



# Journal



Product Innovation  
and Development in Insurance

बीमा विनियामक और विकास प्राधिकरण



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## *From the Publisher*

One of the intended benefits of opening up of the insurance market in India was the expansion of the scope of insurance products. Although the industry was performing reasonably well under government monopoly, the rich flavour of a wide portfolio of risks was conspicuous by its absence. If one looks at the variety of products that a customer can choose from today, one should admit that a decent beginning has been made.

Although there has not been a significant change in the stand-alone products in the life arena, the introduction of various riders has ensured that there is a great deal of customization leading to the availability of different combinations for the policyholder. Similarly, the non-life class has also seen a few changes in the generation of products in the post-liberalization era, in spite of the limitations imposed by the regulation of tariff. With de-tariffing of the market round the corner, it is expected that several new products would come into the market. But one has to exercise caution while designing the new products; they should

respond to the needs of the customers without causing undue confusion.

We expect the products to be devised in such a way as to meet the requirements of a large section of the people. Though we do not have adequate data, no effort should be spared in making use of the available database in order that products are devised on sound principles; and can sustain themselves in the long run. Product development in insurance forms the focus of this issue of the **Journal**. We have articles on aspects relating to product development in various classes of insurance.

When products are designed, the next logical step would be to price them appropriately in order that they emerge successful in the competitive environment. 'Pricing' would form the focus of the next issue of the **Journal**.

*C. S. Rao*

C.S. Rao

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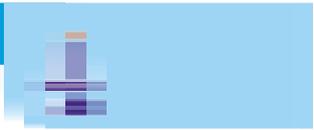
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## *R*ecipe for Sustained Success

When Charles Darwin propounded the theory of 'Survival of the Fittest', he had in mind the living organisms. Experience tells us that it is not much different in several other domains. Products in the insurance market are no exception to this rule; and there has been sufficient endorsement in the sense that several products - both in the life as well as the non-life arena - had to be either re-designed; improved upon; and in exceptional cases, even withdrawn. The cyclic process that is attributed to a product has, in fact, to be gone through to ensure that it is the 'best' that have survived the rigours of a competitive market.

In a market regulated by tariff, however, the leverage given to the insurers to design products has been, in a way, limited. It had to be ensured that any innovations made should be compatible with the rules laid down. Despite this, in the post-liberalized environment, we have been witness to several innovations.

It should lead to the natural corollary that once de-tariffing is effective, the market is going to be flooded with innovative products. It is here that discretion should really play a crucial role. If a product is introduced in haste, not having gone through the experimental cycles, a situation may arise where the insurers are compelled to withdraw them. While it would smack of poor R & D function of the insurer, the customer in due course would lose faith in the system.

In the life insurance domain, to the extent that it is not under the purview of tariff regulation, the complexity is not so intense. Nevertheless, insurers should have to exercise caution while making assurances, particularly in light of the volatile interest rate scenario; and also in view of the fact that mortality statistics are liable for rapid changes.

Product Development in insurance is the focus of this issue of the Journal. We have several articles exhorting the inputs that go into the process while operating in a regulated environment; as also the care that has to be exercised in the de-tariffed environment. Mr. G.V. Rao discusses the hand-holding role that the regulator has to play in his article 'Product Development in Insurance - Role of Regulator'. We have Mr. P.C. James talking about the priorities that the players should be guided by, especially in the de-tariffed regime that is on the cards. Mr. Ajit R. Belsare highlights the life cycle that products go through.

Mr. Joydeep Roy and Abhishek Agarwal enlighten the readers about the impediments that have been faced by the insurance players in the tariff regime. Agriculture insurance is a very niche domain and needs expertise to understand the nuances. Mr. Kolli N. Rao educates the readers about these complexities. In the 'follow-through' section that follows, Mr. Ajay Bansal talks about exaggeration of a claim as the greatest factor responsible for insurance frauds in India.

In addition to the monthly statistics of life and non-life insurers, we have for you the detailed business figures of the insurance players for the year 2005-06, with comments thereon that make a very interesting reading. Apart from the efficacy of the product, the price at which it can be bought also decides its eventual success and sustenance in the long run. 'Pricing' is what the next issue of the **Journal** is focusing on.

**U. Jawaharlal**



# Report Card:LIFE

## Premiums Rise 209.57% over June, 2005

### Individual premium:

The life insurance industry underwrote Individual Single Premium of Rs.731297.66 lakh during the first quarter April-June, 2006 of which the private insurers garnered Rs.52771.08 lakh and LIC garnered Rs.678526.58 lakh. The corresponding figures for the previous year were Rs.116657.01 lakh for the industry, with private insurers underwriting Rs.14823.38 lakh and LIC Rs.101833.63 lakh. The Individual Non-Single Premium underwritten during April-June, 2006 was Rs.495656.11 lakh of which the private insurers underwrote Rs.211299.03 lakh and LIC Rs.284357.08 lakh. The corresponding figures for the previous year were Rs.253363.13 lakh, Rs.82703.30 lakh and Rs.170659.83 lakh respectively.

### Group premium:

The industry underwrote Group Single Premium of Rs.125767.82 lakh of which the private insurers underwrote Rs.9894.44 lakh and LIC Rs.115873.38 lakh, the number of lives covered being 1835711, 205654 and 1630057 respectively. The corresponding figures for the previous year were Rs.65059.94 lakh with private insurers

underwriting Rs.5318.14 lakh and LIC Rs.59741.80 lakh and the number of lives covered being 1063301, 125748 and 937553 respectively. The Group Non-Single Premium underwritten during April-June, 2006 was Rs.20963.40 lakh which was underwritten entirely by the private insurers, covering 871004 lives. The corresponding figures for the previous year were Rs.8663.86 lakh and covering 411400 lives.

### Segment-wise segregation:

A further segregation of the premium underwritten during the period indicates that Life, Annuity, Pension and Health contributed Rs.703219.08 lakh (51.23%), Rs.36094.41 lakh (2.63%), Rs.633078.06 lakh (46.12%) and Rs.308.25 lakh (0.02%) respectively. In respect of LIC, the break up of life, annuity and pension categories was Rs.437321.78 lakh (40.54%), Rs.30946.77 lakh (2.87%) and Rs.610488.49 lakh (56.59%) respectively. In case of the private insurers, Rs.265897.30 lakh (90.46%), Rs.5147.64 lakh (1.75%), Rs.22589.57 lakh (7.69%) and Rs.308.25 lakh (0.10%) 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 70.29% of the business was underwritten in the non-linked category, and 29.71% in the linked category, i.e., Rs.964826.03 lakh and Rs.407873.77 lakh respectively. In case of LIC, the linked and non-linked premium was 13.75% and 86.25% respectively, as against which for the private insurers taken together this stood at 88.29% and 11.71% respectively. During the corresponding period of the previous year, linked and non-linked premium indicates that 61.67% of the business was underwritten in the non-linked category, and 38.33% in the linked category, i.e., Rs.273262.95 lakh and Rs.169836.29 lakh respectively. In case of LIC, the linked and non-linked premium was 26.88% and 73.12% respectively, as against which for the private insurers taken together this stood at 72.64% and 27.36% respectively.

**Note:** Segment wise details for the FY 2005-06 are also published elsewhere in the journal.

## First Year Premium of Life Insurers for the Quarter Ended June, 2006

Sl No.	Insurer	Premium u/w (Rs. In Lakhs)			No. of Policies / Schemes			No. of lives covered under Group		
		June, 06	Up to June, 06	Up to June, 05	June, 06	Up to June, 06	Up to June, 05	June, 06	Up to June, 06	Up to June, 05
1	<b>Bajaj Allianz</b>									
	Individual Single Premium	9,640.91	29,811.74	8,224.77	4,181	11,218	8,708			
	Individual Non-Single Premium	14,835.35	31,986.66	9,768.44	88,792	190,185	61,434			
	Group Single Premium	60.47	120.96	0.00	0	0	0	314	580	0
2	<b>ING Vysya</b>									
	Individual Single Premium	278.00	1,169.55	2.17	222	771	319			
	Individual Non-Single Premium	4,748.98	10,404.66	2,125.52	22,092	47,249	13,461			
	Group Single Premium	47.53	155.66	170.15	0	0	0	126	382	542
3	<b>Reliance Life</b>									
	Individual Single Premium	1,074.62	4,212.09	1,328.06	1,747	6,420	2,196			
	Individual Non-Single Premium	3,118.70	8,300.95	581.68	15,984	43,960	8,187			
	Group Single Premium*	530.48	576.18	37.75	2	8	0	2,279	7,495	0
4	<b>SBI Life</b>									
	Individual Single Premium	2,173.15	4,718.98	915.77	4,489	6,469	1,405			
	Individual Non-Single Premium	5,941.45	12,989.81	2,208.09	36,819	54,969	32,276			
	Group Single Premium	1,479.02	3,715.98	3,730.04	1	2	2	8,940	23,281	26,998
5	<b>Tata AIG</b>									
	Individual Single Premium	44.62	170.16	0.00	0	0	0			
	Individual Non-Single Premium	3,672.33	10,649.82	7,689.77	26,554	81,764	60,705			
	Group Single Premium	438.97	1,050.64	287.02	1	1	0	43,312	61,710	32,322
6	<b>HDFC Standard</b>									
	Individual Single Premium	1,267.90	3,324.63	2,511.13	3,411	8,832	8,766			
	Individual Non-Single Premium	9,247.73	19,241.02	9,997.41	24,636	52,226	42,259			
	Group Single Premium	223.88	447.79	575.22	7	36	75	44,043	71,658	148,139

5	<b>Tata Aro</b>	44.62	170.16	0.00	0	0	0			
	Individual Single Premium	3,672.33	10,649.82	7,689.77	26,554	81,764	60,705			
	Individual Non-Single Premium	438.97	1,050.64	287.02	1	1	0	43,312	61,710	32,322
	Group Single Premium	223.88	447.79	575.22	7	36	75	44,043	71,658	148,139
	Group Non-Single Premium									
6	<b>HDFC Standard</b>									
	Individual Single Premium	1,267.90	3,324.63	2,511.13	3,411	8,832	8,766			
	Individual Non-Single Premium	9,247.73	19,241.02	9,997.41	24,636	52,226	42,259			
	Group Single Premium	187.10	1,188.05	892.08	10	30	32	8,013	43,473	31,205
	Group Non-Single Premium	75.79	1,126.90	801.51	0	3	9	8	1,057	6,471
7	<b>ICICI Prudential</b>									
	Individual Single Premium	1,855.37	6,450.80	1,286.87	2,656	10,474	988			
	Individual Non-Single Premium	37,577.48	68,312.62	26,897.37	132,066	292,008	112,003			
	Group Single Premium	1,485.31	2,671.86	48.60	18	65	24	17,041	61,122	32,938
	Group Non-Single Premium	2,223.75	9,531.13	5,180.28	18	107	40	35,763	93,730	10,309
8	<b>Birla Sunlife</b>									
	Individual Single Premium	301.00	675.20	254.16	1,404	2,700	8,521			
	Individual Non-Single Premium	5,239.14	11,313.86	7,453.89	16,858	36,952	22,601			
	Group Single Premium	80.55	274.66	114.81	0	0	0	553	1,693	1,096
	Group Non-Single Premium	210.12	2,310.16	344.55	0	15	11	245	11,457	4,082
9	<b>Aviva</b>									
	Individual Single Premium	315.00	686.53	-2.76	159	403	423			
	Individual Non-Single Premium	5,252.92	13,032.00	4,966.99	20,735	49,850	18,180			
	Group Single Premium	19.05	56.05	31.65	0	1	0	112	374	226
	Group Non-Single Premium	108.60	951.72	57.77	5	23	2	24,148	67,570	40,333
10	<b>Kotak Mahindra Old Mutual</b>									
	Individual Single Premium	439.48	1,057.37	143.72	388	1,200	411			
	Individual Non-Single Premium	2,235.41	5,594.81	3,118.01	7,084	17,852	12,410			
	Group Single Premium	41.32	84.40	5.99	1	1	0	3,219	5,544	371
	Group Non-Single Premium	124.28	1,104.27	127.79	8	32	10	8,893	26,111	14,259
11	<b>Max New York</b>									
	Individual Single Premium	8.62	16.75	51.26	18	41	57			
	Individual Non-Single Premium	6,457.50	15,209.89	6,317.35	44,484	106,538	60,110			
	Group Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
	Group Non-Single Premium	6.26	111.32	30.90	5	16	15	4,048	10,071	13,507
12	<b>Met Life</b>									
	Individual Single Premium	46.51	119.54	108.22	95	220	200			
	Individual Non-Single Premium	1,320.30	3,627.74	1,470.41	5,971	15,014	13,381			
	Group Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
	Group Non-Single Premium	84.71	362.26	134.86	16	74	51	41,501	193,218	45,402
13	<b>Sahara Life</b>									
	Individual Single Premium	202.84	357.73	0.00	497	882	0			
	Individual Non-Single Premium	20.43	39.80	108.37	1,098	2,122	5,296			
	Group Single Premium	0.00	0.00	0.05	0	0	1	0	0	50
	Group Non-Single Premium	0.09	0.09	0.00	1	1	0	297	297	0
14	<b>Shriram Life</b>									
	Individual Single Premium	0.00	0.00	0.00	0	0	0			
	Individual Non-Single Premium	223.55	595.40	0.00	3,214	10,261	0			
	Group Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
	Group Non-Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
	<b>Private Total</b>									
	Individual Single Premium	17,648.01	52,771.08	14,823.38	19,267	49,630	31,994			
	Individual Non-Single Premium	99,891.26	211,299.03	82,703.30	446,387	1,000,950	462,303			
	Group Single Premium	4,369.79	9,894.44	5,318.14	33	108	59	83,909	205,654	125,748
	Group Non-Single Premium	4,434.37	20,963.40	8,663.86	117	499	635	327,463	871,004	411,400
15	<b>LIC</b>									
	Individual Single Premium	458,671.83	678,526.58	101,833.63	983,357	1,371,484	306,016			
	Individual Non-Single Premium	150,966.63	284,357.08	170,659.83	1,244,469	2,850,168	3,077,957			
	Group Single Premium	50,813.83	115,873.38	59,741.80	1,324	3,162	2,723	724,202	1,630,057	937,553
	Group Non-Single Premium	0.00	0.00	0.00	0	0	0	0	0	0
	<b>Grand Total</b>									
	Individual Single Premium	476,319.84	731,297.66	116,657.01	1,002,624	1,421,114	338,010			
	Individual Non-Single Premium	250,857.89	495,656.11	253,363.13	1,690,856	3,851,118	3,540,260			
	Group Single Premium	55,183.62	125,767.82	65,059.94	1,357	3,270	2,782	808,111	1,835,711	1,063,301
	Group Non-Single Premium	4,434.37	20,963.40	8,663.86	117	499	635	327,463	871,004	411,400

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

# FY 2005-06: Life Insurance Report

95.4 percent growth in new business.

G. V. Rao

## Unprecedented growth:

The new business in life insurance sector has grown spectacularly in FY 2005/06 surpassing all expectations of the interested parties. The new business performance has touched a premium income of Rs.49,474 crore in 2005/06 as against the corresponding new business premium of Rs.25,316 crore in 2004/05. This growth in new business in 2005/06 of Rs.24,158 crore represents a growth rate of 95.4 percent. Last year the new business had grown only by Rs.6442 crore at a growth rate of 34.4 percent. This performance, both in quantum and in the growth rate percentage, by any standards is an astonishing one, setting new standards for the players in the years ahead. The growing demand for life insurance purchase by consumers has made the life market more lively and it augurs well for acceleration of national economy.

## Individual sales:

The main contribution for this phenomenal growth has come in from individual sales that touched Rs.44,466 crore against Rs.20,938 crore in the previous year. The individual life premium for new business has grown by a massive Rs.23,528 crore against a meager Rs.6332 crore in 2004/05. Of this Rs.44,466 crore, the non-single premium channel alone has contributed

Rs.33,468 crore, up from Rs.15,034 crore in 2004/05, an accretion of Rs.18,434 crore. A community acceptance of life insurance as a means of self-funded social security concept is gaining increased popularity.

The single premium channel has brought in Rs.10,928 crore new premium against that of Rs.5,904 crore in 2004/05.

The potential opportunity, to sell real cheaper policies to cover only the risk aspect is even more enormous; and this opportunity is just waiting to be tapped by more entrepreneurial marketing staff.

The 'linked' policy life premium completion is Rs.29,164 crore in 2005/06 against Rs.7,981 crore in 2004/05 and a mere Rs.1,545 crore in 2003/04. The non-linked policy premium is Rs.15,302 crore against Rs.12,957 crore in 2004/05 and Rs.13,071 crore in 2003/04. The spectacular growth in premium in the 'linked' policy, as above, shows that the most preferred type of policy in the market is the 'linked' policy that has captured the consumer imagination, particularly the individual class, in 2005/06.

The 'linked' policy concept is expected to become even more popular an instrument of life-cum-investment cover for future growth, showing that the consumers' tastes are veering round to treating life insurance, more as an instrument of investment, rather than only as a risk coverage concept. The potential opportunity, therefore, to sell real cheaper policies to cover only the risk aspect is even more enormous; and this opportunity is just waiting to be tapped by more entrepreneurial marketing staff.

## Individual policies sold:

The number of new individual policies sold in 2005/06 exceeds 3.5 crores against those sold of 2.6 crores in the 2004/05. The non-linked individual policies sold in 2005/06 were about 3.1 crores against 2.3 crores in the previous year. The 'linked' policies sold were 4.3 lakhs against 2.7 lakhs in 2004/05.

The accretion in premium in the linked policies, despite the smaller numbers of more policies sold of 1.7 lakhs, is over Rs.21 crore. The new premium in non-linked policies, despite the larger policy numbers sold of 7.6 lakhs, is a mere Rs.2.35 crore. The gravy train of 'linked policies' provided by life insurers for consumers to board on are so very obvious; and the public seems to like and enjoy the ride so far.

Contd. on page 11



**INDIVIDUAL NEW BUSINESS — SINGLE PREMIUM (INCLUDING RURAL & SOCIAL)  
2005-06 (PROVISIONAL & UNAUDITED)**

(Rs lakh)

SI No.	PARTICULARS	PREMIUM		POLICIES		SUM ASSURED	
		2004-05	2005-06	2004-05	2005-06	2004-05	2005-06
	<b>Non linked*</b>						
1	Life with profit	39,698.60	24,233.94	44,379	31,601	53,424.10	36,753.03
2	Life without profit	38,051.99	125,946.52	1,67,813	470,784	1,81,062.04	448,935.87
	General Annuity with profit	27.00	40.48	13	10	44.44	77.85
3	General Annuity without profit	26.74	144.43	5	145	0.00	0.00
	Pension with profit	12,932.19	6,212.90	75,420	11,567	469.46	146.29
4	Pension without profit	5,655.51	12,590.01	2,606	3,532	39.20	181.53
	Health with profit	0.00	0.00	0	0	0.00	0.00
	Health without profit	0.00	0.00	0	0	0.00	0.00
<b>A.</b>	<b>Sub total</b>	<b>96,392.02</b>	<b>169,168.27</b>	<b>2,90,236</b>	<b>517,639</b>	<b>2,35,039.24</b>	<b>486,094.57</b>
	<b>Linked*</b>						
1	Life with profit	70.97	5.25	67	5	72.37	4.64
2	Life without profit	2,86,143.04	295,091.46	5,71,744	339,740	3,58,787.35	362,506.02
	General Annuity with profit	0.00	0.00	0	0	0.00	0.00
3	General Annuity without profit	0.00	63.34	0	0	0.00	0.00
	Pension with profit	0.00	0.13	0	0	0.00	0.00
4	Pension without profit	2,07,806.31	635,532.79	9,44,630	1,839,374	1,072.87	517.30
	Health with profit	0.00	0.00	0	0	0.00	0.00
	Health without profit	0.00	0.00	0	0	0.00	0.00
<b>B.</b>	<b>Sub total</b>	<b>4,94,020.31</b>	<b>930,692.97</b>	<b>15,16,441</b>	<b>2,179,119</b>	<b>3,59,932.59</b>	<b>363,027.96</b>
<b>C.</b>	<b>Total (A+B)</b>	<b>5,90,412.33</b>	<b>1,099,861.25</b>	<b>18,55,947</b>	<b>2,696,758</b>	<b>5,94,971.83</b>	<b>849,122.54</b>
	<b>Riders:</b>						
	<b>Non linked</b>						
1	Health#	14.19	3.06	69	21	235.65	33.47
2	Accident##	26.31	18.01	2,156	1,755	2,107.95	1,247.41
3	Term	5.08	2.97	158	135	136.95	81.65
4	Others	0.00	0.00	0	0	0.00	0.00
<b>D.</b>	<b>Sub total</b>	<b>45.57</b>	<b>24.04</b>	<b>2,383</b>	<b>1,911</b>	<b>2,480.55</b>	<b>1,362.53</b>
	<b>Linked</b>						
1	Health#	1.95	4.05	22	59	30.80	78.21
2	Accident##	1.24	9.34	56	357	150.81	809.61
3	Term	0.04	0.30	1	4	1.00	4.61
4	Others	0.00	0.00	0	0	0.00	0.00
<b>E.</b>	<b>Sub total</b>	<b>3.22</b>	<b>13.68</b>	<b>79</b>	<b>420</b>	<b>182.61</b>	<b>892.43</b>
<b>F.</b>	<b>Total (D+E)</b>	<b>48.80</b>	<b>37.72</b>	<b>2,462</b>	<b>2,331</b>	<b>2,663.16</b>	<b>2,254.96</b>
<b>G.</b>	<b>**Grand Total (C+F)</b>	<b>5,90,461.13</b>	<b>1,099,898.97</b>	<b>18,06,677</b>	<b>2,696,758</b>	<b>5,97,634.99</b>	<b>851,377.50</b>

\$Note: Based on provisional unaudited figures furnished by the insurers

\* 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.

STATISTICS - LIFE INSURANCE

**INDIVIDUAL NEW BUSINESS — NON-SINGLE PREMIUM (INCLUDING RURAL & SOCIAL)  
2005-06 (PROVISIONAL & UNAUDITED)**

(Rs lakh)

SI No.	PARTICULARS	PREMIUM		POLICIES		SUM ASSURED	
		2004-05	2005-06	2004-05	2005-06	2004-05	2005-06
	<b>Non linked*</b>						
1	Life						
	with profit	10,68,076.90	1,281,957.13	2,11,54,096	28,409,713	1,69,48,055.39	26,623,986.15
	without profit	74,055.22	70,241.75	14,04,808	2,087,776	27,12,262.89	4,134,304.75
2	General Annuity						
	with profit	438.68	86.12	4,859	845	9,654.43	1,554.12
	without profit	0.00	0.00	0	0	0.00	0.00
3	Pension						
	with profit	44,822.53	7,087.40	4,11,000	52,458	85,246.51	29,427.63
	without profit	0.00	884.13	0	3,649	0.00	0.00
4	Health						
	with profit	11,579.47	0.00	2,31,847	0	2,73,900.68	0.00
	without profit	318.86	736.56	16,093	34,020	24,605.73	116,645.14
<b>A.</b>	<b>Sub total</b>	<b>11,99,291.66</b>	<b>1,360,993.10</b>	<b>2,32,22,703</b>	<b>30,588,461</b>	<b>2,00,53,725.62</b>	<b>30,905,917.79</b>
	<b>Linked*</b>						
1	Life						
	with profit	769.57	96.52	2,604	330	6,950.72	671.02
	without profit	2,59,984.13	567,655.91	8,01,903	1,950,273	21,45,406.37	4,803,096.93
2	General Annuity						
	with profit	0.00	0.00	0	0	0.00	0.00
	without profit	22,096.10	11,774.46	2,09,830	72,527	44,585.93	22,442.22
3	Pension						
	with profit	235.25	21.60	783	49	0.00	0.00
	without profit	21,030.93	45,279.95	1,43,289	132,032	17,195.34	5,132.45
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>B.</b>	<b>Sub total</b>	<b>3,04,115.99</b>	<b>624,828.45</b>	<b>11,58,409</b>	<b>2,155,211</b>	<b>22,14,138.35</b>	<b>4,831,342.62</b>
<b>C.</b>	<b>Total (A+B)</b>	<b>15,03,407.65</b>	<b>1,985,821.54</b>	<b>2,43,81,112</b>	<b>32,743,672</b>	<b>2,22,67,863.98</b>	<b>35,737,260.40</b>
	<b>Riders:</b>						
	<b>Non linked</b>						
1	Health#	413.95	527.56	58,293	31,807	59,137.41	40,631.79
2	Accident##	848.61	931.09	403,327	417,513	5,41,716.66	863,198.66
3	Term	144.52	137.35	31,535	24,272	23,880.72	22,100.50
4	Others	467.72	552.86	138,662	10,185	38,183.61	43,483.63
<b>D.</b>	<b>Sub total</b>	<b>1,874.80</b>	<b>2,148.85</b>	<b>631,817</b>	<b>483,777</b>	<b>6,62,918.40</b>	<b>969,414.57</b>
	<b>Linked</b>						
1	Health#	193.80	352.70	28,160	15,119	64,988.09	94,527.64
2	Accident##	109.21	378.06	95,231	87,687	66,619.70	153,087.87
3	Term	65.48	86.80	7,798	8,999	14,315.04	18,919.10
4	Others	94.91	116.34	18,134	22,886	1,935.05	2,508.70
<b>E.</b>	<b>Sub total</b>	<b>463.40</b>	<b>933.90</b>	<b>149,323</b>	<b>134,691</b>	<b>1,47,857.87</b>	<b>269,043.30</b>
<b>F.</b>	<b>Total (D+E)</b>	<b>2,338.20</b>	<b>3,082.74</b>	<b>781,140</b>	<b>618,468</b>	<b>8,10,776.27</b>	<b>1,238,457.87</b>
<b>G.</b>	<b>**Grand Total (C+F)</b>	<b>15,05,745.85</b>	<b>1,988,904.29</b>	<b>2,43,81,112</b>	<b>32,743,672</b>	<b>2,30,78,640.25</b>	<b>36,975,718.28</b>

\$Note: Based on provisional unaudited figures furnished by the insurers

\* 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.



