered by the insurance companies do not overlap and are mutually exclusive, the Excess of Loss protection can be aggregated. It would appear that for the year 2006-07 following the Mumbai floods, the insurance industry in India obtained Excess of Loss protection to the tune of Rs.5760 crore.

Capital Gearing and Market Premium

The third source for meeting the catastrophic losses would be the Capital and Free Reserves of the insurance companies. For 2005-06, market net-worth is around to Rs.15,000 crore. Thus, this capital has been leveraged 1.6 times to reach about Rs.25000 crore of GDP for the year 2006-07. However, at a capital gearing of two times, potential premium would be Rs.30,000 crore; at three times gearing, it would be Rs.45,000 crore. One of the projections of premiums for 2010 shows that industry would have approximately Rs.40,000 crore of premium. At 12% to 15% loading, the gross premium that can be ear-marked for a single cat event would be Rs.6000 crore.

Catastrophe models

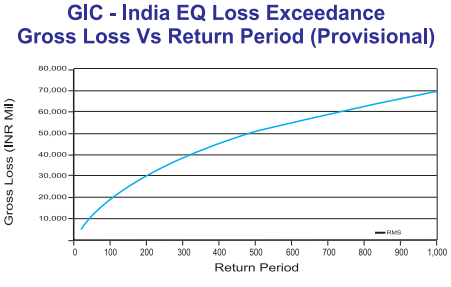
One of the short-comings of the Indian insurance industry is the lack of credible data to simulate potential loss from a natural catastrophe of a high severity. At best, insurance companies are following an aggregate loss model whereby they assess the impact of a natural catastrophe by analyzing the severity of a single event applied to their portfolio.

As against this, most of the insurers and re-insurers in developed countries assess their impact by assuming probabilities to a whole range of possible outcomes in their underlying portfolio. The probability models simulate multiple events occurring in the same area caused by a single peril. Exceedance Probability Curves as they are most commonly known are used to determine the re-insurance protection to be purchased by each company, and if so at what cost.

Till recently, international catastrophe simulation modeling agencies have not really focused their attention on Indian catastrophe modeling. The insured losses out of Indian catastrophes did not exceed USD 100 million till the Gujarat Cyclone in 1998. It is understood that RMS has recently worked out with Exceedance Probability Curves using an aggregate loss data, i.e. a beginning towards the second method described above.

GIC's portfolio reflects a cross section of the Indian market portfolio mainly because of the compulsory cessions on each and every policy. An attempt was made to prepare an Exceedance Probability Curve using this portfolio for earthquakes and the same is shown below.

Till recently, international catastrophe simulation modeling agencies have not really focused their attention on Indian catastrophe modeling. The insured losses out of Indian catastrophes did not exceed USD 100 million till the Gujarat Cyclone in 1998.



From the above graph, one can observe that GIC's portfolio projects a gross loss of Rs.2000 crore for a 100 year return period loss, which if extrapolated, would work out to about Rs.7500 crore for the industry.

Table 3

Loss Event Severity
(Based on Mumbai Floods)
[Extrapolated estimates]

Rs. (in Crore)

Return period	GIC	Market
100 year	2000	7500
200 year	3000	11000
500 year	5000	18500

The Excess of Loss protection arranged by the insurance industry for the year 2006-07 works out to Rs.5760 crore. This coupled with market retentions of Rs.260 crore i.e. the cumulative underlying of all the Cat XL programmes would cover losses of such a magnitude.

However, the industry has to bear the loss of approx. Rs.11,000 crore or Rs.18,000 crore respectively. These figures are estimates based on the current level of insurance penetration and the premium rating levels. The Indian insurance companies could create traditional capacity to pay Cat loss of a progressively higher return period (severity) i.e. a 200-year or a 500-year loss event in terms of severity / magnitude loss. (Table 4)

Table 4

Indian Insurance Industry Capacity

Rs. (in Crore)

Sources	2006 Actual	2010 Estimates
Net Retained Loss [aggregate of deductibles of XL covers] (at 2% of net worth)	260	300
Load of catastrophe losses on Premium [Mumbai flood 2005] -15%-	2680	6000
XL recoveries from re-insurers	5760	12000
	8700	**18300**

A case for Catastrophe

Insurance Pool

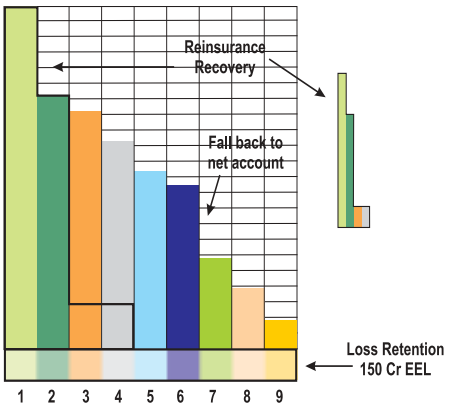
The traditional catastrophe excess of loss protections of insurance companies at best contains two reinstatements at lower layers and one at the higher layers. Back-up covers, if purchased in the beginning of the year would at best provide one reinstatement. Thus, if there is one single event of major severity, the insurance companies could pay the losses without touching their capital and free reserves. However, they would suffer high cost of XL protection in the following years, till the re-insurers re-coup and build sufficient positive balance. When more than one major event affects, at different parts of the country, then the reinsurance protection as well as back up covers could get exhausted, and the capital would come under stress.

All the above estimates and workings are based on the current level of property values. The past few years have seen tremendous economic growth. If the Govt. project of Providing Urban infrastructure to Rural Areas (PURA) is fully implemented, then the economic growth and development in urban and semi urban areas would increase. This would then bring in newer areas suffering heavy losses due to catastrophe perils. Flooding or wind damages now caused in these semi-urban and rural areas go unnoticed in view of insignificant insured losses.

It is, therefore, necessary to look at other sources of capacity for meeting catastrophe losses. The best foundation required for capacity building in the Indian market to meet the financial impact of natural catastrophes, even series of such events in a year; can be when the insurance companies come together to form a Catastrophe insurance pool, assisted by certain mandatory insurance provisions and implementation of code of conduct for construction in catastrophe peril prone areas. The diagram below explains the case for a catastrophe pool.

If one assumes multiple catastrophe events, then the insurance industry traditional (premium and reinsurance) capacity would be exhausted. Elsewhere, Catastrophe pools have served to increase the spread and volume of premium income, i.e. the first source of funds available to meet catastrophe losses.

A Case for Cat-Pool



Mandatory insurance for natural perils (to overcome the anti-selection) have been resorted to by many countries. Turkish Earthquake pool is a recent example of success.

A broad frame work for a Catastrophe pool could be:

Coverage for specific perils which cause natural catastrophe - floods, cyclones, earthquakes, tsunami etc

Mandatory cover under property insurance:

- Cover up to a specified limit per risk and per event - FIRST LOSS COVER.
- Agreed premium rates
- Compulsory participation by all insurers in Pool

The advantages that a natural catastrophe pool would bring are listed below:

- Diversification of risk.
- More capacity resulting in more absorption of risk in the long run.

If the Govt. project of Providing Urban infrastructure to Rural Areas (PURA) is fully implemented, then the economic growth and development in urban and semi urban areas would increase.

- Not affected by international prices.
- Pool creation from a social point of view would help to reduce economic losses.
- Reduce government burden to finance economic losses.
- Government could better deployment of funds instead of financing disaster relief.

If a catastrophe insurance pool is formed, the order of capacity building within the insurance industry would change.

Table 5

Capacity building within the insurance industry

Present order / capacity for catastrophe losses	Changed order / capacity for catastrophe losses
Part of premium and net retained losses (Load on premium)	Premium and funds accumulated with the Pool
Reinsurance recoveries	Reinsurance protections arranged for the Pool
Capital and free reserves	Part of premium and net retained losses (load on premium)
	Supplementary protections arranged by the insurance companies for their portfolio over and above the Pool capacity
	Capital and free reserves

Other higher tier capacities

Financial market solutions could be floated to tap the individual and institutional investors with appetite for risk taking and higher returns (in catastrophe free periods). An efficient capital market instrument would funnel the funds of capital markets to the insurance market. By transferring the risk to capital markets, the insurance companies would benefit in the long run through increased reinsurance capacity with less volatile and lower reinsurance rates.

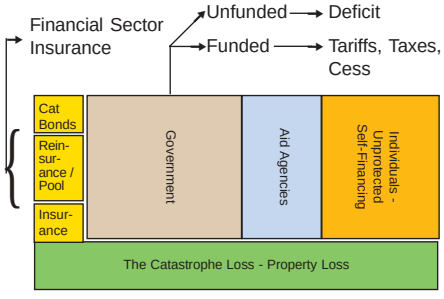
Insurance risks are to be securitized into tradable securities which would be a new asset class for capital markets providing positive returns and diversification to investors. Investors would then be willing to buy and sell these securities. This would be an excellent risk management tool for the insurance industry, besides providing capacity to them to mitigate the impact of catastrophe perils.

Conclusion

There are many solutions to build Indian market capacity for absorbing the impact of severe and series of catastrophe events. These are summarized below:

- Strict implementation of building codes by Government in Cat prone areas.
- Increased insurance penetration giving more catastrophe insurance premium. Mandatory insurance provisions would help.
- Capacity from insurance companies to the Catastrophe Pool.
- Capacity from NDMA (at top end of the Pool).
- Reinsurance protection for the Pool.
- Higher reinsurance protection for the insurance companies.
- Financial market (Hybrid) solutions; Hybrid and index based capital market instruments.

Disaster Management & Funding Sources



- Govt. funding, tax incentives and other aids / assistance.

There has to be serious partnership between Government, insurers and victims of natural catastrophes. Government should lead in the preparation to cope with these disasters. Government could at least change the laws so that insurance companies could offer catastrophe insurance on a financially sound and affordable basis.

Setting up of National Disaster Management Authority under a parliamentary act for a holistic approach to disaster prevention, mitigation and relief is by far the best initiative by the Indian Government. This is to be followed by adoption of a national disaster mitigation policy and its full implementation by all concerned. Only then, the wealth that is created by various economic development activities through the cumulative efforts of Govt., corporates, industrialists, entre-preneurs and individual citizens could be protected. The result would be an Indian super power sooner than visualized now.

The author is General Manager, GIC of India (GIC Re). The views expressed herein are those of the author and do not in any way reflect the position of GIC of India.

Catastrophe Insurance Covers

Value Addition by Underwriting in the De-tariffed Environment

'AID-BASED AND SUBSIDY-BASED DISASTER RELIEF ARE SOMETIMES SEEN AS MORAL HAZARD INDUCERS AS PERSONS WAIT FOR AID INSTEAD OF TAKING STEPS TO MANAGE RISKS THAT PERVADE THEIR LIVES, ASSETS AND ACTIVITIES' OPINES **P.C. JAMES.**

The importance of the insurance industry in the development process of a country was acknowledged by UNCTAD in 1964. A sound insurance sector is an essential feature in a proper economic system. It cushions against unexpected losses both at individual level, and also at community/ country level to deal with large scale catastrophes where the lack of coverage can cause immense adverse impact to the social and political fabric of the country.

Society today faces increasing catastrophic risks, owing to various reasons such as climate/environmental changes, technological/industrial progress, rapid urbanisation as well as population growth. Therefore there is a worrying escalation of risks which governments may not be able to finance from the already overburdened budgets - post disaster. Even if such post disaster finances are available, their effective use may not be optimal unless various ex ante disaster management strategies are in place. In fact, aid-based and subsidy-based disaster relief are sometimes seen as moral hazard inducers as persons wait for aid instead of taking steps to manage risks that pervade their lives, assets and activities. Disasters are unexpected occurrences and therefore best protected through insurance pools and reinsurance covers up to the capacity that insurance and capital markets can bear.

Sharing the risk across regions and populations in a large country like India through insurance covers provide superior solutions to the shocks that disasters may give to people and economy, which otherwise would remain at the mercy of inadequate tax support and aid. Catastrophes can be extremely large and destructive and hence uninsurable in the absence of the ability to create large capacities and commensurate liquidity-generating mechanisms when needed. Therefore, insurability of catastrophic risks require coordinated action on the part of governments and other stakeholders at national, state and local levels; insurer coordination and joint action to create relevant and affordable insurance covers and service capability; for marketing the coverage widely across all populations and asset classes; and for using robust risk studies and modelling to enable betterment of risks on a continuing basis. There could also be tie-up and coordination at regional and international levels for diversifying pools and lowering costs.

The efficiency of the insurance function arises from the ability to create loss bearing capacity for individuals, communities and the society. Therefore there is an economic and social empowerment process taking place as insurance penetration deepens and widens in an economy. This happens when

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risks which are insurable are transferred to duly recognised risk specialists, who can manage them on the basis of the law of large numbers as also arrange further capacities through reinsurance and capital markets as may be required.

Thus insurance facilitates risk taking and asset building across the economy, and enables a virtuous cycle of wealth creation. In the process, risks keep building up and this compels risk analysis and improvements; and forces investments in loss containment through enforcing safety and protection standards. This urge towards risk betterment is best possible only in an environment of open underwriting and innovative approaches to rating of risks. Insurance industry has been traditionally innovative in ensuring insurability in all areas of the economy, and has the capability to tailor insurance requirements in such a manner that risk coverage is enhanced, with maximum scope for loss minimisation and premium affordability.

A true underwriting approach to coverage looks at both exposures and experience as may be required to determine probabilities of loss and their potential size. It uses the tools of deductibles and other forms of affordable self-insurance as collateral for consumer participation in risk sharing. Policy coverage conditions; exclusions and warranties; coinsurance; reinsurance etc. help to determine the contract contours. Research and development; modelling and mapping are done on an ongoing scale to ensure that risks can be contained, be even more desirably insurable and can be found affordable by all. Thus in a catastrophic coverage, the sharing of the risk can be advantageously shared from the level of the policyholder (through appropriate deductible), to that of the insurer, the domestic insurance industry, global reinsurance industry, the capital markets and the government in such a manner that even occurrences of large magnitude do not prove a setback for the economy. This brings to realisation the dream of making nearly all economic losses become insured losses.

