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बीमा विनियामक और विकास प्राधिकरण

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A portrait of a middle-aged man with grey hair and glasses, wearing a light blue striped shirt. He is looking directly at the camera with a slight smile. The background is a plain, light-colored wall.

From the Publisher

The insurance sector has come into sharp focus in India in the recent time due to the phenomenal changes taking place in terms of number of companies offering insurance products, the variety of products in the market and the proliferation of intermediaries selling them. Though experimentation has been going on in the field of insurance intermediation, the insurance agent continues to occupy the pride of place in the vast complex marketing chain established by the insurance companies. The increase in the range of products makes the task of selecting one which meets one's requirements so difficult that dependence on advice from a professional has become essential. Simultaneously, the pressure is on the agent to acquire skills aimed at identifying the requirements of the client and suggest a policy that meets his requirements in full. The Agent has to virtually transform himself from a salesperson to a financial planner.

In spite of the healthy growth witnessed in the insurance sector in recent years, and the expansion of the market evidenced in part by the increasing market share of the new players, the inroads that insurance has made into the market remains lower in India than in many parts of the world. Though new channels for sale of products have come into existence, the agent continues to be relied upon for effecting maximum sales and to act as a bridge between the company and the customer.

The insurance agent, by his very nature and the circumstances of his work, is a self motivated, independent operator. He needs to be equipped with the best of training and knowledge and backed by companies' commitment to strengthen the

marketing channel and make it a credible, stable and growing source of business.

IRDA takes the need for quality insurance agents very seriously and this is reflected in the manner in which their recruitment, training and the way they are expected to carry out their business have been dealt with in the regulations. IRDA has recently undertaken a thorough review of the way agents' training is conducted and has reemphasised its requirements and standards. This has been done by way of reiteration of the goals and objectives that guided the formulation of Regulations and the intention is to bring back on course those that have drifted away from it.

It is only an enlightened and knowledgeable agency force that can play the crucial role of reaching the full value of insurance to its end user, and in the process, ensure stable and growing business to the industry.

The theme for the next issue is development of the insurance industry. Specifically, it is about the developmental responsibility that has been given to the Authority.

There have been various initiatives undertaken by the IRDA in pursuit of this goal, and we hope to bring to you an overview of the past and suggestions for the future in the words of various industry experts and observers.

Meanwhile, I hope you enjoy this issue and wish you a happy 2005!

C.S. Rao
C.S.RAO

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It Pays to Pay them

- H.O. Sonig

Juggernaut!

Our greatest strengths are also likely to be our greatest weaknesses. On another track, our perception of opportunity or weakness is likely to be a measure of expectations vs reality more than potential vs performance.

India has a huge agency force – that is good because we need them to tackle the huge market. But the flip side is that a lot of this force is dormant, if not non-existent.

Being an insurance agent was never a ticket to inspiring awe among friends and family in any part of the world, even given that many times it is the agent who has stood between a family and financial ruin.

The ups and downs of the agent's life and profession is the fodder for this issue of **IRDA Journal**. We have a line up of writers looking at the profession from various angles, and from within and without.

Mr. G. V. Rao laments the withering away of the agency system in the non-life insurance industry while Mr. Apparao Machiraju, the ever hopeful cheerleader for agents' education and training points to gleaming peaks to conquer.

Mr. V. K. Sharma also bears that same torch aloft while Mr. Sonig broaches a more practical measure for motivation and development – better remuneration to the agent.

Mr. Debapriya Ray extols the virtues of the agents and the ideals that he should live up to while Mr. Suri Seeta Ram tells us what an agent is and can be – warts and all.

Another practical viewpoint tinged with the idealistic is from veteran agent Mr. P. Srinivasan who argues for self-development being the basis for successful agency business.

Mr. Theyagarajan, also an agent, makes a New Year wish list of solutions to agents' problems and Mr. Antony Jacob, CEO of Royal Sundaram Alliance Insurance outlines what a company can do with a powerful channel like the agency.

In our next issue we examine the D in IRDA, as it is called. The developmental role given to IRDA implicitly through its name is manifested in various initiatives by the Authority. We hope to bring you the different facets of this role as it has been perceived and as it is being played.

We hope you enjoy this issue, and that you have a wonderful year ahead!

Happy New Year!

K. Nitya Kalyani



Friend, Philosopher, Guide and Monitor

K. Nitya Kalyani

A regulator's work is fairly routine stuff. Serious, but routine work. Systems are put in place to monitor the working of the industry regulated, and deviations from it are tracked to prevent and manage failure or bring errant players to book.

Like detective work, a vast majority of deviations should be caught by a good procedure. The construction and use of that system is based on a deep knowledge of the industry, its working and psyche and the intuition that can come only from knowing how it works under the skin.

Creativity has very little place in this scheme of things.

But in IRDA's case, there is more to its work than regulation and supervision. As has been remarked countless times, the IRDA has to also 'Develop' the industry, whatever is defined as.

The role is referred to, though not defined, in the Insurance Regulatory and Development Authority (IRDA) Act, 1999 and does not find a place in the listing of the Authority's functions or in the description of the extent of its duties.

Hence it has been left to the interpretation of the Authority itself and its advisory bodies. It also gives the Authority the leeway to develop and implement a long term vision for the

industry, and permits a response from the Authority to the current needs of the industry from time to time.

There has rarely been an interpretation that the role refers to, or even includes, the development of the business. It has meant creating enabling conditions for the industry to thrive. It has meant the development of the infrastructure for the industry through the development of the professions and professional training. Cases in point are the work IRDA has

In a very Indian way, an other-worldly aspect has been introduced into a commercial activity.



undertaken to help the Actuarial Society of India (ASI) rejuvenate itself and piloting it to Statutory status, the promotion of an international Institute for Insurance and Risk Management (IIRM) and the foundational work it has undertaken for a surveyors' institute.

Spearheading and piloting industry wide initiatives and common user resources like the Mortality and Morbidity Bureau through the ASI, putting together a working group on Health Insurance and its focus on health related data, coordinating the Terrorism

and Earthquake pools, working for a consensus on the timing and manner of detariffing are all activities for the industry that need centralised coordination.

In a very Indian way, an other-worldly aspect has been introduced into a commercial activity. Development has meant persuading or mandating the industry to take care of the socio-economic development needs of the society through rural and social sector coverage obligations for instance.

Taking on the development role in addition to the regulatory role also inevitably leads to the shedding of some regulatory authority by design. And this is what is happening with the different sectors of the industry. The life and non-life insurers' councils are nascent self-regulatory organisations (SROs) and the IRDA is escorting them through the process of coming into their own. Similar structures are being catalysed for insurance brokers and surveyors.

These are samples of the development activities of IRDA. The next issue will take an extensive look at the entire gamut of initiatives through the eyes of various participants and observers. If you wish to write about any of these issues or have a point of view to share, please send us a letter or email.



BUILDING IT UP

The 'D' in IRDA... in the February 2005 issue.

Election results of the TAC

The Tariff Advisory Committee (TAC) has been reconstituted following the elections held pursuant to the provisions of the Insurance Act, 1938, read with the Insurance Rules, 1939 (as amended by the Insurance (Amendment) Rules, 2004) and the Tariff Advisory Committee (Election of Members, Meetings, Functions & Miscellaneous) Regulations, 2004, on November 30, 2004.

Consequent to the elections the following is the constitution of the committee:

1. Mr. C. S. Rao, Chairman, IRDA – Chairman
2. Mr. Mathew Varghese, Member (Non-Life), IRDA - Vice Chairman
3. Mr. P. C. Ghosh, Chairman, General Insurance Corporation of India – Member
4. Mr. R. Beri, Chairman and Managing Director, The New India Assurance Company Limited – Member
5. Mr. S. L. Mohan, CMD, The Oriental Insurance Company Limited – Member
6. Mr. H. S. Wadhwa, CMD, National Insurance Company Limited – Member
7. Mr. Ajit Narain, CEO, IFFCO-Tokio General Insurance Company Limited – Member
8. Mr. Anthony Jacob, CEO, Royal Sundaram Alliance Insurance Company Limited - Member
9. Mr. Shrirang V. Samant, CEO, HDFC Chubb General Insurance Company Limited – Member
10. Mr. A. K. Abhang, CEO, Maharashtra Government Insurance Fund – Member
11. Mr. K. K. Srinivasan – Secretary

Members mentioned in serial numbers three to 10 were declared elected in the elections held in November, 2004. The next election representatives of insurers to the TAC is due on or before December 31, 2007, and any vacancy in the office of the elected representatives meanwhile will be filled as per the provisions of the Regulations says a circular from the IRDA.

Action against Corporate Agent

The IRDA order dated December 9, 2004 relating to the matter pertaining to Golden Multi Services Club Ltd. and associated companies was stayed by the High Court of Calcutta on December 31, 2004. IRDA has issued a circular directing insurers to adhere to the order so the High Court.

IRDA had, on December 9, advised all insurers not to accept any business through arrangements like agency, referral or memorandum of understanding from Golden Multi Services Club Limited and its associate companies namely, Golden Trust Financial Services, Golden Multi Services Pvt. Limited, Golden Corporate Services and Golden Trust Multi Services.

This followed complaints received from the members of the public from different parts of the country about mis-selling of insurance products by these companies and the revelation, following IRDA examination of the matter, of serious breaches of code of conduct under the IRDA (Licensing of Insurance Agents) Regulations, 2000 and IRDA (Licensing of Corporate Agents) Regulations, 2002.

IRDA had issued a show-cause notice to these entities on September 29, 2004 and asked them to suspend all further activities as a Corporate Agent and, as of the date of the order, was yet to receive confirmation of such compliance. The instruction to insurers was to be effective till the matter is finally disposed of. The IRDA circular made it clear that the insurers would be on risk on the existing policies issued through these entities till the expiry of the term of the policies.

OUTSOURCING

IRDA has clarified that insurers can outsource custodial services and daily NAV compilation services for unit linked policies. Referring to the earlier circular dated July 27, 2003 on this subject, which did not contemplate prohibition of outsourcing of custodial services, the regulator has informed companies that they can outsource these services.

It has also specified that the service provider should be a regulated custodial service provider with experience and expertise in NAV computation, should not be part of a 'Group' as defined under Regulation 2 (ca) of IRDA (Investment) Regulations, 2000, complies with all consumer laws and regulations and maintains confidentiality and protects data from

intentional or inadvertent disclosure to unauthorised persons.

The service provider should also have a comprehensive and effective system for disaster recovery and periodic testing of backup facilities, an adequate system to address all operational risks arising out of technology, errors and frauds and provides full access to all records and other material to the IRDA to the same extent as if it were a department of the insurer.

The circular says that the outsourcing agreement shall contain an exit clause providing for smooth transfer of records and functions to the insurer or its nominated contractor in the event of the outsourcing agreement being terminated, without imposing onerous penalties for termination and that the service provider

should be subjected to periodical audit, including systems audit, by the insurer or its authorised representatives.

The insurer is required to confirm to the Authority that it has established a comprehensive policy to guide the assessment of outsourcing activity and its periodic review, has exercised due diligence in selecting the service provider and has the approval of its board for the outsourcing arrangement in accordance with the Authority's guidelines.

The outsourcing agreement is to be filed with IRDA and it should not in any way take away the obligations, accountability and responsibilities of the insurer to its policyholders and the Regulator in terms of the laws in force.

A Burglary That Isn't

— Supreme Court's interpretation under the lens

The Supreme Court's interpretation of burglary and house breaking has narrowed down the scope of coverage of the Burglary policy, observes *N. Swaminathan*

In the *United India Insurance Co. Ltd. Vs. Harchand Rai Chandan Lal* case, the Supreme Court needed to interpret a term in the 'Burglary and/ or House Breaking' policy of an insurance company. The Court disagreed with the interpretation placed by the lower forum and rightly overturned the judgment and order of the lower forum. However, it erroneously narrowed down the scope of coverage even available under the policy by holding that "theft should have been preceded with force or violence as per the terms of insurance policy". This interpretation runs counter to the plain wordings of the term of the policy.

Obviously, the apex court has misconstrued the relevant term of the policy and erroneously curtailed the width of its coverage. It is imperative to reproduce the relevant term of the policy, which was interpreted by the Apex Court:

"Burglary and/or housebreaking' shall mean theft involving entry to or

exit from the premises stated therein by forcible and violent means or following assault or violence or threat thereof to the insured or to his employees or to the members of his family."

Under the afore-extracted term of the policy, it is not *sine-qua-non* that force

**The apex court has
misconstrued the relevant
term of the policy and
erroneously curtailed the
width of its coverage.**



or violence must precede theft in every case for the claim to be payable. A claim will be payable under the aforesaid term of the policy even if the force or violence succeeds the theft in a given case and the same will safely fall within the four corners of the aforesaid condition of the policy and it would be a

"burglary or housebreaking" for the purposes of the policy.

The term of the policy clearly also contemplates violence or force at the time of exit, that is, after the commission of theft. The same is evident from the user of the word "exit". This aspect of the matter has been overlooked by the apex court. In a given case the entry of the offender to the insured's premises may be peaceful and lawful, however, after theft, if the offender uses force and/or violence at the time of exit that would not make the claim not payable under the aforesaid term of the policy – it would be a burglary for all intents and purposes of the policy.

The author is Manager (Legal), ICICI Lombard General Insurance Company Ltd., Delhi. The views stated here are his own.



IRDA Journal Welcomes...

readers to write article on Insurance related cases they have handled at ombudsmen, consumer court or civil court levels. Insurance company legal officers... please share your experience and knowledge in this column.

Write to the Editor, IRDA Journal Parisrama Bhavanam, III floor, 5-9-58/B, Basheer Bagh, Hyderabad - 500 004 or email to irdajournal@irdaonline.org

Report Card:LIFE

42% Growth in November

During the month of November, 2004 the life insurance market witnessed the entry of the 14th insurer with Sahara Life underwriting a premium of Rs.1.34 lakh towards 12 policies. The life insurance industry underwrote a premium of Rs.1,38,120.22 lakh during the month of November, 2004, taking the cumulative premium underwritten during the current year 2004-05 to Rs.11,30,951.49 lakh.

The total Individual and Group premium underwritten was Rs.9,17,510.33 lakh (81.13 per cent) and Rs.2,13,441.17 lakh (18.87 per cent) respectively. The premium underwritten towards individual single and non-single policies stood at Rs.1,96,364.94 lakh and Rs.7,21,145.38

lakh respectively accounting for 4,61,081 and 1,14,88,598 policies. The group single and non-single premium accounted for Rs.1,93,583.59 lakh and Rs.19,857.58 lakh under 8,805 and 2,684 schemes respectively.

LIC underwrote premium of Rs.9,00,724.63 lakh during the period i.e., a market share of 79.64 per cent, followed by ICICI Prudential and Birla Sunlife with premium underwritten (market share) of Rs.68,193.17 lakh (6.03 per cent) and Rs.33,136.96 lakh (2.93 per cent) respectively.

The number of lives covered by the industry under the various group schemes was 42,27,298. LIC covered 26,25,396 lives under the group schemes accounting for 62.11 per cent of the

market, followed by SBI Life with 8,21,856 lives (19.44 per cent), Tata AIG with 1,88,377 lives (4.46 per cent) and MetLife with 1,27,528 lives (3.02 per cent).

While LIC's market share declined from 88.59 per cent in the corresponding period of the previous year, all private sector life insurers increased their market share, over the previous year numbers. Cumulatively, the private insurers underwrote first year premium of Rs.2,30,226.86 lakh. In terms of policies underwritten, the market share of the thirteen private insurers and LIC stood at 9.15 per cent and 90.85 per cent as against 5.86 per cent and 94.14 per cent respectively in April – November, 2003.

First Year Premium – November, 2004

(Rs. in lakhs)

Sl No.	Company	Premium u/w		% of Premium	No. of Policies / Schemes		% of No. of Policies	No. of lives covered under Group Schemes		% of lives covered under Group Schemes
		Nov	Upto Nov		Nov	Upto Nov		Nov	Upto Nov	
1	Bajaj Allianz	4,403.88	27,899.78	2.47	17,907	13,6679	1.14	8,275	1,02,246	2.42
	Individual Single Premium	1,917.35	10,451.70		2,114	10,755				
	Individual Non-Single Premium	2,453.79	17,202.18		15,782	1,25,859				
	Group Single Premium									
2	ING Vysya	800.60	5,226.23	0.46	6,839	59,737	0.50	551	9,133	0.22
	Individual Single Premium	0.04	32.65		6	6,513				
	Individual Non-Single Premium	722.39	4,806.71		6,827	53,196				
	Group Single Premium	77.60	361.47		0	3		0	674	
3	AMP Sanmar	1,149.65	4,483.94	0.40	2,905	20,459	0.17	17,141	70,946	1.68
	Individual Single Premium	897.53	2,791.51		1,207	4,686				
	Individual Non-Single Premium	178.67	1,443.75		1,680	15,712				
	Group Single Premium	5.52	46.64		0	1		0	190	
4	SBI Life	3,897.13	25,871.14	2.29	7,506	59,437	0.50	3,05,544	8,21,856	19.44
	Individual Single Premium	588.68	4,391.78		579	3,159				
	Individual Non-Single Premium	656.69	3,718.68		6,677	54,142				
	Group Single Premium	2,540.99	14,576.34		0	4		29,225	1,53,237	
	Group Non-Single Premium	110.77	3,184.34		250	2,132		2,76,319	6,68,619	

(Rs. in lakhs)

Sl No.	Company	Premium u/w		% of Premium	No. of Policies / Schemes		% of No. of Policies	No. of lives covered under Group Schemes		% of lives covered under Group Schemes
		Nov	Upto Nov		Nov	Upto Nov		Nov	Upto Nov	
5	Tata AIG	4,011.15	17,825.58	1.58	24,554	1,42,262	1.19	23,268	1,88,377	4.46
	Individual Single Premium	0.00	0.00		0	0				
	Individual Non-Single Premium	2,942.80	14,493.24		24,527	1,42,101				
	Group Single Premium	47.61	383.54		0	0		7,047	61,335	
	Group Non-Single Premium	1,020.74	2,948.79		27	161		16,221	1,27,042	
6	HDFC Standard	2,862.57	18,575.85	1.64	20,619	93,694	0.78	6,163	93,148	2.20
	Individual Single Premium	558.41	4,624.14		7,173	22,575				
	Individual Non-Single Premium	2,120.66	12,955.41		13,431	71,003				
	Group Single Premium	78.73	715.61		8	102		4,500	83,165	
	Group Non-Single Premium	104.77	280.69		7	14		1,663	9,983	
7	ICICI Prudential	11,354.96	68,193.17	6.03	37,345	2,89,203	2.42	9,640	51,828	1.23
	Individual Single Premium	607.30	8,406.96		391	5,356				
	Individual Non-Single Premium	8,847.77	53,200.06		36,950	2,83,784				
	Group Single Premium	30.98	63.23		2	11		3,974	9,313	
	Group Non-Single Premium	1,868.91	6,522.92		2	52		5,666	42,515	
8	Birla Sunlife	4,529.18	33,136.96	2.93	13,737	91,569	0.77	2,347	53,659	1.27
	Individual Single Premium	71.61	801.55		4,086	23,776				
	Individual Non-Single Premium	4,180.09	26,584.27		9,649	67,739				
	Group Single Premium	36.49	298.73		0	0		330	2,602	
	Group Non-Single Premium	240.99	5,452.40		2	54		2,017	51,057	
9	Aviva	1,312.57	9,598.70	0.85	4,946	47,158	0.39	31,551	1,01,870	2.41
	Individual Single Premium	32.05	230.01		26	426				
	Individual Non-Single Premium	1,243.04	9,193.81		4,917	46,710				
	Group Single Premium	9.62	32.20		0	1		65	267	
	Group Non-Single Premium	27.86	142.68		3	21		31,486	1,01,603	
10	Kotak Mahindra Old Mutual	1,743.62	7,905.27	0.70	4,100	30,415	0.25	6,788	54,380	1.29
	Individual Single Premium	145.81	1,502.06		149	977				
	Individual Non-Single Premium	1,544.84	5,634.28		3,946	29,400				
	Group Single Premium	0.00	0.00		0	0		0	0	
	Group Non-Single Premium	52.97	768.93		5	38		6,788	54,380	
11	Max New York	1,904.58	11,508.90	1.02	20,680	1,24,160	1.04	5,005	54,459	1.29
	Individual Single Premium	26.36	171.84		17	165				
	Individual Non-Single Premium	1,871.98	11,253.60		20,648	1,23,933				
	Group Single Premium	0.00	0.00		0	0		0	0	
	Group Non-Single Premium	6.24	83.46		15	62		5,005	54,459	
12	MetLife	457.50	2,807.34	0.25	3,584	21,719	0.18	20,281	1,27,528	3.02
	Individual Single Premium	13.32	93.78		43	274				
	Individual Non-Single Premium	379.22	2,301.67		3,530	21,368				
	Group Single Premium	0.00	0.00		0	0		0	0	
	Group Non-Single Premium	64.96	411.89		11	77		20,281	1,27,528	
13	Sahara	1.34	1.34	0.0001	12	12	0.0001	0	0	0.00
	Individual Single Premium									
	Individual Non-Single Premium	1.34	1.34		12	12				
	Group Single Premium									
	Group Non-Single Premium									
13	LIC	1,00,148.97	9,00,724.63	79.64	13,50,365	1,08,66,383	90.85	2,78,094	26,25,396	62.11
	Individual Single Premium	20,357.62	1,62,960.74		45,002	3,82,693				
	Individual Non-Single Premium	71,613.40	5,60,658.06		13,04,291	1,04,75,007				
	Group Single Premium	8,177.95	1,77,105.83		1,072	8,683		2,78,094	26,25,396	
	Group Non-Single Premium									
Total		1,38,120.22	11,30,951.49	100.00	15,11,515	1,19,61,168	100.00	6,94,367	42,27,298	100.00

A Wholesome Profession

— The agent's work could use some sprucing up

Separating the men from the boys and giving them adequate training and motivation will drastically improve the lot of the Indian insurance agent, notes *K. Nitya Kalyani*.

Selling has been described as 'transfer of enthusiasm'. This succinct profile of the process shows that it transcends the narrow confines of product, product knowledge, psychology, interpersonal communications, advice and, certainly, the transaction itself.

It pre-supposes a few things. That the transferor possesses the enthusiasm in the first place. That the underlying product evokes that enthusiasm in him. That he has the abilities to transmit them appropriately to a prospective customer. And that he is part of a system that helps him stay updated and motivated in all ways— financially, professionally and socially.

In almost all these areas, the insurance agency system in India is, to put it flatteringly, a work in progress. It is classically over-manned and under-producing. The massive agency force – a paradigmatic example of the 80-20 rule – is largely under-motivated and under-guided; training, both in concept, product and the soft selling skills, is inadequate, if not absent; and most importantly, the remuneration and evaluation structures are skewed not towards the best and most efficient productivity or even the best value for the customer.

For all this, almost all personal lines insurances, including of course, life insurance, are sold through the individual agency force. Life insurance alone accounted for a fresh business premium of about Rs. 18,71,015 crore in 2003-04, with hospitalisation and personal accident cover premiums bringing in an additional Rs. 1,600 crore. Motor premiums came to Rs. 6,500 crore.

An industry with Rs. 3,86,819 crore in assets under management could only benefit by concentrating its resources on

the development of its primary, and potentially powerful, marketing channel.