**GROUP NEW BUSINESS — SINGLE PREMIUM (INCLUDING RURAL & SOCIAL)  
2005-06 (PROVISIONAL & UNAUDITED)**

(Rs. lakh)

Sl No.	PARTICULARS	PREMIUM		NO. OF SCHEMES		LIVES COVERED		SUM ASSURED	
		2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06
	<b>Non linked*</b>								
1	Life								
a)	Group Gratuity Schemes								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	1,04,282.83	158,189.59	2,203	2,167	5,70,718	766,005	2,84,860.66	336,470.40
b)	Group Savings Linked Schemes								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	1,875.27	5,825.41	675	1,835	1,35,101	502,607	1,26,679.15	464,490.78
c)	EDLI								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	272.52	547.10	990	1,213	5,43,330	718,411	1,59,544.43	312,257.06
d)	Others								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	52,978.26	57,451.43	14,522	13,051	74,12,858	10,220,727	36,94,114.64	4,725,792.38
2	General Annuity								
	with profit	85,053.34	67,201.80	7	5	5,780	3,826	0.00	0.00
	without profit	59,146.14	73,513.03	10	22	11,284	7,974	0.00	0.00
3	Pension								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	96,493.52	67,870.42	214	113	25,889	59,599	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>A.</b>	<b>Sub total</b>	<b>4,00,101.88</b>	<b>430,598.78</b>	<b>18,621</b>	<b>18,406</b>	<b>87,04,960</b>	<b>12,279,149</b>	<b>42,65,198.88</b>	<b>5,839,010.62</b>
	<b>Linked*</b>								
1	Life								
a)	Group Gratuity Schemes								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	491.10	8,684.87	12	24	1,021	45,962	8.31	459.62
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	397.69	363.13	2	1	1,623	352	16.61	3.52
2	General Annuity								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	314.47	0.00	0	0	14	0	302.88	0.00
3	Pension								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	182.81	865.87	1	3	10	3,936	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>B.</b>	<b>Sub total</b>	<b>1,386.08</b>	<b>9,913.87</b>	<b>15</b>	<b>28</b>	<b>2,668</b>	<b>50,250</b>	<b>327.80</b>	<b>463.14</b>
<b>C.</b>	<b>Total (A+B)</b>	<b>4,01,487.95</b>	<b>440,512.65</b>	<b>18,636</b>	<b>18,434</b>	<b>87,07,628</b>	<b>12,329,399</b>	<b>42,65,526.69</b>	<b>5,839,473.76</b>
	<b>Riders:</b>								
	<b>Non linked</b>								
1	Health#	52.62	36.95	56	25	33,856	18,228	2,13,714.09	34,420.63
2	Accident##	64.04	74.52	66	21	71,295	37,362	1,60,303.83	199,404.19
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
<b>D.</b>	<b>Sub total</b>	<b>116.66</b>	<b>111.47</b>	<b>122</b>	<b>46</b>	<b>1,05,151</b>	<b>55,590</b>	<b>3,74,017.93</b>	<b>233,824.82</b>
	<b>Linked</b>								
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
<b>E.</b>	<b>Sub total</b>	<b>0.00</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>F.</b>	<b>Total (D+E)</b>	<b>116.66</b>	<b>111.47</b>	<b>122</b>	<b>46</b>	<b>105,151</b>	<b>55,590</b>	<b>3,74,017.93</b>	<b>233,824.82</b>
<b>G.</b>	<b>**Grand Total (C+F)</b>	<b>4,01,604.62</b>	<b>440,624.12</b>	<b>18,636</b>	<b>18,434</b>	<b>87,07,628</b>	<b>12,329,399</b>	<b>46,39,544.61</b>	<b>6,073,298.58</b>

\$Note: Based on provisional unaudited figures furnished by the insurers \* 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.

STATISTICS - LIFE INSURANCE

**GROUP NEW BUSINESS — NON-SINGLE PREMIUM (INCLUDING RURAL & SOCIAL)  
2005-06 (PROVISIONAL & UNAUDITED)**

(Rs. lakh)

SI No.	PARTICULARS	PREMIUM		NO. OF SCHEMES		LIVES COVERED		SUM ASSURED	
		2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06
<b>Non linked*</b>									
1	Life								
a)	Group Gratuity Schemes								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	2,578.21	12,659.51	26	56	13,975	58,456	4,075.68	37,057.33
b)	Group Savings Linked Schemes								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	1,758.98	14.40	1	6	24,240	7,543	91,378.00	15,310.30
c)	EDLI								
	with profit	74.04	0.00	57	0	29,293	0	29,726.38	0.00
	without profit	539.13	521.89	205	272	278,770	402,135	225,631.27	333,062.30
d)	Others								
	with profit	41.66	65.73	25	29	29,361	35,994	30,252.13	40,823.82
	without profit	5,865.86	6,336.18	4,197	2,539	1,724,647	2,075,517	1,863,964.67	3,236,488.27
2	General Annuity								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	0.00	0.00	3	0	1,766	0	854.50	0.00
3	Pension								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	293.72	75.40	7	1	226	885	0.00	218.25
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.	<b>Sub total</b>	<b>11,151.60</b>	<b>19,673.12</b>	<b>4,521</b>	<b>2,903</b>	<b>2,102,278</b>	<b>2,580,530</b>	<b>2,245,882.62</b>	<b>3,662,960.26</b>
<b>Linked*</b>									
1	Life								
a)	Group Gratuity Schemes								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	17,923.53	22,217.39	171	253	135,115	257,452	21,793.52	70,531.65
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	355.49	424.24	10	13	179	249	275.24	178.71
2	General Annuity								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	2,578.18	1,558.69	7	11	1,994	906	2,578.18	1,558.69
3	Pension								
	with profit	0.00	0.00	0	0	0	0	0.00	0.00
	without profit	4,395.40	16,431.81	64	73	9,964	12,549	1,750.13	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.	<b>Sub total</b>	<b>25,252.60</b>	<b>40,632.13</b>	<b>252</b>	<b>350</b>	<b>147,252</b>	<b>271,156</b>	<b>26,397.07</b>	<b>72,269.04</b>
C.	<b>Total (A+B)</b>	<b>36,404.20</b>	<b>60,305.25</b>	<b>4,773</b>	<b>3,253</b>	<b>2,249,530</b>	<b>2,851,686</b>	<b>2,272,279.68</b>	<b>3,735,229.31</b>
<b>Riders:</b>									
<b>Non linked</b>									
1	Health##	26.05	15.48	20	7	5,818	1,496	15,466.45	12,408.44
2	Accident##	44.26	46.32	31	52	24,720	60,348	131,063.08	180,732.35
3	Term	0.13	0.27	1	1	37	153	23.01	502.50
4	Others	1.43	0.81	6	1	2,184	32	15,362.01	2,066.53
D.	<b>Sub total</b>	<b>71.86</b>	<b>62.88</b>	<b>58</b>	<b>61</b>	<b>32,759</b>	<b>62,029</b>	<b>161,914.55</b>	<b>195,709.82</b>
<b>Linked</b>									
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.	<b>Sub total</b>	<b>0.00</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
F.	<b>Total (D+E)</b>	<b>71.86</b>	<b>62.88</b>	<b>58</b>	<b>61</b>	<b>32,759</b>	<b>62,029</b>	<b>161,914.55</b>	<b>195,709.82</b>
G.	<b>**Grand Total (C+F)</b>	<b>36,476.07</b>	<b>60,368.13</b>	<b>4,773</b>	<b>3,253</b>	<b>2,249,530</b>	<b>2,851,686</b>	<b>2,434,194.23</b>	<b>3,930,939.13</b>

\$Note: Based on provisional unaudited figures furnished by the insurers\* 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.



Contd. from page 6

### Single and non-single premium individual policies:

The individual single premium policies fetched a premium income of Rs.11,000 crore in 2005/06, up from the premium of Rs.5,900 crore in 2004/05 and Rs.1,700 crore in 2003/04. The non-single premium policies fetched in 2005/6 a huge premium income of Rs 33,500 crores up from Rs.15,000 crore in 2004/05 and Rs.13,000 crore in 2003/04.

Added to this growth in premium income from the non-single individual policies, if one takes into account the number of additional policies sold at 3.2 crores of persons from this source up from 2.4 crores of persons last year, the life insurance industry has done a remarkable job in 2005/06.

### Group Policy sales:

The group policy sales fetched a new premium income of Rs.5008 crore up from Rs.4,378 crore in 2004/05. The single premium policies fetched Rs.4,400 crore in 2005/06, up from

Rs.4,000 crore in 2004/05. The non-single premium policies fetched Rs.603 crore, up from Rs.363 crore. The number of group policies sold is modest - even lesser, at 21,800 in 2005/06 as against 23,400 sold in the previous year.

The growth of group sales has been modest on all counts.

In terms of premium growth and wider coverage of persons, the life insurance industry has excelled itself.

### Final word:

In terms of premium growth and wider coverage of persons, the life insurance industry has excelled itself. A growth rate of over 95 percent and an accretion of over Rs.24,000 crore in the premium income must be a record of sorts for the life insurance industry in any part of the

globe. The huge numbers of new persons brought in to life insurance net exceeding 9.2 millions of persons is another huge achievement.

The sales growth has been fuelled by products with investment appreciation inherent in it. It is desirable, and socially necessary that the industry should concentrate in selling risk-based products at affordable prices through channels that are rural-oriented like the NGOs; and make such products acceptable to the real needy in the rural segments. That will remain a huge challenge for the industry to achieve. Insurance, also for the needy rather than merely to those that can afford it should be the corporate vision of the fast expanding life insurance industry.

— \* \* \* —

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# Charging the Right Price ...

'Pricing a product appropriately is what matters to its eventual success. But with so many dynamic variables, it is a challenge of great importance' says U. Jawaharlal.

Pricing a product appropriately is very essential in ensuring that it proves successful in the long run. When it comes to a tangible product, the variables that go into producing the product are all there for the manufacturer to consider; and loading a certain percentage for his profit, he can decide the price. Although in a dynamic world where the demand for a product depends on several factors, it is not as easy as what has been said above; the objectivity in pricing is still much simpler. When it comes to pricing a service product, such as in insurance, these variables are themselves of a complex nature and to that extent, pricing a product appropriately is a huge task.

In the area of life insurance, the first and the predominant factor that goes into pricing is mortality. To the extent that all the insurers are guided by the same mortality factors, there should not be a great deal of difference between the premiums charged by different life insurers. Further, looking at it from the

other side, if it is the mortality rates that decide the main component of insurance premium, it needs no emphasis that the tables used by the insurers should be updated from time to time.

Some aspects where the efficiency of the insurer can play a role are the management of a) investments and b) expenses. In a competitive regime, however, it is an accepted fact that that premium charged is objective; otherwise, the product would not stand the rigours of competition. With the huge success of unit-linked insurance policies, of late, the efficiency of the insurers in the area of investments also assumes great importance. An insurer's acumen would certainly matter a great deal in pricing the products, particularly in such a volatile interest rate scenario.

In the area of general insurance, we had the tariff prices in most classes; and to that extent, independent pricing strategies were non-existent. Even in

such a domain, differentiation could still be possible, once again by efficiently managing the twin factors of expenses and investments. However, with de-tariffing breathing on our necks, the efficiency of the insurers is just about to be tested. While it would be a foregone conclusion that several rates would indicate sudden changes, insurers should ensure to avoid any possible pitfalls. While the upper caps would be taken care of by the market forces; in the urge for higher business, insurers should not indulge in a situation that could lead to a fiasco. To that extent, the initial few months of the de-tariffed regime are going to be of monumental importance.

We will be dwelling on the aspects of pricing and rate-making - an area of such vital importance - in our next issue of the Journal. This interesting and challenging topic should trigger several traits of thought, which would be there for you to analyze.





## Circular

Circular No. 013 / IRDA / LIFE / JUL-06

27th July, 2006

### Re: Guidelines on Anti Money Laundering programme for Insurers

To,  
All the Insurers.

Dear Sir/Madam,

Further to our circular no. 043/IRDA/LIFE/AML/MAR-06 dt. 31/03/06, "Guidelines on Anti-Money Laundering Programme for Insurers". The following clarifications/relaxations are being issued in response to the doubts/queries raised by the insurers.

#### 1. Application of AML guidelines to existing customers:

In view of the practical hardships on account of retrospective application of AML guidelines from 1st April 2004, and in order to reduce the burden for carrying out KYC exercise for the very large number of existing customers, compliance of KYC norms on existing customers should be carried out by you with effect from **1st January 2006**. The compliance requirements are also further limited to the policies coming into force on or after 1st January 2006 and those covered under detailed due diligence procedures vide para 3.1.1 (ii), 3.1.3 and 3.1.5 of the circular. The AML requirements may not be applied to the **remaining existing customers**, i.e, those below the threshold premium of Rs. 1 lakh per annum.

#### 2. Documentation for identity and proof of residence:

- a. All insurance customers would need to give identity of their name, through any of the documents listed in Annexure I of the guidelines (split into identity/proof of residence requirements). If the document of identity also gives the proof of residence, no further documentation would be necessary in cases where proof of residence needs to be obtained. In other cases, the companies may verify their current residential detail as given in the guidelines.
- b. The following documentary evidences could also be treated as valid proofs of identity and residence besides the documents mentioned in Annexure I of the guidelines:
  - i) Written confirmation from the banks where the prospect is a customer, regarding identification and proof of residence.
  - ii) Personal identification and certification of the employees of the insurer for identity of the prospective policyholder.

iii) Valid lease agreement along with rent receipt, which is not more than 3 months old as a residence proof.

iv) Employer's certificate as a proof of residence. (Certificates of employers who have in place systematic procedures for recruitment along with maintenance of mandatory records of its employees are generally reliable).

- c. The following documentary evidences under Annexure I of the guidelines are valid proofs only under the specified condition:

i) Bank account statement includes any bank account opened by the customer wherein his permanent/present residence address is available. However, the statement should not be older than six months as on the date of acceptance.

ii) Telephone bill pertaining to any kind of telephone connection like, mobile, landline, wireless etc is a valid proof of residence, provided it is not older than six months from the date of insurance contract.

#### 3. In these guidelines unless the context otherwise requires-

- a. "Public Authority" is as defined under Section 2(h) of the Right to Information Act, 2005. (<http://persmin.nic.in/RTI/WebActRTI.htm>)
- b. "Public Servant" is as defined in Section 2(c) of the 'The Prevention of Corruption Act, 1988. ([http://www.indialawinfo.com/bareacts/prev.ca.html#\\_Toc509302969](http://www.indialawinfo.com/bareacts/prev.ca.html#_Toc509302969))
- c. 'Politically Exposed Persons' is as defined in the KYC norms issued by Reserve Bank of India (<http://www.rbi.org.in/scripts/NotificationUser.aspx?Mode=0&Id=2039>)

The other requirements listed in the circular dated 31st March 2006 remain unchanged. Insurers are advised to take note of the above modifications and ensure compliance with the framework in entirety.

Yours faithfully,

(C. R. Muralidharan)  
Member

## Notification

30th June, 2006

### Sub: Working Group on Irda Investment Regulations

The IRDA (Investment) Regulations, 2000 were after its notification was subsequently modified partially in the year 2004. The KPN Committee on amendments to Insurance Act, 1938 have also recommended a re-look at the statutory provisions on the pattern of Investments prescribed for Insurers and have suggested amendments that would provide flexibility to the Authority in the manner of Regulation on Investments of Insurance Companies. With the expansion of the financial sector and introduction of new financial instruments requests for investment in such instruments and derivatives need to be examined

for developing appropriate regulatory framework. IRDA has therefore decided to form a Working Group to examine the existing Investment Regulations and to review comprehensively the current statutory prescriptions and pattern of Investments for Insurance Companies and suggest changes considered necessary in the light of experience gained / developments in Financial Markets and the genuine constraints faced by Insurance Companies. Further, it will look into the structure of the prescribed Returns and suggest modifications as may be considered necessary. The Working Group would be chaired by Shri C R Muralidharan, Member and will comprise of the following as its members..

S.NO.	NAME	DESIGNATION	INSTITUTION
1.	Shri G Mahalingam	Chief General Manager (IDMD)	Reserve Bank of India
2.	Shri Subhoban Sarkar	Executive Director (Investments)	LIC of India
3.	Shri N S Kannan	Executive Director	ICICI Prudential Life Insurance Company
4.	Shri G Muralidhar	Chief Financial Officer	Kotak Mahindra Life Insurance Company
5.	Shri Anuj Mathur	Head (Treasury)	Aviva Life Insurance Company
6.	Shri N V Murali	Manager	United India Insurance Company
7.	Shri S S Gopalarathnam	Chief Operating Officer	Cholamandalam MS General Insurance Company
8.	Shri Viraj Londa	Partner	M P Chitale & Company Chartered Accountants

(C R MURALIDHARAN)

Member

# Product Development in Insurance

- Role of Regulator

'Bringing down transactional and distribution costs consistently; and adding value to current and future products are basic to the success of any new product in the market' writes G V RAO.

## *P*roduct development in the past:

The present procedure of introducing a new insurance product into the market by insurers is confined only to non-tariff-based coverage. The nationalized non-life insurance industry has had an impressive record of product innovation. Medici claim insurance, Overseas Medici claim insurance, terrorism cover and several rural insurance packages such as Janata Personal accident insurance, insurance for plantations, cattle, pump sets are a few of the most popular ones. The nationalized industry also reinvented product innovation for the corporate customers in the form of special contingency policies that were customer-specific.

The Govt. had also came up with two additional types of coverage known as Hut insurance and Personal Accident Social Security scheme for those below the poverty line for which the General Insurance Corporation of India was nominated as the governmental agency.

The success achieved notably in the segments of health and rural coverage has been a singular contribution of the public sector. Compulsion to achieve targets and bank financing of rural credit gave the drive an additional fillip.

### **Liberalization & product innovation:**

It was expected that liberalization of the industry would immensely boost product development. But it has not happened to any significant extent due to various reasons, despite the regulator issuing simple "File and Use" guidelines: of a product being either approved or the

lapse of 30 days without any regulatory objections. True, there has been a rush of product filings that are combined packages of tariff and current non-tariff covers. Why did not competition spark creativity and innovation among insurers to widen their respective customer base?

For new players, it was a question of lack of infrastructure in the form of a wide network and their survival instinct to build premium volumes to stay afloat and to reach a critical mass at the earliest. For the public sector insurers, who had the advantages of infrastructure and the

More importantly, it is the prevalence of tariff coverage that prevented the growth of product innovation in the industry. As tariff coverage encompassed about 70 percent of the market, it became futile to talk about new products.

past experience and expertise of transacting rural business, it was the high costs of introducing a new product that inhibited product innovation. They always had the recourse to fall back upon the issuance of special contingency policies that did not need regulatory approval.

More importantly, it is the prevalence of tariff coverage that prevented the growth of product innovation in the industry. As tariff coverage encompassed about 70

percent of the market, it became futile to talk about new products.

With public risk awareness of insurance at a low level, except in the IT industry, and unable to innovate products that are affordable, accessible and acceptable to the insurable community; the industry that is heavily dependent on the corporate sector for premium production-barring motor and health-had no incentive to involve the customers in risk management practices.

### **Expectations from foreign partners:**

It was expected that foreign joint venture partners would bring in new products and technology and shape the market as a vibrant one. It has not happened. The tariff structure of the market, the lack of any kind of market research by insurers to identify customer needs and their buying habits, and the lack of actuarial talent in non-life insurance have added to the difficulties of the regulator in promoting new products, despite liberal rules.

### **Regulator's efforts in product innovation:**

The spirit of creativity and experimentation that is so vividly seen in the Indian IT industry and even in Indian banking is sadly lacking in the non-life industry due to the mindset that is solidly rooted to the past. Otherwise one fails to explain adequately the lukewarm reception that the Micro-Insurance regulations issued by the regulator in November 2005 received by the insurers. Unable to conceive



rural products that are affordable, accessible and acceptable to the vast rural market populace on their own, the insurers have not even produced a rating structure to the products identified.

The regulator has made it far easier for the industry to reduce costs by allowing insurers to operate through NGOs and Self Help Groups. Yet there is little movement from the insurers to take advantage of the products innovated by the regulator itself.

The industry is unable to envision the developing shape of the future markets in India. Long accustomed to providing insurance coverage on demand, they have yet to discover their inherent talent for innovation and creativity.

#### **How can product innovation take off?**

What will stimulate product innovation? Detariffication of the market from next year should give it a boost. Market forces through competition will induce the spark. With the cost ratios for public sector likely to go up due to detariffication, they would have even less interest in product innovation. Introducing a mass product to make it popular requires investment. One can assume reasonably that the future of market innovation will lie mainly with the new players. They will be able to bring down their costs more quickly than the public sector insurers. Bringing down transactional and distribution costs consistently; and adding value to current and future products are basic to the success of any new product in the market. One must be able to arrest and capture the customers' attention of their utility to them.

#### **What more should be done?**

What more should the regulator do to create a congenial and conducive environment for product innovation? Making insurers discover the unarticulated insurance needs of the customer should be the aim rather than merely serving the perceived needs of each other. The regulator must make it harder for insurers to introduce new products than now under the present

"file and use" rules. It should insist on the production of the results of the marketing research by insurers to make itself reasonably certain that the mass-based product's introduction serves a broader purpose and is just not experimentation. Insurers should produce annual statistics to the regulator of the consumers that have been covered under the product dispensation.

The regulator must also get informed of the marketing measures the insurers propose to undertake to market the product in its initial stages. What kind of promotional activities would an insurer implement? At present, there are no numbers published of the consumers that have been benefited under the new product dispensation, product-wise. The annual statements should reflect the progress.

The "File and Use" rules are still not regulatory, as other regulations are. The

Product innovation is bound to take off in a big way. It may take more time for public sector players to feel the constraints of competition before they are forced to change their mindset.

public has no access to these rules, as they have not been published for public understanding and clarity. These should be published so that consumers are aware that the regulator has vetted such products.

Micro-Insurance regulations should be made mandatory up to 5% of the total business; that is the only way the market understands that it has responsibilities to develop the future market. Fortunately for the regulator, the law enables him to do that. Mindset of insurers can only change under pressure, if the past experience is any guide. It is time to exert regulatory pressure, as well-meant

messages are not taken seriously enough.

Product innovation is bound to take off in a big way. It may take more time for public sector players to feel the constraints of competition before they are forced to change their mindset. In fact, they are the best equipped to pioneer product innovation with their track record, infrastructure and expertise. Their very survival may depend upon selling to more customers, more products.

#### **More customers or more premiums?**

The current meaning given to "premium" by insurers has to undergo a change in their speaking-consciousness. What the insurers should be asking of their marketing staff is to get more customers for the companies: and not merely more premium incomes for themselves. As after all, more customers would only mean more premiums.

Making insurance coverage available to more and more customers has a social content; whereas talking of getting more and more premiums for the insurers, has a crude selfish tinge to one's motives. Making employees to scout for more customers has a broader appeal, though at the end of the day it is synonymous with getting more premiums. It is all in the mindset.

Product innovation is another new game in the competitive arena that would be more vigorously fought in the post-detariffication era. One can't wait to witness the energy burst that this is likely to produce. What responsive role will the regulator play?