Appropriate pricing and offering of terms require that the insured is motivated to reduce both physical and moral hazards to desired levels. Scrutiny by the underwriter will elicit all information to judge the presence of hazards and loss creating situations. In this, underwriters can use mathematical and technological tools and create maps and models to analyse and understand various risk profiles across regions and risk clusters. This enables to crystallise rating factors that are required to build in the costs of underwriting the risk. The moral hazard cost can be similarly minimised especially using institutional motivation at the local, community and country levels including mandatory insurance coverage to the extent possible so that everyone is morally and socially compelled to join the pool in the best interests of the community.

The process of underwriting excellence that is expected to be initiated by detariffing can drive a fresh approach to attracting and retaining the uninsured and underinsured in both traditional and non-traditional sectors, first of all in their normal insurances such as homes, vehicles in the retail side and protection of the productive assets; as well as earning and liabilities in the commercial-industrial sector. This helps to generate an environment for more appropriate protection against the larger catastrophes that can smoothen the effects of disasters and minimise vulnerability at community, state and country levels. Given the large base of premium that can be generated by bringing into the insurance loop the retail and micro insurance sectors through attractive detariffed terms and prices, the capability to address the impact of catastrophic losses in the country will become considerably strengthened.

In a detariffed environment, insurers can get communities as well as the government at various levels to look at risk adequate prices for much need coverages that can protect against sweeping disasters that cripple everyone across geographies, climatic regions and population centres. Where the majority can be insured, the cost of coverage would be small but the benefits would be large for individuals and society. In such widespread exercise, coverage conditions and claim certainty of the contract can be generous as also the service parameters including the method and speed of indemnity could be negotiated to be clear and easy for all.

Given the nature of catastrophic losses, it is necessary to have clarity of the losses payable in covers given. This is especially true of a peril like flood which can take place owing to a variety of causes such as recurring river floods, or more remote flash floods, sewage overflow, mud flow, dam break, storm surge or tsunami among other reasons. In the case of individuals; events like pipe burst, inundation etc. can also take place. High quality data is required by insurers to control exposures and determine risk premiums as well as probable maximum losses. This is to be followed by proper assessment of insured values; the type of risk whether building, contents or interruption losses; the class of risk whether commercial,

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industrial or residential; and the type of coverage needed. All such determining factors are to get analysed and factored in by underwriters as underwriting skills will scale up in the country.

Once underwriters and risk managers are in a position to take charge of risks in the catastrophic area, many risk control measures will fall in place across the economy which will add value in mitigating risks and risk proofing the economy. Underwriters will begin to insist on building codes and retrofitting, planning of land use, programmes for flood defences and defences to reduce other risks like landslides and erosions. There will be barriers and incentives such as minimum eligibility, appropriate deductibles and premium incentives.

Underwriters will take lead in the economy to understand and foresee the nature of the threats in the catastrophe area. This is vital to the success of the insurer. If the insights captured by the underwriter are passed on to all those having stakes in the economy, the safety and continuity of the economy is well assured. Underwriters thus try to estimate the frequency and severity of the potential occurrences, the areas most at risk, its implications for land use, the construction vulnerabilities, the loss demand surge and implication for loss mitigation. Thus underwriting not only adds value to recouping losses but in risk visualisation and mitigation. Underwriting tools used will include geophysical, actuarial, demographic, behavioural and other factors to evaluate, measure and price risks.

Continuing in the mode of offering protection, the concept of catastrophe coverage can undergo changes and scaling up in multidimensional ways that can help both the insured and insurer. The first is to diversify from one risk to a basket of risks such as earthquake, flood, storm, volcanic eruption, landslide etc.; thereafter to look at not only loss of assets but also of earnings, loss of lives and attachment of liabilities arising out of damages caused by catastrophes. In this scenario of loss sensitivity to the economy, insurers will begin to look at wider protection against other widespread losses that may arise such as from agricultural calamities like droughts and pests, as well as other weather related risks. Thus, approaches to catastrophic insurances can help to widen and deepen protection offerings that can be relevant to the society and all its individuals. Vulnerability mapping will indicate areas of multiple though not concurrent risks; and it is a joint responsibility of the insurers and the society to find answers through risk diversification and insurance penetration.

Thus with increasing sophistication in underwriting skills, a multi-disciplinary and efficient approach to disaster management is possible integrating the learning accrued over the years in both developed and developing countries. Bringing in the insurance underwriting concept will begin to make disaster management change from the passive to the active; from planning aid and relief to active ex ante management that includes risk reduction and prevention; as well as steps to achieve rapid recovery in post damage reconstruction.

Thus insurance not only pushes the burden of disasters away from the state and the community to financial entities, but also incentivises risk reduction approaches and rewards risk mitigation efforts through the pricing of risk transfer.

The most important aspect of insurance is that it looks at the future. Therefore risk assessment at the insurer level keeps track of the socio-economic changes; the environmental and climatic trends; the emerging population and other risk concentrations; and the build up of new risk paradigms. Insurers hope to map the future scenarios before they pose a threat to insurability and the resilience of the insurance systems and the sustainability of the larger economic superstructure.

Thus insurers have a definitive role in giving a dynamic impetus to an insured economy in hazard identification, risk assessment, risk prevention and mitigation in the area of catastrophic risks. The process is ongoing, active and dynamic because risks can not only be additive and multiplicative in quantitative terms, but also in qualitative impact. Keeping to this scenario, insurers need to bring to the table all possible stakeholders that can help to contain the fallouts of giant catastrophes by linking insurers and reinsurers at country and global levels; the financial markets; the government and all other agencies to keep improving on the concept of the sustainability of an increasing catastrophic protection requirement across the economy, covering all individuals and economic units.

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Financial Management of Natural Disasters

Regulatory & Insurance Perspectives

'A NATURAL DISASTER IS A HUMAN TRAGEDY OF EPIC PROPORTIONS AND A CHALLENGE TO ALL THOSE INVOLVED IN MITIGATING THE SUFFERINGS OF THOSE THAT ARE DIRECTLY AFFECTED BY IT' EMPHASIZES **G V RAO**.

The OECD, in association with the Govt. of Japan, has brought the above subject into sharp focus at the recently held conference in Hyderabd, on the 'Financial Management of Large scale Catastrophes'. This article, after describing the grim situations that usually follow such natural occurrences, highlights what the insurance industry, the communities, the bodies corporate, the regulator and the Govt. should do to enhance risk awareness and literacy among the potential victims of such disasters. It also discusses the need to broad-base the financial linkages to reduce the huge gap between economic and insured losses, as the insurance industry does need to raise finances from the domestic and international capital markets to enable it to enhance the domestic capacity to underwrite the acceptances of the risks of natural perils. The current capital of the industry is insufficient.

India had economic losses of Rs.86,000 crore, representing 2% of the annual GDP during the period 2001-2005. 30 million people were affected and 4334 people lost their lives, according to Gen. Vij, Vice-Chairman of National Disaster Management Authority (NDMA). During 1995-99, the developing world lost 13.4% of GDP against the loss of 2.5% by the developed world.

Nature's furies

Natural disasters, such as floods, hurricanes, tsunamis, earthquakes etc. could be perceived as akin to the nature waging wars against us human beings, for taming environment to suit our comforts and conveniences. Global warming is a consequence of our playing with nature. Disaster-hits like the earthquakes, landslides, volcanic eruptions, mudslides etc hit us, usually, without any kind of early warnings. And hence there is a greater need for better human preparedness against such unexpected occurrences to mitigate their impact on human lives and property.

Mapping the zones of the earth areas, where there are more probabilities of occurrences of these hazards has helped in dealing with mitigating the consequences of these hits and minimizing the consequential losses to human beings and property; but, unfortunately, not the prevention of these unexpected occurrences.

How human nature responds

Thanks to technological advancements, it has now become possible to gather prior evidence of the signs of any impending storms for the authorities to put in place adequate early warning systems to warn the target people to get their act together to deal with the post-emergencies. These early warning systems also have enabled

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authorities to put into action their elaborate plans made to deal with the post-occurrence situations.

But the targeted people, particularly in the developing world, long used to the intrinsic tendency to gamble with their fate, do not always trust the warnings given; and often pay little heed to them. Hence issuance of warnings alone is not enough. Making people become better aware in advance of the consequences of the likely events to their persons and to their possessions is necessary. The people should also know, in advance of the occurrence of the event, the facilities that have been created for their physical safety and evacuation, should the event really materialize? The disaster preparedness management plan should factor in the likely responses of human nature to panic situations and how they would be dealt with, causing minimum human sufferings.

Information relating to various schemes offering emergency needs and financial succor to those affected must be made accessible to them in terms of their availability and how to realize them. The primary responsibility of the State, and of the various voluntary groups in terms of supply of emergency needs and financial assistance must be widely known. This aspect occupies a major plank of rehabilitation.

A survey by TIME magazine in 2006 in the US

Following the hurricane hit Katrina, the TIME magazine surveyed the affected people to assess how well prepared they were. 84% of the Americans felt they were not well prepared and when asked why not: 50% replied that they did not believe they were living in an area at risk—risk denial; 45% did not know how to prepare—lack of information; 32% did not believe any preparation would help—lack of confidence in aid providing mechanisms; 27% did not have time to prepare—cost benefit not worthwhile, myopia. Passive community behavior, lack of confidence in ex-ante solutions, community myopia and reliance on ex-post assistance from the Govt. and other organizations characterized community responses to natural disasters.

If this example is taken as a representative sample of the attitudes of people in the richest nation in the world with highest levels of per capita incomes, one can project the attitudes of people in a poor country, like India, towards disaster preparedness and the mighty task before the authorities and the voluntary groups associated with the tasks of mitigating the impact of large scale disasters.

A disaster tests national character

Occurrence of a natural disaster is a challenge to the social order of things, or its underlying undiscovered disorder. How disasters are handled, when they do occur, is a reflection of the fiber of the national character. The emotional sensitivity of a Nation to the sufferings of its fellow citizens is better illustrated and felt in the US than anywhere else in the world. The US is a role model to learn from in the handling of natural disasters. Yet, the US was found wanting, when Hurricane Katrina hit the state of New Orleans. What are the lessons we should draw from the above analysis?

Standard Indian response to disasters

Divided as we are in India, on several important aspects of our lives; the divisions among us are stressed repeatedly to specify and to define our identities rather than stress on what unites us as human beings with common emotions and aspirations, and as a people inhabiting the same part of the earth and this land. We are not emotionally inclusive in our feelings for and in assisting others but curiously pride ourselves on our emotional exclusiveness. This behavior needs to change with our growing affluence.

How disasters affect populations

Huge populations are forced out of their homes creating an upheaval; localities are decimated and their economies destroyed; economic lives are devastated, disrupted and the livelihoods of the affected are consigned to uncertainty; epidemic health problems spring up and public services get overextended; ugly competition for limited resources of food, water, clothing and shelter brings out the worst in men, triggering criminal instincts in them and raising crime rates, as a result of looting and arson; entire populations may get displaced for ever through migration to other places. It takes a long time to remove the ugly scars on the emotions, finances and hopes of the affected to resume their normal lives, if it is ever possible. A natural disaster is a human tragedy of epic proportions and a challenge to all those involved in mitigating the sufferings of those that are directly affected by it.

Nature in its fury occasionally disrupts the lives of people; but we, those that handle the post-situational scenario, should not inflict more suffering on these affected fellow beings by following wrong policies and with inadequate or no preparation

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to mitigate the losses to their property and lives. The duty does not end in dealing with the immediate consequences of the disaster; but must include rebuilding the lives of those affected that needs more empathetic handling by the Govt. and the society. The Disaster Preparedness plan must also factor in to remove the emotional scars of the victims of the disasters.

Prevention / mitigation of damages rather than offering only post-event succor is even more important. Planning to rebuild the lives and properties of those affected, post-event, is another important aspect. 'If one is prepared, if one has a plan and if one has got the training; one can respond better to such situations'.

What should a Disaster Management Plan contain?

A Disaster Management Plan should deal with the structural, organizational, operational, financial, and human resource mobilization aspects in as great a detail as possible. The psyche and the likely responses of those affected, and the tendency of anti-social elements to take advantage of the miseries of those affected must be factored in.