Not Everyone's Cuppa

One flaw that the industry needs to correct very quickly is the notion, repeatedly reinforced unfortunately, that anybody can sell insurance. While this helps in lowering the entry bar so that potential candidates would come in with the flow and may find their mettle, it requires regular upgradation of the skills and empowerment of the good ones and the weeding out of the

Training props up the agent as an informed and learned advisor and hence establishes the value of his advice and services to the customer. Without training, the agent is often seen as a glorified errand boy, and here is one of the starting points of the vicious cycle of rebating.



unproductive and the unsuitable. Having some productive and lots of laggard members drags down the morale of the tribe, spreads discontent within the profession and tarnishes the respect that the profession could otherwise command.

Over-manning also leads to mis-selling in its own way. If higher performance standards are observed, only the serious and the competent will stay in the profession, and the much-berated problem of rebating will be reduced. Rebating is not so much a loss

to the industry – because the risk premium is clearly defined and collected by the company and the rebating cannibalises only the commission – as a devaluation of the professional standing and skills of the agent, not to speak of the value of his contribution to the process.

Over-manning has its own cost to the company – even if agents do not represent an ongoing cost except against revenues they bring in. These are unrecovered or under-recovered training costs and, more critically, opportunity cost, for another, more productive, agent could be covering that territory better in his place.

Training and motivation by the company play a very crucial role in the daily life of agents. Today, the customer is bombarded with information about insurance and also about several modes of investment, not to speak of ways to spend his money. The competition for the investment Rupee is pretty high, and bound to get only higher.

Critical Training

Training in the basic and legal concepts behind insurance, the regulatory system and how it protects the customer, product knowledge and an awareness of what the customer needs and what motivates him – as opposed to the earning objectives alone of the agents – all go towards higher and more consistent sales performance. Conversely, the lack of these lead to unintentional, or even deliberate, mis-selling and the industry will suffer in the long term when customers resent what they are sold and the way in which they are sold.

The value of training is also to prop up the agent as an informed and learned

advisor and hence to establish the value of his advice and services to the customer. Without training, the agent is often seen as a glorified errand boy, and here is one of the starting points of the vicious cycle of rebating.

Training will only become more important in times to come as insurance products get more sophisticated and the Indian insurance consumer moves to a higher level of need, both in terms of monetary value and complexity of cover. We are still talking of pretty basic covers on life and health and, while there is still a long way to go in reaching the market potential in quantity, different segments of the market mature and go forward at different rates, and the industry and its agents have to gear themselves up to keep pace.

For instance, the self-employed customer wants tailor-made products to suit the peculiarities of his cash flow; retirement solutions require a mix of both the basic and the complex. When investment needs are combined with risk coverage (which has happened mostly with a negative connotation for long in India) the game gets more complicated.

Training was one aspect that the IRDA had identified as central to the professionalisation of the agency force not only in itself but also in the eyes of the society. For this purpose, regulations on training and selling norms and code of conduct for agents were well delineated. The 100 hour pre-licensing training requirement of the IRDA has been followed in the letter but not in spirit, and even the companies – which should have had the long term vision to see its value – played for the short term and weakened the system, with a fledgling training industry toeing the line in search of its own revenues.

This is being set right through inspection and action by the IRDA over the past few months and a reiteration of the objectives of the system.

The agency remuneration structure requires a good look. Granted that the industry is going to structure commissions to its agents according to its priorities in terms of product mix, it should be also careful that the customer interest is still fully served, and that he is certainly not harmed in the process.

Different companies have wanted to follow different systems as suitable to their needs and objectives, but the stage at which the market is at present is not conducive to wholesale change, especially with one player striding the landscape like a colossus.

Since the agent receives less than needed backup from his organisation, there has been a move recently for them to band together for purposes of mutual training, knowledge sharing and motivation, the objectives being better earnings, of course, but also peer recognition and an effort to upgrade the standing of the insurance agent in the eyes of the society.

The right remuneration structure will work better for the agent especially, since being self employed, his ability to make this his primary, or even sole, earning activity will benefit. Perhaps the industry would be able to compensate the agent better – specially on the non-life side – if the average productivity of the agents grew, hence saving the resources wasted in the current state of things.

Self Tutoring

There are significant changes within the agency force today, and that includes the new breed of the self-developing and

self-organising agent. Given that the agent receives less than needed backup from his organisation, there has been a move recently for them to band together for purposes of mutual training, knowledge sharing and motivation, the objectives being better earnings, of course, but also peer recognition and an effort to upgrade the standing of the insurance agent in the eyes of the society.

These self organisation measures can lead to superior professional values that work against mis-selling and rebating and develop the longer term vision of the profession collectively and also heighten the way their abilities and role are viewed by their customers and potential customers, and their own peers around the world.

All this requires a very large effort on the part of the insurance industry. Not that it is difficult, for it is rooted in self interest. To take the agency force from its current level to a place where its true potential is realised could well be the best input for the industry and the society.

As said earlier, the agency system is indeed a work in progress. And work in progress is described by the lean manufacturing guru, Jim Womack, as 'Waste In Pipeline'.

This is the cue for the insurance industry to recognise that ill-developed and ill-used resources are a drain on itself. Not just financially, but more because it is an opportunity cost. The opportunity in insurance is now. And if it is lost, there will be a very long way to go to reclaim it.

Injecting Life Into the Non-Life Agency

—Teaching them to market is critical

Non-life insurers need to beef up their agency force to tap the existing market and create new ones, argues *G. V. Rao*.

The Indian life insurance agent as a marketing professional has been a notable success. In fact, LIC has been selling all its insurance policies only through them. Much like Lloyd's of London that transacts business only through its brokers, who are its members. However, the non-life insurance agent is nowhere near his 'life' counterpart. He is often under-trained, mistrusted and not too successful.

Even at LIC, there is a deep sense of dissatisfaction that the agents are not doing enough to meet the corporate goals of the organisation. The agents are interested in selling policies that earn them a decent commission; and they sell only those policies that benefit their earnings. The customer is the target of a business transaction rather than a person who needs counseling and professional advice on how his insurance needs are better structured and served.

Little strategy in non-life

In non-life insurance, which is highly technical in its scope and whose covers are up for sale annually, the agency structure, till recently, was regarded as a tool for earning commissions for the Development Officers, who formed the backbone of the marketing force. The agency structure was thus reduced to one of a *benami* agency, of either the Development Officers or the customers.

With no strategy in mind on how to deal with this situation, the nationalised industry discouraged the development of an agency force, firstly by reducing its agency commission structure and secondly by restricting them from canvassing corporate business. Compared to the life insurance sector, the stand taken by the non-life sector may be seen as the very opposite.

The setting up of the IRDA in 2000 has given the agents in the non-life sector a new stimulus. The IRDA has provided them a fresh professional

opportunity to be a part of the new distribution channel to widen the market. An agent is now required to be a professional – he needs to undergo training in selected insurance topics for 100 hours and pass a qualifying examination.

Are the insurers now delighted to have this new marketing talent? With the Development Officers in the public sector having been given the option to take early retirement, it is thought that the agency force will get another shot in the arm. What has been the experience of these new initiatives? How do the agents, now treated with some dignity

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and respect as professionals, feel about their new role in their marketing activities?

Distribution channels are a vital part of insurance marketing. The downgrading of Development Officers has signalled that the public sector insurers believe that the agency force can be banked upon by them to promote insurance sales, particularly in the personal lines and rural sectors. There are repeated exhortations by the top insurance executives of their plans to recruit and build massive agency forces.

Agents' discomfiture

While good marketing intentions

have formed an integral part of their corporate plans, the implementation, i.e., building an effective agency force, has stopped short at recruitment. The raw material has remained raw, without undergoing the process of mentoring, without the sustained learning of covers it has to sell, without the agents gaining confidence in their ability to counsel and sell to customers those personal lines covers which test their knowledge and selling prowess. The agents are content to sell Motor and Health covers that need only contacts but no technical inputs or selling efforts as such.

Selling personal lines insurance covers, at the best of times, is not an easy proposition. The Development Officers were a notable failure in promoting sales in this arena. Sales of personal lines cover demand a grasp of what the coverage offers, its exclusions, the rating aspect, a professional approach to answering the objections and the clarifications that prospects seek, an understanding of the claims processing mechanisms and, above all, an intrinsic ability to sell by carrying conviction with the customer that he would be more financially secure by insuring his assets and interests.

Selling a personal line cover, without the element of compulsion of seeking it, needs a superior sales effort. Unfortunately, the present crop of



agents neither possesses the requisite technical knowledge nor the talents of a salesman. Insurers are perceptibly either unaware of or unconcerned about why their agents are not succeeding in their profession. The development of the agency force is left to the lower formations; and they do not have the time or the inclination to build a structure of the agency force.

What ails the insurers

Marketing has not yet been accepted by insurers as necessary for insurance sales despite the competitive environment. The industry has been long used to customers coming to them seeking covers. This mindset continues to this day. Customers keep on coming to them but seeking only those covers that are unprofitable to insurers, such as Motor and Health insurance.

Corporate customers are sought after by all insurers. The unexplained and unarticulated needs of the customers in personal lines, though a huge market in itself, needs farming and cultivation and efforts that insurers are not prepared to entertain or invest in. They do not have anyone in the marketing discipline prepared to exploit this uncharted and unexplored arena.

Speaking of marketing exclusively, it is a fact that insurers do not have any marketing force other than the Development Officers, who work on the principle of cost/benefit ratio to themselves and their interests. The BMs' and the DMs' marketing efforts are made at their discretion when their time permits. Thus there is no one identified in the marketing hierarchy who is exclusively supervising the sales efforts in personal lines or even in any other traditional field.

Marketing insurance covers has simply not been a priority issue in the current hierarchy of insurers till now; it was so in the past and it continues to date. Managing business to the satisfaction of its superior officer cadre has remained the basic goal of the public sector at the operational levels.

It is, however, a fact that no one is better equipped than the four public

sector insurers to develop personal lines businesses, as they have a huge organisation structure, a massive untapped and unexplored customer base and also the necessary funds to invest in agency development. The potential benefits in terms of premium and customer development for the future are vast. Owning its customers' insurance needs in totality should be fiercely pursued as a fundamental objective by all insurers.

What needs to be done

Expecting insurers to change their marketing apparatus is perhaps too much to ask for. It will not happen in the immediate future. They have, however, an option to explore, particularly in the area of personal line selling. Training agents, akin to a religious faith, in a couple of specified covers like the home

While good marketing intentions have formed an integral part of their corporate plans, the implementation, i.e., building an effective agency force, has stopped short at recruitment. The raw material has remained raw.

owners' and shopkeepers' insurance covers is relatively simple. The suggested menu is outlined below:

- "Provide all the technical inputs in these covers to give the agents confidence in their technical prowess. Give them specialised coaching, regularly and periodically, in selling these covers and how to answer customer queries and how to turn customers' objections into sales openings. Make joint calls with agents till they taste the sweetness of success in a few cases. Mentor them and give responsibility to nurture them to empathetic officials in the company that may still be

around. Communicate with the agents more intensely and make them feel wanted by the organisation. Measure the difference this makes every quarter.

- Build the technical and sales talents of agents brick by brick. After training them to be proficient in a couple of covers move on to the next couple of covers that are a target of the company.
- The customers of the company who have bought Motor and Health covers are the immediate potential customers for the personal lines covers. Selling more to existing customers should be a less difficult marketing proposition.
- One has not much choice on the marketing side except in selecting and building a competent, motivated and knowledgeable agency force to widen the customer base and create new markets of the future.

Agents are now a primary marketing force left with the insurers in the public sector. There is unlikely to be any recruitment of Development Officers. This inevitably puts more responsibility on the managements to rely on the agency force as the lifeblood for marketing insurance covers.

Using the right distribution channel for personal lines is the key. But marketing non-life insurance essentially is a task of building people who will then build the business. The new professional agency force is the right raw material to achieve the goals in personal lines.

But this new force needs inputs and encouragement. For that the management has to have a marketing mind rather than a managing mind. A change in mindset from the top down to the bottom is what the ground realities call for.

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Street Smart, Market Smart

—Self-education holds the key for insurance agents

Since those in life insurance selling have to operate in a negative environment, insurance marketing methodology needs to take into account the market place realities, instead of perpetuating the same methods that have proven beyond doubt to be obsolete in the current contextual situation of financial services convergence, observes *Apparao Machiraju*.

While the nation's life insurance business faces a host of problems on various fronts, a majority of the issues is market oriented. These problems are with us today because the industry lacked farsighted market management during its formative and growing years. There is a need, then, to be candid and careful, to look at many issues simultaneously, to look at once both forward and backward, to review where we are, and to examine the market place realities and set the course we need to steer. The notion that *insurance is sold, not bought*, must change to *insurance is marketed, not sold*.

Marketing Audit

Attitude investigations and surveys show that the concept of insurance is well understood. The psychological and emotional forces that cause an individual to want to make personal provision for his family against loss of income are likely to be enduring and favourable. While the underlying values are positive, the studies also show that some of the characteristics of life insurance which are amenable, at least

in principle, to action by the insurance companies are the source of incompletely formed feelings which could be damaging to future prospects and for continued or expanded growth and service.

The following facts can be gathered from the studies:

- Life insurance companies are perceived to have moved away from genuine concern about the economic welfare of individuals.
- The public grasp of the character of life insurance as an instrument of risk protection, but with some

byproduct of the reserves necessary for long-term or life-time protection, and that without them the protection runs out when the need might be greatest.

- The insurance industry is yet to initiate and perfect the techniques of recruiting, selecting, training and managing agents to keep turnover within limits that would be optimal for the economic conduct of the business.
- The disenchantment of the college community with business in general and insurance business specifically, should be of concern.

Product Competition: A Mixed Blessing?

Despite the demonstrable benefits of product competition, it appears that some innovations, rather than introducing new concepts or new and valuable benefits, have contributed to the complexity of business. Often these have tended to blur the public's understanding and acceptance of the very simple and basic purpose of life insurance, viz., making a lump sum or income payments upon the death or disability of the insured or upon the attainment of a specified age. Special policies also contribute to the rate books, which have grown from vest pocket to encyclopaedic size. Due emphasis of a rather simple concept in the most straightforward manner will perhaps dispel the mystery of life insurance. Competition could then be based on how well and how economically the service is performed.

When people are urged to opt for life insurance to protect themselves against future economic problems, they often refuse to treat the matter seriously. It

The subject of life insurance requires the prospect to have either faith in his solicitor or great acquaintance with the idea content of life insurance as a system. Usually both the faith and the knowledge are lacking.



characteristics of a savings medium, is confused and tinged with suspicion. Its feelings about agents are ambivalent; agents' advice and help are desired but their motives are questioned.

- The life insurance business has tended to describe life insurance contract as a duality, a combination of risk protection and savings account, what is really the unity of permanent life insurance. The insurance industry has not communicated with sufficient clarity that savings-like features are a



is not easy to understand why this should be so, for though risk is a reality, disregarding it does not dispel the threat it poses. Nevertheless, this attitude of indifference is widespread.

Properly evaluated, life insurance must be seen as the last in a long sequence of social inventions designed to provide security for individuals. Fully understood, it is a profound concept. And as it is little understood in its true character, or little appreciated in its real urgency, life insurance marketing has been rendered extremely difficult. Life insurance sales management, in view of these circumstances, needs to look honestly at the fundamental as well as superficial aspects of the public apathy and indifference, for the protective service which it has the duty to distribute is a much disregarded safeguard against universal and major economic risks.

Problems In Soliciting

Regardless of the titles used, at the contact level, for historical and social reasons, the solicitor has to be able to transcend mental barriers in convincing the people as to the impact of financial consequences in the family as well as business situations. The attitude of the general public may have been induced to some extent by the character of the selling force itself. The subject of life insurance requires the prospect to have either faith in his solicitor or great acquaintance with the idea content of life insurance as a system. Usually both the faith and the knowledge are lacking.

The solicitor, then, is confronted by an unwilling audience under no obligation to hear him through. He is to present to such an audience a profound and complicated concept effectively, and also persuade the listener to take some steps as early as possible. Thus, those in life insurance selling have to operate in a negative environment. Insurance marketing methodology needs to take into account the market place realities discussed,

instead of perpetuating the same methods that have proven beyond doubt as obsolete in the current contextual situation of financial services convergence.

History helps us to know why things are what they are. History shows us how problems have been solved. History leads us to the appreciation of what has been done for us by people who live before us. From this kind of understanding comes a proper evaluation of what we have today, guidance for the developments of tomorrow, and inspiration for us to serve our times.

Let us examine the trends that led agents to initiate a self-education movement through self-organised methods in the US, and India. Interestingly there are similarities and comparable problems and

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developments, with the Indian scenario trailing by five decades. Agent driven self-development initiatives in many developed countries were an adaptation of the US experiences.

Lessons From History

The agent leaders find an ally in Dr. S. S. Huebner of Wharton School at the University of Pennsylvania. Conscientious men as they were, they had been drawn to their work by an evangelistic urge to give their economic gospel to the people they would like to help. They felt that life insurance progress would be limited until the public became better informed about the services and operational basis of life insurance. The first important step taken by them was to seek the help and

guidance of Dr. Huebner. Dr. Huebner pioneered insurance education focusing on the economics of life insurance from the point of view of the field practitioners and of the insuring public.

It was in 1914 that Dr. Huebner proposed a college-level course of study, centered in a recognised educational institution, and leading to a professional degree/designation, the Chartered Life Underwriter. From conception to actual incorporation of The American College of Life Underwriters in 1927, it took 13 years.

The preparatory period was replete with conflicts and obstacles. The attitude of the insurance companies to the whole idea of academic training ranged from apathy to hostility. The idea of professional education for field people might have withered away but for the famous Armstrong Investigation, which highlighted in particular marketing conduct issues – high-pressure sales promotions, commission scales that favoured big producers and fostered rebates, and prizes and bonuses beyond all reason. The history of the college is documented in the books, *A Calling and its College* and *The Teacher who Changed an Industry*, the biography of Dr. Huebner, authored by Mildred Stone.

The first textbook, *The Economics of Life Insurance*, which is purely conceptual and an economic interpretation of the insurance principle and its applications in a wide variety of family and business situations, was authored by Dr. Huebner. He believed that a life insurance agent who does not understand the economic application of what he is doing, and rise to its professional attainments, is a positive detriment to the business. He became known as the first consumer advocate and as one who pioneered professional service concepts for the field people.

In 1994, initiated and funded by field organisations, the Life Insurance and Health Foundation was established, as

the US life insurance industry was battered by an alarming number of charges of improper market conduct by some agents and companies. LIHF's mission was to bolster the image of the industry. One of the important steps taken was to go back to the basics: to the teachings of Dr. Huebner.

The Incomparable Salesmen

It will not be out of context to quote very interesting observations by Mr. Perrin Stryker, a journalist by profession, from his famous book, *The Incomparable Salesmen* based on his interviews and research. The book did not make any attempt to disguise or submerge the stereotyped image of the life insurance agent. That image is founded in reality, and can be seen today in hundreds of thousands of those uninspiring products of the industry's recruiting, training and marketing practices. The wonder is that a trade so loaded with pedestrian salesmen could produce sophisticated examples of great salesmanship. Mr. Stryker referred to the Million Dollar Round Table (MDRT) membership.

Another classic book is *Birth of a Salesman* authored by Mr. Clayton Knox. The author says, with particular reference to life insurance salesmanship: "Salesmanship should be a wonderful occupation; yes, for the top five per cent. They enjoy the friendship and confidence of their customers, and the most business year after year." He observes that the top five per cent do things – using their ideas – from the customer point of view. The other 95 per cent do things – using their ideas – from their own point of view. Instead of percentages, we can say minority vis-à-vis majority. Mr. Knox also fully endorses MDRT membership.

Million Dollar Round Table

The MDRT was founded by a group of dedicated agent leaders. In a sense, it may be said that the field force of the business, despairing of company management's sales centric approaches

in agent education and training, turned to self-organised efforts in promoting self-education philosophy and concepts. Thinking field men foresaw misfortune to the industry itself if the faults of the agency system were continued. They also recognised that their plans must permeate the whole industry to become effective and it would be necessary, therefore, to enlist the help of home offices.

And here they encountered traditionalism in its most difficult expression, smugness, as home office agency officials were content with things as they were. The MDRT leadership went ahead in their initiatives, and the membership is now spread over internationally with more than 22,000. The founding members were only 32. Thus, the field people became trendsetters in promoting professional

It may be interesting to note the comparability of the agency system in India now to the one that existed in the US, around the 1930s.



education, and professional sales contacts to benefit the insuring public.

It is a striking testimonial to the commitment of MDRT pioneers to upgrade their vocation to professional stature that the very first act was to endorse the Chartered Life Underwriter movement and to encourage every career agent to study for the Chartered Life Underwriter designation. The MDRT story as documented in the book, *A Flock of Eagles*, is a remarkable demonstration of self-organised businessmen cooperating for the purpose of educating and recharging themselves.

Indian Context

It may be interesting to note the comparability of the agency system in

India to the one that existed in the US, when the agent leaders there initiated several steps in improving their situation around the 1930s.

In 1952, during the pre-nationalisation era, Mr. N. V. Nayudu, General Manager of United India Life Insurance Company, observed: "The *benami* nature of the agents is clear from the requests received by insurers from such agents and their supervisors that their names not be printed on any correspondence, etc. The policyholder does not know the person who, according to the records of the insurer, has solicited or procured the business. Yet, insurers accept the agent's report on the insurability, age, income, physical and moral hazard and other matters relevant to the proposal."

In the post-nationalisation period, until 1972, there was not much evidence to show any serious efforts to improve the agency system. Inaugurating a workshop seminar on the 'career agents' scheme, the then LIC Chairman said: "... the hangover of the past may have created problems to the Corporation, but we are determined now to take steps to see that a cadre of professional agents can be built and avoidable difficulties are removed forthwith. We should not leave the important job of selling insurance to *benami* agents. Nor we are interested now in the recruitment of agents who have no real interest ..."

Reverting to the same theme again, he said: "It was not a day soon that the LIC had become alive to the need for scientific training, one of its most vital spheres of work." The then Deputy Finance Minister, while addressing the Life Insurance Agents' Federation of India, in July 1976 declared: "We are very anxious to see that the agency organisation of LIC becomes a stable cadre, consisting of only real and efficient agents."

At the 32nd All India Divisional Conference, another former LIC Chairman, in his address with the

theme 'Chairman's Voice', said: "...if I may draw on the feedback I have been obtaining, I am left with the belief that we still have not addressed ourselves seriously to issues that are getting thrown up...not the least of which we have been prone to padding up our performance reports. We had been engaging in an exercise of self-deception to present a greener or healthier picture of our performance. I am really pained to note that quite many of you did not take the message seriously and did not care to re-orient the marketing strategy."

I was a practicing life underwriter, and a qualifying member of the MDRT, while I was in the US. The leadership of Life Insurance Agents Federation sought my help and advice in their efforts to promote an educational movement. During his frequent visits to India the Federation organised number of agent gatherings for him to address about the U.S., experience and how and why, they had to on their own initiated self education through selforganised forums. They were also arguing with the Government and LIC management for proper agent licensing regulations, opportunities for professional education and training facilities.

I was instrumental in establishing the first external training institute in Pune: Institute for Financial Sciences Education and Research. (IFSERT). (1987). This initiative was supported by the Agents Federation. This activity paved the way to establishment of another institute, 'Jeevan Vidya Trust' by a leading agent in 1988. The College of Insurance and Financial Planning was established in Secunderabad in 1991.

The MDRT membership concept has gradually percolated into India. A few LIC agents who qualified for the membership during the 1980s attended the MDRT conference. Motivated and inspired by MDRT, they initiated an agent self-education movement – by the agents for the agents. Notable among

them are the Life Insurance Round Table (LIRT) and the Life Underwriters Guild of India (LUGI). There is growing enthusiasm and interest among the membership of LIRT and LUGI in attending the educative seminars organised by them. There is also a training centre promoted through self-efforts in Mumbai — Institute of Excellence – by a leading agent. Thus, investing in self-education by the agents is a very encouraging trend towards informed selling and marketing methods.