— ★ ★ —

*The author is retired CMD, The Oriental Insurance Company Ltd. He may be contacted at gvrao70@gmail.com*

# The Significance of File & Use

- Product Development in Insurance

'Good insurance practice dictates that there have to be clear and fair clauses relating to important areas such as cancellation, renewal, claim settlement processes etc.' emphasizes P.C. James.

Risks emerge and surround all assets whether physical, financial or human, and also activities generated therefrom. Risk transfer is an essential activity in an increasing risk environment. This can be done through insurance or be passed on to third parties by agreement and they in turn may need to take appropriate insurance protection. Many new product requirements can thus arise depending on the risk field and the risk assessment framework. This casts on insurers the duty to create need-based and differentiated products to suit various segments and within those segments, offer necessary choices and options to suit target customers.

Worldwide, insurance regulations are in place to examine insurance products that are sold to customers. Apart from tariff controls where the entire product wording and rates are fully controlled, there can be various forms of regulatory control on products in the following order, based on the stringency of control.

1. State/Regulator stipulated products
2. Prior approval of products
3. File & Use
4. Use and file
5. Mere filing only
6. No filing

Among these 'File & Use' and 'Prior Approval' are the common forms of control. In the Indian market, the regulator has preferred to opt for File & Use regulations, the first version of which was circulated in 2001.

All insurers have been complying with the same. In the context of detariffing, a substantial relook at the existing framework was considered necessary in view of the fact that products which were tarified for long constitute 70% of the market premium.

Design and pricing of products must be based on certain basic requirements in the context of consumer choice, safety and competition. These include:

- Clear and transparent cover that is of value to the insured, covering an

In the context of detariffing, a substantial relook at the existing framework was considered necessary in view of the fact that products which were tarified for long constitute 70% of the market premium.

insurable risk or risks with real risk transfer

- Use of simple language and a similar sequence of presentation in all related documents like prospectus. Wherever possible, standard clauses across policies should be used to help customer understanding
- All terms having technical meaning should be defined and made clear
- Products filed should comply with the provisions of IRDA (Protection of

Policyholders' Interests) Regulations 2002

- Terms and conditions should be fair between the insurer and the insured.

Thus, while drafting a policy the insurer needs to ensure: that the customer is able to understand the key features without confusion and difficulty; that the legal requirements of the contract are met; that the fundamentals of insurance are duly integrated in the terms and conditions; and that the nature and extent of the promise is stated clearly.

A product is the result of the strategic approaches that insurers may wish to adopt, based on their view of the market and the competitive positioning they wish to adopt, the differential advantages sought and the sustainability of the business. Hence, all products need to come from Board generated strategic initiatives and directions. Therefore in the product drafting and approval process many steps are envisaged. These include a Board approved underwriting policy framework; delegation of powers to the various layers or departments in the company; the research and development practices which may involve necessary market research, the support of appropriate data and other technical inputs; the calculation of costs and margins; and the involvement of the Appointed Actuary in calculating and certifying various data based conclusions.

Though the nomenclature of a product could differ, basic products need to be categorised under the classifications



found in the Insurance Act; and where there is no such category or sub-category, as per nomenclatures normally followed in the market. These products could be sub-classified, and then segmented and named as per insurer perception and market requirement. Each product also follows certain pattern of formatting such as the operative clause, the schedule, exclusions and general conditions, followed by warranties and special conditions, add-ons as per requirement etc. In the interests of consumer comfort, some of the insurers have innovated by drawing up a comparative column of 'what is covered' as against 'what is not covered'. Similarly good insurance practice dictates that there have to be clear and fair clauses relating to important areas such as cancellation, renewal, claim settlement processes, dispute resolution and grievance redressal mechanisms. There is consensus in the country that open ended clauses such as pre-existing disease exclusion in health policies need to be reined in with suitable period limitation.

Customer care reasons also demand that all guidelines relating to interpretation of policy terms, internal rating tariffs, guidelines on discounts and loadings, claim settlement processes etc. should be uniform and not discriminatory between clients having the same level of risk; and should be free of individualistic interpretations at the level of the operating offices. These tariffs and guidelines also need to be filed with the regulator for record. Variations from these set practices may be needed and can be carried out after due filing of the changes based on necessary prudential inputs.

Products can be mass sold, or sold on the basis of negotiation with the customer; risk limits contained therein can be retained or reinsured depending on capacity. Risks to be insured can be based on experience rating or exposure rating based on the circumstances, or

can be pegged to retrospective rating (adjustment), or be part of a scheduled internal tariff with individual modification options. Based on these factors the draft guidelines recognise various product categories as under:

1. Internal tariff rated products
2. Individual experience rated products
3. Exposure rated products
4. Packaged or customised products
5. Insurances of large risks

In a non-tariffed competitive environment, rating complexities will emerge and need to be guided by robust data; whether internal or external, company or industry level; capable of supporting pricing decisions and policy terms. In this complex exercise the need

Detariffing means differential rates depending on the rating factors, but 'unfair' discrimination, that is, differentiation not based on scientific and credible structures should not be practised.

of actuarial support would be essential to determine the compilation and analysis of data; and thereafter to justify the review of rates, loadings, discounts and so on. Actuarial justification can consist of various parameters that may need to be disclosed as required. These can include premium and loss experience, adjustments to premium based on current level, the past trend as well as the exposure trend. In the claims area, actuarial justification would include information on various areas such as the loss trend, data on loss development, loss adjustment expense; along with statement of other costs and incomes such as the management expense data, investment income as also the profit provision included in pricing. The credibility of the data utilised

for analysis, the external information/data relied on and the judgement factors used to arrive at rates and terms may also need justification.

The basis of pricing thus will no doubt be expected to cover all costs and give the insurer the required rate of return as determined by the company. In addition, calculation of prices also will in most cases compel a look at the going rates of similar competitive products in the market, and also keep in mind the cyclical nature of prices, as well as customer perceptions of value and costs. Insurers will however tend to respond to price cutting not necessarily by an automatic downward swing in the pricing, but use more strategic approaches that offer sustainable long term viability in keeping with the brand and reputational image that a company would like to build up. Such alternatives could include repositioning or repackaging of the product, use of temporary discounts, increased publicity and advertising, and such other differentiation strategies.

Ultimately all pricing exercises need to be judged on the regulatory criteria applicable to pricing. Adequacy of rates is a primary requirement, which means that charged rate is sufficient to meet all potential losses and associated costs of the insurer. This is a complex exercise as insurer and industry experience could vary and competitive pressures could be high. Another requirement is that the rates are not unfairly discriminatory which means that between risks of similar types there will not be discrimination. Detariffing means differential rates depending on the rating factors, but 'unfair' discrimination, that is, differentiation not based on scientific and credible structures should not be practised. A third regulatory concern is that the rates should not be excessive. In a competitive environment however, it is not expected that rates will generate unreasonable profits.

## ISSUE FOCUS

The need for regulatory oversight rests on the need to ensure to the extent possible that the interests of the insured, insurer and other members of the public are balanced. In addition, it looks into the adequacy of the disclosure and transparency maintained, as well as on the compliance of the legal requirements. In the context of the file and use environment there could be many issues that need attention. One is the phenomenon of tied, ancillary or undisclosed insurance where insurance may be offered along with goods and services purchased, and where the insured is charged but not informed appropriately. In all cases where insured is charged, proper disclosures of terms and benefits including the premium received would need to be disclosed.

The other important issue is the refusal to cover; and even worse the refusal to renew running cover based on arbitrary and unjustifiable grounds. This can have many implications. For instance, in an increasingly credit driven world, insurance is an essential tool to manage risks by the financier, and hence denial of insurance without proper grounds may create undue hardship as the disclosure of refusal can trigger refusals by all other insurers as well. Such an action can result in refusal of credit; and various economic losses can result to the affected member of the public.

Non-renewal of policies need to be handled with care. Renewal may not be given based on policy conditions clearly disclosed such as an age barrier of 80 in case of PA policies. However in case where there are compulsions to insure such as while travelling abroad, insurers may need to consider waiver of the technicality of age, when a traveller, earlier covered, wishes to go abroad, and consider coverage after closely examining the potential of claim in case of travel abroad, based on medical and other evidences.

In case of renewal, the renewal notice may be sent, may not be sent, and may be not invited giving reasons, and so on.

Renewal also may be denied on the ground that under the detariffed regime the power enjoyed by the Branch Manager may have been withdrawn. This may have to be looked into so as to avoid hardship to bonafide renewals. In many subsisting insurances provisions in the cover such as no-claim discount or bonus, and other terms and conditions often can give an implied indication of a right for renewal by the customer. In devising a policy the insurer is expected to factor in volatility and foresee the consequences of the normal range of behaviours of both physical and moral hazards. Casting the burden of additional premium in a class rated risk on individual insureds, unless the loading or deductible are reasonable and had been indicated in some

In devising a policy the insurer is expected to factor in volatility and foresee the consequences of the normal range of behaviours of both physical and moral hazards.

measure in the contract, such terms may be considered one-sided and not fair between the parties.

It is seen that various kinds of renewal terms are used in policies in various jurisdictions. Such types of clauses include non-cancellable renewals, guaranteed renewals, optionally renewable policies and non-renewable policies. Depending on the product types and market requirements, various types of clauses may be looked at for adoption but such changes need to keep in mind regulatory and judicial requirements.

Similarly there are various types of cancellation clauses such as automatic cancellation, cancellation without notice or immediately on notice, cancellation

with notice of 7/14/30 days etc. Often, no allowance may be given for misdirection of the notice or delay in post. Cancellation of covers would normally be expected to be conveyed to the insured giving both time and reasons.

Rate discrimination and even denial of coverage are issues having social implications and need to be given necessary thought to avoid the same especially as insurers have been given rural and social obligations. Historically, there are cases of what is known as 'red lining' a term which indicates that certain areas where incomes are low, insurers may not wish to offer coverage. This typically means that those who need protection most and those who can least afford, when and if they do approach the insurer find themselves excluded. Similarly discrimination on the basis of race, sex and other factors are also now frowned upon by the law and regulations where they are inappropriate.

An insurance product is a promise put in the form of a contract that is of value to the customer who has paid a cost that the insurer wanted. Since insurance protection is matter of life-long requirement, product configurations will have to look at the life-cycle requirements of customers and keep long term protection factors in view, eschewing the short term approaches which are bad for the image of both the insurer and the industry. Legislative, judicial and regulatory forces have been found to side with the customer in looking closely at terms and conditions as well as rates that create difficulties for obtaining or continuing coverage since such coverages are considered to be important for public good.

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*The author is Executive Director (Non-Life), IRDA. The views expressed in the article are the author's own.*



# Product Development in General Insurance

## - A Look at the Indian Market

'The product life cycle is based on the belief that most products go through stages in their lives; similar to living organisms' avers AJIT R. BELSARE.

**P**roduct Development and implementation covers the entire gamut of assessing the need for a product, designing, testing and launching of a new or an adapted product.

The journey starts from answering the basic question of whether the customer wants/ needs the specific product or not, in the first place. A lot of research is done on the need of the customer, his preferences, positioning of the product vis-a-vis the competitors, the cost of the entire launch and whether the product would add to the profits of the company.

Once a decision is taken to go ahead with the introduction, the product is properly designed as per the existing business practices and also taking into account the regulatory aspects, especially in case of financial products. The product is tested in a small portion of the market and some fine tuning is done. After putting in place the mechanism of selling and servicing the product like Agents, Brokers etc., and segmenting the market into Wholesale, Retail, or any other segment depending upon the product; the product enters the market.

### The Product Life Cycle

The product life cycle is based on the belief that most products go through stages in their lives, similar to living organisms. The stages are:

### Introduction

There is invariably an initial period of slow growth. The marketing effort relative to sales is high. Efforts are primarily directed towards brand building. Recent examples are Commercial General Liability Policy, Cancer Insurance policy recently launched by some of the private insurance companies.

### Growth

This is a period of rapid growth. Marketing effort in relation to sales is low.

The product life cycle can be slightly modified if somewhere during the maturity stage 'Product Innovation' takes place and it is repositioned after making improvements in the product.

To quote an example, Unit Linked Insurance Plans launched by all life insurance companies recently; Errors and Omission Policies introduced for IT Sector.

### Maturity

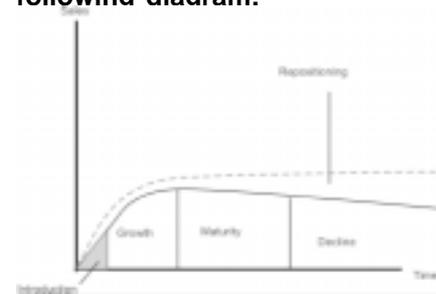
This is a period when marketing effort is the least and the cost saved in reduced marketing effort is usually passed on to the customer by way of reduced price and also to remain competitive. Most popular general insurance products like Overseas Travel, Burglary and All Risk Policies are examples of this phase.

### Decline

This is a period when the sales are declining and the product has lost its sheen.

The product life cycle can be slightly modified if somewhere during the maturity stage 'Product Innovation' takes place and it is repositioned after making improvements in the product. The standard Public Liability and Product Liability Policies have been repackaged and reintroduced by adding certain covers as per the requirements of the day and sold as Commercial General Liability Policies.

**The product life cycle can be better appreciated by the following diagram:**



Product development in the Indian general insurance context has also gone through the above stages, although not very conspicuously. The introduction of Health Insurance in the late eighties, the packaging of policies (e.g.: Householder's) in the

early nineties etc are all examples of the above process.

### **Product Development in The Indian General Insurance Market**

The journey of Product Development in General Insurance in India can be broken down into three eras.

#### **Pre Nationalization**

Prior to the Nationalization of General Insurance companies, the companies followed the practice of the London or US Market. This was basically due to the fact that most of the companies were units of either British or American companies and it was logical that they follow the practice of their principals. The Indian companies, which were few in number, emulated the foreign companies and very marginal amount of innovation happened.

#### **Post Nationalization**

The general insurance business was nationalized in the year 1972 and all the existing insurance companies were merged to form four companies which were subsidiaries of the holding company, The General Insurance Corporation of India. The entire conduct of insurance was vested into this holding company and the subsidiaries had little or no authority to develop their own products. The GIC, with the help of the Tariff Advisory Committee regrouped the existing products (Policies) and came out with 130 plus products. The customers had no choice, nor did the subsidiaries as they could sell only those products which were available.

However, it is to the credit of GIC that they introduced a lot of products in non-traditional areas like Cattle Insurance etc. in tune with the social responsibility entrusted upon them by the government. Marine insurance did not see much innovation as it is based on international practice but the fire tariff underwent a lot of improvements and the present tariff is easy to use.

It would be appropriate, at this stage to mention one of the most significant product introductions by the General Insurance Corporation. Due to burgeoning medical costs, a need was felt by the consumer to have a cover which would take care of his medical costs. Some products of similar nature were available but they did not cater to the public at large.

A Medclaim Policy (with or without Personal Accident Cover) was introduced in the 1980's. This policy made a great impact on the insurance business in India. This was a comprehensive hospitalization policy and took care of the need of the public at large to a great extent. Over the years, a lot of modifications have been done to

Due to burgeoning medical costs, a need was felt by the consumer to have a cover which would take care of his medical costs. Some products of similar nature were available but they did not cater to the public at large.

the product and it remains as one of the most popular products in the general insurance space.

#### **Post Liberalization.**

The real scope of product development and innovation came in this era. The two important happenings which gave a boost to product development were-Globalization and the entry of private insurance companies.

In order to compete globally and due to the fact that private companies brought fresh ideas to the industry, a lot of product development has taken place. Both the public and private insurance companies, in order to remain competitive have introduced a lot of new products. There

does not appear a sea change in the offerings but the products are better packaged. Some of the products are:

- Marine Sales Turnover Policies
- Office Package Policies
- Add-on's in Overseas Medclaim Policies.
- Add-on's in Medclaim Policies

### **Report Card on Product Development in Recent Years**

In order to understand whether the introduction of private insurance companies has helped in product development and product innovation, we should ask ourselves the following questions.

#### **What were the expectations from the private sector in terms of new product development?**

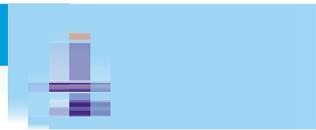
The private sector insurance companies were welcomed in India with a lot of expectations. The consumer felt that these companies would bring in a lot of innovation in the same old products available in the market. There would be flexibility and the service would improve. These companies would bring expertise from the developed insurance markets and give a better cover at a competitive rate. Due to competition, the service levels of public sector will also improve.

#### **Did they meet these expectations or was it just "old wine....." ?**

They did meet the expectations as regards service levels to some extent. As far as new product development is concerned, they have not been much successful. The reason could be that they are relatively new to this market and would like to wait and watch before making sweeping changes. Right now there is little difference between what is sold by them and what is offered by the public sector, the brand name may be different, but the product is the same.

#### **What were the constraints faced by various insurers?**

The major constraint was "Tariff" which controls 75% non life premium



generated in India. This constraint would disappear once the tariff is rolled back next year. Another major constraint the industry faces is the lack of reliable statistics on past losses. Insurance rates as well as coverages are based on past loss experiences. In the absence of these statistics, the existing insurers are not in a position to introduce innovative products in the non-tariff space.

### **What is the world scenario? What sort of innovation takes place in the developed markets?**

In international market, a product is never static, it evolves constantly. Change in the product is driven by consumer needs. A lot of research is happening constantly on the effectiveness of a product, consumer need being paramount. Super specialization is the hallmark of the US and UK markets. There are insurers and reinsurers who specialize in a particular product to such an extent, that they are the best in that field. This helps them in giving the best available product for a particular need.

### **What have Brokers done to foster product development over the last three years?**

A broker, by virtue of superior domain knowledge and access to client's business and needs, is expected to contribute significantly to the product development process. Here too, the report card is mixed - thanks to tariff; brokers, in general, have not done enough to foster product development. Some brokers have, however, made a mark in niche areas like Liability & Specialty lines of Insurance - where new products like weather-linked insurance, crime insurance (for IT sector) have been popularized.

They have however, appraised the insurer of the need of the clients and this will help the insurers to design products in the de-tariff regime which would be best suited to a particular

client. The role of a broker will assume significant importance after detariffing comes into vogue.

### **The Future**

A lot of scope is seen in product development in the near future. The single largest contributing factor would be the detariff of Fire, Engineering and Motor insurances. The insurance companies will have ample scope to design their products to suit individual clients, they can come up with innovative products and the customer will have a choice of various products. The insurance companies, however, will have to comply with the regulatory guidelines. This would be product development in the real sense of the

Another major constraint the industry faces is the lack of reliable statistics on past losses. Insurance rates as well as coverages are based on past loss experiences.

term as the boundaries of the tariff will vanish and each company would devise covers as per their risk appetite.

### **What is a possible "Customer-Wish-List"?**

It might help to keep a possible "wish-list" handy for insurers to be able to address soon after de-tariff happens. Some of the ideas which have been tossed around are:

- Combination of health, life and accident cover all rolled into one?
- A floater life insurance policy for the family?
- A first-loss policy for householders?
- A multi-year policy for motor vehicles?
- Consequential Loss of Profit policies for other perils also like burglary, loss-in-transit?

The list can go on and on - the industry needs to merely to keep its ears to the ground and listen to the client.

### **What would be the scenario, five to ten years down the line? Would the insurance business be transacted the way it is done today or would there be a change?**

One thing is for sure that the rules of the game are definitely going to be changed due to the fact that India is making a mark in the global economy; and the sheer pace of development and the need for protection for the investments which would be brought in, coupled with the roll back of tariff, insurance would see a sea change. Due to the demand of highly complicated and high tech covers, the insurance companies would have to strengthen their departments with highly skilled and professional manpower who would be able to understand the risk exposure of the customers and devise a suitable cover. One would get to see a whole lot to professionals like risk assessors, consultants and firms specializing in a particular product. A more active involvement of insurance brokers will be seen in the years to come. They would have to work more as Consultants rather than being mere selling agents. There would also be a clear segmentation of the market into high tech and high value customers; and retail customers. The insurance companies will have to adopt different strategies in servicing these segments and we would see insurance companies as well as brokers and other professionals specializing in a particular line.

Due to the roll back of tariff, there would be immediate drop in premium of about 20% and margins will be squeezed. We could see a lot M&A activity in the near future. All this will make insurance companies to sit up and innovate as their survival will be at stake. The very

## ISSUE FOCUS

fact that they have to innovate will bring a lot of products which were never thought of. If the insurance market is able to weather this storm, after a few years the rates will stabilize and the business, then, will be done on a more scientific basis than it is done today.

The regulator as well as the existing insurance companies have a very important role to play post de-tariff. The regulator will have to ensure that the interests of the policyholders are protected, but at the same time a lot of freedom will have to be given to the insurance companies to evolve their own strategies to do business. The regulator should let the market forces decide, to a great extent, the fate of the insurance business.

The insurance companies will have to be innovative and come up with products which suit their customers. At present, a lot of products are designed without understanding the needs of the customers. Most of the times, the customer is not aware of what he wants and he also does not understand the meaning of the policy given to him. They

will have to build a large and reliable database of past losses. The insurance companies could do the following things in addition to what is stated above:

- Draft the policies in simple understandable English.
- Educate the customer on what are the risks he is exposed to and what are the policies available.
- Try to understand the need of the customer by way of customer polls and market research; and try to

The regulator will have to ensure that the interests of the policyholders are protected, but at the same time a lot of freedom will have to be given to the insurance companies to evolve their own strategies to do business.

design policies which are suitable to the customer.

### The Dangers

Due to non existence of a tariff, we could see different coverages, terms and conditions for the same risk; and the

insured may find it very difficult to analyze which cover is the best suited for him and whether the price is right. The regulator would surely lay down the ground rules before the change takes place.

### Conclusion

Product development is an area where insurance brokers can contribute significantly. Being in a vantage position, with their in-depth knowledge of the client's business, they would be eventually expected to represent the voice of the client. Their domain expertise would help them evaluate the offerings of various insurance companies and come up with the best mix of price and coverage to the advantage of the clients. In conclusion, it can be confidently said that the future looks bright for development of insurance products.



*The author is Asst Vice President, India Insure Risk Management Services P Ltd.*

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# New Product Development & Launch

- The Way Ahead

The greatest impediment to product development in the Indian insurance industry has been the prevalence of tariff write Joydeep Roy and Abhishek Agarwal. They further hope that with detariffing being round the corner, the industry can see a plethora of products hitting the market.

If we look at today's accelerated rate of change of market scenario and information growth, we find that companies inevitably face increased competition in all their market niches that they choose to operate in. In order to remain competitive, companies need to embrace and seek out change, rather than avoid it or wait until competitors force change upon them. One way to move ahead of competition is to develop and launch new products in the marketplace. New products are developed and introduced either as a reaction to meet competitive challenges or because of development of proprietary technology or patents or a change in the legal/regulatory environment. New product development and launch (NPDL) is probably the most important process for many companies, but also one of the least understood and inadequately executed processes. It is important because NPDL is not only responsible for the revenues and

margins that a company can achieve, but also for its ultimate contribution in the value chain.

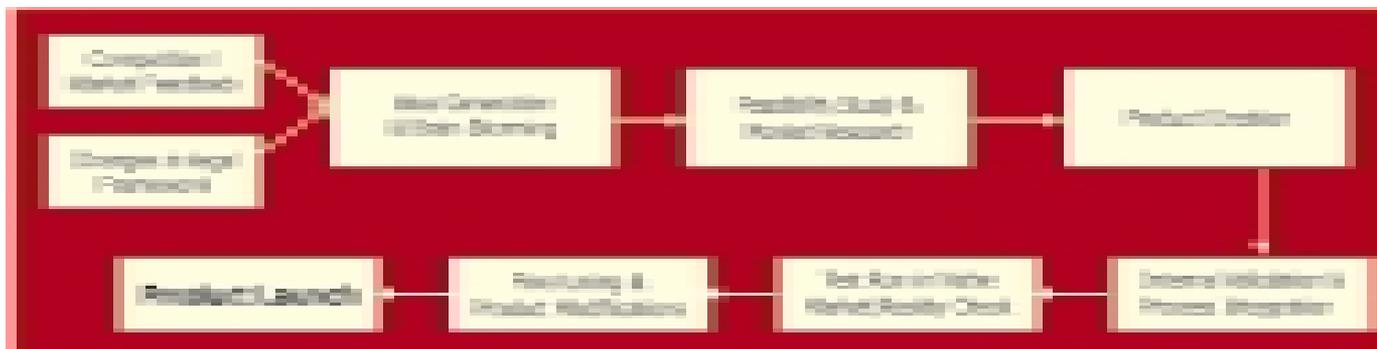
NPDL can be defined as a process that starts with the identification of an opportunity in the market pertaining to the necessity of a product and ends with the successful launch of the product. In between are many activities to define the requirements, develop and test a product

New products are developed and introduced either as a reaction to meet competitive challenges or because of development of proprietary technology or patents or a change in the legal/regulatory environment.

concept; fully define and structure the product; source for suppliers involved; plan the manufacturing and supply chain;

and prepare marketing programs. On top of that, it is about defining the product strategy, managing the overall product program, and monitoring all the projects and activities needed to drive the NPDL process. NPDL is in itself a huge study process where in-depth analyses are done at each and every stage.