What can go wrong with the implementation of the plan must be examined in detail and contingency plans must be got ready to deal with the aberrations that may creep in. In a crisis situation, the dominant leadership becomes essentially a local one-those that do the work; and there would be little time to seek instructions. Hence post-event, every volunteer becomes a leader on his own. The plan must include:

- Feeding the affected, housing them, dealing with their shattered emotions, transitioning them to safety zones, establishing boot camps to train people for relief effort, securing volunteers willing to be trained, financial support - all become crucial aspects of the financial plans.
- A dry run of how the disaster plan works must be done by celebrating the unified 'National Disaster Preparedness Plan' every year - for about a month - prior to the seasonal monsoons. This would test the efficacy of the plan and would create better awareness of how disasters affect lives of those that are more susceptible to disaster occurrences. In India, there is a nodal agency as a part of the Home Ministry-the national disaster management cell. But it has, till now, kept a low profile in the public mind. None knows its activities in sufficient detail.
- Mobilization of medical teams, rescue squads, establishing evacuation shelters, and making available plenty of food, drinking water and clothing supplies, power generators, communication systems, taking measures to avoid toxic spills, mobilization of volunteers and coordination among teams set up are other important aspects.
- All parties involved in handling post-event scenario need to know all activities of the 'unified all-hazard preparedness plan' that covers many types of events that are likely to happen. The disaster mitigation effort must be made known to all those engaged in the implementation of the plan. They need to work in unison for achieving the overall objectives. Finger-pointing, as was seen in the post-Katrina scenario, where there was a huge mix-up in owning responsibility for the mitigation efforts caused more human suffering.
- One should draw lessons from the events that happened in other countries and keep revising the hazard preparedness plan to avoid the pitfalls that happened elsewhere for improving the effectiveness of its implementation in a different situation.
- To mitigate losses due to Earthquakes, Govt. must tighten building code regulations and use of right kind of materials for building homes, industries and others.
- To prevent damages due to floods, the Govt. must examine and implement land-use regulations to prevent causation of man-made flooding situations and to minimize damages by serious floods. Environmental protection regulations must be stringent for prevention of occurrence of man-made floods.
- Another aspect of the Govt. action should relate to developing effective early warning systems to alert people of the impending event and for the purposes of evacuating them early enough to places of relative safety. The precautions that people need to take on their own should be disseminated through as many sources as possible and stressed repeatedly.
- Govt.'s intervention should deal with taking control and implementing an all-hazard disaster management plan involving authorities at all levels, including civil defence organizations, civic authorities and other volunteer organizations.
- Handling a natural disaster needs a National, a State and a City leadership that can direct the efforts of those involved in offering quick relief to the affected. The leadership at all levels is tested for its readiness to respond to such emergencies. Often, leadership - local and central - is found wanting and there are no mentors to assist them.

Insurance perspective & OECD views

Insurers must be aware that the risk perceptions of the technical experts of insurers towards occurrence of natural

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perils and the community that really act on their perceptions are quite different. These differing perceptions involve different levels of understanding of the likelihood of the hazardous event occurring and the vulnerabilities of the specific risk to persons and property.

- Insurers have the responsibility to heighten risk awareness and literacy of the community to make it aware by sharing their experienced risk perceptions in handling disaster occurrences and inspire the trust and confidence of the community that ex-ante solutions are trustworthy enough. The goal to be achieved is to consistently try and narrow the gap between economic and insured losses that is very wide in India.
- One method of raising risk awareness in the community is for the insurers, the regulator, the Govt. and other voluntary organizations to launch a month-long campaign annually, on disaster risk awareness and mitigation programs, prior to the onset of monsoons. Educational campaigns should be launched by involving school and college students to build a future citizenry of risk conscious persons. Such campaigns involving the leadership of the Govt. and the media are essential. The school and college curriculums should impart lessons on disaster management. Community work by school and college students involving their participation in disaster management should be encouraged.
- Compulsory insurance of natural perils with the fire policy is another option to build premiums and adequate capacity and for risk sharing pooling arrangements to be put in place. Insurers should sharpen their skills at data collection and modeling techniques.
- They should be aware of improving linkages with capital markets to raise additional capital and raise liquidity levels for financial management of disasters. The industry's catastrophic risk management should be fully integrated with the government risk management. A layered approach involving the insured, the industry, financial markets and Govt. may be considered to encourage private/public partnership towards these issues.

Regulatory perspective

The Regulator has the role and responsibility to ensure that the designed and supervised insurance system works effectively and efficiently; as a financial instrument of security, in the overall interests of the consuming public. But new market innovations, so very necessary - through a deliberate disruption of the current market system, however, are not possible, unless they are attempted and the system is tested to make it acquire a newer and more beneficial complexion. The current system should grow and develop, and not perpetuate itself, if the institution of insurance has to grow to make a difference to the lives of consumers and to the insurers' themselves.

Such market innovations are possible only if induced either by the insurers or forced upon them by the Regulator. The market innovations should extend the benefits of the system to include those that are currently excluded, due to their financial inability to access the insurance system in force. The Regulator has this dilemma of how to induce market innovations to resolve to bring in more and more uninsured people in to the safety net of insurance, without causing serious systemic aberrations.

How does the authority accomplish this objective? That is the challenge for the regulator. In India, the Regulatory authority through its intervention, has forced an unprecedented market innovation on the insurers through enactment of micro-insurance regulations designed to help the rural segment. Another market innovation of the Regulator has been the freeing of tariff rates and encouraging improved understanding of risk factors by insurers for their rational pricing.

The regulatory authority is conscious of the fact that it is the ultimate protector of the safety of the operations of the insurance system in the interests of the insurers and the community of insured. It has also the responsibility to make the insurance system accessible to many uninsured. This is only possible by making the system financially accessible to many uninsured or inadequately insured.

Compulsion to make insurance covers available at reasonable prices to serve the needs of those that are currently outside the insurance system is a social goal. Insurers would rather develop markets of what suits them on economies of scale and costs, and leave those that are financially more vulnerable to the protection of the State. How can this approach be changed?

The role of insurers in computing risk exposures and loss potentials and then pricing the accepted risk exposures is crucial. The advisory role of international reinsurers must be sought. Insurers must form a part of the national disaster preparedness plan to understand better the differing perspectives on these issues. Forming pools and raising capital through available capital markets must be the focus of the future endeavors. Raising risk awareness of the community is the key element for better preparedness.

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The Kyoto Protocol

Can the Harm be Undone?

'THE KYOTO PROTOCOL WHICH WAS CONCEIVED IN 1997 BUT CAME INTO FORCE ONLY IN FEBRUARY 2005 BINDS MEMBER COUNTRIES TO A PRE DETERMINED LOWERING OF GREENHOUSE GAS EMISSIONS TO A LEVEL THAT WOULD BE 5.2 PER CENT LESS THAN WHAT THEY WERE IN 1990, ACHIEVABLE BY 2012; THOUGH THERE ARE EXCEPTIONS. THAT WOULD HOPEFULLY BRING DOWN THE LEVELS OF GLOBAL WARMING' SAYS **JAYSHREE BOSE**.

An insight into the Protocol's provisions and who is doing what to comply - or, to not comply.

Catastrophe insurers the world over are more concerned about disaster mitigation and preparedness today than they are about getting more business. The year 2004, and even more so 2005, were years of fear; with insured losses from natural calamities running into billions of dollars. Insurers have realized that unless preventive measures are taken and awareness and preparedness measures built up amongst the insurable population, claims are going to be that much higher.

There's no gainsaying that global warming should be attributed partly to naturally evolving climatic cycles. Taking up this cue, recent statements issued in March 2007 by leading climate change experts Professors Paul Hardaker and Chris Collier of the Royal Meteorological Society, UK, have warned scientists and the media against the "Hollywoodisation" of the global warming phenomenon. This opinion was almost echoed by Professor Mike Hulme, Director, Tyndall Center for Climatic Change, University of East Anglia. Reportedly, however, these have just been the most recent of a long drawn out series of appeals for moderation on the global warming issue, and been able to do little substantively to rein in the fear over global warming and its impact on climate change. While most global polemics do hinge on some uncertainty, conceding that not all instances of natural catastrophes can be traced to greenhouse gases, not too many seem to be willing to take a chance. And small wonder - as against one appeal for moderation, there are several studies on this phenomenon that have pointed out that the increase of 1—1.5 degree Fahrenheit in the global surface average temperature in the last century was largely the result of increased heat trapping emissions; and have correlated rising temperatures to the unusually inclement weather conditions and the severe and frequent natural disasters we are witnessing recently. Industrialization and urbanization have triggered off increased heat trapping greenhouse gas emissions, which are almost 25 per cent higher today than the level where they were 150 years ago, before the onset of industrialization.

The Intergovernmental Panel on Climate Change (IPCC), set up in 1988 jointly by the United Nations Environmental Program and the World Meteorological Organization, has come out with a rather more ominous portent: the Earth's average surface temperature will increase between 2.5 degree F and 10.4 degree F between 1990 and 2100, unless really effective measures are taken to rein in gas emissions. Incidentally, it was the unexpected acceleration in temperature rise and natural disasters over the past decade which prompted the IPCC to take a re-look and revise its earlier predictions on global warming significantly upwards.

Insurers are watching developments keenly at the Kyoto Protocol Member countries. The Protocol, which became formally operational on February 16, 2005, binds members to lower their greenhouse gas emissions at levels 5.2 per cent lower than where they stood in 1990.

Milestones towards the protocol

The global realisation that it could no longer be business as usual was what prompted the launch of the United Nations Framework Convention on Climate Change on May 9, 1992 on behalf of the European Union—at least to set the ball rolling. As it went ahead

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with its brief, the Framework Convention was considered a success in that it was able to disseminate awareness about the correlation between gas emissions, rising temperatures and growing natural disasters, as well as the role countries could play in either improving the situation or worsening it.

In March 1995, the Parties of the Framework Convention met in Berlin and decided to bring in a Protocol which would contain measures to reduce emissions that had built up in the industrialized countries after 2000. After much debate, the Kyoto Protocol was adopted at Kyoto in Japan, on December 10, 1997, with the objective of tackling climate change through concerted global effort to reduce greenhouse gas emissions identified as responsible for global warming.

The European Union was the first to sign the Protocol on April 29, 1998, bringing it into existence; although it came into force much later. In December 2001, the European Council confirmed that it wanted to see the Kyoto Protocol come into force before the end of the year. The Member States set the deadline for ratification for June 1, 2002. The deadline was met and the European Union ratified the Protocol on May 31, 2002. However, technically speaking, the treaty did not become legally binding on all those members who ratified it, till much later - in February 2005 that is, only after Russia ratified the treaty in November 2004. Russia's entry was vital because the stipulation was that industrialized countries accounting for a minimum of 55 per cent of the emissions had to ratify it - and Russia's ratification of the Protocol served the purpose by bringing it to that level. The other stipulation - that at least 55 countries had to ratify the Kyoto Protocol - had already been met.

In fact, by then, almost 141 countries, collectively accounting for a substantial percentage of the emissions, had become parties to the treaty. As stated earlier, the Protocol binds them to cut emissions by 5.2 per cent below their 1990 level, by the year 2012. However, leeway has been granted in cases such as the 15 member European Union, where individual targets had been set, in addition to the collective target of 5.2 per cent. For example, the targets of EU countries are: -21 per cent for Germany and Denmark, -6 per cent for Netherlands, +13 per cent for Ireland and +27 per cent for Portugal, depending on the levels of emissions and industrialization. The UK Presidency has agreed to reduce its emissions by 12.5 per cent. The other category of countries is the non member ones, the names of which are included in Annex B to the Protocol (see Table). The Protocol has set different targets for them (which are not mandatory, but should ideally be met of a country's own volition). Many of these countries are, in fact, lowering their emissions, which they claim could surpass the Kyoto Protocol's targets - the only difference is that this would be done voluntarily, and in their own way.

So, not all countries are willing to sign on the dotted line. A piquant situation has arisen because a few countries, which account for the world's highest emissions, have yet to sign the treaty.

Holding on

So, not all countries are willing to sign on the dotted line. A piquant situation has arisen because a few countries, which account for the world's highest emissions, have yet to sign the treaty. This reluctance is based on the grounds that (1) developing countries like India and China are out of the purview of the Protocol—yet (2) reducing emissions could only be brought about by going back on industrial progress and lowering GDP, which was not acceptable and (3) there were too many uncertainties about the relation between emissions and the current phase of global warming. They argue their case by stating that developing countries such as these accounted for a high level of emissions, and in fact, China came next only to the USA accounting for 36 per cent of the industrialized world's greenhouse emissions. Yet, all developing countries were allowed to remain outside the Protocol's purview for now. Their contention is that it would abort the very purpose of the Protocol, and render the developed nation members' efforts too sacrificial and ineffective.

In fact, Annex B to the Protocol contains names of many countries which have arrived at individual commitments through some negotiation with the Protocol Committee without actually signing on. (The names of such countries and their targets are included in Annex B). One could therefore conclude that though the governments of many countries put down their reluctance about joining the Protocol to the uncertain links between emissions and global warming; deep within, they do fear that emissions are largely responsible and do not want to take any chances.

In January 2005, the European Union introduced three unique market mechanisms through which (1) countries in surplus of their emissions targets, (2) developed countries could go in for joint implementation of clean technology in league with other developed countries, or, (3) developed countries which could transfer clean technologies to developing countries, could trade these excess emission reduction units or earn credits by transferring technology. Even in a partial international trading scenario (it might be too optimistic to expect a situation where all participating countries agree to emissions trading initially) this would reduce the cost of their switchover to non polluting technologies. (Refer to sub section on 'Market Mechanisms').

A look at the categorization of countries based on parameters such as percentage of increase and current emission levels with 1990 as base year would show for which countries the Protocol norms are an imperative:

- Developed nations, whose emissions grew between 1990 and 2000 on the back of industrialization, growth in the number of cars on the road, etc., and which together accounted for 30.8 per cent of emissions, worldwide, in the year 2000. Countries in this category are USA, Japan, Canada, Italy, Australia and Spain, which definitely need to bring down emissions. They are also the ones who have the wherewithal to implement these technologies both at home and abroad, and benefit to a great extent from emissions trading and technology transfer.
- Developed countries, where emissions declined between 1990 and 2000 mainly because of the collapse of Eastern European and Soviet economies, accounting for 11.3 per cent of emissions

The provisions of the Protocol are a step in the right direction because, for the first time, they set deadlines and quantified objectives for tackling the havoc being caused by emissions.

in 2000. These include Russia, Germany, Ukraine, Poland and some other countries. Given the fact that these countries would definitely surpass emission targets, they could benefit most from selling surplus emission credits to other countries through the market mechanisms offered by the Protocol, which are discussed later.