Marketing Life Insurance: Its History in America by historian Stalson is a classic book a storehouse of lessons documenting the background and evolution of the agency system and the agent. The history contributes ably the materials out of which a professional

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point of view can be shaped at this point of time when marketing methods are in an evolutionary stage in our country.

Regulatory Issues

As a legal instrument necessarily embodying a host of legal details, the insurance contract is unavoidably technical and complex. Usually with respect to personal insurance and often with respect to commercial coverages, an inequality of understanding and bargaining power exists between the insurer and the insured. This imbalance in transactions, which are fundamental to the security of millions, invites regulatory oversight to adequately protect the insurance consuming public. In short, the great number of persons

and business entities affected in fundamental ways generates need for scrutiny.

No element of insurance business deals more closely with the insurance consuming public than the intermediaries, i.e., agents, brokers, etc. Effective enforcement of licensing requirements and procedures are the soul and foundation of regulation in dealing with the 'autonomous' situation of the intermediaries.

Mega-issue needing priority attention

A unified approach through the coming together of agent leaders, insurance companies, educators, consumer advocates, journalists and opinion makers, led by IRDA, could pave the way for more positive developments in strengthening in particular the agent initiated professional education movement, combined with public awareness programmes highlighting the vital role of insurance.

The author is the Founding Director of the International Institute for Insurance and Finance, Hyderabad, associated with the Osmania University and Georgia State University, the US. He has been associated with the American College, Million Dollar Round Table, Life and Health Insurance Foundation for Education, and the Life Insurance Market Research Association. He also established the College of Insurance and Financial Planning in India in 1991.

Teaching Hard Sell

— Professional agents are the need of the hour

Marketing insurance policies is an increasingly tough job, and agents' skills ought to be honed along professional lines for the benefit of the insurer, the insured and the agents themselves, observes *V. K. Sharma*.

Insurance marketing, a concept that is gaining substantial ground in the Indian context, continues to be besieged by problems on various fronts. Intangibility is among the main sources of these problems, followed by the contingent nature of the marketer's benefit and/or indemnity. Perception of risk is subjective and depends upon the attitudes and value system of a person. Insurance is an outgo without much immediate gain and brings no perceivable value addition to the insured subject, be it a person, his property, pecuniary interests or conveyance.

The policyholder can either bear the risk or transfer it to the insurance company at a cost. He does not receive anything if he does not suffer any loss. This concept is at once abstract and practical. To convey this message and sell the concept is the job of the agent.

No easy task that. The attention span of the common man is very short and with the modern living style, he easily forgets events that happen around him, unless it personally and seriously affects him.

Unequal Competition

So, there is a lot of sales resistance and insurance has to be sold. Doing it professionally is time consuming and labour intensive. One-to-one personal talks in more than one sitting are needed, and considerable amount of homework and preparation is required. The agent has to do this, competing with not only other agents but also brokers, corporate agents, banks and also marketing officials of the insurance company if the premium involved is attractive.

The competition is not among equals. Here is the agent who works on his own and depends upon commission for his livelihood. He does not have

institutional support like brokers and corporate agents, or organisational support like insurance company officials.

Except brokers, others enjoy salaried income. Even brokers are backed by their capital and investment earnings. They can afford to share or forego their commission. This has led to rebating and unhealthy competition.

As per the existing legal provisions, agents are required to sell individual policies – especially in life and to a little

The competition is not among equals. Here is the agent who works on his own and depends upon commission for his livelihood. He does not have institutional support like brokers and corporate agents, or organisational support like insurance company officials.



extent in non-life also. This has resulted in the creation of *benami* agents.

The unique nature of agents and their contribution to the industry arises out of the following factors:

1. Agents are a self-sustaining and self-motivated marketing force. They have to perform, whether rain or shine, for their commission.
2. Since they are not salaried employees, they
 - (a) do not add to the expense ratio
 - (b) create no industrial relations problems

(c) earn their commission by producing business and servicing it

3. They constitute the biggest outsourcing agency, selling and servicing insurance, both life and non-life to a certain extent. Most often, they are the only source of personal contact between the insurer and policyholders
4. In a liberalised market, they have to sell not only insurance, but also the insurance company which they represent. They can work for one life insurance company and one general insurance company since IRDA allows composite agents. They are linked with those companies and cannot deal with other companies.

Brokers, on the other hand, deal with several companies. They have to work at least with three companies, and do not represent insurers. They work for policyholders and get paid by insurers.

Legal Status

The agent is an intermediary and not an employee or representative of the company, though he acts on behalf of the company to the extent permitted. In the same way, he can work for the policyholder also, where necessary. Thus, he may be the agent of either of the parties depending upon circumstances.

This legal position gives a lot of flexibility to the functions of an agent though at times it creates problems to both the insurer and policyholders. This grey area is not fully appreciated by policyholders, and it is for the insurer, and now even for IRDA, to educate them.

This situation is actually an advantage to the insurer and the agent, if properly utilised. The agent should be trained thoroughly in playing this dual

role and appreciate the subtle dividing line between the two roles. As a professional, he has to reconcile and protect the interests of both the parties.

Other intermediaries also can sell both life and non-life products, but there is a vital difference. When an agent works as a composite agent, his targeted segment is individual policyholders and their families. He is likely to work for a family and its need for security and protection through insurance. He will not be satisfied with selling merely a life insurance policy. He will also sell them a Personal Accidental policy to supplement the life policy, similarly, a hospitalisation policy and householder's policy will offer further protection. If the policyholder is a businessman or a professional, appropriate policies for these risks also will be marketed.

The modern insurance market has become a seller's market. It is difficult to get only third party cover for motor insurance. Vehicles more than five years old are not welcomed in most of the offices. The commission structure is undergoing changes. Under these circumstances, helping the policyholders to insure their vehicles is a real service and it will open the doors for the agents for more and more business and fresh contacts.

Thus, a strong case exists for promoting a cadre of composite agents. Unfortunately, insurers are reluctant to collaborate among themselves to work out arrangements for developing such an agency force.

The best thing for insurers is to have a tie up with fellow insurers. Non-life insurers, in particular, have a lot to gain because they sell their personal lines mainly through agents. Since life insurance enjoys less sales resistance, life agents can easily take up sale of personal lines, serving the interests of all concerned - policyholders, agents and insurers. This is one way of professionalising the agency force, which everybody wants.

Malhotra Committee Recommendations

Some of the important recommendations made by the Malhotra Committee with regard to agents are:

1. Agents should not be recruited indiscriminately, but only after judging their potential. They should be groomed and trained as successful agents. *Benami* agents should be weeded out.
2. Carrier agency force, both urban and rural, should be strengthened. Dynamic, enthusiastic and committed officials should be made responsible to train and develop them.

The insurer should invest in developing this vast human resource as a service to themselves, their policyholders and the younger generation. IRDA should ensure this by allowing insurers to capitalise this entire expenditure and provide for tax exemption.

3. Direct agents deserve more encouragement. This will reduce the cost of business procurement.
4. The commission structure should be reviewed. The high rate of first year commission in life business is one of the reasons for rebating. Non-life insurance, with multiplicity of rates and rules regarding payment, is often inadequate in sustaining the interest of full time professional agents. Therefore, the commission structure in non-life business should be improved.

When life insurance was nationalised, chief agents and special

agents were abolished. After liberalisation, the cadre of development officers is slowly vanishing since no private insurance company appreciates that cadre. They are increasingly depending on various intermediaries and their own marketing executives.

Steps Taken by IRDA

IRDA framed and issued agency regulations in the year 2000, providing a code of conduct for agents. In addition to this, through these regulations,

1. IRDA introduced compulsory pre-recruitment training for 100 hours in accredited institutions. For composite agents 50 hours of additional training is prescribed.
2. Agents are granted licence only after successful completion of the test conducted by Insurance Institute of India (I.I.I.). The licence is only for three years. At the time of renewal, further training for 25 hours is necessary.
3. Strict vigilance on training institutions and review of the quality of their work has been undertaken. The accreditation has to be renewed periodically.

The quality of agents has improved to a certain extent due to the above steps. A factor that has helped here is the infusion of professionals and executives who took voluntary retirement from banks and other organisations.

It is a unique experiment to combine regulation and development in a single agency, and IRDA seems to be taking its job quite seriously.

What it can do now is revive the vocational education at + 2 level in CBSE syllabus, which was discontinued after liberalisation. Both LIC and GIC did a lot of spadework and got this scheme introduced in various schools following CBSE syllabus. When the scheme became reasonably successful, attracting more and more students, the managements of both LIC and GIC faced

opposition from certain quarters who perceived it as a threat to their own interests. The scheme can be reintroduced with the following modifications:

1. It should be given more sales orientation along with technical inputs.
2. It should combine both life and non-life components in the same course. There need not be separate streams for life and non-life, as it was done earlier.
3. The candidate should be capable of being employed in:
 - a) a life or non-life company
 - b) a broking firm
 - c) a corporate agency
 - d) corporate bodies who are big insurance customers or
 - e) be self-employed as an agent.
4. Since this is a two-year course, it will have sufficient depth. For advanced studies, these students can take up graduate and post graduate courses in any discipline such as finance, marketing, law, IT, accountancy, engineering and even medicine. Basic knowledge in insurance will not go waste in any carrier or profession.
5. The students will be equipped with IT skills.
6. They will undergo practical training during summer holidays for a specified period.
7. If state governments are interested in this course, it can be introduced in SSC syllabus so that it will be available in schools located in semi urban and rural areas.
8. IRDA should ensure adequate supply of faculty. Some of the sources for faculty are:
 - a) Retired insurance personnel, either regular or voluntary.
 - b) MBA (Insurance), PG DBM (Insurance) and other insurance degrees and PG qualifications.

- c) Fellows and associates of Insurance Institute of India.

Self-Employment Potential

Assuming the insurance business grows at the present double-digit rate, there will be demand for thousands of agents every year. To provide satisfactory service, at least one professional agent is required for a group of 100 families. Much of insurance business is repeat business, and there will be continuous flow of work and income to a professional agent. The insurer should invest in developing this vast human resource as a service to themselves, their policyholders and the younger generation. IRDA should ensure this by allowing insurers to capitalise this entire expenditure and provide for tax exemption.

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business grows at the
present double-digit
rate, there will be demand
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every year.

Who is a professional agent?

It is easier to first say who is *not* a professional agent.

1. A *benami* agent cannot be considered a professional by any stretch of imagination. It may be the husband, wife or any member of a joint family. He or she may get help from others, use them as the centre of influence but cannot be a fronting arrangement for others.
2. He/she should not offer rebate. If any prospect demands/expects rebate, Section 41 should be invoked. This also should be included in the code of conduct for agents.

Everybody knows cracking down on this practice is easier said than done. It is a complicated and evil socio-economic problem. It is like abolishing the dowry system by just passing a law.

To achieve success in this area, insurance transactions should be made transparent.

What are the qualities of a professional agent?

The definition given by Mr. J. R. Joshi, former LIC Chairman, is worth quoting. According to him, there are seven essential criteria that a professional agent should satisfy:

1. The person should take up the agency as a long-term career by conscious choice, and should not be a dropout after some initial work
2. He should regularly devote a substantial part of his time every day to his work
3. He should study his work well, acquire sufficient knowledge of his work and practice it with confidence, faith and devotion
4. He should develop a high degree of professional integrity and character that should give confidence to people who come in contact with him
5. He should render continuous service to his clients and society
6. He should derive a substantial part of his total income from his profession, and not just a marginal portion of it
7. He should be a self-motivated person without requiring external motivation to do his work

— From *Tryst With Trust* page 284.

A truly professional composite agent satisfies all these criteria and brings people into the insurance system for helping themselves and others. After all, insurance is nothing but self-help and mutual help in a structured form based upon well developed scientific principles and practices.

The author is former AGM, United India Insurance. He was Secretary General of Insurance Institute of India (III) and, at present, teaches insurance at Institute of Chartered Financial Analysts of India (ICFAI) and Shri Satya Sai Institute of Higher Learning.

It Pays To Pay Them

—Agents' remuneration is critical for business

Insurers ought to compensate agents well in order to succeed in the market, contends *H. O. Sonig*, while also suggesting changes in the legislation to go about it in a balanced manner.

Private participation has brought about a revolutionary change in the Indian insurance market. It has made India, similar to China, a giant market showing tremendous potential for expansion. Though the premium penetration remains low, the prospects are bright.

The private sector has already started to reap the fruits of privatisation, as it has captured an almost 20 per cent market share, an indication that it has firmly established a foothold in the market. Products launched by them have added new colours to the sector and broadened their appeal among previously not-so-interested prospects. Liberalisation has been a success, as the percentage of premium to GDP has moved up from 2.32 per cent in 2000-01 to 2.88 per cent in 2003-04. While the statistics are impressive, it should be noted that a lot more remains to be done.

Agent Is King, Too

In the success process, what counts most, apart from innovative product development and optimal use of state-of-the-art technology, is the evolution of distribution channels. While the central theme is the *customer*, the *agent* remains no less important. His choice and convenience are also two very vital factors.

In a competitive market, aggressive pricing, value for money for the customer, high service levels, back office and front office staff, consumer awareness, and prompt and sensitive response to the consumers' grievances are some of the important features that can easily be discerned. The market seems to be expanding and growing fast only in depth and not the width of coverage. Growth rates can be sustained only by reaching out to new markets through product sales at a competitive price.

Who will do it? The obvious answer is – the distribution channel consisting of agents, including corporate agents, banks and the broking community. But why should they do it? Apart from the motivation of achieving a social status of doing something for the society and the country, it is only *remuneration* that can drive them faster.

There are about two lakh agents allied to the private sector and around 11 lakh to LIC. Many tie-ups

Apart from the motivation of achieving a social status of doing something for the society and the country, it is only remuneration that can drive agents to work faster and better.

for bancassurance are in operation, allowing access to several thousand branches of banks to the insurers. Banks, too, have gained from this relationship. The pattern of remuneration envisaged in the Insurance Act, 1938 needs a re-look. I shall detail a few provisions for such a review.

Relook at Insurance Act

Immediately after the opening up of the insurance sector and the admission of new players in the market, an intense feeling has done the rounds that there should be a scheme of compensation for agents which may secure stability in insurance business and also increase agents' productivity, besides retaining their interest in developing professional skills and activities. IRDA therefore constituted a committee to examine the remuneration and professional skill

development aspects. The committee reported that dynamic progress could be brought about by steps that could be implemented either immediately, wherever possible, or through changes to be recommended for amending Insurance Act / IRDA Act provisions.

An examination of the characteristics of the profession will reveal how a few changes may make it more rewarding and accountable. Though there is a code of conduct prescribed by IRDA for agents, certain inputs could work to improve upon their salesmanship. Apart from remuneration, it is desirable to provide them with a conducive working atmosphere, which could include:

- Projection of the agent as a professional
- Ensuring longevity, as the termination levels are high
- Good career prospects

When an intermediary experiences such a conducive environment, he remains attached to the company longer than anticipated. In the process, he automatically achieves reasonable levels of income that stabilise over time.

The present provisions of the agents' remuneration need a re-examination because:

- They appear to be inflexible
- There is not much relationship with variety of products
- Commission on orphan policies is not adequately addressed
- Agency as a successful business is not dwelt upon at length

Some more issues for further examination may be:

Section 40 (2A) Of The Insurance Act – Payment Of Renewal Commission:

This provision allows payment of

renewal commission at half the rate of commission to an agent who revives the policy after it has lapsed. A suitable proviso may be incorporated to allow payment of Renewal commission to an agent who services the policy in the absence of the original agent who has severed his contract with the insurer or is terminated for misconduct. The insurance company should give at least a month's notice in writing to an agent through whom the policy was taken. This will amount to an incentive to render service to orphan policies and reduce lapsation of policies. This will also improve the agent's reputation for service and quality.

Section 42 (2):

The Corporate agent may be allowed to tie up with more than one life or non-life insurer. This will encourage bigger corporate agents to join the insurance profession and develop competitiveness. But such agents must be given thorough training before they start working in order to avoid mis-selling and ensure quality of service. Fresh guidelines from IRDA regarding corporate agents are needed so that they work like professionals, and not merely like policy distributors.

Section 40 A (1) (C):

Insurance companies may be allowed to pay an aggregate commission up to 65 per cent of the first year's premium within the first five years, leaving flexibility of rates to the insurers as to how they distribute it in five years. The insurance companies will, however, indicate the commission structure of five years while filing the product with IRDA under its File & Use provisions.

This will attract better quality

of agents to the benefit of both customers and insurance companies. It will also ensure a better sense of competition and competitive pricing. Agents will remain interested in looking after policies for better conservation of business, and orphaned and lapsed policies will be fewer.

The commission not exceeding five per cent will remain payable as at present from the sixth year till the premium paying term of the policy. However, the insurance companies may have to define the pattern of renewal commissions to be paid in their contracts with their respective agents. This will ensure continuous service of policies.

Section 40 A (1):

In order to create and maintain a level playing field, incentives such as

With the opening up of the insurance sector, another link to the distribution channel has been added, i.e. the broker, who is an insurance intermediary acting as a consultant to the customer.



club membership benefits and stipend system in case of career agency (both rural and urban), like those offered by LIC, may be extended to the agents appointed by private insurance companies. Such incentive schemes may be filed with IRDA for approval. This may be treated as expenditure on commission so that the insurance companies do not exceed the limits of expenses. This will enhance a sense of competitiveness among the agents.

The basic principle to be kept in mind while implementing changes in the Act, is that the principal legislation should lay down only the guidelines and the evaluating provisions, with details shifted to the regulations to be framed by IRDA. Also, the amendments should

be applicable prospectively so that the existing agents, who are in big majority, get an opportunity to re-orient themselves.

Dealing With Rebates

Another important provision of the Act under Section 41 that needs serious consideration, as it affects the earnings of all agents as a community, is rebating. Acceptance of rebates and other offers may be sternly dealt with. The present punishment of a fine of Rs. 500 is highly inadequate. It may be raised to at least Rs. 20,000.

Also, insurance companies and IRDA should take steps to create awareness among general masses against acceptance of rebate on premiums. This will enhance agents' credibility among the policyholders. Not only will it be in the long-term interest of the policyholders' servicing but also make the agent-economics more sustainable. The agent also must comply with the law, which prohibits rebating. But since it is a two-way-affair, insurance companies, with the support of IRDA, must carry out general public campaigns to create awareness that rebating is unlawful.

With the opening up of the insurance sector, another link to the distribution channel has been added, i.e. the broker, who is an insurance intermediary acting as a consultant to the customer in the areas of –

- Analysing the client's risk profile
- Funding the best product for the customer
- Negotiating the best deal in the insurance market
- Utilising the latest technology available in the international market

The brokers, therefore, play a key facilitating role for the corporate clients. The broker goes beyond the conclusion of the contract, and verifies, certifies and authenticates to the insured the adequacy of the insurance cover.

In most developed countries, like Hong Kong and Singapore where free markets exist, there is no ceiling on the



commission (brokerage). It depends on the class of business and volume of business. A majority of insurance business in developed countries is done through brokers. In India also, the broker system will further add to the efficiency of the industry. We should, therefore, encourage this channel of distribution as well.

But in a market like ours where there is ceiling on commission, the broking system may not work so efficiently. Also, in a FICCI (Federation of Indian Chambers of Commerce and Industry) survey, 52 per cent of the respondents said that the foreign equity of 26 per cent as set out in the IRDA brokers' regulations is hindering the foreign companies from establishing a base in India. This can be examined in addition to ceilings on brokerage.

As the agents form the backbone of any insurance company, their compensation deserves greater attention. Despite the emergence of new methods of sales, agents are the main source of sales, marketing and customer

relationship management. Human interface is an important element in the insurance business, which develops on trust. It is, therefore, important to keep the agents motivated and interested in

Since the development of the insurance market, like any other market, is an ongoing process, IRDA may be authorised by the Act to proceed with future changes when needed through its own regulations rather than through Act amendments.

the business. For this, their compensation system should be reviewed early and adequately, through changes in the Insurance Act 1938 as suggested and recommended by the Law Commission in its consultation paper.

Since the development of the insurance market, like any other market, is an ongoing process, IRDA may be authorised by the Act to proceed with future changes when needed through its own regulations rather than through Act amendments. This will facilitate proper market conduct and supervision and also ensure smooth transition from a legislative regime to regulatory reforms, leading to overall growth of the insurance sector.

In the changing economic scenario, IRDA ought to play a more proactive role for the regulation and development of the insurance market. The changes in the Insurance Act provisions as enumerated above, have to be carried out in such a manner that it not only improves upon the compensation scheme, but also strengthens the Authority to ensure stability of the system in future.

The author is former Member (Life), IRDA.

Emerging Opportunities

—And getting groomed to tap them

Antony Jacob examines the changing face of the insurance sector, and the opportunities and challenges it offers the agent.

India, the world's 12th largest economy, has achieved a remarkable economic growth of 6.1 per cent over the past decade. In tandem with this, the nation's insurance market has also grown substantially. The burgeoning Indian middle class of 200 to 300 million consumers, with high disposable incomes and the desire to secure better quality of life, offers further growth potential to the insurance market.

Retailing is key to tapping this market. In order to reach out to the masses, insurers need a very strong infrastructure as well as an army of skilled representatives to guide the

consumers and help them make an informed choice.

Insurance intermediaries, including agents and brokers, help spread risk awareness. These professionals aid individuals, families, and corporates in selecting insurance policies that provide the best protection for their lives, health, property and businesses. To succeed in today's highly competitive market, an insurance company needs the competitive edge that a highly skilled and motivated agency force brings.

What agents need

The insurance agents have to play

the important role of helping the prospective clients make an informed choice. Hence they need to possess relevant skill-sets to deliver business results. The agents should have good listening skills, quest for knowledge, initiative, problem-solving capabilities as well as good selling capabilities. Excellent communication skills, both verbal and written, are crucial to enable them to communicate effectively with the customers. They must stay abreast of new market developments, plans and various other advances in areas related to insurance.

Apart from the ability to work

independently and effective time management skills, the agents need a relentless initiative to meet new customers. It is important that they are sensitive to the interest of the client and insurance company alike.

In the non-life insurance sector, a combination of factors provides impetus for agents to perform well. Increasing agent confidence through continuous knowledge and skills development contributes considerably to agent satisfaction and length of employment. Hence, training and development of agents is an important element of business strategy by which companies can retain their agency force and at the same time raise their productivity for long-term market standing and success.

Royal Sundaram, with its strong agency force number over a 1,000, attaches great importance to training and development. The company equips its agents with adequate product knowledge, in addition to the mandatory 100 hours training stipulated by IRDA. The agents are also provided regular training on upgrading their selling skills. This initiative has developed greater confidence and productivity amongst the agents.

Technology to the Fore

Technology has aided the efficiency and effectiveness of the relationship between the insurance company and its agents, enhancing the ability of the agents to approach and service more clients. Royal Sundaram has developed a Web portal dedicated to the agents, making it easier for the intermediaries to obtain information about the developments within the organisation, their own performance evaluation and information about the industry.

Our agents are duly assisted by their managers to ensure that their queries and concerns are addressed well in time. Keeping the agency force motivated is an important aspect in building a productive and loyal agency force. The aim is to improve the value proposition for agent-advisors, by making insurance an attractive career option.