If we look at the history of new product development and launch, we see that in most markets and specially those relating to consumer products, the number of new product introductions per annum have increased dramatically. Driven by consumer demand and fueled by advances in technology, companies bring more and more products to the market in order to remain competitive. The companies best able to execute NPDL efficiently have an advantage over their competitors. The challenges involved are reducing the time to market the product and effective usage of scarce internal resources. The increased proportion of revenue earned



from these new products measures the success of NPDL.

History reveals that new product development and launch (NPDL) programs are more prevalent in the consumer goods market compared to the service industry. This is more to do with the fact that the consumer goods market deals with tangible products and competition is much tougher there. Over the years, there has also been a dramatic change in the service industry as a whole. Banking and financial sector companies were the original pioneers of NPDL in the service sector. They have been continuously reinventing and bundling their products to cater to more and more customers. Taking a cue from them, insurance companies have also come a long way in NPDL activities.

Let us take a closer look at the complete process of NPDL. New product development generally starts due to changes in the competition or legal framework or through taking a feedback from the market about the customer's latent demands. Once this is done, companies move on to the stage of idea generation about how this need can be satisfied, so that the company can have an edge over its competitors. Discarding the unrealistic ideas, companies move on to do feasibility study through market research to see whether there are sufficient numbers of takers for the product, so that the cost of operations becomes feasible for the company. Based on the feasibility study, the products are developed in close association with the various other departments. Once process integration is done within the company, the test run of the product is done in a niche market. This also serves as a reality check for the company. If the test run is not successful, companies go back to the drawing board at the stage of idea generation and carry out further

brainstorming. Otherwise some minor fine tunings and modifications could be done, before the official "grand launch". One of the most critical aspects of NPDL is to develop a sound system and process so that there are no major servicing hiccups after the product launch. Unless the product reaches its customers through the right channel, there is no point in developing or launching a new product. Hence, distribution also plays a very crucial role in the product launch process. In order to make the product a success, companies have to plan out a detailed distribution strategy for the same. It is a very critical area, which enables a company to go ahead of its competitors. The advent of internet has also played a huge role in this regard.

Once process integration is done within the company, the test run of the product is done in a niche market. This also serves as a reality check for the company.

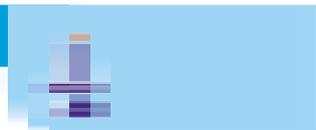
A very substantial part of the Indian General Insurance market is tariff controlled. This acts as a retardant to development of pure new products. In order to stay ahead of completion, the Indian insurance companies are constantly involved in the process of product redesigning. Product redesigning is a process of developing a new product within the same product, so that there is some amount of product differentiation. Product differentiation can be defined as "a source of competitive advantage that depends on producing some item that is regarded

to have unique and valuable characteristics". In this sector, new product development generally happens through developing over the counter (OTC) products, pre-underwritten products or product bundling. One more way of product differentiation is piggybacking a product on some other existing product through add-ons or value additions.

A typical strategy for developing a line of product would be product differentiation in the front or customer end and process integration in the back end. The traditional channels available to the Indian insurance companies were Individual agents and direct marketing. With the advent of IRDA and private sector players, some new channels of distribution were made available to the insurance market. These are brokers and corporate agents. For the banks, a referral route was also identified. These distribution channels differ structurally from one another. Functionally within each of these structural channels, there can be several functional channels. For example, under the banner of corporate agents, there can be banks or motor car dealers who can act as corporate agents. Their functional approach towards selling of insurance products will be different. A most important part of the NPDL process is to choose the appropriate channel. Channels for NPDL can often be so important that products are launched keeping a particular channel in mind.

### Case Study:

There are many examples of product development in the Insurance sector. Just as an example, let us take a look at how IFFCO TOKIO General Insurance Co. Ltd. (ITGI) went about developing its product - "Home Suidha".



In the general insurance market there already existed for a number of years a "bundled product" called the Householders' Policy. It consisted of Standard Fire and Special Perils cover, which was bundled with Machinery Breakdown cover, Electronic Equipment cover and a few other tariffed and non-tariffed covers. ITGI started with its own variation of this bundled product called the Home & Family Protector Policy. Taking off from this base product, it subsequently started developing its OTC variant called the Home Suvidha Policy.

Below is the comparison of covers available under the two variants.

Home Suvidha is available in four pre-underwritten categories in which the premium ranges from Rs. 400 to Rs 3700. The mode of sale is that the customer selects the category that is most suitable to him. The sum insured gets defined under each section automatically. The process involved is also simplified, wherein the premium is auto calculated according to the category chosen by the customer. In order to maintain the simplicity of the product, a simplified (check box) proposal form was devised.

**Product Distribution:**

Once the test run of the product was successful, it was necessary to find the correct distribution channel for this product, so that the product could become a hit in the market. The alternatives available to ITGI as possible channels for distribution of this product were

- Direct marketing
- Marketing through agents
- Marketing through corporate agents

Functionally, new/small agents, bancassurance channel, motor dealers who were cross selling on their database etc. could sell this simple product. Further, this product could be also sold through the net. This product

While a well-analyzed, well-differentiated and well-channeled product is the sure sign of a mature market player, it cannot be expected that all products that come into the market will actually be so.

was the answer to the channel partner's demand that they needed an attractive OTC product to kick-start their business.

Home Suvidha Policy of ITGI is a typical example of product differentiation in the front end and process integration in the back end. This is also a product that keeps the knowledge and expertise of the channel in mind and can get distributed easily by a relatively new channel with limited technical capability.

**Conclusion:**

The greatest impediment to product development in the Indian insurance industry has been the prevalence of tariff. Now with the IRDA taking definite steps towards detariffing, the industry can see a plethora of products hitting the market. This is a challenge for the Regulator, since an ill-conceived product can erode the confidence of the market. While a well-analyzed, well-differentiated and well-channeled product is the sure sign of a mature market player, it cannot be expected that all products that come into the market will actually be so. Herein would throw up the role of the Regulator in differentiating the chaff from the grain.

With detariffing, acute price competition is also expected to come in. In a highly price competitive market, survival shall depend upon how fast and how well an insurer can launch product lines, bring about product differentiation and distribute it effectively in target markets through chosen channels. The customer will not only be looking at the premium that he is paying, but also how well the product satisfies his demand.



*Joydeep Roy is Business Head (East); and Abhishek Agarwal is Asst. Manager; IFFCO - TOKIO General Insurance Co. Ltd.*

Covers Available	Home and Family Protector	Home Suvidha
Standard Fire and Allied Perils	✓	✓
Burglary	✓	✓
All Risk	✓	-----
Fixed Glass and Sanitary Fittings	✓	-----
Electronic Equipments	✓	✓
Television/ Video	✓	✓
Machinery Breakdown	✓	-----
Personal Accident	✓	✓
Loan Payment Protection	✓	-----
Baggage	✓	-----
Liability	✓	-----
Increased Living Expenses	✓	-----

# The Complexities of Agriculture Insurance

- Scope for Product Development

'Designing and implementing an appropriate insurance program for Agriculture is very complex and quite a challenging task' avers Kolli N Rao.

Agriculture continues to be the bulwark of Indian economy. The sector contributes to over 22% of the Gross Domestic Product (GDP); providing food to a population of over a billion; livelihood to nearly two-third of them; raw materials to country's agro-based industries and contributing nearly one sixth of the total earnings of the country, thus steering the overall growth of the economy. India is a major world producer of many agricultural commodities. It is the world's largest producer of pulses, fruits, milk; the second largest producer of rice, sugar, vegetables; the third largest producer of wheat, cotton, etc. India accounts for about 10% of the world's total agricultural revenues.

The capacity of the agriculture sector to hedge itself from the vagaries and aberrations of nature is considered critical to its development and growth, as agricultural development is the key to food security in many countries; and India is no exception. Many factors, including disasters, can slow the development process by reducing domestic food supplies in the short term. Natural disasters are a major source of risk in agriculture. Our experiences of the past few decades have proved that practically no place is immune to natural calamities, no matter what the state of preparedness is. On an average, crops on 12 million hectares of land are damaged every year by natural calamities and adverse

seasonal conditions in the country, grossly impacting the level of agricultural productivity.

The insurance need for Agriculture cannot be over emphasized, as it is a highly risky economic activity on account of its dependence on weather conditions. Designing and implementing an appropriate insurance program for Agriculture is very complex

The capacity of the agriculture sector to hedge itself from the vagaries and aberrations of nature is considered critical to its development and growth, as agricultural development is the key to food security in many countries; and India is no exception.

and quite a challenging task. The idea of crop insurance emerged in India during the early part of the twentieth century. Yet it was not operated in a big way till recently. It is still evolving in terms of scope, spread and structure. J.S. Chakravarti proposed a rain insurance scheme in 1920 for Mysore State and for India as a whole with a view to insuring farmers against drought. His scheme was based on the area approach. He published a number of papers on the subject since 1915 in the Mysore Economic Journal. In 1920 he brought out a book "Agricultural

Insurance: Practical Scheme suited to Indian Conditions". Despite a good beginning and decent attempts, the first crop insurance program could begin only in 1979.

Crop insurance wherever it is practiced across the globe started as a protection against production risks. However, in markets opening up in the last 15 - 20 years, price and income risk began to be considered 'uncertainty', which paved the way for introduction of price or income based insurance instruments. Another important point to note here is, income risk is considered cyclical and hence, started mainly in developed countries led by USA. Now-a-days even the developing countries including India started experimenting on income based insurance models. So, let us categorize crop insurance products fundamentally insuring (i) Production risks and (ii) Income risks. We shall begin with discussing insurance products affording protection against production risks.

## 1. Production Risk Insurance:

First Crop Insurance product in the country:

The first attempt in the country started in 1972 as 'individual' based insurance on H-4 cotton in Gujarat, and later included a few other crops and states. It had to be discontinued after 1978 because of inherent problems with 'individual farm' based insurance.



### Why 'individual farm' based approach is not possible?

Obviously, "individual farm approach" would indemnify crop losses on realistic basis and hence, most desirable. But, in Indian conditions, implementing a crop insurance scheme at "individual farm" level is beset with problems, such as: (i) non availability of past record of land surveys, ownership and yields at individual farm level; (ii) large number of farm holdings (nearly 120 millions) with small farm holding size (country average of 1.41 hectares); (iii) remoteness of villages and inaccessibility of farm-holdings; (iv) large variety of crops, varied agro-climatic conditions and package of practices; (v) simultaneous harvesting of crops all over the country; (vi) effort required in collection of small amount of premium from large number of farmers; and (vii) prohibitive cost of manpower and infrastructure, etc.

### First Crop Insurance product in the country based on 'homogenous area' approach:

While the first pilot based on 'individual farm' crop insurance was tried out, Prof. V M Dandekar worked extensively on feasibility of crop insurance and suggested a 'homogeneous area' approach for crop insurance, after a review in the mid-seventies. The General Insurance Corporation of India (GIC) prepared a Pilot Crop Insurance Scheme (PCIS) based on the area approach that was operated from 1979. It afforded coverage for cereals, millets, oilseeds, cotton, potato, gram and barley.

The payout function in case of 'Area Yield' Insurance appears as:

$$\text{Indemnity} = \text{Max} \left( 0, \frac{\text{Threshold Yield} - \text{Actual Yield}}{\text{Threshold Yield}} \right) \times \text{Sum Insured}$$

In the case of area-yield index insurance, the insurance is written against the average yield for a region (e.g., tehsil or

block), and a payment is made whenever the actual (or estimated) yield in the region for a crop during the season falls below some predefined yield (say, 80 percent of preceding 5 years' average). The predefined yield is referred to as the Threshold Yield in the equation above.

This is, of course, the beginning of 'Index Based Risk Transfer Products (IBRTP)', which the author would like to call the First Generation IBRTP. The Area Yield insurance has taken deep roots in the country, as PCIS was replaced by Comprehensive Crop Insurance Scheme (CCIS) in 1985, which subsequently substituted with National Agricultural Insurance Scheme (NAIS). At present, NAIS is operated in 25 States

The essential principle of area-based index insurance is that contracts are written against specific perils or events (e.g. drought, flood, temperature) defined and recorded at a regional level (e.g., at district / tehsil level, or at a local weather station).

/ Union Territories in the country, annually insuring about 18 million farmers with more than 30 million hectares of cropped area.

### Production Risk - New Approach to Insurance

Area-based yield insurance requires long and reliable series of area-yield data, and this kind of data may not be available for all crops. Hence, one alternative is weather indices, such as area rainfall, for which there are available time-series data collected on a regular basis.

Natural hazard risks are different from many types of risk that are insured. As per the traditional insurance literature, these types of risk are not typically

insurable. Insurance works best when the losses from risk being insured are independent. For example, not everyone is expected to have his cattle met with an accident at the same time. With natural hazards, it is expected that many people will have crop losses at the same time. Mixing markets and government may be needed at some level to effectively create insurance markets that meet the following requirements:

- (i) Inexpensive and practical to operate, given the limited data available in the country.
- (ii) Affordable and accessible to all kinds of rural people, including the poor.
- (iii) Allowing expeditious settlement of indemnities
- (iv) Protecting consumption and debt repayment capacity through compensation for catastrophic income losses.
- (v) A core market-orientation with little or no government subsidies.
- (vi) Avoidance of the moral hazard and adverse selection problems that have been bane of most agricultural insurance programs.

Area-based index contracts, such as regional rainfall insurance, could meet all these requirements. The essential principle of area-based index insurance is that contracts are written against specific perils or events (e.g. drought, flood, temperature) defined and recorded at a regional level (e.g., at district / tehsil level, or at a local weather station). In its simplest form, insurance is sold based on the value of protection desired, which could be cost of cultivation, value of production, etc. The insured should be able to select any value of insurance. Farmers in the same region would pay the same premium rate. Likewise, once an event has triggered a payment, all insured farmers in the region would receive the same rate of payment.

## ISSUE FOCUS

The relative advantages and challenges of weather index insurance, which the author would like to call 'Second Generation IBRTPs' are presented below:

<b>ADVANTAGES AND CHALLENGES OF WEATHER INDEX INSURANCE</b>	
<b>Advantages</b>	<b>Challenges</b>
<p><b>Less moral hazard</b> The indemnity does not depend on the individual producer's realized yield.</p> <p><b>Less adverse selection</b> The indemnity is based on widely available information, so there are few informational asymmetries to be exploited.</p> <p><b>Lower administrative costs</b> Underwriting and inspections of individual farms are not required.</p> <p><b>Standardized and transparent structure</b> Contracts can be uniformly structured.</p> <p><b>Availability and negotiability</b> Standardized and transparent, the contracts may be traded in secondary markets.</p> <p><b>Reinsurance function</b> Index insurance can be used to transfer the risk of undermined widespread correlated agricultural production losses</p> <p><b>Versatility</b> Index contracts can be easily bundled with other financial services particularly micro-finance, facilitating basis risk management.</p>	<p><b>Basis risk</b> Without sufficient correlation between the index and actual losses, index insurance is not an effective risk management tool. This is mitigated by self-insurance of smaller basis risk by the farmer; supplemental products underwritten by private insurers; blending index insurance and rural finance; and offering coverage only for extreme events.</p> <p><b>Precise actuarial modeling</b> Insurers must understand the statistical properties of the underlying index.</p> <p><b>Education</b> Users must be able to assess whether index insurance will provide effective risk management.</p> <p><b>Market size</b> The market is still in its infancy in developing countries and has some start-up costs.</p> <p><b>Weather cycles</b> Actuarial soundness of the premium could be by weather cycles that change the probability of the insured more easily. events, such as El Niño, for example.</p> <p><b>Microclimates</b> These production conditions make rainfall or area-yield index based contracts difficult for frequent and localized events.</p> <p><b>Forecasts</b> Asymmetric information about the likelihood of an event in the near future creates the potential for inter-temporal adverse selection.</p>

Adopted from World Bank Document "Managing Agricultural Production Risk - Innovations in Developing Countries

Before an Area Weather Index insurance is discussed, which is very complex; we shall first discuss area-based rainfall insurance, a very relevant and direct application for India.

To begin with, rainfall index is created by using 'caps' and 'weights'. Using, say 30 years' daily or weekly rainfall data, the outliers in rainfall can be 'capped' using, say 'Mean + two Standard

Deviations'. The capped rainfall is indexed using weekly weights on the basis of critical stages of crop growth and their moisture requirement corresponding to various weeks within the contract period.

In order of complexity, we could discuss three basic insurance contract alternatives that merit consideration: (1) a zero-one contract that pays a liability

when cumulative rain is at or below the trigger; (2) a layered contract that pays an additional fixed amount of the liability as each layer is penetrated; (3) a percentage contract that pays based on percentage below the trigger. While the simple contracts may be more attractive as they are easier to understand, the more complex contracts are more likely to offer the



best risk protection. Let us discuss these contracts in a little bit more detail:

#### Zero-One or Binary contract:

It is a very simple contract and would simply pay the face value any time there is a rain shortfall in a specific location. For example, let us say, the most critical period of rainfall for sowing is 15th June to 15th August. One could design a policy that would pay when rainfall is below a specific percentage of the average rainfall during that period, which would prevent sowing operations. The payment schedule would simply be the full face value (liability) of the contract. Therefore, a 'zero-one' contract may have to be written for very low and infrequent events - say one in 20 or 25 years or a 4 or 5 percent probability.

#### Layered contract:

A layered contract can address some of the shortcomings of the 'zero-one' contract. Consider a layered contract with multiple triggers paying a fixed additional amount when each layer is penetrated. One can design a policy that would pay one-fourth of the face value (liability) in four different layers of shortfall in the rainfall index.

#### Percentage contract:

The third way to structure the contracts is to develop payouts as a function of rainfall index below the trigger level. Using percentage below the trigger and multiplying that percentage by the liability selected is the most straightforward functional relationship. Assuming a normal index of 125 and trigger index of 100, the liability payment can be calculated as follows:

Payment = [(100-actual rain) / 100] X face value of contract

Within the above three broad categories, there have been many structures designed to meet customized needs of clients, particularly by Agricultural Insurance Company of India. Some of these include:

- (i) Stage-specific sub-covers within a broad full season cover, which may have combinations of 'zero-one' contract, layered contract and percentage contract
- (ii) Stage-specific sub-covers with coverage triggers for shortfall in rain and excess rain
- (iii) Stage-specific rainfall requirement to initiate production / reproductive

phase in perennial crops, like coffee (25 mm rain spread over 7 consecutive days from 1st March to 15th April for Blossom showers; 12 mm rainfall on 2 consecutive days within 17 -35 days from Blossom showers for Backing Showers, etc)

- (iv) Combinations of fixed payouts and variable payouts - fixed payout on the basis of layered contract and variable payout on the basis of per unit of shortfall in rain within the layer

#### Complex Weather Insurance Contracts:

There are crops, particularly horticultural crops having significant correlation with a variety of weather parameters like rainfall, temperature, frost, relative humidity, wind speed etc. at different stages of production cycle. Consequently, insurers are designing weather insurance contracts using multiple weather parameters. These include weather insurance policies for mango (rainfall, frost, temperature, and wind speed); apple (rainfall, precipitation, frost, and sunshine); and other crops like orange, grapes etc.

बीमा पॉलिसियां, 1938 के तहत किसी बीमा एजेंट या किसी अन्य मध्यस्थ (कैसे बतलाएँ) द्वारा अधिक कमीशन या प्रोमोशन का एक हिस्सा किसी प्रत्यक्ष को प्रदान करना प्रतिक्रियित है, यदि आपको ऐसी किसी दूट का प्रस्ताव दिया जा रहा है तो, प्रत्यक्ष दूट में, जो एजेंट या प्रोकर, आपको सही सलाह या सहायता उपलब्ध नहीं करा रहा है, किसी व्यक्ति द्वारा दूट को संचालित करना भी प्रतिक्रियित है.

इसलिये, ऐसी प्रस्तावों में सलाहदाताओं और प्राधिकरण को एजेंटों व अन्य मध्यस्थों की कार्यप्रणाली को उचित रूप से निरीक्षण करने में सहायता करें.

दूट के सलाह में न आने, असहज, कानूनविरुद्ध लाभ वित्तव्ययित संकेतों में लक्ष्य हो सकते हैं.



## बीमा पॉलिसियां मूल्य वर्धन करने के लिये होती हैं.



प्रलोभन और दूट मूल्य हास करते हैं.

## ISSUE FOCUS

Given below is a table that differentiates the core crop insurance products for a ready comparison and analysis.

Area Yield Insurance	Weather Index Insurance	Individual Farm Insurance
<p><b>Characteristics</b> Practically 'all-risk' insurance. Can work well for field crops having historical yield data of at least 10 - 15 years. It works efficiently when the insurance unit is as homogenous as possible to minimize basis risk.</p> <p><b>Advantages</b> Very important program in developing countries like India where large number of small sized farm holdings exist. It's a good solution where historical farm-level yield data do not exist. Can minimize problems associated with 'asymmetric information', like adverse selection &amp; moral hazard. Making the program compulsory can reduce administrative cost.</p> <p><b>Disadvantages</b> Delay in indemnity payment of almost 9 - 12 months as indemnity processing is linked to availability of final yield estimates. Basis risk is another serious problem as the insurance unit is rarely homogenous. Yet another problem is possibility of interference in yield estimation, the very basis for indemnity processing.</p>	<p><b>Characteristics</b> Payouts are linked to performance of the weather index. Can work for field crops and horticultural crops having weather data of 25 - 30 years.</p> <p><b>Advantages</b> Has all the advantages of 'Area Yield' Insurance, plus many other positive features. It can work even for areas / crops, which do not have historical yield data. Provides timely indemnity payment. All communities whose incomes are dependent on weather could buy the insurance. Indemnity payments are made on the basis of weather data, which is both tamper-proof &amp; accurate and independent</p> <p><b>Disadvantages</b> Basis risk due to poor density of weather stations. Actuarial modeling. Changing weather patterns.</p>	<p><b>Characteristics</b> Specified or named peril insurance. Can work for high value crops grown under standard package of practices. Liability is normally limited to cost of cultivation.</p> <p><b>Advantages</b> Provides for accurate and timely indemnity.</p> <p><b>Disadvantages</b> Unsuited for almost all field crops, low-value horticultural crops and small holdings. Elaborate loss adjustment and requirement for specialist loss adjustors. High administrative costs. Cannot be accurately rated unless some years of historical loss data is available</p>

Source: Author

### 2. Revenue Insurance products:

Yield insurance protects the farmers only against the production risks. Price fluctuations are outside the purview of this insurance. Farmers' income is a function of yield and market prices. Therefore, despite normal production, farmers often fail to maintain their income level due to fluctuations in market prices. To take care of variability in both the yield and market price, the government of India introduced a pilot project, viz. Farm Income Insurance Scheme (FIIS) during Rabi 2003-04 season. The objective of the insurance was not only to protect the income of the farmer, but also to reduce the

government expenditure on procurement at Minimum Support Price (MSP). The other main objectives were to encourage crop diversification and also to give fillip to private trade, etc. The pilot didn't yield desired results because of its reliance on phasing out MSP regime, which was strongly protested by the states. However, there is ample scope that the income based insurance products could make a comeback as 'futures' and 'commodity markets' are developing fast.

### 3. Other Product Parameters:

#### (i) Combination of Area Yield & Individual Tree Insurance:

For high value crops with decent historical yield data, AIC tried a combination of 'Area Yield' insurance based on Block level data to provide insurance cover for production risk and 'Individual Tree' insurance for damage to bearing tree. This product is being tried out for coconut.

#### (ii) Satellite Imagery as Insurance Trigger:

For the first time in the country, AIC started pilots on use of satellite imagery as an insurance trigger for wheat crop, besides temperature used as another trigger. The policy compensates the insured against the likelihood of



diminished wheat output/yield resulting from - a) lower biomass (crop vigour) as measured using satellite imagery in terms of Normalized Difference Vegetative Index (NDVI) at peak crop vigour stage; and b) high temperature during March. Normally, investigations by the insurance company are made after harvest, and it usually takes a few months for the farmer to receive indemnity in case of a poor yield. However, the use of satellite technology could quicken the claims process by several months.