- Developed countries, whose emissions declined because of the combination of slow economic growth and replacement of coal-based emission producing technologies with gas based and other clean technologies. These countries, namely UK and France, accounted for a mere 3.5 per cent of global emissions in 2000. These countries could make better use of the clean technology culture already in place to make domestic industrial growth compatible with lower emissions. They could also make good use of the market mechanisms to transfer these technologies and surplus emission credits to other countries and make money out of it.
- Developing nations, where emissions had risen basically on two counts: industrial growth and widespread use of emission producing technology. These countries included China, India, Brazil, South Korea, Mexico, Indonesia, Iran and South Africa, where emissions accounted for 29.9 per cent of the total. Instead of offering a carte blanche waiver of the Protocol norms, it is necessary to review each country's case separately. In China, although industrialization began late, it is growing by leaps and bounds, making China the second highest emission producing country in the world. Once the Protocol really takes off, these countries will also benefit from clean technology transfer and transfer of surplus credits from target-achieving countries. So, there is not much of a rationale for granting longstanding exemption to them from fulfilling these norms.

Some significant features of the protocol

The Kyoto Protocol concerns itself with lowering the emissions of six greenhouse gases:

- Carbon dioxide (CO_2)
- Hydrofluorocarbons (HFC)
- Methane (CH_4)
- Nitrous Oxide (N_2O)
- Perfluorocarbons (PFC)
- Sulphur Hexafluoride (SF_6)
- Annex A lists the 6 greenhouse gases mentioned above and sources and sectors of the emissions. Annex B lists agreed reduction targets for 38 developed countries and also contains individual targets set for themselves by countries which have not ratified the Protocol. Annex 1 lists all the 35 developed countries which have ratified the Protocol and accepted the standard emission lowering norms.
- The provisions of the Protocol are a step in the right direction because, for the first time, they set deadlines and quantified objectives for tackling the havoc being caused by emissions.
- The parties (members) of the Framework Convention have to undertake to reduce their greenhouse gas emissions by at least 5.2 percent below the 1990 levels during the first commitment period (2008–2012).
- The EU Member States' target is to collectively reduce their greenhouse gas emissions by 8 per cent between 2008–2012.
- For the period before 2008, the parties should be able to display significant progress made towards fulfilling their objective of reducing emissions by 2005.
- Parties have the option of making 2005 a reference year for emissions of HFC,PFC and SF_6.

Market mechanisms of the protocol

The Kyoto Protocol envisages three market-based mechanisms: Emissions Trading (ET), Joint Implementation (JI) and Clean Development Mechanism (CDM). The rationale underlying these three mechanisms is that since it is a global problem it does not matter in which country emissions are reduced. So, at least to begin with, reductions in emissions can initially be in places where the costs of reduction would be lowest. On January 1, 2005; the European Union, the prime protagonist of the Protocol, implemented its own internal emission trading scheme, covering all 25 EU Member states. In fact, even non member countries like the USA and others envisage making full use of these mechanisms, though there is some uncertainty about whether there would be trading restrictions on non member countries.

- **EMISSIONS TRADING.** Under emissions trading, any Annex 1 Party of the Protocol, whose emissions are less than what is allowed (this is known as allowances) may sell the unused emission allowance units to another Annex 1 Party that finds it relatively difficult or costly to meet its targets. However, parties that sell these units need to meet their commitments first and maintain a commitment period reserve that cannot be traded.
- **JOINT IMPLEMENTATION (JI) & CLEAN DEVELOPMENT MECHANISM (CDM):** These mechanisms will allow industrialized countries to implement part of their emission-reduction commitments abroad. JI allows joint projects in other developed countries; and countries in transition (where credits are shared), while CDM envisages emission reducing projects in developing countries (where the credits go exclusively to the account of the developed country implementing the project). These mechanisms have major spin-off benefits, as well. Allowing emission trading and the use of JI and CDM credits will not only lower the cost of compliance, it will also result in transfer of clean technology to countries in transition through JI and to developing countries through CDM.
- Any greenhouse emissions, even from permitted activities, must be offset by activities in the land use, land use change and forestry (LULUCF) sector, such as afforestation; reforestation; and forest, cropland and grazing land management. Removal of greenhouse gases from the atmosphere by parties generate credits known as removal units (such as RMUs), which can be traded.
- Parties have to introduce national policies to reduce emissions through greater energy efficiency, development of renewable energy sources, promotion of sustainable forms of agriculture, etc.

- They are also expected to interact and co-operate with other parties through exchange of information, co-ordination of national policies, joint implementation, common mechanisms, etc.
- No later than one year before the commencement of the first commitment period beginning in 2008, all parties should have set up a national system for the estimation of anthropogenic emissions and all greenhouse gases not controlled by the Montreal Protocol.
- Annex 1 Parties will submit annual emission inventories which will be subject to in-depth review to ensure compliance. By way of additional measures, each party will maintain a national registry to track and record mechanisms, while the Protocol Secretariat will keep an independent transaction log and publish Annual Reports about each party's progress.
- If a party defaults on commitments, it must make up the difference in the second commitment period, pay a 30 per cent penalty, develop a compliance plan and forego its emissions trading privileges.

In Annexure B, the standards for lowering of emissions differ, depending on current levels of emissions and industrialization. Different levels have also been set for non member countries.

Voices of Dissent

Various reasons are attributed by the various countries which prefer to remain dissociated with the protocol.

One, there is no conclusive basis to prove that emissions are largely responsible for global warming. Although there is unanimity in the acknowledgement that significant changes have taken place in the global climate, sea level, agriculture, the ecosystem, etc. there are major differences amongst climatologists about the permanent rise in temperature, and about its impact on the climate. Studies reveal that for the past 11,000 years, there have been six other major warming and cooling cycles like the present one, with some producing temperatures higher than the current average of 59 degree F. So, this could well be a natural cycle.

Two, there is no scientific consensus that global warming results from man made gas emissions. If this was the case, the 0.6 degree Celsius rise in temperature would have taken place not over the past 148 years, but mainly 1945 onwards, which saw the true onset of industrialization and a gradual increase in the number of cars.

The plain fact is that industrial growth is always accompanied by higher emissions in absolute terms, although as a ratio of output it could show a decline.

Uncertian benefits, surefire disadvantages?

"It's a question of uncertain benefits and surefire disadvantages" seems to be the argument of the dissenting countries. If one considers some figures, their stance does not seem unreasonable, either. For example: reducing greenhouse gas emissions to 7 per cent below 1990 levels by 2010 (which is what the Protocol has estimated US targets should be) would cause a sharp rise in energy prices, according to US Department of Energy reports. This estimated cutback in Carbon dioxide (CO_2) emissions to the extent of about 550 million metric tonnes, would reduce GDP significantly, by around 1 per cent to 4 per cent annually. This works out to annual losses of USD 100 billion to USD 400 billion in inflation-adjusted dollars, in terms of GDP loss, every year. Prices would rise for carbon using goods, which would have to be offset by either using less carbon, or, continuing to use a process that had been used for quite some time but one that had now become more expensive. This, in turn, would boost production costs in energy-driven industries like chemicals and allied products, clay, concrete, glass, etc. which consumers would shun because the higher costs would necessarily be passed on to them. This, in turn, would lead to industrial recession.

The other major hit is the premature obsolescence of capital equipment caused by a sharp increase in energy prices. Meeting targets would either mean using plant and machinery designed for cheaper energy sources which will disrupt operations from time to time and lower productivity; or, replacing the capital stock earlier than planned. And that, many industry analysts feel, would be impossible to go in for.

One thing is for sure, it's quite evident that US is in sync with the rest of the world in wanting to transit to a more clean environment. As early as 2001, President Bush had unveiled an alternative based on a voluntary emission reducing program, as compared to the Protocol's compulsory mandates. The program envisages a 4.5 per cent voluntary reduction (as against the Protocol-stipulated 7 per cent cut) in greenhouse gases over a period of 10 years (deadline: 2012) and "the largest" reductions in power plant emissions in the history of the USA.

The plan eventually targets at a lowering in emissions by at least 500 metric tons, roughly equivalent to taking 70 million cars off the road, which borders close to the Protocol's projections. US administration officials are confident that if other nations follow suit, the end result might even surpass Kyoto's targets. In case targets are not met, there will be a review, followed by a second tranche of market-based reforms, incentives and other voluntary measures.

The point is that while this makes eminent business sense, it does not really serve the purpose of lowering emissions, unless the transition to clean technologies can be near total; and within a very short time frame, at that. Now, this does not seem feasible. Till such time as it happens, all countries aspiring to combine high GDP growth with lower emissions may have to go in through a painful period of industrial slowdown, till it can ride on the back of clean technologies to high industrial growth once again. The plain fact is that industrial growth is always accompanied by higher emissions in absolute terms, although as a ratio of output it could show a decline. But then, nature understands absolutes, not ratios. This realization could be the reason why 165 US cities spearheaded by Seattle, voted to support the Protocol in June 2005.

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प्रकाशक का संदेश

प्रकृति की समूर किसी सीमा को नहीं जानता तथा यह मानव की क्षमता से अभी तक बाहर है तथा वह अपने ही डिजाइन को नष्ट कर देता है। वैसे यह महत्वपूर्ण है कि एक प्रभावशाली तंत्र जो राहत तथा पुनर्वास को व्यवस्थित किया जाए तथा वित्तीय हानियों के प्रति सावधानी रखे जो बड़ी मात्रा में प्रभावित क्षेत्र में होती है।

इन हानियों को प्रबन्धन करने का सबसे प्रभावशाली ढंग जोखिम का स्थानांतरण है क्योंकि ऐसी हानियां एक व्यक्ति की समुदाय की यहां तक कि देश की क्षमता से भी बाहर होती है। अपनी विस्तृत भौगोलिक जलवायु के कारण भारत विभिन्न प्रकार की प्राकृतिक आपदाओं जैसे बाढ़, चक्रवात, भूकंप, चट्टान खिसकना, सुनामी इत्यादी से झूझता है। साधारणत: ऐसी प्राकृतिक आपदाए बढ़े स्तर पर आती हैं तथा हानि बडी तथा व्यापक होती है। शोकाकुल तथ्य है कि भारत के बारे में कि बीमाकृत हानियों कुल हानि के छोटे से भाग के रूप में होती है। ऐसी प्रथा कई विकासशील देशों में भी है तथा उत्तर खोजने की आवश्यकता है कि कैसे बीमाकृत हानि कुल आर्थिक हानि के बराबर हो सके।

बीमाकर्ता के लिए, महाविपदा हानि के प्रबन्धन के लिए सारणी बद्ध प्रक्रिया की आवश्यकता है जो प्रारम्भ होती है जोखिम के मूल्यांकन से जोखिम के संचयन का मूल्यांकन, जोखिम को ठीक प्रकार से बीमा लेखन करना, ठीक प्रकार के पुनर्बीमा आवरण की व्यवस्था करना। ऐसी दुखदायी घटना के बाद बीमाकर्ता को तत्पर्ता से कार्य करना होगा तथा प्रभावितों को होने वाली कठिनाइयों को ध्यान में रखते हुए उन्हें कम करना होगा। यह गर्व से कहा जा सकता है कि भारतीय बीमा उद्योग ने बढ़े स्तर पर इस गुण का प्रदर्शन दावों को प्राथमिकता के आधार पर निपटाते हुए किया है जो हाल के बंम्बई तथा गुजरात बाढ में दृष्टिगोचर हुआ है।

महा आपदा जोखिम का मूल्य निर्धारण के महत्व को बताने की आवश्यकता नहीं है। मूल्य का आधार जोखिम आरक्षिता होगा। जर्नल के इस अंक में महाविपदा प्रबन्धन को ही मूल में रखा गया है।

बीमाकर्ता वह जोखिम ले लेते हैं जो अन्य सामना करते हैं। वह स्वयं ही ऐसे जोखिम से घीर जाते है जिससे उन्हें भली प्रकार से निपटना होता है जिससे वे सफल हो सके। जोखिम प्रबन्धन बीमाकर्ता के लिए जर्नल के अगले अंक के केन्द्र बिन्दु में होगा।

सी. एस. राव

सी. एस. राव
अध्यक्ष

"दृष्टि कोण"

घातक बीमारियों तथा आतंकवाद से बढ़ता हुआ खतरा है अधिक संकेत है प्रकृतिक आपदा, जीवन शैली से सम्बंधित रोग निवारण, उम्रदराज जनसंक्या का चुनौतियाँ जो लम्बी आयु की अपेक्षा से उत्पन्न हुई है तथा एक बहुत उतार-चढ़ाव युक्त निवेश वातावरण।

श्री टी स्वी लियेन

उप प्रबन्ध निदेशक, प्रुडेंशल सूपरविजन सिंगापुर की मौनेटरी प्राधिकरण।

हमारे उद्योग के लिए बीमा लेखन को समझना एक नाजूक आवश्यकता है आज कंपनियाँ अपनी जोखिम प्रबन्ध गातिविधियों को मजबूत बना रही हैं। तथा उसकी निष्पति लाभ व सफलता के रूप में हो रही है।

श्री थामस पी डोनाल्ड्सन

अध्यक्ष तथा सीईओ, लोमा

विश्व तथा देश के लिए महा आपदा बडी बात नहीं है तथा इसके दुष्परिणाम न केवल इनसे प्रभावितों को वरन् इनके देशों का भी आश्चर्य में डाल रहे हैं।

श्री सी एस राव

अध्यक्ष, आई आर डी ए, भारत

मजबूत आर्थिक कार्य संपादन के चलने यह आश्चर्यजनक नहीं है कि बीमा क्षेत्र में साथ-साथ वृद्धि देखी जाए विश्व के इस भाग में अवश्य ही बीमा प्रीमियम (जीवन तथा गैर-जीवन दोनों) साथ में चलने वाली जीडीपी वृद्धि अधिकांश ऐशियायी देशों में तीव्र है।