In the life insurance sector, the agency force is much stronger in terms of the total number of agents as well as the focus on the agency force to generate revenues. However, in the non-life sector, the agency force is one of the parallel channels of distribution. The lower levels of remuneration offered (in terms of the stipulated commission percentage) to the agents in this sector in comparison to those in the life sector, also generates a bias in favour of life insurance.

In the years since market liberalisation was initiated, the insurance sector, especially non-life, has witnessed some impressive changes.

There still is a comfort factor in meeting an advisor in person for advice on policies. This has made companies fully aware that the qualitative selection of agents is imperative to gaining the cutting edge.

Private players, in joint ventures with various multi national companies who have varied experiences across the globe, are bringing in a lot of changes. The task is to spread the awareness, sustain it and create demand for insurance products. The insurance agents are being duly entrusted with this task. With fierce competition and high customer expectations, customer service is the key to success and only competent and well-trained agents can provide this service.

Future demand for agents largely depends on the volume of sales of insurance and other financial products. A growing population, with increasing disposable incomes, will lead to an increase in the demand for insurance for automobiles, homes and high-priced valuables and equipment. As new



businesses emerge and existing firms expand coverage, the requirement for commercial insurances will also increase.

Distribution of insurance products over the Internet may impinge on the revenues of agents, since the customers have the opportunity to compare policies and rates at one go. Despite all these factors and insurance and investments becoming more complex, there still is a comfort factor in meeting an advisor in person to discuss financial propositions and advice on policies. This has made companies fully aware that the qualitative selection of agents is imperative to gaining the cutting edge.

To make the system more robust, IRDA is ensuring that agents are trained to be better professionals by exposing them to continuous training programmes at regular intervals. Simultaneously, the insurers are evaluating and monitoring the performance of agents and also ensuring that they offer the best of services to the consumers. This would ensure that the agents are fully equipped to handle a drastically expanded market in the near future.

The author is Managing Director, Royal Sundaram Alliance Insurance Company.

Jai Advisor! Jai Agent!

— The ubiquitous agent is here to stay

Braving the onslaught of disintermediation and razor-sharp competition from emerging alternative channels, agents are rising phoenix-like, and cementing their position in the insurance industry, observes *Debapriya Ray*.

Condor, the majestic bird, is a vision of effortless grandeur as it glides on motionless wings along the face of a cliff, in the uncertain air currents of cordillera. The wandering albatross' realm is the sea, where ocean winds are strong and by alternating glide and zoom the great bird can slither – the stronger the gale the more it revels in its power.

If at all I could imagine a third category, in the human species, it is the insurance agent. They are the masters of converting adversities into advantages. Braving the onslaught of disintermediation and razor-sharp competition from emerging alternative channels, agents are rising phoenix-like and ensconcing themselves firmly in the canopy of the insurance industry.

"The Silent Army" is a well-conceived metaphor. Apart from the mind-boggling number (about 12 lakh agents) there are many common denominators of comparison. Barring the top echelons of the majors or generals, the majority in the army is faceless and unknown. Similarly, apart from some MDRT or distinguished ones, the large pool of agents is submerged into oblivion. Both are quietly engaged in their duties and contribute silently. The possible point of departure is that the rank and file military discipline is not present in the community of agents despite efforts of disciplining through training, *et al* and curvilinear licensing rules. Again, cutthroat competition amongst the agents stands in stark contrast to the camaraderie seen in the army.

Notwithstanding the dissimilarities, the spirit of dedication and willingness to do well strikes a strong resonance. I can vouchsafe for their general helpful nature from the personal experience of meeting thousands of agents in life and non-life

insurance over the past 27 years. I am indeed tempted to raise the slogan, 'Jai Advisor! Jai Agent!'

Benign Angels

Most people have their first contact with an insurance company through an agent. These agents help individuals, families and businesses select insurance policies that provide the best protection for their lives, health, and property. Agents prepare reports, maintain records, seek out new clients and, in the event of a calamity, help

We have to influence agents to hire call centre seats, for the opportunity to cross-sell new products to clients will help their businesses grow. The use of call centres would allow agents to concentrate their efforts on seeking out new clients while also maintaining relationships with old ones.

policyholders/nominees settle their insurance claims. To quote K. Nitya Kalyani from *IRDA Journal* (December 2004, Page 4) - 'The insurance agent assumes the proportions of a heavenly angel' when a claim arises. They indeed are the cardiovascular system of the insurance organism, residing at the heart of the client.

Surfing through the genesis of agents' position, we find that insurance companies and the society at large have not been kind to the agents. Some old-timers, taking the letters as an acronym, expand the word agent as follows:

A – average
G – go-getter
E – expendable
N – non-entity
T – taken-for-granted

At one time agents were thought to be joining the profession because of some inherent deficiencies such as:

- An average academic record not fetching jobs in good companies
- Inadequate financial strength to start an enterprise
- Inadequate skill/knowledge of commercial practices
- Inadequate experience to deal with institutions and lack of confidence

But they were supposed to posses:

- Hopes and aspirations for a better standard of living
- Social acceptability
- Preparedness to work hard

In reality, agents need to be flexible, enthusiastic, confident, disciplined, hard working and willing to solve problems. They need to communicate effectively and inspire customer confidence. A large chunk of agents work only part time as they are gainfully employed otherwise. Because they usually work under loose supervision and without the schedule of fixed office hours, sales agents must plan their time well and possess the initiative to tap new clients.

Since agents also obtain many new accounts through referrals, it is important that they maintain regular contact with their clients and practice real life CRM. Developing a clientele who will champion the cause of the agent and recommend his services to other potential customers is a key to success in this field. Of course, technology has greatly helped agents improve their efficiency and enhance

their ability to tackle more clients. Agents' computers may now be linked directly to the insurance carriers through the Internet, making the tasks of obtaining price quotes and processing proposals and service requests faster and easier.

Sweat! Swot!

Most insurance agents contact prospects to provide information on products, close sales or help claimants. They typically determine their own hours of work and often schedule evening and weekend appointments for the convenience of clients. Many whole time agents work 40 to 50 hours a week and some work even longer. It is said that like the fire brigade, the police and hospitals, the agency profession demands round-the-clock work.

A 1999 paper by Datamonitor, called "Distribution Channels," dealing with multi-channel management in US personal insurance, says that the situation has 'changed the role of the agent by making the agent more of an intermediary between the customer and the company, as opposed to a representative of the company.' The report also carries a SWOT analysis of traditional channels:

STRENGTHS ■ Traditional channel which consumers are used to ■ Offers greater relationships and more face-to-face contacts ■ Experience and greater knowledge of the industry ■ Cross-selling ability

WEAKNESS ■ Higher cost for insurer and consumer because of high commission rates ■ Not as convenient as other channels ■ Old fashioned channel not fully up to date with latest technologies

OPPORTUNITIES ■ Focus on high net worth individuals who prefer relationship over price ■ Integrate alternative channels into their own strategies ■ Continually look for new sales opportunities ■ Embrace technology

THREATS ■ Alternative channels

Agents sell one or more types of insurance, such as property and

casualty, life, health and pensions. Increasingly, some are also offering their clients financial analysis or advice on ways to minimise risk. A burgeoning number of agents are offering comprehensive financial planning services to their clients such as retirement planning or estate planning. As a result, many insurance agents are involved in "cross-selling" or "total account development." Besides offering insurance, these agents sell mutual funds and other securities. This practice is most common with life insurance agents who already sell annuities; however, non-life agents also sell other financial products.

At one time insurance was considered a pure relationship product, but no more so. Changing customer perceptions of insurance and increasing price competition have made many customers view insurance as a commodity. This takes the relationship factor out of decision-making.

As the demand for financial products and financial planning is increasing, many insurance agents are choosing to sell securities and other financial products. Doing so, however, requires substantial study and certification. But this is no problem as the new breed of agents, in order to increase their competency, are willing to undergo rigorous training and pass additional examinations to achieve the status of having been trained.

The upsurge for training is very good for the industry and augurs well for a developing market. Through proper grooming, agents are able to follow the products, develop salesmanship skills and become professionals. I have observed that the learning capacity of

agents is enormously expansive. Through exposure they even follow subtle signals from technical papers such as "Repercussions of the Genetic Revolution on Life and Health Insurers" presented by Dr. Achim Regenauer at the Sixth Global Conference of Actuaries in 2004. This is not astounding but a natural corollary of the process of experience and excellence.

Charter of Demands

As early as in March 2000 a CII workshop on 'Insurance Intermediaries & Distribution Channels' recommended, amongst other things, that,

- A dispute redressal mechanism under IRDA needs to be established
- Distinction between termination of agency contract and termination of license is needed
- Section 48 of Insurance Act needs to be revised, allowing agents to be represented in the board of directors of insurers
- It is desirable to shape a cross-industry body for regulation of intermediaries that spans the financial services sector

Besides, the graded licence debate continues. This advocates a selective and gradual licensing device, where initially agents are allowed to sell only simple products and, after successive training and experience, permitted to deal with complex products.

Often the rebate offered by the agent from his commission is accepted and then the flagrant violation of Section 41 of the Insurance Act is criticised. Can a point be made to quash this section?

Agents here work exclusively for one life or/and one non-life insurance company as tied agents. Independent insurance agents who represent several companies to place policies for their clients with the company that offers the best rate and coverage are not allowed as that role is given to brokers. There is a demand to introduce such independent advisors, as the practice is prevalent in insurance majors abroad.

Company-paid benefits to insurance agents – besides commission – usually

include continuing education, paid licensing training, group insurance plans, office space and back office support. Sometimes reimbursements for conveyance or telephone expenses, attendance at conventions and meetings, sales promotion and marketing expenses and retirement plans are paid for. But much more needs to be done. It is imperative to devise a clearly defined career path for the agents who choose to join the mainstream company.

In the international scene, the presence of towering figures like Mehedi Fakarzada or Mr. Jeffrey Greenberg, who went on to head Marsh & McLennan, the world's largest broker, who have successfully graduated from selling insurance to heading companies, has bolstered this proposition. An insurance sales agent who shows ability and leadership may become a sales manager of the company. A few may advance to agency supervisor or executive positions. However, many who have built up a good clientele base prefer to remain agents. Some may establish their own brokerage firms. Beyond all these material parameters what is most important is the non-monetary incentives and the *recognition*. Touch screen sensitisation for the agents and bringing them under the fold of human resources development of the insurance companies is what is urgently needed.

Points To Ponder

In India alternative channels, such as brokers and bancassurance, are just emerging and naturally the atmosphere is fraught with formidable ambiguities. The situation may give rise to culpable confusion amongst all concerned, as dealing with so many channels may lead to inconsistencies or sheer incoherence.

The growth of the Internet in the insurance industry is gradually altering the relationship between agent and client. Now clients may obtain insurance quotes from a company's Web site and then contact the company directly to purchase policies. This interaction gives the client a more active role in selecting a policy at the best price while reducing the scope of agents. Some tenets of modern marketing proclaim that in this age of technological advance there is no need of this interface named agent. Direct B2C transactions would take

place, totally obviating the institution of intermediary and this in essence is termed as 'disintermediation.' Thus, customer compulsions and the pressures of the age and environment resulted in insurers implementing more automated processes of not only after-sales-service but also pre-sales-information. This created rougher weathers of competition for the agency force at large, not only from their brethren but also from intangible sources.

Long years of neglect and lack of awareness have developed this apathy towards the useful role of agents. The distribution column in the *Indian Insurance Market* by Watson Wyatt, *Emphasis* from Tillinghast, *Towers Perrin* or *India In Perspective* by Dun & Bradstreet, in their successive issues, did not publish a word about agents. The number of captive agents in the US and

“People say content is king,
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this new environment.”

– Don Tapscott, Author



Europe has decreased considerably and the percentage of revenue generated by the agency channel declined noticeably as a result of insurers using the alternative forms of distribution.

Increasing competition in the insurance industry has spurred carriers to find new ways to keep their clients satisfied. One solution is to induct and increase the use of 24-hour seven-days-a-week call centres. Insurance carriers are hiring customer service representatives to handle routine tasks such as answering questions, making changes in policies, processing claims and even up-selling more products to clients. Extending the same logic we have to influence agents to hire call centre seats. The opportunity to cross-sell new products to clients will help agents'

businesses grow. The use of call centres would allow agents to concentrate their efforts on seeking out new clients and maintaining relationships with old ones.

Traditionally, the agents have dominated life and health insurance sales. Non-life business concentrated on property insurance and thereby revolved round direct marketing. The phenomenal scope of development of personal lines business in general insurance was mostly untapped. Some life agents were doubling up as general agents to cater to the impending needs of clients that have given rise to the concept of composite agency regulations. Product synergies such as auto/house loans and their insurance have led to diminishing chance of agents to penetrate that segment easily and given the turf to bancassurance models.

Product convergence demands and leads to increasing need for broad-spectrum knowledge about products of the company, its competitors as well as other related products. The most difficult problem the agent faces is customer retention. At one time insurance was considered a pure relationship product, but not any more. Changing customer perceptions of insurance and increasing price competition have made many customers view insurance as a commodity and this takes the relationship factor out of decision-making criteria. This had forced agents to make extra efforts to project the benefit of relationship and convince clients of their role with escalating value-addition propositions, whereas this was a *fait accompli* earlier.

Legal Eagles

In any country the insurance market and the distribution channel are affected by

- A) Direct laws/rules/regulations applicable specifically to insurance entities.
- B) Self-regulation by the industry on issues not dealt within the IRDA Act.
- C) Professional code of conduct notes applicable to agents.
- D) The general laws of the land (contract laws, income tax and corporation tax laws, social security related laws, various constitutional laws).

The various judicial bodies and quasi-judicial consumer forums, by interpreting and often extending these laws, play an important role in this connection.

It may be of interest to note what type of rule/regulation parameters are applied in the Rules of the PIA (Personal Investment Authority), UK. (See box item below.)

Aamchi Agent!

Whenever deliberating upon the position of the agent I am reminded of a beautiful advertisement campaign by LIC a few years back, which showed a joint family photograph with the heading, 'Can you identify the agent in the photo?' One could not, because the agent was invariably considered an extended family member.

LOMA's *Resource* magazine organised a panel discussion moderated by Mr. Don Tapscott, author, where Mr. Justin Lafayette, CEO of DWL Inc., Mr. Robert Shafto, former CEO of New England Mutual Insurance Co., and Mr. David Macchia, CEO of Wealth2k.com, and an insurance marketing consultant participated. After brilliant deliberations all of them concluded - "Long live the agent (with a little help from technology)."

It will be in place to reproduce at length Mr. Tapscott's final remarks on that occasion: "The starting point is the customer value proposition. What can you do for customers that would just delight them? That would address the convergence

that's happening? That would address their needs for advice and for higher-order value than just selling your company's products? Once you've determined that, figure out the partnerships you need to create to become a context provider. People say content is king, but really context is king. The relationship with the customer, establishing the context whereby new value is created, will be the cutting edge of competitiveness in this new environment."

The upsurge for training is very good for the industry and augurs well for a developing market. Through proper grooming, agents are able to follow the products, develop salesmanship skills and become professionals.



Howsoever one tries to eulogise the agents, a pinch of salt is added in qualification, particularly in the Indian frame of reference, since some social stigma was attached and agents were not highly regarded. Besides a few high profile stars and celebrities adding colour and curiosity value to the profession, gradual intrusion of MBAs and CAs has now added pep to the profession.

But the agents are fighting back. They are searching for new sources of leads and new identity. They are capitalising on their biggest asset, i.e. humanising service to the clients.

Having traditionally cultivated 'high-touch' aspects, they are now integrating 'high-tech' with that to complete the epicycle. Agents are making use of alternative channels to their advantage. Think of direct response or mail/tele-marketing, Internet data mining or call centres or seminar/worksite selling or for that matter any modes, the vanguard section of agents are using all these techniques themselves to derive leverage.

Agents are uniting under the banners of professionalism, as is evident from large-scale gatherings - arranged by different fora - to hone their skills. Of course, there is no firewall that divides the protagonists and the antagonists. All are welcome to a convergent tomorrow with stronger agents co-existing with a strong posse of other channels. The titanic forces of the marketplace are working to bridge the seemingly gaping chasm between the channels.

Agents will redefine the rules of the game and rewrite the insurance distribution manual.

If only we care to help.

The author is Vice President, Corporate Office, Reliance General Insurance Company. The views expressed are his own.

UK Code of Conduct

Code of Conduct for Members, Company Representatives and Introducers

Important requirements that must be met in order to satisfy the code include:

➤ **Meetings with Investors**

A representative must state at the outset the generic purpose of the meeting or call, explain that the products he offers will be those of the company he represents, not knowingly make any untrue statement, respect the rights of the investor to terminate the meeting or call at any time and not use any written or visual material that has not been authorized.

➤ **Best advice to be given**

A representative must, in advising on the suitability of an investment contract, have regard, in particular, to the investor's

financial position generally, to any rights under an occupational pension scheme, etc.

He must use his best endeavours to ensure he recommends only a contract suited to the investor, and that there is no other contract available from the member that would secure the investor's objectives more advantageously. He must give the investor a Key Features document before the investor completes or signs an application form.

He must not advise the investor to lapse or surrender any existing policy unless all relevant consequences and disadvantages are explained and unless he "bona fide believes it to be in the interests of the investor."

➤ **Confidentiality and record-keeping**

This requires a representative to keep a record of all transactions with investors, which involve the transmission of money and

keep such other records, as the member may require, of his dealings with investors.

➤ **General duty to make all relevant enquiries**

A representative must obtain all details of an investor and his circumstances as may be practicable and necessary to comply with the compliance rules.

➤ **Securities and Investments Board (SIB) Rules and Regulations:**

This includes, in particular, rules governing a customer's right to a 'cooling off' period and regulations covering the handling of a customer's money.

In India the tireless efforts of IRDA, the Insurance Institute of India and the insurance companies will provide content to decent codes of conduct and develop a penchant on the part of the agents to follow ethical practices.

Life As A Life Insurance Agent

— Difficulties, challenges and rewards galore

In this personal account, *Suri Seeta Ram* describes his growth as an insurance agent while thanking his mentors for honing his professional skills.

Entering the life insurance agency field has shaped my life. In fact, when taken up in right earnest, insurance agency not only shapes you up as a professional agent but also transforms you into a person replete with knowledge, compassion and sound People Management skills.

The beginning, however, is, more often than not, tough. You will be expected to do things you would rather not – people may try to teach you wrong lessons and make you believe that that is the only option. Two basic lessons which almost all the agents are coerced into learning are ‘Rebate’ and ‘Wrong Medicals.’

“Nothing is wrong in parting with your entire first year income to the client” was the first lesson dinned into my head. It is a painful and unpalatable lesson that I cannot accept even after nearly two decades in this profession.

The second lesson, ‘Wrong Medicals’, is even more disgusting. Rather than *“Getting the medical examination done”*, the term has changed to *“Getting the medical reports written.”*

I am sure most of my other colleagues too were taught these two lessons – lessons that are very hard to unlearn. Though the incidence of doctors sitting in the branch offices has significantly reduced, the practice of MWP (Medical

Without Party) continues unabated. *“For the peanuts your company gives me, don’t ask me to do all these things. If you want*

the report, please get me the full data,” a senior doctor ordered when I wanted him to check the life insurance proponent’s blood pressure.

As I gained seniority in the profession, I understood that life insurance is not just tax relief and savings, but a lot more.

Landmark events

The windows opened when, in 1988, I underwent training at Institute of Insurance and Financial Sciences Education Research and Training (IFSERT), Pune, under India’s own Insurance Guru, Prof. Apparao Machiraju, and his colleagues.

Two basic lessons that almost all the agents are coerced into learning are ‘Rebate’ and ‘Wrong Medicals’. These are lessons that are very hard to unlearn.



The second major change in my outlook on insurance came with the Life Insurance Round Table (LIRT), in which I happened to participate, thanks again to Prof. Apparao, with whom I had maintained contact since 1988. Mr. P. S. Kochhar, an outstanding insurance professional, and other learned speakers of the LIRT platform in Mumbai opened up further avenues for me, such as customised product packaging and need based customer service.

I was also introduced to Mr. P. Srinivasan of Coimbatore, a well-known life insurance agent from whom I learnt a lot, and various other stalwarts such as Mr. Deb Mudbidri, Mr. Subhash Mishra, Mr. Ramakant Desai and Mr. Bharat Purohit of Mumbai, Mr. Bharat Parikh of Nagpur,

Mr. Naren Parshad and Mr. Ramesh Damani of Kolkatta and Mr. Gopinath Terkar of Latur. These are some of the professionals who will be remembered forever for their professional standards.

The LIRT 1996 Convention was held in Hyderabad under my zone chairmanship. I was once again amidst the entire galaxy of such illustrious agents and professionalism took deep roots in me.

Another landmark event in my career was a visit in 1997 to Mr. Srinivasan’s office in Coimbatore. I have not seen such methodical office procedures, delegation and execution of duties sans confusion in any other office, leave alone in life insurance.

Qualifying for Million Dollar Round Table (MDRT) 2002 for the first time was possible on account of the knowledge and motivation derived from these experiences. The Nashville (the US), MDRT Convention was yet another enriching experience. Regular communications from MDRT keep adding to my strengths.

Meanwhile, I have to admit the fact that I have been fooling myself with leadership at Life Insurance Agents’ Federation of India (LIAFI). Though LIAFI is an organisation with sound principles, the leadership issue was in question for almost the past decade. It was like a public sector organisation with most of the leaders more bothered about their position rather than the welfare of the organisation or its members.

At Life Underwriters’ Guild of India (LUGI), I am able to see through a larger window the emerging professional agents of India. Absolute truthfulness and sound subject knowledge lead to fundamental professionalism in agents. The customer now has not only the right to information but also access to various channels of information.



Sad state of affairs

As for non-life insurance, professionalism still remains a far cry. Particularly in Public Sector Companies non-life insurance agents are never treated as business associates. Scant training facilities and little skills leave the agents ignoble and gullible. Only the agent's own initiative can help him/her to a certain extent; there is hardly any motivation from the office for performance. Besides, business brought in is treated as a burden. Even the Agents' Manuals and other knowledge tools such as product literature are not available as in the case of the life insurance business.

Both life and non-life businesses have to undergo a metamorphosis as far as marketing is concerned. In a 2001 survey, it was found that 58 per cent of the urban educated did not know about health insurance. As much as 25 per cent of the people who suffered illnesses covered by health insurance did not bother to make a claim, with reasons ranging from "Anyway the insurance company may delay or avoid the payment" to "Who bothers to go over the rigmaroles of making a claim?"

Life insurance claims are promptly paid and, to that extent, the customers and agents are, by and large, happy. The

non-life insurance claim experience is felt as being not all that pleasant. The reason need not necessarily be the company staff alone. We still face instances of prospects asking at the time of proposal whether a fictitious claim can be arranged to be settled at least to the extent of the premium if the policy is taken. Insurance intermediary education, involvement and commitment to the profession and the

As I gained seniority in the profession, I understood that the purpose of life insurance is not just tax relief and savings, but a lot more.



company he/she works for is in question. This further boils down to the training and awareness made available to the intermediary.

No person consciously wants to violate or circumvent procedures. I have seen agents suffer silent guilt for having done undesirable things. Some of them have been deliberately kept in the dark for ages. It is not only 'know how' but also 'know what', 'know why', 'know when'

and 'know where' that are very important.

We have been successful in pushing up insurance contracts and bringing in crores of rupees of premium income to the companies but we have been mostly selling policies, not "insuring" people or goods in the real sense. We still have to go a long way before do so.

Under the leadership of Mr. P. Srinivasan and the vision of Prof. Apparao, we have made a humble beginning through LUGI. The world over, it is only the professionals' self-styled and self-regulated organisations that have contributed to the healthy growth of the industry. I hope LUGI repeats the trick in India.