**(iii) Area yield for widespread calamities & individual for localized calamities:**

The present Area Yield insurance program of the government (NAIS) is expected to come out with 'Individual' based assessment for localized calamities like hailstorm, landslide etc. In other words, the program would give different treatment to widespread calamities and localized calamities, aimed at minimizing 'Basis' risk.

**(iv) Area yield with early payment trigger**

A proxy indicator could be used within "Area Yield" insurance to expedite a portion of indemnities, and that's what NAIS is expected to come out with. An early payment trigger is contemplated to overcome delay in paying indemnities by releasing part of the indemnity on the basis of proxy indicator, using a combination of weather data, satellite imagery and crop health reports. This early payment is to be adjusted against final indemnity based on 'Area Yield'. As a matter of fact, the proxy indicator (weather etc.) could also be used as an independent trigger, besides area yield, either on 50:50 basis or in any other proportion.

**(v) "Individual" Farm Assessment linked a Parameter:**

"Individual" assessment normally is a subjective method of loss assessment which may or may not be acceptable to the insured farmer. AIC has recently designed a product for a high value crop protecting growers against loss due to specified perils (natural calamities) leading to drop in plant population. Here is a method an 'Individual' based farm loss assessment has been converted into a parametric trigger, so as to minimize the subjectivity.

**(vi) Customized Insurance Products for Corporate Farming:**

With the market for branded agricultural goods witnessing dramatic growth, corporate farming in the country is fast expanding with many Corporates getting into the act. Product innovation and customization is the key in offering attractive risk mitigation tool in terms of insurance. A combination of products with a mix and re-mix of 'individual', 'weather based' products could offer 'crop-stage' specific insurance against specified perils for corporate farming. Premium sharing model among grower (farmer), producer (corporate) & financier (bank) is something which makes insurance affordable.

**(vii) Savings linked products:**

At this stage it is difficult to visualize designing a 'savings linked crop insurance' product, but it is quite possible as linkages with Micro

The savings element could be made attractive by matching contributions from either the government or credit institutions or trade associations.

Financial Institutions (MFIs) and other credit institutions are fast developing. The savings element could be made attractive by matching contributions from either the government or credit institutions or trade associations. However, savings linked product could work only if the insurance participation by the insured is regular, season after season.

**Social Welfare Concerns of Small Farms:**

In terms of latest agricultural census, small and marginal farmers having up to 2 hectares of land comprised 80% of the farm holding population, owning only 36% of the area operated. The success of crop insurance significantly depends on the scope and extent to which the majority of the farming segments, who are resource poor, can be covered. Despite huge strides in

socio-economic development, many of these resource poor farmers have recourse mainly to informal sources of credit and do not have access to latest technologies and organized techniques and forms of marketing. The financial institutions have been making efforts to reach this segment though with varied levels of success. Systemic risks in agriculture translate to higher premiums to the farmers, which may not be socially tolerable. The future of crop insurance, therefore, cannot be viewed in isolation, as it is usually intermingled with other aspects of national policy aimed at strengthening the basic building blocs of the sector.

In the backdrop of the sectoral scenario, it is pertinent that crop insurance to resource poor farmers is regarded as a 'social-security measure' in which the government plays a crucial role, because of the benefits it provides not merely to insured farmers but to the entire community directly and indirectly through spillover and multiplier effects.

**Future of Crop Insurance:**

Crop insurance market is on the threshold of a spectacular growth. The support measures proposed by the government in the horticulture sector; potential of organic farming; growing clout of aromatic and medicinal plants; corporate farming etc. are likely to put crop insurance on high pedestal. The government underlined its priorities for agriculture in 2004 by setting a target of doubling agricultural credit in next three years. A large chunk of credit for agriculture would be supported by insurance collateral. Considering consumers' preference for branded agricultural products; big corporate houses too have taken up corporate farming, increasing the demand for insurance. Crop insurance in future though is likely to be largely demand driven, the efforts of the government to support and finance insurance products and / or facilitate congenial environment as meaningful risk management tool would further enhance the potential and credibility of crop insurance.

(Note: The Author acknowledges having used inputs from the works of Dr Jerry Skees of AgRisk Inc. (USA); and Others extensively).

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# Fraud in Insurance

## - Looking Beyond Mere Surface

In India, exaggeration in claim is considered an efficient tool to get claims, rather than it being considered as an organized fraud  
exhorts Ajay Bansal.

The insurance industry, like any of the other financial services, is susceptible to frauds both by the unscrupulous customers as well as the channel partners. Since exaggeration of amount is considered as a *modus operandi* to get claims from the insurance companies, fraud is a bigger challenge for insurance industry compared to other sections of financial services. In light of this, there is a need to have a clear understanding of the areas of fraud and a requirement towards collective effort by all the industry players to prevent fraud.

### Elements of Fraud

A fraud occurs only when the following elements are present in a situation:

- a. Opportunity - An opportunity exists only when there is lack of proper control. Eg: An agent can charge excess premium and keep the differential with him, if the insurance companies do not print the premium on the face of the policy.
- b. Motive / Incentive - An incentive could arise if the claimed amount could be higher than the economic value of the asset. Eg: In a re-instatement value based policy for a highly depreciated plant there could be a large gain for a client in case the plant catches fire.
- c. Rationalization (i.e. the mental process of justifying the fraud) - Eg: A customer could justify exaggerating a claim to himself by reasoning that Insurer would, in any case, deduct some of the amount due to him.

Thus the industry requires effective measures for fraud prevention, which are aimed at reducing causes for perpetration of fraud.

### Fraud Classification

The frauds in the insurance industry can be divided into the following four categories: -

1. By Customer during underwriting or claims assessment.

2. Involving Agents and Brokers.
3. Involving Surveyors, TPAs and third parties.
4. Internal Fraud by employees.

Besides the above, there are instances where fake policies are issued by fraudsters who pose as authorized intermediaries. The problem of a fake product/policy is common across a large number of industries.

### Fraud by Customer during underwriting or claims assessment

The industry also faces frauds in the form of manmade claims, as is the case in a fire created by the insured himself.

The customer may falsify / withhold information at the time of underwriting because of limited due diligence done at the time of issuance of the policy. This is done to get small savings in insurance premium.

The industry also faces frauds in the form of manmade claims, as is the case in a fire created by the insured himself. This may be done to realize value out of non-moving inventory or outdated machinery. Similarly large number of frauds has also been observed where the unscrupulous customers have tried to create artificial incidence of burglary. Though manmade claims are definitely a problem, a bigger challenge faced by the industry is exaggeration of amount of loss in a claim. In India, exaggeration in claim is considered an efficient tool to

get claims, rather than it being considered as an organized fraud.

Often the claimant's behavior, along with discrepant and artificial circumstances at the claim site gives sufficient indicators of fraud. On observation of such facts, the surveying work should be supplemented with detailed investigation. A presence of forensic expert in such situation yields good result. In artificial fire claims, a test for fire accelerators in the residues at the loss location can promise evidence of fraud involved. In most cases the speed of response plays a key role in assessing the right facts about the claim. However, absence of adequate forensic labs in the country is a big handicap in dealing with such situations.

The following additional efforts can be made, at the underwriting stage, to prevent these frauds:

1. Analysis of fraud vulnerability at the product design stage.
2. Sensitizing the Customer about implication of concealing information at the initial stage. It may save some premium but can jeopardize the claim.
3. Design a detailed customer acceptance policy, consisting of
  - a. Mapping various customer-product combinations to various categories of vulnerability to fraud risk and defining guidelines for each risk category.
  - b. Check on unexpected combinations of customer-product.
  - c. Customer identification and verification procedure.

These checks can be instituted by professional judgment, or by peer reviews, or by having checklists of indicators.

4. It is also advisable to have a comprehensive database of



negative clients and categories and have a technology-based system for identifying and preventing issuance of policies to those belonging to the list.

The detection of fraud at the claim stage can be done by a keen observation of certain indicators by the insurer and surveyors. It is possible to develop a comprehensive list of such indicators. These indicators consist of behavioral pattern and discrepancies at the claim site. Besides, technology-driven detection techniques like voice-stress analysis and fraud pattern recognition using business intelligence tools could also be used. For example: A volumetric study in case of a fire at a rice mill can prevent payment of exaggerated claim.

#### **Fraud involving Agents and Brokers:**

The agents and brokers form the critical link between the insured and the insurance company. They play a key role in educating the customers in making adequate disclosures at the time of policy issuance and subsequently at the time of claim settlement. It is their duty to ensure that the insurance contract is a beneficial relationship both for the insured and the insurance company and hence to that extent the exchange of information has to be fair and transparent.

The biggest disservice or fraud that the intermediaries can indulge in is to portray an optimistic picture about the claim ratio of a client. This essentially leads to un-viable pricing and hence an un-sustainable relationship to start with itself. Moreover, in a tariff environment, some unscrupulous intermediaries could engage in premium discounting by funding the same through their commissions.

The indicators for intermediary fraud are based on intermediary history and behaviour; and intermediary's portfolio characteristics.

The guidelines and systems that could reduce such incidences are as follows:

1. There should be a detailed procedure for appointment of intermediaries. The appointment process should include verification of identity and address. A thorough reference check should also be carried out.
2. The performance of the intermediaries should be constantly monitored on a portfolio basis. The past track of the intermediaries should also be analyzed.
3. The compliance to the regulatory guidelines by intermediaries should be regularly monitored.

#### **Fraud Involving Surveyors, TPAs and third parties**

A surveyor is an independent person involved in assessment of claims. His improper working could act against the interest of either the insured or the insurance company. A lenient assessment by surveyors could cause a significant loss to any insurance company as well as deprive a claimant of his rightful compensation. Such loss / fraud could be prevented by making the assessment process standardized and bringing in transparency in the working of the surveyors.

In India, there is a significant amount of fraud suspected in Motor Third party claims. There have been many cases observed by the industry, where there has been collusion between the claimant, lawyers and authorities. Tough and conclusive action should be taken to ensure reduction of fraud. One significant change that can prevent such fraud is the prompt intimation of third party cases by police to the insurance companies.

It is also advisable to have a comprehensive database of negative clients and categories and have a technology-based system for identifying and preventing issuance of policies to those belonging to the list.

In Health insurance, it is common to find cases where hospitals charge differential amounts for insured and uninsured patients. The bills provided to insured patients in such cases are significantly inflated. Such hospitals should be identified and blacklisted by the industry at large. A common unified action on this front will yield significant results. The instance of exaggerated bills could be further reduced if all insurance companies agree to give a standard rate for specific medical service availed.

#### **Internal Fraud**

The area, which is most susceptible to fraud by employees, is claim settlement. This activity can be controlled and monitored by setting in proper

procedures for claim management with a system of maker - checker at each level of activity of claims settlement. Moreover, there should be communication and inculcation of proper value system across all employees. In case any instance of fraud is noticed, then the person involved should be suitably penalized in order to bring deterrence among others.

There should be awareness and training amongst the employees on the internal fraud policies as well as common indicators. Internal fraud detection measures include setting up of internal audits, policy for whistle blowing, and exit interviews.

#### **Fraud risk management by insurers**

Considering the loss an insurance company can suffer due to fraud, there should be a detailed policy for fraud prevention, detection and post-fraud action. There should be a dedicated Fraud Containment Unit, which ensures compliance to these policies; investigates into suspicious cases; maintains and uses fraud statistics; and exchanges information with other users. The Audit department also can plan a key role in identifying vulnerable areas of operations for fraud detection.

In India, the perpetrators of fraud do not face adequate deterrence in the form of penalties and penal action by courts. This is further complicated due to slow speed of legal proceedings and the lack of will to take strong deterring action against fraudulent entities. This, along with the fact that the Indian population is more tolerant of frauds and the 'no victim' attitude towards insurance frauds, has resulted in increased number of fraud instances in this industry.

In view of the high correlation amongst fraudsters for various financial services, it is also imperative that the financial services industry takes combined action under the purview of RBI, SEBI and IRDA; and set up shared database of fraudsters in the common interest of the society.

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## प्रकाशक का संदेश

भारत में बीमा क्षेत्र को खोलने का एक लाभ बीमा उत्पादों के क्षेत्र में विस्तारशील प्रदर्शित हुई। हालाँकि उद्योग सरकार के एकाधिकार में अच्छी तरह कार्य-संपादन कर रहा था, लेकिन जोखिम में विस्तृत पोर्टफोलियो की संपन्न महक गायब थी। यदि कोई उत्पादों की विस्तृत श्रेणी को देखे जिसमें से ग्राहक उत्पादों का चयन कर सकता है, कोई भी इसे स्वीकार करेगा कि एक अच्छी पहल कि गई है।

वैसे जीवन क्षेत्र में एकांगी उत्पादों में अधिक परिवर्तन नहीं हुआ है, विभिन्न प्रकार के राइडरों ने यह सुनिश्चित किया है कि पालसीधारकों के लिए विभिन्न उत्पादों के विकल्पों में विभिन्न समूह उपलब्ध हो। इसी प्रकार गैर जीवन बीमा क्षेत्र ने भी विनियामक द्वारा प्राशूल्क सीमाएँ तय करने के बावजूद भी, सुधारीकरणत्तर के युग में उत्पादों के निर्माण में कुछ परिवर्तन देखे हैं। जबकि बाजार में प्राशूल्क जल्द आने वाली है, ऐसी अपेक्षा कि जा सकती है कि कुछ नये उत्पाद बाजार में आयेगें। लेकिन नये उत्पादों को तैयार करते समय सावधानी रखने कि आवश्यकता है। ये उत्पाद ग्राहक कि जरूरत को बिना भ्रम पैदा किये प्रविष्ट करें।

हम अपेक्षा करते हैं कि उत्पादों को कुछ इस प्रकार युक्तिसंगत बनाया जायेगा जिससे बड़ी संख्या में जनसंख्या की आवश्यकताओं कि पूर्ति कि जा सके। जबकि हमारे पास अधिक आंकडे नहीं हैं लेकिन उपलब्ध आकडों के उपयोग के सभी प्रयत्न किये जाने चाहिये जिससे उत्पाद पक्के नियमों पर आधारित हो सकें तथा लम्बे समय तक निरंतरता बनाये रख सकें। जर्नल के इस अंक का केन्द्र बिन्दु उत्पाद विकास है। हमारे पास बीमा कि विभिन्न श्रेणियों के विकास से सम्बंधित लेख हैं।

जब उत्पादों का डिजाइन तैयार किया जाता है, अगला तर्किक कदम उनका मूल्य निर्धारण इस प्रकार करना कि वह प्रतिस्पर्धी के वातावरण में सफलता प्राप्त कर सकें। अगले अंक का केन्द्र बिन्दु मूल्य निर्धारण होगा।

सी. एस. राव

सी. एस. राव



“बीमा क्षेत्र को तीन मार्गदर्शक सिद्धांतों पर कार्य करना चाहिये। वह प्रिमियम में परिवर्तन एकचुरी स्थिति में उठाई गई माँग से ज्यादा न करें, निधि का निवेश पालसी धारक के लिए अधिकतम प्राप्ति प्राप्त करने के लिए करें जिसमें पूँजी की सुरक्षा शामिल है तथा पालसीधारक के लिए प्रभावशाली तथा तीव्र सेवा उपलब्ध करवाये।”

**डा. सी रंगराजन, अध्यक्ष,  
प्रधानमंत्री की आर्थिक सलाहकार समिति**

“नये बाजारों में बीमा प्रिमियम की वृद्धि जिसका नेतृत्व एशिया कर रहा है अपेक्षाकृत दरों में कम वृद्धिदर के साथ ने बीमा कंपनियों को पर्याप्त अवसर दिया है। एशिया में बीमाकर्ताओं का विस्तार एक महत्वपूर्ण बिन्दु बना है।”

**नग नम सिन, कार्यकारी निदेशक,  
सिंगापुर का आर्थिक प्राधिकरण**

“1990 के अन्त में ग्राहम-लिच-बालेइ अधिनियम में अन्तर्गत बैंकिंग तथा प्रतिभूति क्षेत्र में हुए आधुनिकिकरण की तरह बीमा उद्योग राज्य कि विधि के पैचवर्क की विषय वस्तु बना हुआ है जिसने प्रतिस्पर्धा, नवीकरण तथा वृद्धि को कठोर किया है।”

**यू एस सेनटर जान सनउन,  
राष्ट्रीय बीमा अधिनियम 2006 को पेश करते हुए**

“अब भारत तैयार है बीमा क्षेत्र में दूसरे चरण के सुधारों के लिए, प्राशुल्क मुक्ति सभी के लिए मुक्त स्थित तथा अव्यवस्था नहीं होनी चाहिये।”

**श्री सी.एस. राव, अध्यक्ष,  
बीमा विनियमन तथा विकास प्राधिकरण (आईआरडीए)**

“बीमा के प्रति दृष्टिकोण बदलते समय में इसी प्रकार का होना चाहिये। भारत में बीमा क्षेत्र का मिशन बीमा सुरक्षा को तथा व्यापक गतिविधियों द्वारा बड़ी जनसंख्या तक पहुँचाना चाहिये।”

**डा. सी रंगराजन, अध्यक्ष, प्रधानमंत्री की आर्थिक सलाहकार समिति**

“आंकड़े बताते हैं कि सार्वजनिक दायित्व कि विधि के अनुसार बीमा अधिक वहनयोग्य तथा सुलभ हो गया है।”

**सुश्री केरिन कैलि,  
मुख्य कार्यपालक आस्ट्रेलिया कि बीमा काउंसिल**

## मनी लांड्रिंग का शैतान

### - अर्थव्यवस्था पर संकट

**वी पद्मजा** के अनुसार मनी लांड्रिंग के कारण भ्रष्टाचार को बढ़ावा मिलता है और अर्थव्यवस्था में अनियमितताये उत्पन्न होती है।

#### पाश्चिमी

वर्ल्ड ट्रेड सेंटर और पेंटागॉन पर हुये हमले प्रत्यक्ष देखने वालों और मीडिया की रिपोर्टों के जरिये देखने और सुननेवालों के जहन में आज भी ताजा है। इन हमलों के बाद आतंकवाद की क्रूरता पर अंतर्राष्ट्रीय समुदाय का ध्यान आकर्षित हुआ। साथ ही आतंकवादी गतिविधियों को अंजाम देने के लिये आर्थिक सहायता करने वाले स्रोतों के खिलाफ संघर्ष के प्रयासों में भी वृद्धि हुयी।

लाभ अभिमुख अपराधों का क्षेत्र काफी विस्तृत है। नशीले पदार्थों के व्यापार और चोरी-छुपे वस्तुओं के आयात-निर्यात के साथ भ्रष्टाचार, लूटपाट और घोटाले जैसी सभी अवैध गतिविधियाँ इसमें शामिल रहती हैं। आपराधिक गतिविधियाँ इसमें शामिल रहती हैं। आपराधिक गतिविधियों का कार्य क्षेत्र काफी व्यापक है और विश्वभर में प्रतिवर्ष यह 500 बिलियन डॉलर से ट्रिलियन डॉलर तक होने का अनुमान व्यक्त किया जाता है। इतने बड़े पैमाने पर लेन-देन होने के बावजूद अवैध गतिविधियों का पता क्यों नहीं चल पाता।

#### मनी लांड्रिंग (एम एल):

प्रतिभावन और अपराधी में काफी सूक्ष्म अंतर है। अवैध गतिविधियों को आर्थिक लेन-देन के रूप में ढालकर उन्हें वैध रूप देने के लिये किये जाने वाले प्रयास को ही मनी लांड्रिंग कहा जाता है। आतंकवादी अपने प्रायजकों की पहचान छुपाने के लिये अधिकारियों का ध्यान भटकाने और लाभार्थी तक नीधियों का सुरक्षित रूप से हस्तांतरण करने के लिये मनी लांड्रिंग का उपयोग करते हैं।

मनी लांड्रिंग के कमजोर पहलुओं का उपयोग आपराधिक गतिविधियों के लिये करते हुये अपराधी अपने लक्ष्य को साध्य करने के लिये भारी क्षति पहुँचाने से भी नहीं हिचकिचाते। उपयोगी लाभ के बिना आपराधिक गतिविधियाँ नहीं चल सकती।

मनी लांड्रिंग नामक धन के लेन-देन की रोकथाम के लिये अंतर्राष्ट्रीय स्तर पर प्रयास जरूरी है। इस समस्या के खात्मे के लिये कई तरह की पहल की गयी है। मनी लांड्रिंग के बारे में आयोजित पहले सम्मेलन में मुख्य

रूप से नशीले पदार्थों का व्यापार ही चर्चा का केन्द्र रहा था। लेकिन आज इसके तहत कई तरह के अपराध चिंता का विषय बन गये हैं।

इस समस्या के खात्मे के लिये उठाये गये कदमों के तहत वियेना एवं पालेरमो में विशेष सम्मेलनों का आयोजन किया गया, जिनमें क्रमशः ड्रग्स एंड सायोट्रॉपिक सबस्टेन्स एक्ट 1985 तथा प्रीवेन्शन ऑफ इलिसिट ट्रेफिक इन नार्कोटक ड्रग्स एंड सायोट्रॉपिक सबस्टेन्स एक्ट 1988 तैयार किये गये।

#### मनी लांड्रिंग का उद्गम

मनी लांड्रिंग लगभग 1930 से अस्तित्व में है। प्रारंभ में यह करचोरी की पद्धति में सामने आयी। मनी

मनी लांड्रिंग के कमजोर पहलुओं का उपयोग आपराधिक गतिविधियों के लिये करते हुये अपराधी अपने लक्ष्य को साध्य करने के लिये भारी क्षति पहुँचाने से भी नहीं हिचकिचाते।

लांड्रिंग के जन्मदाता के रूप में शिकागो निवासी अल्फ्रान्सो कैपोन नामक शातिर अपराधी को जाना जाता है। उसने स्वयं सेवा अथवा सिक्कों से चलने वाले वॉशिंग मशीनों का उपयोग अवैध गतिविधियों को अंजाम देने के लिये किया। समय के साथ मनी लांड्रिंग के तरीके में आमूलचूल बदलाव आया।

#### यह कैसे हुआ

मनी लांड्रिंग तीन रूपों से होने वाली प्रक्रिया है, जिसमें प्लेसिंग, लेयरिंग और इंटीग्रेशन शामिल है। इसके तहत अवैध गतिविधियों को आर्थिक लेन-देन की एक श्रंखला में संयोजित किया जाता है, जिससे मूल स्रोत को छुपाया जा सके। बाद में लाभार्थी तक

पहुँचते समय एकत्रिक किया जाता है। अपनी राशि संबंधिक व्यक्ति तक पहुँचाने के लिये आतंकवादी औपचारिक बैंकिंग प्रक्रिया, अनौपचारिक मूल्य हस्तांतरण व्यवस्था, हवाला और धन हस्तांतरण की प्राचीनतम व्यवस्था हुंडी, नगदी राशि औव सोनी की तस्करी का उपयोग करते हैं। मनी लांड्रिंग के लिये ई-कॉमर्स, वित्तीय बाजार का वैश्विक वैविध्यीकरण एवं नये नये वित्तीय उत्पाद वरदान साबित हो रहे हैं।

**स्मर्फिंग:** इसके तहत देश के विभिन्न बैंक में अलग-अलग लोगों के नाम से निरुद्देश्य राशि (लगभग 10,000 अमेरिकी डॉलर) जमा की जाती है। वह खातों के लेन-देन वैध दशनि के लिये विभिन्न बैंकों अथवा वित्तीय संस्थानों के ड्राफ्ट आदि की खरीदी करते हैं। उसके बाद मध्यस्थ उनका उपयोग कर विभिन्न खातों में जमा करते हैं। हालांकि सावधानी बरते पर इस तरह की मनी लांड्रिंग की पहचान की जा सकती है।

**विश्वभर में राशि भेजना:** इस प्रक्रिया में या तो एक मुश्त या हीरे, स्वर्ण, बहुमूल्य स्टैम आदि के रूप में राशि विश्वभर में भेजी जाती है।

बैंकों के जरिये नियोजन, बैंको तथा अन्य वित्तीय संस्थाओं का उपयोग मध्यस्थ के रूप में अवैध कारोबार के लेन-देन के लिये इच्छा के विपरीत होता है।

पास थ्रू अथवा पेबल थ्रू खातों के जरिये राशि का नियोजन किया जाता है। खासतौर पर विदेशी बैंकों में खाते खोले जा रहे हैं। ऐसे बैंक अपने ग्राहकों को चेक के जरिये राशि जमा करने की सुविधा देते हैं, जिनको पूर्ण लेन-देन करने की जानकारी घरेलू बैंकों अथवा बैंकों की शाखाओं को नहीं रहती।