श्री ओंग चोंग टी

उप प्रबन्धन निदेशक, सिंगापूर मौनिटरी प्राधिकरण

बडी प्राकृतिक महा आपदा एक राष्ट्रीय समस्या है यह स्थानीय बीमा समस्या नहीं है। वैसे बीमा सदैव आर्थिक वापसी का एक मजबूत औजार होता है जो प्राकृतिक आपदा के बाद होती है। काफी कुछ इससे पहले किया जाना चाहिये जिसका अधिक प्रभाव होग ।

श्री केविन मैकार्टी

फ्लोरिडा बीमा कामिशनर

जोखिम संवेदनशीलता वित्तीय आवश्यकता केवल तभी पुरी हो सकती है जब भूमिका में मजबूत प्रशासन तथा बाजार नीति परिपाटियाँ तथा उन्हे सार्वजनिक सूचना आवश्यकता के अनुसार बताया गया है।

श्री रोब कर्टिस

अध्यक्ष, बीमा शोधन तथा बीमांकन मुद्धे पर आई ए आई एस की सब कमेटी।

पुनर्बीमा संविदा

वैधानिक तथा संविदा पक्ष

पुनर्बीमा एक स्वयं विनियमित पेशा है, खुला है, उदारीकरण तथा परिपाटियों को बदलने के लिये, बदले समय की चुनौतियों के लिये -
के एल नायक

प्रस्तावना

पुनर्बीमा की चेतना में पुनर्बीमाकर्ता तथा पुर्नबीमा लेने वाले दोनों में संवाद होना चाहिये। वह प्रतिष्ठित, अनुमानिक तथा नवोन्मेष होना चाहिये। पुनर्बीमा के लिये कोई विशेष वैधानिकता नही है। विशेष नियम जो बीमा संविदा को शासित करते हैं वही पुनर्बीमा पर भी लागू होते है। एशिया तथा लैटिन अमेरिका के कई बाजारों में बीमा व्यवसाय राष्ट्रीयकृत हैं। फिर भी पुनर्बीमा के लिये कानून नही है भूमंडलीकरण तथा उदारीकरण के बावजूद भी।

बीमा एक स्वंय विनियमित पेशा है यह खुला है, सुधार तथा पुनरीक्षण के लिये जिससे बदलते समय की चुनौतियों से निपटा जा सके। मकटाइल जनरल के मुख्य कार्यपालक श्री जुलियस नियावेन ने एक साक्षात्कार से पेट्रिका बीन्स स्वंय विनियमन के लिये पुनर्बीमा के संबध में अधोलिखित लिखते हैं। स्वंय विनियमन के लिये नेवेल्स के समर्थन को समझने के लिये उनका दर्शन समझना होगा। उदारीकरण से प्रगति न की मुक्त उद्यम को रोकना, उनका सबसे महत्वपूर्ण कारक पुनर्बीमा दृष्टिकोण के लिये था। उनका इसमें पक्का विश्वास था कि कोई भी सरकार अथवा राजनैतिक रंग एकल रूप से खड़ा नही रह सकता यदि पुर्नबीमा गिर जाये। यह बाजार की अवहेलना होगी। इसी प्रकार की प्रतिक्रिया मूल पॉलिसीधारक को बड़ी हानि पहुँचायेगी जब खुद विनियामन संभव नही हो तभी सरकार का हस्तक्षेप जरूरी हो जाता है।

श्री नियोवन का विश्वास है कि स्वंय विनियमन अपनी श्रेष्ठता पर होता है जब बड़ा सहयोग तथा सद्भावना की अभिवृति सभी पुनर्बीमा की उदारीकरण की प्रक्रिया के लिये विकास की होती है।

पुनर्बीमा पॉलिसी तथा पुनर्बीमा संविदा

प्रो. आर एस कार्टर लिखते हैं कि पुनर्बीमा समझौते तथा पुनर्बीमा पॉलिसी एक जैसी नही है। पुनर्बीमा समझौते बीमा की संविदा है जबकि पुनर्बीमा पॉलिसी संविदा है बीमा के लिये।

फैकुलेटिव पुनर्बीमा क्षमता को बनाने के लिये नही है लेकिन यह पहले से विद्यमान जोखिम के लिये है जहाँ सीमायें बीमाकर्ता की क्षमता से बाहर हो। यह बीमा का संविदा है जो पुनर्बीमा पॉलिसी के माध्यम से चालू जोखिम को आवरण प्रदान करता है।

पुनर्बीमा प्रणाली के अंतर्गत, पुर्नबीमा संविदा भविष्य के जोखिम पोर्टफोलियो के लिये क्षमता निर्माण का कार्य बीमा लेखन तथा घोषणा के द्वारा करता है। दुबारा कोटा शेयर ट्रिटी तथा एक्स ऑफ लॉस ट्रिटी में मूल कार्यालय द्वारा स्वीकृत किया गया जोखिम स्वतः ही पुनर्बीमा प्राप्त कर लेता है जब वह वहन क्षमता को पार कर लेता है अतः अधिशेष ट्रिटी में पुनर्बीमाकर्ता को जोखिम को उठाने से पहले उसकी घोषणा करनी पड़ती है।

खुला आवरण अथवा स्वतः फैकुलेटिव आवरण अथवा फैकुलिटव अनिवार्य आवरण ऐसे संविदा है जो भविष्य के पुनर्बीमा को बनाते है जहाँ पुनर्बीमाकर्ता के पास यह विकल्प होता है कि वह जोखिम की घोषणा हो जाये तब पुनर्बीमाकर्ता को उसे संविदा की अनिवार्यता के रूप में स्वीकार करना होगा।

प्रो. आर एस कार्टर लिखते हैं कि पुनर्बीमा समझौते तथा पुनर्बीमा पॉलिसी एक जैसी नही है। पुनर्बीमा समझौते बीमा की संविदा है जबकि पुनर्बीमा पॉलिसी संविदा है बीमा के लिये।

अतः यह पुनर्बीमा फैकुलेटिव होते हैं पुनर्बीमाकर्ता के लिये लेकिन अनिवार्य होते हैं पुनर्बीमाकर्ता के लिये।

फैकुलेटिव पुनर्बीमा के लिये एक पुनर्बीमा पॉलिसी जारी की जाती है और ऐसी पॉलिसी में जोखिम का विस्तृत विवरण होता है, उसकी स्थिति उसकी अवधि, जोखिम जिनको आवरण प्रदान किया जाये, अपवर्जन यदि कोई हो, भूस्थिति का विषय क्षेत्र प्रीमियम दरें, दायित्व की सीमा पुनर्बीमा कमीशन आदि। ऐसी पॉलिसी प्रत्येक व्यक्तिगत जोखिम के लिये होती है जिसे पुनर्बीमा प्रदान किया जाता है। प्रीमियम तथा हानि को अलग से लेखा रखा जाता है जो यहाँ उपलब्ध करवाया गया है।

एक पुनर्बीमा संविदा एक समझौता है बारह माह के लिये एक तरफ पुनर्बीमाकर्ता एक तरफ तथा पुनर्बीमाधारक दूसरी तरफ जब पुनर्बीमाकर्ता इस बात के लिये तैयार होता है कि वह स्थिति के अनुसार पुनर्बीमा प्रदान करने के लिये तैयार है।

ट्रिटी पुनर्बीमा एक संविदा है भविष्य के पुनर्बीमा के लिये। यह अपने जारी होने से पहले प्रस्तावित किया जाता है तथा ट्रिटी की मुख्य बातें एसएलआईपी में बतायी जाती है। भावी पुनर्बीमाकर्ता इस सूची को देखता है तथा अपनी स्वीकृति प्रदान करता है और पुनर्बीमाकर्ता को वापस करता है। ऐसी हस्ताक्षर की गई सूची को बाइन्डर कहते हैं। जब कोई ब्रोकर आदेश देता है ट्रिटी को रखने के लिये और जब वह अपना आदेश सम्पूर्ण करता है और कवर नोट जारी करता है तथा पुनर्बीमाधारक को जिसमें सम्मिलित होने की सूची होती है साथ ही ट्रिटी की सूची होती है। पुनर्बीमाकर्ता फिर पुनः संविदा शब्द जारी करता है जिसे ट्रिटी दस्तावेज या ट्रिटी शब्दावली प्रत्येक के नाम से जाना जाता है। संविदा की शर्तों तथा सूची की शर्तों में कोई विसंगति नही होनी चाहिये। ऐसी कोई विसंगति को निष्पादन से पहले ठीक किया जाना चाहिये। ऐसे मामले में जब सूची तथा ट्रिटी दस्तावेज के मध्य विसंगति हो सख्त वैधानिक रूप से सूची पर दस्तावेज प्रधान होगा।

पुनर्बीमा संविदा को जारी करना

प्रो. आर एल कार्टर के अनुसार एक पुनर्बीमा संविदा अधोलिखित मान्यताओं पर आधारित होगीः

- दलों में संविदा करने की क्षमता होनी चाहिये
- संवैधानिक प्रभुत्व बनाने की इच्छाशक्ति हो
- यहाँ एक प्रस्ताव तथा स्वीकृत हो
- प्रतिफल द्रवित होना चाहिये।

ग्रेट ब्रिटेन में एक शुद्ध मौखिक पुर्नबीमा समझौता मान्य होगा केवल जीवन तथा मैरिन बीमा के अतिरिक्त। जीवन बीमा अधिनियम 1774 तथा मैरिन बीमा अधिनियम 1905 बीमा पॉलिसी के लिये प्रावधान करता है लेकिन यह स्पष्ट नही है किस सीमा तथा पुनर्बीमाकर्ता को यह प्रावधान स्वीकार्य होंगे।

फ्रसां में 23 जुलाई 1930 के अधिनियम के अनुसार गैर मैरिन बीमा संविदा को लिखित रूप में रखना जरूरी है। विशेष रूप से यह वर्णन किया गया है कि यह पुनर्बीमा पर लागू नही होता और इसी तरह मौखिक पुनर्बीमा संविदा विधान के विपरीत भी नही है।

कैनेश आर थॉमसन के अनुसार (उनकी पुस्तक पुनर्बीमा में) अमेरिका में एक साधारण नियम के अनुसार एक पुनर्बीमा संविदा यह नही कहता की यह भुगतान करने का वादा है जिसमें ऋण तथा अन्य शामिल है। इसी प्रकार यह जरूरी नही है कि यह लिखित ही हो। लेकिन प्रास्तविकता में यह लिखित रूप से होता है नियम तथा शर्तों की स्पष्टता के लिये।

प्रायः पुनर्बीमा में अंतर्राष्ट्रीय संबंध जो प्रत्यक्ष रूप से अथवा मध्यवर्तियों द्वारा बनाये गये हो तथा यह बहुत आवश्यक है कि पुनर्बीमा संविदा को लिखित किया जाये जिससे किसी वैधानिक अथवा तकनीकी दुष्परिणामों से बचा जा सके।

क्या पुनर्बीमा एक त्रिकोणीय संबंध है। मूल बीमाकर्ता, पुनर्बीमाकृत तथा पुनर्बीमाकर्ता के मध्य?

बीमा एक संविदा है। मूल बीमाकृत तथा बीमाकर्ता के मध्य। पुनर्बीमा एक संविदा है पुनर्बीमाकृत (बीमाकर्ता) तथा पुनर्बीमाकर्ता के मध्य। इसीलिये मूल बीमाकृत एक दल नही है पूर्ण मूल बीमाकृत पुनर्बीमाकर्ता पर मुकद्दमा कर सकता है अपनी पॉलिसी में राशि प्राप्त करने के लिये।

इस प्रश्न में शामिल है बीमाकृत के अधिकारों की सुरक्षा। अमेरिका में एक विशेष प्रावधान बनाया गया है जिससे पुनर्बीमा के पॉलिसी धारको के हितों को सुरक्षित बनाया जा सके और वह है मूल पॉलिसीधारक। एक विशेष क्लॉज जिसे हानि पूर्वानुमान धारा कहा गया दे उसे पुनर्बीमा संविदा में शामिल किया गया है जिससे मूल पॉलिसी धारक अपनी हानि की क्षतिपूर्ति पुनर्बीमाकर्ता से कर सकता है यदि पुनर्बीमाकृत द्रवित हो जाये तो।

कैनेश आर थॉमसन के अनुसार (उनकी पुस्तक पुनर्बीमा में) अमेरिका में एक साधारण नियम के अनुसार एक पुनर्बीमा संविदा यह नही कहता की यह भुगतान करने का वादा है जिसमें ऋण तथा अन्य शामिल है।

अंग्रेजी विधान में कट थ्रोट धारा की मान्यता बहुत बहुअर्थ वाली है इसकी व्याख्या जे एस बटलर ने अपने लेख कट थ्रोट धारा में की है नवम्बर 1972 के पुनर्बीमा पत्रिका अंक में।

कट थ्रोट शॉट कट नही है। यह कई प्रश्न चिन्ह है। धारा के अंग में जिससे अनुपालन कठिन हो जाता है। कई पुनर्बीमा के संक्षिप्त नाम जैसे कट थ्रोट धारा धारा यदि उन्हें अपनी क्षतिपूर्ति का अंशदान देना है तो क्या वे पुनर्बीमा के लिये प्रतिदेय प्रीमियम को उनसे वसूल कर सकते हैं जो द्रवित हो गये हैं। नही वे बीमाकृत से प्रीमियम वसूल नही करक सकते। यह एक वैधानिक त्रिभुज है और इस धारा के लिये उपसिद्धांत बनाना कठिन कार्य है।

लंदन बाजार ने कट थ्रू थोट धारा को सऊदी अरब पुनर्बीमा संविदा में शामिल स्वीस री की अपनी कट थ्रोट धारा है जो लंदन बाजार से भिन्न है।

क्या कोई पुनर्बीमाकृत पुनर्बीमाकर्ता से कोई दावा मूल बीमाकर्ता को देने से पहले प्राप्त कर सकता है।

