



# Journal



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## *From the Publisher*

Technology is playing a vital role in the conduct of business, irrespective of the size of its operations and the line of activity. It provides managements with vital data and information; and enables them to take crucial decisions based on reliable data. It needs no emphasis that the role of technology is much more critical in such classes of business where the need for information base is vital for its success. Insurance is one such class of business; and especially as it deals with vast numbers, a proper database is absolutely essential for its success in the long run.

The use of technology also depends on the extent of maturity levels in a particular market. While most of the fresh business in developed markets is technology-driven, emerging markets like the Indian one cannot boast of it, as yet. The eye-ball contact is still very much required in such markets for contracts to be consummated. In such a scenario, the dynamics of technology could be leveraged for improving functions like customer service and thereby enhancing their brand image which would eventually lead to a spurt in their business levels.

Acquisition of technology is a high cost proposition. Further, by its very nature, technology suffers from an inherent disadvantage of becoming obsolescent very soon. Hence, it is a very crucial decision for the managements to invest in new technology. **'Insurance industry and use of technology'** forms the focus for this issue of the **Journal**. Experts in the field write in detail about the hardships they have faced in attuning their organizations to the growing demands of embracing technology.

Settlement of claims forms the culmination of an insurance contract. The performance of a company is finally judged by the manner in which this job is accomplished by the insurer. A timely and hassle free settlement of a claim is what the client looks forward to. Claims settlement is the subject of focus for the next issue of the journal and we will be bringing you various perspectives and viewpoints in this vital area of management.

*C.S. Rao*  
C.S.RAO



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## *In Tune with the times . . .*

Information Technology has totally transformed the corporate world. Services of any kind - be it an airline/railway ticket booking; withdrawal from one's bank account; or the more mundane ones like ordering a pizza - are just a mouse click away. Unless a business entity is equipped with the updated technology, it not only is likely to lose out in the competition, but it could also affect its long-term interests.

Corporate entities should make use of technology in order to provide their customers with the best of services. While it is a universal fact that getting a new client is far more complicated than retaining an existing one, the failure on the part of the management to render top-class service could lead to client attrition. This, in the long run, could make a big dent in their reputation and brand image.

Insurance business is such that there is a great need for information. Besides, it deals with large numbers and hence, it is absolutely essential that technology is embraced in order that information is collected, stored and accessed systematically so that it can be made use of, as and when required. Further, it is essential that insurers share information at least in such vital areas where there is a tendency on the part of fraudulent elements to exploit the advantage of multiple players. If such trends have to be arrested, sharing a common platform of information aided by the latest technology is essential, sooner or later.

Acquiring the latest gadgets and the associated technology is replete with huge costs. Further, it is common knowledge that the rate of obsolescence in this domain is very high. Hence, a lot of thinking has to go into it before any major investments are made.

Technology in the insurance industry is the focus of this issue of **IRDA Journal**. We have several practitioners and players focusing on the huge advantages that accrue to players on account of technology upgradation. Initially, Tia Sawhney, Alam Singh and Rich Moyer highlight the uses of Information Technology in the domain of Health Insurance and Managed Care, with specific reference to the Indian market. We have J.B. Bhaskar emphasizing on the advantages for an insurer by acquiring technology in the area of customer service in long term contracts; and explaining what his organization does to achieve success in that area.

While the importance of information in risk management and insurance is talked about, it is possible that information itself suffers from a few risks. Edgar Balbin and R N K Prasad take a look at some such risks and the ways to protect it. One admitted advantage in embracing technology is the speed associated with it. Anita Pai describes how the process of underwriting and policy issue can be hastened by use of modern methods. S.K. Kapahi throws light on how technological advancement is essential to stay in business; and prosper.

The IT system should provide the impetus for change in the way we transact business and this fact is brought home succinctly by LN Pai. Finally Dr.Vishnu Kanhere takes a ring-side view of the role of technology as a dynamic management tool.

We also have in this issue the statistics of business done in the life and non-life segments during the month of February. The next issue of the journal will focus on the importance of claims settlement. Several writers with varied experience will be writing on the different perspectives of this crucial insurance function.

**U. Jawaharlal**



# Report Card:LIFE

## Premiums rise 52% up to February, 2006

### Individual premium:

The life insurance industry underwrote Individual Single Premium of Rs.829823.70 lakh upto February, 2006 of which the private insurers garnered Rs.157094.99 lakh and LIC garnered Rs.672728.71 lakh. The corresponding figures for the previous year were Rs.304902.16 lakh for the industry with private insurers underwriting Rs.53420.97 lakh and LIC Rs.251481.19 lakh. The Individual Non-Single Premium underwritten during April, 2005 - February, 2006 was Rs.1422121.26 lakh, of which the private insurers underwrote Rs.516518.46 lakh and LIC Rs.905602.80 lakh. The corresponding figures for the previous year were Rs.1132713.83 lakh of which the private insurers underwrote Rs.273392.52 lakh and LIC Rs.859321.31 lakh.

### Group premium:

The industry underwrote Group Single Premium of Rs.337055.55 lakh of which the private insurers underwrote Rs.31920.57 lakh and LIC Rs.305134.98 lakh; the lives covered being 10609432, 698644 and 9910788 respectively. The corresponding figures for the previous year were Rs.260387.43 lakh with private insurers underwriting Rs.26897.04 lakh and LIC Rs.233490.39 lakh; and the lives covered being 4395731, 474002 and 3921729 respectively. The Group Non-Single Premium underwritten during April, 2005 - February, 2006 was Rs.39629.99 lakh and was underwritten entirely by the private insurers, covering 2252613 lives. The corresponding figures for the previous year were Rs.28197.12 lakh and covering 1765216 lives.

### Segment-wise segregation:

A further segregation of the premium underwritten during the period indicates that Life, Annuity, Pension and Health contributed Rs.1874853.49 lakh (71.40%), Rs.132887.97

lakh (5.06%), Rs.617596.41 lakh (23.52%) and Rs.593.08 lakh (0.02%) respectively to the total premium. In respect of LIC, the break up of life, annuity and pension categories was Rs.1191879.12 lakh (63.28%), Rs.121391.46 lakh (6.45%) and Rs.570195.91 lakh (30.27%) respectively. In case of the private insurers, Rs.682974.37 lakh (91.99%), Rs.11496.51 lakh (1.55%), Rs.47400.50 lakh (6.38%) and Rs.593.08 lakh (0.08%) 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 55.07% of the business was underwritten in the non-linked category, and 44.93% in the linked category, i.e., Rs.1446072.97 lakh and Rs.1179857.98 lakh respectively. In case of LIC, the linked and non-linked premium was 30.96% and 69.04% respectively, as against which for the private insurers taken together this stood at 80.37% and 19.63% respectively.

## First Year Premium Underwritten by Life Insurers for the period Ended February, 2006

| Sl | Insurer                                                                                                                                | Premium (Rs. In Lakhs)                     |                                                | No. of Policies / Schemes                     |                             | No. of lives covered under Group Schemes |                               |                 |
|----|----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|------------------------------------------------|-----------------------------------------------|-----------------------------|------------------------------------------|-------------------------------|-----------------|
|    |                                                                                                                                        | Feb, 06                                    | Up to Feb, 06                                  | Feb, 06                                       | Up to Feb, 06               | Feb, 06                                  | Up to Feb, 06                 | Up to Feb, 05   |
| 1  | <b>Boji Alliance</b><br>Individual Single Premium<br>Group Single Premium<br>Group Non-Single Premium                                  | 12,282.06<br>13,595.38<br>24.70            | 112,894.31<br>79,311.59<br>226.52              | 19,873.27<br>28,994.82<br>0.00                | 5,369<br>74,617<br>0        | 87,429<br>439,238<br>1                   | 21,143<br>185,293<br>0        | 0               |
| 2  | <b>ING Vysya</b><br>Individual Single Premium<br>Individual Non-Single Premium<br>Group Single Premium<br>Group Non-Single Premium     | 254.27<br>2,254.66<br>49.94<br>20.04       | 947.74<br>17,225.23<br>894.14<br>918.31        | 32.83<br>8,667.33<br>746.48<br>237.50         | 220<br>11,613<br>0<br>2     | 987<br>94,576<br>0<br>60                 | 89<br>22,219<br>136<br>971    | 258,448         |
| 3  | <b>Reliance Life</b><br>Individual Single Premium<br>Individual Non-Single Premium<br>Group Single Premium<br>Group Non-Single Premium | 664.98<br>841.26<br>8.35<br>48.86          | 10,569.69<br>3,797.20<br>113.13<br>597.16      | 5,756.53<br>2,074.49<br>64.41<br>352.02       | 1,123<br>7,271<br>0<br>4    | 15,809<br>40,195<br>0<br>84              | 6,936<br>21,887<br>1<br>66    | 1,729<br>18,899 |
| 4  | <b>SBI Life</b><br>Individual Single Premium<br>Individual Non-Single Premium<br>Group Single Premium<br>Group Non-Single Premium      | 1,409.40<br>4,214.53<br>2,332.04<br>534.96 | 7,582.50<br>16,444.88<br>19,147.98<br>8,069.25 | 5,677.69<br>6,278.02<br>23,373.76<br>4,273.87 | 2,651<br>35,922<br>0<br>160 | 11,921<br>181,073<br>2<br>1,704          | 4,925<br>78,698<br>6<br>3,077 | 190<br>87,355   |
| 5  | <b>Tata AIG</b><br>Individual Single Premium<br>Individual Non-Single Premium<br>Group Single Premium                                  | 38.10<br>3,331.15<br>229.70                | 479.71<br>32,965.94<br>2,121.67                | 0.00<br>21,223.96<br>487.19                   | 0<br>26,095<br>0            | 0<br>258,261<br>2                        | 0<br>197,521<br>0             | 77,048          |
| 6  | Group Non-Single Premium<br><b>HDFC Standard</b>                                                                                       | 100.73                                     | 4,976.77                                       | 3,571.94                                      | 5                           | 226                                      | 225                           | 199,767         |

|    |                                  |            |              |              |           |            |            |         |            |           |
|----|----------------------------------|------------|--------------|--------------|-----------|------------|------------|---------|------------|-----------|
|    | Individual Single Premium        | 3,331.15   | 32,965.94    | 21,223.96    | 26,095    | 258,261    | 197,521    | 15,694  | 139,586    | 77,048    |
|    | Group Single Premium             | 229.70     | 2,121.67     | 487.19       | 0         | 2          | 0          |         |            |           |
| 6  | Group Non-Single Premium         | 100.73     | 4,976.77     | 3,571.94     | 5         | 226        | 225        | 40,161  | 403,531    | 199,767   |
|    | <b>HDFC Standard</b>             |            |              |              |           |            |            |         |            |           |
|    | Individual Single Premium        | 1,124.79   | 9,762.18     | 6,820.53     | 28,271    | 104,749    | 52,711     |         |            |           |
|    | Individual Non-Single Premium    | 8,052.18   | 61,780.30    | 24,312.60    | 26,215    | 206,150    | 138,108    |         |            |           |
|    | Group Single Premium             | 67.31      | 4,010.76     | 1,598.43     | 6         | 88         | 133        | 4,699   | 115,064    | 139,439   |
|    | Group Non-Single Premium         | 135.46     | 2,335.99     | 802.17       | 1         | 19         | 22         | 145     | 14,299     | 27,253    |
| 7  | <b>ICICI Prudential</b>          |            |              |              |           |            |            |         |            |           |
|    | Individual Single Premium        | 1,371.18   | 7,955.50     | 10,372.83    | 2,563     | 31,852     | 6,571      |         |            |           |
|    | Individual Non-Single Premium    | 24,242.20  | 167,272.20   | 96,686.85    | 91,300    | 640,410    | 511,676    |         |            |           |
|    | Group Single Premium             | 1,000.01   | 4,190.64     | 119.94       | 9         | 112        | 16         | 17,164  | 238,624    | 19,075    |
|    | Group Non-Single Premium         | 2,900.30   | 16,186.55    | 8,285.86     | 14        | 122        | 58         | 5,742   | 106,105    | 49,309    |
| 8  | <b>Birla Sunlife</b>             |            |              |              |           |            |            |         |            |           |
|    | Individual Single Premium        | 266.09     | 1,955.68     | 1,277.79     | 11,844    | 64,705     | 48,434     |         |            |           |
|    | Individual Non-Single Premium    | 4,758.33   | 41,867.47    | 38,827.80    | 19,044    | 140,637    | 108,304    | 635     | 5,862      | 3,734     |
|    | Group Single Premium             | 101.52     | 871.95       | 418.59       | 0         | 0          | 1          |         |            |           |
|    | Group Non-Single Premium         | 1,228.17   | 3,109.38     | 7,930.71     | 8         | 42         | 74         | 5,192   | 12,498     | 73,803    |
| 9  | <b>Aviva</b>                     |            |              |              |           |            |            |         |            |           |
|    | Individual Single Premium        | 118.25     | 843.76       | 356.02       | 145       | 2,487      | 1,193      |         |            |           |
|    | Individual Non-Single Premium    | 4,772.47   | 29,653.59    | 14,332.65    | 20,453    | 126,210    | 68,001     | 98      | 786        | 661       |
|    | Group Single Premium             | 14.60      | 122.45       | 88.24        | 0         | 0          | 1          | 21,394  | 176,150    | 253,037   |
|    | Group Non-Single Premium         | 136.39     | 331.55       | 203.87       | 2         | 16         | 25         |         |            |           |
| 10 | <b>Kotak Mahindra Old Mutual</b> |            |              |              |           |            |            |         |            |           |
|    | Individual Single Premium        | 361.06     | 2,286.28     | 2,873.55     | 525       | 3,260      | 1,556      |         |            |           |
|    | Individual Non-Single Premium    | 5,408.11   | 20,173.96    | 10,456.73    | 9,153     | 68,407     | 47,072     | 2,278   | 14,190     | 0         |
|    | Group Single Premium             | 35.04      | 219.99       | 0.00         | 0         | 2          | 0          | 8,018   | 101,553    | 68,815    |
|    | Group Non-Single Premium         | 51.89      | 702.12       | 1,067.74     | 6         | 79         | 53         |         |            |           |
| 11 | <b>Max New York</b>              |            |              |              |           |            |            |         |            |           |
|    | Individual Single Premium        | 8.25       | 150.65       | 212.03       | 21        | 232        | 217        |         |            |           |
|    | Individual Non-Single Premium    | 4,571.55   | 36,076.02    | 17,595.74    | 38,685    | 365,496    | 182,763    | 0       | 0          | 0         |
|    | Group Single Premium             | 0.00       | 0.00         | 0.00         | 0         | 0          | 0          | 1,498   | 34,453     | 64,163    |
|    | Group Non-Single Premium         | 4.24       | 108.04       | 453.00       | 3         | 83         | 83         |         |            |           |
| 12 | <b>Met Life</b>                  |            |              |              |           |            |            |         |            |           |
|    | Individual Single Premium        | 21.88      | 483.66       | 167.90       | 53        | 1,122      | 489        |         |            |           |
|    | Individual Non-Single Premium    | 833.45     | 9,554.26     | 3,906.31     | 4,885     | 77,179     | 36,510     | 0       | 0          | 0         |
|    | Group Single Premium             | 0.00       | 0.00         | 0.00         | 0         | 0          | 0          |         |            |           |
|    | Group Non-Single Premium         | 28.18      | 704.51       | 481.41       | 9         | 165        | 104        | 9,953   | 285,244    | 149,602   |
| 13 | <b>Sahara Life</b>               |            |              |              |           |            |            |         |            |           |
|    | Individual Single Premium        | 153.12     | 1,183.33     | 0.00         | 395       | 2,997      | 0          |         |            |           |
|    | Individual Non-Single Premium    | 16.69      | 377.19       | 35.23        | 549       | 15,440     | 3,068      | 688     | 1,417      | 0         |
|    | Group Single Premium             | 0.65       | 1.33         | 0.00         | 4         | 14         | 0          | 0       | 0          | 0         |
|    | Group Non-Single Premium         | 0.00       | 0.00         | 0.00         | 0         | 0          | 0          |         |            |           |
| 14 | <b>Shriram Life</b>              |            |              |              |           |            |            |         |            |           |
|    | Individual Single Premium        | 0.00       | 0.00         | 0.00         | 0         | 0          | 0          |         |            |           |
|    | Individual Non-Single Premium    | 18.67      | 18.67        | 0.00         | 560       | 560        | 0          | 0       | 0          | 0         |
|    | Group Single Premium             | 0.00       | 0.00         | 0.00         | 0         | 0          | 0          |         |            |           |
|    | Group Non-Single Premium         | 0.00       | 0.00         | 0.00         | 0         | 0          | 0          |         |            |           |
|    | <b>Private Total</b>             |            |              |              |           |            |            |         |            |           |
|    | Individual Single Premium        | 18,073.42  | 157,094.99   | 53,470.97    | 53,180    | 327,550    | 149,004    | 0       | 0          | 0         |
|    | Individual Non-Single Premium    | 76,910.64  | 516,518.46   | 273,392.52   | 366,362   | 2,653,832  | 1,659,064  | 0       | 0          | 0         |
|    | Group Single Premium             | 3,863.87   | 31,920.57    | 26,897.04    | 19        | 221        | 161        | 57,127  | 698,644    | 474,002   |
|    | Group Non-Single Premium         | 5,241.77   | 39,629.99    | 28,197.12    | 248       | 2,764      | 3,952      | 202,759 | 2,252,613  | 1,765,216 |
| 15 | <b>LIC</b>                       |            |              |              |           |            |            |         |            |           |
|    | Individual Single Premium        | 75,032.66  | 672,728.71   | 251,481.19   | 184,838   | 1,781,706  | 607,084    |         |            |           |
|    | Individual Non-Single Premium    | 112,579.88 | 905,602.80   | 859,321.31   | 2,431,597 | 19,083,831 | 16,295,146 | 488,204 | 9,910,788  | 3,921,729 |
|    | Group Single Premium             | 31,216.55  | 305,134.98   | 233,490.39   | 1,987     | 14,444     | 14,151     | 0       | 0          | 0         |
|    | Group Non-Single Premium         | 0.00       | 0.00         | 0.00         | 0         | 0          | 0          |         |            |           |
|    | <b>Grand Total</b>               |            |              |              |           |            |            |         |            |           |
|    | Individual Single Premium        | 93,106.08  | 829,823.70   | 304,902.16   | 238,018   | 2,109,256  | 756,088    | 0       | 0          | 0         |
|    | Individual Non-Single Premium    | 189,490.52 | 1,422,121.26 | 1,132,713.83 | 2,797,959 | 21,737,663 | 17,954,210 | 0       | 0          | 0         |
|    | Group Single Premium             | 35,080.42  | 337,055.55   | 260,387.43   | 2,006     | 14,665     | 14,312     | 545,331 | 10,609,432 | 4,395,731 |
|    | Group Non-Single Premium         | 5,241.77   | 39,629.99    | 28,197.12    | 248       | 2,764      | 3,952      | 202,759 | 2,252,613  | 1,765,216 |

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

# The Importance of Insurance Claims Settlement

Claims settlement is the most vital function for an insurer. In most cases, the efficiency with which this function is handled is responsible for the brand image of the insurer and hence needs to be managed with all the care writes *U. Jawaharlal*.

In an insurance contract, the settlement of a claim is the ultimate activity that brings the contract to an end. The function of claim settlement is the most important one, especially from the policyholder's perspective. It is possible that the policyholder keenly looks forward to this occasion and in case of life insurance contracts, possibly at the end of a very long term. Hence, when it is time to settle a claim, an insurer should empathize with the policyholder and look for reasons to pay the claim, rather than reject it.

There is a great deal of emphasis on reciprocal obligations in insurance contracts. However, insurers would do well to interpret the clauses in their spirit and not in their letter. Particularly in a nascent and emerging market, this is very important as it is possible that the clauses have not been properly understood by the policyholder. The importance of the intermediary being highly professional and trained has a major role to play here; a proper need-identification and a need-based selling coupled with a comprehensive explanation of the clauses to the prospect is a sure-shot recipe for the climax being uneventful.

Policyholders, on their part should exhaustively read the policy conditions and assimilate them. Should there be any need for clarity, no effort should be spared. In the liberalized scenario, there is a free-look period associated with the contracts and it should be made use of wherever necessary. But the Indian experience has shown that the average policyholder is not used to reading the clauses, leave alone understanding them; which leads to avoidable friction at the time of claim settlement. This trend should be arrested, sooner than later.

The importance and the complexities associated with the final settlement could change a great deal depending on the exact class of insurance and a few other factors associated with it. As regards the settlement of a maturity claim in life insurance, there could hardly be any complication as the policyholder is himself the claimant. In death claims, however, there could be a few questionable issues with regard to the personal details of the policyholder; the title of the claimants etc., in a few cases. Nevertheless, the complications in the life arena are greatly reduced because moral hazard itself has a limited importance.

Unlike its life counterpart, non-life insurance poses quite a few challenges to the claims managers. The very fact that there is no 'assurance' from the insurer prompts the policyholder to look for reasons to enforce a claim. It should be understood that insurance is a mechanism to make good the loss arising from any covered peril. In the absence of this awareness, policyholders look forward to making a 'rightful' claim as they have been paying the premiums regularly for some time. It is hoped that the increase in awareness levels would eventually arrest this trend.

For insurance claims to be just and rightful, it is very important that the other 'agencies' involved like the hospitals and TPAs in the case of health insurance; the garages in the case of motor insurance etc. desist from the practice of encouraging the enforcement of a claim or inflating the claim values in a genuine one.

Claims settlement in insurance is the lead story for the next issue of **IRDA Journal**. Several experts with different perspectives would be voicing their viewpoints.



**Press Release About Motor Insurance**

16th March 2006

Re : Motor Third Party insurance cover

Regional Transport Authorities, Transporters and members of the insuring public have brought to the attention of the Authority instances of refusal of motor insurance by general insurance companies

Members of the public are informed that the Authority has on several occasions instructed all General Insurers that Motor Third Party insurance cover cannot be refused. Motor Third Party Insurance cover is a mandatory requirement under Section 146 of the MV Act 1988 and cannot be denied by any insurer.

Members of the public may bring to the notice of the Authority any refusal of Motor Third Party insurance(s), of vehicles used by them, by general insurers along with evidence thereof so that the Authority can take necessary action in this regard.

Sd/-  
(C.S. Rao)  
Chairman

**Fraudulent Company**

10th March 2006

Re : PUBLIC NOTICE

It has come to the notice of the Authority that a company by the name and style "Sunlink India Insurance Company Limited" is doing insurance business and collecting money from the general public for issuance of motor insurance policies from the following address:-

Room No.301, Antrix Complex, 5 th Floor,  
Near BBC Tower , Sayajigunj, Vadodara  
Tel.: 0265 - 222 6295/6297, Fax: 0265 - 222 6295

This is to inform that this Authority has not granted any license whatsoever under Section 2C (1) and 3 (1) of the Insurance Act, 1938 to the said company for carrying on the business of insurance which is a condition precedent under the provisions of the Act and the company's operations are in violation of the provisions of the Insurance Act, 1938 and IRDA Act, 1999.

IRDA has already initiated further appropriate action in the matter.

**The general public are hereby cautioned not to purchase insurance policies from the said company or through any person claiming thereunder.**

Sd./  
(C. R. Muralidharan)  
Member

**Withdrawal of Licence**

IRDA/DB/060/03

24th March, 2006

Re : Surrender of the direct insurance broking license  
(Sterling General Insurance Brokers)

WHEREAS M/s. Sterling General Insurance Brokers (hereinafter referred to as broker) a Direct Insurance Broker having Insurance Broking License No. 186, Code No. DB060-03 presently having Office at LG-18, Siddhartha Chambers, 55A, Kalu Sarai, Hauz Khas, New Delhi-110 016. had voluntarily approached this Authority vide their letters dated, 2nd July, 2005, to surrender the direct insurance (General Insurance only) broking license granted to them. WHEREAS the Authority vide its letter dated 14.7.05 had sought details from the broking company relating to the servicing of policies marketed by them.

The broking company vide its letter dt. 31.7.05 assured the Authority that they shall take every step to serve the existing clients till the expiry of the policy period.

NOW THEREFORE, The Authority in exercise of powers conferred under section 14(2)(a) of IRDA Act, 1999 hereby withdraws the License NO. 186 granted to the broker Code No. DB060-03.

This is issued for the information of all concerned in public interest.