As the saying goes, "Getting together is the beginning; keeping together is progress and working together is success." I firmly believe that one day we will find a strong and professional insurance agency force taking care of the insurance needs of this vast country in a befitting way.

The author, an insurance agent, is President, Life Underwriters Guild of India, Hyderabad Chapter.

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Andheri(East), Mumbai-400 059
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Madan Lal Malhotra

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(0141)3940003

Readymade Success Formulae

— Self-help groups teach agents to sharpen their claws

Self-help organisations play a vital role in collecting people with identical thinking – people who share the same desire and perseverance to succeed in a profession. This helps them change their attitude and enhance their skills, says *P. Srinivasan*.

The experience worldwide has been that only self help organisations, such as Million Dollar Round Table (MDRT) in the US, National Association of Malaysian Life Insurance and Financial Advisors (NAMLIFA) in Malaysia and Insurance and Financial Practitioners Association (IFPAS) in Singapore, have helped the marketing force, especially the agency force, to upgrade its knowledge and skills. Such associations also effectively change the mindset of the agents, honing it towards professionalism.

Most life insurance companies are willing to spare neither the time nor the resources to develop the agents' skills, since factors such as business targets and new products top their priority list. Hence, only self help groups fill the gap.

The Life Underwriters Guild of India (LUGI), which was inaugurated in 2002, has taken several initiatives in this direction.

To become a full-time professional, an agent or any marketing person should develop the following four elements of character, which form the basic requirements:

- (1) Self confidence
- (2) Self discipline
- (3) Self improvement
- (4) Self esteem

Without developing the above traits, any amount of sales skills taught to an individual agent, such as prospecting, making persuasive presentation, overcoming objections and closing the sale, may or may not lead to the desired results.

"Your weakest important skill sets the height at which you can use all your other skills and determines your level of income."

LUGI plans to provide the following

basic concepts after changing the mindset of an agent:

(1) Fact Finding Process

How to identify the needs of the customer through scientific processes so that the need is realised by the prospect.

(2) Analytical Skills

What are the investment choices available now in the financial market

How to get information about them

Every individual who falls in the top 10 per cent of any organisation was once part of the bottom 10 per cent. What pushed him up was his intention to grow, enthusiasm, skill development, knowledge enhancement, the ability to use all the available opportunities and convert every obstacle into an opportunity.

How to understand the objectives of the customers

How to match financial products with the objectives of the customers

How to calculate the Future Value, Present Value, IRR and so on

(3) Technical Skills

How to use the financial calculator

How to use the Excel spreadsheet

Marketing personnel who would like to become true professionals must

acquire the habit of reading and learning almost every day. Conducting seminars frequently, holding annual conventions and convening independent committees for charting towards professionalism are a must.

The law of "Cause and Effect" applies perfectly to sales. According to this law, for everything that happens, there is a reason. If you want a particular goal or effect in your life, you can have it. All you need to do is seek out someone who has already achieved that particular effect or result, and then find out what he or she did to get it. If you emulate that person's actions, you will eventually get the same results.

LUGI helps agents by introducing them to successful models and asking the latter to explain the ways and means that helped them succeed. The successful models teach the agents how to defeat the tendency to get demotivated and encourage themselves to face various professional ordeals.

The most important application of the Law of Cause and Effect is: Thoughts are causes and conditions are effects. You become what you think about most of the time.

In all its classes and training sessions, LUGI consistently advises members to *think great to enable them to achieve the greatness*. One of the seminar themes is "Yes, You Can."

If every agent begins to think along the lines of leading sales people, he/she will eventually do things that the top sales people do, and achieve the same results as well.

Optimism Counts

The most important single quality for great success in selling is the quality of optimism. Top sales people are far more optimistic than average people.

Because of this optimism, they have high expectations of the success. Optimism or pessimism is developed and designed by the individual concerned, based on the environment, situations and circumstances and the type of he/she meets and talks with.

Here, self-help organisations play a very vital role in collecting people of identical thoughts – people who share the same desire and perseverance to succeed in a profession. This helps change the attitude and develop the skills of the people who join with the hope of enhancing selling skills.

The highest paid and most successful sales people have high levels of self-esteem. Self-esteem is best defined as how much you like yourself. When an individual fails to like himself, appreciating himself and admire himself, naturally he is not appreciated, admired or adored by people around him. One should therefore learn to appreciate oneself before expecting others to do so. The more you like yourself, the better you do. The better you do, the more you like yourself. Each reinforces the other.

The intention of self help groups is to give mental exercises to the participants at seminars, conventions etc. The logic is very simple. If you do certain physical exercises each day, you will eventually become very fit physically. In the same way, if you do certain mental exercises every day, you will soon become extremely fit mentally.

The body and the mind are to be synchronised for the success of any individual. There cannot be any exception.

The other important role of self help groups is to inculcate the tendency to develop ambition, which is the single most important expression of optimism.

The greatest and most remarkable characteristic of sales people is that they have big dreams. They have high aspirations and believe that they are capable of doing the best in the field.



It is a key quality for achieving great success in sales or in any other field, for that matter. It has to be understood and appreciated that the greatest and most remarkable characteristic of sales people is that they have big dreams. They have high aspirations and believe that they are capable of doing the best in the field.

It is not uncommon that 20 per cent of the people in any organisation contribute 80 per cent of the business. The ambitious people like to fit themselves in the 20 per cent group.

An individual who wishes to be a true professional should perforce commit himself to personal excellence, to becoming one of the best in the field he has chosen.

Let us all remember that every individual who falls in the top 10 per cent of any organisation was once part of the bottom 10 per cent. What pushed him up was his intention to grow, enthusiasm, skill development, knowledge enhancement, ability to use all the available opportunities, and convert every obstacle into an opportunity. First, get in line! Second, stay in line!



The author, an insurance agent, is President, Life Underwriters Guild of India and is an insurance agent based in Coimbatore.

The screenshot shows a web browser window with the address bar displaying <http://www.irdaindia.org/irdajournal.htm>. The main content area features a large banner with the text: **GET ALL BACK ISSUES OF IRDA JOURNAL HERE**. Below this text is a large downward-pointing arrow, followed by the phrase **on the web!** and the URL <http://www.irdaindia.org/irdajournal.htm>. The background of the banner includes a faint, stylized image of the IRDA logo and the word 'Journal'.

Wish List of An Agent

— Better pay, a few benefits and some action against benamis

As the nation's insurance industry hurtles through a dynamic phase, what do the agents wish for? S. Theyagarajan makes a list.

January is Wish List time, as people gear up for a brand new year with a bagful of wishes and hopes. The Indian insurance agent would certainly have a long list in hand, for year after year his plight has remained more or less the same. With insurance companies that are unsympathetic to their cause at one end and customers who are mostly indifferent and often hostile at the other end, the agent's cup of sorrow overfloweth.

However, times are changing, as the insurance arena is getting more crowded by the day and the insurers are forced to beef up their agency force to sustain the competition. Maybe, the agent's wish list will be granted, after all.

The following are sure to feature on every agent's wish list:

- Corruption in the general insurance industry should be strictly monitored for and penalised. Strict vigilance of the enquiry officials is also vital.

Uniform premium for motor vehicles should be brought in nationwide. Non-acceptance of Motor premium from clients, or loading the premium, should be avoided. If there are different quotes for premium at various insurance offices, the client gets suspicious.

Agency Commission may be hiked up to 20 per cent, considering that agents do not enjoy any other perks such as TA, HRA, DA, retirement benefits, or even a constant salary.

- A six-day week should be introduced for agents, with regular working hours, say 9.15 am to 5.45 pm.
- In banks, postal department, etc., technology has lent the client immense benefits, such as ATMs. Therefore, an online system should be introduced for insurance agents,

which will not only help the agents but also the customers.

Dummy or *benami* agents should be sternly dealt with. Allowing that practice helps only the staff of the insurers, not the agents or the clients. The insurance companies may consider restricting all business to the agency channel, and refrain from direct business.

- There should be frequent inter-zonal transfer of insurance company staff,

In banks, postal department, etc., technology has lent the client immense benefits, such as ATMs. Therefore, an online system should be introduced for insurance agents, which will not only help the agents but also the customers.

which will sieve out the *benami* agents.

In case there is a vacancy at an insurance company, it can be filled with agents who are qualified and suitable for the post.

The four public sector general insurance companies can be merged into one. Under one umbrella, the companies will not only enjoy reduced expenses but also high growth.

Income tax exemption for agents may be raised from the existing Rs. 5,000 to Rs. 60,000.

Agents may be provided with various

amenities such as tables and chairs, telephone connection, computers, etc. These will help the agents equip themselves better in a competitive world.

- Insurance staff should not be allowed to demonstrate personal biases against agents.
- Common agent registers should be maintained at all divisional and branch offices.

Automobile dealers should not be appointed as agents, and such existing licences should be cancelled. This is because such 'dealer-agents' tend to focus on new vehicle purchases alone, and ignore insurance for old ones, which is to the detriment of the company.

- There should be regular meetings for agents, say once a fortnight, where they can be given some training on the latest policies, etc.
- VRS beneficiaries should not be appointed as agents for at least five years.
- Branches and divisional offices can be merged to enhance the company's profitability.
- The insurers can set up "Agents Care Cells".
- The Development Officers Scheme can be totally abolished and marketing agents, and rural representatives may be introduced.

The author, an insurance agent, is part of the General Insurance Agents Welfare Association, Ranipet, Tamil Nadu.



प्रकाशक का संदेश

वर्तमान समय में बीमा क्षेत्र तीव्रता से प्रकाश में आया है क्योंकि बीमा उत्पाद उपलब्ध करवाने वाली कंपनियों की संख्या में उल्लेखनीय परिवर्तन हुए हैं। विविध प्रकार के उत्पाद हैं तथा बहुलता से मध्यस्थ बीमा उत्पादों को बेच रहे हैं। बीमा मध्यस्थ के सम्बन्ध में यद्यपि प्रयोग धरातल पर है, जटिल विपणन श्रृंखला में बीमा ऐजेंट अपना स्थान तथा शान बनाये हुए हैं। उत्पादों की मात्रा में वृद्धि के कारण उनके चयन में कठिनाई होने लगी है तथा अब व्यवसायिक सलाह इसके लिए आवश्यक हो गई है, साथ ही साथ बीमा ऐजेंट पर दबाव भी बढ़ा है, तथा उन्हें अपना कौशल बढ़ाना पड़ा है जिससे वह अपने ग्राहक की आवश्यकताओं को समझ सके तथा ऐसी पालसी का सुझाव दे सके जो की ग्राहकों की आवश्यकताओं की पूर्ति करती हो। एक ऐजेंट को विक्रयकर्ता से वित्तीय नियोजक में परिवर्तित होना पड़ा है।

हाल के वर्षों में बीमा क्षेत्र में स्वस्थ वृद्धि के बावजूद जिसमें नये उद्यमियों ने अपना बाजार हिस्सा बढ़ाया है, वास्तव में विश्व के अनेक देशों की अपेक्षा भारत में अभी भी बीमा बाजार धरातल पर है। विक्रय के नये माध्यम अस्तित्व में आये हैं। विक्रय के लिए आज भी ऐजेंट पर अधिकतम निर्भरता बनी हुई है तथा वह कंपनी तथा ग्राहक के मध्य सेतु का काम करते हैं।

बीमा ऐजेंट अपनी ऐजेंट प्रकृति तथा कार्य की परिस्थितियों के कारण स्वयं उत्प्रेरित, स्वतन्त्र प्रचालक है उसे सबसे अच्छे प्रशिक्षण की आवश्यकता है तथा ऐजेंट कंपनियों के विपणन माध्यम को आभार युक्त, स्थिर तथा बीमा के व्यवसाय में वृद्धि देने वाला है।

आईआरडीए ने गुणात्मक ऐजेंटों की आवश्यकता को गंभीरता से लिया है। यह इस बात से प्रतिबिम्बित होता है की उनकी भर्ती, प्रशिक्षण, तथा किस प्रकार वे व्यवसाय करते हैं उसे विनियमित किया गया है। हाल में आईआरडीए ने ऐजेंट प्रशिक्षण पर पुनरीक्षण किया है तथा इसके मानकों तथा आवश्यकताओं को फिर से बताया गया है। यह उद्देश्य तथा लक्ष्यों के पूर्वनिर्धारण तथा विनियमन बनाने वालों की भावना को सामने लाने के लिए किया है।

यह प्रबोधनकारी तथा जानकारी देने वाला तथ्य है कि ऐजेंट बल ही बीमा के पूरे मूल्य की प्रप्ति के लिए महत्वपूर्ण भूमिका अंतिम स्तर पर निभा सकता है और इस प्रक्रिया में बीमा उद्योग में स्थिर व्यवसाय वृद्धि कर सकता है।

अगले अंक की विषयवस्तु बीमा उद्योग से वह विकास का उत्तरदायित्व है जो प्राधिकरण को दिया गया है।

लक्ष्य प्राप्ति के लिए आईआरडीए द्वारा अनेक पहल की गई हैं और हम पूर्व की एक छि तथा भविष्य के लिए सुझाव उद्योग के विभिन्न विशेषज्ञों तथा प्रेक्षकों के शब्दों में प्रस्तुत करेंगे।

इस बीच मुझे आशा है आप इस अंक का आनंद उठायेगें तथा मैं आपको वर्ष 2005 क लिए हार्दिक शुभकामनाएँ देता हूँ।

सी. एस. राव
सी. एस. राव

“ कुछ तो लोग कहेंगे ”

मैं 49 प्रतिशत से अधिक विदेशी पूँजी निवेश का समर्थन नहीं करता क्योंकि मैं नियन्त्रण चाहता हूँ।

श्री राहुल बजाज, अध्यक्ष, बजाज आटो तथा दो संयुक्त बीमा कंपनियों के संप्रवर्तक

मैं अपेक्षाकृत (एसबीआई लाईफ में) अपनी अंशपूँजी कम करना पसंद करूँगा।

श्री ए.के. पुरवार, अध्यक्ष स्टेट बैंक आफ इंडिया, जिसने संयुक्त रूप से एक जीवन बीमा कंपनी का प्रवर्तन किया है।

विदेशी पूँजी निवेश की सीमा बढ़ाने पर विदेशी निवेशकों को यह संदेश जायेगा की कि वे उस स्तर पर व्यवसाय कर सकते हैं जिसमें कोई सीमाएँ नहीं हैं।

श्री सुनील बजाज, देश प्रमुख, अमेरिकन इंशुरेन्स ग्रुप (एआईजी)

मैं आज की विजय से उत्साहित हूँ पर यह विजय सभी न्यूयार्कनस् की है।

श्री लैरी सीलवेस्टन, 9/11 की घटना पर जिसमें डब्ल्यूटीसी को टार्गेट किया गया था। तथा ज्यूरी के समक्ष इसे दो घटनाएँ साबित कर दो क्षतिपूर्ति प्राप्त करते हुए।

परिवर्तन सतत त्वरण है जिसके आपेक्षित परिणाम बड़े हो सकते हैं। तथा बढ़ती हुई अनिश्चितता जोखिम के आकलन को अधिक कठिन बना देती है।

स्वीस री, “जोखिम नजरिया” शृंखला पर नई रिपोर्ट

छानबीन के अर्न्तगत बड़े ब्रोकर बचे रहेंगे लेकिन वे सीखेंगे तथा भविष्य में अधिक प्रभावशाली होंगे अपने ग्राहकों से अपनी वैश्वासिक संबंध को लेकर।

श्री मोरिस ग्रीनबर्ग, अध्यक्ष तथा मुख्यकार्यपालक अधिकारी एआईजी, बड़े ब्रोकरों की छानबीन पर।

अनूठा प्रयोग

-एक मजबूत बाजार का निर्माण करने के लिए विकास एवं विनियमन को एक साथ करना।

अरुण चटर्जी कहते हैं कि विनियामक की भूमिका को बीमा बाजार विकास के साथ जोड़ने की सरकीर की योजना सही वातावरण एवं उचित मानदंडों में खड़ी उतरेगी।

परिचय अंश १: विनियामक को विकास का कार्य देने से सरकार ने यह दिखाया है कि यदि विनियामक को एक तरफ बौद्धिक निरीक्षण एवं दुसरी तरफ बीमा बाजार के विकास का कार्य एक संतुलन के आधार पर दिया जाए, तो यह काफी सफल हो सकता है।

परिचय अंश २: आम जनता से लगातार एवं सच्चा संवाद कर विनियामक की कार्यशैली का आंकलन करना, आम जनता में विनियामक के प्रति विश्वास लाएगा साथ ही विनियमन प्रक्रिया में भी बढ़ोतरी होगी।

बीमा बाजार का विकास एवं बीमा बाजार का निरीक्षण, ये दोनों कार्य आईआरडीए को एक साथ प्रदान किए गए हैं, और यह सरकार का एक उचित कदम है। पिछले पाँच वर्षों में जब बीमा क्षेत्र में काफी कुछ परिवर्तन हुआ है, तथा साथ ही आईआरडीए के निरीक्षण एवं मार्गदर्शन में नए अवसर पैदा हुए हैं, यह प्रयोग काफी उचित प्रतीत हो रहा है।

हालांकि विकास सभी विनियमन सुधार का ही एक रूप है। खासकर वित्तीय क्षेत्र में, एक स्थाई एवं मजबूत बीमा सिस्टम का विकास लंबी अवधि के लिए आर्थिक विकास एवं प्रभावी श्रोत को कायम रखने में काफी उपयोगी है। बीमा क्षेत्र के विकास के लिए इसमें आम जनता का विश्वास पैदा करना काफी आवश्यक है। यह तभी संभव है जब ग्राहकों को सही एवं गुणवत्तापूर्वक सेवाएं प्रदान की जाएं।

इस आधार पर, विनियामक का यह कर्तव्य बनता है कि वह वित्तीय सेवा प्रदाताओं के वित्तीय मानदंडों एवं उनके द्वारा ग्राहकों के साथ किए जा रहे व्यवहार को देखते हुए लंबी अवधि के लिए उनका स्थायित्व सुनिश्चित करे। इस प्रकार निरीक्षणकर्ता की भूमिका बीमाकर्ता की वित्तीय क्षमता का आंकलन करना है, तथा साथ ही बीमा

ग्राहकों का बीमा क्षेत्र में विश्वास पैदा करना है, ताकि इसका विकास किया जा सके।

एक अनूठा उदाहरण

भारत में, बीमा विनियामक को बीमा विकास करने का कार्य सौंपना विश्व के लिए एक अनूठा उदाहरण है। इसका उद्देश्य यह है कि बीमा विनियामक बीमा क्षेत्र एवं बीमा संस्थानों के विकास एवं विस्तार की अवहेलना न करे, ताकि उदारवाद एवं बीमा क्षेत्र के फायदे लोगों तक पहुँचाए जा सकें।

इससे यह तथ्य सामने आता है कि बीमा कंपनियों में संचालक के रूप में विनियामक की भूमिका ज्यादा महत्वपूर्ण है, न कि केवल निरीक्षणकर्ता के रूप में इसकी भूमिका। साथ ही, विनियामक को लगातार प्रारंभिक स्तर पर आए दबावों को सुलझाना है, ना कि अपनी भूमिका का विस्तार करना है और सुपर बीमाकर्ता बनना है। अतः विनियामक की बीमा के हर क्षेत्र में महत्वपूर्ण भूमिका है तथा इसे सेक्टर का सकारात्मक विकास करना है। नए कानूनों एवं विनियमनों को सभी बीमाकर्ताओं से बातचीत कर लागू किया जा सकता है।

सरकार की अनुबोध में प्रतिमानात्मक परिवर्तन

पारंपरिक रूप से विकास कार्य सरकार का कार्य होता है, न कि एक विनियामक का। एक विनियामक को यह कार्य सौंपकर सरकार ने यह दिखाया है कि विनियामक को यदि बौद्धिक निरीक्षण के साथ साथ बीमा क्षेत्र के विकास का कार्य भी सौंपा जाए तो एक बेहतर संतुलन स्थापित किया जा सकता है।

विनियामक संस्थान में सरकार का यह विश्वास विधायिका एवं योजना निर्माणकर्ताओं की मजबूत संस्थान के विकास में दूरदर्शिता को दर्शाता है। साथ ही वे विभिन्न अवसरों एवं जोखिमों को भी भलीभाँति समझ सकते हैं एवं स्थायित्व के साथ

आर्थिक विकास को बढ़ावा दे सकते हैं।

इस प्रकार, भारत में आर्थिक विकास के लिए एक अनूठा प्रयोग किया गया है, जहाँ बीमा क्षेत्र को सामाजिक-आर्थिक विकास के एक माध्यम के रूप में स्वीकारा गया है। अतः जिस प्रकार बैंकिंग क्षेत्र सामाजिक एवं आर्थिक विकास के लिए ऋण उपलब्ध करवाता है, बीमा क्षेत्र एक छाते की भाँति कार्य करता है, और जीवन एवं संपत्ति को कवर प्रदान करता है, ताकि लोग उन्मुक्त रूप से जोखिम उठाकर आर्थिक विकास को बढ़ावा दे सकें।

आईआरडीए द्वारा प्रारंभ किए गए विकास कार्यक्रम

विभिन्न लोगों के लिए विकास के मायने अलग-अलग होते हैं। बीमा के क्षेत्र में विकास का मतलब होगा, बौद्धिक निरीक्षक नेटवर्क, जोखिम पूर्णता में क्षमता का विकास, पुनर्बीमा, स्वविनियमन संस्थान के रूप में समर्थित संस्थानिक लिंकेज स्थापित करना तथा साथ ही बीमा के प्रति लोगों में जागरूकता पैदा करना। इस प्रकार बीमा घनत्व स्तर एवं उच्चतम बचत स्तर के माध्यम से इसका विकास सुनिश्चित किया जा सकेगा। यह केवल उत्पाद संरचना में परिवर्तन कर, बेहतर सेवा प्रदान कर तथा साथ ही कवरेज एवं प्रीमियम दर के साथ साथ वैकल्पिक वितरण चैनल स्थापित करने से संभव होगा।

घरेलू बीमा के विस्तार के लिए एक प्रमुख कदम उन क्षेत्रों में अपनी पहुँच स्थापित करना होगा, जहाँ अभी तक पहुँचा नहीं जा सका है। तथा साथ ही बीमा, ग्रामीण ऋण योजना एवं संस्थानों के मध्य सहयोग को बढ़ावा देना होगा। ग्रामीण एवं सामाजिक क्षेत्र में जीवन बीमा एवं जनरल बीमा का प्रतिशत तय करने के लिए अलग विनियामक स्थापित किए गए हैं। गरीबों की आर्थिक समस्या के निदान के लिए बीमा एक महत्वपूर्ण माध्यम बन सकता है, तथा साथ ही बीमा प्रस्ताव में छुपे विभिन्न चुनौतियों को माइक्रो

बीमा एजेंटों, तथा बीमा के साधारण रूपों जैसे संपत्ति, व्यक्तिगत दुर्घटना, स्वास्थ्य एवं जीवन बीमा में हैं का आंकलन करना है।

बीमा कंपनियाँ केवल संरचनात्मक परियोजनाओं को जोखिम कवर प्रदान नहीं करती है, बल्कि लंबी अवधि के लिए निधि की भी व्यवस्था करती है। वास्तव में, लंबी अवधि के ऋणों हेतु यह एक बेहतरीन माध्यम है। इन परियोजनाओं में निवेश कर ये कंपनियाँ अच्छी एसेट लायबिलिटी प्राप्त करती है। संरचनात्मक एवं सामाजिक परियोजनाओं में निवेश करना बीमा कंपनियों के लिए अनिवार्य है, और जैसे जैसे बीमा क्षेत्र का विकास होगा, उसकी निवेश क्षमता भी बढ़ेगी। यह विकास के लिए एक अच्छा माध्यम होगा।