इस मूल बिन्दु में मुख्य प्रशन यह है कि क्या पुनर्बीमा हानि के समय भुगतान के लिये क्षतिपूर्ति है अथवा दायित्व के लिये क्षतिपूर्ति का संविदा है? इसे दायित्व के लिये क्षतिपूर्ति संविदा कहा जायेगा। पुनर्बीमाकर्ता को हानि के लिये भुगतान करना होगा। बिना उसे ध्यान में रखते हुये की पुनर्बीमाकृत ने दावा दिया है या नही।

अमेरिका पुनर्बीमा संविदा शब्दों में पुनर्बीमा संविदा के खंड को अलग तरह से परिभाषित किया गया है। पुनर्बीमाकर्ता का अनुपातिक क्षति का अंश पुनर्बीमाकर्ता को भुगतान किया जा सकता है यदि वह बीमाकर्ता ऐसे भुगतान के साक्ष्य प्रस्तुत करें। चरम शुद्ध हानि से अर्थ है वास्तव में हानि के लिये दी जाने वाली नगदी। इसलिये हानि के लिये भुगतान पुनर्बीमाकर्ता द्वारा एक पूर्व शर्त है पुनर्बीमाकर्ता द्वारा।

> मेरी यह धारणा है कि गणतंत्र इन पॉलिसियों के लिये उत्तरदायित्व है। उस हद तक जब तक हानि की प्रतिपूर्ति होती है यदि लोरीलैंड ने एक भी पैसा न दिया हो।

एक्सपोर्ट नोर्थवुड मामले में पुनर्बीमा संविदा में विशेष शब्दावली थी जो पढ़ी जा सकती है। हानि में यदि कोई उसे समय भुगतान योग्य होगी जो बीमाकृत के अनुपातिक होगी - जज बलोडगेट ने यह कहा:

अब मेरा मस्तिष्क यह कहना चाहता है, यदि हानि हो उनं पुनर्बीमा पॉलिसियों में, कपंनी प्राथमिक रूप से उत्तरदायी होगी। पुनर्बीमा कंपनी के विरूद्ध दावा करने के लिये, अपनी सार्थकता की सीमा के अनुसार जो पॉलिसीधारक के दावों का निपटान कर सकती है। इस पॉलिसी को बनाने का प्रथम उद्देश्य उसके पॉलिसी धारक के प्रति उत्तरदायित्व को पूरा करना है। पुनर्बीमा को लेने का उद्देश्य कंपनी के लिये पॉलिसीधारक को पूर्ण रूप से धनराशि उपलब्ध करवाना है और यह लंबित हो जायेगा यदि संरचना जो समुर्नोशती के लिये की गयी है सही है।

मेरी यह धारणा है कि गणतंत्र इन पॉलिसियों के लिये उत्तरदायित्व है। उस हद तक जब तक हानि की प्रतिपूर्ति होती है यदि लोरीलैंड ने एक भी पैसा न दिया हो। 1997 में फैगन सिंडिकेट वित्तीय संकट था। चार्टर री ने ऋणदाता के रूप में सभी दावों का भुगतान करने के लिये देय जैसा भुगतान हो आधार पर भुगतान किया।

फैगन सिंटिकेट इस वित्तीय स्थिति में नही था कि वह बीमाकर्ताओं के दावा का भुगतान करे और उसने पुनर्बीमाकर्ता से भुगतान का आग्रह किया। चार्टर री ने अनुरोध को ठुकरा दिया। फैगन सिंडिकेट निचली अदालत में मुकद्दमा हार गई लेकिन हाउस ऑफ लॉर्ड ने पुनर्बीमा के मूल कार्य को बताया कि बीमाकर्ता की शोधन क्षमता को मजबूत किया जाये। तब उन्होंने चार्टेड री के दावे का भुगतान फैगन सिंडिकेट को करने को कहा। जिससे बीमाकृत के दावों का भुगतान किया जा सके।

अंतर्राष्ट्रीय कानूनों में अंर्तद्वन्द

पुनर्बीमा का संविदा

भूमंडल पर फैले जोखिम के लिये पुनर्बीमा की व्यवस्था होती है। अतः यह सामान्य ही है कि कंपनियाँ जो पुनर्बीमा संविदा में होती है वह विभिन्न देशों में कार्य करती है और विभिन्न प्रकार के कानून के अंतर्गत और जोखिम कुल मिला कर दूसरे देश में होता है। विवाद के मामले में कानून की प्रणाली लागू होती है। विशेष रूप से जब कानून में अंतद्वंद हो?

प्रो. आर एल कार्टर के अनुसार इस प्रश्न का उत्तर संविदा के अन्तर ही मध्यस्थता खंड में मिल सकता है। लेकिन किसी वैधानिक व्यवस्था की अनुपस्थिति में यह महत्वपूर्ण है कि निजी अंतर्राष्ट्रीय विधि का प्रयोग यह करने के लिये किया जाये की कौन सी प्रणाली संविदा को संचालित करती है।

अंग्रेजी न्यायालयों ने अनेक सिद्वांत बनाये है जिसमें दलों के अनुसार कौन से कानून को अपनाया जायेगा जब यह निर्णय लिया गया कि किसी विदेशी देश का कानून अंग्रेजी न्यायालय पर लागू होगा तो विदेशी कानून के विशेषज्ञों की मदद ली गयी। यूएसए में प्रत्येक राज्य को अपनी न्यायिक व्यवस्था है विदेशी पुनर्बीमाकर्ता को अमेरिका में व्यव्साय करने के लिये अधिकृत होना होगा और अधिकृत पुनर्बीमाकर्ता से यह अपेक्षा है कि वह एस्फो खाता अथवा ऋण पत्र सभी तथा प्रत्येक हानि के लिये करेंगे चाहे वह हानि अदत्त ही हो। राष्ट्रीयकृत बाजारों में मुक्त व्यवसाय सुविधा नही है तथा पुनर्बीमाकर्ता इनमें बस पुनर्बीमाकर्ता यूएसए के बाजार में कार्य करने के लिये प्राधिकृत बीमाकर्ताओं को एक प्रतिशत की दर से फेडरल कर भी देना चाहते हैं जो समय समय पर परिवर्तित होता रहता है। वैसे विदेशी प्राधिकृत बीमाकर्ताओं पर भी कुछ सीमायें है।

न्यूयार्क विनियमन के अनुसार 98, एक अक्टूबर 1982 से लागू बीमाकर्ता आवश्यक रूप से सभी सूचनायें सभी दलों से प्राप्त करेगा किसी भी पुर्नबीमा संव्यवहार के लिये। इसेक लिये आवश्यकता है मध्यवर्तियों वित्तिय शर्तों को रेखांकित करे जो गैर प्राधिकृत बीमाकर्ता में लिप्त है। यूएसएस अन्य राज्य भी इसी प्रकार के विधान बना रहा है।

मध्यस्थता का मार्ग

अधिकांश विवाद जिनमें पुनर्बीमा संविदा की शब्दावली की व्याख्या की बात उठती है। वह मध्यस्थता द्वारा न्यायालय के बाहर ही निपटा लिये जाते हैं। व्यवहार में, मध्यस्थ खंड सर्वत्र पुनर्बीमा संविदा में शामिल किया जाता है। यह विवाद को सुलझाने का मान्य ढंग है। ब्रिटिश न्यायालय ने मध्यस्थ खंड के महत्व को स्वीकार किया है। न्यायालय का कहना है कि कोई भी कार्य न्यायालय में नही लाया जायेगा जब तक की मध्यस्थ के पास मामला प्रस्तुत न् किया गया हो और उन्होंने अपना निर्णय न दिया है।

वर्ष 1975 में इंस्टीट्यूट ऑफ लंदन बीमालेखा ने एक मानक मध्यस्थता खंड लॉयड्स बीमा ब्रोकर एसोशिएसन वे आर ओ के साथ विचार विमर्श के बाद दिया।

फिर भी कोई अंग्रेजी न्यायालय मध्यस्थ खंड को ऊपर नही रखती जो उनके न्याय को ही हटाने को कहें जब किसी भी दल द्वारा कपट की बात उठायी जाये तो न्यायालय का आदेश है कि मध्यस्थता का कोई प्रभाव नही होगा। न्यायालय का निर्णय मध्यस्थ के ऊपर होगा।

परिपाटियों को बिना लिखित विधि के रूप में मान्यता दी जानी चाहिये। मध्यस्थता भी साधारणतः एक स्थिर तथा मान्य प्रणाली के अंतर्गत होनी चाहिये। यदि मध्यस्थ खंड के शब्दों के निम्नलिखित ढंग से तैयार किया जाये यह संविदा के मूल को गलत करार देगा इस बात पर की दल वैधानिक प्रभाव नही चाहते।

मध्यस्थ अथवा निर्णायक जैसा भी मामला है को इस ट्रिटी की व्याख्या एक माननीय वचन बद्धता के रूप में करनी चाहिये न कि मात्र वैधानिक उत्तरदायित्व। मधयस्थ तथा निर्णायक सभी वैधानिक औपचारिकताओं से दूर होते हैं तथा कानून की सख्ती से अपने को दूर रख सकते हैं।

न्यायालय मध्यस्थता को अधोलिखित कारणों पर एक तरफ रख सकती है

- यदि मध्यस्थ ने अपना फैसला भ्रष्टाचार, कपट अथवा गलत तरीकों से सुनाया हो
- यदि मध्यस्थ के विरूद्ध भ्रष्टाचार के सबूत हो
- यदि किसी भी दल के अधिकार पूर्व ग्रह पूर्ण हो मध्यस्थ की कार्यवाही के समय
- यदि मधयस्थ अपनी शक्तियों से आगे बढ़कर अथवा आसन्न होकर निर्णय है।

वर्ष 1975 में इंस्टीट्यूट ऑफ लंदन बीमालेखा ने एक मानक मध्यस्थता खंड लॉयड्स बीमा ब्रोकर एसोशिएसन वे आर ओ के साथ विचार विमर्श के बाद दिया।

फैक्युलेटिव बीमा पॉलिसी

जैसा पहले बताया गया है, एक पुनर्बीमा पॉलिसी जरूरी रूप से पुनर्बीमा संविदा से अलग है। एक पुनर्बीमा पॉलिसी उस जोखिम के संबंध में जिसे पहले से ही बीमा लेखित किया गया है तथा पुनर्बीमा की आवश्यकता है। जिसमें कुल प्रतिधारण सीमा से अधिक प्रतिधारण किया गया है। यह पुनर्बीमाकर्ता के लिये आवश्यक है की फैक्युलेटिव पुर्नबीमा के प्रभाव को समझे तथा पुनर्बीमाकर्ता के पास यह विकल्प है कि वह जोखिम को स्वीकार करे अथवा नही।

फैक्युलेटिव बीमा दो प्रकार का होता है - अनुपातिक तथा अंशदायी, फैक्युलेटिव पुनर्बीमा तथा फैक्युलेटिव एक्स हानि पुनर्बीमा। पुनर्बीमा पॉलिसियाँ एक संविदा है उस जोखिम के लिये जो पहले से ही लिया गया है तथा भविष्य में बीमा लेखित नही किया गया।

पुनर्बीमा ट्रिटी समझौता:-

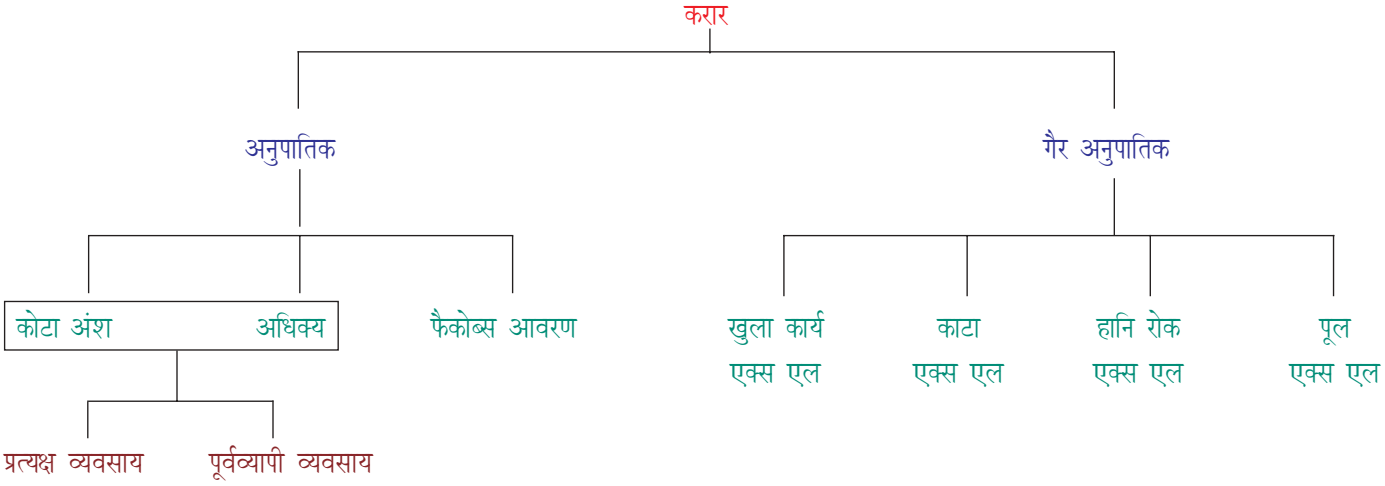
पुनर्बीमा ट्रिटी समझौता पुर्नबीमा के लिये।

निबंधन और शर्तों का समुच्चय जो व्यवसाय के किसी शाखा को पुनर्बीमा क्षमता उपलब्ध करवाता है यह पुनर्बीमाकर्ता द्वारा बनाया जाता है जिससे किसी जोखिम का बीमा लेखन किया जाये, ऐसा जोखिम जिसका बीमा लेखन भविष्य में किया जायेगा। फैक्युलेटिव पुनर्बीमा के विरूद्ध यह क्षमता बनाने के लिये बनाया गया है और पुनर्बीमा सुविधा जोखिम को प्रतिधारण के उपरांत बीमा कवच उपलब्ध करवाने के लिये करता है।