**इलेक्ट्रॉनिक वायरो के द्वारा हस्तांतरण के जरिये नियोजन:** इसमें अपराधियों को नियमित रूप से कई मिलियन डॉलर का हस्तांतरण करने का अवसर मिलता है। इसके तहत खास तौर पर पर्सनल कंप्यूटर और सेटलाइट डिश के तहत अज्ञात बैंकों अथवा लोगों द्वारा अज्ञात तीसरे पक्ष को राशि भेजी जाती है।



बीमा उत्पादों के जरिये नियोजन, खासतौर पर एकमुश्त प्रीमियम के उत्पादों का उपयोग कर इस प्रक्रिया को अंजाम दिया जाता है।

**निवेश संबंध लेन-देन के जरिये नियोजन:** प्रतिभूमियों के बड़े पैमाने पर या असमान्य रूप से नगद अथवा खरीदी बिक्री के रूप में निपटारे के जरिये भी राशि का नियोजन किया जाता है।

#### मनी लांड्रिंग के परिणाम:

मनी लांड्रिंग के कारण जहाँ एक ओर भ्रष्टाचार को बढ़ावा मिलता है, वहीं दूसरी ओर विकासशील देशों की अर्थव्यवस्था में भी गड़बड़ी उत्पन्न हो जाती है। उससे वैध आर्थिक व्यवस्थाओं तथा संस्थानों की एकता भी खत्म होती है। जिससे संगठित अपराध बढ़ने के अलावा आपराधिक गतिविधियों के संचालन को धन उपलब्ध होता है। यदि आपराधिक गतिविधि से संबंधित राशि किसी विशिष्ट संस्थान से सामान्य रूप से हस्तांतरित हो जाती है, तो वह संस्थान अपराधियों की सक्रिय गतिविधियों का हिस्सा बन जाता है और अपने आप ही वह आपराधिक गतिविधियों के नेटवर्क के हिस्से का रूप ले लेता है। जॉच विरहित मनी लांड्रिंग के कारण होने वाले आर्थिक संकटों के परिणामों को देखते हुये इंटरनेशनल मोनिटरी फंड ने निधि की मांग बैंकों की मजबूत स्थिति संबंधी कुछ जोरिखम, वैधानिक आर्थिक लेन-देन तथा अंतर्राष्ट्रीय पूंजी प्रवाह तथा आदान-प्रदान की प्रक्रिया में सीमा पार संपत्ति अप्रत्याशित आयात-निर्यात के कारण वृद्धि के फलस्वरूप कुछ अबोध परिवर्तन चिन्हित किया है।

अपराधिक संगठनों के आर्थिक एवं राजनीतिक प्रभाव के कारण सामाजिक ताना-बाना कमजोर होता है। सामूहिक नैतिक मानक भी मजबूत नहीं रहते जिससे समाज के घरेलू संस्थान भी संकट में आ जाते हैं।

#### बीमा उद्योग की कमियाँ

मनी लांड्रिंग में लिप्त लोग भारी ग्राहक आधार वाली कंपनियों का उपयोग कर अपना लक्ष्य साध्य करते हैं। इसके लिये वह खासतौर पर बीमा कंपनियों का चयन करते हैं और ग्राहकों के रूप में उनकी मुख्य आवश्यकता पूर्ण कर अपना उद्देश्य छुपाते हैं। संपूर्ण उद्योग में संपत्तियों का मूल्य और आर्थिक लेन-देन का स्तर भी बीमा उद्योग के लिये एक नैतिक स्थान है, जिससे ध्यान में नहीं आने वाले अवैध लाभ की भारी राशि संबंधी जॉच पड़ताल की जा सकती है। मनी लांड्रिंग करने वालों के लिये सामान्य बीमा की तुलना में जीवन बीमा काफी अधिक सुरक्षित

है। देखा जाये, तो जीवन बीमा के प्रीमियम अदा करने के साथ ही अन्य प्रक्रिया में अनियमितताओं को अंजाम देना काफी कठिन है, लेकिन वह निम्नलिखित क्षेत्रों में खामियों से भरा है:

1. इकाई संबद्ध उत्पाद, जो धन निकासी के साथ असीमित प्रीमियम टॉप अप
2. एकल प्रीमियम उत्पाद, जहाँ राशि का एकमुश्त निवेश किया जा सकता है और उसका भुगतान भी शीघ्र किया जाता है।
3. फ्री लुक कैन्सलेशन खासतौर पर बड़े टिकटों के मामले में।

दिसम्बर 2002 के दौरान जीवन बीमा में मनी लांड्रिंग की एक विशिष्ट पद्धति अमल में लायी गयी जब अमेरिका, आइसलैंड एवं कोलम्बिया में यह घोषणा की गयी की एक ऐसी सोफेस्टीकेटेड आपराधिक योजना का खुलासा किया गया है जिसके तहत अमेरिका, आइसलैंड और कोलम्बिया में जीवन बीमा कंपनियों के जरिये 80 मिलियन डॉलर के नशीले

अपराधिक संगठनों के आर्थिक एवं राजनीतिक प्रभाव के कारण सामाजिक ताना-बाना कमजोर होता है। सामूहिक नैतिक मानक भी मजबूत नहीं रहते जिससे समाज के घरेलू संस्थान भी संकट में आ जाते हैं।

पदार्थों का व्यापार किया गया। अमेरिका 'ऑपरेशन कैपस्टोन' आइसलैंड में ऑपरेशन बास्किंग तथा कोलम्बिया में ऑपरेशन फैन नामक चलाये गये इस अभियान के अंतर्गत 2 वर्षों तक पूछताछ की गयी। इसमें यह तथ्य सामने आया कि नशीले पदार्थों का व्यापार करने वाले कोलम्बियाई संगठन अमेरिका, आइसलैंड तथा अन्य स्थानों पर कुछ सहयोगी संगठनों के साथ मिलजुल कर छोटे बीमा अभिकर्ताओं से निवेश श्रेणी की बीमा पॉलिसियाँ खरीदते हैं। इन पॉलिसियों की राशि का भुगतान कई मिलियन डॉलर के चेकों तथा वायर ट्रांसफर के जरिये किये जाता था। इसमें आमतौर पर विश्वभर के कई अन्य लोग भी राशि जमा करवाते थे। ऑपरेशन कैपस्टोन ने इस बात का पता लगाया कि यह पॉलिथीधारक नशीले पदार्थ के व्यापार के जरिये राशि का भुगतान की जाने वाली पॉलिसियाँ अल्पावधि में पूर्ण करवाई जाती हैं। इसका मुख्य कारण यह उभरकर सामने आया कि बीमा पॉलिसियों के शीघ्र भुगतान को रोकने के लिये कड़े

आर्थिक प्रबंध करने के अलावा जुर्माना लगाया जाने के बावजूद लाभार्थियों को बीमा कंपनियों द्वारा चेक अथवा कंप्यूटर वायर ट्रांसफर के रूप में राशि प्राप्त होती है।

सामान्य नतीजों से पता चला कि स्वायत्त बीमा बिक्री अभिकर्ता अंतर्राष्ट्रीय स्तर पर संचालन करते हैं, लेकिन उन्हें मनी लांड्रिंग अथवा इस प्रकार के मामलों संबंधी काफी कम प्रशिक्षण या नहीं के बराबर प्राप्त होता है।

#### प्रतिबंधात्मक उपाय:

मनी लांड्रिंग के खिलाफ संघर्ष के लिये मजबूत आर्थिक व्यवस्था और मनी लांड्रिंग विरोधी कड़े प्रावधान आवश्यक हैं।

मनी लांड्रिंग के खिलाफ संघर्ष के लिये संस्थागत स्तर पर आवश्यक प्रतिबंधात्मक प्रावधान

- ग्राहकों की पहचान के लिये प्रक्रिया तथा नीतियों का निर्धारण
- उनकी अमलावरी के लिये सभी कर्मचारियों को प्रशिक्षण देने की व्यवस्था
- दस्तावेज संग्रहण एवं
- वित्तीय सतर्कता इकाई को समय समय पर सूचना देने की व्यवस्था

इसके लिये राष्ट्रीय स्तर पर आवश्यक है

- योग्य विधान / आर्थिक शीघ्र कार्यबल की सिफारिशों की अमलावी के लिये दिशा-निर्देश एवं
- अंतर्राष्ट्रीय सहयोग

वित्तीय सतर्कता इकाई (एफ आई यू): मनी लांड्रिंग छोटे छोटे आर्थिक लेन-देन की एक श्रृंखला है। यह प्रक्रिया काफी सूक्ष्म स्तर पर होती है।

आर्थिक शीघ्र कार्यबल की सिफारिश क्र. 26 में आर्थिक सतर्कता इकाई की स्थापना की आवश्यकता व्यक्त की गयी है जो अंतर्राष्ट्रीय स्तर पर होने वाली संदेहास्पद गतिविधियों की जानकारी एकत्रित कर उसकी राष्ट्रीय स्तर पर आपूर्ति कर सके। इन इकाइयों की स्थापना विश्वभर में पुलिस, वित्त मंत्रालय, केन्द्रीय बैंक अथवा न्याय प्राधिकरण के अधीन की जानी चाहिये। इसी सिफारिश के तहत विश्वभर में विभिन्न इकाइयों की स्थापना की गयी जिनमें वित्तीय अपराध उन्मूलन नेटवर्क, अमेरिका वित्तीय लेन-देन एवं सूचना विश्लेषण केन्द्र, कनाडा, राष्ट्रीय आपराधिक सतर्कता सेवा, इंग्लैंड, संयुक्त वित्तीय सतर्कता इकाई, हॉंगकॉंग, आस्ट्रेलियाई वित्तीय लेन-देन सूचना एवं विश्लेषण केन्द्र और भारतीय वित्तीय सतर्कता इकाई शामिल हैं।

## केन्द्रीय मुद्दे

### आर्थिक शीघ्र कार्य बल

आर्थिक शीघ्र कार्य बल का गठन वर्ष 1989 में जी७ के सम्मेलन के बाद किया गया। यह कार्यबल एक नीति निर्धारण समूह है, जिसमें फिलहाल 33 देश सदस्य के रूप में शामिल हैं। इस समूह ने अब तक 40 सिफारिशों की हैं, जिनमें मुख्य रूप से मनी लाँड्रिंग की रोकथाम के लिये अधिकांश सिफारिशें शामिल हैं। जबकि अन्य 9 सिफारिशें 11 सितम्बर को हुये आतंकवादी हमले के मद्देनजर आतंकवादी गतिविधियों के लिये की जाने वाली वित्तीय सहायता के स्रोत को खत्म करने के बाद में शामिल की गयी।

इन 49 सिफारिशों के तहत ऐसे कई प्रावधान किये गये हैं जो सभी सदस्य देशों में मनी लाँड्रिंग के साथ ही आतंकवादी गतिविधियों के लिये की जाने वाली वित्तीय सहायता के स्रोतों का खात्मा करने सभी सदस्य देशों में अमल में लाये जा रहे हैं। इनमें सभी देशों को राष्ट्रीय एवं वित्तीय संस्थागत स्तर पर स्वीकार योग्य प्रावधानों का विवरण भी शामिल है।

### सदस्य देशों के लिये राष्ट्रीय स्तर पर मूलभूत आवश्यकतायें:

- मनी लाँड्रिंग की गतिविधियों को आपराधिक दर्जा देना
- मनी लाँड्रिंग संबंधी विवरण एकत्रित करने, उसका विश्लेषण करने और उसे विभिन्न स्थानों तक प्रेषित करने के लिये एकीकृत इकाई की स्थापना करना
- मनी लाँड्रिंग संबंधी जानकारी देने वालों की रक्षा करना
- सूचना आदान-प्रदान के लिये निश्चित मानक तैयार करना
- सभी सदस्य देशों के बीच आपसी वैधानिक सहयोग को बढ़ावा देना

संगठनात्मक स्तर पर उन्होंने महसूस किया -

- ग्राहक अपेक्षित सावधानी
- दस्तावेज संग्रहण एवं
- वित्तीय सतर्कता इकाई का सूचना संप्रेषण

अंतर्राष्ट्रीय बीमा सर्वेक्षक संगठन (आई ए आई एस) के बीमा सर्वेक्षकों ने महसूस किया कि सभी 49 सिफारिशों की अमलावरी विश्वभर में बीमा क्षेत्र में की जानी चाहिये। वित्तीय क्षेत्र की अन्य संस्थाओं की तुलना में बीमा संस्थानों की असुरक्षा काफी अधिक है, फिर भी मनी लाँड्रिंग में लिप्त और आतंकवादी गतिविधियों के लिये आर्थिक सहायता करने वालों की पहचान करना संभव है। इसीलिये बीमा क्षेत्र को दुरुपयोग पर रोक लगाने के लिये कड़े प्रावधान करने चाहिये।

इंश्योरेंस कोर प्रिंसिपल (आई सी पी) 28 एवं मनी लाँड्रिंग एंड कॉम्बैटिंग द फाइनेंसिंग ऑफ टेररिज्म

(ए एम एल सी एफ टी) जैसे कानून इसी श्रृंखला में तैयार किये गये हैं। यह कम से कम उन बीमाकर्ताओं एवं मध्यस्थों पर लागू है जो जमा संबंधी बीमा उत्पादों के जीवन बीमा उत्पाद बेचते हैं।

मार्गदर्शक दस्तावेजों में संभव प्रावधान प्रक्रिया तथा कार्यवाही संबंधी मार्गदर्शक तत्व शामिल होते हैं। सर्वेक्षकों को इनमें से सर्वोच्च सटीक एवं प्रभावी तत्वों का चयन कर जोखिमों के साथ बेहतर कार्य निष्पादन करना चाहिये।

ग्राहकों की अपेक्षानुरूप कार्य करने के लिये अपने ग्राहक को जानने कार्यक्रम विभिन्न देशों में चलाया जा रहा है। यह कार्यक्रम मार्गदर्शक दस्तावेजों के लिये केन्द्रीय महत्व प्राप्त कर चुका है। मनी लाँड्रिंग में लिप्त लोग अपने आपको ग्राहक के रूप में प्रस्तुत करते हैं। उसकी पहचान पहले चरण में ही की जा सकती है। इसलिये ग्राहक की पहचान करने के लिये प्राथमिक चरण में ही सावधानी बरतनी आवश्यक है।

इन दस्तावेजों में वित्तीय संस्थानों के उन कर्मचारियों को प्रशिक्षण देने की आवश्यकता देने पर भी जोर दिया गया है जो सीधे ग्राहकों के साथ व्यवहार करते

सभी सदस्य देशों में मनी लाँड्रिंग के साथ ही आतंकवादी गतिविधियों के लिये की जाने वाली वित्तीय सहायता के स्रोतों का खात्मा करने सभी सदस्य देशों में अमल में लाये जा रहे हैं।

हैं। दस्तावेजों का रख-रखाव और वित्तीय सतर्कता इकाइयों को सूचित करना भी क्रमबद्ध है।

### भारत में नये विधान क्यों ?

वित्तीय शीघ्र कार्यबल एवं अन्य शीघ्र कार्यबल रूपी विभागीय समितियों में एशिया-प्रशांत समूह सहित अन्य के बीच वैश्विक स्तर पर नेटवर्क है जो मनी लाँड्रिंग तथा आतंकवादी गतिविधियों संबंधी वित्त आपूर्ति संघर्ष में सहायता करता है। भारत भी इस समूह का सदस्य है।

एशिया-प्रशांत समूह ने मार्च 2005 में जारी की गयी आपसी मूल्यांकन रिपोर्ट में वित्त शीघ्र कार्यबल की सिफारिशों के आधार पर भारत का स्तर निर्धारित किया है। उसमें यह स्पष्ट किया गया है कि भारत में मनी लाँड्रिंग अथवा आतंकवादी गतिविधियों के लिये वित्त आपूर्ति का किसी भी प्रकार का भय नहीं है,

साथ ही उसके विधान (कानून) करचोरी और काले धन के निर्मूलन को लक्ष्य बनाकर तैयार किये गये हैं जो उसकी अर्थव्यवस्था के मुख्य आधार हैं।

यह भी स्पष्ट किया है कि मनी लाँड्रिंग पर प्रतिबंध संबंधी वर्ष 2002 अमल में लाया गया कानून कुछ खास प्रभावी नहीं था। यह कानून 1 जुलाई 2005 से लागू किया गया था। मनी लाँड्रिंग विरोधी दिशा-निर्देशों के अनुसार सभी वित्तीय संस्थाओं को मनी लाँड्रिंग विरोधी दिशा-निर्देशों के अलावा संबंधित कानून तथा मार्गदर्शक तत्वों का पालन करना अनिवार्य है। इस तरह एक निश्चित पृष्ठभूमि तैयार की गयी है। अब मात्र इसके परिणामों का इंतजार करना है।

1. आपराधिक गतिविधियों को अंजाम देने में सहायक आर्थिक गतिविधियाँ मनी लाँड्रिंग के तहत आती हैं।
2. वित्तीय शीघ्र कार्यबल के सदस्य देशों की सूची: अर्जेन्टीना, ऑस्ट्रेलिया, बेल्जियम, ब्राजील, कनाडा, डेनमार्क, यूरोपिय समूह, फिनलैंड, जर्मनी, ग्रीक, गल्फ कॉ-ऑपरेशन काउंसिल, हॉंगकांग, चीन, आइसलैंड, इटली, जापान, लगजम्बर्ग, मोक्सको, नीदरलैंड्स, न्यूजीलैंड, नार्वे, पुर्तगाल, आयरलैंड, रूस महासंघ, सिंगापुर, दक्षिण अफ्रीका, स्पेन, स्वीडन, स्विजरलैंड, तुर्की, इंग्लैंड तथा अमेरिका। चीन गणराज्य के लोग भी जनवरी 2005 से इन गतिविधियों पर ध्यान दे रहे हैं।
3. वित्तीय शीघ्र कार्यबल रूपी क्षेत्रिय समितियाँ: एशिया/पैसिफिक ग्रुप ऑफ मनी लाँड्रिंग (एपीजी), वैन्नेबियन फाइनांशियल एक्शन फोर्स (सीएफएटीएफ), काउंसिल ऑफ यूरोप सलेक्ट कमेटी एक्सपर्ट्स ऑन द इवेल्यूएशंस ऑफ एन्टी मनी लाँड्रिंग मेजर्स (पूर्व में पी सी आ ई बी), यूरोशियन ग्रुप (ईएजी), इस्टर्न एंड साउदर्न अफ्रीका एंटी मनी लाँड्रिंग ग्रुप (ई एस ए ए एम एल जी) फाइनांशियल एक्शन टास्क फोर्स ऑन मनी लाँड्रिंग इन साउथ अफ्रीका (जी ए एफ आई एस डी), मिडल ईस्ट एंड नार्थ अफ्रीका फाइनांशियल एक्शन टास्कफोर्स (एम ई एन ए एफ ए टी ई)।

— \* \* \* —

लेखिका आई आर डी ए की सहायक निदेशिका (जीवन) है। लेख में प्रस्तुत दृष्टिकोण उनका अपना है।



# बीमा क्षेत्र में धोखाधड़ी

- मानवीय प्रवृत्ति का सूचक

धोखाधड़ी आर्थिक गतिविधियों का एक फैशन बन गया है, लेकिन वर्तमान प्रतिस्पर्धा के दौर में यह एक घातक प्रवृत्ति का रूप ले रहा है - **अर्मन ओझा**

हालांकि श्री ओझा का यह भी मानना है कि इसे हमेशा अनुचित नहीं ठहराया जा सकता। इससे कुछ अच्छाइयों का भी अविष्कार होता है।

आत्मछल के अलावा कुछ भी आसान नहीं है, जिससे प्रत्येक व्यक्ति को लगता है कि वह ईमानदार बन जाये।

धोखाधड़ी और छल कोई नई संकल्पनायें नहीं हैं। कई सदियों से मनुष्य इनके जाल में उलझता आ रहा है। महाभारत भी इन्हीं संकल्पनाओं पर आधारित पौराणिक कथा है, जिसमें बताया गया है कि किस प्रकार नैतिक मूल्यों का पालन करने वाले मनुष्य भी धोखाधड़ी एवं छल-कपट के जाल में फंसता है और उससे पूरे समाज का ताना-बाना नष्ट हो जाता है।

हालाँकि इन प्रवृत्तियों के कारण मनुष्य में उनसे मुकाबला करने के लिये आवश्यक समर्पण भाव और उच्च मानवता के गुणों का निश्चित तौर पर विकास होता है।

अविश्वास एवं धोखाधड़ी और नैतिकता के बीच संघर्ष युगों से मनुष्य देखता आ रहा है। इस संघर्ष में कौन सही रूप से विजेता है और कौन पराजित इस बात का निर्णय तो कोई भी नहीं कर पाया है। यह संघर्ष भी खत्म नहीं हुआ है और आज भी जारी है।

वर्तमान आधुनिकता के परिवेश में जहाँ एक ओर व्यापार का भौगोलिक और आबादी की दृष्टि से विस्तार हो रहा है, जिसे वैश्विकरण के रूप में जाना जाता है, वहीं दूसरी ओर वैश्विक संपत्ति के बढ़ते भंडार के कारण धोखाधड़ी और जालसाजी के भी कई उदाहरण सामने आ रहे हैं। खास तौर पर सूचना प्रौद्योगिकी एवं अन्य अत्याधुनिक वैज्ञानिक अविष्कारों का दुरुपयोग अवैध गतिविधियों को अंजाम देने के लिये किया जा रहा है। इससे तो हर कोई वाकिफ है कि सूचना प्रौद्योगिकी के क्षेत्र में वायरस तकनीकी हमेशा एंटी वायरस तकनीकी के एक कदम आगे रहती है। इसी श्रंखला में सफेद पोश अपराधों की भी संख्या में लगातार बढ़ोतरी हो रही है।

## बीमा घोटाला क्या है?

शब्दकोषों में घोटाले अथवा धोखाधड़ी की व्याख्या स्पष्ट करते हुये कहा गया है कि किसी व्यक्ति द्वारा अन्य की संपत्ति अथवा धन हासिल करने के लिये झूठा आश्वासन देकर नुकसान पहुँचाया जाना ही धोखाधड़ी है। हालाँकि बीमा क्षेत्र में सामने आने वाले घोटालों जिन्हें बीमा धोखाधड़ी के रूप में जाना जाता है, को इस व्याख्या की श्रेणी में नहीं रखा जा सकता। इसके तहत बीमाधारक द्वारा धन हासिल करने के लिये

धोखाधड़ी शब्द की व्याख्या में कहा गया है 'धोखाधड़ी वह क्रिया है, जो किसी व्यक्ति द्वारा अन्य के साथ पूरी तरह स्वार्थ की भावना से उद्देश्यपूर्ण ढंग से की जाती है। किसी अन्य उद्देश्य से नहीं।'

किया जाने वाला झूठा दावा आता है, जिसे बीमा धोखाधड़ी की संज्ञा दी जाती है। बीमा धोखाधड़ी अर्थात् बीमाधारक बीमा राशि ऐंटों के लिये तथ्यों के बारे में दिये जाने वाले झूठे बयान।

- लॉ डिक्शनरी पी एच कोलिन

ऐसे बयान दिये जाने जिन्हें झूठ के रूप में जाना जा सकता है, अथवा उन्हें सच नहीं माना जा सकता या फिर लापरवाही के साथ यह सोचे बिना कि वह सही है अथवा नहीं, बयान देना।

भले ही भारतीय संविधान में बीमा घोटालों से निबटने के लिये कोई विशेष कानून नहीं बनाया गया है, लेकिन भारतीय दंड संहिता में ऐसी कई धारायें हैं, जो धोखाधड़ी जैसे अपराधों पर रोक लगाने के लिये

बनायी गयी है। यह धारायें बीमा क्षेत्र में भी किये जाने वाले घोटालों के खिलाफ कार्रवाई के लिये कारगर हैं। ऐसी धोखाधड़ी को इस प्रकार स्पष्ट किया गया है- जो भी व्यक्ति किसी अन्य धोखाधड़ी अथवा अविश्वास के जरिये धोखेबाज कहा जा सकता है, यदि कोई व्यक्ति किसी अन्य को संपत्ति देने अथवा संपत्ति पर अधिकार करने के मामले में उद्देश्यपूर्ण तरीके से धोखाधड़ी करता है, अथवा कुछ भूल जाता है जो उसे भूलना नहीं चाहिये या ऐसी भूल जिससे किसी को शारीरिक, मानसिक या आर्थिक रूप से क्षति पहुँचे उसे धोखाधड़ी कहा जाता है।