Sd./  
(Suresh Mathur)  
Joint Director

## Renewal of TPA Licence Declined

040/IRDA/TPA/MAR-06

22nd March, 2006

M/s. ICAN Health Services Private Limited, (hereinafter referred to as 'the company') with Registered Office at A-9/2 Meera Nagar, North Main Road, Koregaon Park, Pune 411 001, was granted TPA-Health Services License No. 14 under TPA-Health Services Regulations 2001 for a period three years from 21st March 2002 to 20th March 2005. The operating office of the company is located at 101, Naina Gracias Plaza, 1st Floor, Opp. Fatima Convent, Above Kitchenette, Margao 403601, Goa.

Several Complaints were received against ICAN Health Services Private Limited pointing out irregularities and deficiencies in their functioning. The Authority therefore appointed Mr K J Prabhakar to inspect the records of the company and submit report. The inspection report of Mr K J Prabhakar brought out following irregularities and violations of IRDA - (Third Party Administrators- Health Services) Regulations, 2001:

- ◆ Breach of code of conduct prescribed by the said Regulations more particularly Regulation No 21(1) relating to professional conduct and Regulation No. 21(2) relating to the duties, obligations and responsibilities of the TPA and its officers, employees and representatives.
- ◆ Breach of Regulation 3(4) of the IRDA (TPA - Health Services Regulations, 2001) with regard to maintaining of working capital.
- ◆ Unauthorized alteration in the Character and ownership of the company since the grant of license in violation of Regulation 14(3).
- ◆ Causing this financial condition of the company to deteriorate to such an extent that it cannot function effectively thus providing a cause of action for revocation or cancellation of licence under Regulation 14(2).
- ◆ The company is functioning improperly and against the interests of insurers and policy holders thus providing a cause of action for revocation or cancellation of licence under Regulation 14(1).

The Authority, therefore vide its letter dated 22nd August, 2005 appointed Shri. J.P.Jain as the enquiry officer to conduct an enquiry in the matter. Mr. Rashid Souza, on behalf of ICAN Health Services Private Limited, participated in the enquiry and had the opportunity of making submissions and presenting documents.

The company applied for renewal of its licence expiring on 20th March, 2005. To facilitate the enquiry, the licence of the company was provisionally renewed/ extended up to 20th

December, 2005 and the company was also directed not to enter into any fresh contract with insurance companies.

As per directions of the Enquiry Officer, during the course of the enquiry proceedings, a copy of the Investigation report was made available to the company. Shri J.P. Jain Enquiry Officer, on the completion of enquiry, submitted his report dated 14th November, 2005 and holding that the following charges were fully established:

- 1 That M/s ICAN Health Services Pvt. Ltd has breached the code of conduct prescribed by Regulation 21(1) and 21(2) of the TPA Health Services Regulations, 2001 by not following the guidelines/directions issued by the Authority.
- 2 That it breached Regulation 3(4) of the IRDA (TPA-Health Services Regulations, 2001) with regard to maintaining of working capital.
- 3 That character and ownership of the company has changed significantly since the grant of licence, which is violation of Regulation 14(3).
- 4 That the Financial condition of the M/s ICAN Health Services Pvt. Ltd. has deteriorated and that it cannot function effectively which is violation of Regulation 14(2). The enquiry officer held the following charge as partly established.
- 5 That M/s ICAN Health Services Pvt. Ltd. are functioning improperly and against the interest of the Insurance Company and policyholders, which is a violation of regulation 14(1).

A Copy of the enquiry report was made available to the company. An opportunity was also given to the company to make submissions before Member of the Authority on 6th of January, 2006. The company did not present themselves on that date and requested for a revised date. On the revised date of 30th of January, 2006, the company did not present themselves through a representative.

The inspection report, enquiry report, submissions and the documents on record have been carefully examined and Authority is satisfied that the charges as enumerated in 1 to 5 above against the company have been established to the extent they have been upheld by the enquiry officer in his report.

In view of the foregoing and having regard to the nature and the gravity of the charges as established, the application for renewal of TPA Health Services License No. 14 of M/s. ICAN Health Services Private Limited is hereby declined.

Sd/  
(C. S. Rao)  
Chairman

## Broker's Registration cancelled

M/s Sage Insurance Brokers Pvt. Ltd. have been granted Insurance Brokers Composite License No.231 by this Authority. The Competent Authority had, in accordance with Regulation 36 read with Regulation 37 of IRDA (Insurance Brokers) Regulations, 2002, appointed Shri.J.P.Jain as the Enquiry Officer vide Notice No. IRDA/CB212/03 dated 1.8.05 to inquire into and report to the Authority on the allegations, inter alia, of suppression of material information while making an application to obtain certificate of registration as an insurance broker.

Following is a summarization of the charges framed against you :

1. Non disclosure and concealment of material facts relating to Ms. Preeti N. Aggarwala, one of the promoters of the broking company, in the application submitted by you for grant of insurance brokers licence.
2. Submitting declaration to the effect that all questions have been truthfully and fully answered in the broking application which was materially incorrect.

3. Submitting affidavit dated 2nd August, 2003 by Mr. Rajit Seth to the effect that none of your Directors or key management personnel suffers from disqualifications under section 42D of Insurance Act, 1938 which was materially incorrect.

It may be noted that you had the opportunity of participating in the enquiry proceedings. A copy of the enquiry report was also sent to you vide this office letter No. IRDA/CB212/03 dated 23.11.05 and you were also called upon to show cause as to why the certificate of registration granted to you be not cancelled having regard to the nature and gravity of the charges established. You have vide your letter dated 14.12.05 submitted your comments on the findings of the Enquiry Officer and have also requested for a personal hearing to explain the position and make your submissions. You have been, vide our office letter No. IRDA/CB212/03 dated 3.1.06, given an opportunity of personal hearing before the undersigned on 16.01.2006. Pursuant to the personal hearing, you have also submitted certain documents in support of your contentions which were received on 24.01.2006.

I have carefully examined the enquiry report, your submissions thereto and other material on record.

From the materials on record it may be seen that the DCA (Department of Company Affairs) had launched prosecution proceedings against M/s. ICP Securities Limited for the alleged violation of Section 62, 63, 68 & 628 of the Companies Act, 1956 against the company and also its promoters namely Smt. Preeti N. Aggarwala, Shri. Kersasp S. Avari, Shri. Arminder Sawhney, Shri. Ranbir Singh Saluja.

The complaint was filed for criminal liability for a mistatement and false statement in the prospectus under Section 63 & 628 of the Companies Act, 1956. From the

complaint of DCA it is seen that one of the Directors Mrs. Preeti N. Aggarwala was also charged for offences notified under the Special Court (Trail of offences in transactions relating to Securities) Act, 1992 (i.e. relating to Stock Market Scam of 1992).

The company had also raised an amount of Rs.126 Lakhs through public by issue of shares and the aforesaid persons were signatories to the prospectus that invited subscriptions from the public.

The above information clearly establishes that Ms. Preeti N. Aggarwala attracted the disqualification provision under section 42 D of Insurance Act, 1938.

When information with regard to the antecedents of an applicant is called for by the Authority, it is intended to verify and cross check the information and to judge the suitability of the applicant for granting license as insurance broker.

If the applicant indulges in suppressio veri and suggestio falsi, he proves himself unfit to be granted with a license, all the more so, if he is in the business of insurance as an intermediary dealing with public.

Furnishing of false information or suppression of material information in the application made to the Regulator to obtain license as an intermediary has to be viewed seriously.

Therefore, having regard to the nature and the gravity of the charges established, I am of the considered view that the Certificate of Registration granted to M/s. Sage Insurance Brokers Pvt. Ltd. is required to be cancelled and is hereby cancelled.

Sd/-  
(K.K. Srinivasan)  
Member

## Press Release

20th February, 2006

Re : Surveyor's Institute

Pursuant to the advice of the Government of India based on the recommendations of the Bhandari Committee to set up an institute for surveyors and loss assessors, the Insurance Regulatory and Development Authority has got The Indian Institute of Insurance Surveyors and Loss Assessors ( IIISLA) incorporated on 4th October, 2005.

Notice calling for membership to IIISLA was first given on 26th November, 2005. It was followed up by another notice on 11th January, 2006 wherein the One-time entry fee and Annual membership fee to IIISLA stood reduced. The reduction in fee was in response to appeals from a large number of surveyors and loss assessors who felt that the fee initially proposed was high. The revised fee for membership to IIISLA for all eligible surveyors and loss assessors is as follows: One-time entry fee: Rs.5000/- (uniform for all members); Annual Membership fee: Fellow- Rs.2000/-; Associate- Rs.1500/-.

Following the reduction, the last date for submission of applications has been extended from 24th January, 2006 to 28th February, 2006. Only those surveyors who apply for membership before the due date i.e., 28/02/06 shall be eligible to participate in the elections to the first Council of the Institute. The Annual membership fee being collected would be valid for the period upto 31/03/07. Those who have paid membership fee as per notice dated 26th November, 2005 are being refunded the excess fee paid.

Details about IIISLA, including the application form for membership along with instructions and the Memorandum and Articles of Association, are available on IRDA website [www.irdaindia.org](http://www.irdaindia.org). Details may also be obtained from the office of the IRDA/IIISLA at 3rd / 5th floors, Parishram Bhavan, Basheerbagh, Hyderabad: 500 004. Telephone Nos of Surveyors department are: 040 55626466, 040 55626467; General Telephone Nos are: 040 55820964, 040 55789768, Fax: 040 55823334.

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

# Health Insurance and Managed Care

## -- Uses of Information Technology

"The unavailability of a sufficient quantity of statistically valid data has made it difficult for decision makers to assess the impact of a range of potentially significant factors using traditional techniques" opine Tia Sawhney, Alam Singh and Rich Moyer.

There are many possible benefits from the use of information technology in health insurance and managed care. Standard driven and interconnected IT systems can enable all stakeholders to interface with each other seamlessly. Providers can use it to better communicate the treatment and conditions of their patients; the insurance companies can do more precise underwriting; and TPAs can process more claims with less errors. This article will explore a very specific way that health insurers and managed care companies globally are using IT today and understand some of the possibilities for predictive analysis in the near future in India.

### Health Insurance in India

Although the Indian health insurance market topline is growing well, the lack of a corresponding bottom line growth is of concern. Historically employer health insurance has been priced aggressively, sometimes to secure associated tariffed business from clients and at other times to increase market share. With detariffing round the corner the first reason for aggressive pricing will no longer exist and under-pricing to increase market share is a strategy which any board is unlikely to support for a long term.

The health insurance market potential within India is strong. With increased awareness about the need for financial risk mitigation in the event of a major illness and the rising income levels, a sizable section of India's urban inhabitants are increasingly interested in health insurance. The double digit growth, albeit on a small initial base, does demonstrate a better understanding of and a growing demand for health insurance. The industry is poised for a paradigm shift, replete with opportunities for those who modify their strategies to fit the current

times. At the forefront of these changes would be to use technology more effectively.

Besides group insurance, a significant opportunity exists for growth in the individual insurance market. Many Indians do not have access to group insurance. Therefore one way to deliver increasing returns is to grow the top line with profitable individual health insurance sold to the currently

The industry is poised for a paradigm shift, replete with opportunities for those who modify their strategies to fit the current times.

At the forefront of these changes would be to use technology more effectively.

uninsured. Many of the urban middle class can afford to buy some insurance at some price. But so far, the industry has not found the right combination of product, price and underwriting, at least not on a large scale.

Another way to deliver returns is both a topline and a cost strategy. Historically, health insurers have been satisfied by driving margins at some aggregate level, such as a particular large group or a state. The smart players in the highly competitive market of the future will attempt to create positive margins at an increasingly granular level—that is, within each product line and from each market segment. Like any insurer, they are likely to accept risk, but are less likely to tolerate systematic losses, even

when offset by profits from other lines of businesses.

The smart players will use advanced analytics to predict costs and to price and target market accordingly. As a result, their prices for the best risks will be better than the competition, allowing them to sell a disproportionate amount of this business. But even if their top line does not grow (and it should), they will earn superior returns due to better alignment between premiums and costs.

While this may sound futuristic, it is a model with a proven track record in other industries, and the leading health insurance players are already experimenting with it. This technology is the art and science associated with advanced data modeling and predictive analytics.

### Data Analysis Today

Insurers, of course, have always wanted to create their desired margins by line of business. This has been historically difficult due to the limited tools that insurers have had available to them for analyzing experience. It was not long ago that the industry performed its analyses of financial data by hand. Then, as now, corporate decision makers required snapshots of immediate financial situations to help map out strategies. But without the power of computers, weeks would pass before any analytic output appeared.

Today's industry leaders can rely on servers and intranets, IT departments and portals to gather the information they seek. In India most companies have not used these tools to analyze detailed data. Instead they have waded through aggregate data to gain their insight. Though these enormous databases can contain up-to-the-minute information, the data may

be spread across disparate systems and archived in dissimilar, non-transferable formats. Staff must organize it into new spreadsheets. For those whose job it is to subset the data into smaller pools, automating an otherwise tedious, painstaking manual process could increase their ability to provide the requested information in a timely manner.

Advances in data analysis; reporting and information delivery tools that can cull from an organization's databases all the information it uses in its daily operations, regardless of the format or the system on which the data resides; have opened up new possibilities. Users can then apply specific rules and relationships to the data, assemble it into indexed dynamic data files, or models, without the need to write scripts or queries. Till now, the industry has had to rely upon techniques that drill down into the data using only a handful of parameters; such as age, gender, area and group. Now data warehouses, such as MedInsight, give business users much more capabilities including the ability to generate ad hoc reports, thus advancing the decision making capabilities of the users

However, the unavailability of a sufficient quantity of statistically valid data (credibility requires a minimum data set) has made it difficult for decision makers to assess the impact of a range of potentially significant factors using traditional techniques, the ability of decision makers to analyze potential covariance between known factors also has remained limited. Health insurers usually treat age and geography as independent drivers of health costs, but geographic differences may be more relevant within certain age bands than within others.

Industry decision makers have struggled with historical claims and have such limited understanding of clinical data that efforts to pull in related data about primary customers have been minimal. Data sets that represent significant potential for the health insurance industry include psycho-demographic and socio-demographic data about key segments within their target markets. Long used

by the retail and financial services sectors, psycho- and socio-demographic group profiles are rich with details about the typical characteristics or buying patterns of different market segments. These databases do not lend themselves to traditional analysis techniques.

#### **The Use of Predictive Analytics**

Predictive analytics is, at its core, a set of techniques that does not rely upon traditional techniques. It also does not require that explanatory factors be independent of each other, an assumption which is implicit in most other techniques. In the hands of a skilled practitioner, predictive analytics works on large, complex sets of data to uncover hidden relationships and trends that could not be found otherwise.

Data sets that represent significant potential for the health insurance industry include psycho-demographic and socio-demographic data about key segments within their target markets

Like any data analysis, for predictive analytics, data quality drives quality of analysis. Insurers that have a data warehouse which can deliver clean data relative to a large number of parameters are well positioned to use predictive analytic tools. But since predictive analytic software runs off databases, a data warehouses-is the core requirement for predictive analytics. The in-house data can be combined with quality psycho-demographic data readily available from outside sources.

Predictive analytic tools and techniques are being used to manage margins on an increasingly granular basis today. Risk predictors use predictive analytic techniques to forecast future claim levels based on the age, gender and detailed health insurance claims history of an insured.

The resulting predictions are much more accurate than the traditional age- and gender-based forecasts that were and are used for refined pricing of individual and small group insurance. Because they require detailed claims history, the risk predictors are used primarily at renewal. For example, The Milliman Medical Underwriting Guidelines rely upon similar methods for setting the debit points that are assigned to medical information obtained via medical questionnaires.

The predictive analytics department of an insurer has to work with the actuarial department, which relies upon more traditional analysis. Although predictive analytic techniques are already used in the health insurance industry and are here to stay, their use is in its infancy and actuarial validation is important. It takes both a little imagination and a review of other industries to see their true potential. Here are only three of the potential uses of predictive analytics.

#### **1)Individual Underwriting:**

Earlier, obtaining a housing loan meant completing a lengthy, multiple page application and submitting supporting information. The decision to accept or reject an application came back weeks after the application was submitted. In short, it was much like individual health underwriting is today. The predictive analytics pioneers in the mortgage lending business found that only a handful of questions from the application, when combined with information from other sources, produced superior underwriting results.

Today, a mortgage application can often be underwritten in minutes, at a price more appropriate to the risk, making mortgages more affordable to the best risks and opening up the market for the sub-prime risks that formerly would have been denied. The individual health insurance market could be posed for a similar revolution.

## 2) Large Group Segmentation and Product Design:

Consumer services companies use technologies that may have applicability for large group insurers, where the insurer does not have individual underwriting discretion and has to set a single price for every employee within the group. Telephone companies that offer service packages are not content selling to the maximum number of people. Instead, they use predictive analytic techniques to segment their business by usage patterns and offer an appropriately designed and priced plan for each segment. Then, they develop marketing materials to steer people toward the correct plans for their needs, and subsequently evaluate whether they obtain both total sales numbers and the desired segmentation.

Of course, insurers have been designing products and prices for use in large group multiple-option environments with specific target segments in mind, but the employee segmentation and resulting product designs have been based on as much intuition as data.

**3) Channel Management:** Channel management has always been notoriously difficult for insurance companies. Insurers have struggled to attribute profitability (or losses) to individual agents and producers. As a result, agents often have had incentives to emphasize top line growth at the expense of the ultimate desirability of the business. In the future, the granularity of analysis made possible by predictive analytics will allow insurers to set not just top line growth goals but also goals for profit and performance within each market segment.

### Predictive Analytics for Tomorrow's Insurance Market

Predictive analytic techniques are providing insurance companies with new perspectives on their business and, in turn, will fundamentally alter how the business is organized. The full impact cannot be predicted, but it is easy to envision the following impacts:

**Dramatic changes in rating methodologies:** Health insurance rates historically have been based on a limited number of readily available

parameters, such as age, sex, and area, available at the time of underwriting. Predictive analytic techniques have been used in auto insurance rating for years. Far more variables are used for calculating auto insurance rates than individual health insurance rates. Rating for individual and small group business has already begun to change.

**Target marketing:** When insurers can identify the characteristics of their most profitable insureds, they will naturally work to enroll more of these insureds. They will want to offer retention incentives specific to the profitable insureds they already have. The potential for target marketing will be enhanced if insurers can identify the psycho-demographic characteristics of a potential insured, prior to obtaining

Health insurance is a competitive industry. Like any competitive pursuit, success requires staying ahead of the competition. Success, however, does not require that the entire summit be scaled at once.



specific underwriting information. They then can then market to such profile using databases from outside entities.

**An explosion in benefit design:** When desirable targets are identified, the next step is to offer appropriately designed and priced products, which are attractive specifically to those target segments.

**New products targeted at under-served market niches:** Although the most advanced insurers may identify the most profitable target segments first, other insurers will soon follow, chasing the same target segment thereby diminishing the profits. The result will be a continuous search for ever more under-served market niches. At the appropriate price, a wide variety of businesses can produce positive margins. The sub-prime mortgage market and the impaired risk auto

insurance markets exploded after the advent of predictive analytics. The result was less auto insurance in state mandated risk groups and the greatest access to home mortgages in history.

**Toward a "retail model" of group insurance:** Consumerism is putting the financial responsibility for healthcare decision making back into the hands of employees. Defined contribution approaches leave employees free to choose among a variety of plans. Insurance companies will use and are using data analysis enabled by predictive analytics to design products with appeal to specific sub-populations of employees. Group insurance design increasingly will need to respond to the preferences of individual customers.

**Faster reaction time:** Besides predicting the future, predictive analytic tools can be used to identify problems before they can be identified via traditional methods. But that knowledge is only useful if it is acted upon.

Health insurance is a competitive industry. Like any competitive pursuit, success requires staying ahead of the competition. Success, however, does not require that the entire summit be scaled at once. Forward thinking insurance leaders will recognize the power of predictive analytics and take decisive steps to build these new approaches into the way they assess and build their marketing, pricing, and underwriting strategies. They will not wait for perfectly clean data or optimized algorithms. They will learn as they go and expect to reap the benefits of being one step ahead of their competitors.

*Tia Goss Sawhney is a healthcare management consultant with Milliman Inc., and is a Fellow of the Society of Actuaries.*

*Alam Singh is the Assistant Managing Director for Milliman India.*

*Rich Moyer is the Product Manager for MedInsight, a Milliman Healthcare datawarehouse and decision support product suite built for the healthcare insurance sector.*

# Operational Excellence through Technology

## - A Practical Approach

The long-term nature of life insurance contracts necessitates that customer service is provided on a continuous basis for which a proper database is absolutely essential writes J.B. Bhaskar. He further goes on to explain the practices being followed in his company.

In life insurance business, on an average each policy contract would remain active for around 20 yrs. Being a long term contract; there will be diverse servicing needs from policy issuance to accounting of policy stamps to issuance of renewal premium notices to accounting for premiums received. Insurer has to provide for customer service requests for change in policy from time to time. Insurer needs to carry out the mandatory monthly valuation of the assets and liabilities for all the policies on its book and submit the stipulated statutory reports. Insurer needs to adhere to the norms related to recovery of service tax and also ensure compliance of regulatory guidelines. Insurer also needs to make re-insurance arrangements and ensure adequate solvency margins are maintained. Additionally, insurer needs to maintain records of its distribution channel and ensure that the license details and other commissions paid to them are properly maintained. The least that any progressive company will need are critical and flawless MIS quickly and on the move.

Now considering the size of operations, which is over 500 branches and over million policies and around 80,000 insurance agents; providing the backbone operation becomes vital. This cannot be achieved without the use of modern IT systems. At the centre of this is the core line of business software which brings in the capability. A number of ancillary systems are also required to provide value for specialized applications such as "Actuarial

Modeling" and "General Ledger". No system today is complete without web enablement and wireless capability. All this has to be backed up by very robust IT infrastructure which should ensure high availability in a secure environment.

For Bajaj Allianz, Information Technology is an integral part of its

A number of ancillary systems are also required to provide value for specialized applications such as "Actuarial Modeling" and "General Ledger"



business and IT supports all the business strategies to deliver the competitive edge to the company in establishing its leadership among the private life insurance companies. We strongly believe that the global practices have to be backed by local processes and in this respect, Bajaj Allianz is uniquely positioned to deliver customized insurance solutions for the Indian market. This is achieved by use of an innovative system framework Open Product Underwriting System (OPUS), which allows full customization of the core line of business systems. This, combined with OPEX (Operational Excellence), an effective process management framework, helps in delivering valuable customer experience. The standard operating processes are constantly

reviewed to check if they meet the ever-changing demands of our customers and if required, changes are made to the processes so that the customer expectations are met. Bajaj Allianz's business users are actively involved in the definition of the specification of the proposed system and participate fully in the process of application development and take full ownership of the IT systems.

Bajaj Allianz Life Insurance Company started its operations in May 2001. The first policy was issued in the month of November 2001. A core project team was constituted to achieve this objective. The first policy was issued through our core life insurance system called OPUS.

Bajaj Allianz Life Insurance Company has developed its IT Systems covering the following functionalities so that the customers, agents and employees get the best support and service seamlessly across the country:

- ◆ **Core Line of Business System.** It has been decided to use OPUS to build our core life insurance application. This is an open platform, which allows customized development and is based on state of art Oracle technology and is fully web based. Bajaj Allianz is one private insurance company which develops its core system through an in-house team. This helps us to customize applications to suit local requirements. Bajaj Allianz uses OPUS delivery model, which is an incremental software development process, built on "Rapid Application Development" (RAD) paradigm.

We use best practices such as "Joint Application Development" to gather user requirements and also to resolve issues with business users. We use "Timebox" to ensure rapid and timely delivery of agreed module with negotiated scopes. We extensively use "Formal Technical Reviews" to ensure quality of software delivered. The OPUS team is divided into Business Support Unit (BSU) and Project office. BSU is responsible for gathering requirements and specifying it to the technical team. They also coordinate with business users to ensure smooth completion of user acceptance tests. Project office is responsible for technical design and development of the software artifacts and carry out system tests. They also make estimation of time required to complete the development work and coordinate with BSU for User Acceptance of the software.