पुनर्बीमा ट्रिटी, ट्रिटी वर्ष प्रारंभ होने के समय एक सूची पर जिसमें मुख्य निबंधन व शर्तें होती करार के लिये। साधारणतः यह कंपनी का नाम, करार का प्रकार, व्यवसाय का वर्गीकरण, प्रतिधारण, कमीशन प्रतिशत, लाभ, कमीशन फार्मूला तथा प्रतिशत, पोर्टफोलियो प्रस्ताव तथा पूर्व निर्धारित प्रस्ताव यदि कोई ब्याज (कर घटाये) आरक्षण, नगद हानि सीमा, लेखा सुपुर्दगी अंतराल तथा बीमा लेखन सूचनाएँ जिसमें विशेष अपवर्जन का वर्णन किया जाये जो पुनर्बीमाकर्ता के लिये स्वीकार करना अनिवार्य हो। जब करार सूची के आधार पर रखा जाता है। ब्रोकर एक कवर नोट तैयार करता है, पुनर्बीमाकर्ता के नाम तथा अंश के साथ। पुनर्बीमा संविदा के लिये यह करार शब्दावली तैयार करने में मदद प्रदान करते हैं। करार के शब्द ठीक किये जाने चाहिये यदि मुख्य शर्तों में सूची से मिलान के बाद कोई गलती पायी जाये।

यदि सूची गलत हो तथा शब्द ठीक से हो तो प्रतिधारण कंपनी को आवश्यक रूप से संतुष्टि का स्पष्टीकरण दिया जाना चाहिये तथा नेता से संविदा लेकर अन्य पुनर्बीमाकर्ता को देना चाहिये।

करार शब्दों में कई विविधता उसकी संरचना के संबंध में हो सकती है लेकिन मानक लंदन बाजार खंड उपयोग में सामान्य है। अमेरिका बाजार करार, अमेरिका मानक खंड रखते हैं। प्रत्येक बाजार का अलग प्रावधान, विधि के शब्दों के अनुसार अलग



अलग होता है। फिर से करार के प्रकार के अनुसार जैसा चार्ट में दिखाया गया करार अलग अलग होता है।

फिर वर्गीकरण के वर्गीकरण से खंड में परिवर्तिता शब्दों में होगी इसीलिये सबसे श्रेष्ठ ढंग मेरे अनुसार करार का पेटर्न शब्दों को साधारण किया जाये तथा उसके बाद विशेष खंड विशेषतः विशेष प्रकार के करार के लिये अथवा विशेष प्रकार के व्यवसाय के लिये।

पुनर्बीमा अधिकारी एसोसिएशन ने महत्वपूर्ण योगदान मानक करार शब्दों के लिये सत्तर के अंत में तथा अस्सी के प्रारंभ में दिया। कंप्यूटरीकरण तथा मानकीकरण के लिये करार खंड को ड्राफ्ट किया गया जो एक सी डी में उपलब्ध है।

डब्ल्यूटीसी पर आक्रमण की क्षति बड़ी भूमंडलीय पुनर्बीमा जैसे म्यूकरी / स्वीस री ने आतंकवाद अपवर्जन खंड को बनाया है। जोखिम अपवर्जन खंड तथा प्रस्तावित करार फार्म से गायब है साथ मुख्य खंड शामिल है। ऐसे करार सूची को मानकीकृत किया गया है और वह पहले के 3-4 पृष्ठ के बजाय 100 पेज में समायी है।

कुछ वैधानिक परिपाटियाँ

भविष्य खंड के पीछे-से अभिप्राय वैधानिक तता तकनीकी तथ्य जो पुर्नबीमा में दावे से संबंध रखते हैं शामिल है। पुनर्बीमा दावों में परीतोषण स्वरूप दिये गये को शामिल नही किया जाता।

दावा सहयोग खंड - पुनर्बीमाकृत को पुनर्बीमाकर्ता की सलाह किसी कानूनी पेचीदगी में जाने से पहले लेनी चाहिये किसी दावे के विवाद के संबंध में।

दावे - पुनर्बीमाकर्ता द्वारा देय होंगे। वह टीएसआई से अधिक होंगे जो वैधानिक खर्च न्यायालय के फैसले, दंडात्मक कार्यवाही पर निर्भर करेंगे।

अनुपातिक करार संविदा खंड

- समय खंड
- प्रादेशिक कार्य क्षेत्र खंड
- जोखिम आवरण खंड
- अपवर्जन खंड
- संचालन खंड
- प्रीमियम खंड
- कमीशनं खंड

दावा निपटना खंड

- सीमा रेखा खंड
- लेखा खंड
- लाभ कमीशंन खंड
- अभिलेख की जाँच खंड
- गलती, भूल तथा बदलाव खंड
- पोर्टफोलियो समायोजन खंड
- आरक्षण खंड
- नगद खंड
- मध्यस्थ खंड
- बिचौलिया खंड
- दिवालियापन खंड
- मुद्रा परिवर्तन खंड
- कट थ्रोट खंड
- विशेष समाप्ति खंड जैसे सूर्य छुपने का खंड

अनुशेष द्वारा परिवर्तन

एक्स एल आर - कुछ खंड जो सामान्य खंड के अतिरिक्त वह अनुपातिक करार तथा एक्स एल करार के मध्य है।

हानि होने की परिभाषा

प्रकाष्ठा शुद्ध हानि खंड

शुद्ध प्रतिधारण रेखा खंड

जीएनपीआई की परिभाषा

पुर्नः स्थापना खंड

विस्तार समापन खंड

दावों की सूचना तथा हानि निपटान खंड

निष्कर्षः बीमा लंबे समय का संबंध है जिसका आधार पारस्परिक विश्वास पर है। एक संदिग्ध पुनर्बीमाकृत तथा एक सहयोग न करने वाला पुनर्बीमाकर्ता इस संबंध को खंडित कर देते हैं।

लेखक कार्यपालक अधिकारी अधिकारी, जे बी बोडा पुर्नबीमा ब्रोकर प्रा. लि.

Report Card: General

G V Rao

February 2007 growth is 22.4 percent

Performance in February 2007

The second month of the detariffed regime in the current calendar year shows that the premium growth rate in February 2007 is an impressive 22.4 percent, though it falls short of the January 2007 growth of 25.6 percent. The new players have achieved a market share of about 35 percent in the February premium volumes, though this falls a little short of the 37 percent market share they had recorded in January 2007.

The market grew its February renewal premium from Rs.1551 crore to Rs.1899 crore. The established players have contributed Rs.106 crore to the increase, while the new players have added Rs.242 crore.

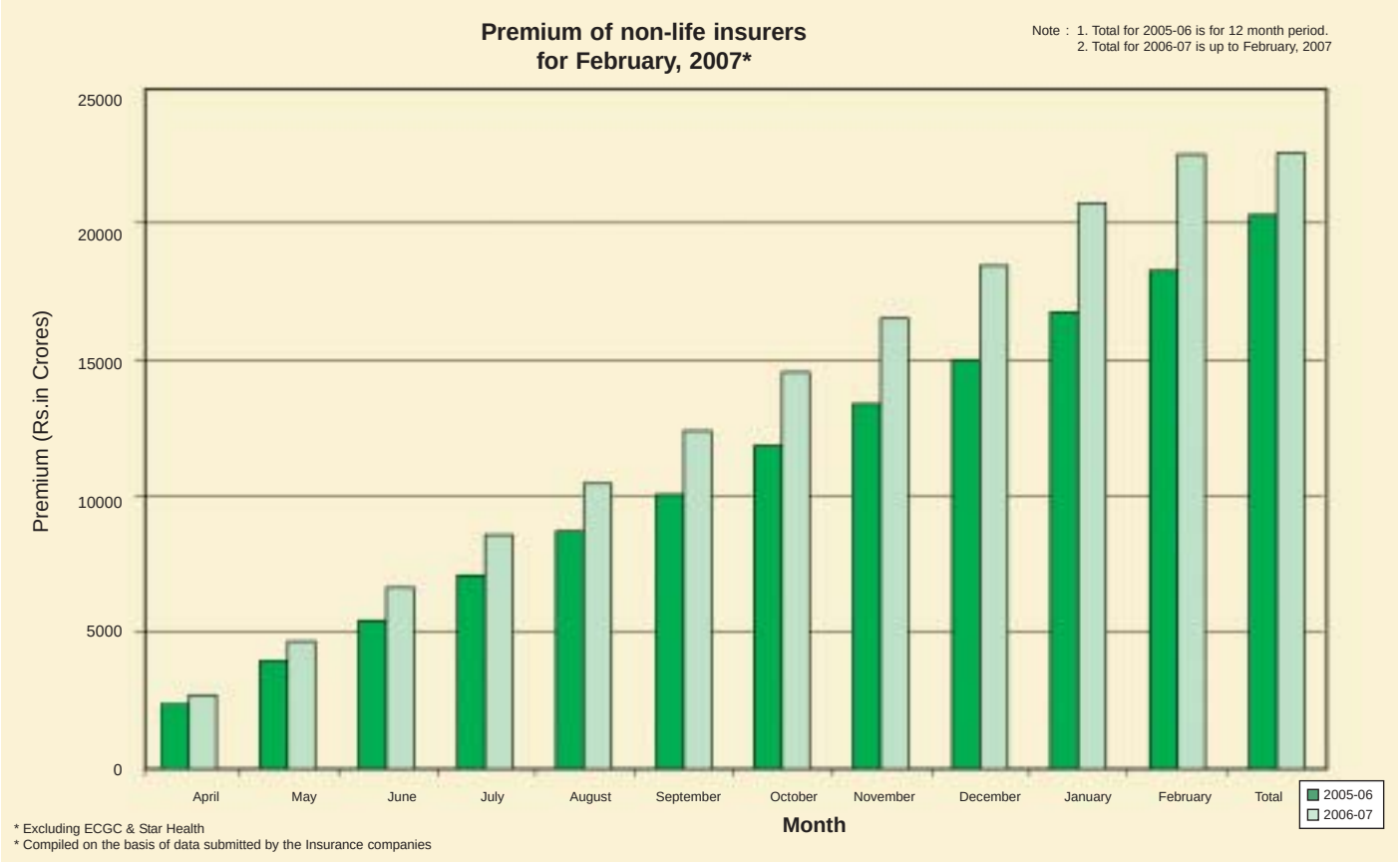
National Insurance, as was seen in its January 2007 performance; is the leading player in its group, adding Rs.51 crore to the accretion. Among the new players, ICICI-Lombard leads with an accretion of Rs.88 crore followed by Reliance with Rs.76 crore. Other players that have made significant accretions to February 2007 premium are: Bajaj-Allianz with

GROSS PREMIUM UNDERWRITTEN FOR AND UPTO THE MONTH OF FEBRUARY, 2007

(Rs.in Crores)

INSURER	PREMIUM 2006-07		PREMIUM 2005-06		GROWTH OVER THE CORRESPONDING PERIOD OF PREVIOUS YEAR
	FOR THE MONTH	UP TO THE MONTH	FOR THE MONTH	UP TO THE MONTH	
Royal Sundaram	48.52	542.66	33.78	407.04	33.32
Tata-AIG	50.68	686.96	49.91	540.16	27.18
Reliance General	91.33	803.59	14.61	144.67	455.46
IFFCO-Tokio	74.39	1070.28	67.96	779.11	37.37
ICICI-lombard	201.78	2803.34	113.83	1468.47	90.90
Bajaj Allianz	147.18	1621.44	97.87	1164.91	39.19
HDFC CHUBB	13.96	170.17	17.10	177.18	-3.96
Cholamandalam	24.07	282.71	14.87	209.14	35.18
New India	379.45	4505.60	377.34	4198.39	7.32
National	319.76	3428.21	269.06	3201.88	7.07
United India	256.67	3158.48	229.23	2837.74	11.30
Oriental	290.87	3595.88	265.11	3196.32	12.50
PRIVATE TOTAL	651.91	7981.15	409.93	4890.68	63.19
PUBLIC TOTAL	1246.75	14688.17	1140.74	13434.33	9.33
GRAND TOTAL	1898.66	22669.32	1550.67	18324.01	23.71
SPECIALISED INSTITUTIONS					
ECGC	52.73	545.51	47.58	513.93	6.15
Star Health & Allied Insurance	0.98	16.67	0.00	0.00	

Note: Compiled on the basis of data submitted by the Insurance companies



Rs.49 crore, United India with Rs.28 crore and Oriental with Rs.26 crore. New India, as it did in January 2007, has slowed its growth momentum, by keeping its accretion in February to Rs.2 crore; in January 2007 its premium accretion was Rs.8 crore.

The premium growth trends of the first two months of the calendar year show that among the new players the growth-pursuing players are ICICI-Lombard, Reliance and Bajaj-Allianz. Among the established players the growth-hunt is led by National Insurance followed by Oriental and United India.

Performance up to February 2007

The premium achievement up to February 2007 is Rs.22,669 crore, with the established players having recorded Rs.14,688 crore and the new players Rs.7981 crore. To put this performance in perspective, one should highlight that for the financial year 2005/06 the premium was Rs.20,360 crore, with the established players having completed Rs.14,997 crore and the new players Rs.5360 crore. The growth rate up to February 2007 is 23.7 percent, down by 0.2 percent from the level at January 2007.

ICICI—Lombard leads the growth list with a massive accretion of Rs.1334 crore followed by Reliance with Rs.648 crore and Bajaj-Allianz with Rs.456 crore. Oriental with Rs.400 crore and United India with Rs.322 crore are the others on the growth path.