## स्पष्टीकरण:-

धोखाधड़ी की इस श्रेणी में अविश्वास और छल-कपट की गतिविधियाँ आती हैं।

धोखाधड़ी शब्द की व्याख्या में कहा गया है 'धोखाधड़ी वह क्रिया है, जो किसी व्यक्ति द्वारा अन्य के साथ पूरी तरह स्वार्थ की भावना से उद्देश्यपूर्ण ढंग से की जाती है। किसी अन्य उद्देश्य से नहीं।'

अमेरिका में बीमा धोखाधड़ी खुले रूप में सामने आयी। इसके बाद सभी राज्यों ने उस पर रोक लगाने के लिये विशेष संहिता बनायी। बीमा धोखाधड़ी के तहत मात्र दावे संबंधी दस्तावेज में तथ्यों के बारे में झूठे बयान देना ही नहीं, बल्कि बीमा संरक्षण के नवीनीकरण के लिये झूठे बयान देना भी शामिल है, अमेरिकी प्रावधानों की एक और विशेषता यह भी है कि उसमें बीमाकर्ता एवं बीमा अभिकर्ताओं की भी धोखाधड़ी संबंधी गतिविधियों को शामिल किया गया है। इतना ही नहीं धोखाधड़ी की गतिविधियों को अंजाम देने में सहायता करना भी अपराध माना गया है।

इस प्रकार अमेरिका में बीमा संबंधी मामले में किसी भी एक पक्ष द्वारा दूसरे पक्ष को सउद्देश्य आर्थिक अथवा अन्य किसी भी प्रकार की क्षति पहुंचा कर अवैध रूप से धन लाभ का प्रयास करना बीमा धोखाधड़ी के दायरे में आता है और बीमाधारक के

## केन्द्रीय मुद्दे

साथ ही बीमाकर्ता और अभिकर्ता को भी उसमें शामिल किया गया है। भारत में बीमा धोखाधड़ी का मामला कुछ विवादित दिखायी देता है। उसमें भी बीमा दावों के बारे में झुकाव अधिक है। इस प्रकार के दावों में निम्नलिखित पहलु आमतौर पर दिखायी देते हैं।

- दावों के अधिक खर्च अथवा मुआवजा भुगतान
- वास्तव में किसी तरह से रोके जाने योग्य दावों के तथ्यों में अनियमिततायें बरतकर उन्हें भुगतान योग्य बनाना
- बीमा विरहित व्यक्ति अथवा संपत्ति को बीमा के दायरे में दर्शाकर लाभार्जन के लिये कुछ अनियमितताओं को अंजाम देना
- दावों को मजबूत बनाने के लिये कुछ विशेष गतिविधियों को अंजाम देना

### धोखाधड़ी की मानसिकता:

मनुष्य की मानसिकता में ऐसा क्या है, जिससे वह धोखाधड़ी की गतिविधियों को अंजाम देता है? इस पहलु के किये गये अध्ययन से स्पष्ट हुआ है कि समाज आर्थिक सूचना के कारण ही धोखाधड़ी की प्रवृत्ति उत्पन्न होती है। हो सकता है कि प्रवृत्ति आर्थिक जरूरत के साथ ही सामाजिक अपराध बोध और वित्तीय संपन्नता की ललक के कारण उत्पन्न होती है। एक बार किसी प्रकार की धोखाधड़ी को सफल रूप से अंजाम दिया गया तो मन में भावना बनती है कि संपूर्ण व्यवस्था ही इस प्रकार की है, पूरा विश्व ऐसा ही करता है, यदि आपने धोखाधड़ी को अंजाम नहीं दिया, तो धोखाधड़ी आपको खत्म कर देगी। एक बार कोई बात खत्म हो गयी तो फिर कुछ भी मतबल नहीं हो सकता। धोखाधड़ी आजकल आर्थिक सम्पन्नता का महत्वपूर्ण हथियार बन चुकी है। हालाँकि वर्तमान परिप्रेक्ष्य में यह काफी घातक भी सिद्ध हो रहा है। यह निश्चित कर पाना कठिन होता है कि गलत क्या है?

भारतीय परिप्रेक्ष्य में कुछ मामलों पर विचार किया जाये, तो लगता है कि धोखाधड़ी कुछ हद तक सही है। छल-कपट से कुछ हासिल करने की संभाव्यता ही उसे अंजाम दिलाती है। इसीलिये जब तक संभव है, तब तक वह किया जाता है। कई लोगों का मानना होता है कि बीमाकर्ता लोगों से ही धन बीमा किशतों के रूप में जुटाते हैं। इसीलिये उनके साथ धोखाधड़ी करना कुछ भी अनुचित नहीं है। धोखाधड़ी को सामाजिक कलक नहीं माना जाता, इसीलिये भी इसे अंजाम देने

वालों को प्रोत्साहन मिलता है। यह भी तथ्य विचारणीय है कि हत्या जैसे जघन्य अपराधों में लिप्त लोग भी आपराधिक न्याय व्यवस्था में बाधा डालने में सक्षम हैं, इससे भी धोखाधड़ी की प्रवृत्ति को प्रोत्साहन मिलता है। इस प्रकार कहा जा सकता है कि धोखाधड़ी की प्रवृत्ति आत्मछल के कारण उत्पन्न होती है।

इसके अलावा बीमा और बीमाकर्ताओं के बारे में गलत धारणा भी भ्रष्टाचार के लिये प्रोत्साहन देने वाली सिद्ध होती है। अमेरिका में बीमा को लेकर जन जागरूकता का प्रतिशत काफी अधिक है।

बीमा धोखाधड़ी के खिलाफ गठबंधन (सीएआईएफ) द्वारा हाल ही में किये गये एक अध्ययन के अनुसार जब यह पूछा गया कि लोग बीमा धोखाधड़ी को क्यों अंजाम देते हैं? लगभग दो-तिहाई लोगों का कहना रहा है कि दावों के इतिहास का अवलोकन किये बिना प्रीमियम में भारी वृद्धि कर बीमा कंपनियाँ अनुचित लाभ अर्जित कर रही हैं। 10 में से लगभग 6 लोगों का कहना है कि आमतौर पर लोग अपने प्रीमियम का संतोषजनक पुनर्भुगतान चाहते हैं। लगभग 56 प्रतिशत लोगों का कहना है कि बीमा कंपनियों द्वारा मूल्य

भारतीय परिप्रेक्ष्य में कुछ मामलों पर विचार किया जाये, तो लगता है कि धोखाधड़ी कुछ हद तक सही है। छल-कपट से कुछ हासिल करने की संभाव्यता ही उसे अंजाम दिलाती है।

निर्धारण यही मानकर किया जाता है कि धोखाधड़ी होगी। मात्र 39 प्रतिशत लोगों का मानना है कि यदि बीमा कंपनियाँ ग्राहकों के साथ काफी अधिक सम्मान पूर्ण ढंग से बरताव करती हैं, तो उन पर विश्वास कम होने लगता है। 33 प्रतिशत का मानना है कि कई बार लोगों को बीमा पॉलिसी खरीदने के लिये जबरन मजबूर किया जाता है। 27 प्रतिशत लोगों का मानना है कि आवेदनों की सत्यता के बारे में कोई भी कुछ नहीं कह सकता। बीमा समझौते विरोधाभासी होते हैं। इन समझौतों में निहित त्याग ती भावना सही होती है, साथ ही राशि का भुगतान भी तुरंत किया जाता है। लेकिन लाभ के मामले में बेझिलपन अधिक होता है। बीमाधारक को दिये जाने वाले लाभों की पूर्ण जानकारी नहीं होती साथ ही प्राप्त होने वाले ब्याज

पर किये जाने वाले नियंत्रण के बारे में भी पता नहीं चलता। इन्हीं सारी खामियों के कारण धोखाधड़ी को अवसर मिलता है।

### बीमा धोखाधड़ी के परिणाम:

अमेरिका में बीमा धोखाधड़ी वार्षिक 80 से 100 बिलियन डॉलर तक होने का अनुमान है और इसे कर कटौती के बाद सफेदपोश अपराध के रूप में देखा जाता है। लगभग 10 से 15 प्रतिशत संपत्ति एवं अन्य सामान्य दावों के अलावा लगभग 15 से 18 प्रतिशत वाहन चोर धोखाधड़ी को ही अंजाम देते हैं। धोखाधड़ी के मामलों की पहचान करने के लिये वार्षिक लगभग 650 मिलियन डॉलर खर्च किये जाते हैं।

अमेरिका में प्रतिवर्ष होने वाली बीमा धोखाधड़ी की राशि यदि एकत्रित की जाये, तो वहाँ के 65 वर्ष से अधिक उम्र के सभी लोगों को दवाइयों की निःशुल्क आपूर्ति की जा सकेगी।

भारत की स्थिति भी इससे कुछ भिन्न नहीं हो सकती। हालाँकि इस बारे में कोई भी औपचारिक अध्ययन नहीं किया गया है। धोखाधड़ी युक्त दावों से बीमाकर्ता के दस्तावेजों में संतुलन की स्थिति खत्म हो जाती है। जिससे उनमें आवश्यक पहलुओं के तथ्य उपलब्ध नहीं रहते। ऐसे नुकसानदेह दस्तावेजों का पुनर्बीमा करना भी काफी खर्चीला सिद्ध होता है। अंतिम रूप से हसका भार प्रीमियम की राशि में वृद्धि के तौर पर आम ग्राहकों पर ही पड़ता है।

यदि स्पर्धा के कारण प्रीमियम में वृद्धि ही अंतिम उपाय हो, तो भी बीमाकर्ता बीमाधारण नियंत्रण कटौतियाँ एवं सुरक्षा के अन्य उपाय अजमाकर दावों की राशि कम करने का प्रयास करता है। इससे आबादी के उस ईमानदार लोगों पर असर पड़ता है, जो धोखाधड़ी करने वाले लोगों के वर्ग में शामिल होने का निर्णय कर लेते हैं या फिर बीमा पॉलिसियाँ नहीं खरीदने का निर्णय कर लेते हैं। इसका परिणाम पोर्टफोलियो पर भी पड़ता है। स्वास्थ्य बीमा जैसे क्षेत्रों में सीमित पहुँच इसी का एक उदाहरण है।

दूसरी और बीमाकर्ताओं के जाँच-पड़ताल तथा दावों के प्रबंधन पर भी भारी खर्च करना पड़ता है। परिणामतः दावों की प्रक्रिया का खर्च प्रीमियम में शामिल करने के अलावा इससे बीमाधारक की नाराजगी भी झेलनी पड़ती है। जाँच-पड़ताल के कारण दावों के निपटारे में समय लगता है। साथ ही न्यायपूर्ण ढंग से कार्य नहीं किये जाने पर निराशा का माहौल भी उत्पन्न होता है। इसका परिणाम बीमा क्षेत्र की लोकप्रियता पर भी पड़ता है और बीमा सुविधा के इच्छुक लोग भी दूर रहने का मन बनाते हैं।



### बीमा धोखाधड़ी के खिलाफ संघर्ष

जैसा कि इससे पूर्व भी बताया गया है कि बीमाक्षेत्र के विरोधाभासी स्वरूप के कारण धोखाधड़ी का पोषक माहौल बनता है, जो अन्य वित्त सेवाओं में दिखायी नहीं देता। इसी कारण बीमा धोखाधड़ी के खिलाफ संघर्ष के लिये भी बहुमुखी प्रयास जरूरी है।

धोखाधड़ी का दायित्व बीमाकर्ता पर ही होता है। बीमाकर्ता ही एकमात्र केन्द्र होता है जो धोखाधड़ी के बारे में सभी सबूत जुटा सकता है, जो न्यायिक परीक्षण के लिये आवश्यक हों। किसी प्रकार के निष्कर्ष पर पहुँचने से पूर्व पुख्ता सबूत जुटाना आवश्यक होता है। इसके अलावा जाँच पड़ताल के जरिये एवं आपसी सूझ-बूझ के माध्यम से बीमाकर्ता आवश्यक विवरण एवं जानकारी जुटा सकता है। यह भी महत्वपूर्ण होता है। बीमाकर्ताओं को यह समझ लेना चाहिये कि वह व्यापार के मामले में जहाँ एक-दूसरे के साथ प्रतिस्पर्धा करते हैं, वहीं जो बीमा धोखाधड़ी के मामले में उन्हें एक होना चाहिये। अमेरिका में बीमाकर्ताओं ने बीमा धोखाधड़ी जैसे अपराधों से निपटने के लिये एक अलग एजेन्सी की सेवायें लेना भी आरंभ कर दिया है, जिसे राष्ट्रीय बीमा अपराध ब्युरो (एनआईसीबी) के रूप में जाना जाता है। फिलहाल 90 वर्ष में कदम रख रही इस संस्था को लगभग 1000 संपत्ति / सामान्य बीमा कंपनियों एवं स्वयं बीमित संगठनों का समर्थन प्राप्त है।

फेडरल ब्युरो ऑफ इन्वेस्टिगेशन में 31 वर्ष तक कार्य कर चुके रॉबर्ट एम ब्रायन्ट फिलहाल एनआईसीबी के अध्यक्ष हैं। कई अन्य व्यावसायिक संगठन भी बीमा कंपनियों को धोखाधड़ी के मामलों से निबटने के लिये एनआईसीबी की तर्ज पर सहायता कर रहे हैं। साथ ही ऐसे संगठन बीमा धोखाधड़ी पर नियंत्रण के लिये अनुसंधान एवं नीति निर्धारण के कार्य में संलग्न हैं।

धोखाधड़ी से निबटने के नियमन एक अन्य पहलु है। बीमाकर्ता के पास पर्याप्त वैधानिक संसाधन होने चाहिये। जिन के जरिये अस्पताल, सरकारी विभाग, राजस्व अधिकारी आदि से जानकारी जुटाई जा सके। ताकि बीमाकर्ता न्यूनतम सबूतों के आधार पर न्यायालय में धोखाधड़ी का मामला साबित कर सके।

इब तक बीमाकर्ताओं को कुछ अतिरिक्त अधिकार नहीं दिये जाते, तब तक वह धोखाधड़ी के खिलाफ मानो लकड़ी की तलवार से ही संघर्ष करते रहेंगे। व्यापक जनहित के लिये वित्त आपूर्ति करने वाले के साथ ही साहस की भी जरूरत है।

इसी तरह बीमा क्षेत्र के लिये आवश्यक नियमन भी मजबूत होना अनिवार्य है। उदाहरण के तौर पर आज स्वास्थ्य बीमा क्षेत्र 1500 बिलियन डॉलर का है। भारत में इस उद्योग के लिये कोई औपचारिक नियमन नहीं है।

इससे बीमाकर्ताओं को समुचित उपचार संबंधी दस्तावेजों के अलावा चिकित्सकीय पृष्ठभूमि संबंधी दस्तावेज लेना भी आसान हो जाता है। इसी कारण धोखाधड़ी को काफी पोषक माहौल उत्पन्न हो जाता है। स्वास्थ्य बीमा संबंधी कोई नियमन नहीं होने से बीमाकर्ता छल-कपट का सहारा लेकर पॉलिसीधारकों के साथ धोखाधड़ी कर सकते हैं।

भारत में अपराधिक न्याय व्यवस्था काफी पचीदा एवं खर्चीली है। अपराधिक मामलों का निपटारा होने में वर्षों बीत जाते हैं। मामले की अंतिम सुनवाई के समय तक सबूत नष्ट कर दिये जाते हैं और गवाह खरीदे जाते हैं। हालांकि भारतीय दंड संहिता इस प्रकार की गतिविधियों पर रोक लगाने के लिये प्रावधान किये गये हैं, लेकिन न्यायपालिका को भी झूठे बयान देने वालों के खिलाफ कड़ी सजा देनी चाहिये। खासतौर पर मोटर अधिनियम के तहत तीसरे पक्ष के दावे में

बीमाकर्ता पॉलिसीधारकों से राशि एकत्रित कर बड़े पैमाने पर धन अर्जित करता है और प्रीमियम की दरों में मनमाने ढंग से बढ़ोतरी की जाती है। यह धारणा बदलने की जरूरत है।

न्यायपालिका की भूमिका विचारणीय है। ऐसे मामलों में धोखाधड़ी को काफी अधिक अवसर उपलब्ध होता है। न्यायपालिका को यह साबित करना चाहिये। मोटर वाहन अधिनियम की नो फॉल्ट लाइब्रिल्टी संबंधी परोपकारी धारा 190, और मुआवजा भुगतान संबंधी धारा 163ए नुकसानदेह नहीं है। इन धाराओं के तहत जो भी धोखाधड़ी का मामला सामने आता है, उसे सख्त से सख्त रूख अपनाकर निबटारा जाना चाहिये।

दूसरी ओर धोखाधड़ी करने वालों के खिलाफ शिकायत दर्ज करवाने में बीमाकर्ताओं को भी प्रतिबद्धता दर्शाना अनिवार्य है। फिलहाल धोखाधड़ी की पहचान कराने के प्रति जिम्मेदारी संबंधी बीमाकर्ताओं की रूचि सीमित दिखायी देती है। यदि इस बारे में अधिक विस्तार से

बताना हो, तो कहा जा सकता है कि बीमाकर्ताओं की अपने दस्तावेजों का बारीकी से अवलोकन करने वाले पर्याप्त सबूतों एवं तथ्यों के आधार पर मामले दायर करने चाहिये जब तक धोखाधड़ी की इस प्रवृत्ति के खिलाफ कोई कार्रवाई नहीं की जाती, तब तक इस अपराध को चुपचाप ढंग से अंजाम दिया जाता रहेगा।

अंतिम लेकिन छोटीसी बात यह कही जा सकती है कि बीमाकर्ताओं को भी विश्वसनीयता बनाये रखने के लिये सेतु बनाने के कार्य ध्यान देना चाहिये, जिससे की प्रत्येक पॉलिसीधारक को यकीन हो जाये कि बीमाकर्ता उसके प्रति ईमानदार है। पारदर्शिता, बीमा कराने और दावों के निपटारे, उपभोक्ता प्रशिक्षण, विपणन नीतियाँ एवं ग्राहकों के साथ बेहतर संबंध की स्थापना। आज भी ऐसे मुद्दे हैं जिन पर कार्य की जरूरत है। आपसी आदान-प्रदान को बढ़ावा देने के लिये सबसे पहले ईमानदारी को अमल में लाया जाना चाहिये। आमधारणा यह है कि बीमाकर्ता पॉलिसीधारकों से राशि एकत्रित कर बड़े पैमाने पर धन अर्जित करता है और प्रीमियम की दरों में मनमाने ढंग से बढ़ोतरी की जाती है। यह धारणा बदलने की जरूरत है। यह लक्ष्य पारदर्शी और नियमित व्यवसाय से ही साध्य हो सकता है।

यह एक जारी संघर्ष है और इससे पूर्व भी बताया गया है कि कोई भी यह नहीं बता सकता कि इसमें जीत किसकी होगी। यह संघर्ष अंतहीन है और यह जारी रहेगा। हालांकि भारत में बीमा धोखाधड़ी कोई बड़ी आर्थिक अपराध नहीं है लेकिन सब कुछ बीमा क्षेत्र के रहस्य के कारण ही है। यही सही समय है समूचे बीमा व्यवसाय को धोखाधड़ी के खिलाफ संगठित किया जाये। जैसे-जैसे बाजार का विस्तार होगा, धोखाधड़ी एक महत्वपूर्ण मुद्दा बनता जा रहा है। इसीलिये समूचे बीमा व्यवसाय को संगठित करना आवश्यक है। हाथी के समान इस दुश्मन का चींटी के समान छोटा बनकर मुकाबला करना अनिवार्य है।

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लेखक एक प्रशिक्षित कंपनी सचिव और भारतीय बीमा संस्थान के सदस्य हैं तथा अहमदाबाद में स्थायी रूप से परामर्शदाता के रूप में सेवारत हैं। इनसे [armanoza@hotmail.com](mailto:armanoza@hotmail.com) पर संपर्क किया जा सकता है।

# Report Card: GENERAL

G. V. Rao

## Growth rate zooms up to 31.4 percent in June 2006

If one thought of the business growth achieved in May 2006, at 27.5 percent as spectacular; the recorded growth rate of 31.4 percent in June 2006 can be termed as almost breath-taking. The first quarter 2006 performance, consequently, has ended in an extraordinary growth rate of 23.4 percent and it is up on the 21.7 percent growth at

the end of May 2006. What more surprises the market will have in the ensuing months, none can predict! The non-life market at the moment looks almost unstoppable in its growth trajectory. It is a very comfortable position to be in.

### Performance in June 2006:

June 2006 has recorded an accretion in

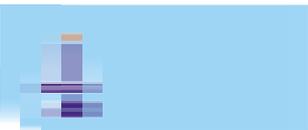
market premiums by Rs.456 crore (31.4 percent); the new players having added Rs.320 crore and the established ones Rs.136 crore. ICICI - Lombard with an accretion of Rs.121 crore retains its dominant position and is followed by IFFCO-Tokio with Rs.99 crore; Reliance with an accretion of Rs.44 crore and Bajaj Allianz with Rs. 34 crore make up

### GROSS PREMIUM UNDERWRITTEN FOR AND UP TO THE MONTH OF JUNE 2006

(Rs.in lakhs)

INSURER	PREMIUM 2006-07		PREMIUM 2005-06		GROWTH OVER CORRESPONDING PERIOD OF PREVIOUS YEAR
	FOR THE MONTH	UP TO THE MONTH	FOR THE MONTH	UP TO THE MONTH	
Royal Sundaram	4,325.98	15,528.15	3,755.00	12,035.00	29.02
Tata-AIG	5,117.78	22,216.51	4,084.33	16,896.64	31.48
Reliance General	5,405.06	16,419.10	711.08	4,773.60	243.96
IFFCO-Tokio	12,327.69	36,451.67	2,387.67	23,628.39	54.27
ICICI-lombard	22,422.01	81,373.96	10,322.90	42,339.04	92.20
Bajaj Allianz	12,436.68	44,966.16	9,049.58	31,904.31	40.94
HDFC CHUBB	1,369.97	4,438.33	1,699.00	4,242.32	4.62
Cholamandalam	2,101.02	7,967.87	1,478.06	7,166.27	11.19
New India	38,375.00	135,997.00	33,688.00	116,823.00	16.41
National	30,804.00	97,009.00	28,965.00	94,187.00	3.00
United India	26,163.00	97,117.00	23,398.00	89,479.00	8.54
Oriental	29,933.00	103,433.00	25,711.00	93,762.00	10.31
PRIVATE TOTAL	65,506.19	229,361.74	33,487.62	142,985.57	60.41
PUBLIC TOTAL	125,275.00	433,556.00	111,762.00	394,251.00	9.97
GRAND TOTAL	190,781.19	662,917.74	145,249.62	537,236.57	23.39
<b>SPECIALISED INSTITUTIONS:</b>					
ECCG	6,040.37	13,710.24	4,718.92	13,435.87	2.04
Star Health & Allied Insurance*	13.01	16.82	0.00	0.00	

\* Commenced operations on 18th May, 2006



Rs.298 crore of the total accretion of Rs.320 crore of the new players These four players are fast emerging as the trend setters for market growth in the fast expanding non-life market.

For the established players, it is good news that National Insurance is back in the growth business. The four players have cumulatively achieved a growth rate of 12 percent, an improvement over their May growth rate of 11.5 percent. But this has not helped them to arrest the drop in their monthly market share: they have lost further ground in June 2006 by another 9 percent. The new players have consolidated their market at about 34 percent monthly and cumulatively in the current fiscal.

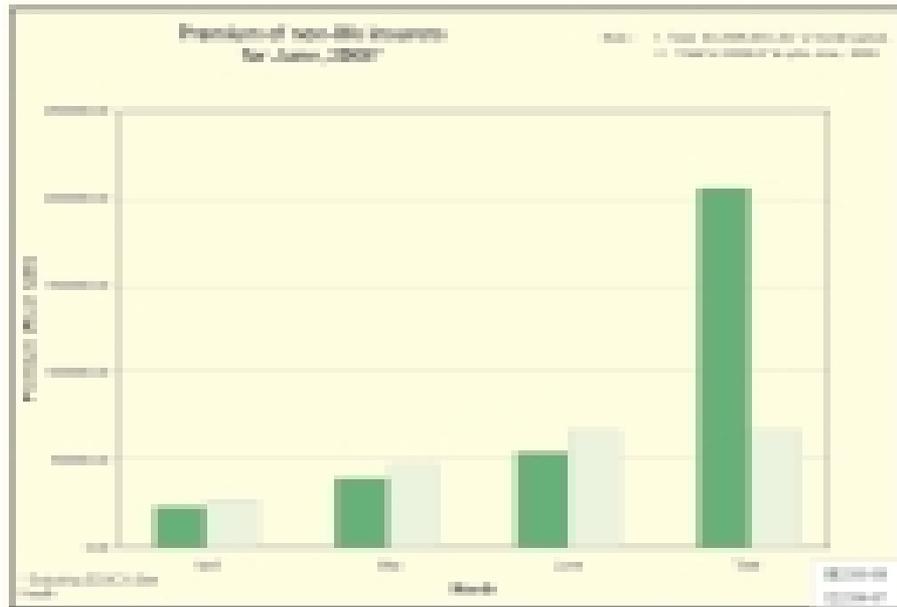
The market has shown an unusual dynamism, driven by consumer demand and confidence for insurance products; but the swings in the consumer moods are not blowing as strongly in favour of the established players, as they are for the new players.