- ◆ **Scale down OPUS:** For our satellite offices numbering more than 400, we provide a scaled down module with limited functionality taking into account low bandwidths in the smaller towns.
- ◆ **SUN Accounts:** Bajaj Allianz has deployed SUN Accounts, the General Ledger software. There is a daily upload of data from OPUS (Core System) to SUN. Vision Excel is used by Finance dept to drill the accounting data and generate MIS.
- ◆ **PROPHET:** Actuarial System used for valuation and related jobs. Policy Data is uploaded from OPUS and the Actuarial department carries out various tasks. Reserves under policies are sent back to OPUS to be used for re-insurance purposes.
- ◆ **Reinsure:** It is an in-house re-insurance system developed covering five reinsurance treaties

with portfolio run-off option under a few treaties.

- ◆ **Valuations:** This system provides the interface to prophet and also helps in generating various D-returns to the regulator.
- ◆ **Black Box:** This is our expert system, which identifies clean cases and speeds up policy issuance. This has been built in-house with inputs from experienced underwriters.
- ◆ **Messaging Systems:** Bajaj Allianz uses Lotus notes for corporate users and Webmail system for mobile users. Messaging systems also extend to hand held devices such as smart phones such as Blackberry to deliver mails on the move.
- ◆ **Server Platform:** Bajaj Allianz uses clustered, high availability servers using highly stable Storage

Network is under constant monitoring by Network Operations teams outsourced to specialized service providers. This helps in ensuring high uptime.



Area Networks with built in redundancy and configured in No Single Point of Failure (NSPF) mode. This ensures highest possible availability round the clock to support mission critical applications.

- ◆ **Data Centre:** Bajaj Allianz has set up the state of art Data Centre with fully redundant un-interrupted power supply, temperature, humidity control, 3 level access control backed up by fire protection and security alarm systems and is manned 24/7 basis.

- ◆ **Network:** Bajaj Allianz has contracts with all major ISP's providing network connectivity. All branch offices are connected through leased lines with ISDN line as backup and dial up links as the secondary backup. Network is under constant monitoring by Network Operations teams outsourced to specialized service providers. This helps in ensuring high uptime.
- ◆ **Security:** Bajaj Allianz has a well defined information security policy for ensuring confidentiality, integrity, availability and non-repudiation of transactions occurring in our IT systems. There are specific regulations related to end-user security, application security, network security, system administration, software development, and email usage. There are detailed instructions with regard to security procedure for various class of IT equipments.
- ◆ **Perimeter Security:** Bajaj Allianz internal IT environment is secured from the external world with 2 layers of firewalls, which differentiate the incoming connections and push them to various de-militarized zones (DMZ). For example Web DMZ is secured with intrusion detection systems for the servers and the network. These measures can effectively track any potential attacker and block its access. The customer portal servers, which allow on-line transactions, are secured through verisign certificates that ensure total security by encrypting the transaction using most secure 128bit key.
- ◆ **End User Security:** This is ensured through deployment of gateway level and desktop level tool for protection against virus,

malware, worms etc. We have secured out-mail gateway with protection against virus, spams, mail exploits etc. User desktops are sufficiently hardened and checked for known vulnerabilities and can block known attacks whose patterns are upgraded regularly.

- ◆ **Disaster Recovery:** Bajaj Allianz has set up a DR site at Hyderabad. This is a warm site with reduced capacity & acceptable disruption or downtime in the event of natural disaster. Mechanism has been set up to ensure that the daily data is backed up and sent across to the DR site and that is kept updated.
- ◆ **Data Warehouse:** Bajaj Allianz maintains a central data repository stored in a dimensional data model, which is incrementally upgraded on a daily basis and allows users to generate MIS and ad-hoc reports using Online Transaction Processing Tools (OLTP).
- ◆ **Customer Portal:** This allows users to register themselves on line to view their policy status on-line using customer - PIN access. We are also launching secure transaction area where they can send their requisition for secure transactions using T-PIN. Customers can pay their renewal premium online using a credit card by connecting to secure servers.
- ◆ **Agent' Portal:** We have an Agent's portal, which can be accessed by every agent to view his commission details and also to check his customer details. They can subscribe to e-mail and SMS alerts about premium due from their clients and also get notification for any pending requirements under policies submitted by them. All club agents are provided with web mail id.
- ◆ **Care Quote:** This is the premium quotation system for agents. This provides, the quote, benefit

illustration giving projected maturity/death benefits.

- ◆ **Six Simple Numbers (SSN):** This is a sales activity-tracking module, which enables the company to monitor the field level activities of agents starting from lead generation to tele calling to closure of sale. Provides detailed insight into the agent's weak areas and helps in identifying training needs and also improves the overall sales efficiency.
- ◆ **Training Portal:** T4U is a training portal built for supporting web-based training for sales staff and our employees. We have also deployed a Learning Management

Whilst management of reputation should be an integral component of good management, often it is left to chance.



System (LMS), which allows us to log users and track their usage and also to test their knowledge acquisition.

- ◆ **SMS Gateway:** Bajaj Allianz has integrated a SMS gateway to its environment and allows potential customers to seek information using key word "LIFE" to 7575. Existing registered customers can get their policy status on SMS. SMS gateway is extensively used to communicate messages from Head office to Branches and to field staff.
- ◆ **Imaging System:** Bajaj Allianz has set up an Imaging System to scan the New Business proposal and transfer them to the central repository. This will help in speedy retrieval of documents to enable

quicker turnaround times for processing customer requests.

- ◆ **Workflow System:** Bajaj Allianz has set up a workflow system to automate the New Business workflow by building various queues and linking all the job steps to ensure completion of policy issuance process. The work item moves from one task to another based on rules defined and allows resources to be deployed optimally.
- ◆ **HR System:** Bajaj Allianz has developed and deployed HR4U, a HR portal. This allows attendance logging, leave sanctions, target setting and also has a full-fledged Performance Management System. It is a near paperless HR system.
- ◆ **Payroll System:** Bajaj Allianz has deployed "ACCENT" payroll system, which is interfaced with the HR4U, and SUN accounts and helps in generation of the payroll and associated reports.
- ◆ **Help Desk:** Bajaj Allianz has deployed iCRM, an internal helpdesk software, to log all complaints / service request, monitor and track the resolution of each case through unique token-id. Expected Resolution Time (ERT) is loaded for various issues and the system escalates the calls to next level if ERT for that level is not met. Detailed MIS allows analysis of trends and helps in fixing root cause.

Each and every aspect of our business is IT enabled so as to provide efficiency and access 24X7; and to provide seamless service to customers, agents & employees across the country.

*J B Bhaskar is Head - IT, Bajaj Allianz Life Insurance Co Ltd.*

# Managing Information Risk

## - Ideas And Processes

Companies depend heavily on information technology to support and drive their business goals; and to maintain competitive strengths. However, information itself suffers from some grave risks of being abused. Edgar Balbin and R N K Prasad suggest various measures to ensure that information is protected from such risks.

The insurance industry, domestic or global, has been facing several challenges posed by deregulation, convergence of financial services, increased levels of customer expectations and the need for new and adaptable products, among many others. The increasing complexities of insurance business including the overwhelming desire to stay competitive prompt insurance companies to seek more business; consumer-oriented value contribution from their respective Information Technology Functions; and making their IT departments more accountable for delivering measurable business value-added benefits and competitive advantage in the marketplace. Unlike in the past, IT is now expected to work more closely with the insurance business almost to a point of being part of policyholders' reasonable expectations. On the other hand, business owners and managers consider IT functions a key driver of the new opportunities for growth and its long-term sustainability. Thus emerging are several enabling technologies and applications, in the areas of Underwriting and Policy Issuance; Premium Billing and Accounting; Claim Management or Policyholder Services; agent/broker management; product design and host of other business processes. Increasingly, the CIOs (Chief Information Officers) are being tasked to make unending contributions to companies' competitive profile, management and protection of information and entrepreneurial processes of the business enterprise, identification and management of risks inherent in the companies' information systems. Inherent in IT; and IT enabled

information systems, is the risk posed by several threats and the vulnerability of the enterprises' systems for attack and loss of assets and information impacting the business in several ways; and resulting in monetary and non-monetary losses.

Information risk management adapts the generic processes and applies it to the integrity, availability and confidentiality of information assets

### **Risk Management-Generic Processes**

The generic processes of risk management are identification of risk, assessment of risk and implementation of appropriate management controls including policies, procedures and practices to reduce the effects of the risk to a more acceptable level.

and the information technology environment. The ultimate aim of these processes is the better management of an organization's IT related risks by using such controls that mitigate risks for better protection of mission critical information and IT systems that process, store and carry the information.

Information Risk Management allows companies to identify information assets, and threats to those assets; assign appropriate values and assess risks; and develop strategies to manage such risks. The processes allow for balancing operational and economic costs of protective measures with systemic gains in mission capability. The challenges to Information Security arise from

several sources namely (i) lack of concern/knowledge over technological issues (ii) inappropriate treatment of information systems (iii) information overload (iv) inadequate training (v) lack of budgets for IT security and so on.

### **Information Security and Management Assurance**

Companies must treat their information as one of its most valuable assets and appreciate that it plays a significant role in its business successes or failures. The Board of directors, which is ultimately accountable for all stakeholders for the company's success, is also responsible for the protection of information, and information assets. Protection can be achieved by exercising effective technical and management controls complimented by adequate board oversight. The Board and its subordinates, such as the CEO, CFO, CIO, must remain aware and vigilant on every threat that is likely to compromise the security and privacy of its information assets and the likely losses such events can generate.

The information risk management process requires a logical structure to ensure that no risks are overlooked and all assets and processes are identified and accounted. A stepwise risk information management process is shown in the accompanying figure. Risk management is a protective tool to enable organizations to achieve their goals and mission. It is therefore essential that the framework for information risk management must be aligned with the company's strategic goals and the strategic information technology plan.

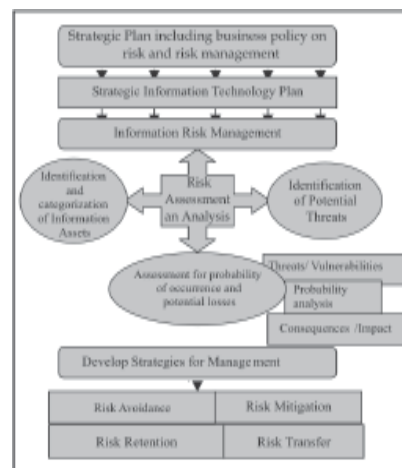
**What questions should companies ask on their information security**

The generic processes of risk management are identification of risk, assessment of risk and implementation of appropriate management controls including policies, procedures and practices to reduce the effects of the risk to a more acceptable level.

1. What have we done to ensure effective assignment of accountability for security of the company's information and supporting IT resources?
2. What have we done to ensure that all parties are aware of the importance of information security?
3. Have we considered and balanced the perspectives and considerations of all interested and affected parties in designing the information security policy?
4. Have we done a cost/benefit analysis of the information security controls that have been put in place?
5. Has information security strategy and plan adequately integrated with overall policies and procedures to maintain effective security throughout information systems?
6. What capabilities are in place to ensure failures will not endanger the company or its information assets and will not impair operations?
7. What capabilities are in place to ensure continuous risk assessment, monitoring and management?
8. Are the information security measures fair, legal and dependable?
9. What measures are in place to prevent loss or damage to the system and the information? Is there a reliable and up-to-date "back-up" system?
10. Do we have in place a disaster recovery plan and how often do we review the plan for updation?

When conducting a risk assessment for the information environment, it is important that all information assets supporting critical process in the business are identified and inventoried. These assets can be grouped into:

**Physical or Tangible Assets**, that includes assets such as:



- ♦ Hardware and Software, e.g. mainframes, minicomputers, microcomputers, print media assets, storage media assets, network and communication equipments, etc.,
- ♦ System Interfaces, e.g. internal and external connectivity
- ♦ People who use/support the IT system
- ♦ Facilities required for IT Systems e.g. furniture, premises etc.,
- ♦ Documentation, that includes forms, manuals, etc.,

**Other assets**, those include, but not necessarily limited to:

- ♦ Data and Information
- ♦ Application and System software

The assets as identified above will then be categorized into different classes such as:

- a) **Mission Critical:** Such of those assets which run the business and without which it is impossible to run the business, fall into this category;

- b) **Essential:** Those assets that are required to run the business successfully but without which business need not fail, fall into this category.

- c) **Normal:** The assets, which are required but without which business can run for extended periods of time, fall into this category.

Having identified assets and the information, it is important to establish criteria for measurement of risk. Generally, such criteria are evolved around the information security principles such as (a) confidentiality of information (b) integrity of information and (c) availability of information. And the measures that are used to evaluate the risk are generally based on (a) client perception (b) regulatory impact (c) business impact and (d) operational impact.

**General Information ratings**

- a) **Very High** Failure of information leads to a collapse of business and the information must be highly protected and confidentiality and integrity must be assured
- b) **High** Information to be classified as "High" and critical areas of business cannot function in the event of a failure. Information must be correct and errors detectable and avoidable.
- c) **Moderate** Business will tolerate minor to moderate errors in data. Confidentiality of information is guaranteed for internal use.
- d) **Low** Consequence of information damage may only lead to minor disruption with no or very limited impact on the customers. Confidentiality is not required.

Threat-Vulnerability analysis follows the identification process. Risk that an adverse event could potentially impact the information is its threat. Threats can emerge from different sources. A threat is the potential for a particular source to successfully exercise a particular vulnerability. Where there is no vulnerability, the threat source does not present a risk. Identification of threats to information system is an important process of information risk management. Threats can be external, internal or environmental.

Threat analysis to an information system should also include the

### **Threat Sources**

**Natural (Physical)** Threats, like floods, storms, earthquakes

**Human Threats**, either internal or external, intentional or deliberate actions (like malicious attacks, software uploads, unauthorized access to confidential information etc. or unintentional acts (inadvertent data entry)

**Other threats** such as major power failure and loss of information, major system crashes leading to loss of information and discontinuity of operations.

vulnerability of the system to such threat sources. Vulnerability is a weakness in security procedures; systems design, implementation, or technical and management controls that are in place, which may intentionally be exploited or its occurrence accidentally get triggered. Sources of such vulnerability could be (a) terminated employees accessing the system with their old identification/passwords by dialing into the company's network and accessing any proprietary data, (b) hackers, computer criminals or any other unauthorized users breaking into company information networks by exploiting the weakness in the IT systems or obtaining access through known system vulnerabilities etc.

The next step in information risk management process is the assessment of risks, which can be done by an outside group of experts who would review the

entire Systems and the Information Architecture to identify weaknesses that can be exploited and the prospects for such exploitation. This process shall include an assessment as to the probability of such exploitations and also the potential losses if risks materialize. This will result in development of a risk mitigation strategy and also identification of residual risks, if any, that the company carries. In addition, documentation of this analysis could result in immediate correction to the systems or at least recognition of existence of such threats and potential for losses and suitably drawing up mitigation strategies.

A company needs to have not only a risk assessment and mapping of threat sources and vulnerability of systems, but also an impact analysis, should a threat really occur and the organization's information systems are compromised. Impacts can result in

### **Impact Analysis - What it does**

A Business Impact analysis document identifies the criticality and sensitivity of information assets, their values and establishes the magnitude of impact on business continuation and other losses should such information assets ever get compromised.

some tangible losses/effects, like, loss of revenue, cost of repairing the systems, cost of violating the regulatory standards, if any, etc., while others result in intangible losses, like loss of public confidence, loss of credibility, regulatory actions upon violations, if any, etc.

Once the risks are identified and properly evaluated, these are then prioritized, based upon what is tolerable and what is not. That total elimination of risk is impractical is a well-recognized fact. A risk mitigation strategy should then document the management strategies, which can be grouped into those (i) avoidance (ii) mitigation (iii) retention and (iv) transfer techniques. Like any other cost benefit analysis, treatment of risks by implementing necessary controls should weigh against the costs of such treatment. The cost of such risk

management strategies should be less than the benefits or at least proportionate to the benefits received from such control measures. The plans for implementing new controls or reviewing the existing controls should also include the protective measures suggested/ recommended to reduce vulnerability. A control environment for risk management encompasses Technical and Management controls. Preventive technical controls, which inhibit attempts to violate the security policy, include (i) authentication (ii) authorization (iii) access controls (iv) non-repudiation (v) protected communications and (vi) transaction privacy. Detection and recovery controls include (i) IS audits (ii) intrusion detect controls (iii) system integrity controls (iv) virus detection and eradication.

### **Information Security controls at a glance**

1. Prevent/Protect controls designed to protect the Information systems
2. Detect controls to notify problems
3. Correct/Recover, controls with ability to correct identified problems
4. Deter, controls to avoid undesirable events

### **Disaster Recovery and Business Continuity**

Implementation of best safeguards does not necessarily guarantee a 'no disaster' scenario in an information environment. Therefore, the management of business continuity is an integral part of information risk management. Business continuity planning covers business resumption planning, disaster recovery planning and crisis management.

Business impact analysis is critical for the development of a BCP as here is where the key business processes, activities, dependencies and interdependencies, etc., are identified and documented. Amongst others, this also establishes the criticality of information resources that support key business processes. This analysis determines the critical recovery time period within which the business must be resumed before significant losses

## Risk and Security Control Matrix-An Illustration

|            | Control Types                                                                                    | Control Aims                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------|--------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Error Risk | Input controls<br>Processing and data file controls<br>Output controls                           | <ul style="list-style-type: none"> <li>♦ Entry of valid and authorized transactions</li> <li>♦ Ensures completeness, accuracy and validity of data on file/databases. Also ensure authorized data processing to the stored data.</li> <li>♦ Assurance as to the consistency, accuracy and validity of data/information delivered to end users</li> </ul>                                                                                                                                                                                                                                                                                                                                                                         |
| Fraud Risk | Authorization and<br><br>Encryption/Integrity controls<br>Firewalls/Intrusion detection controls | <ul style="list-style-type: none"> <li>♦ Definition of security requirements, data Access controls ownership and access to data/information on need to do/need to know basis.</li> <li>♦ Information assets are in secured locations with adequate physical (biometric controls) and logical access (logon ids, passwords etc) controls.</li> <li>♦ Programs are kept in secure libraries</li> <li>♦ Checks on the data being transmitted over the network/s</li> <li>♦ Reconciliation and checking procedures to ensure accuracy of data in migration/ conversion process</li> <li>♦ Regular back ups and their storage in a secured place</li> <li>♦ Access to public networks and effective firewalls for breaches</li> </ul> |

### Process of Business Continuity Plan



begin affecting the organization. This phase is followed by development of recovery strategies, analyzing them and putting in place a most appropriate strategy for recovery. Such recovery strategies should focus not only on people, facilities and information systems but also equally on telecommunications.

Having formulated recovery strategies and business operations in the event of failures, it is important to document these processes and information in a form that suits the organization for implementation when a crisis strikes. The document identifies and addresses all stages of recovery process that includes (i) processes for response to a declaration of emergency until all critical systems are re-established (ii) details of all alternate processes and resources and (iii) processes for return to normalcy, both systems and business operations. The BCP should be tested at such periodicity as the company deems fit to ensure that it works when needed.

**Conclusion.** In the current high tech era where companies tend to depend heavily on information technology to support and drive their business goals and to maintain competitive strengths, a well structured information risk management helps management in securing mission critical applications, improve decision making capabilities and ensure that all business processes

and operations are protected from several threat-vulnerability pairs.

### Some offsite backup and recovery strategies for disaster recovery plans:

1. A Hot Site with compatible ready to operate facilities for the recovery of lost data and information and resumption of critical services with least disruption
2. A Warm Site that enables activation of business processes and recovery of data within an acceptably short period of time.
3. A Cold Site with some basic information assets and information that is helpful in recovery and resumption but can take considerable amount of time in doing so.

### Generally applied methods for recovery in case of telecom network disasters

1. Creation of Redundancies
2. Alternative Routing, for e.g. dial-up for leased lines or facsimiles for e-mails, etc.
3. Rerouting, provision for automatic re-routing through a different network in case of own network damages
4. Last mile circuit protection, that involves using a different local carrier should there be a local communication disaster

### Role of Information System Audit in Information Risk Management

1. Provides assurance as to security of IS resources;
2. Facilitate design of well informed risk management systems and thus enable informed decision making processes;
3. Assist in accreditation of information assets and functions;
4. Review of IS policies, procedures and standards ensures alignment of goals and plans
5. Ensures existence of effective input and output; and data management controls, access controls; and levels of awareness of controls and procedures; and all violations reported timely;
6. IS audit review assures integrity, confidentiality and availability of data and information.
7. Ensures exceptions are properly reported and acted upon
8. Ensures that backup and other recovery plans are in place and working.

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*R N K Prasad is Resident Technical Advisor, BearingPoint*

# Technology in Insurance

## - A Management Imperative

A total solution for underwriting and new business processing for life insurers can help reduce policy issuance from weeks to days observes Anita Pai.

The insurance business in India is growing at a rapid pace. As in all industries, adapting and responding to change has become the key to competing in this market and the speed of deployment of products and strategy is critical to drive home the advantages of innovation. Technology has become an integral part of strategic initiatives as it touches all facets of the organization, from product development to customer experience. Another big differentiator is the service levels that the organization could provide to the customer along with new product offerings which have revolutionized the insurance options available to the customer. This, along with the speed of technological development, the desire to drive greater efficiency through business processes, and the need to have compliance with new regulatory regimes, has made I.T. strategy play a critical role in supporting business.

For new players, the need to establish and grow brought in the need to look beyond the boundaries of the industry and geography to explore best practices and to find ways of tapping technology to achieve higher efficiencies and sharpen the competitive edge.

Before we touch upon technology and see how it fits into insurance, let us look at the structure of an insurance business, its components and the factors which impact the business. The entities influencing and contributing to the business can be classified as a) Environmental factors b) External facing Entities c) Core business functions d) Support functions e) Strategy and Management Intelligence. Environmental factors such as the

Regulatory authority, Government, Economy, Market and the country's demographics. Externally connected entities constitute the Sales and Distribution channel; Partners; Customers and shareholders. Core business functions are Operations, Service, Investments, Actuarial, and Claims etc. These are supported by functions such as HR, Finance, IT, Process and others. Business intelligence and corporate planning

A strong channel system can give insights into the partner performance; strengths and weaknesses; segmentation; and support decision making for being competitive in the market.



functions empower the senior management to device strategies to accomplish its objectives.

The first level automation need covers the Core Business Functions i.e. the business critical ones which revolves around the policy life cycle and the direct entities attached to it. Thus having a solid platform for policy administration is critical to the organization's success. It is important to have the functionalities desired by the business and at the same time conform to standards and comply with security and IT policies. Technology can address all these requirements.

Core business functions such as Underwriting and Claims can be supported by an automated

underwriting and rules engine which can provide the advantage of faster turn around times and process control. A total solution for underwriting and new business processing for life insurers can help reduce policy issuance from weeks to days. As is evident from these examples, technology fits into the special needs of the insurance industry and provides a rapid return on investment by reducing operating costs.

A rapidly growing business requires a strong Policy Administration System that can handle large business volumes and facilitates batch timings for daily transactions.

The external facing entities can be supported by technology through various means. A flexible and parameterized channel management system will allow the business to easily configure and manage Distribution Channel Partners and the front line sales agencies. A strong channel system can give insights into the partner performance; strengths and weaknesses; segmentation; and support decision making for being competitive in the market. This in turn will lead to higher and better quality sales and keep the costs down by eliminating cost overheads by termination of unproductive channel entities and focusing more on productive and potential ones.

Recent trends have also shown a shift towards convergence in financial services, in which captive channel entities sell investment products and traditional banking products; and the banking industry also sells insurance. This convergence has driven insurance companies to assess and update their

overall information technology strategies, so that they can provide sustainable competitive differentiation in terms of speed, flexibility, and effective communication with policyholders and business partners.

Technology also enhances the efficiencies of support functions and binds them closely with the core business. One of the common objectives of the industry is to keep the costs within the budgeted limits, and efficient IT systems that can generate useful MIS is integral to attaining this objective. Reducing spend overflows requires process efficiencies across the organization which requires automation of the business processes of functions such as HR, Finance, Training, Investments, Marketing, IT, Product development etc.

The industry can use technology to interact with the external environment. It has woken up to the need for B2B and B2C automation. Self service modules on the website both for channel partners and for customers are examples of the same. Shareholder or parent company's MIS or the regulatory business to business integrations all call for having a strong technology focus.

For the senior management and strategists, information and analytics are of paramount importance. The analytical systems are fit to transform the company's capacity to make the most of the existing information within the organization. Using this tremendous amount of data, the analytic systems can provide insight from concrete information. The information can then be turned into knowledge and that knowledge turned into actionable plans; and therein lays the essence of business intelligence.