अनुकूल आर्थिक विकास के लिए स्थानीय रिटेंशन क्षमता को बढ़ाना होगा। सावधानीपूर्वक डिजाइन किए गए पुनर्बीमा कार्यक्रम जो बाजार आधार पर संचालित होते हैं, बीमाकर्ता देश में ही सकल डायरेक्ट प्रीमियम का इतना अधिक से अधिक प्रतिशत जारी रख सकता है, जो उसकी सुरक्षा के लिए उपयुक्त है। सरकारी एवं निजी बीमा कंपनियों द्वारा संयुक्त रूप से प्रारंभ किए गए टेरिज्म पूल इस बात का एक बेहतरीन उदाहरण है कि किस प्रकार ९ सितम्बर की घटना के पश्चात बाजार ने प्रतिक्रिया व्यक्त की, जब भारत में बीमाधारकों को टेरिज्म बीमा सुविधाएँ लगातार जारी थी।

बाजार अनुशासन

अप्रभावित बाजार अनुशासन एक ऐसा मुद्दा है, जो बीमा बाजार के मजबूत विकास के लिए प्रभावी रूप से हल किया जाना चाहिए। आम जनता एवं उपभोक्ताओं को इस बारे में जागरूक करना है। शिक्षित उपभोक्ता वाणिज्यिक अनुशासन को लागू करने में काफी मददगार सिद्ध होते हैं। जैसे जैसे बाजार का विकास होगा, स्व-विनियमन संस्थानों की भूमिका भी उजागर होगी। ये संस्थान बाजार अनुशासन को स्थापित करने में काफी मददगार सिद्ध होंगे। प्रभावी विनियमन नहीं होने से बाजार के स्थायित्व पर फर्क पड़ेगा, और इस समय आईआरडीए का उत्तरदायित्व बढ़ जाएगा।

ऐसी उम्मीद की जाती है कि आईआरडीए

द्वारा संचालित किए जा रहे विभिन्न विकास कार्यक्रम स्व-विनियमन संस्थाएं अपने हाथ में ले लेंगी। विकास एवं विस्तार के इस वातावरण में स्व विनियमन संस्थाएं ही एक ऐसा माध्यम है, जो नए अवसरों को प्रदान कर सकता है एवं साथ ही आने वाली चुनौतियों का सामना कर सकता है। जीवन बीमा काउंसिल एवं जनरल बीमा काउंसिल वर्तमान में बीमाकर्ताओं के लिए बाजार मानदंड स्थापित कर कुछ सीमा में स्व विनियामक संस्था के रूप में कार्य कर रही है।

एक अनुकूल योजना के विकास की आवश्यकता

इस नई भूमिका के क्रियान्वयन के लिए एक योजना की आवश्यकता है। हालांकि बाहरी वातावरण में दोषों के कारण कई लंबी अवधि की योजनाएँ बेकार हो गईं, कई विनियामक एक अनुकूल दिशा निर्धारित करने के लिए एक अनुकूल योजना तैयार करने के पक्ष में हैं। इस योजना प्रक्रिया में निम्न तथ्य शामिल होने चाहिए:

1. योजना विनियामक की अनिवार्यता एवं उद्देश्यों के अनुसार होना चाहिए तथा एक निश्चित समयवधि में इसका क्रियान्वयन हो जाना चाहिए।
2. विनियामक के समक्ष चुनौतियाँ, विनियामक कहाँ अपनी अनिवार्यता एवं उद्देश्यों को पुरा नहीं कर पा रहा है तथा निरीक्षण तरीकों को इसमें शामिल किया जाना चाहिए।
3. विनियामक के उद्देश्य एवं सेल्फ एसेसमेंट जिनका विवरण ऊपर किया जा चुका है, के आधार पर योजना वास्तविक होनी चाहिए। विनियामक आपने उद्देश्यों को तीन से पाँच वर्ष की अवधि में प्राप्त कर ले। इससे अधिक समय नहीं दिया जाना चाहिए।
4. इन मीडियम टर्म गोल (उद्देश्य) की पूर्ति के लिए निर्धारित एक्शन योजना होनी चाहिए, जो वार्षिक बिजनेस योजना के अनुसार तय हो। इसके लिए एक रोडमैप तैयार करना भी उपयुक्त रहेगा।
5. इन एक्शन योजनाओं का एक मापदंड भी स्थापित किया जानना चाहिए, ताकि यह निर्धारित किया जा सके कि लक्ष्य (उद्देश्य) की कितनी प्राप्ति हुई है। इससे विनियामक की कार्यक्षमता का आंकलन किया जा सकेगा।

कार्यक्षमता का आंकलन

कार्यक्षमता का आंकलन किसी भी विनियामक बॉडी के लिए एक ऐसा नेमवर्क है, जो उसके प्रोग्रेस को एक सही मायने में अभिव्यक्त करता है। इसके बगैर वास्तविक प्रोग्रेस हासिल नहीं की जा सकती है। हम हमेशा सोचते हैं कि यदि हम कुछ काम कर रहे हैं तो इसका फल हमें कहीं न कहीं मिल रहा है, परन्तु हर मामलों में ऐसा नहीं होता है।

हमें अपनी सफलताओं एवं असफलताओं को एक अनुशासनात्मक तरीके से मापना होगा तथा हम भविष्य में अपनी सफलता के ग्राफ को बढ़ा सकते हैं। इसके लिए उत्तरदायित्व की मात्रा में वृद्धि करनी होगी, ताकि आम जनता का विनियामक संस्था में विश्वास कायम हो सके और वे ये समझ सकें कि विनियामक संस्थाएं बौद्धिक रूप से अपने कार्यों को आंजाम दे रही है।

साथ ही लगातार रिफॉर्म की भी आवश्यकता है ताकि यह सिद्ध किया जा सके कि बीमा विनियमन सिस्टम आधुनिक एवं तेजी से विकसित हो रहे बाजार के प्रति उत्तरदायी है। विकास का अर्थ उद्योग में समाज की आधुनिक प्रेक्टिस को शामिल करना है, अतः विनियामक संस्था को स्थायित्व से अधिक बदलाव पर ध्यान देना है।

यदि हम अपने उद्देश्यों को अपने दिमाग में रखें, तो हम उन उद्देश्यों की पूर्ति करने में आवश्यक रूप से सक्षम होंगे।

लेखक आईआरडीए में उपनिदेशक हैं तथा उपरोक्त विचार उनके स्वयं के हैं।

कहाँ बोएं और कहाँ से पाएं

-बीमा कंप-नियों के लिए निवेश विकल्प

बदलते हुए बिजनेस वातावरण में जहाँ रिटर्न काफी असंभावित है, बीमा कंपनियों को निवेश करते समय विभिन्न निवेश विकल्पों पर विचार करना चाहिए - **डी. रविशंकर**

परिचय अंश1: यह सत्य है कि कई बीमा कंपनियों ने अपने निवेश में विविधता लाई है तथा कई विकल्पों को साथ रखे हुए है। पर अन्य अवसरों के लिए उनकी माँग आज भी जारी है, जैसे अंतर्राष्ट्रीय एवं संपत्ति निवेश के लिए।

परिचय अंश2: एक विनियामक की भूमिका केवल बीमा कंपनियों को पूँजी पर्याप्तता के आधार पर सचेत करना है तथा उसे विभिन्न संपत्ति क्लास की सीमा निर्धारण करने से दूर रहना चाहिए।

पिछले पाँच वर्षों में बीमा उद्योग ने संचालन वातावरण में काफी बदलाव देखे हैं। कई कंपनियां इस क्षेत्र में आई है तथा प्रतियोगिता भी बढ़ी है। क्योंकि बाजार बड़ा है एवं इसका निरंतर विकास हो रहा है, बीमाकर्ता के पास इसे पूरा करने के लिए पर्याप्त धन होना चाहिए।

सन् 1993 में आरबीआई के गवर्नर एवं पूर्व वित्त सचिव श्री आर.एन.मल्होत्रा की अध्यक्षता में मल्होत्रा कमेटी का गठन किया गया जिसका कार्य राष्ट्र में बीमा उद्योग के भविष्य के लिए दिशा-निर्देश तय करना था। सन् 1994 में कमेटी ने अपनी रिपोर्ट सौंपी और निम्न सुझाव दिए:

1. बीमा कंपनियों की संरचना
2. स्वस्थ प्रतियोगिता के लिए निजी कंपनियों का प्रवेश
3. बीमा कंपनियों के विनियमन के लिए एक पृथक विनियामक संस्था की स्थापना
4. जीवन बीमा कंपनियों के लिए अनिवार्य 75 प्रतिशत निवेश को घटाकर 50 प्रतिशत कर देना तथा जनरल बीमा कंपनियां एवं इसकी सहयोगी कंपनियां किसी भी एक कंपनी में 5 प्रतिशत से अधिक न रखें।
5. ग्राहक सेवा बेहतर बनाने के लिए नवीनतम तकनीकी

सन् 1994 से क्या राष्ट्र ने बीमा कंपनियों द्वारा किए गए निवेश के वातावरण में बदलाव देखा है?

पिछले वर्षों में हमने बीमा वातावरण में कई परिवर्तन देखे हैं, जैसे:

1. आईआरडीए का गठन, जो बीमा उद्योग के विनियमन के लिए किया गया है।
2. निजी बीमा कंपनियों का प्रवेश - 12 जीवन बीमा के क्षेत्र में एवं 8 गैर जीवन बीमा के क्षेत्र में।
3. आईआरडीए निवेश मार्गदर्शिका का नया सेट (वर्ष 2000 एवं 2004 में)

4. निजी बीमा कंपनियों को सरकारी क्षेत्र की बीमा कंपनियों से कड़ा मुकाबला करना पड़ रहा है। कुल प्रीमियम में सरकारी क्षेत्र की बीमा कंपनियों का प्रतिशत 90 है।
5. कंपनियां म्यूचुअल फंड में निवेश कर सकती है एवं निवेश में विभिन्नता ला सकती है। परन्तु अंतर्राष्ट्रीय एवं संपत्ति निवेश के अवसरों की माँग अभी भी बीमा कंपनियों द्वारा की जा रही है।

बीमा कंपनियों में निवेश प्रबंधक को इस बदलते हुए परिदृश्य के अनुसार निम्न बातों को अमल में लाना चाहिए:

1. एसेट एलोकेशन को पुनः डिजाइन करें।
2. निवेश विकल्प में बढ़ोतरी करें।
3. एएलएम मिसमेच पर सतर्क रहें।

एसेट मिक्स को पुनः डिजाइन करना

-बिजनेस आवश्यकताओं के अनुसार निवेश हेतु विहियमन नॉर्मस पर फोकस की आवश्यकता है। उदाहरण के लिए, जीवन बीमा कंपनियों को पॉलिसी अवधि एवं 5-25 वर्षों के कमिटमेंट को आधार बनाकर निवेश करना चाहिए जबकि गैर जीवन बीमा कंपनियों को छोटे अंतराल के लिए क्योंकि वे एक वर्ष के लिए पॉलिसी लेते हैं।

जब भी लंबी अवधि के लिए निवेश करना है तो एसेट एलोकेशन सिद्धांत को ध्यान में रखना आवश्यक है। एसेट एलोकेशन को विभिन्न मेजर एसेट वर्ग के पोर्टफोलियो के एलोकेशन के रूप में परिभाषित किया गया है। हालांकि एसेट एलोकेशन में एक सक्रिय तत्व शामिल है, जो पोर्टफोलियो प्रबंधकों को ऊपर परिभाषित किए गए निष्क्रिय सम्मिश्रण से विचलित करता है और वह है बाजार समय। बाजार के इतिहास को पुनः देखें तो स्टॉक सेलेक्टर्स काफी सफल हुए हैं और यह नहीं कहा जा सकता कि बाजार समय का पालन करने वाले जो सफल हुए हैं वे भाग्य के कारण हुए हैं या किन्ही और कारणों से।

एसेट एलोकेशन एवं आर्थिक चक्र

चार प्रमुख एसेट वर्ग में एसेट एलोकेशन आर्थिक चक्र के अनुसार होता है:

चरण1: जब आर्थिक विकास धीमा है एवं मुद्रास्फीति गिर रही है, तब बॉन्ड सर्वोत्तम एसेट क्लास है।

चरण2: जब अर्थव्यवस्था में सुधार होता है, स्टॉक बेहतरीन करता है। स्पेयर क्षमता मुद्रास्फीति को काबू में रखती है तथा केन्द्रीय बैंक सामने नहीं आते हैं।

चरण3: जब अर्थव्यवस्था का मजबूत विकास होता है तो एक निगेटिव आउटपुट गेप आता है। मुद्रास्फीति दबाव के कारण केन्द्रीय बैंक दर बढ़ाते हैं।

चरण4: स्टैगफ्लेशन के समय नगद एवं मुद्रास्फीति प्रोटेक्ट बॉन्ड्स बेहतरीन हैं।

निवेश विकल्पों में वृद्धि

यदि लंबी अवधि के निवेश के लिए इक्विटी एक आकर्षक विकल्प है, तो निवेश प्रबंधक इक्विटी में निवेश को क्यों नहीं बढ़ाते हैं? क्या निवेश प्रबंधक अन्य विकल्पों की तलाश कर रहे हैं?

जीवन बीमा कंपनियां अपने उत्तरदायित्वों को संरक्षित करने के लिए निवेश का रास्ता चुनती है जो उनके द्वारा लिखी गई पॉलिसी में उल्लिखित होता है। जितनी प्रकार की पॉलिसीज है, उतने ही प्रकार के उद्देश्य भी हैं। पारंपरिक रूप से व्यक्तिगत रूप से दो प्रकार की पॉलिसी ही दी जाती है: होल लाइफ एवं टर्म्।

गैर जीवन बीमा कंपनियों के पास निवेश के लिए पर्याप्त पूँजी होती है, क्योंकि वे प्रीमियम लेने के बाद ही क्लेम देते हैं। इस प्रकार उनके साथ रिस्क फैक्टर कम रहता है।

क) लंबी अवधि के निवेश के लिए इक्विटी महत्वपूर्ण है: सभी एसेट क्लास में मुद्रास्फीति को एडजस्ट करने के बाद इक्विटी को छोड़कर सभी में ऋणात्मक या अप्रत्याशित रिटर्न आता है।

ख) एक नए रिस्क गैर एसेट की पहचान: पिछले वर्षों में ब्याज दर में काफी गिरावट आई है जो वित्तीय क्षेत्र में सुधार प्रक्रिया के कारण हुआ है। इसे हम निम्न ग्राफ के माध्यम से देख सकते हैं:

एएलएम कन्सेप्ट को विकसित करना

एएलएम कन्सेप्ट का विकास करना एवं उत्तरदायित्व मिक्स प्राप्त करने के लिए एसेट मिक्स को पुनः परिभाषित करना इस दिशा में अगला कदम है।

पीरियोडिक आधार हप बीमाकर्ता के एसेट एवं उत्तरदायित्वों के बीच अंतर्संबंधों पर अध्ययन किया जाना चाहिए। इसमें निम्न तत्व: 1) एसेट के श्रोत 2) नकद माँग एवं उत्तरदायित्व 3) बड़ी संविदात्मक मेच्यूरिटी 4) अंडरराइटिंग संचालन नकद प्रवाह, शामिल होने चाहिए।

गरीबों के लिए भी हो स्वास्थ्य बीमा

पी.सी. जेम्स

(अंतिम भाग)

सामान्य वार्ड में ही भर्ती होना।

बिस्तर प्रकार का निर्धारित शुल्क तक सीमित।
जैसा कि बेड प्रकार अन्य अस्पतालों को मानक आधार मानकर तय किया जाता है। अन्य सीमाएं भी तय की जा सकती हैं -

सामान्य हवालों का ही इस्तेमाल।

नामित डॉक्टर से ही इलाज।

स्थानीय अस्पताल में ही इलाज की छूट और अन्य अस्पतालों में इलाज डॉक्टर के रिफर करने के बाद ही।

तमाम सामान्य इलाज पर उप-सीमाएं तय करना।

इन सब बातों को ध्यान में रखकर एक स्वास्थ्य बीमा को आम आदमी के पहुंच में लाया जा सकता है और गरीबों को स्वास्थ्य बीमा लाभ के दायरे में लाया जा सकता है। बीमा कंपनियों को घाटा न हो इसके लिये मानदंड तय किये जा सकते हैं। बाह्य रोगी के मामले में खर्च नियंत्रित किये जाने को प्रोत्साहित किया जा सकता है, क्योंकि विभिन्न लाभ प्राप्त किया जा सकता है। रोग निरोधक इलाज आरंभ में ही कराया जा सकता है। इसके बाद में रोग गंभीर होने से भारी खर्च से बचा जा सकता है। उपभोक्ता भी संपूर्ण चिकित्सा प्राप्त कर सकता है। यदि समय से बाह्य मरीज का इलाज किया जा सका तो उसकी कमाई की क्षति से भी बचा जा सकेगा। बाह्य रोगी की चिकित्सा स्थानीय चिकित्सक द्वारा उपलब्ध कराए जा सकने की स्थिति में ही की जा सकेगी। इस तरह यदि 20 हजार लोगों के एक समुदाय में डॉक्टर की पहुंच है तो डॉक्टर को 5000 रुपये प्रति माह दिया जा सकता है और प्राथमिक जोखिम प्रीमियम प्रति व्यक्ति 30 रुपये वार्षिक किया जाना चाहिये।

इस लघु प्रीमियम से लाभ प्रबंधन किया जा सकता है, लेकिन आवश्यकतानुसार बीमारी का इलाज किया जाए। इससे डॉक्टर को यह सुनिश्चित के लिये अभिप्रेरित किया जा सकता है कि इलाज जितनी जल्दी संभव है, उतनी जल्द किया जाए। डॉक्टर को अस्पताल को रिफर करने का भी अधिकार दिया जा सकेगा।

स्वास्थ्य बीमा को लाभदायी बनाने की गारंटी

स्वास्थ्य बीमा एक आवश्यक उत्पाद है। इससे तत्काल चिकित्सा का आश्वासन दिया जा सकेगा। यह इस क्षेत्र में अनेक बीमाकर्ता कंपनियों की

सक्रियता से प्राप्त किया जा सकेगा -

1. सरकारी अस्पतालों में चिकित्सा का आधुनिकीकरण किया जा सकता है।
2. उपभोक्ता प्रभार बीमाकर्ता वहन करेगा। इसे रोज-रोज की प्रशासनिक व्यवस्था से सुनिश्चित किया जा सकता है।
3. निजी व लाभकारी अस्पताल में गरीबों के लिये अलग से प्रबंध करने की आवश्यकता प्रभार को पारदर्शी बनाया जाए।
4. जहां समुदाय के लिये सस्ती चिकित्सा सुविधा नहीं है, वहां भविष्य में नगद भुगतान से चिकित्सा सुनिश्चित की जा सकती है।
5. समुचित वेतन पर समुदाय के लिये डॉक्टर की नियुक्ति की जा सकती है।
6. ग्रामीण क्षेत्रों में टीपीए अपनी सेवाएं प्रदान करे।
7. बीमाकर्ता स्वास्थ्य बीमा का स्वरूप निर्धारित कर सकता है। यह समयाधारित लाभकारी बीमा के रूप में हो सकता है।
8. सभी सेवाएं एवं भुगतान विभिन्न प्रदाताओं की सहमति से किया जाए, ताकि बीमित को संकटमुक्त, गैर नगदी पर सेवाएं प्रदान की जा सकें।

योजना का संचालन

1. इच्छुक अस्पताल, नर्सिंग होम एवं सरकारी अस्पतालों को इस सेवा से जोड़ा जा सकता है।
2. समुचित प्रशिक्षण योजना शुरू की जा सकती है, जिससे स्वास्थ्य बीमा के लाभ एवं प्रक्रिया से सजगता को प्रोत्साहित करने में मदद मिलेगी।
3. मध्यस्थ की भूमिका तय की जा सकती है। बीमा इतना सरल विषय नहीं है, खास तौर से उसे समझने एवं उपयोग करने के मामले में। बीमा के शुरुआत से ही इस क्षेत्र में मध्यस्थ की भूमिका रही है। पारंपरिक एजेंट के हिस्से के तौर पर पंचायतों, सहकारिता, गैर सरकारी संगठनों, एसएचजी एवं अन्य ग्रामीण संस्थानों को मध्यस्थ बनाया जा सकता है। बाजारोन्मुख एवं योजना को संचालित करने की आवश्यकता है। इसके प्रशासन को सुगम व सरल बनाने की आवश्यकता है।
4. इस क्षेत्र में विचार निर्धारक नेताओं की भी आवश्यकता होगी, जो गैर-सरकारी संगठनों, चिकित्सा सामाजिक कार्यकर्ताओं को स्वास्थ्य सुविधाओं से जोड़ा जाएगा। इसमें

आंगनवाड़ी कार्यकर्ता ग्राम विकास समितियों को प्रोत्साहित करेगा।

5. बीमा प्रक्रिया एवं स्वीकृति का ध्यानपूर्वक अध्जन कर दोषमुक्त एवं शुद्ध रूपरेखा बनाकर योजना की निरंतरता एवं सफलता सुनिश्चित की जाए।
6. उत्पाद व बीमा को स्थानीय आवश्यकता के आधार पर स्वीकार किया जाए। सभी योजनाएं अच्छी होती हैं, फिर भी उन्हें निष्क्रिय पाया जा सकता है, ऐसे माहौल में जहां के लिये वे उपयुक्त नहीं होंगी। एक विशाल देश के लिये इस पर ध्यान देना और भी जरूरी है, जो विविधता भरा है।
7. पर्याप्त फ्रीडबैक एवं सीखने की प्रक्रिया तैयार करना : योजना का निरंतर संचालन एवं आवधिक मूल्यांकन खासतौर से फ्रीडबैक जो उपभोक्ता से प्राप्त होगा, सेवा को सफल बनाने में सहायक होगा। सहयोग व समन्वय की कमी, अधिक लागत एवं वास्तविक जरूरतमंदों के योजना से बाहर होने पर योजना विफल हो सकती है। निरंतर बेहतरी के लिये सदैव अध्जन एवं निश्चित लक्ष्य समूह की पकड़ से निरंतर सुधार होता है। अध्जन से प्राप्त लाभ को योजना की निरंतरता के लिये उसे लागू करना जरूरी है।

उपसंहार

पूरे देश में गरीबों के लिये कई बीमा योजनाएं शुरू की गयीं और उसके बारे में काफ़ी अनुभव प्राप्त हो चुका है। खाद्य सुरक्षा के साथ आज स्वास्थ्य सुरक्षा की अत्यधिक आवश्यकता है और अब समय आ गया है कि अधिकांश आबादी को बीमा योजनाओं से जोड़ा जाए। इसमें सरकारी, गैर सरकारी संगठनों की सक्रिय भागीदारी के साथ उपलब्ध ढांचों के सहयोग से अधिकांश आबादी को बीमा योजनाओं के दायरे में लाया जाना चाहिये। गरीबों को अधिकतम लाभ दिलाने की कुशलता पर ही योजना की सफलता निर्भर है। इस क्षेत्र में चुनौतियां बहुत हैं, लेकिन यदि सभी संस्थाओं को इसके लिये सहमत किया जा सके तो स्वास्थ्य सुरक्षा योजना को सभी के पहुंच में लाया जा सकता है और सभी को इसके दायरे में लिया जा सकता है। इससे सभी को स्वास्थ्य सुरक्षा सुनिश्चित की जा सकती है।