Prospects

With just another month left in the financial year 2006/07, one can reasonably expect the premium levels to touch the figure of Rs.25,000 crore and with the growth rate likely at 23.7 percent. It is not possible to estimate the contributions made to the premium increases through higher motor third party premiums announced in January 2007. Quite a few established players have also raised their healthpremium rates.

What does cause some surprise to a market analyst is the resilience shown by the new players to stand their competitive ground to meet the rate competition that the established players were in a position to launch with their huge net worth at their command in a detariffed regime.

What difference has the detariffed regime made to the market and the insured public? Only when the annual financial statements are ready, can one make a better assessment of it. In the meantime, on the premium front the market is witnessing a pleasant ride.

Comments may be sent to:
gvrao70@gmail.com

GROSS PREMIUM UNDERWRITTEN BY NON-LIFE INSURERS WITHIN INDIA (SEGMENT WISE):

Sl. No.	Insurer	Fire	Marine	Marine Cargo	Marine Hull	Engineering	Motor
1	**Royal Sundaram**	**82.68**	**12.00**	**12.00**	**0.00**	**27.52**	**215.37**
	Previous year	*70.44*	*11.21*	*10.77*	*0.44*	*18.37*	*163.66*
2	**TATA-AIG**	**115.29**	**51.81**	**51.81**	**0.00**	**21.70**	**215.35**
	Previous year	*91.77*	*36.54*	*36.54*	*0.00*	*16.67*	*172.87*
3	**Reliance**	**127.00**	**19.41**	**12.63**	**6.78**	**53.65**	**261.80**
	Previous year	*31.20*	*18.39*	*8.36*	*10.03*	*14.03*	*14.50*
4	**IFFCO Tokio**	**253.50**	**114.09**	**37.74**	**76.35**	**67.98**	**274.12**
	Previous year	*217.58*	*31.13*	*25.23*	*5.90*	*44.85*	*246.03*
5	**ICICI Lombard**	**356.29**	**116.52**	**42.61**	**73.91**	**148.36**	**809.24**
	Previous year	*276.04*	*80.38*	*33.58*	*46.80*	*86.61*	*305.83*
6	**Bajaj Allianz**	**313.63**	**56.15**	**48.16**	**7.99**	**122.03**	**564.13**
	Previous year	*288.86*	*41.61*	*30.27*	*11.34*	*72.71*	*382.36*
7	**HDFC Chubb**	**5.66**	**1.71**	**1.71**	**0.00**	**3.19**	**101.76**
	Previous year	*3.08*	*0.64*	*0.64*	*0.00*	*1.91*	*110.77*
8	**Cholamandalam**	**65.08**	**19.82**	**18.97**	**0.85**	**18.11**	**60.57**
	Previous year	*62.67*	*13.11*	*12.78*	*0.33*	*15.91*	*39.31*
9	**New India**	**757.44**	**225.84**	**110.11**	**115.73**	**153.10**	**1,468.05**
	Previous year	*689.91*	*185.98*	*106.19*	*79.79*	*104.57*	*1,564.38*
10	**National**	**397.75**	**131.31**	**87.07**	**44.24**	**87.86**	**1,426.55**
	Previous year	*373.28*	*138.26*	*97.31*	*40.95*	*78.16*	*1,368.48*
11	**United India**	**549.75**	**226.84**	**103.04**	**123.80**	**157.02**	**863.77**
	Previous year	*526.26*	*165.63*	*94.17*	*71.46*	*131.28*	*837.47*
12	**Oriental**	**458.05**	**284.23**	**128.25**	**155.98**	**151.10**	**1,265.70**
	Previous year	*414.28*	*219.10*	*110.80*	*108.30*	*134.04*	*1,059.58*
	Grand Total	**3,482.12**	**1,259.73**	**654.10**	**605.63**	**1,011.62**	**7,526.41**
	Previous year	*3,045.37*	*941.98*	*566.64*	*375.34*	*719.11*	*6,265.23*
	SPECIALISED INSTITUTIONS						
13	**ECGC ***						
	Previous year						
14	**Star Health & Allied Insurance****						
	*Previous year****						

Note: In case of public sector insurance companies, the segment wise data submitted may vary from the flash Nos filed with the Authority. As such, the industry totals may vary from the flash figures published for the month of December, 2006.

*Pertains to Credit Insurance.
** Pertains to Health Insurance.
***Commenced operations in May 2006.

Note: Compiled on the basis of data submitted by the Insurance companies.

THIRD QUARTER ENDED DECEMBER, 2006 (PROVISIONAL & UNAUDITED)

(Rs.Crores)

	Motor OD	Motor TP	Health Accident	Aviation	Liability	Personal	All Others	Grand Total	Market Share
7	193.62	21.75	70.14	0.00	6.73	18.73	4.65	437.82	2.36
6	*145.61*	*18.05*	*37.77*	*0.00*	*5.66*	*15.61*	*3.85*	*326.57*	*2.16*
5	197.15	18.20	34.48	0.08	57.98	57.86	15.12	569.67	3.07
7	*158.72*	*14.15*	*21.84*	*0.02*	*44.55*	*42.63*	*10.32*	*437.21*	*2.90*
0	261.00	0.80	48.57	5.50	8.22	14.28	72.71	611.14	3.29
0	*14.23*	*0.27*	*5.64*	*5.92*	*2.87*	*5.02*	*13.87*	*111.44*	*0.74*
2	269.22	4.90	41.42	1.74	9.91	12.99	118.01	893.76	4.81
3	*210.13*	*35.90*	*29.76*	*0.25*	*7.29*	*12.64*	*40.67*	*630.20*	*4.18*
4	713.28	95.96	498.53	24.05	73.82	98.50	201.23	2,326.54	12.53
3	*268.89*	*36.94*	*205.34*	*15.70*	*52.99*	*63.31*	*136.13*	*1,222.33*	*8.10*
3	391.89	172.24	116.60	5.51	22.40	19.53	87.51	1,307.49	7.04
6	*254.91*	*127.45*	*75.21*	*1.33*	*17.92*	*12.47*	*70.85*	*963.32*	*6.38*
6	96.27	5.49	7.52	0.00	3.10	6.76	12.23	141.93	0.76
7	*104.96*	*5.81*	*3.47*	*0.00*	*1.90*	*9.09*	*12.00*	*142.86*	*0.95*
7	55.86	4.71	27.73	0.39	12.52	6.58	18.81	229.61	1.24
1	*35.60*	*3.71*	*16.30*	*0.67*	*10.54*	*10.31*	*7.61*	*176.43*	*1.17*
5	944.03	524.02	536.93	77.06	49.40	65.51	379.79	3,713.12	19.99
8	*1,016.13*	*548.25*	*398.69*	*52.64*	*44.05*	*76.79*	*363.79*	*3,480.80*	*23.07*
5	977.66	448.89	269.43	62.74	28.99	43.99	297.57	2,746.19	14.79
8	*969.43*	*399.05*	*237.76*	*43.73*	*30.61*	*58.36*	*281.23*	*2,609.87*	*17.30*
7	544.75	319.02	302.18	24.00	50.63	65.29	389.19	2,628.67	14.15
7	*517.45*	*320.01*	*248.26*	*12.95*	*43.28*	*73.51*	*325.00*	*2,363.63*	*15.67*
0	852.50	413.20	315.00	80.13	45.14	52.25	315.86	2,967.46	15.98
8	*732.71*	*326.87*	*254.67*	*108.48*	*27.53*	*56.70*	*349.23*	*2,623.61*	*17.39*
1	5,497.23	2,029.18	2,268.53	281.20	368.84	462.27	1,912.68	18,573.40	100.00
3	*4,428.77*	*1,836.46*	*1,534.71*	*241.69*	*289.19*	*436.44*	*1,614.55*	*15,088.27*	*100.00*
							443.41	443.41	
							417.14	*417.14*	
			3.62			10.86		14.48	
			0.00			0.00		*0.00*	

CIRCULAR

30th March, 2007

CIRCULAR NO: 064/IRDA/AGECNY/MAR2007

To
All Insurance Companies
Insurance Qualification of the Corporate Agent

The Authority had issued new Guidelines for Corporate Agents vide Circular Ref: 017/IRDA/Circular/CA Guidelines/2005 dated 14th July, 2005.

Clause 7 of the aforesaid Guidelines reads as under:

"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. Atleast one of the persons should have insurance qualification to the extent of FFII or AFII or such qualification or experience that IRDA may at its sole discretion, consider adequate."

The Authority had also, vide circular no. 033/CIR/Agents/Dec-2005, issued the following:

i) In so far as issuance of new licenses of Corporate Agents are concerned, there shall be no relaxation whatsoever of the Guidelines dated 14th July, 2005.

ii) However, in case of existing licenses that come up for renewal, the aforesaid Clause 7 of the Guidelines will not be enforced till 1st April, 2007 and the renewal will be provisional subject to review by 1st April, 2007.

iii) All other provisions of the Circular dated 14th July, 2005 shall be implemented in toto.

The Authority has received a number of representations from the Insurers seeking extension of above relaxation on the ground that persons with FFII & AFII or equivalent qualifications are still not readily available and CIE or SP are in the process of acquiring the said qualification. Hence, the above relaxation is extended till 1st April, 2008.

This issues with the approval of Chairman.

(V.Vedakumari)

Executive Director

NOTICE

29th March, 2007

As envisaged in Article 49 of the Articles of Association of the Indian Institute of Insurance Surveyors and Loss Assessors, the Authority (IRDA) hereby informs that Shri D K Poddar, Dy. General Manager, Tariff Advisory Committee, Mumbai shall be the Election Officer for the conduct of the first elections to the Council of The Institute. Shri Poddar shall perform all the functions described in the Articles as well as the Procedure for the conduct of first elections, relating to the Election Officer.

The schedule of elections shall be separately notified by the Election Officer.

Consultant & Special Officer, IRDA
(M M Siddiqui)

NOTICE

Indian Institute of Insurance Surveyors and Loss Assessors
(Regd. Office: 5 th floor, Parisrama Bahavan, 5-9-58/B, Basheer Bagh, Hyderabad-500 004)

Amendment to the Procedure for the Conduct of First Elections to the Council

In exercise of the powers conferred by the Articles of Association of Indian Institute of Insurance Surveyors and Loss Assessors, the Promotee Council, in consultation with the Insurance Regulatory and Development Authority, hereby makes the following amendment to the Procedure for the Conduct of First Elections to the Council:-

In Procedure 2 (e). Definitions of zones, the word "Manipur" shall be added to the definition of 'East Zone'.

In Procedure 3(19) of the Procedure for the Conduct of First Elections to the Council, for the words "at the office of the Institute", the words "at the office of the Election Officer or at such other place in Mumbai as may be decided by the Election Officer" shall be substituted.

In Procedure 4(e) of the Procedure for the Conduct of First Elections to the Council, for the words "at the Institute's office", the words "at the office of the Election Officer" shall be substituted.

The aforesaid amendments shall come into force with immediate effect.

Place: Hyderabad
Date: 29/03/2007

Yegnapriya Bharath
Council Member

10 - 11 Apr 2007 Venue: New Delhi	Pension Reforms in India – Issues and Challenges By *FICCI - PFRDA*
11 - 12 Apr 2007 Venue: Kuala Lumpur	1st Asian Conference on Personal Lines Insurance By *Asia Insurance Review, Singapore*
13 - 15 Apr 2007 Venue: Taiwan	9th APLIC Congress By *Insurance and Finance Practitioners Association of Taiwan*
16 - 21 Apr 2007 Venue: Pune	Trainers' Training Programme By *NIA Pune*
23 - 24 Apr 2007 Venue: Jakarta	8th Asian Conference on Bancassurance & Alternative Distribution Channels By *Asia Insurance Review, Singapore*
23 - 28 Apr 2007 Venue: Pune	Creative Thinking and Decision Making By *NIA Pune*
07 - 12 May 2007 Venue: Pune	Effective Claims Management By *NIA Pune*
08 - 09 May 2007 Venue: Taipei	1st Asian Insurance CFO Summit – Creating a More Active Role for CFOs By *Asia Insurance Review, Singapore*
14 - 19 May 2007 Venue: Pune	Prevention of Insurance Frauds By *NIA Pune*
21 - 26 May 2007 Venue: Pune	Effective Underwriting in Detariff Regime By *NIA Pune*

RNI No: APBIL/2002/9589

"view point"

There are increasing threats from terrorism and pandemics, more incidences of natural calamities, a greater prevalence of lifestyle related diseases, challenges of an ageing population resulting from longer life expectancies and a more volatile investment climate.

Mr Teo Swee Lian
Deputy Managing Director (Prudential Supervision), Monetary Authority of Singapore.

Understanding the essentials of underwriting is critical to our industry today as companies seek to strengthen risk management activities that translate into increased profit and success.

Mr Thomas P Donaldson
President and CEO of LOMA.

Catastrophes are not strangers either to this country or to the world; and the stark fury of such disasters are even now taking not only the victims but also often the countries concerned by surprise.

Mr CS Rao
Chairman, Insurance Regulatory and Development Authority, India.

With the stronger economic performances, it is not surprising to see the accompanying growth in the insurance industry in this part of the world. Indeed, insurance premiums (both life and non-life) have been growing faster than corresponding GDP growth in most emerging Asian countries.

Mr Ong Chong Tee
Deputy Managing Director, Monetary Authority of Singapore.

Large natural catastrophes are a national economic problem, not simply a local insurance problem. Although insurance will always be the catalyst of economic recovery following natural catastrophes, much can and should be done prior to these events to minimize their impact.

Mr Kevin McCarty
Florida Insurance Commissioner

Risk-sensitive financial requirements can only fulfill their intended role when supplemented by sound governance and market conduct practices; and supported by appropriate public disclosure requirements.

Mr Rob Curtis
Chairman of the Solvency and Actuarial Issues Sub-Committee, IAIS.