As the management team must have insight to each and every part of the business, technology can be exploited to provide a clear view through the implementation of a stable and reliable information systems framework. The information needs of the

organization can be categorised under Operational, Tactical, Analytical, Strategic and Decision Support heads. While it is possible to hit the base applications for the information requirement through standard reporting tools, it alone cannot form the best architecture for scalability, performance and capability for complex analytics.

This is where an ODS and a Warehouse come into picture. While the ODS caters to the operational data requirements and also supports the Operational and tactical reports, a Warehouse comes as a platform for high end analytics and data mining to support cross sell and

While it is possible to hit the base applications for the information requirement through standard reporting tools, it alone cannot form the best architecture for scalability, performance and capability for complex analytics.



up sell. It can also act as the base for a campaign management solution and provide a single point view of the organizations performance.

Technology support to business at different levels and across applications requires that the organization have a strong infrastructure that acts as a foundation for growth, scalability and reach. The Network architecture; Data center, hardware and peripherals management; Server management; Security infrastructure; DR and BCP setup; Facilities management, Helpdesk etc are the main constituents of the IT backbone.

We have seen above that the various business functions are touched by

technology in one way or the other, but a question remains: How to strategically use technology to derive business value beyond its bare function automation fulfillment.

Though it is easy to figure out basic automation needs and to establish a fitment of technology in supporting each of the entities listed above, it takes a lot of thought and planning to device the best possible architecture and technology mix for the organization.

Building an IT strategy for an insurance company should take into consideration the fitments and the integration of various components. On the one hand there are the Core Insurance Systems while on the other, there are a lot of satellite systems catering to various non core business functions. These constitute the functionalities required to run the business covering policy admin, accounting, sales commercials, channel management, servicing and transactions management etc.

The two pillars for success of a technology implementation can be attributed as Functionality and Performance. Any technology implementation should cater to both equally. Thus an equal focus on technologies to improve on performance is required.

The below mentioned systems are some but not all areas where technology can be leveraged in the insurance industry

#### **Business Solutions function wise:**

##### **Customer Service & Operations:**

Business Process Management, Call Center Information Interface and Service desk, Customer Communications System, Customer Management - De-duplication & repository, Customer Relationship Management, Customer Service, Field Service Management, IVR, Policy Administration (Group), Policy Administration (Individual), SMS Alerts, Partner Services Management

system (Doctors / Vendor / etc), Automated Underwriting System & Risk assessment

**Business Intelligence / MIS / Audit / Actuaries:**

Business Intelligence and Data Analytics, Enterprise Data Integration (ODS), Enterprise Data Warehousing, MIS Reporting, Statistical analytics, Fraud Management & Risk Control, Actuarial Analysis & simulations, Enterprise Performance Management & Dashboard

**Capability Development:**

Enterprise learning/Education, Knowledge Management, Training management system

**Distribution:**

Campaign management, Distribution Channel Management, Mobile Field Sales Automation, Sales Force Automation

**Finance & compliance:**

Corporate Compliance Management, Enterprise Asset Management (EAM), Enterprise Resource Planning, Financial Accounting, Inventory Management, Investment Management System, Spend & Expense Management, Supply Chain Management (Inventory, Procurement).

**HR:**

Human Resources Management System (HRMS), Organization Chart, Resume Management

**Marketing:**

E-mail Marketing/ Direct, Marketing, Product Data

**Other areas:**

Document Management, Enterprise Content Management, Helpdesk and Call Management, Human Capital Management - Outsourced Staff, Information Lifecycle Management, Intranet Portal, Product Lifecycle Management, Project Management, Real and Non Real time Collaboration, Website, E-mail Management, Enterprise Application Integration, Identity Management

The crux or the matter lies in the architecture definition and finding the best mix for the business.



**Technical Solutions and components:**

Anti Spam, Anti Virus, Backup, Data Center Management, Data Integration Database, Disaster Recovery, Messaging, Networking, IT Performance Management, Quality Assurance, Server Optimization, Servers, Software Configuration Management, Storage, Systems

Management, Web Design, Web Development, Web Hosting, Web Services, Web Traffic Analysis, Wireless, , Firewalls and Security Systems, Automated testing and performance tuning systems etc

The list is indicative of the possibilities of technology implementation but the opportunities lie plenty more. This is just a view of areas where technology implementation can help the insurance sector.

The crux or the matter lies in the architecture definition and finding the best mix for the business. The implementations should be parallel with the maturity levels of various functions in the organization. Relating it to the returns and benefits are important for a successful induction of technology into business. It should be ensured that the whole framework should be well planned and well architected.

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# Technology In Life Insurance

## - Genesis And Evolution

Insurance industry needs advanced technology for business sustainability; and its demands fuel technological advancement and applications observes S.K. Kapahi.

In the present day environment, business propositions and technological interventions are inseparable. Technology, which at one point of time was only an appendage to business, became business enabler in due course of time; and has now become business driver, leading to Business Process Re-Engineering. This can't be more true for any other business than insurance. Reasons are not far to seek, as will be seen in what follows.

Insurance industry deals with the probability of happening of events. For its ability to accurately assess the probability, there is huge dependence upon the ability to collect a large data base over the years, spread over large geographical and demographic sections, store it in easily accessible forms with the ability to access this data base at a fast pace; and draw upon conclusions and complete different models with slight variations in the parameters. Comparing the results of different models and thereby developing different kinds of products at a cost which enables the insurance industry to sustain its business, therefore, requires intervention of modern day technology.

Information technology is an industry which deals with large scale data collection, warehousing, mining and generation of end results. By virtue of high speed of the present day processors, it has the potential to respond to the needs of business at a very fast pace. With the advancement in telecommunication, both terrestrial and satellite based, there is a vast improvement in the speed, reliability, uptime and distortion free linking up of offices and people from across the

country/countries. This advancement in technology means access to the central data bases from distributed networks and offices at the speed of thought.

Insurance industry needs advanced technology for business sustainability; and its demands fuel technological advancement and applications.

**Comparing the results of different models and thereby developing different kinds of products at a cost which enables the insurance industry to sustain its business, therefore, requires intervention of modern day technology.**

Because of the nature of the insurance industry and the abilities of IT/telecom industries; there is synergy for the two industries to flourish together and then the insurance industries can initiate re-engineering of business processes for providing better services to the customers, having a business model which ensures their viability and bringing out different, complex kinds of products which meet the needs of the customers. The mix and match of different kinds of technologies enables the industry to put in a proper business model. We will try to have further insight into the areas wherein technology can be utilized and to what extent.

### STORAGE OF DATA

The insurance industry is a sector which is heavily dependent upon satisfaction of its customers. It is a long term relationship between the two of them. The customers' satisfaction can be ensured by providing desired services at reasonable cost. The reasonable cost in this context means the administration cost as the risk cost is primarily dependent upon the nature of risk, risk management and location of risk. In a country like India where the risk factors are quite variable depending upon demographic and geographical spread, it is the ability of the insurers in properly administering its business which can ensure their survival. The networking facilities which have become available today enable the insurance industry to have in place systems for providing on the spot service facilities for its customers while keeping its data base at a centralized location. A hybrid combination i.e. a semi-centralized data base for servicing of policies (data bases pertaining to servicing units of a particular area at an intervening place) and its consolidation in real time at central data base can be another useful model. This kind of arrangement provides an interesting working model, reduces cost of servicing but at the same time enables different users to access the data base and provide service on anywhere any time basis with M.I.S. generation at all levels.

### DATA SECURITY

Next major issue is of security of data which all insurers have to seriously look at. As the above kind of arrangement is depending upon the

movement of data and its access over network/leased lines/V-set, it is necessary to have a proper network security arrangement and bandwidth. The threat to the data base can come from the in-house user and/or from a competitor or any other outsider or corruption of the disk/server space due to hardware problems. Therefore, it is not only the establishment of network system but an effective I.T. security policy which must be put in place and be operational. The I.T. security concept has to be all inclusive i.e. security of the hardware and software; security when the data is moving/being accessed over the network; network uptime and speed of movement of data; unauthorized access and the hacking threat from both the outsiders and insiders.

#### **BUSINESS CONTINUITY AND DISASTER RECOVERY**

Another critical issue which many times is overlooked or not given due importance is the business continuity plan and disaster recovery. In organizations, profits depend upon the business transactions coming through continuously and operations being completed on schedule. Such a scenario enables the organization to do more business; generates more revenue; provides a sense of confidence to the customers that their interests will be met in time thereby generating confidence in them and in turn access to more business; and creating a strong brand image which enables marketing personnel to reap rich dividends in the market place. The lead time for completion of sales gets reduced. This issue again is dependent upon acquisition of proper technology and its utilization with adequate security. Top management must back these plans and provide finances, as money spent hereon provides invisible Return On Investment.

When disaster occurs, the most important factor for the insurer is to provide a sense of confidence to its

customers that their interest will be protected. This requires an instant communication and quickly meeting the instantaneous demands of the customers. The demands may be in relation to knowing the system of filing of claims, settlement of claims, or general information alone etc. Technology, therefore, at such a stage comes to the help of the insurer. It may so happen that the technology intervention itself may get affected by the disaster. Therefore, the business continuity plan and minimum recovery time to restore the original system is of paramount importance for the insurers.

Another critical issue which many times is overlooked or not given due importance is the business continuity plan and disaster recovery

BCP and DRP have to be kept in place along with development of normal business plans.

#### **MANAGEMENT INFORMATION SYSTEM**

The insurance management today needs to take informed business decisions based on correct up-to-date M.I.S. returns; and generation of M.I.S. automatically and its escalation from the operating level to the highest level is possible only with the help of technology. An informed, data based decision is always likely to be more helpful in brining in policy changes, mid term corrections, strategy planning, etc. which are only possible with the usage of information technology and centralized data bases.

Any profit in the insurance sector is based on probability of the event

happening, return on investments, reduction in fixed administration cost and variable cost and to provide the returns expected by stakeholder. The principles of actuarial science provide the basic framework for making all these calculations. The speed of making available different models by actuarial calculations, however, depends on the capabilities of the applied technology. A number of different models can be constructed. The fact however, will remain regarding acceptability of the product by the customers.

#### **MARKETING EFFORT**

Information technology can help all insurance companies to have information regarding viability of different products. By proper presentation, the customers can be made aware of the benefits of a particular product. Technology also helps the insurance company to have a reassessment of profits, sales and cost of the product at frequent intervals and plan for strategies which will help them to either retain a product or modify it or close it in time, without incurring heavy losses.

#### **REGULATORY CONTROL**

All insurance companies design their products based on their own assumed parameters and making certain assumptions. Also the results of their business activities depend upon reliability of their data and actual results; vs. assumed norms and expected results. The regulator has to ensure that the insurance companies work within permissible, acceptable norms and have sufficient solvency margins. It will be practically impossible to have any kind of guidance and control mechanism if it has to work on a manual basis. The proper usage of technology can help the regulator to test the veracity of claims of the different insurers against the acceptable norms of parameters which give an idea about health of business

operations of the insurers. It can also give lead time to the regulator if any insurance company is heading for any minor/major disaster which will adversely affect its customers and the insurance industry. The usage of I.T. can help regulator having common norms for the industry and test check for all the insurers for particular kind of business against these norms. Here again technology lends a big helping hand to the Regulator.

To sum up, the business of insurance is highly dependent upon the quality and storage of data; speed of analysis and the speed of corrective action in case of non-adherence to set norms; and for providing quick relief to the esteemed customers. The technology acquired and applied should be up to date; reliable and trustworthy; and capable of migrating from one platform to another. Each one of the insurers, needs to look into these issues while acquiring technology which should not be of the past, but which should be of the present and scalable for the future. Costs of acquiring hardware have fallen. So providing for redundancies is less painful.

The areas where technological applications can be made in the insurance sector and specially the life insurance sector have been highlighted above. These are not only the principles, but also have been tested against real life situations in LIC of India, the biggest life insurer in India. In LIC of India, the technological interventions were there even prior to nationalization; and they were being applied at that point of time in the form of HOLLERITH and Adrema machines. Later on in 60s, the EDP centre was established in Mumbai and it catered to the needs of all the Branches and Divisions in the area of Mumbai, Thane and Goa at that time. With the changing technology the switchover

was done to provide data processing facilities at each division in 80s. With the advent of OIC, a decision was further taken to take microprocessor centres to the branches. As on date, all the 2048 branches have their own I.T. sections. This meant a shift from centralized processing to decentralized operations. To be able to take care of the needs of the customers for anywhere premium payment, all the branches have been networked together and we have a system of keeping a modified version of the policy master at the divisional level for all branches within the division (MAN Centre), which is utilized for accessing for

**The technology acquired and applied should be up to date; reliable and trustworthy; and capable of migrating from one platform to another.**

premium payment from anywhere across the country. LIC of India also provides for payment of premium through ECS, ATMs, Portals, etc. in addition to payment at the counter in branches. In terms of backups and DRS system, a policy to take regular backups of our system and keep it at a place outside the branch premises is in operation. There is also a back up PC in each of the branches in addition to main server. This takes care of the contingencies that if the records on the main server get corrupted because of any reason, we are able to restore back the files. There is a large pool of programmers and developers for in-house software development except in areas of data warehouse, middleware and ODS where we have taken assistance from specialists. There is

already an IT policy in place which outlines the road map for IT Department for next couple of years. There is also a well documented IT security policy dealing with different security concerns. Our Inspection and Audit Department officers; and officials from higher offices visit lower offices to check about implementation of I.T. security policy in regular course. The MIS which is needed for CRM Department and product development, HRD, P&GS is also put in place by in-house expertise only. It is a standard policy decision that wherever any project is initiated, BCP and DRS is taken as a part of the planning and execution process. So far, it has been possible to keep our networks up and the bandwidth utilization and upgradation have been periodically reviewed. Hardware is replaced periodically. This means that in LIC of India all the aspects starting with providing hardware to developing applications which are customer friendly; keeping the people apprised of latest technological advancements and their relevance to the organization; and manpower development have been taken care of.

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# IT in General Insurance Industry

## - The Change Driver

The plans to provide insurance system over Internet should not be derailed by concerns of availability, security and poor performance observes LN Pai

The customer expectations have reached an all time high. The opening up of the market has brought in competition in the market; and the customer decides the price of the product and service level offered. The position tends to get critical with the detariffed regime lying ahead. The insurance companies need to go in for a paradigm shift in the way insurance business is transacted. Customer retention, profitability, increasing the customer base and increasing the value of the product offered are the mantras for sustained presence in the market and maintaining the lead.

This is where IT has a major role to play. When one can buy anything from air ticket to pizzas online at a place and time of his convenience why can't one buy insurance online? Why waste time visiting the office of insurance company unless the asset to be insured is a 20-year-old motorcycle. The customer has already started to draw a comparison of service levels offered in other areas like private banking with those offered by his insurance company. We need to change the way the business is being done. The method of transacting business has to change. The IT intervention should be carefully deployed to achieve the desired effect. It should benefit all those concerned namely the customer, the underwriter, and various intermediaries; and accrue benefits for the future.

### The IT Paradox

Customer expects everything to happen on a click of mouse whether it is renewal or new policy. Top management expect all reports and statistics to magically appear at a click of mouse and users want a simple, robust, highly available IT system to help them do their daily work. Besides, you have mind-boggling complexity,

sales and pre-sales consultants of top IT companies that keep you busy showcasing their innovative products. Every vendor introduces a product, which promises to revolutionize technology. All the hi-tech jargons and buzzwords ring in your ears CRM, SOA, HRM, BI, NAS and SAN.

On the one hand we have urgent demands from our organization to augment our IT infrastructure; and on the other, we have technology and products that can solve all our problems. Yet we are unhappy! We feel

**The method of transacting business has to change. The IT intervention should be carefully deployed to achieve the desired effect.**



there is something missing. How do we match these opposites? Sounds familiar? So what went wrong? Software has become slower and buggy, Hardware has become unreliable and overloaded and our own users join the customers in cursing the IT systems of the company. The missing elements are the masses. "The mass of knowledge workers in our company did not feel it important to give us their feedback or they had no formal structure of providing feedback and possible improvements." Another missing factor is understanding and involvement by the top management. A very dedicated and understanding top management alone can drive the company to take advantage of IT. It is heartening to note that the top management has understood this reality and are giving the required impetus to IT. The early

signals of the results have already started showing up.

### The Big Picture: What is driving IT?

Understanding an organization's business needs is the new mantra for IT Managers nowadays. Like most other business houses we built our IT systems slowly and painfully, one system at a time. After 5 years when we look back we can see multiple legacy systems co-existing quite independent of each other. We can see the valuable information existing in paper files, spreadsheets, word documents, FoxPro, Cobol and Oracle. Each of these legacy systems served what they were created to solve: solve one problem at one time; automate one department at a time. What happened is that now our organization's business needs demand that these systems seamlessly integrate with each other, fade away geographical disparity and allow even customers to login to them. These new demands placed by business are the driving factors for second wave of IT spending.

Let us take a detailed look at the core business process and customer requirements relevant to modern insurance industry. Although underwriting, claims and reinsurance have been the three cardinal pillars of any IT infrastructure in general insurance; customer centric services, product innovation and business intelligence are the new buzz words doing the rounds in board rooms today.

As we would have noticed, none of a single line of software/hardware/network alone can meet these requirements.

Individually components like WAN, Servers, database, CRM etc. have proved their worth but true challenge is bringing them together in a way, which will meet our business needs. So instead of

focusing on these components let us grasp the deliverables preview.

### Customer centric services

Traditionally the general insurance has been process-centric. Strictly following the process, statutory compliance and keeping the auditor happy have been the focus of every large general insurance player until recently. With liberalization and globalization, customer now has a choice and more importantly customer now has a voice. Any insurance company aiming to run profitably cannot ignore the retail market and customer-centric approach. This is where IT has a major role to play.

Need of the hour is to design and implement an online transactional system which will enhance the customer experience and deliver services at his terms, at his doorsteps. Such a transactional system will enable a prospective customer to browse and customize insurance policies to suit his needs specifically, will allow him to compare quotes from various insurance companies and finally demand a policy online. Such a system will allow customer to be abstracted from all the back office processes and will act as the virtual office of the company. This virtual office will work 24x7; and customer is the king in this virtual office and if he is not happy with the services he will leave, all at a click of the mouse.

The challenge in putting together such a system does not lie in writing the software nor does it lie in the complex hardware to be deployed. The real challenge of building such a system lies in exactly knowing what we want and aligning our business processes to this new model. To efficiently deploy the above said model, we need to simplify our processes, speed up our internal approvals and train our personnel about the new model we intend to adopt. One of the key deciding factors will be IT penetration within the organization. Are our field personnel conversant with IT? Can they login

online and navigate their way around the new system? Are they comfortable with less paperwork and more digital documents? If the answer is yes half the battle is already won. However if the answer is NO, then we need to create IT awareness amongst our average insurance workers. Hurry up!!! The Customer is waiting.

### Product innovation

As mentioned earlier, customer has to get exactly what he wants - nothing less nothing more. This means our existing insurance products can no longer fare well. It is the value added services that will attract customer to us. What this means in terms of product design is that policies, risk covered and premium charged may no longer strictly fall into

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one of the categories like fire, marine, motor etc. In terms of IT requirement this means two things

- a. Flexible insurance underwriting rules that can derive premium for any set of mix and match of risks covered. Toughest part here is that we require a dedicated team with vast experience and expertise in insurance, sitting at our product innovation center. Such a team will be dedicated only to product innovation and documenting the complex interplay of risks and perils. Unfortunately this level of customization can neither be done by our average field worker nor by customer himself. So we may be still selling products, not services; but such products will have enough

flexibility to include/exclude risks/perils covered at the time of policy generation. We are not talking about change management here; we are talking about paradigm shift. Just think about our typical operating office getting a request to cover motor, fire and Mediclaim under one single cover? What will you charge the customer in de-tariffed regime? And more importantly who will tell us how bad the risk is? Our IT system has to cater to all these requirements.

- b. Alternate service delivery channels will have to be strengthened. These channel partners will demand an online login to your system to get their work done. They will also demand that all their brokerage/ commission/ service charges be disbursed online. They may want to interact with our concerned office and follow up claim settlement online. Another possible requirement is that our insurance system has to interface with their system so that they can avoid duplication of efforts and repetitive data entry.

What all this means is that we can no longer sell insurance in market the way we sell potatoes and onions; and our IT system will have to play a pivotal role in change management.

### Business Intelligence

To begin with, insurance is a statistics based business. The risk of few is spread over to many seeking similar protection. The premium charged is actually dependent on probability of loss, spread of the premium base and many other factors. With de-tariffing, the present system of looking up tariff in a predefined table won't work or if it works we may have to write our own tariff tables and keep revising them based on market/claims feedback. How is it possible?

If you are a startup company selling five different products and with customer base of 25,000, you may not

require BI because the disconnection between your various departments is very less. However, if you are an established company having 200 products and customer base of over a million, then probably you need a special tool, which will tell you where you went wrong and why. In short, you require BI.

So what can BI do for us? Well, to answer that we need to understand the difference between a transaction system and an analytical system. To start with, transactional systems insert, delete, edit, modify and summarize data on a regular basis. BI can only read. To make the example clearer, in a transactional system if the deposit is Rs.100 and withdrawal is Rs.100, the balance will be zero. Perhaps after five years if we wanted to know why the withdrawal; the amount; and exact date and time of deposit and withdrawal; a transactional system may not give us the answer. On the other hand BI will record deposit and withdrawal as separate records with all details and keep this data, probably in archive, even after five years. So ultimately it is all about the way data is stored and displayed. A transactional system stores the same data, as does BI. It is just that the goals

of OLTP (online transaction processing) and BI are different.

Such a system has got various names in IT; decision support system, Business Intelligence and data warehousing. Another popular trend observed is called data mining. The exact scope of such systems can be anywhere between providing the statutory reports to simulating feedback a product launch to future market trend analysis. It is anything but our transactional system. However please understand this, BI can only reformat, sort, cleanse and store data captured in our transactional system, it cannot fill the missing details. So if we want customers mail ID in BI, better capture it in OLTP.

#### The Road Ahead

Insurance companies will have to change their business processes and style of working if they are to succeed in the long run. On the one hand, increasing demands for better services by the customer is changing the outlook of the insurance companies. On the other hand, regulatory changes like detariffing and increase in FDI, promises to make times ahead difficult. Spearheading change management within the organization, rewriting and

simplifying business processes, customer centric operations and fear of increasing competition will force major insurance players to change gears in IT. The plans to provide insurance system over Internet should not be derailed by concerns of availability, security and poor performance.

IT will no more be seen as business enabler pursued by a few technocrats sitting in the head office. IT will be the organization's prime tool to introduce the necessary changes and increase productivity levels. Top management will no longer need to be convinced about IT spending, they will personally oversee that sufficient funds are provisioned for it. A committed top management will be the major driving force of IT adoption at lowest levels. IT adoption at the grass root level will bridge the gap between processes and technology, which in turn will show tangible benefits to organization. Finally customer will be the ultimate beneficiary.

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# Information Security and the Insurance Sector

## - Challenges Galore

Insurance requires an open environment where customers and agents get maximum access to the required data in an easy and convenient way says Dr. Vishnu Kanhere.

### 1. Background

Information Security has assumed great importance due to the growing incidents and threats causing huge losses to business over the years, bringing about legislative and procedural changes in its wake<sup>(1)</sup>.

The position of the Insurance sector is unique in as much as it has a dual role to play. One, that of protecting and securing its own information and infrastructure to realize its business objectives and the other of promoting better information security through positive reinforcement and reward by providing insurance cover and lower premium for cyber risks of entities that have information security systems in place. This article attempts to explore and delineate this twin role.

### 2. Changes in the Indian Insurance Scenario

With the opening up of the insurance sector to private enterprises and emergence of Insurance Regulatory and Development Authority (IRDA) as the regulator in the insurance field in India, this sector has seen a sea-change from its position a few years back. Insurance companies have come up with a variety of products, have ventured into newer areas and are today handling much

larger and more diverse business than in the past. The intense competition is also making insurance companies more aggressive, lowering/pushing down premiums and increasing the exposure of the companies.