*लेखक राष्ट्रीय बीमा कंपनी लि. के प्रबंधक हैं।
यहाँ व्यक्त विचार उनके अपने हैं।*

बीमा और उसका स्वरूप

एच. एम. जैन

यह लेख जर्नल में पहले भी प्रकाशित हो चुका है। क्योंकि यह अंक ऐजेंट विशेष है इसलिए इसे दुबारा प्रकाशित किया जा रहा है।

बीमा व्यवसाय सम्पत्ति या जीवन के आर्थिक संरक्षण से सम्बन्धित है। हर सम्पत्ति का चाहे वह मूर्त हो अथवा अदृश्य एक मूल्य होता है। इस सम्पत्ति का सृजन और संचय व्यक्ति के अपने श्रम से होता है। यह प्रक्रिया व्यक्ति की सारी संभावित जीवन अवधि तक चलती है। पर ऐसे अनेक जोखिम हो सकते हैं, बीमारी या मृत्यु भी। बीमा इन सभी संभावित आपदाओं के विपरीत परिणामों से जूझने का एक माध्यम भी है और एक अस्त्र भी इस तरह बीमा का उद्देश्य या आवश्यकताओं में मृत्यु और वृद्धावस्था के जोखिम के अलावा उसकी सम्पत्ति के मूर्त रूप जैसे, मकान, कार, गोदाम, कारखाने, माल का आयात, निर्यात या आधुनिक व्यवसाय के जटिल रूपों में हानि की, आग, बाढ़ भूकम्प आदि के खतरे भी होते हैं। इन दोनों प्रकारों के जोखिम से निपटने के लिये जीवन बीमा सम्भावना, जो हों भी सकती है और नहीं भी सकती है और नहीं भी। इस अनिश्चितता से जूझने के लिये बीमा आवश्यक और प्रासंगिक बन जाता है। किसी भी समान समूह के समान खतरे होते हैं इसलिये किसी भी समुदाय या वर्ग के एक से जोखिमों के लिये हानि की स्थिति में भरपाई करने के लिये बीमा संस्थान प्रीमियम के रूप में किशते लेते हैं। यह हानि में हिस्सेदारी की अवधारणा पर होता है।

इस प्रकार हम कह सकते हैं कि समाज में वे लोग जो एक समान प्रकार के जोखिम का सामना करते हैं यदि उनके समूह के किसी भी सदस्य को इस जोखिम की वजह से कोई हानि होती है उसकी हानि की पूर्ति वे सब मिलकर करेंगे। सब प्रकार के जोखिमों की पहचान की जा सकती है और उन समूहों को विभाजित कर श्रेणीबद्ध किया जा सकता है। उनसे अधिक या कम योगदान लेकर भागीदार बनाया जा सकता है, जिससे एक व्यक्ति के जोखिम को पूरे समूह में बाँटा जा सके। इस प्रकार भिन्न भिन्न रूप में बीमा का यह कार्य है कि जिन लोगों को इस प्रकार के संकटों के लिये भिन्न भिन्न समूहों

से मिलकर हानि की पूर्ति करें। यह जोखिम का एक समूह के रूप में वहन है। यही बीमे का मूल सिद्धान्त है कि हानि का बँटवारा कर अनिश्चितता का निश्चितता में रूपान्तरण किया जाये जो हानि की भागीदारी है।

यदि जोखिम समय से पूर्व मृत्यु से सम्बन्धित है तो उससे होने वाली आर्थिक हानि की पूर्ति जीवन बीमा से होती है। यदि आर्थिक हानि शारिरिक अपंगता से होती है तो उसकी क्षतिपूर्ति स्वास्थ्य बीमा से होती है। सामाजिक रूप से स्वास्थ्य बीमा ऐसी प्रणाली है जिसमें समाज के लोगों के अंशदान से कोष बनता है जिसमें अनिश्चित हानियों की पूर्ति करने के काम में लाया जाता है जो असमय मृत्यु या अपंगता से होती है। इस प्रकार यह व्यक्तियों द्वारा सब पर समान रूप से उपस्थित जोखिम अथवा संकट को मिलकर अंशदान करके किसी के एक अथवा अधिक पर आने वाली उसकी आर्थिक हानि की पूर्ति करना है।

संविदा या अनुबन्ध

व्यक्तिगत रूप से जीवन बीमा अथवा स्वास्थ्य बीमा एक प्रकार का संविदा या अनुबन्ध है जिसमें एक पक्ष बीमाधारी को बीमाकर्ता द्वारा उसे अथवा उसके द्वारा नामित व्यक्ति को एक निश्चित धन उसकी मृत्यु, अपंगता अथवा कोई अन्य विशेष अनुबन्धित घटना घटित होने पर देगा और बीमाधारी इस दायित्व को वहन करने को लिये बीमाकर्ता को प्रतिफल के रूप में एक विशेष धनराशि जिसे प्रीमियम कहा जाता है, देगा। प्रत्येक बीमा करने वाला संस्थान जैसे निगम, कम्पनी, न्यास अथवा सहकारी सोसाइटी हानि को वितरित करने का कार्य करते हैं।

अधिक संख्या के सिद्धान्त का उपयोग कर इस प्रकार बीमा की अवधारणा हानि को लाखों लोगों में बाँट देती है और इसलिये जब यह हानि प्रत्येक व्यक्ति के भागों में आती है तो वह नगण्य बन जाती है। जुआ लगने वाला यह हिस्सा एक सुव्यवस्थित व्यापार बन जाता है। इस व्यापार में निहित मूल सिद्धान्त यह है कि यदि हम भिन्न भिन्न श्रेणियों के संकटों को एक समूह में बाँट देंगे जिनमें बहुत संख्या में लोग सम्मिलित हों तो हानि की अनिश्चितता समूह में

बाँट देंगे जिनमें बहुत संख्या में लोग सम्मिलित हो तो हानि की अनिश्चितता समूह की संख्या की वृद्धि के साथ साथ घटती चली जायेगी। जैसे दस लाख व्यक्तियों में एक लाख रुपये की हानि बाँटी जाये तो वह एक पैसा प्रति व्यक्ति होगी जो नगण्य राशि है।

दूसरी ओर एक व्यक्ति दूसरे व्यक्ति का स्वयं अकेला ही बीमा करता है तो यह जुआ होगा क्योंकि प्रथम व्यक्ति की मृत्यु होने पर दूसरे व्यक्ति को अकेले ही धन का भुगतान करना होगा। इसी भाँति यह एक व्यक्ति का जोखिम कई बीमाकर्ताओं में बाँट दिया जाये तो भी प्रत्येक बीमाकर्ता के दायित्व में कमी आ जायेगी। इसी सिद्धान्त पर पुनर्बीमा-रिइन्शोरेंस का सिद्धान्त आधारित है।

दूसरी बात इस सम्बन्ध में समझने की है कि बीमाकर्ता के पास पिछले वर्षों के मृत्यु के आंकड़े उपलब्ध होने पर और विशेष आयु वर्ग के अनुसार उनका शोध और विश्लेषण करने के पश्चात् भविष्य में होने वाली मृत्यु संख्या की भविष्यवाणी भी की जा सकती है।

इसलिए कोई बीमाकर्ता यदि अपने बीमा कराने वालों में इतनी अधिक वृद्धि कर ले तो औसत के नियम को लागू करने पर मृत्यु से होने वाली बीमाराशि सम्बन्धी अनिश्चितता लगभग हो जाती है। कहा जाता है कि मृत्यु से अधिक अनिश्चित संसार में और कुछ नहीं है और जीवन बीमा से अधिक निश्चित और कुछ नहीं है।

बीमा उत्पादों की संरचना

मूलभूत रूप से तमाम प्रकार के बीमा की रचना एक ही प्रकार की होती है क्योंकि उनमें विभिन्न प्रकार के जोखिमों को समूह के रूप में सम्मिलित कर उनका संचालन किया जाता है लेकिन भिन्न - भिन्न जोखिमों का बीमा होने के कारण उनकी प्रकृति भिन्न - भिन्न होती है। इसी सम्बन्ध में जीवन बीमा और अन्य प्रकार के बीमा में मुख्य अन्तर यह है कि अन्य प्रकार का बीमा करने पर बीमित की जाने वाली सम्भाव्य घटना घट भी करता है और नहीं भी घट सकती और अधिकतर यह सम्भाव्य

घटना घटती ही नहीं। लेकिन जीवन बीमा जिस सम्भाव्य घटना अर्थात् मृत्यु हो सकती है एक वर्ष-दो वर्षों तक कई वर्षों में न घटे। लेकिन समय के बीतने के साथ-साथ उसके घटने की सम्भावना बढ़ती ही जाती है और एक दिन निश्चित रूप से घटित हो जाती है क्योंकि जो प्राणी जन्मता है उसकी मृत्यु निश्चित है। इसलिए जीवन बीमा में लम्बी अवधि कर जोखिम लेनी पड़ती है और आजीवन बीमा में पूरे जीवन भर यह जोखिम रहती है। इसके लिए जीवन बीमा में उचित कोष की व्यवस्था आवश्यक है जिससे उन दावों का भुगतान किया जा सके जो किसी एक वर्ष में निश्चित रूप से देय होंगे।

स्वास्थ्य बीमा यदि वह एक वर्ष की अवधि के लिए कराया जाये तो प्रत्येक बीमाधारी बीमारी के कारण अपंग नहीं होता और मृत्यु की भांति इसमें निश्चितता नहीं है परन्तु यही स्वास्थ्य बीमा निरंतर चलता रहे और लम्बी अवधि के लिए किया गया हो तो इसमें भी जोखिम की निरंतर वृद्धि होती जाती है और इसके लिए भी एक कोष एकत्रित करना आवश्यक हो जाता है जिससे आयु बढ़ने के साथ-साथ उनमें होने वाले दावों का भुगतान किया जा सके।

विविध प्रकार

जीवन बीमा और स्वास्थ्य बीमा के लिए बीमाकर्ता संस्थान को कोष की स्थापना हेतु कई महत्वपूर्ण बातों को ध्यान में रखना होगा जो जीवन कराते समय एक ही आयु के नहीं होते क्योंकि छोटी आयु वाले लम्बी अवधि तक जीवित रहेंगे और बड़ी आयु वाले छोटी अवधि तक जीवित रहेंगे। इसलिए ज्यों-ज्यों आयु बढ़ती जाती है उसी के अनुसार बीमा कराने के लिए प्रीमियम दर भी बढ़ती जाती है और यदि प्रतिवर्ष नया बीमा कराया जाये तो एक वर्ष के लिए ही करना हो तो प्रतिवर्ष उसी व्यक्ति से अधिक प्रीमियम राशि ली जायेगी। स्वास्थ्य बीमा के सम्बन्ध में भी यह सच है कि आयु बढ़ने के साथ बीमा होने का अंतराल घटता जाता है और एक बार बीमा होने पर उसके पश्चात् ठीक होने में भी लम्बा समय लगता है तथा रोग से अक्षता की अवधि में वृद्धि होती जाती है। इसी लिए कई प्रकार की पॉलिसियाँ जीवन बीमा और स्वास्थ्य बीमा में होती हैं। जैसे किसी पॉलिसी में तो जीवन भर

प्रीमियम देना पड़ता है और बीमाधन मृत्यु पर देय होता है। किसी पॉलिसी में निश्चित वर्षों के लिए बीमा

किया जाता है। और यदि मृत्यु नहीं हुई तो अवधि समाप्त होने पर बीमाधन लौटाना होता है। इन सावधिक बीमा में भी कई विशेष पॉलिसियाँ होती हैं जैसे बीच-बीच में धन मिलने वाली पॉलिसी, थोड़ी अवधि की पॉलिसी, दुगुना जोखिम लेने वाली पॉलिसी, बीमा में कई प्रकार का बीमा होता है कुछ में केवल चुने हुए कुछ रोगों के उपचार हेतु दावा स्वीकार करने का प्रावधान है कुछ अधिक विस्तृत होती है। कुछ में सब प्रकार के रोग तथा अस्पताल में बिना भरती हुए घर पर ही चिकित्सा कराने पर सब को आधार बनाकर किया जाता है। इस विधि से प्रीमियम लेने में लाभ यह है। कि इसमें प्रति वर्ष परिवर्तन नहीं किया जाता, समान रूप से सदा रहने के कारण बीमाधारी को भी सुविधाजनक होता है और बीमाधारी इसको देने के लिये मनोवैज्ञानिक रूप से आदत डाल देता है।

इस समान प्रीमियम लेने की विधि में प्रथम कुछ वर्षों में आगे आने वाले वर्षों का बढ़ने वाला प्रीमियम ले लिया जाता है जिससे बढ़ते वर्षों में बढ़ी जोखिम का भुगतान किया जा सके। प्रथम वर्षों में अधिक एकत्रित प्रीमियम राशि और उस पर मिलने वाला ब्याज उस आयु में प्रीमियम भुगतान में समायोजित कर लिया जाता है जब बहुत अधिक प्रीमियम लेना होता है। यह बीमाधारी का ही धन है और बीमाकर्ता संस्थान इसका न्यासी के रूप में संरक्षक है यह संचित कोष या पालिसी रिजर्व है। इस भांति एक रक्षित कोष का भविष्य में उत्पन्न दावों के भुगतान के लिए संचय करना किसी भी बीमा संस्थान के लिए सुदृढ़ आधार की रचना करता है और जीवन बीमा और स्वास्थ्य बीमा के लिए बीमाधारियों और अभिकर्ताओं में विश्वास पैदा करता है।

लेखक भारतीय जीवन बीमा अभिकर्ता महासंघ के अध्यक्ष हैं

Report Card: GENERAL

November growth at 22 %

G. V. Rao

Performance in November 2004

November 2004 has turned out to be yet another month of impressive growth for the non-life insurers. All of them, with the exception of Reliance, have shown growth in their monthly premiums. United India has reversed its loss trend of the previous three months and has shown a slight increase.

The overall premium accretion for the month for the market has been about Rs. 250 crore (up by 22 per cent). The share of the established players in it is about Rs. 125 crore (up by 13.9 per cent); that of the new players about Rs. 113 crore (up by 57 per cent); and ECGC about Rs. 12 crore (up by 34 per cent). The premium growth of the established

players is notable. Their November performance has improved their average growth rate (10 per cent) for the fiscal period. The new players have continued to keep up their growth momentum of 55 per cent well in control.

Established Players

National Insurance has bounced back in November with a resurgent growth of 26.4 per cent (up by Rs. 60 crore) followed by New India with a growth of 16.5 per cent (up by Rs. 42 crore). Oriental with an accretion of Rs. 24 crore has a growth rate of 12.4 per cent. United India that has been losing its renewal premium for the last three successive months has arrested this

trend in November by managing to show a slight increase of a few lakhs for the month. National and New India have driven the growth rate for the established players in November.

New Players

Among the new players, Bajaj Allianz has shown an accretion of Rs. 33 crore; IFFCO-Tokio Rs. 27 crore; ICICI Lombard Rs. 24 crore; Royal Sundaram Rs. 12 crore. Reliance has recorded a fall of Rs. 10 crore. Growth rate-wise, Chola mandalam has recorded the highest at 130 per cent for the month.

ECGC has recorded Rs. 11 crore (34 per cent growth) an impressive

GROSS DIRECT PREMIUM (within India) NOVEMBER, 2004

(Rs.in lakhs)

INSURER	PREMIUM 2004-05		PREMIUM 2003-04		MARKET SHARE UPTO NOV, 2004	GROWTH % YEAR ON YEAR
	FOR NOV '04	UPTO NOV '04	FOR NOV '03	UPTO NOV '03		
Royal Sundaram	3,038.00	21,170.00	1,772.00	16,672.00	1.75	26.98
Tata AIG	3,738.04	31,008.23	2,417.19	24,169.07	2.57	28.30
Reliance General	2,135.88	12,547.30	3,104.48	12,350.93	1.04	1.59
IFFCO-Tokio	5,635.13	31,910.29	2,890.25	21,698.44	2.64	47.06
ICICI Lombard	6,602.61	56,618.44	4,169.54	31,728.83	4.69	78.44
Bajaj Allianz	6,933.97	53,597.53	3,638.87	29,428.24	4.44	82.13
HDFC Chubb	1,573.02	11,335.55	1,266.54	6,008.77	0.94	88.65
Chola mandalam	1,620.13	11,875.00	733.78	5,961.17	0.98	99.21
New India	29,657.00	2,74,004.00	25,509.00	2,51,580.00	22.70	8.91
National	28,660.00	2,63,900.00	22,765.00	2,11,408.00	21.87	24.83
United India	22,454.00	2,01,428.00	22,376.00	2,10,091.00	16.69	-4.12
Oriental	21,798.76	2,04,798.44	19,429.69	1,87,635.24	16.97	9.15
ECGC	4,387.48	32,628.4	3,251.75	27,145.33	2.70	20.20
TOTAL	1,38,234.02	12,06,821.18	1,13,324.09	10,35,877.03	100.00	16.50

Note: Previous year data may have been revised by the insurers.

performance over its own record for the previous months.

Monthly Trend

The growth trends for November suggest that the established players led by National and New India have pushed up the performance of its sector. Bajaj, ICICI and IFFCO are among the new players that are spearheading the growth segment among them.

But it is arguable if this impressive growth has continued to come in mainly from the usual customer-driven segments like the Motor and Health insurance. Are the insurers doing enough to create greater risk awareness among the insured and the larger segment of the uninsured public to buy insurance covers that they need but currently are not either buying or buying adequately?

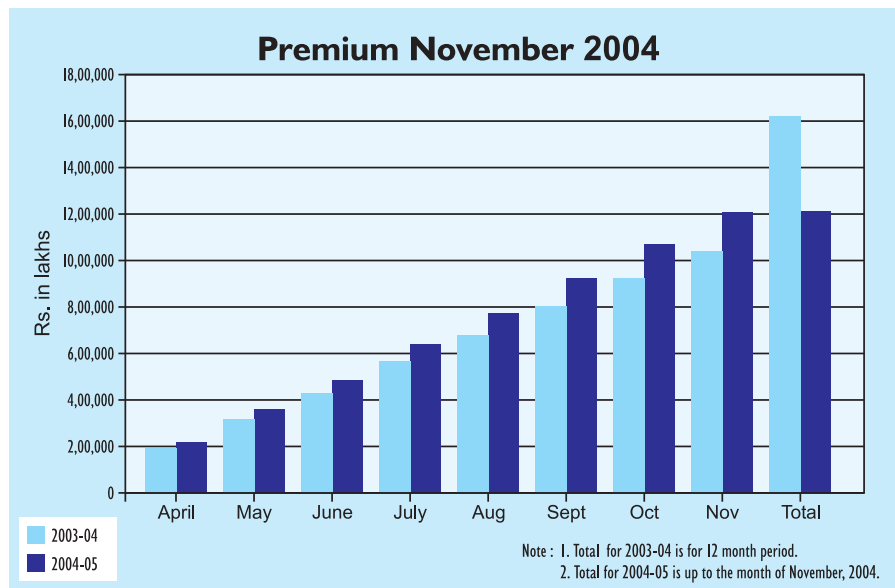
The recent reports from abroad suggest that the insured losses, due to the recent tsunami that hit India, are but a very small percentage of the total economic loss the nation has suffered, in terms of persons and property. This highlights that insurance as an instrument of financial security is yet to hit the consciousness of the economically needy.

Performance up to November 2004

The performance up to November 2004 of the non-life insurers has been very impressive with a growth rate of 16.5 per cent (Rs. 1,710 crore increase), with the new players recording an accretion of Rs. 820 crore (55 per cent growth), the four established players Rs. 835 crore (10 per cent growth) and ECGC Rs. 55 crore (20 per cent growth). In this context their performance in November is an improvement that has pushed up their averages.

Established Players

National with an accretion of Rs. 525 crore (24.8 per cent) and New India with Rs. 225 crore (8.8 per cent) together have contributed Rs. 750 crore of the Rs. 889 crore; Oriental with Rs. 172 crore (9.1 per cent) makes up the balance with United India showing a fall of Rs. 86 crore (four per cent). National has shown that in terms of premium accretion it is as yet unmatched. It is behind New India by Rs. 100 crores



New Players

The race for the top position among the new players is confined to ICICI and Bajaj; a small difference of Rs. 30 crore separates the two. The third ranked IFFCO is Rs. 216 crore behind Bajaj. Tata AIG is closely behind IFFCO by Rs. nine crore in its overall premium. The market share of the new players is an impressive 19 per cent.

ECGC

ECGC with an accretion of Rs. 55 crore has a growth rate of 20 per cent. Despite fierce competition from a couple of private players it has done well.

Future Trends

With the change in the stewardship in three of the four established players, soon to be put in place, how will their premium growth strategies change? Will the market see a new emphasis on customer service, cost reduction, restructuring and stimulation of distribution channels? Will they be value-driven?

The staff voluntary retirement scheme of the established players does not seem to have had an impact on their growth rates: though other parameters like service and corporate account retentions may have taken a slight hit. But the market does seem to be in a

bullish mood towards a relentless growth, aided presumably by the auto and health insurance segments that are mainly customer-driven. What market opportunities should insurers now look to?

Will the tsunami-inflicted miseries, on the property and persons living in the coastal areas of the Southern India, still fresh in mind, provoke insurers to launch an intensive campaign of risk awareness as an opportunity to bring the uninsured public into their insurance net? Will they also specially target, with speedy settlement of flood claims, to inspire confidence among the insured that has bought flood covers? Or will it lead to interpretative wrangling on the terms used in the covers? Tsunami is an unusually new experience to India and insurers' approach towards claims will set new precedents for the market.

The future growth in business will depend on answers to the above opportunity trends and a lot more. At this point, insurers have good reasons to be satisfied with the premium growth trends and their performances: at least for now.

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

Dear Editor

Making Motor Profitable

The mess in the general insurance industry pertaining to the Motor portfolio can be sorted out as follows:

There are at present four public sector general insurance companies and eight private sector companies. There is a clear instruction from IRDA to all these 12 companies that

"No insurer can deny third party liability cover when sought for by an insured."

Despite this circular, private sector insurers continue to disregard accepting TP risks citing some reasons and making customers approach public sector insurers for such cover.

To change the situation and to make even the private insurers to underwrite TP risks, I would like to suggest the following:

When a Motor proposal is underwritten by any company, that company will retain the premium share other than that for basic TP. Of the TP basic premium the company will retain 10 per cent its administrative expenses. The balance TP basic premium, less the proportionate commission paid under the policy, will be shared equally among the 12 general insurers including the primary insurer.

In the event of a TP claim, the company will settle the claim in full and recover the proportionate liability from the other insurers.

By this method, the TP claim ratio of public sector companies will come down drastically and IRDA's directions to insurers will be complied with. Once all insurers have to accept a share, there will be competition among them even for Motor business and the agents will certainly stand to gain because, once there is competition, all insurers will start offering 15 per cent agency commission, the maximum permitted by IRDA, particularly to get the 10 per cent administrative expenses on the policy, which will be a gain for the insurance company. See table for an illustration of the concept.

From the table, we can see that the underwriting company will retain completely the other than TP - Basic portion and apportion the TP - Basic as follows

taking into account five per cent agency commission paid for this business.

Ten per cent TP Basic Premium amounting to Rs.16.00 will be retained. Of the balance of Rs.144, a five per cent commission amounting Rupees eight is deducted. The net balance of Rs.136 has to be divided into 12 parts, viz., Rs.11.34.

The underwriting company will retain one share and transfer to the credit of other companies their rateable proportion on the lines of book adjustment as practised in clearing houses to clear cheques among banks. Claim settlement can also be done in the same way.