**Performance up to June 2006:**

The first quarter performance has a special flavor for market players indicating the trends likely to emerge for the remainder of the fiscal; and for them to make particular efforts to regroup and strategize their business plans. Further, 2006/07 may perhaps be the last year before tariffs are dismantled. Holding on and expanding customer base gives one an added advantage of familiarity and relationship to sustain and prevail in price negotiating deals, next year.

**Five Centurions:**

The market has grown in premium income by Rs.1257 crore in the first quarter 2006/07 at a growth rate of 23.4 percent. The new players have added Rs.864 crore and the established ones



Rs.393 crore. There are five centurion accretioners in the list of 12 in the first quarter of 2006/07. ICICI-Lombard heads the list with a massive Rs.391 crore, New India with Rs.192 crore, IFFCO-Tokio with Rs.139 crore, Bajaj-Allianz with Rs.131 crore and Reliance with Rs.116 crore. (Just behind them is Oriental Insurance with Rs.96 crore).

These five players have added Rs.969 crore, over 77 percent of the market accretion of Rs.1257 crore. The business strategies of these five would perhaps dictate the growth trends in the rest of the financial year.

**Final word:**

The list of market boomers is rapidly growing. The established players are rediscovering their market rhythm and are showing consistent growth rates of around 12 percent and have shown a newfound determination to woo customers. National Insurance seems to have bounced back in the market for business. Reliance is turning out to be a fast growing insurer. The market is now peopled by more players that want

more customers and more business than ever before.

At the rate at which the market is growing, it is risky for anyone to predict future trends. There is an air of assuredness and confidence among all the players that the riches of premium in the market can be extracted less onerously than many thought it was necessary. The consumers are responding more responsively to overtures for buying insurance products in greater numbers than before. The market has outwitted the pundits of the earlier era, who expected the market to grow but less spectacularly than it is doing now. The liberalization move seems to have struck the right chords at all the right places. The market is on a roll.



*The author is retired CMD, The Oriental Insurance Company Ltd. He may be contacted at gvrao70@gmail.com*

# Non-Life Market in 2005/06

Robust & Allround Growth

G. V. Rao

## An excellent performance in 2005/06:

The provisional and un-audited portfolio performance of the various players in the non-life market for the FY 2005/06 has been released. And what an impressive performance it has turned out to be! The market premium grew from about 12.6 percent in 2004/05 to 16.6 percent. The fire premium grew

from a meager 5.37 percent in 2004/05 to an impressive 13.6 percent in 2005/06; the motor premium grew yet again by 16 percent in 2005/06. The health premiums grew from an already high 28.6 percent to a higher growth of 35 percent: covers titled 'all others' grew from 12.6 percent to 16.5 percent. The disappointment, if any, is in the growth in the marine segment that had a growth

rate of 3 percent in 2005/06 (9.75 percent in the previous year).

## Quantum jumps:

A different perspective of looking at the forces driving the market is also to look at the premium quantum jumps in 2005/06 in comparison with those in 2004/05. This would show more clearly the driving forces of consumer buying in 2005/06. (Figures shown in brackets

### GROSS PREMIUM UNDERWRITTEN BY NON-LIFE INSURERS WITHIN INDIA (S

Sl No.	Insurer	Year	Fire	Marine	Marine Cargo	Marine Hull	Engineering	Motor	Motor
1	Royal Sundaram	2005-06	9,159.68	1,667.88	1,609.84	58.04	2,781.33	23,094.94	20,800.00
		2004-05	6,301.16	1,680.31	1,632.31	48.00	2,748.41	16,095.16	14,000.00
2	TATA-AIG	2005-06	11,899.60	4,911.50	4,911.50	0.00	2,170.99	25,934.27	23,900.00
		2004-05	8,805.47	4,123.37	4,123.37	0.00	1,441.75	20,499.13	18,900.00
3	Reliance	2005-06	4,668.24	2,074.87	1,017.50	1,057.37	2,373.35	2,651.45	2,600.00
		2004-05	4,465.95	4,674.43	1,147.83	3,526.60	1,102.32	1,709.67	1,600.00
4	IFFCO Tokio	2005-06	22,643.00	4,624.34	3,611.12	1,013.22	6,581.58	37,968.64	31,800.00
		2004-05	17,462.18	3,094.87	2,794.62	300.25	4,750.90	16,053.47	13,800.00
5	ICICI Lombard	2005-06	31,187.05	8,570.73	4,213.59	4,357.14	8,598.32	45,880.14	40,400.00
		2004-05	28,442.32	8,252.55	3,916.56	4,335.99	9,652.11	12,889.19	11,200.00
6	Bajaj Allianz	2005-06	36,112.91	5,941.85	4,477.42	1,464.43	10,065.89	53,432.46	35,600.00
		2004-05	22,235.71	4,495.59	3,395.50	1,100.09	8,743.17	34,913.48	23,200.00
7	HDFC Chubb	2005-06	557.59	171.61	171.61	0.00	315.20	15,489.83	14,600.00
		2004-05	180.60	49.60	49.60	0.00	103.52	15,675.23	14,700.00
8	Cholamandalam	2005-06	7,307.09	1,699.85	1,667.12	32.73	2,071.45	5,235.18	4,700.00
		2004-05	4,850.35	1,590.38	1,420.73	169.64	1,002.70	5,517.11	4,500.00
9	New India	2005-06	83,962.91	29,978.47	14,933.76	15,044.71	14,470.49	217,450.15	139,400.00
		2004-05	78,887.85	25,248.99	14,683.14	10,565.85	14,380.03	181,820.01	117,600.00
10	National	2005-06	48,438.24	17,272.91	12,910.11	4,362.80	11,299.35	179,901.60	133,300.00
		2004-05	50,161.40	24,452.99	15,294.86	9,158.13	11,176.30	198,626.66	138,100.00
11	United India	2005-06	64,504.91	20,244.16	12,501.07	7,743.09	18,646.47	113,819.48	70,300.00
		2004-05	59,090.74	24,379.82	12,810.59	11,569.23	15,854.27	112,771.74	71,400.00
12	Oriental	2005-06	54,858.00	32,446.00	16,626.00	15,820.00	18,684.00	149,359.00	97,900.00
		2004-05	49,395.10	23,541.63	12,575.75	10,965.88	15,386.66	133,875.63	87,400.00
	<b>Grand Total</b>	2005-06	375,299.22	129,604.17	78,650.64	50,953.53	98,058.41	870,217.14	615,700.00
		2004-05	330,278.83	125,584.52	73,844.86	51,739.66	86,342.15	750,446.48	517,000.00
<b>SPECIALISED INSTITUTIONS</b>									
13	ECGC **	2005-06							
		2004-05							

\* Previous year data may not be comparable with the audited published figures.

\*\* Pertains to Credit Insurance.



are for 2004/05). Fire premium grew by Rs 450 crores (Rs 171 crores): Marine grew by Rs.40 crore (Rs.113 crore): Engineering grew by Rs.117 crore (Rs.128 crore): Motor grew by Rs.1198 crore (Rs.1034 crore): Health premiums grew by Rs.587 crore (Rs.387 crore): Liability grew by Rs.50 crore (it had dropped by Rs.10 crore). PA grew only by Rs.92 crore (Rs.150 crore), a little disappointing. Thus, Motor with Rs.1198 crore, Health with Rs.587 crore and Fire with Rs.450 crore dominate about 80 percent of the growth scene.

**Market forces:**

The growth in fire premium may be largely ascribed to the fears the Mumbai

floods and Tsunami caused in the minds of buyers. Higher sums insured and fresh buying and higher rates for mega risks must be the driving factors. The fall in the marine premium is mainly in the hull segment following dismantling of hull tariffs. The cargo premium increase is constant at Rs.50 crore. Health premiums grew by a massive Rs.587 crore stressing its emerging priority in the personal lines insurance schemes. Another sector that has grown is the liability segment that has seen a growth of 14% in 2005/06. The clear winners of 2005/06 are: Motor, Health and "all others".

**Composition of market:**

These growth rates have changed the composition pattern of major portfolios: Fire is 18.4 percent (18.8 percent); Marine is 6.3 percent (7.2 percent); Engineering is 4.2 percent (4.9 percent); Motor 42.6 percent (42.8 percent); Health 11 percent (9.5 percent); all others 10 percent (10 percent). The Liability section remains at 2 percent and the Personal Accident section at 2.8 percent.

**Established players:**

The established players that had dropped their Fire premiums in 2004/05 by Rs.37 crore improved on it by

**S WITHIN INDIA (SEGMENT WISE) : 2005-06\* (PROVISIONAL & UNAUDITED)**

Rs. in Lakhs

otor	Motor OD	Motor TP	Health	Aviation	Liability	Personal Accident	All Others	Grand Total
094.94	20,801.61	2,293.33	4,987.76	0.00	670.47	2,403.68	591.70	45,357.44
095.16	14,031.76	2,063.40	2,966.18	0.00	458.13	2,323.69	497.71	33,070.77
934.27	23,956.27	1,978.00	3,061.67	2.22	5,760.92	5,847.84	1,649.58	61,238.59
499.13	18,962.74	1,536.39	2,663.86	2.90	4,748.17	3,909.40	692.76	46,886.82
651.45	2,619.17	32.28	860.59	699.75	494.52	598.15	1,812.13	16,233.05
709.67	1,619.04	90.63	797.17	632.14	770.48	448.63	1,567.63	16,168.42
968.64	31,872.85	6,095.79	5,196.70	72.69	1,008.91	1,664.54	9,850.57	89,610.97
053.47	13,899.26	2,154.21	2,831.72	0.00	569.00	1,502.41	3,863.55	50,128.10
880.14	40,404.71	5,475.43	27,445.90	1,659.83	6,089.59	7,624.75	22,143.27	159,199.58
889.19	11,225.93	1,663.26	11,877.75	789.63	7,196.26	5,135.11	4,281.79	88,516.71
432.46	35,621.64	17,810.82	9,756.97	481.24	2,380.87	1,555.23	9,040.36	128,767.78
913.48	23,275.65	11,637.83	7,055.55	90.57	1,400.58	1,034.86	5,637.90	85,607.41
489.83	14,680.43	809.40	454.68	0.00	281.16	1,225.41	1,741.93	20,237.41
675.23	14,766.85	908.38	197.78	0.00	168.35	763.87	1,244.79	18,383.74
235.18	4,786.28	448.89	2,110.96	93.88	1,307.78	1,257.39	958.41	22,042.00
517.11	4,553.29	963.81	2,011.23	113.97	1,089.40	313.83	520.88	17,009.83
450.15	139,434.64	78,015.51	66,928.31	11,684.60	6,433.83	9,577.93	38,574.85	479,061.54
820.01	117,689.82	64,130.19	47,970.20	15,515.53	5,857.10	7,337.50	44,064.27	421,081.48
901.60	133,303.86	46,597.74	33,044.10	6,660.27	4,067.20	7,237.34	44,486.60	352,407.61
626.66	138,113.53	60,513.13	31,855.72	3,885.75	3,751.21	9,208.55	46,871.94	379,990.52
819.48	70,329.26	43,490.22	35,925.50	3,704.23	6,637.14	9,839.66	42,125.02	315,446.57
771.74	71,430.42	41,341.32	29,390.79	482.85	5,264.93	8,770.71	38,439.76	294,445.61
359.00	97,949.00	51,410.00	35,981.00	14,951.15	5,828.00	9,705.00	30,702.00	352,514.15
875.63	87,437.97	46,437.66	27,347.14	11,681.32	4,677.46	8,605.41	27,268.66	301,779.01
217.14	615,759.72	254,457.41	225,754.14	40,009.87	40,960.40	58,536.93	203,676.42	2,042,116.70
446.48	517,006.27	233,440.21	166,965.09	33,194.66	35,951.07	49,353.97	174,951.64	1,753,068.41
							57,846.49	57,846.49
							51,554.50	51,554.50

## STATISTICS - NON-LIFE INSURANCE

recording an accretion of Rs.143 crore, an impressive record indeed. In Marine, they have been able to hang on to the accretion of Rs.22 crore. In Engineering, they have recorded an accretion of Rs.62 crore over the last year figure of Rs.25 crore. In Motor, they have contained their accretion to Rs.335 crore against their growth of Rs.526 crore. In Health segment, they have pushed gears to record an accretion of Rs.301 crore in 2005/06 as against Rs.224 crore in 2004/05. In Liability, they have grown by Rs.33 crore in 2005/06 after dropping the growth in 2004/5 by Rs.53 crores; a significant change indeed. In the PA segment the established players have soft-pedaled their growth drive in 2005/06. Clearly Fire, Engineering, Liability and Health segments have been the major business drivers of the established players.

### **New Players:**

The new players have selectively exceeded the quantum accretions of the established players; the figures in the brackets are the accretions recorded by the established players: in Fire Rs.307 crore (Rs.143 crore); in Marine Rs.17 crore (Rs.13 crore); in Motor Rs.862 crore (Rs.335 crore). The new players are thus seen to have dominated the Fire, Marine and Motor sectors in 2005/06. In Engineering, their accretions are only marginally lower at Rs.56 crore (Rs.62 crore); Health Rs.236 crore (Rs.301 crore). Their total premium accretion is Rs.1868 crore as against that of the established players of Rs.1021 crore. The new players have achieved 65 percent of the market increases in premiums.

### **Is the Motor bogey a valid one now?**

To take this much debated example: Motor business grew for the market in 2005/06 by Rs.1200 crore. This growth

was funneled by the new players to the extent of Rs.862 crore and the established players only by about Rs.338 crore. The market share of the new players in Motor has risen to 24 percent in 2005/06 up from 16.4 percent in the 2004/05. The Motor TP premiums of new players grew by Rs.60 crore against Rs.72 crore of the established players. The charge of discriminatory underwriting behavior in Motor by the new players is wearing to be quite thin.

### **The stars and the starry-eyed:**

The ICICI-Lombard that is heading the new players league has shown a surprising pattern of growth; it has yielded place to Bajaj-Allianz in Fire,

The new players have shown that they are not afraid to enter Motor segment in a big way; and that they are tough players in the Health sector too.

Engineering and in Motor. It has retained its top position among the new players in Marine, more demonstrably in Health and in "all others"; and in Personal Accident far ahead of most of the other new players.

Next to New India that has recorded the highest Health premium growth of Rs.189 crore in 2005/06, ICICI-Lombard ranks second with Rs.156 crore. These two together have contributed Rs.345 crore to the overall growth of Rs.587 crore in the Health sector, showing that the insurers are still unable to get their act together on this segment that would play an even more important role in future developments.

In the Fire segment, Bajaj-Allianz has recorded an accretion of Rs.140 crore;

leaving aside New India the next ranked one with an accretion of only Rs.55 crores. Such has been the domination of the growth of Bajaj-Allianz in the Fire market.

In the Motor segment, New India leads the market growth with an accretion of Rs.356 crore to be brilliantly chased by ICICI-Lombard with an accretion of Rs.330 crore. Next ranked is IFFCO-Tokio with an accretion of Rs.220 crore. Clearly, the pattern of chase for business in Motor is changing quite dramatically. The performances show the interesting distinctions between the stars and the starry-eyed players.

Among the non-life insurance players, National is the only one that dropped its premiums overall and in Fire, Marine, Motor, PA and "all other" segments. Its gains have been marginal in Health and Liability segments; and a little better in the Aviation sector.

### **Final word:**

The above analysis indicates the trends, the strategies and the capabilities of each player and the pressures the market generates on it. The new players have shown that they are not afraid to enter Motor segment in a big way; and that they are tough players in the Health sector too. The business model of each sector is so different: the new players have a highly centralized system of decision-making and restricted infrastructure of offices, whereas the established players have a highly decentralized system of operations, huge financial strength and a large infrastructure. Is it the business model or the hunger for business or the lack of it that drives them to grow? The market, in any case, has reason to be pleased with the developments in 2005/06.

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*The author is retired CMD, The Oriental Insurance Company Ltd. He may be contacted at [gvr Rao70@gmail.com](mailto:gvr Rao70@gmail.com)*

## INSTITUTE OF INSURANCE AND RISK MANAGEMENT (IIRM)



Ms. L.V. Radhika Krishnan receiving the Lloyd's Annual Scholar Prize from Dr. C. Rangarajan. The others in the photograph are Mr. C.S. Rao, Chairman, IRDA; and Mr. Vepa Kamesam, Managing Director, IIRM.

The Convocation Ceremony for the second batch of students of Institute of Insurance and Risk Management (IIRM) was held on 27<sup>th</sup> July, 2006 at Hyderabad. The Convocation Address was delivered by Dr. C. Rangarajan, Chairman, Economic Advisory Council to the Prime Minister; former Governor, Reserve Bank of India; and former Governor, Andhra Pradesh.

While delivering his Convocation Address, Dr. Rangarajan commented upon the growth of the insurance industry in the country, in the post-liberalization scenario. He said that the

competitive environment is leading to a situation where there would be an intense need for insurance professionals. While congratulating the students for choosing the insurance domain, he further exhorted that it is not merely in the

insurance industry that the subject of risk management is pertinent; but it encompasses several other areas of business and finance. In his concluding remarks, Dr. Rangarajan emphasized the importance of three factors for the success of insurance players: Product Innovation, Appropriate Pricing, and Speedy settlement of Claims. Mr. Vepa Kamesam, Managing Director, IIRM informed that all the students of the institute who have completed the diploma course, have been decently placed in the industry.

(Contd...)

IIRM is a unique institute set up in the year 2002 jointly by the Insurance Regulatory and Development Authority (IRDA); and the Government of Andhra Pradesh, at Hyderabad. It offers one year Post Graduate Diploma courses in insurance and risk management. The Chairman of IRDA is the ex-officio Chairman of the institute, which also has two nominees from the Govt. of AP on its Board, among others. Mr. Vepa Kamesam, Former Managing Director of State Bank of India; and former Deputy Governor, Reserve Bank of India; is the

Managing Director of the institute.

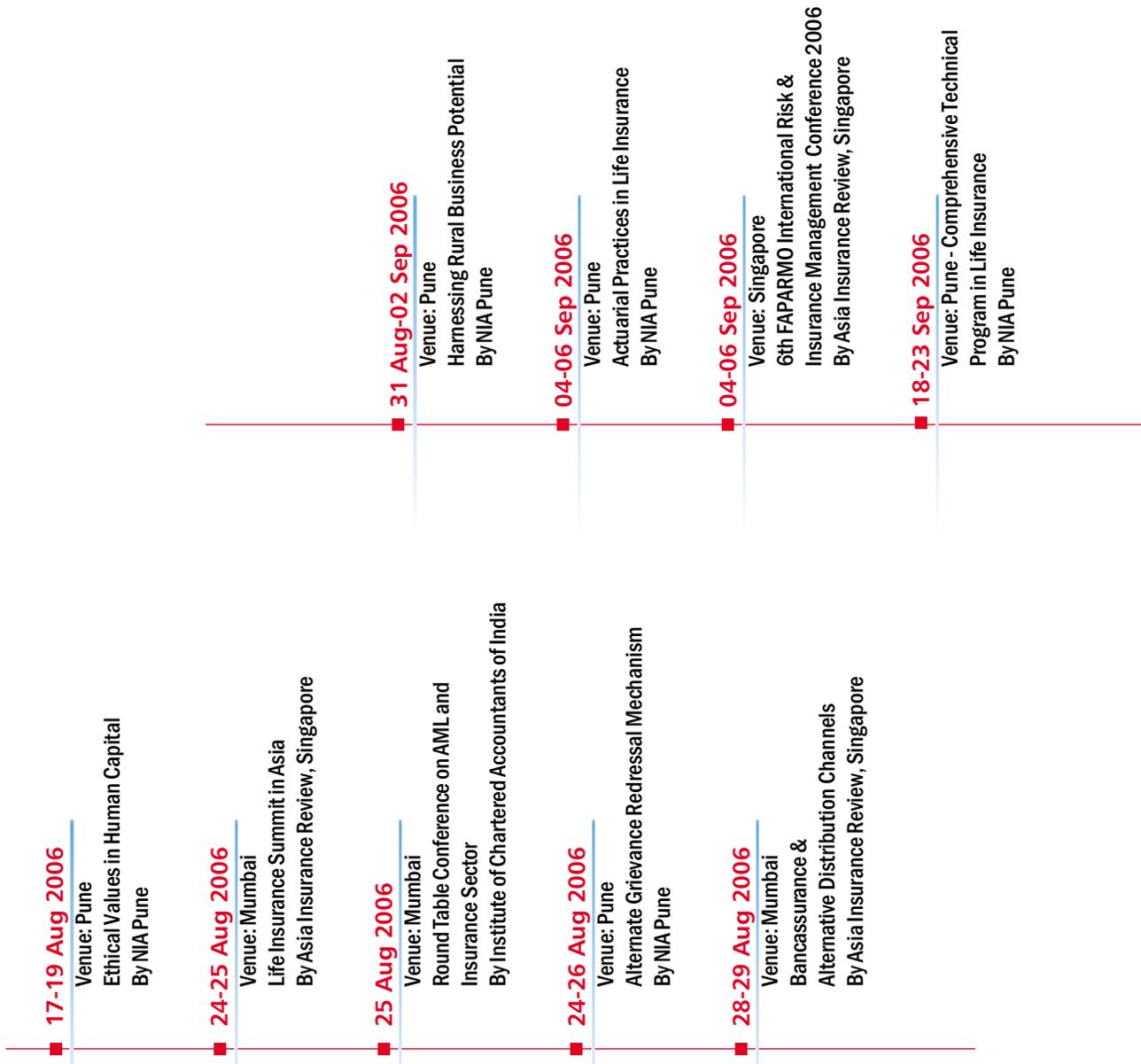
It is of special significance that the Chartered Insurance Institute (CII), London has granted accreditation for seven out of ten subjects for the post-graduate diploma in Life and General Insurance branches of IIRM. Further, the Lloyd's of London has instituted an Annual Scholar Prize of £1000, along with a gold medal to the highest scoring student, commencing from the academic year 2005-06. The award has been announced initially for a period of three years; and would be

taken up for a review in the year 2008.

Ms. Radhika L.V. Krishnan, who passed out of the institute in March, 2006 under the General Insurance branch is the first recipient of the award. IRDA Journal congratulates Ms. Radhika for the unique distinction.



Mr.C.S. Rao handing over a memento to Dr. C. Rangarajan. Also seen is Mr. Vepa Kamesam."



## ◀ VIEW POINT ▶

“ Insurance sector must act on three guiding principles: it must charge premium no higher than what is warranted by strict actuarial considerations; invest the funds for obtaining maximum yield for the policy holders consistent with the safety of capital; and render efficient and prompt service to policy holders.”

- Dr. C Rangarajan, Chairman,  
Economic Advisory Council to the Prime Minister.

“ The impressive growth of insurance premiums in emerging markets led by Asia; coupled with its relatively low penetration rates, has resulted in substantial opportunities for insurance companies. Leading insurers have therefore made expanding in Asia a key focus.”

- Ng Nam Sin, Executive Director,  
Monetary Authority of Singapore.

“ Unlike the modernization of banking and securities of the late 1990s under the Gramm-Leach-Bliley Act, the insurance industry remains subject to a patchwork of state regulations that have stifled competition, innovation and growth.”

- U.S. Senator John Sununu,  
while introducing the National Insurance Act of 2006.

“ As India readies itself for the second phase of insurance reforms, detariffing should not lead to a free-for-all situation and chaos.”

- Mr. C.S. Rao, Chairman,  
Insurance Regulatory and Development Authority (IRDA).

“ The approach to insurance must be in tune with the changing times. The mission of the insurance sector in India should be to extend the insurance coverage over a larger section of the population and a wider segment of activities.”

- Dr. C Rangarajan, Chairman,  
Economic Advisory Council to the Prime Minister.

“ The figures showed that reforms to public liability laws were making insurance more affordable and available.”

- Ms Kerrie Kelly, CEO of Insurance Council of Australia, commenting on the public liability insurance premiums and professional indemnity insurance premiums in 2005.