It is in this context of opening up of the sector; entry of small and medium sized private players; and the increasing competition, that certain information security issues have emerged which need to be addressed. These issues pose a challenge to the insurance industry in India today and also worldwide; and need to be addressed on a war footing. Let us consider them one by one. (see figure 1)

#### 3.1 Securing and using customer information and data

Insurance business essentially deals with risk management and by its very nature is privy to sensitive information about customers - Information about their vulnerabilities and risks; their short comings and exposures ranging from business risks; and exposures in loss of profits policies to the diseases, handicaps and family histories in case of health insurance.

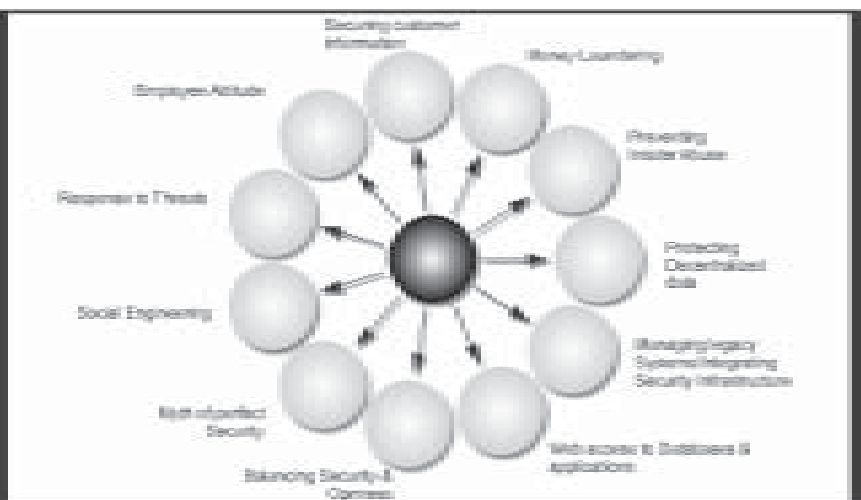
It is not just the ethical and moral duty of the insurer to protect the client data and store it securely but also a good business practice to secure it and share it only with authorized partners for permitted purposes.

In fact in the United States where you have the legislation of Gramm-Leach-Bliley Act; Sarbannes Oxley Act; Health Insurance Portability and Accountability Act of 1996 (HIPAA); and the US Patriot Act of 2001; the collection, storage, retrieval, use and sharing of sensitive client data is monitored and highly restricted.<sup>(2)(3)</sup>

In the years to come, as the Indian Insurance industry expands, goes global and matures, the impact will bring about sweeping changes across the insurance Industry - in the way information is collected, stored, sent and accessed both internally and externally <sup>(4)</sup>.

This will result in - growth in staffing in the information security sector/segment; greater surveillance and monitoring mechanisms in place; and

Figure 1  
Security challenges  
faced by  
Indian Insurance Industry



growing expenditure on information security. Insurance companies will have to start putting information security policies, procedures and best practices in place; and will have to implement information security solutions and audit those at regular intervals. This will also mean placing restrictions on indiscriminate access and use of customer data for cross selling purposes; and also of selling customer lists and data bases for a price.

### 3.2 Securing insurance companies from money laundering schemes and activities

With anti money laundering legislation in place in most countries, like their financial/industry counterparts, insurers will need to set up "KYC" - know your customer" mechanisms in place to minimize, prevent and detect money laundering abuse.<sup>(5)</sup>

### 3.3 Preventing Insider Abuse

Insurance companies by their very nature deal with a substantially large client base; their transactions span over a long time period (typically twenty plus years in the case of life policy); are open to abuse and misuse by unscrupulous clients and employees/agents (insurance frauds); and are also exposed to management frauds through misrepresenting accounting estimates and window dressing.

The emergence of corporate governance; and the responsibility of quick, timely and accurate reporting of information, now places an extra burden of maintaining confidentiality, integrity and availability of information on insurance companies.

### 3.4 Protecting decentralized Data<sup>(6)</sup>

With the advent of networks; remote and tele computing; and spread of insurance services over geographical area, distributed data processing and multi-user computing has become the order of the day.

Data bases are no longer unified or centralized as in the past. Data is stored on different servers at different locations, needing broader security measures, which will ensure that protection levels are maintained across different networks and platforms.

### 3.5 Managing legacy systems and integrating security infrastructure

Insurers were one of the early users of data processing systems. Electronic Data Processing (EDP) has today grown into Information Technology (IT), but most insurance companies are still flogging the earlier legacy systems and programs which can be seen being used with the latest technology. Given this diversity of systems; using different

The emergence of corporate governance; and the responsibility of quick, timely and accurate reporting of information, now places an extra burden of maintaining

operating platforms, different network architecture, different types and differing versions of software; ensuring compatibility of security tools and integration of security infrastructure has become a Herculean task, not to mention the challenge of maintaining and ensuring effective and efficient functionality of the entire process.

### 3.6 Internet/web access to data bases and applications

Most insurance companies in an attempt to reach a larger number of customers and providing better service and lower cost are web-enabling their businesses especially the delivery systems and interfaces.<sup>(7)</sup> This has brought the security issues associated with the internet, especially unauthorized access; data

modification and analysis; spoofing; passing off; identity theft; denial of service and hacking attacks; web vandalism; mistrust; privacy loss and repudiation into sharp focus.

### 3.7 Balancing Security and openness

Insurance requires an open environment where customers and agents get maximum access to the required data in an easy convenient way. Security features, which restrict or affect accessibility and ease of use are bound to turn away customers from the most secure insurance company sites and portals. This is perhaps the biggest quandary in which insurers find themselves today. Ease of use, user-friendly interface and efficiency and innovation leading to fast processing speed and better customer service cannot be compromised by information security applications.<sup>(8)</sup>

### 3.8 The myth of perfect security

No security mechanism, howsoever strong, is perfect and what is created by a human brain can be broken by another intellect. It is only a matter of time. However the perception about security is that even if it fails once in a hundred times it is treated as a lapse, a failure, and a compromise. This leads to adverse publicity; loss of faith, customer trust and goodwill; leading to serious consequences.

### 3.9 Social Engineering

Security is a people issue and mere adoption of technology and cryptography with strong passwords is not enough. The real defense is sensitizing the organization to the subtle but real threat of social engineering for obtaining passwords by deception and human interaction.

### 3.10 Responding to threats, attacks and incidents

This today has become a burning issue. Threats are becoming real and apparent day by day, but the

responses to it are still largely of the drawing board and armchair variety. Everyone prepares for it, but all (right from top to bottom) tend to ignore it (secretly in their inner most thoughts), under the presumption that it will never happen to us.

### 3.11 Employee attitude

More often than not it is the insiders' actions, which lead to a security compromise and an abuse - either due to carelessness or ignorance of an employee; or due to intentional action - either for profit or out of malice. Employees tend to go lax on protecting systems from unauthorized access/use, protecting intellectual property rights and in preserving the sanctity of passwords.

This lackadaisical attitude of staff or their insensitivity to information security, poses a very real and serious threat. The real solution for this is to make employees aware of the need, relevance and importance of information security and the implications of their actions and the right procedure to be followed to secure their environment.

The key issues for information security in the insurance sector today are, therefore, maintaining privacy and confidentiality of customer information and data; providing authenticity and integrity of data and transactions; identification of users, non repudiation and preventing unauthorized access; insider abuse; and cyber attacks and threats. It also revolves around ensuring efficiency and effectiveness of information systems; and ensuring compliance with laws and building reliable systems.

### 4. The Role of Insurance in Information Security

Having seen what are the significant security issues for insurance companies themselves, what is the role that they as insurers need to play in the general industrial, commercial and business environment?

As we have seen, information security

is becoming the order of the day and the need of the hour. The forces that have brought it into focus are primarily the demands, pulls and expectations of the stakeholders; and the compulsion of government legislation and regulations, which generally promote best practices through punitive measures and negative reinforcements.

What then is the role of the insurers in the entire mechanism?

Insurers are the lubricants in the whole process. Insurers help the process of building up and encouraging implementation of information security through positive reinforcement - by making insurance cover available to those enterprises that have implemented security best practices and

In addition to providing risk cover, insurers should help in preventing industry losses by aligning themselves with high quality security technology companies; and promote best practices.

by refusing cover to those, which have not. Also, insurers will logically offer lower premiums to enterprises with better managed security thereby encouraging and promoting a security conscious ethic.

The insurance obligations generally are to prevent or mitigate the loss; risk transfer; and to assist in post incident support and reputation rebuilding. The insurers play a unique role as outlined above in motivating the behaviour of the enterprises by adjusting the price and availability of insurance based on the prevailing security practices and mechanisms.

In addition to providing risk cover, insurers should help in preventing industry losses by aligning themselves

with high quality security technology companies; and promote best practices.<sup>(9)</sup> Thus, insurance companies need to partner with information security equipment and service providers and security agencies to promote and roll out best practices procedures and mechanisms to promote a more secure business environment thereby reducing potential losses.

### 5. The solution - A proactive approach

It is this proactive approach to security that is based on education, awareness, exchange of information, policies, practices, procedures, cooperation and motivation of all concerned that will enable insurers to meet the information security challenges faced by them in the long run.

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## प्रकाशक का संदेश

व्यवसाय के परिचालन के परिमाण तथा गतिविधियों को ध्यान में न लेते हुए तकनलौजी एक महत्वपूर्ण भूमिका अदा करती है। यह प्रबन्धकों को महत्वपूर्ण आँकड़े तथा सूचनाएँ उपलब्ध करवाती है। ऐसे उद्योग में जहाँ उद्योग की सफलता हे लिए सूचनाएँ अहम हो कहने की आवश्यकता नहीं की तकनलौजी कितनी महत्वपूर्ण होती है। बीमा ऐसे ही प्रकार का व्यवसाय है, क्योंकि यह बड़ी संख्याओं से व्यवहार करता है। लम्बे समय कि सफलता के लिए समुचित डाटा बेस आवश्यक है।

विशिष्ट बाजार में तकनलौजी का उपयोग इस तथ्य पर भी निर्भर करता है कि बाजार ने कितनी परिपक्वता प्राप्त कर ली है। विकसित बाजारों में अधिकांश व्यवसाय तकनलौजी से अग्रसित होता है, भारत जैसे विकाशील बाजार इसका महिमा मंडन नहीं सकते फिर भी उपभोक्ता से सम्बन्ध स्थापित करने के लिए नेत्रनुमा संबंध की आवश्यकता है। इस परिपेक्ष में, तकनलौजी की गतिशीलता का उपयोग विभिन्न कार्यों जैसे ग्राहक सेवा में बढोत्तरी करने के लिए किया जा सकता है जिससे ब्रांड छवि में सुधार करके परिणामतः व्यवसाय स्तर में तेजी प्रलक्षित होगी।

तकनलौजी को प्राप्त करना एक महँगी प्रक्रिया है। इसकी प्रकृति के अनुसार तकनलौजी जल्द ही पुरानी हो सकती है, इसलिए प्रबन्धों के लिए तकनलौजी में निवेश एक महत्वपूर्ण निर्णय है। 'बीमा उद्योग तथा तकनलौजी का प्रयोग' जर्नल के इस अंक का केन्द्रबिन्दु है। व्यवसाय परिधि में परेशान करने वाली तकनलौजी में अनुभव को विस्तृत रूप से लिखा गया है।

बीमा समझौते का आधार दावों का निपटान है। किसी कंपनी कार्य-संपादन क्षमता इस पर निर्भर करती है कि यह कार्य किस प्रकार बीमाकर्ता द्वारा किया जाता है। समय से तथा परेशान किये बिना निष्पादित दावे जिसकी ओर ग्राहक देखता है। दावों का निपटाना अगले अंक का विषय रहेगा तथा प्रबन्ध के विभिन्न क्षेत्रों से हम विभिन्न विचार प्रस्तुत करेंगे।

सी. एस. राव

सी. एस. राव

# “ कुछ तो लोग कहेंगे ”

नार्थरिज (भूकम्प) तथा ऐंडरियू (हाहरकेन) के बाद कैथरिना पहला प्रकृतिक महाविनाशक है, जिसने बीमा कर्त्ता तथा पुनर्बिमा कर्त्ताओं को सही रूप से जोखिम तथा पुँजी पर परखा है।

**माइक बंग्रेट, एओन इंको. के मुख्यकार्य पालक**

मानवीय आपातकालीन बीमा समझौते भविष्य में संभव है ऐसे विकल्प प्रस्तुत करें जिससे बड़ी हानियों को लाखों परिवारों के उजड़ने से पहले बीमित किया जा सके

**जैम्स मौरिस, कार्यकारी निदेशक,  
विश्व खाद्य कार्यक्रम**

हमारे व्यवसाय साझेदारों के लिए 'आसानी से प्रयोग' हमारा नितिगत आज्ञार्थक है और हमारा विश्वास है कि तकनलौजी में हमारी सफलता हमारे साझेदारों को अपरिहार्य बनाते हुए हमारी वृद्धि को स्थितिगत आने वाले वर्षों के लिए बनाती है।

**जान डब्लू हैडन, मिडलैंड के अध्यक्ष तथा  
मुख्य कार्यपालक अधिकारी**

इस स्तर पर, आफशोर को स्थापन करने कि लागत बट्टे खते में डाल दी गई और भविष्य में हम लाभ योगदान (भारत में आऊट सोर्स करने पर) अपेक्षित करते हैं

**फिलिप्स स्काट, कार्यकारी निदेशक, अविवा**

अब हम अपने सफलता तथा अत्यंत प्रचलित बैंकइस्सूरेन्स माडल को दो के मुख्य सुहकारी बैंको के द्वारा बदलने के लिए देख रख रहे है जो जीवन बीमा के लिए बडे अवसर उपलब्ध करवाते हैं तथा जिनका पुरा दोहन नहीं हुआ है।

**नानी जाद्वेरी, मुख्य कार्यपालक,  
बिरला सन लाईफ बीमा कं.**

जीवन तथा सादारण बीमा क्षेत्र में विभाजित कंपनियों के लिए प्राप्त शिकायतों की संख्या बराबर है, सादारण बीमा क्षेत्र में 75 प्रतिशत शिकायतें मोटर तथा मैडिकलेम से सम्बन्ध हैं।

**ए. के. कुंदरा, बीमा लोकपाल**

# कार्पोरेट गवर्नेंस और बीमा उद्योग

हमें यह स्वीकार नहीं करना है कि विश्व कुछ कम सदाचारी हुआ है,  
यदि ऐसा हुआ भी है तो हम उसे बदल सकते हैं। - डा. गीतांजली पांडा तथा डा. के. सी. मिश्रा

आधुनिक समाज लोगों की कुछ ऐसी स्थितियों में ला खड़ा कर सकता है, जहाँ वे अपने आपको आचरण के निजी सिद्धांतों और चरित्र से दूर महसूस कर सकते हैं। हमारी आजादी और स्वतंत्रता ने हमें समाजभिमूखता से भी दूर कर दिया है। संपत्ति रूपी सुख की हमारी तलाश ने समाजिक रूप से स्वीकार्य लालच और स्वार्थ का धिनौना चित्र प्रस्तुत किया है। सामाजित जरूरतों और विरोधाभासी मूल्यों के कारण हमारी ईमानदारी के प्रकटीकरण को भी प्रभावित किया है।

निजी आचरण और चरित्र के सात सिद्धांतों में शामिल हैं:

1. नियम - सिद्धांतों के पालन की स्वेच्छा
2. अनुचित लाभ की अस्वीकृति
3. परहित और आदर की भावना
4. नुकसान और प्रतिबंध
5. विश्वसनीयता
6. परोपकार
7. निष्पक्षवादिता

संपत्ति आधारित समाज में लोग कार्पोरेट नागरिकों का समुदाय बनाते हैं। दुर्भाग्य से इन कार्पोरेट नागरिकों का नेतृत्व लोकतांत्रिक पद्धति से निर्वाचित नेता एवं मनोनीत नेता करते हैं। इतना ही नहीं कार्पोरेट उद्देश्यों को प्रासंगिक अथवा नियंत्रित सत्ता का उपयोग कर निश्चित स्वरूप प्रदान करने में महत्वपूर्ण भूमिका निभाते हैं। कार्पोरेट उद्देश्यों की कुछ विशिष्ट स्थितियाँ समय का स्वरूप स्पष्ट करने के अलावा तत्कालीन माहौल के कार्पोरेट गवर्नेंस का निर्धारण करती हैं।

कार्पोरेट गवर्नेंस मुख्यरूप से शेयर बाजार में सूचीबद्ध कंपनियों का मालिकाना प्रभाव बनाये रखने संबंधी मामलों पर ध्यान देता है। लेकिन मूलभूत रूप से कार्पोरेट गवर्नेंस का उद्देश्य कार्पोरेट निष्पक्षता, पारदर्शिता और उत्तरदायिता को बढ़ावा देना है। कार्य निष्पादन की दृष्टि से देखकर जाये तो कार्पोरेट गवर्नेंस का अर्थ निदेशकों की गुणवत्ता बढ़ाने और लोगों को लंबी अवधि के बारे में सोचने के लिये प्रोत्साहित करने कंपनियों तथा शेयर धारकों के बीच मजबूत रिश्ते स्थापित करने के लिये हर संभव प्रयास करना है। इसके अलावा कार्पोरेट गवर्नेंस का मतलब इस बात को सुनिश्चित करना है कि सभी पूँजी निवेशकों को आवश्यक जानकारी प्राप्त हुई है अथवा नहीं तथा शेयरधारकों के हित में कार्यकारी प्रबंधन पर समुचित नजर रखी जा रही है या नहीं। कार्पोरेट गवर्नेंस ने तब एक सुगठित व्यवस्था का रूप ग्रहण कर लिया,

जब बाजार में अपनी पूँजी दाँव पर लगाने वालों के अलावा अन्य निवेशकों को अधिकाधिक लाभ पहुँचाने के उद्देश्य से कंपनियों को उच्च पारदर्शिता बनायी रखने के अलावा समय पर समुचित रिपोर्ट प्रस्तुत करने के कंपनियों को निर्देश देने के साथ उन्हें नियंत्रित किया गया। इन सभी उपायों ने कार्पोरेट गवर्नेंस को शेयर बाजार में सूचीबद्ध कंपनियों के शेयरधारकों का महत्व बनाये रखने वाली व्यवस्था के बजाये और अधिक विस्तृत अर्थ प्रदान किया।

## भारतीय बीमा इकाईयों के स्वामित्व

का एकाधिकार कम करने के

उद्देश्य से नियमन किया गया है।

निकट भविष्य में भारतीय बीमा कंपनियों के

शेयर हासिल करने की शर्तों में विभिन्न

पहलुओं से परिवर्तन किया जायेगा।



हाल के कुछ वर्षों में संस्थानों के मालिक सुर्खियों में आने के साथ ही उनके नियमित विवादों में घिर जाने से उनकी जिम्मेदारी पर अधिक ध्यान दिया जा रहा है। इस मामले में अधिक ध्यान दिये जाने का मुख्य कारण अल्पावधि में संस्थानों के मालिकों की संख्या में हुई भाड़ी बढ़ोतरी है। गत 25 वर्षों के दौरान भारतीय शेयर बाजार में संस्थान मालिकों की कुल संख्या बाजार के कुल मूल्य तुलना में 80 प्रतिशत तक बढ़ गयी। जिससे समदृष्टि स्वरूप में भी भाड़ी इजाफा हुआ। बड़े संस्थानों के मालिकाना अधिकार की होड़ भी लगातार बनी रहने की उम्मीद है। हालांकि ऐसी होड़ परमाणु स्वामित्व, जिम्मेदारी के लिये भी आवश्यक हो गयी है और इससे कार्पोरेट गवर्नेंस भी अधिक सुस्पष्ट हो गया है। इस चरम स्थिति का एक अन्य पहलु वृहद सरकारी स्वामित्व भी है। भारतीय रिजर्व बैंक के पूर्व गवर्नर डॉ. विमल जालान ने एक बार कहा था कि चूंकि कार्पोरेट गवर्नेंस को सरकार की तरह राजनीतिक संस्थानों के लिये प्रमुख जिम्मेदार संस्थानों के रूप में निर्धारित किया गया है, और वह निदेशक मंडल की तरह आर्थिक संस्थान नहीं है, इसलिये उसकी भूमिका पर राष्ट्रव्यापी बहस होनी चाहिये कि क्या वह वर्तमान जन

स्वामित्व के स्वरूप का मुकाबला करने में सक्षम है अथवा नहीं। इससे कार्पोरेट गवर्नेंस में उप आशावादिता का जन्म होता है। कार्पोरेट गवर्नेंस के तहत मुख्य रूप पैडेड एवं मैनुप्लेटेड आय के साथ अघोषित खर्च, अलिखित निजी ऋण तथा बेलेंसशीट में नहीं दर्शायी जानेवाली साझेदारी संबंधी कथित लेखा जोखा से युक्त घोटाले केन्द्र में रहता है, जिससे उत्पन्न होने वाले विवाद निवेशकों का विश्वास डगमगाता रहता है। कुछ मामलों में सच और झूठ की पहचान आसानी से भी की जा सकती है लेकिन अधिकांश मामले सच और झूठ की मिलावट का हिस्सा होते हैं। ऐसे मामलों में तथ्यों की उलझन के बीच चालाक व्यक्ति कार्पोरेट गवर्नेंस के नैतिक दृष्टि से मजबूत सिद्धांतों के खिलाफ तर्क युक्त दलील पेश कर आसानी से बचकर निकल सकता है। बीमा कंपनियाँ कार्पोरेट गवर्नेंस की अन्य किसी भी क्षेत्र की तुलना में मजबूत आधार है। हालांकि बीम कंपनियों के आधार पर टिके इस कार्पोरेट गवर्नेंस को निम्नलिखित बातों के बिना कार्य करना आसान नहीं है। यह महत्वपूर्ण आधार इस प्रकार है:

1. बीमाकर्ता का कार्पोरेट गवर्नेंस कार्पोरेट ईकाई के समान होगा।
2. कार्पोरेट गवर्नेंस से बीमाकर्ता कार्पोरेट ईकाई में संस्थानगम निवेशक के समान होगा।
3. कार्पोरेट गवर्नेंस बीमाकर्ता के लिये व्यापार के अवसर के समान है।

बीमाकर्ताओं का कार्पोरेट गवर्नेंस एक कार्पोरेट ईकाई - भारतीय बीमा इकाईयों के स्वामित्व का एकाधिकार कम करने के उद्देश्य से नियमन किया गया है। निकट भविष्य में भारतीय बीमा कंपनियों के शेयर हासिल करने की शर्तों में विभिन्न पहलुओं से परिवर्तन किया जायेगा। यह परिवर्तन भी कार्पोरेट गवर्नेंस मामलों पर प्रकाश डालेगा।

विश्व बाजार में पूँजी के स्वरूप के संदर्भ में कार्पोरेट गवर्नेंस की मानसिकता का उदय अपने वृहद आकार के चलते नया प्रबोधन करने में सफल रहा है। हाल ही में यू.एस. सेक्युरिटीज एंड एक्सचेंज कमीशन के अध्यक्ष आर्थर लेवइट ने बीमा उद्योग मंच के समक्ष अपने कुछ अवलोकन प्रस्तुत किये। उनके अनुसार कार्पोरेट गवर्नेंस एक गहरे कुएँ से पानी के छिड़काव के समान है। यह बाजार अनुशासन केंद्र सह उत्पाद है और इससे प्रसारित

की जाने वाली सूचनाओं से बाजार की नये सिरे से व्याख्या करती है। यदि कार्पोरेट नजरिये से उच्च गुणवत्तापूर्ण वित्तीय सूचनायें नहीं दी गयी तो पूँजी बाजार में लगायी पूँजी का समुचित उपयोग नहीं हो पायेगा और उसका उपयोग अन्य कार्यों के लिये करने की संभावनायें प्रबल होगी। निवेशकों की निपुणता से बाजार कहीं अधिक विस्तारित होचा है। ऐसा माहौल जहाँ निवेशक अपनी पूँजी खुलकर लगाते हैं, बीमा कंपनियों के सामने चुनौती खड़ी होती है किस प्रकार उनकी गतिविधियों को दीर्घकाल तक नियंत्रित करने के लिये किस प्रकार संयोजित किया जाये।