Actual transfer of funds to the credit of respective companies can be made on a weekly basis by them. This can be done by opening offices in the four metropolitan centres, the cost of establishment being met by all these 12 companies equally, just as the metro offices of the Tariff Advisory Committee(TAC) is by the four public sector general insurance companies.

The same formula should be applied for other classes of vehicles. In the process there will be a magic effect which will be more beneficial to agents and certainly will benefit the insurance companies, the general public and the agents.

(in Rs.)

Premium Computation - OD + TP for two wheeler	
Sum insured	10,000
Premium	
Basic @ 1.708%	171
Third Party	160
PA to owner (Compulsory)	50
Total	381
(+) 8% Service Tax	30
Grand Total	411

Our Association would like to recommend this formula to the IRDA, and particularly the four public sector insurers, I am sure they will appreciate and make it a reality since they, at present, are unable to manage the high incidence of TP losses which is eating away their profit.

If you need further details and modalities, I will help in presenting the formula in a more acceptable manner.

I wish the IRDA Journal all success.

Ranipet.S.Theyagarajan
President

General Insurance Agents Welfare
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Phone:-04172-274222,
Mobile: 94433-09800

To Grow Micro Insurance

IRDA Journal gives good information and feedback for agents. Every month we get up to date information about the insurance sector. We expect the same cooperation in future also.

In a recent Journal (September 2004), I read about the regulations for development of microinsurance. The main objective of this is to help the poorest among the poor in this society, and hence the points of sale of these products should be ration shops. Through these outlets we can sell our products very easily since they supply

food grains and essential commodities to the poor. Those who man these outlets can easily make their customers understand the scheme and collect premium amounts.

To supervise the ration shop employees we have to appoint very active, hard working agents. We have to also collect premiums in two or three instalments since the poor cannot pay the full amount at once.

K. Madhusudhana Rao
Insurance Agent
Madanapalli, A.P.

Life Insurance Firms May See Tax Rate Cut

The Finance Ministry may reduce the income tax rate for life insurance companies by at least three per cent from the current 12.5 per cent in the forthcoming Budget, it has been reported. The move is aimed at boosting the players' profitability and enhancing their capability to provide value-added products.

The nation's key industry chambers are set to push the proposal to cut the tax rate for life insurance companies during their meeting with Mr. P. Chidambaram, Finance Minister, during the first week of January.

The tax rate of 12.5 per cent for insurance companies was fixed when the corporate tax was at 55 per cent. While corporate tax rate has since been cut to 35 per cent, the tax burden on insurance companies has not been accordingly scaled down, according to officials.

Industry body FICCI has sought a single fund to assess the income of life insurance companies. Currently, the life insurance companies have two separate funds — policyholder fund and shareholder fund. As of now, none of the private life insurance players has a surplus in its general fund. In the case of LIC, the valuation surplus in its general fund is taxed at a flat rate of 12.5 per cent. In its pre-Budget memorandum, FICCI has said it is necessary to clarify the position to remove confusion and avoid possibilities of any litigation.

Mr. Chidambaram had announced in his previous budget speech that the foreign direct investment level in insurance sector would be increased from the current 26 per cent to 49 per cent. This has, however, not yet been implemented due to political opposition.

The mid-year review of the economy, released in December, has also stressed the need for pushing through the increase in FDI in the insurance sector.

FARM INSURANCE STUDY YET TO BEAR FRUIT

It has been a few months since the Centre decided to rework the National Agricultural Insurance Scheme (NAIS) and streamline all other farm insurance schemes. However, the joint group set up by the Agriculture Ministry to study the "improvements required in the existing crop insurance schemes" is yet to submit its findings, it is reported.

Meetings with state agriculture ministers held by the Centre before the previous Budget had thrown up a multitude of suggestions to improve farm insurance programmes including NAIS. These included timely settlement of claims, smaller unit area of insurance, coverage of perennial crops and so on. The suggestions were also buttressed by farmers' interest groups and other stakeholders including agri-business and insurance companies. The brief of the joint working group was to go into details and make the NAIS more attractive to farmers.

Subsequently, the Centre's budget announcement for 2004-05 provided for redesigning of the NAIS so as to make the scheme more farmer-friendly. The terms of reference of the group included an assessment of upfront subsidy, if any, to be paid by the Government. However, the key report is yet to be submitted to the core ministry, though pre-budget interactions with various sectors for Budget 2005-06 have already begun.

Around 1.6 crore farmers would be directly affected by NAIS restructuring on more "viable" lines. During the past nine crop seasons (from Rabi 1999-00 to Rabi 2003-04), 462 lakh farmers have been covered over an area of 743 lakh hectares, insuring a sum of Rs. 40,272.8 crore. However, claims payable have totalled around Rs. 4,751.8 crore, against a premium of Rs. 1,242.7 crore.

LIVESTOCK INSURANCE SCHEME ON THE ANVIL

The Centre is drafting a livestock insurance scheme for raising livestock quality, it has been reported. "The Centre sponsored insurance scheme is proposed to concentrate initially on crossbred and high-yielding cattle to ensure maximum coverage of the livestock for which insurance is critical," Mr. Sharad Pawar, Agriculture Minister, is reported saying.

The ministry has asked the insurance companies to come out with affordable premium. It also organised a one-day meet to seek support of the states in efforts to boost the dairy sector through focus on breeding better livestock, production of

more fodder and value addition of milk.

In view of the upcoming World Trade Organisation regime, Mr. Pawar has sought the inputs of the states to frame a livestock policy to promote growth in the sector. The largest milk producer in the world, India has the largest population of livestock though per animal yield is abysmally low compared to major milk producing countries.

On the issue of milk quality, the minister drew attention to the fact that funds provided for this and integrated dairy development project are largely unutilised.

BY INDIANS, FOR AFRICANS

The National Insurance Academy (NIA) in Pune has designed a range of AIDS insurance policies that have been very well received in eight African nations, where AIDS is pandemic. However, the domestic industry has been reluctant to enter the area despite the huge AIDS population in India.

Split into two categories, these policies were designed by the academy for the Banjul, Gambia-based Western African Insurance Institute (WAIL), an industry body in the region, for its social security system. One category - clean-up fund, family maintenance and specialised funds - focuses on the funding needs of the dependants of AIDS patients. Expenses on the patient's funeral, rites and stigma-

related issues are covered under the clean-up fund. The family maintenance fund provides for pension and specialised funds cater to social functions like marriages in the family.

The other category, called switch policy, enables a person to transfer his policy as a term policy to the next of his kin, if he contracts AIDS while a policy is running.

While Indian companies are still fighting shy, WAIL is planning to take the NIA-designed policies to other parts of Africa and is in negotiations with various governments. The NIA is also in talks with the Cairo-based Federation of Afro-Asian Insurers and Re-insurers.

ESI Scheme Reaches 82,000 More Employees

About 82,000 new employees have joined the ESI scheme over the past financial year, taking the total number covered under the Employees State Insurance Corporation (ESIC) to more than 70.82 lakh, it is reported. This has been stated in the Annual Report of the ESIC, which was adopted by the Corporation's Board recently.

The meeting, chaired by Mr. K. Chandrashekar Rao, Labour and Employment Minister, decided to reduce the rate of penal interest on delayed payment of dues to the Corporation from 15 to 12 per cent in view of prevalent low interest rates. Mr. Rao impressed upon the Corporation to take steps for full utilisation of its infrastructure and also called for improvement in medical services under the ESI Scheme.

The issue of enlarging the coverage of the ESI Scheme by way of its extension to all municipal bodies, enhancing of wage limit to Rs. 10,000 per month and bringing down the threshold for coverage to five employees, in respect of factories as well as establishments, were deferred to the next meeting.

New US Insurance Norms May 'Byte' Indian Software Firms

While the lure of a 'dollar salary' remains big, Indian technology workers headed to the US for on-site jobs have started feeling the pinch of changing insurance rules in the US, say newspaper reports.

As part of the ongoing reforms in health insurance practices in the US, Indian software companies, which send its employees to the US as part of their big-ticket off-shoring contracts, need to comply with fresh norms.

An increasing concern for the software companies is related to the Health Insurance Portability and Accountability Act (Hipa), for which the Bush administration has set a compliance deadline of mid-2005. This translated into much more stringent documentation, though the deadline pertains to only data-transfer.

There are also new clauses to contend with. For instance, Indian software companies have to face complicated compliance norms applicable to techies engaged in on-site assignments.

However, there is a silver lining here, too. The healthcare practices head of a leading software company has said that there are more opportunities than challenges to Indian companies, as offshoring contracts from large multinational companies in pharmaceuticals, insurance and integrated dealer networks are bound to increase once Indian companies comply with Hipaa norms.

ISI To Launch Industry-Specific Courses

The Indian Statistical Institute (ISI), the nation's premier statistics school, plans to introduce a plethora of new courses from the 2005 academic session by overhauling its traditional curriculum into industry-friendly modules. This follows the success of its courses for the insurance and manufacturing sectors.

Mr. K. B. Sinha, Director, ISI, has said the redesigned course modules of six to nine months duration will be introduced in the manufacturing, service, ITES and software segments to begin with. "Through a series of ISI-industry meets, we realised that it is time we gave young people a choice and created courses that are not purely intellectual but also guide them to the market," he said.

ISI's earlier experiments in creating course modules of 'actuarial statistics' tailor-made for the insurance industry and 'statistical quality control' for the manufacturing sector have proved successful. This has paved the way for the redesigning of ISI's traditional courses.

The institute would take in 20 industry-sponsored students each for the four new courses. The manufacturing course would be conducted at ISI's Chennai unit, service course at Delhi, ITES in Kolkata and software at Bangalore.

"The services sector has crossed more than 50 per cent of the GDP and the manufacturing sector has gone down. Similarly there is a big boom in the insurance and IT sectors. Our courses have been designed keeping an eye on the ever-changing demand of the market," Mr. Sinha said. More new courses looking at the fresh need for manpower in various other sectors would also be designed in future, he added.

INSURANCE COMPANIES MAY TAKE YEARS TO COUNT COST OF DISASTER

The economic cost of the tsunamis across south-east Asia will be counted in billions of dollars, but the insurance industry warned yesterday that the final bill will take months, if not years, to calculate.

The timing of the disaster could not have been worse for the global insurers, who were congratulating themselves on having escaped relatively unscathed from the American hurricane season and on making close to record profits across the industry for the year as a whole. The industry says that it is too early to guess whether the economic cost of the disaster will outstrip that of any of the hurricanes, with some hoping that the developing nation status of the affected countries will mean lower pay-outs.

Although the human toll of the disaster was incomparably worse, the cheaper cost of living and lower labour costs will mean that the value of lost business is lower and rebuilding costs more modest. In addition, relatively few people in the affected areas will have life insurance cover.

The biggest insurance loss for a natural disaster was Hurricane Andrew in the US in 1992, which cost \$21 bn (£11 bn). None of the top 10 have affected developing economies.

A spokeswoman for Lloyd's of London said: "We are closely monitoring the developing situation in Asia. We expect our exposure to be limited to holiday resorts, personal accident, travel insurance and marine risks. Communication links are currently restricted so there is limited information coming out of the affected areas. As a result, it is not possible at this time to determine the extent of our exposure. However, we will continue to monitor the situation as more information becomes available over the coming days and weeks."

Lloyd's has tightened its rules on risk management, after losses in the early Nineties brought the market to the point of collapse. Insurers have invested heavily in "risk modelling" work, which aims to more closely match insurance policies and premiums to the likelihood of catastrophic losses. As a result, insurance premiums have risen to record levels.

But insurance companies and regulators will already be on alert for specialist insurers - for industries such as oil and gas - who may be destabilised by the costs of the disaster.

Kerala Gets Cracking On Road Safety

In what has been described "a knee-jerk response", the Kerala Cabinet has decided to set up a Road Safety Authority to bring down the number accidents. The statistics are shocking: During the year June 2003 to July 2004, 50,000 people have been wounded, 5,000 grievously, in road accidents. More than 3,000 have been killed in 40,000 accidents.

According to National Transportation, Planning, and Research (NATPAC) Centre data, nine people die and 141 get hurt every day in the state as against seven and 129 respectively in 1999. "The continuously growing vehicle population and correspondingly shrinking roads are major reasons but they are not all," remarked Mr. T. Elangovan, Director, NATPAC. "Drunken driving, violating traffic rules, blazer light, overtaking at night and many things contribute to the accident rates," he added.

Nevertheless, he agreed that the lack of road infrastructure, especially flyovers and traffic circles, did worsen the matter. The situation would improve, as a number of schemes for bettering infrastructure had already been taken by the government, he said.

The major insurance companies too have been carping at the growing rate of accidents in Kerala. The national insurance companies are losing heavily in the state, it is said.

Nature Creates An Expensive Year For Property Insurance Firms

For property insurance companies, 2004 has been amongst the most expensive ones, with claims crossing over \$42 billion, it is reported. Whereas in 2001 the figures skyrocketed thanks to the 9/11 attacks, in 2004, about 95 per cent of the claims originated from natural catastrophes.

According to preliminary estimates by Swiss Re, over 21,000 people died as a result of natural catastrophes in 2004. The events caused overall economic losses of over \$105 billion, of which \$42 billion were insured losses.

Reinsurance companies are now expected to feel the pressure, which in turn will increase reinsurance charges. After solidifying immediately following 9/11, reinsurance rates were gradually moving into the slow cycle over the past two years.

According to Swiss Re, the Asian insurance industry is set to regain its

financial strength, as continued economic growth augments both business and personal insurance needs. It has forecast real growth of 5.9 per cent in non-life and 8.4 per cent in life premiums in Asia (outside Japan) in 2005.

In line with global trends, insurers in both non-life and life sectors in Asia are seeing their capital situation improve. Insurers have been using improved underwriting results to replenish their capital positions. At the same time, non-life product prices are expected to derive some support from the recent series of high natural catastrophe losses.

For life insurers, growth in 2005 is expected to be driven by increases in household wealth, wider availability of more products through multi-channel distribution (such as bancassurance), and increased awareness by consumers of risk.

British Watchdog Cracking The Whip

Financial Services Authority (FSA), the UK's main financial watchdog, plans to adopt a muscular approach to insurance regulation, it is reported. It has also called on insurers and brokers to come up with proposals to reform their practices or face enforced change.

Hitting out at the industry's structural problems, Mr. John Tiner, Chief Executive, FSA, said uncertainty over the terms of contract agreements, conflicts of interest and proper handling of claims would top the FSA's agenda when it took on responsibility for regulating general insurance in January.

He has invited the heads of the major brokers and underwriters to a

meeting to tackle uncertainty over the exact terms of insurance contracts. "If the market is not able to come up with its own set of solutions which addresses adequately this issue we have a number of tools at our disposal which can create tough incentives for them to get it right," he said.

His comments are observed as being the first clear indication that the FSA is aiming to raise standards in the general insurance and broking industries, which have been self-regulating. A recent report by the Centre for the Study of Financial Innovation, quoted by Mr. Tiner, referred to the industry as "riddled with the kind of Spanish practices that banking dumped years ago".

Terrorism Risk Insurance Act Critical, Says Aon Study

The 9/11 attacks have induced companies worldwide to address a new set of issues in managing the broad spectrum of risks created by these events. A study by insurance and risk management firm Aon Corp. has found that 57 per cent of companies studied have decided to "take up" some kind of terrorism insurance - an increase of over 24 per cent over the previous year.

The company has also sought added emphasis in the US for the renewal of the Terrorism Risk Insurance Act (TRIA), which, without action by the US Congress, is set to expire on December 31, 2005. TRIA ostensibly created a new line of insurance cover, providing three-year federal "back stop" reinsurance up to an aggregate limit of US\$100 billion, and requiring insurers to make TRIA coverage available to policyholders.

"TRIA's importance as a backstop cannot be overstated. Its expiration will cause an immediate and significant diminution of the available supply of terrorism capacity that is likely to leave the market hard pressed, if not unable, to meet the potential demand for risk transfer capacity," says the report.

"It should come as no surprise to the industry that the coverage offered through TRIA has become increasingly desirable for business. However, we are facing a watershed year for this coverage. With the possible expiration of TRIA, Capitol Hill and the insurance industry cannot afford to postpone efforts to renew TRIA or create a similar mechanism to manage the global terror risks the 'new reality' has created," says Mr. Gary Marchitello, Managing Director of Aon's National Property Syndication group in New York.

The study also claims that terrorism risk coverage has become more affordable. "After the chaotic rollout of TRIA, with its attendant pricing confusion, a more rational market has fostered rational decision making," it says.

Ex CEO Pleads Guilty In Australian Insurance Probe

Mr. Ray Williams, the former chief executive of insurance major HIH Ltd. who led to the multibillion dollar collapse of the company, has pleaded guilty on three counts of breaching Australia's corporations law.

The three charges include failing to properly exercise his duties as a company director, publishing a misleading document and overstating operating profits by A\$92.4 million (US\$69.8 million). Mr. Williams faces a maximum sentence of five years in prison or a fine of A\$210,000 for each of the first two charges, and a two-year

sentence or a fine of A\$11,000 for the third charge.

HIH was Australia's second-largest insurer when it collapsed in March 2001 with debts of about A\$5.3 billion. It left thousands of policyholders with unpaid claims and sparked the collapse of a number of home-building companies insured by HIH.

It was Australia's biggest-ever corporate failure and put the spotlight on management and corporate governance practices in the country well before the Enron Corp. and WorldCom Inc. scandals in the US.

'Protecting Client Privacy Vital For Agents'

As Americans become increasingly concerned about the privacy of their health and personal information, independent insurance agents and brokers must make safeguarding private client information a specific focus within their businesses, according to Safeguarding Non-Public Personal Information, a new report from the Agents Council for Technology (ACT).

ACT is a partnership of independent agents, companies, technology vendors, user groups and associations dedicated to assisting agents in the use of effective policies, workflows and technologies. The new privacy laws and regulations, such as HIPAA (Health Insurance Portability and Accountability Act), Gramm-Leach-Bliley, and the Fair Credit Reporting Act, as well as a growing number of state laws, may require adjustments in each of these areas of operations for many agencies.

"Independent agents and brokers need to be aware as to how these relatively new laws and regulations impact them," says Mr. Jeff Yates, Executive Director, ACT. "Many agencies may need to heighten the awareness of their staffs regarding these requirements and take proactive actions on several fronts to comply with these new privacy requirements to protect themselves from the potential of incurring significant penalties and liability which may not be covered by insurance."

"ACT has developed a report to familiarise agents and brokers with these privacy issues and to get them started with a compliance plan," says Mr. Chris Ball, a principal of InSource, Inc., and Chairman of the ACT work group that developed the report. "We have implemented a multi-faceted compliance strategy in our agency to fulfill the various legal requirements we faced and to heighten the protection of our clients' and employees' personal information in this increasingly electronic world where our systems are connected to the outside world through the Internet."

Google's Trademark Victory against auto insurer

US-based search engine company Google Inc. won a major legal victory when a federal judge ruled that the search engine's advertising policy does not violate federal trademark laws. The case had been watched with immense interest across the world, as it was seen as deciding the future of Internet advertising.

A district judge rejected a claim by auto insurance major Geico Corp., which argued that Google should not be allowed to sell ads to rival insurance companies that appear whenever Geico's name is typed into the Google search box. Google derives a major portion of its revenues from selling ad space to businesses that bid on search terms - both generic words and names protected by trademark - used

by people looking for information online about products and services.

Geico, a unit of billionaire Mr. Warren Buffett's Berkshire Hathaway Inc., claimed that Google's AdWords programme, which displays the rival ads under a "Sponsored Links" heading next to a user's search results, confuses consumers and illegally exploits Geico's investment of hundreds of millions of dollars in its brand. Geico filed the lawsuit in May, seeking \$8.65 million in lost profits and a court order preventing Google from using its name in the advertising programme.

"There is no evidence that that activity alone causes confusion," the judge said, in granting Google's motion for summary judgement on that issue.

Fake Insurance Sales Booming In US

The US' National Association of Insurance Commissioners has warned about a significant rise in fake insurance sales. The group has pointed out while the federal General Accounting Office is reporting a surge in fake insurance sales and a resulting \$252 million in unpaid health insurance claims alone over the past two years, 74 per cent of those surveyed by the NAIC were unaware of such illegal practices.

Ms. Diane Koken, President, NAIC, has pointed out that older adults and small businesses

looking to reduce health insurance costs are primary targets for fraudulent insurers.

To avoid being scammed, insurance purchasers should be particularly wary of aggressive marketing and premiums that are less than 15 per cent under the average price for comparable insurance products, the association suggests. It has also urged customers to stop before signing on to anything, and call the state insurance department to confirm the company is indeed legitimate.

INSTITUTE OF INSURANCE AND RISK MANAGEMENT

*Established jointly by the Insurance Regulatory and Development Authority (IRDA)
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Phone: 040 23556470 Fax: 040 23556471

About IIRM

The Institute of Insurance and Risk Management (IIRM) is an international education and research organization. The Institute was set up jointly by the Insurance Regulatory and Development Authority (IRDA) of India and the State Government of Andhra Pradesh, India.

IIRM aims to serve the learning and developmental needs of emerging markets in the context of their contemporary challenges.

With a solid international support, IIRM is committed to assist in expertise development in the area of insurance, risk management, actuarial science, financial planning, pensions and other related disciplines in emerging markets. IIRM conducts research programs that are directly related to the above disciplines and also provides consultancy & advisory services.

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The United Nations Conference on Trade and Development (UNCTAD) was established in 1964 to promote international trade in particular that of developing countries. UNCTAD promotes the development of efficient domestic insurance markets based on the belief that "A national insurance and the reinsurance market is an essential characteristic of economic growth." This course is part of the overall objective to speed up the creation of insurance systems in emerging markets.

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"I do not support FDI beyond 49 per cent as I want control.

Mr. Rahul Bajaj, Chairman, Bajaj Auto, and promoter of two insurance joint ventures.

I would rather dilute our stake [in SBI Life] to the general public.

Mr. A. K. Purwar, Chairman, State Bank of India, which has promoted a joint venture life insurance company.

Raising the FDI cap will give confidence to foreign investors to do business on a scale that is not restrictive.

Mr. Sunil Mehta, Country Head, American Insurance Group (AIG)

I am thrilled with today's victory. But this is a win for all New Yorkers.

Mr. Larry Silverstein, developer of the 9/11 target WTC twin towers on the jury's verdict that it was two incidents, entitling him to twice the compensation.

(We) consider the jury's verdict to be contrary to the terms of the insurance coverage in force and to the intent of the parties and ... fully support Allianz's efforts to overturn the verdict.

France's SCOR Group, that reinsured policies written by Allianz Global Risks covering the destruction of the World Trade Center.

Large brokers under scrutiny will survive, but will be leaner and more responsive to the fiduciary relationship they have with their clients in the future.

Mr. Maurice Greenberg, Chairman and Chief Executive Officer of AIG, on the effect of the ongoing broker investigations on large insurance brokers.

Events

3 - 8 January, 2005

Venue: Pune

Lateral Thinking & Decision Making by National Insurance Academy (NIA), Pune

3 - 5 January, 2005

Venue: Pune

Programme on Motor Third Party Claims by NIA, Pune

10 - 12 January, 2005

Venue: Pune

PML Assessment (Non-Life) by NIA, Pune

13 - 15 January, 2005

Venue: Pune

Succession Planning (Non-Life) by NIA, Pune

24 - 25 January, 2005

Venue: Pune

Seminar On Business Process Outsourcing by NIA, Pune

27 - 29 January, 2005

Venue: Pune

IT Governance by NIA, Pune

February 28 - March 1, 2005

Venue: Pune

Seminar On Frontline Effects Of Insurance Regulations by NIA, Pune