क्या कोई कंपनी अपने कार्यकारी बोर्ड से यह आशा कर सकती है कि वह ऐसे कुछ कठिन प्रश्न पूछे, जो प्रबंधन के लिये चुनौतीपूर्ण हों? प्रत्येक सार्वजनिक कंपनी की स्वतंत्र लेखा समिति होती है और एस ई सी ने ऐसी सभी लेखा समितियों को मजबूत बनाने के लिये कुछ नियम अपना लिए हैं। क्यों मैं इस बारे में भ्रम में हूँ? आत्मविश्वास खोने के लिये आंकड़ों के अलावा अन्य कोई बड़ा कारण भी तो नहीं है। कार्पोरेट गवर्नेंस वह प्रमुख जिम्मेदारी है, जिसमें इस बात पर ध्यान दिया जाता है कि कंपनियों को क्या करना चाहिए और बैलेंसशील में किन पहलुओं का उल्लेख होना चाहिए। इसी कारण बीमाकर्ताओं को कंपनी के मामलों में ध्यान देने की जरूरत नहीं है क्योंकि उनके हितों का ध्यान रखने के लिये नियमन की व्यवस्था उपलब्ध है।

बीमा कंपनियों के निवेशकों को अपने व्यवसाय के समुचित संचालन के लिये कुछ बातों पर ध्यान देना आवश्यक होता है। क्योंकि कुछ विशेषतायें सभी व्यवसायों में सामान्य रूप से दिखायी देती हैं, लेकिन बीमा क्षेत्र की कुछ विशेषतायें भिन्न हैं, जो इस प्रकार हैं: -

- सभी बीमाकर्ताओं के मामलों में समर्पित एवं विकासोन्मुख भावना
- अनिश्चित स्थितियों में आत्मविश्वास के साथ कार्य निष्पादन
- अपने मंडल के साथ करने अलावा अन्य के साथ बिताये गये समय का आनंद उठाना
- बीमाकर्ताओं को रोकने के बजाये उन्हें लगातार नयी कल्पनायें सोचने के लिये प्रोत्साहित करना
- खुली सोच रखते हुये बीमा व्यापार के नित विस्तारित विश्व में लगातार दूसरों से कुछ नया सुनकर सीखना
- कंपनी प्रबंधन के साथ विचारों और नयी कल्पनाओं के आदान प्रदान के लिये लगातार तैयार रहना
- सहयोग स्वीकार करने के साथ ही उसे उचित सम्मान देना और उचित स्थान देना बीमा व्यवसाय की एक अलग पहचान है

- बीमाकर्ताओं के कर्मचारियों की निपुणता लगातार बढ़ाने पर ध्यान दिया जाता है
- आश्वसनों की पूर्ति करने पर विशेष ध्यान दिया जाता है
- बेहतर परिणामों के लिये सामूहिक प्रयासों पर लगातार ध्यान दिया जाता है
- प्रतिनिधित्व के लिये अनुमति देकर सहयोग किया जाता है
- अपने सिद्धांतों के अनुसार कार्य किया जाता है
- बीमाकर्ता जहाँ भई कार्य करता है, वहाँ की परिस्थितियों को चुनौती के रूप में स्वीकार करने का साहस जुटाया जाना है
- आराम की स्थिति में ऊपर उठने की ललक

बीमाकर्ता संस्थागत निवेशकों में सभी बीमाकर्ता एख वर्ग के रूप में हैं। कार्पोरेट गवर्नेंस नीति के अनुसार बीमाकर्ता कार्पोरेट गवर्नेंस के मामलों में सभी प्रमुख मालिकों के साथ सहयोग करने में सक्षम होना चाहिये। खास तौर पर निवेशकों के चयन के मामले में यह सहयोग आवश्यक है।

- चुनौतीपूर्ण लक्ष्य रखकर उन्हें हासिल करने के लिये कड़े परिश्रम
- आकांक्षाओं की पूर्ति के लिये बीमाधारक के प्रदर्शन को बरकरार रखना
- प्रबंधन को बेहतरीन नतीजों के लिये प्रेरित और प्रोत्साहित करना

कार्पोरेट गवर्नेंस के जरिये उद्योग के समुचित गवर्नेंस पर ध्यान दिया जाता है, लेकिन उसमें भी खास तौर पर निर्णय क्षमता, बेंचमार्किंग एवं आने वाले परिवर्तनों के साथ सामंजस्य स्थापित करने के लिये आंतरिक लचीलेपन पर भी ध्यान दिया जा है।

अन्य कंपनियों की तरह बीमा कंपनियों में भी लेखा समित, नामांकन समिति, मुआवजा समिति, जोखिम प्रबंधन समित (ए एल सी ओ के स्वरूप के अनुसार), कार्यकारी समिति (निदेशक मंडल की स्थायी समिति के तौर पर), आचरण समीक्षा समिति, बाजार संचालन निर्देशन समिति, निवेश समित और अनुमति समिति का भी गठन करना होता है।

कार्पोरेट इकाईयों में संस्थागत निवेशके तौर पर बीमाकर्ताओं द्वारा कार्पोरेट गवर्नेंस

बीमाकर्ता संस्थागत निवेशकों में सभी बीमाकर्ता एख वर्ग के रूप में हैं। कार्पोरेट गवर्नेंस नीति के अनुसार बीमाकर्ता कार्पोरेट गवर्नेंस के मामलों में सभी प्रमुख मालिकों के साथ सहयोग करने में सक्षम होना चाहिये। खास तौर पर निवेशकों के चयन के मामले में यह सहयोग आवश्यक है। जिन कंपनियों में बीमाकर्ता कुल पूँजी का महत्वपूर्ण हिस्सा शेयर के रूप में रखता है, उनमें इस सहयोग पर मुख्य रूप से ध्यान दिया जाता है।

बदलते परिवेश को ध्यान में रखते हुये वर्तमान वैधानिक स्वरूप को दीर्घकालिक परिणामों के लिये उदार बनाया जा रहा है। आज भी यह नीति बरकरार है जिसमें भारतीय बीमा कंपनियों पर किसी भी कंपनी को मताधिकार के कानूनी प्रतिशत से अधिक मूल्य के शेयर खरीदने पर प्रतिबंध मौजूद है। जब भारतीय बीमा कंपनियाँ अन्य कंपनियों में कार्पोरेट गवर्नेंस की अमलवारी करती हैं, तो उन्हें अन्य मालिकों की तुलना में इन मुद्दों पर अधिक व्यापक नजरिया अपनाना चाहिये।

साथ ही बीमाकर्ता को इन पहलुओं के अलावा अपने शेयरधारकों के अधिकाधिक हित के लिये निम्नलिखित बातों पर भी ध्यान देना चाहिए:

- बीमा कंपनियों पर लगाये गये कानूनी प्रतिबंध एवं बीमा धारक के हित के बारे में जोखिम और तरलता बरतना
- नियमन एवं पर्यवेक्षण संबंधी अधिकार: बीमा कंपनियों के संचालन संबंधी मामले आई आर डी ए के नियमन और पर्यवेक्षण के अधीन आते हैं। लेकिन कार्य संचालन का स्वरूप अन्य नियामक प्राधिकारों का भई ध्यान आकर्षित कर सकता है। इन प्राधिकारों में निवेश के मामले में एस ई बी आई पेंशन व्यवसाय के मामले में पी एफ आर डी ए एवं फोरेक्स धन संबंधी मामलों के लिये भारतीय रिजर्व बैंक हस्तक्षेप कर सकता है।
- जनता और मीडिया: बीमा क्षेत्र जनसहयोग पर निर्भर है। उसके कार्य मीडिया के व्यापक प्रचार के केन्द्र में रहते हैं। उनके पहलुओं के मद्देनजर बीमाकर्ता कंपनी के निदेशक मंडल को कार्पोरेट गवर्नेंस नीति अपनानी पड़ती है। इस नीति के तहत बीमाकर्ता का भारतीय शेयरबाजार में सूचीबद्ध कंपनियों (एक्सटर्नल कार्पोरेट गवर्नेंस) में हिस्सा होना अनिवार्य है। जिसके लिये बीमाकर्ता स्वयं एक सूचीबद्ध कंपनी (इंटरनल कार्पोरेट गवर्नेंस) के रूप में सूचीबद्ध होता है।

संस्थानगत सक्रियता अभियान की सटोरियों के लिये कमी नहीं है। अंतर्राष्ट्रीय स्तर पर भी यह मौजूद है।

व्यापारी नेता और राजनीतिज्ञों ने इस पर जोरदार बहस की है कि बीमाकर्ताओं की संख्या अधिक होने पर उनमें विशेषज्ञता की कमी के अलावा बाजार में कापरेट नियंत्रण के बिना निगरानी रखने की क्षमता में कमी दिखाई देती है (बिजेस वीक (1991), कोर्ट्स (1993) और वोलसेटर (1993))। कुछ विशेषज्ञों ने स्पष्ट किया है कि पैरास्टेटल बीमाकर्ताओं पर उनकी सफ़िया खत्म करने के लिये दबाव डाला जाना चाहिये और राजनीतिज्ञों की सहायता पर भी नियंत्रण स्थापित किया जाना चाहिये (टोमानो (1993))। जिम्मेदारी का अभाव, सटीक प्रोत्साहन और मुक्त संचालन की समस्या भी संस्थानगत सफ़ियता के प्रयासों को बाधित करने वाला प्रमुख कारण है (अदमाती फ्लेइडरर एवं झेशनर (1994), मॉन्क्स (1995) एवं मर्फी तथा वान न्यूज (1994))। मुक्त संचालन और राजनीतिक दबाव को कम करने के लिये संगठनों के पास एक मात्र मार्ग है और वह है निगरानी रखने वाले संगठित निष्पक्ष संगठन की स्थापना। इस प्रकार का संगठन निवेशकों को फैलाने वाले महत्वपूर्ण केन्द्र के रूप में सेवा कर सकता है। इससे चुनौतीपूर्ण प्रबंधन को बढ़ावा मिलेगा और विश्वसनीयता में भी इजाफा होगा। सिद्धांतों के अनुसार संस्थानगत शेयर धारक अल्पमूल्य पर प्रभावी ढंग से कार्य कर सकते हैं। क्योंकि उनकी सफ़ियता भी अहम भूमिका रहखती है (ब्लैक (1990))। आई आर डी ए इस प्रकार की सूचनायें मुहैया करता है।

कापरेट गवर्नेस बीमाकर्ताओं के लिये व्यापार का अवसर कापरेट गवर्नेस के लिये स्पष्ट लेन देन, साफ सुथरी प्रतिस्पर्धा और स्पष्ट सूचना संग्रहण आवश्यक होता है। इनके अभाव में विश्वसनीयता के संबंधी विवाद उत्पन्न होते हैं। इसी कारण यहाँ बीमाकर्ताओं के लिये व्यापार का अवसर है।

स्पष्ट लेन देन से कर्मचारी अनियमितता बरतकर किसी भी प्रकार का अनुचित लाभ नहीं उठा सकते हैं, विशिष्ट सूचनाओं का दुरुपयोग कर सकते हैं अथवा किसी अनुचित लेन देन के तथ्यों का अनुचित लाभ उठा सकते हैं। स्वस्थ स्पर्धा हमेशा ईमानदारी युक्त और बिना किसी षडयंत्र के प्रतियोगिता के लिये प्रोत्साहित करती है। साथ ही वह स्पर्धा के लिये बाधक बनने वाले अनिति से भरे कार्यकलापों पर रोक लगा सकती है। कोई भी कंपनी अपने प्रतिस्पर्धी के बारे में अनुचित ढंग से प्राप्त करने का प्रयास नहीं कर सकती। कंपनी अपने प्रतिस्पर्धी के बारे में गोपनीय अथवा स्वामित्व संबंधी जानकारी के बारे में पूछताछ नहीं कर सकती। वह किसी ग्राहक, पूर्व कर्मचारी को समझौते का उल्लंघन का स्पर्धा हीन अथवा गैर प्रगटीकरण करने का आग्रह कर सकती है। इस प्रकार की गतिविधियों के लिये कंपनी के निदेशक मंडल स्तर पर भी उत्तरदायित्व होता है। बीमाकर्ता निम्नलिखित रूप से व्यापार उत्पाद तैयार कर सकता है:

- निदेशकों और अधिकारियों का उत्तरदायित्व बीमा: वर्तमान बाजार में निदेशक महसूस कर सकते हैं कि उन्हें उतनी सुरक्षा नहीं दी जा रही है, जिनकी उन्होंने सोची

थी। इसके अलावा उन्हें हमेशा नये क्षेत्रों तक पहुँच बनाने एवं बड़े प्रीमियम के लिये अधिक प्रयासों की जरूरत पड़ती है।

- उद्यम जोखिम प्रबंधन: यदि कंपनियाँ शेयर धारकों के हित के लिये उद्यमों में प्रमाणिक रूप से कापरेट गवर्नेस अमलवारी करने जा रही हों, तो उन्हें जोखिम के सभी पहलुओं पर ध्यान देना चाहिये। अन्यथा किसी भी प्रकार की कमी कापरेट गवर्नेस की विफलता कहलायेगी। इस प्रकार की जोखिम पहचान से बीमा कंपनियों द्वारा जोखिम प्रबंधन विशेषज्ञों की आउटसोर्सिंग के लिये बढ़ावा मिलेगा।

- जोखिम प्रबंधन प्रतिष्ठा: प्रतिष्ठा का जोखिम प्रबंधन उचित प्रबंधन का अंदरूनी हिस्सा है। कापरेट गवर्नेस प्रतिष्ठात्मक जोखिम से उभरने वाले नुकसान के अवसरों से बचने के लिये पर्याप्त सुरक्षा प्रदान करता है।

बीमाकर्ता का अन्य व्यापार पर पड़ने वाला व्यापक प्रभाव कापरेट गवर्नेस के लिये कार्य करने पर बाध्य कर देता है। एनरॉन परियोजना की बिजली आपूर्ति नहीं होने से बीमा उद्योग को हुये 3.796 बिलियन अमेरिकी डॉलर के हुये नुकसान के बारे में विश्लेषण करने समय स्पष्ट की है।

स्वस्थ स्पर्धा हमेशा ईमानदारी युक्त और बिना किसी षडयंत्र के प्रतियोगिता के लिये प्रोत्साहित करती है। साथ ही वह स्पर्धा के लिये बाधक बनने वाले अनिति से भरे कार्यकलापों पर रोक लगा सकती है।



एनरॉन में किये गये निवेश के चलते बीमा उद्योग को 64 प्रतिशत नुकसान उठाना पड़ा। इसी तरह जमानत रद्द किये जाने से 26 प्रतिशत, विभिन्न दावों से 7 प्रतिशत, वित्तीय आश्वासनों के संबंधी दावों से 2 प्रतिशत और डी एंड औ उत्तरदायित्वों के दावों से 1 प्रतिशत नुकसान हुआ।

कापरेट गवर्नेस तहत साधारण बीमा जोखिम डी एंड औ सुरक्षा से युक्त है। निजी सुरक्षा के तहत निदेशकों और अधिकारियों को गलत क्रियाकलापों से उभरने वाली मुसीबतों से निजात मिल सकती है। कापरेट अदायगी के तहत किसी संगठन को अनुचित क्रियाकलापों के मुआवजे में तभी भुगतान किया जाता है जब कानूनी तौर पर अनुमति दी गयी हो अथवा आवश्यकता हो। ऐसा भुगतान सीधे संबंधित संगठन के नाम पर किया जाता है, जिसमें उन लोगों के नाम भी शामिल रहते हैं, जिन्होंने बीमा नहीं कराया हो। ऐसी आवश्यकताओं की पूर्ति के लिये कापरेट नियंत्रण होना जरूरी है।

**मधुमक्खी और छता:**

एमरसन ने कहा है, इस बात का कोई महत्व नहीं है कि आप अपराध को किस नजरिये से देखते हैं। एक मधुमक्खी के लिये वह कुछ भी अच्छा नहीं रहता, जो शहद के लिये हानिकारक हो। समाज में चट्टान की एक परत के समान हठ वर्ग को टूटने के लिये कड़ी मशक्कत करनी पड़ेगी, जिनमें से एक को भी अनुचित क्रियाकलापों के लिये तोड़ा जा सके। हम जानते हैं कि बीमा उद्योग अक्सर लोगों को बीमा राशि प्रदान कर नुकसान में रहती है। भाग्य से हमारे लिये मनुष्य आश्चर्यजनक रूप से अनुकूल एम है। हमें यह स्वीकार करने की आवश्यकता नहीं है कि यह विश्व नीति हीन स्थान बन गया है और हमें यहाँ किस तरह जीना है वह सीखना आवश्यक है। इसके बावजूद हम इसे परिवर्तित कर सकते हैं। हमें दूसरों के सीमाहीन आचरण की और अनदेखी करना काफी नहीं है। हमें न केवल व्यक्तिगत एकात्मकता के साथ रहकर एक मिसाल कायम करनी चाहिये बल्कि उसकी पैरवी भी करनी चाहिये। हमें व्यवसायिक, सार्वजनिक एवं व्यक्तिगत तौर पर अनुचित क्रियाकलाप अस्वीकार करने चाहिये। हमें व्यक्तिगत व्यवसायिक एकात्मता का उदाहरण बनना चाहिये।

कापरेट गवर्नेस एक अत्यावश्यक अनुशासन है। प्रभावी अनुशासन से किसी भी कापरेट इकाई की कार्य पद्धति में प्रभावशीलता और पारदर्शिता आती है। कापरेट गवर्नेस बाजार में किसी भी कापरेट इकाई का अस्तित्व बनाये रखने के लिये अनिवार्य जरूरत है। बाजार में होने वाले उतार चढ़ाव के प्रति विश्वास बनाये रखने और निवेशकों को प्रभावी एवं बेहतर संरक्षण मुहैया कराने के लिये भारतीय शेयर बाजार बोर्ड भी कापरेट गवर्नेस को अधिकतम तरजीह दे रहा है। सेवा के इन्ही प्रावधानों के तहत कापरेट गवर्नेस को संरक्षण प्रदान करने के उद्देश्य से आई आर डी ए की स्थापना की गयी है।

कापरेट गवर्नेस खास तौर पर योग्य माहौल पर निर्भर करता है। यह स्वीकार कर अमलावारी करने योग्य है। हालांकि इसमें और अधिक लचीलापन लाने के साथ संस्थानों को समय पर लाभ दिलाने के लिये आवश्यक परिवर्तन किये जाने चाहिये। आरआईओ, ईवीए और सोल्वेंसी की संकल्पनाओं की समुचित अमलावारी करने के अलावा उन पर कड़ी नजर रखी जानी चाहिये। कमजोर पहलुओं की पहचान के साथ जाँच पड़ताल आय व्यय की जानकारी हासिल करने के लिये लेखा परीक्षण को उच्च प्राथमिकता दी जानी चाहिये। सचेतकों का संस्थानों के रूप में गठन होना चाहिये। साथ ही उन्हें विशेष रूप से नियुक्त भी किया जाना चाहिये अथवा कोई अन्य व्यवस्था बनायी जानी चाहिये, जो बीमा संस्कृति के साथ स्पर्धा करने में सक्षम हो। सही नेतृत्व और सभी स्तरों पर समर्पित निष्ठा ही किसी भी संगठन के प्रबंधन को सफल बना सकती है।

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**डॉ गीतांजलि पांडा**, प्रबंधन संकाय (वित्त एवं अर्थशास्त्र), आई एम आई एस, भुवनेश्वर

# भारतीय बीमा उद्योग में गवर्नेंस संहिता

- एक समीक्षा

भारत में कापरेट गवर्नेंस की प्रक्रिया में सुधार की आवश्यकता है। हालांकि एक बार समुचित गवर्नेंस के मानक आधारित होने के बाद नियमन समितियों के कार्य में उल्लेखनीय सुलभता आयेगी - **आर कृष्णामूर्ति**

कापरेट गवर्नेंस किसी भी कंपनी में निवेशकों के साथ हर तरह ईमानदारी बरतने के लिये कार्य करने वाला एक उद्यम है।

ईमानदारी सभी स्थितियों में हर कहीं स्वीकार्य एक उत्तम नीति है। बीमा क्षेत्र में उसकी अमलावरी खास तौर पर इन मामलों में आवश्यक है, जिनमें ग्राहकों के साथ ईमानदारी का संबंध रखते हैं और जहाँ बीमा उद्योग को उसके प्रदर्शन के आधार पर परखा जाता है। एक समय जब वित्तीय संस्थान जनता की बारीक निगाह में थे और परिपक्व बाजार में बीमा उद्योग के कुछ लोग कानून तोड़ने के कारण निशाने पर रहा करते थे, साथ ही उनके कुछ मुख्य प्रबंधन सदस्यों के खिलाफ निजी प्रताड़ना के आरोप लगाये गये, तो कापरेट गवर्नेंस ने नया रूप अख्तियार कर लिया।

**भारत में अनिवार्यता:** भारतीय बीमा उद्योग में जीवन के साथ साधारण बीमा कंपनियों के साथ सार्वजनिक एवं निजी क्षेत्र के लिये कापरेट गवर्नेंस के मानक निर्धारित किये जाने के चार मुख्य कारण हैं जो वर्तमान में खासा महत्व रखते हैं।

इन कारणों में सर्वप्रथम है - जीवन बीमा में बेहतर ढंग से तैयार की गये गवर्नेंस संहिता और उसके समर्थक नयी पीढ़ी की बीमा कंपनियों में जन विश्वास बढ़ाने में मदद मिलेगी। इससे अन्य कंपनियों की भारतीय जीवन बीमा निगम द्वारा स्टैप एवं प्रधान गारंटी के साथ एक पत्र के रूप में जारी बीमा पॉलिसियों के साथ तुलना होगी। हालांकि सरकार द्वारा इस क्षेत्र में भारतीय जीवन बीमा निगम का एकाधिकार खत्म करने के लगातार प्रयास किये जा रहे हैं। इस बीच नयी पीढ़ी की बीमा कंपनियों को भारतीय जीवन बीमा निगम की तरह लंबी मियाद का समझौता करने के साथ अपनी क्षमता एक मानक स्तर स्थापित कर लोगों की नजर में अपनी एक अलग पहचान बनानी होगी। उन्हें लोगों में यह विश्वास भी जगाना होगा कि वह भी सार्वजनिक क्षेत्र की कंपनियों की तरह विश्वसनीय और भरोसेमंद है।

दूसरा कारण है कि भारतीय जीवन बीमा निगम ने इस क्षेत्र के कई महत्वपूर्ण परिवर्तनों का गवाह रह चुका है। यह गैर जीवन बीमा क्षेत्र में शुल्क उन्मूलन नियमन के साथ विदेशी इक्विटी के बड़े पैमाने पर उपयोग एवं घरेलू

प्रोत्साहकों के साथ धीमे पड़ जाने से होने वाली विस्फोटक वृद्धि का भी गवाह बना रहेगा। पूँजी निवेश एवं ऋण अदायगी संबंधी नियमों में किये परिवर्तनों के साथ मुहैया की जा रही सुलभता के स्वास्थ्य बीमा जैसे विशेष बीमा क्षेत्र में नयी कंपनियों की संख्या में बढ़ोतरी के पर्याप्त आसार बन रहे हैं। यह भी प्रबल संभावना है कि हम कई विदेशी बीमा कंपनियों के देसी बाजार में प्रवेश के अलावा लिमिटेड कंपनियों के महत्वपूर्ण सदस्यों की भी

भारतीय बीमा उद्योग में जीवन के साथ साधारण बीमा कंपनियों के साथ सार्वजनिक एवं निजी क्षेत्र के लिये कापरेट गवर्नेंस के मानक निर्धारित किये जाने के चार मुख्य कारण हैं जो वर्तमान में खासा महत्व रखते हैं।



सेवाओं के गवाह बनेंगे, जो घरेलू एवं विदेशी कंपनियों के संचालन में अहम भूमिका निभायेंगे।

इसी दौरान जीवन बीमा क्षेत्र की मौजूदा कंपनियाँ नयी कंपनियों की प्रतिस्पर्धा और मैच्युरिटी, मौत अथवा अन्य दावों की बढ़ती संख्या के कारण संचालन संबंधी नयी चुनौतियों का मुकाबला करने मैदान में उतरेंगी। हमें बीमा कंपनियों के बेहतर आचरण एवं प्रदर्शन के लिये गुणवत्तापूर्ण गवर्नेंस मानकों की जरूरत है। साधारण बीमा क्षेत्र में स्वच्छ कारोबार, पारदर्शिता और पॉलिसी धारकों की सेवा संबंधी कई ध्यान देने योग्य मुद्दे हैं जो शुल्क के नियमों से दूर हैं।

तीसरा कारण है भारतीय बीमा उद्योग में समुचित गवर्नेंस मानकों की आवश्यकता। यह नियम भारतीय बीमा क्षेत्र को नयी चुनौतियों का सामना करने में सक्षम बनाता है। गत 2 वर्षों से सुरक्षा बाजार के निष्क्षक भी इस बारे में अहम भूमिका निभा रहे हैं। शेयर बाजार में सूचीबद्ध तथा 3 करोड़ की पूँजी या 25 करोड़ अथवा इससे भी अधिक की पूँजी रखने वाली कंपनियों को नयी गवर्नेंस संहिता के तहत अधिक जिम्मेदार बनाया जाना चाहिये। सेबी बकायादार रहने वाली कंपनियों के लिये प्रोत्साहनहीनता

- सह जुमानि की विशेष नीति बनाई है। इसके तहत ऐसी कंपनियों को सूची से हटाने के अलावा 25 करोड़ रुपये तक का जुर्माना लगाने या 10 वर्ष तक के कारावास की सजा का भी प्रावधान है। निकट भविष्य में बीमा कंपनियाँ बाजार की सूची में शामिल करने पर भी गहन विचार किया जायेगा। साथ ही कंपनियों को भी अपने प्रदर्शन स्तर एवं आचरण के बारे में पूँजी निवेशकों को आश्चस्त करने गवर्नेंस संबंधी नियमों की अमलावरी के बारे में निश्चित कदम उठाने होंगे।

चौथा कारण है विदेशी कंपनियों का सहयोग लेकर बीमा क्षेत्र में कदम रखने के प्रति सार्वजनिक क्षेत्र के वित्तीय संस्थानों की बढ़ती रूचि के बारे में प्राप्त होते सबूत। ऐसी भी कुछ मामले सामने हैं, जिनमें निजी कापरेट उद्यमों के साथ तीन मार्गी साझेदारी की गयी है। जहाँ एक ओर ऐसे कुछ उद्यमों को हाल ही में लाइसेंस प्रदान किया गया है, वहीं कई अन्य जीवन बीमा और गैर जीवन बीमा निगम क्षेत्र में कदम रखने तैयार हैं। यह भी संदेह व्यक्त किया जाता है कि क्या सार्वजनिक - निजी साझेदारी युक्त उद्यमों को आमतौर सार्वजनिक क्षेत्र की इकाइयों के लिये लागू किये जाने वाले नियमों के दायरे में ही रखा जायेगा अथवा नहीं। आम तौर पर सार्वजनिक उद्यमों के प्रबंधनों पर कापरेट गवर्नेंस के मानकों को लागू करने के लिये दबाव नहीं डाला जाता है। यह भी महत्वपूर्ण है कि सार्वजनिक बीमा क्षेत्र के उद्यमों द्वारा बढ़ायी जाने वाली बीमा उद्योग की इकाइयों का संचालन साफ-सुथरे प्रबंधन के साथ किया जाता है, जिससे ग्राहकों तक यह संदेश पहुँचाया जा सके कि वह एक जिम्मेदार और अपने बल पर खड़ी है। व्यापक नजरिये से देखा जाये तो इससे भारतीय बीमा बाजार में वित्तीय संस्थानों की हिस्सेदारी को मजबूती मिलेगी।

**भारतीय परिप्रेक्ष्य में महत्वपूर्ण सिद्धांत:**

ओ ई सी डी ने कापरेट गवर्नेंस को कंपनी प्रबंधन, उसके निदेशक मंडल, पूँजी निवेशक और शेयर धारकों के बीच रहने वाले संबंधों की नियमावली के रूप में परिभाषित किया है। कापरेट गवर्नेंस वह ढाँचा उपलब्ध कराता है जिसके जरिये कंपनी के लक्ष्य निर्धारित किये जाते हैं। साथ ही उनकी समुचित ढंग से पूर्ति और कंपनी के प्रदर्शन पर लगातार कड़ी नजर रखी जाती है।

कापरेट गवर्नेस निश्चित ही लगातार चलने वाली एक प्रक्रिया है। जब बाजार में होने वाले परिवर्तनों और मिलने वाले अनुभवों के आधार पर मानकों का पुनर्निर्धारण किया जा है, जो मुख्य सिद्धांत यथावत् रखे जाते हैं।

एक बीमा कंपनी के परिप्रेक्ष्य में कापरेट गवर्नेस कंपनी प्रबंधन उसके द्वारा निर्धारित निदेशक मंडल और उसके महत्वपूर्ण कार्यों का प्रबंधन समुचित रूप से पूर्ण करवाने में चार मुख्य मुद्दों की अमलावरी में ध्यान देता है। जिनमें मुख्य रूप से:

1. कंपनी किस प्रकार कापरेट लक्ष्यों का निर्धारण कर अपने शेयर धारकों को मुआवजा प्रदान करती है, इस पर नजर रखना। आई आर डी ए के लिये बीमा लाइसेंस आवेदन आवश्यक होता है, जिसमें प्रथम चरण (आर - 1) से विवरण दिया हुआ रहता है। जिसमें कंपनी का लक्ष्य और अपने विशिष्ट कार्य के साथ दृष्टिकोण, किसी भी दिये गये समय पर निधि तथा पॉलिसी धारकों के लिये लाभ के साथ निवेशकों की पूँजी का सही मायनों में लेन-देन करवाना शामिल है।
2. बीमा कंपनी के प्रत्येक कार्य क्षेत्र में दैनादिन मामले किस प्रकार अमल में लाने के प्रबंध किये गये हैं और अंतर्गत नियंत्रण किस प्रकार स्थापित कर उनका प्रत्यावर्तन किया जायेगा।
3. कंपनी ने नियमों एवं नियामकों के अनुसार सुरक्षित एवं सक्षम रूप से कार्य संचालन के किस प्रकार प्रबंध किये हैं।
4. कंपनी पॉलिसी धारकों के हितरक्षण की किस प्रकार व्यवस्था की है।

### निदेशक मंडल और उसकी जिम्मेदारियाँ:

आई आर डी ए के लिहसनिंग नियमों में जहाँ यह आवश्यक है कि कंपनी का संचालन संबंधित पदों के लिये योग्य एवं सक्षम लोगों द्वारा किया जाना चाहिये, वहीं नियामक बढ़ावा देनेवालों की चतुराई और उनकी जिम्मेदारियों को परिभाषित करने के अलावा कंपनी मंडल के गठन संबंधी मुद्दों पर ध्यान देने संबंधी मुद्दों को छोड़ दिया है। गवर्नेस संहिता का सबसे महत्वपूर्ण पहलू कंपनी की सुस्थिति बनायी रखते समय बाजार में उत्पन्न होने वाली प्रतिस्पर्धी चुनौतियों से निपटने के लिये निदेशक मंडल में एकत्रित विशेषज्ञता को सुनिश्चित करना है। यह भी सुनिश्चित करना आवश्यक है कि मंडल में नियुक्त किये जाने वाले सदस्य जिनका कार्य पॉलिसी धारकों को लाभ पहुँचाना है पद के योग्य होने चाहिये। उनके पास उनकी भूमिका की संपूर्ण जानकारी होनी चाहिये साथ ही वह अपनी सेवा की देखभाल और वफादारी के बाके में

आवश्यक कार्य करने एवं स्वतंत्र निर्णय लेने के बारे में आवश्यक सूझ-बूझ होनी चाहिये।

बीमा कंपनियों के मंडलों में गवर्नेस के पाँच महत्वपूर्ण पहलू होना अनिवार्य है

- संपूर्ण संस्थान में जिम्मेदारी एवं उत्तरदायिता के बारे में स्पष्ट दिशा - निर्देशों के अलावा उनका सख्त प्रत्यावर्तन होना चाहिये। बीमा कंपनियों में जहाँ कई वर्षों से जो जोखिम अनुभव प्राप्त हो रहे हैं, वहीं दूसरी ओर जिम्मेदारियों का सीमांकन किया जा रहा है और प्रत्येक कार्य क्षेत्र की संकटपूर्ण स्थिति में उचित प्रबंधन को सूचित किया जा रहा है।
- कंपनी की गवर्नेस गतिविधियों का समय-समय पर मूल्यांकन करने के साथ नियामक माहौल को अच्छी तरह समझकर कमजोर पहलुओं की पहचान करना और उनमें आवश्यकता के अनुसार परिवर्तन करना।

समुचित गवर्नेस के प्रवर्तन में सक्षम एवं स्वतंत्र तथा अतिरिक्त लेखा परीक्षकों की भूमिका से सभी परिचित हैं। मंडल और वरिष्ठ प्रबंधन लेखा परीक्षण की प्रभावशीलता उसका महत्व को स्वीकार करने के साथ संपूर्ण संस्थान में उसके बारे में सूचना देकर बढ़ा सकता है।



- समय-समय पर कंपनी की प्रबंध जोखिम व्यवस्था तथा नीतियों की सुस्थिति का मूल्यांकन करना एवं उनकी सख्त अमलावरी को सुनिश्चित करना।
- प्रमोटरों एवं कंपनी के वरिष्ठ प्रबंधकों के व्यक्तिगत हित संबंधी विवादों की पहचान, प्रकटीकरण एवं उनका निपटारा करना। विवाद के ऐसे मुद्दे खास तौर पर बड़े व्यापारी समूह अथवा वित्तीय संकट के बीमा मामलों से जुड़े रहते हैं।
- इस बात पर नजर रखना कि ग्राहकों एवं संभाव्य ग्राहकों के साथ सूचनाओं का आदान-प्रदान स्पष्ट है अथवा नहीं और कहीं नेतृत्व तो गलत नहीं है। कंपनी के प्रबंधन मंडल सदस्य विशेषज्ञ होने के साथ अपनी जिम्मेदारी निभाने के लिये समर्पित होने चाहिये। मंडल के सदस्यों का वरिष्ठ प्रबंधकों के साथ नियमित मेल-मिलाप होना चाहिये। इसके अलावा उन्हें कापरेट मामलों की प्रगति पर नजर रखने के लिये अंतरिम लेखा समिति के साथ भी नियमित संपर्क बनाये रखना चाहिये।

हालांकि उन्हें कंपनी के प्रबंधन में हर रोज मंडल सदस्य के रूप में हिस्सा नहीं लेना चाहिये।

मंडल के साथ ही वरिष्ठ प्रबंधन को यह सुनिश्चित करना चाहिये कि कापरेट लक्ष्य एवं कापरेट मूल्य सही ढंग से स्थिर हुये हैं अथवा नहीं एवं उनके बारे में संपूर्ण संस्थान को स्पष्ट रूप से जानकारी दी जा रही है अथवा नहीं।

### संस्थानगत ढाँचा एवं कार्य पद्धति:

कंपनी के निदेशक मंडल को बीमा कंपनी सभी पॉलिसी प्रतिपादित गवर्नेस गतिविधियों के बारे में कड़ी नजर रखने का भी कार्य करना अनिवार्य है। जिसमें निवेश पॉलिसी, अंडर राइटिंग पॉलिसी, उत्पाद विकास एवं जोखिम प्रबंधन पॉलिसी संबंधी कार्य है। इसके अलावा मंडल को मंजूर पॉलिसियों के साथ उनकी व्यवहार्यता सुनिश्चित करने, प्रबंधन के निरीक्षण की जिम्मेदारी भी उठानी चाहिये। वरिष्ठ प्रबंधन, बीमा कंपनी के विशिष्ट व्यापार क्षेत्रों में मंडल द्वारा निर्धारित नीतियों की अमलावरी में अन्य प्रबंधकों पर कड़ी नजर रखकर स्वस्थ कापरेट गवर्नेस में अहम भूमिका निभा सकते हैं। वरिष्ठ प्रबंधन जहाँ एक ओर कंपनी के कर्मचारियों के प्रतिनिधित्व के लिये जिम्मेदार है, वहीं दूसरी ओर बोर्ड के प्रति भी अपनी जिम्मेदारी की उचित कर्तव्यपूर्ति के प्रति जवाबदेह हो सकता है। इसी कारण वरिष्ठ प्रबंधन को अंतरिम नियंत्रण के लिये प्रभावी व्यवस्था का निर्माण सुनिश्चित करना चाहिये।

समुचित गवर्नेस के प्रवर्तन में सक्षम एवं स्वतंत्र तथा अतिरिक्त लेखा परीक्षकों की भूमिका से सभी परिचित हैं। मंडल और वरिष्ठ प्रबंधन लेखा परीक्षण की प्रभावशीलता उसका महत्व को स्वीकार करने के साथ संपूर्ण संस्थान में उसके बारे में सूचना देकर बढ़ा सकता है।

आज हमारे बाजार विकास की मौजूदा स्थिति में जहाँ किरतों के लेखे-जोखे के अलावा उनके मिलान संबंधी मामले उभर रहे हैं वहीं दूसरी ओर बीमा व्यवसाय का दायरा दिनोदिन बढ़ रहा है। ऐसे में समय पर लेखा-परीक्षण अनिवार्य है। यह कापरेट गवर्नेस का महत्वपूर्ण हिस्सा है, जिससे विभिन्न क्षेत्रों में उत्पन्न होने वाले संकटों का लेखा परीक्षक समय पर पता लगा सकते हैं। इसका उपयोग लेखा परीक्षक सभी क्षेत्रों में प्रभावई ढंग से और समय रहते उपयोग करते हैं। कापरेट गवर्नेस मानकों से भ्रष्टाचार, सेल्फ-डीलिंग एवं बीमा कंपनियों के अन्य अवैध अथवा अनुचित क्रिया-कलापों पर रोक लगायी जा सकती है। इसी कारण प्रत्यक्ष अथवा परोक्ष रूप से बिना किसी डर के सूचना देने अथवा वरिष्ठ प्रबंधन को नियमों के उल्लंघन के बारे में बिना किसी

झिझक के जानकारी देने के लिये कर्मचारियों को प्रोत्साहित करने सचेतकों को बढ़ावा देने की नीति अपनाना जरूरी है।

### मुआवजा नीतियाँ एवं नीति शास्त्र:

भारतीय बाजार में बीमा कंपनियों की मुआवजा नीतियों की उपयुक्तता से संबंधित कई मामले मौजूद हैं। यदि मुआवजा आदि के बारे में वरिष्ठ प्रबंधन को लंबी अवधि के व्यापार लक्ष्यों के बारे में जानकारी नहीं दी गयी तो परिणाम स्वरूप पॉलिसी धारक के लाभ प्रभावित हो सकते हैं। आमतौर पर मुआवजा नीतियाँ बीमा कंपनियों की संस्कृति पर निर्भर करती हैं। उसे लंबी अवधि के लक्ष्य और रणनीति कहा जा सकता है। यह महत्वपूर्ण है कि पारिश्रमिक पॉलिसियों को कंपनी की अल्ट्रावर्ध सत्र प्रदर्शन के साथ नहीं जोड़ा जाना चाहिए।

### सार्वजनिक उपक्रम और गवर्नेंस:

विदेशी फर्मों अथवा निजी कापोरेट उद्यमों के साथ गठबंधन साझेदारी कर राज्य अथवा सरकार के स्वामित्व वाले बैंकों और वित्तीय संस्थाओं द्वारा देश में बीमा उद्यमों को दिये जा रहे प्रोत्साहन को ध्यान में रखते हुये गवर्नेंस सिद्धांतों को ऐसी इकाइयों की कार्य पद्धति एवं वर्तन को निर्धारित करना चाहिये। जहाँ ऐसी इकाइयाँ सरकारी स्वामित्ववाली बैंकों की सहयोगी हैं, वहाँ गवर्नेंस सिद्धांतों को स्पष्ट करने की आवश्यकता है। तब तक गवर्नेंस संहिता ऐसे सभी मंडलों और सार्वजनिक क्षेत्र की इकाइयों के साथ ही साझेदार उपक्रमों पर लागू होने चाहिये। कापोरेट गवर्नेंस जिम्मेदारियों के निष्पादन के तहत अभिभावक मंडलों को अपनी सहयोगी इकाइयों की कार्यपद्धति पर नजर रखनी चाहिये। जहाँ अभिभावक बीमा उद्यम में 51 प्रतिशत साझेदारी रखता है वहा भी। इसके लिये सामग्री जोखिम और मामलों को मंजूरी दी जानी चाहिये, जो बीमा इकाई को प्रभावित करते हैं। कापोरेट गवर्नेंस ढाँचा एवं प्रवर्तन को व्यापक विस्तार दिया जाना चाहिये तथा उस पर अभिभावक बैंक को अपने गवर्नेंस का उपयोग करना चाहिये। यह भी महत्वपूर्ण है कि सार्वजनिक क्षेत्र की अभिभावक इकाई द्वारा सहयोगी बीमा इकाई को अपने मानकों की तर्ज पर गवर्नेंस का गठन करने के लिये प्रोत्साहित करना चाहिये।

एकाधिक संस्थानों द्वारा प्रमोट किये जा रहे उद्यमों में भी संबंधित साझेदारों के अलावा समर्थक इकाइयों के लिये प्रमोटर ग्रुप में तरजीह प्रक्रिया को बढ़ावा देने पर ध्यान दिया जाना चाहिये। इसके अलावा प्रतिकूल स्थितियों को नियंत्रण अथवा उनसे बचने के लिये गवर्नेंस मानक स्थापित किये जाने चाहिये।

इस प्रकार के समूह आयाम पहले ही नियामक स्तर पर ध्यान आकर्षित कर रहे हैं। देश में वित्तीय संपीड़ितों द्वारा

की गयी शिकायतों के मद्देनजर भारतीय रिजर्व बैंक द्वारा ट्रैक सिस्टमैटिक रिस्क संबंधी व्यवस्था स्थापित करने के लिये उठाये जा रहे कदम सही दिशा में आगे बढ़ रहे हैं। नयी संकल्पना के तहत देश में कापोरेट गवर्नेंस तक पहुँच की प्रक्रिया में विभिन्न सुधार करना आवश्यक है। एक बार गवर्नेंस के मानदंड निर्धारित हो गये तो नियामक मंडलों का कार्य काफ़ी हद तक आसान हो जायेगा। गवर्नेंस का केन्द्र - पारदर्शिता

यह तो सभी अच्छी तरह जानते हैं कि कापोरेट गवर्नेंस का मुख्य केन्द्र पारदर्शिता है। पारदर्शिता में कमी और सूचनाओं के अभाव से बाजार में अविश्वास का माहौल उत्पन्न होता है। खास तौर पर हाल ही में गैर-नियमित एवं लंबी अवधिभिमुख उद्योग से पूँजी निवेशकों का उत्साह प्रभावित हो सकता है।

विदेशी फर्मों अथवा निजी कापोरेट उद्यमों के साथ गठबंधन साझेदारी कर राज्य अथवा सरकार के स्वामित्व वाले बैंकों और वित्तीय संस्थाओं द्वारा देश में बीमा उद्यमों को दिये जा रहे प्रोत्साहन को ध्यान में रखते हुये गवर्नेंस सिद्धांतों को ऐसी इकाइयों की कार्य पद्धति एवं वर्तन को निर्धारित करना चाहिये।



यह सर्वविदित है कि मिश्र स्वामित्व संरचना अपारदर्शिता को जन्म देती है। हाल ही में कुछ व्यापारिक प्रतिष्ठान इस कारण संकट में फँस चुके हैं। भारतीय बीमा नियमन कंपनी संचालन के सभी पहलुओं में पारदर्शिता को महत्व देता है। वर्तमान में प्रकटीकरण का निर्धारित स्तर हासिल करने कंपनियों के पास विभिन्न मार्ग उपलब्ध हैं। बीमा कंपनियों में संचालन के प्रत्येक क्षेत्र की सूचनाओं का प्रघटीकरण किया जाना चाहिये। यह प्रकटीकरण कंपनियों द्वारा जारी की जाने वाली वार्षिक रिपोर्ट के साथी ही उनकी वेबसाइटों के जरिये किया जा सकता है, जिसमें विभिन्न क्षेत्र शामिल रहते हैं। विशेष रूप से निम्नलिखित क्षेत्र महत्वपूर्ण हैं:

- मंडल संरचना एवं वरिष्ठ प्रबंधन संरचना
- यदि कंपनी द्वारा निर्धारित अपनी आचार संहिता हो, और अमलावरी की प्रक्रिया जिसमें मंडल द्वारा अपनी आचार संहिता के प्रदर्शन संबंधी जारी किया गया स्व-मूल्यांकन भी शामिल हो सकता है।
- बीमा कंपनी पर नियमन के तहत लगाया गया बंधन जैसे ग्रामीण एवं सामाजिक खंड एवं उनकी पूर्ति

- प्रमोटर ग्रुप में किये जाने वाले अनारपक्षिय लेन-देन का स्वरूप तथा विस्तार एवं तीसरे पक्ष की ओर से ऐसे मामले जिन पर निदेशकों और प्रबंधकों की विशेष रूचि हो।
- सुरक्षा और संपन्नता आधारित प्रदर्शन के मुख्य पहलू जैसे उद्योग औसत से बेहतर दावों का अनुपात अथवा अंतर्गत प्रक्षिप्त स्तर, संपत्तियों के मूल्य में अप्रत्याशित गिरावट एवं नियामकों द्वारा जारी की गयी चेतावनियाँ।
- पॉलिसीधारकों की शिकायतों अथवा विवादों संबंधी मामलों की संख्या और कंपनी के खिलाफ ओम्बड्समन या अन्य ग्राहक संरक्षण समिति द्वारा जारी किये गये निर्देश।

जब भी वेबसाइट पर वित्तीय परिणामों संबंधी विवरण पेश किया जाता है, तो प्रत्येक पॉलिसीधारक को लेखा विवरण के पूरे सेट जिसमें टिप्पणियाँ एवं सहायक अनुसूची शामिल हो, की माँग करने का अधिकार दिया जाना चाहिये। नियमन के नजरिये से स्वस्थ कापोरेट गवर्नेंस के मानकों की मौजूदगी नैतिक जोखिम का स्तर कम कर देती है। आई आर डी ए कापोरेट गवर्नेंस को पॉलिसीधारक के हित के एक महत्वपूर्ण अंग की दृष्टि से देखता है। कापोरेट गवर्नेंस संहिता औब बीमा कंपनियों की तत्परता से उनकी अंदरूनी प्रक्रिया को अधिक विश्वसनीय बनाने संबंधी नियमन के लिये प्रोत्साहन मिलता है और कंपनियाँ व्यावहारिक कार्य पद्धति में सख्ती बरतने की ओर अग्रसर होती है। उदाहरण के तौर पर उत्पाद मंजूरी के लिये फाइल एवं उपयोग प्रक्रिया की सख्ती में शिथिलता लायी गयी है। बीमा कंपनियों द्वारा अपने स्तर पर बनायी जा रही नीतियाँ निश्चित ही बाजार की परिपक्वता की सूचक है। यह परिवर्तन जनसहयोग और विश्वास बढ़ाने के लिये कापोरेट गवर्नेंस द्वारा निभायी जा रही महत्वपूर्ण भूमिका का परिणाम है।

*श्री आर कृष्णमूर्ति वॉटसन वैंट इंश्योरेंस कन्सल्टिंग के प्रबंध निदेशक हैं। वह एस बी आी लाइफ इंश्योरेंस कं. लि. के भी पूर्व महाप्रबंधक एवं मुख्य कार्यकारी अधिकारी भी रह चुके हैं।*

# Report Card: GENERAL

G. V. Rao

## 20.5 percent business growth in February 2006

### Performance in February 2006:

For the non-life sector, February 2006 has turned out to be highly satisfactory for the unprecedented growth rate of 20.5 percent recorded by it. That in January 2006 too, it had reported a premium growth of 19.5 percent shows a measure of consistency in the performance trends. Will the growth rate further rise in March 2006?

The established players, in particular, seem to be on a roll. They have turned in, in February 2006, yet another impressive performance of 13 percent growth (Rs.133 crore accretion) in their gross premiums. Coming close on the heels of their January 2006 performance of 14.6 percent growth (Rs.164 crore), their aggressive mood and hunger for business seem evident.

With National Insurance, having temporarily renounced its ambitions for chasing premium growth, the overall performance of the established players is all the more notable. The interesting point that emerges is: will these growth trends sustain, as only two insurers viz. New India and Oriental are leading the growth assault?

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

(Rs.in lakhs)

| INSURER                         | PREMIUM 2005-06  |                    | PREMIUM 2004-05  |                    | GROWTH OVER<br>THE CORRESPONDING<br>PERIOD OF<br>PREVIOUS YEAR |
|---------------------------------|------------------|--------------------|------------------|--------------------|----------------------------------------------------------------|
|                                 | FOR THE<br>MONTH | UP TO<br>THE MONTH | FOR THE<br>MONTH | UP TO<br>THE MONTH |                                                                |
| Royal Sundaram                  | 3,377.99         | 40,703.72          | 2,344.99         | 29,648.35          | 37.29                                                          |
| Tata-AIG                        | 4,991.49         | 54,015.84          | 4,314.04         | 42,951.89          | 25.76                                                          |
| Reliance General                | 1,461.41         | 14,466.62          | 705.91           | 15,369.64          | -5.88                                                          |
| IFFCO-Tokio                     | 6,795.71         | 77,910.76          | 3,756.88         | 44,134.23          | 76.53                                                          |
| ICICI-lombard                   | 11,382.92        | 146,846.77         | 7,013.63         | 82,227.53          | 78.59                                                          |
| Bajaj Allianz                   | 9,786.63         | 116,491.39         | 7,049.85         | 77,211.77          | 50.87                                                          |
| HDFC CHUBB                      | 1,710.02         | 17,718.12          | 1,548.71         | 15,846.66          | 11.81                                                          |
| Cholamandalam                   | 1,487.21         | 20,913.56          | 1,018.75         | 15,524.14          | 34.72                                                          |
| New India                       | 37,896.00        | 428,158.00         | 30,894.00        | 372,119.00         | 15.06                                                          |
| National                        | 26,906.00        | 320,188.00         | 27,634.00        | 342,296.00         | -6.46                                                          |
| United India                    | 22,919.00        | 283,977.00         | 21,285.00        | 268,722.00         | 5.68                                                           |
| Oriental                        | 26,887.00        | 320,009.00         | 21,544.00        | 278,119.00         | 15.06                                                          |
| <b>PRIVATE TOTAL</b>            | 40,993.39        | 489,066.78         | 27,752.75        | 322,914.21         | 51.45                                                          |
| <b>PUBLIC TOTAL</b>             | 114,608.00       | 1,352,332.00       | 101,357.00       | 1,261,256.00       | 7.22                                                           |
| <b>GRAND TOTAL</b>              | 155,601.39       | 1,841,398.78       | 129,109.75       | 1,584,170.21       | 16.24                                                          |
| <b>SPECIALISED INSTITUTION:</b> |                  |                    |                  |                    |                                                                |
| ECGC                            | 4,757.96         | 51,392.92          | 4,697.94         | 46,112.56          | 11.45                                                          |

**Note:** Effective October, 2005 the mode of presentation of non life premium numbers stands modified. Since ECGC is providing cover exclusively for credit insurance, inclusion of the business underwritten by it with that of other insurance companies was reflecting an inaccurate position with respect to the industry as a whole. Henceforth premium underwritten by ECGC would be indicated separately.

The reported growth in the industry premium for February 2006 is Rs.265 crore. This has come in, with the established players contributing Rs.133 crore and the balance of Rs.132 crore coming from the new players.

#### The Big Five:

Dominating the February 2006 premium growth are the insurers: New India with Rs.70 crore accretion followed by Oriental with Rs.54 crore, ICICI Lombard with Rs.43 crore, IFFCO Tokio with Rs.30 crore and Bajaj Allianz with Rs.28 crore. These five cumulatively have added Rs.225 crore to the total accretion of Rs.265 crore.

These big five growth insurers, adding 85 percent accretion to the February growth of Rs.265 crore may, therefore, be identified, as the fierce competitors for the future market developments. Their present market share is only about 60 percent but their contribution to the monthly premium growth is 85 percent. Their future performances will impact on how rapidly the industry will grow in 2006/07.

#### New aggression by a couple of new players:

Reliance has recorded an accretion of Rs.7 crore, doubling its premium in February, giving a clear indication that it is strongly back in the business, with an intent to expand its base. Royal Sundaram also has given enough growth signals, through its performances in January and yet again in February, that premium growth is a key factor in its business strategy.

With January 2006 having recorded a premium growth rate of 19.5 percent, followed by a growth of 20.5 percent in February, the market seems poised for a bigger leap. Three insurers located in the Western Zone and two in the Northern Zone seem to be the ones driving the premium developments.



#### Performance up to February 2006:

The overall growth rate has gone up from 15.6 percent at the end of January 2006 to 16.2 percent at the end of February 2006. The market has witnessed an accretion of Rs.2572 crore, with the established players adding Rs.911 crore and the new players Rs.1661 crore. ICICI Lombard, Bajaj Allianz and IFFCO Tokio have recorded accretions of Rs.644 crore, Rs.393 crore and Rs.338 crore respectively totaling to Rs.1375 crore.

Among the established players, New India with an accretion of Rs.540 crore and Oriental with Rs.419 crore have together added Rs.959 crore. With National Insurance recording a fall of Rs.221 crore and UIIC adding Rs.158 crore, their premium developments are uneven.

#### Big five:

ICICI Lombard, New India, Oriental, Bajaj Allianz and IFFCO Tokio have added cumulatively an accretion of Rs.2334 crore to the overall accretion of Rs.2572 crore highlighting their dominance of the market.

The market share of the new players that was 20.4 percent at the end of February 2005 has now risen to an impressive 26.5 percent. With the market growth in excess of 16 percent things certainly are looking up for the non-life insurers.

#### Final word:

With the auto sector likely to further boom with incentives given to the small car segment in the recent budget, with more disposal incomes with individuals getting increased wages and with the listed companies performing exceptionally well at the stock exchange, the economic climate for premium growth for the non-life sector was never as good as now.

*The author is retired CMD, The Oriental Insurance Company Ltd. He may be contacted at gvrarao70@gmail.com*

### BAJAJ ALLIANZ PLANS COMPOSITE PLANS

Bajaj Allianz Life Insurance (BALI) and its general insurance counterpart Bajaj Allianz General Insurance (BAGI) are together planning to tie up for distribution of composite micro-insurance policies among the rural masses, reportedly. Further, Allianz AG, the overseas joint venture partner of Bajaj is looking forward to enhancing its stake to 49% as soon as the government permits it. The overseas partner is also pumping in a fresh capital of Rs.100 crore.

The micro-insurance policy is being designed by BALI and BAGI in the life and non-life sectors. They would be jointly sold by both the companies as composite micro-insurance products by agents of both the players, it is reported.

### FEDERAL BANK PRODUCT FOR DEPOSITORS

Fedjeevan, a life insurance product, has been launched by Federal Bank for its customers of Recurring Deposit, in association with Life Insurance Corporation of India. For customers who open a recurring deposit account with the bank for a minimum period of three years, the product promises to pay the maturity value in case of death during the period. It is reported that the scheme would cover customers from age 16 years to 55 years and the cover would be for the maturity value subject to a maximum amount of Rs.10 lakh.

### FAMILY PLANNING INSURANCE IN HIMACHAL PRADESH

The government of Himachal Pradesh introduced an insurance scheme against death and complications arising out of sterilization, it is reported. A cabinet meeting under the chairmanship of the Chief Minister of the state finalized the scheme.

The scheme provides cover for the voluntary acceptors of the sterilization operations and also indemnity insurance cover for the surgeons involved in both the government hospitals as well as accredited private hospitals. The compensation under the scheme would be up to Rs.1 lakh in case of death in hospital due to sterilization; Rs.30,000 in case of death within 30 days of discharge from the hospital; and Rs.20,000 for expenses of treatment in case of medical complications due to sterilization within 60 days of operation.

### IDBI TO ENTER INSURANCE DOMAIN

The country's major development banker, Industrial Development Bank of India (IDBI), will be entering the life insurance sector shortly, it is reported. To this effect, it has signed a Memorandum of Understanding with Fortis, a Brussels-based banking and insurance firm. The two players are together looking forward to the participation of a third player, as there are reservations to a single bank holding a 74% stake in a life insurance venture.

The two partners are also looking forward to join hands for venturing into non-life insurance, asset management and pension funds. It is IDBI's desire to be a financial conglomerate and to this effect, these ventures would be complementing their present range of financial products and services.

### SERVICE TAX RAISES INSURANCE PREMIUMS

The introduction of service tax on reinsurance premiums in the budget is set to raise the premium rates in the non-life arena. GIC, in order to make up for the service tax, is likely to pass on the burden to direct insurance companies reportedly.

The insurers would be paying the service tax also on their arrangements with overseas reinsurance players. In light of the service tax levied in this year's budget, insurance companies would have to pay it on all their premiums for reinsurance, both domestic as well as international.

The national reinsurer, GIC would have to pay service tax also on the premium that it receives from foreign reinsurers or stand to lose the business opportunities in the competitive market. The overseas players are unlikely to bear the burden, as they are not largely dependent on the Indian business. For GIC, although it is dependent on Indian business mostly, it is not equipped to absorb the additional burden.

In light of the burden, insurance companies are likely to raise premium rates in view of the large claims ratios in the industry. The national reinsurer is likely to face an additional tax burden of Rs.700 crore (on gross premium), as per reports.

### AVIVA EXPANDS TECHNOLOGY REQUIREMENT THROUGH WIPRO

Wipro Technologies has opened a dedicated global command centre for UK's leading insurer Aviva, in Pune. It is reported that the infrastructure services centre at Wipro's campus in the city is remotely managed.

The infrastructure management will provide round-the-clock services for the entire IT infrastructure including 24x7 monitoring, service desk, data centre management, desktop applications packaging and support, messaging and database support. As such, it has been set up at a huge cost.

It is reported that Patrick Snowball, group executive director, Aviva complimented Wipro for showing a great commitment to Aviva in building the required capabilities and infrastructure in line with their growing requirements. Girish Paranjpe, President, Finance Solutions, Wipro Technologies reportedly indicated that his company has helped Aviva derive better value from their IT investments and align their IT infrastructure with their business. It is further reported that the opening of the new dedicated managed services delivery centre has enabled them to address Aviva's technology requirements better and in a more integrated manner.

### TIE-UPS WITH CO-OPERATIVE BANKS FOR BANCASSURANCE

Birla Sun Life Insurance (BSLI) has tied up with Indian Mercantile Co-operative Bank in Lucknow; Krishna Mercantile in Bhopal; Thane Bharat Sahakari Bank; Nagaland State Co-operative Bank; and Jamshedpur Urban Co-operative Bank; for bancassurance relationships, as per reports.

The company is looking at replicating its successful bancassurance model with key co-operative banks in the country for exploiting the opportunities of life insurance sales in hitherto untapped segments. It is reported that the bancassurance channel is responsible for a large portion of the company's individual life sales. Presently, the life insurer has relationships with Citibank, Deutsche Bank, IDBI Bank, Catholic Syrian Bank, Karur Vysya Bank, Development Credit Bank and HBL Global.

The company is also looking forward to several other tie-ups with co-operative banks in the country and in order to accomplish the task, it has set up a team reportedly.

### BAJAJ ALLIANZ TIES UP WITH PICUP

A premier industrial financial body of the Uttar Pradesh Government, Pradeshiya Industrial Corporation of UP (PICUP) signed a Memorandum of Understanding with Bajaj Allianz General Insurance Company for foraying into general insurance. Thus, the corporation is looking at increasing its non-fund income, reportedly.

The Managing Director of the corporation Mr. Deepak Singhal announced that with the signing of the MOU, PICUP would act as an insurance agent of Bajaj Allianz for insuring the industrial units financed by the UP government, besides some other units in private and public sector. The insurer would be imparting the necessary training to the staff of the corporation to enable it to act as its corporate agent. The commission to PICUP would range between 5% and 16%, it is reported.

### FOURTH QUARTER PROFIT OF AIG DROPS

Owing to large hurricane payouts; and settlement covers with state and federal regulators, American International Group (AIG) reported a sharp drop in its fourth quarter profits, as per news reports. The net income for the reported period was \$444 million or 17 cents a share; as against \$1.6 billion or 62 cents a share a year earlier, a drop of more than seventy per cent. Consequent to the adjustments for capital and accounting changes, the net income reported was \$376 or 14 cents a share.

The fourth quarter results included a \$1.15 billion after-tax charge to cover the settlement with Securities and Exchange Commission; Attorney General of New York's Office; and other regulators. They were also the result of after-tax catastrophe losses of \$217 million during the quarter from the several hurricanes.

Martin J Sullivan, AIG's President and CEO, however, observed that the company's profit was up for the full year, in spite of the results of the fourth quarter. He further added that the settlement was an important step forward in resolving the company's regulatory and legal issues; and hoped that it would enable the company to focus intently on their business going forward.

The general insurance division of the company reported an operating loss of \$1.16 billion in the fourth quarter as it absorbed \$775 million in catastrophe losses, an increase in loss reserve charges and other adjustments; while the life insurance and retirement services division registered an operating gain of \$2.3 billion. The financial services and asset management divisions also reported profits.

### ON-LINE LIFE INSURANCE CALCULATOR LAUNCHED

New York-based Metlife, in order to boost life insurance sales, launched an online Guaranteed Survivor Income Benefit (GSIB) calculator, along with a life insurance rider for its individual universal life product. The web-based calculator details the monthly requirement of an individual's life insurance needs, rather than the traditional lump sum basis of estimation. The GSIB rider provides the opportunity for selling life insurance in a revolutionary manner and is more dynamic in its assessment, reportedly.

The company is believed to have conducted extensive research before developing the GSIB when it was discovered that the average amount of insurance in Americans is low. Research has shown that on an average, the life insurance amount is around two-and-a-half times one's salary, which is very low as compared to the actual requirement.

The company authorities have reported that the average face amounts for term life insurance have increased on account of the focus on Human Life Value (HLV); and GSIB is expected to trigger a similar rise on the permanent products. Besides, it is also reported that the rider is very easy and convenient for the agents to use and as such makes it more feasible for them to cross-sell the other products of the company. Metlife has reportedly applied for a patent on the GSIB rider and eventually intends to incorporate it into all of its individual life products.

### HUMANITARIAN INSURANCE POLICY

The first United Nations humanitarian emergency insurance contract has been given to AXA Re. Under the contract awarded by the World Food Program (WFP), there is a provision of US \$7 million in contingency funding in a pilot scheme for coverage in the case of an extreme drought during Ethiopia's 2006 agricultural season.

A calibrated index of rainfall data gathered from different weather stations across Ethiopia has been made use of to arrive at the derivative. Under the contract, payment will be triggered when data gathered between March and October indicates that rainfall has been significantly below the historical average, which points to the likely widespread crop failure.

The experimental pilot transaction provides only a small amount of contingency funding, but it has been designed on the basis of potential losses that millions of poor farmers risk, in the likelihood of an extreme drought. The CEO of AXA Re is reported to have said that they are proud of their business contributing to the struggle against the devastation caused by natural disasters in developing countries.

## MORE INVESTMENT OPTIONS FOR INSURERS IN THAILAND

The approval of the Commerce Ministry of Thailand is being sought by the insurance department to allow life insurers to invest in real estate and raise non-life insurers' stake in other firms to 15% from the current 10%. The Director General of the insurance department Ms Potjane Thanavaranit has reportedly said that the department was preparing a draft ministerial announcement for approval to expand the investment channels of both life and non-life insurers. This is expected to promote mergers and acquisitions among local insurance firms.

The proposal envisages life insurance companies to invest in real estate such as condominiums and office buildings, for the first time. Presently, life insurers are allowed to invest only in their own office buildings to limit risk exposure to the property sector. The proposal also seeks approval of both life and non-life insurance companies investing 50% of an excess of the required capital fund to acquire other firms. There would also be permission to invest without limits in Asian bond funds, which is presently pegged at 20%.

## SHIP TRAVELLERS TO BE COVERED BY MANDATORY INSURANCE:

The Insurance Commissioner of Philippines, Ms. Evangelina Escobillo announced that ship travelers in the country would be covered by mandatory insurance up to 200,000 pesos (US \$3887) per head. The scheme is likely to be implemented during this year.

The commission is looking at an insurance requirement of around 200,000 pesos for death and total disability; 100,000 pesos for assault and murder; and 200,000 pesos for terrorist attacks. The insurance is being made compulsory in order to avoid cut-throat competition among the general insurers about the rates, it is reported.

The Insurance Commission is drafting the standard contracts in association with Philippine Insurers and Reinsurers Association; while the Actuarial Society of Philippines is computing the standard premiums. The costs would initially be paid by the ship owners, who in turn, would pass on the expenditure to the consumers. The insurance could also be routed through the proposed clearing house which is being set up for car accident insurance as a measure against obtaining fake insurance policies. Ms. Escobillo reportedly added that the clearing house would play a crucial role in the continued development of the general insurance industry of the country.

## CHINA TARGETS REFORMS FOR THE REINSURANCE SECTOR

As per reports, the reinsurance industry in China can boost its growth by realigning the shareholding structure of its domestic insurers; in collaboration with international strategic investors; and by diversification of business lines.

During the annual plenary meeting of People's Political Consultative Conference (PPCC) of China, Mr. Dai Fengju, Member of the Committee and also the Head of Insurance Institute of China; is reported to have said that the reinsurance market has lagged behind the fast-growing direct

insurance sector. He further said that more has to be done to promote the role of the nation's reinsurers in warding off intrinsic risks in the industry.

The President of the Insurance Institute of China reportedly said that the domestic reinsurers of the country have suffered low capital stock, insufficient technical support, and shortage of human resources which led to insufficient capabilities in extending policy coverage and a failure to meet the market demand.

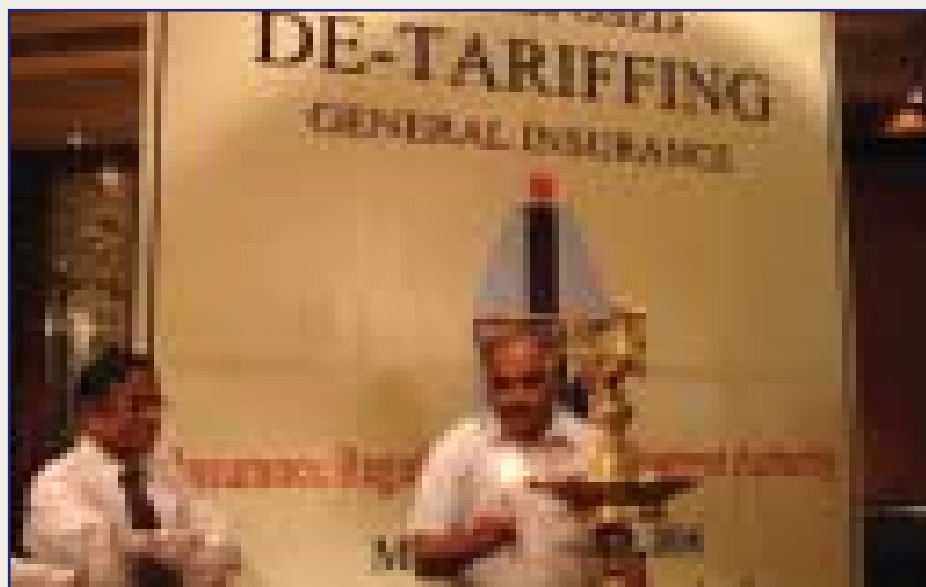
# ROUND UP



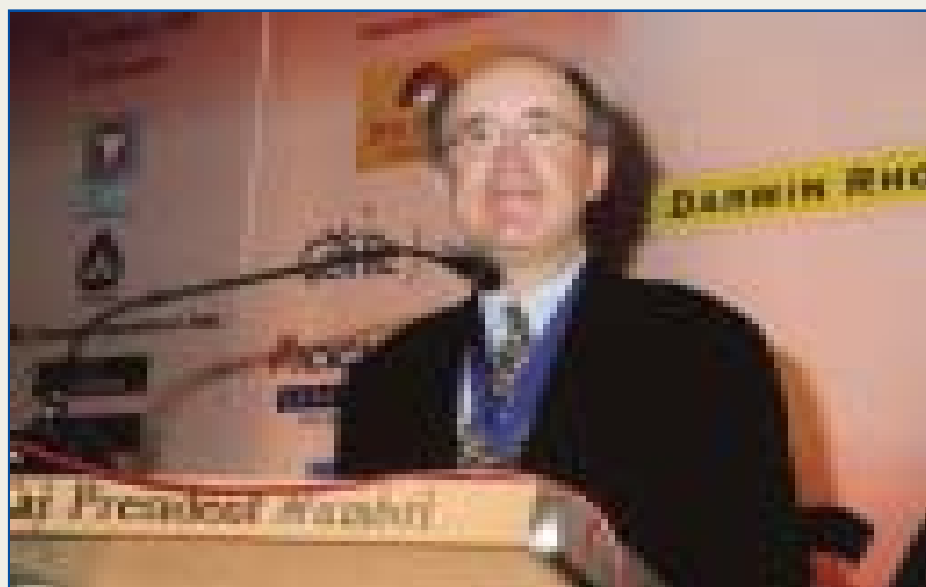
Lord Mayor of the city of London, Mr. David Brewer CMG, paid a visit to IRDA office, along with a delegation; on 27th March, 2006. He is seen in the photograph along with Mr. C S Rao, Chairman, IRDA.



The Fourth Indian Insurers' Summit was organized by the General Insurance Corporation of India on 18th and 19th March, 2006 at Jodhpur. Photograph shows Mr. C. S. Rao, Chairman, IRDA lighting the lamp to inaugurate the summit. Also seen in the photograph are Mr. A. K. Shukla, Chairman, LIC of India and Mr. R. K. Joshi, Chairman, GIC of India.



IRDA organized a seminar on proposed de-tariffing in general insurance; on 13th and 14th March, 2006 at Hyderabad.  
The Chairman of IRDA Mr.C S Rao is seen lighting the lamp to mark the inauguration. Also seen in the picture is Mr.C R Muralidharan, Member, IRDA.



The 8th Global Conference of Actuaries was held at Mumbai on 10th and 11th March, 2006. Seen in the photograph is Mr. Jean-Louis Massé, President, International Actuarial Association, speaking at the conference.



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"Katrina is the first significant natural catastrophe since Northridge (earthquake) and (Hurricane) Andrew to truly test the risk and capital management plans of insurers and reinsurers."

***Mike Bungert, CEO of Aon Re Inc.***

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"The humanitarian emergency insurance contract might, in the future, offer us a way of insuring against these massive losses before they spell destitution for millions of families."

***James Morris, Executive Director, World Food Program, on the occasion of AXA Re being given the first UN humanitarian emergency insurance contract.***

"Delivering 'ease-of-use' to our business partners is one of our strategic imperatives and we believe that our success in the technology arena to date demonstrates our value as an indispensable partner and leaves us well positioned for growth in the years to come."

***John W. Hayden, Midland's president and chief executive officer***

"At this stage, the cost of establishing the off-shoring has been written off and we expect future profit contribution (from outsourcing to India)."

***Philip Scott, Executive Director, Aviva, talking about the increase in outsourced jobs to India.***

"We are now looking at replicating our extremely robust and successful bancassurance model with key co-operative banks in the country which offer tremendous opportunities for life insurance sales in hitherto untapped customer segments."

***Nani Javeri, CEO, Birla Sun Life Insurance.***

"The number of complaints is evenly distributed between the life and non-life segments. In the non-life segment, more than 75 per cent complaints are in respect of motor and mediclaims."

***A.K. Kundra, Insurance Ombudsman.***

# Events

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17-19 April 2006

Venue: Pune

Underwriting in Detariff Regime, By NIA Pune

20-22 April 2006

Venue: Pune

Management of Executive Stress, By NIA Pune

24-26 April 2006

Venue: Pune

Management of Motor Insurance (Own Damage)

By NIA Pune

25-26 April 2006

Venue: Seoul

5th Asian Health & Healthcare Insurance Conference

By Asia Insurance Review

27-29 April 2006

Venue: Pune

Workshop on Communication & Presentation Skills

By NIA Pune

01-06 May 2006

Venue: Pune

Prevention of Insurance Frauds, By NIA Pune

08-13 May 2006

Venue: Pune

Management of Engineering & Business Interruption

Insurance, By NIA Pune

10-11 May 2006

Venue: Singapore

Asian Conference on M&As, Commutations and Run-offs

By Asia Insurance Review

15-20 May 2006

Venue: Pune

Service Differentiation & Relationship Management

By NIA Pune

24-25 May 2006

Venue: Shanghai

Claims Conference

By Asia Insurance Review

22-27 May 2006

Venue: Pune

Linux Operations (Life), By NIA Pune