



Volume III, No. 10

Journal

SEPTEMBER 2005



बीमा विनियामक और विकास प्राधिकरण



Editorial Board:

C.S.Rao
P.A. Balasubramanian
S.V. Mony
K.N. Bhandari
A.P. Kurian
Nick Taket
Ashvin Parekh
Nimish Parekh
Hasmukh Shah
A.K. Venkat Subramaniam
Prof. R.Vaidyanathan

Editor:

K. Nitya Kalyani

Hindi Correspondent:

Sanjeev Kumar Jain

Design concept & Production:

Imageads Services Private Limited

Printed by P. Narendra and
published by C.S.Rao on behalf of
Insurance Regulatory and Development Authority.

Editor: K. Nitya Kalyani

Printed at Pragati Offset Pvt. Ltd.

17, Red Hills, Hyderabad 500 004

and published from

Parisrama Bhavanam, III Floor

5-9-58/B, Basheer Bagh

Hyderabad 500 004

Phone: 5582 0964, 5578 9768

Fax: 91-040-5582 3334

e-mail: irdajournal@irdaonline.org

© 2005 Insurance Regulatory and Development Authority.
Please reproduce with due permission.

Unless explicitly stated the information and views published in
this Journal may not be construed as those of the Insurance
Regulatory and Development Authority.





From the Publisher

Natural Calamities are a recurrent phenomenon in the Indian Subcontinent. Considering the size of the country, it is not uncommon to find some part of the country being affected by severe famine while some other part is affected by floods or cyclones. Over the years, the State has provided relief and undertook measures to rehabilitate the affected population. The development of the banking network in the length and breadth of the country resulted in increased economic and commercial activity through the banking system which also introduced the concept of insurance to cover natural and manmade calamities as a protection for their loans. While insurance cover for commercial activities has gained momentum, the personal lines remained at a low key. The increased role of insurance to mitigate suffering caused by natural calamities is the theme of this month's Journal. It could not have come at more appropriate time with the State of Maharashtra, specially Mumbai, getting severely affected by unprecedented rainfall resulting in severe floods.

The recent floods in Maharashtra and the none too distant Gujarat floods and unusual phenomenon of earthquake in Maharashtra (Latur)

and Gujarat (Bhuj) point to the need for preparation of a national disaster preparedness plan with insurance as its focus.

Last month two of the Members of the Authority, Mr. T. K. Banerjee, Member (Life) and Mr. Mathew Verghese, Member (Non-Life) retired from the Authority and the Journal's customary farewell pieces has them recalling their contribution to the development and sharpening of the regulatory skills in this fledgling organisation.

The next issue of the Journal would deal with the core of insurance activity – the technical and intuitive science of underwriting. This topic has been highlighted given its significance in the light of the need for detariffing of the Indian market. As the industry moves towards a more competitive period to keep pace with the development in Indian business and their requirements of the insurance industry, it will find that a return to its technical roots will serve to strengthen it and weather any future market challenges.

C.S. Rao
C.S.RAO

**When the Skies
Came Down**
K. Ramachandran

9

**Act Quick and
Act Well**
P. C. James

16

**The Trauma
and After**
T. S. Naik

19

Inside

In the Air 4

Statistics - Life Insurance 6

Vantage Point
- K. Nitya Kalyani 8

प्रकाशक का संदेश 29

कुछ तो लोग कहेंगे 30

ग्राहक के करीब जाना
-के. नित्या कल्याणी 31

वही कहें जो आप कहना चाहते हैं
-इंदिरा बालाजी 32

एक एजेंट बीमा उद्योग को काफी
प्रभावित कर सकता है।
- पी. वी. सुब्रह्मन्यम 33

Statistics - Non-Life Insurance 42

News Briefs 44

37

Being Prepared

The human mind has the marvellous ability to overlook risks and carry on with life. This blocking off of unpleasant possibilities is a defence mechanism that has preserved the sanity and even life of many.

The flip side of it is to lose sight of the importance of anything that is not immediate.

We have seen both these tendencies operating plainly when catastrophes strike. The human mind becomes resilient enough to absorb the shock and return to functioning normally, to survive and regain strength. What we need is a resilient system – cities that have disaster plans, well laid out contingency measures based on securing life and property and minimising losses.

But most often what happens is that the other characteristic of the human mind – that of forgetting what does not affect one immediately – also seizes systems. After all they are made up of human beings.....

The tragedy in Mumbai has brought home the importance of disaster preparedness and protection strongly. This issue of the Journal deals with the topic from the insurance point of view among others. We have Mr. P. C. James, who recently joined IRDA as Executive Director (Non-Life) with a practical and hard headed game plan for insurers when a disaster strikes. T. S. Naik, Deputy Director, IRDA writes – for the first time in the Journal – extensively about the situation with regard to disaster preparedness and insurance. Mr. K. Ramachandran, General Manager, J. B. Boda and Company writes as an insurance professional who saw his beloved city suffer the floods.

Last month, IRDA bade farewell to two of its Members, Mr. T. K. Bannerjee, Member (Life) and Mr. Mathew Verghese, Member, (Non-Life). **IRDA Journal** joins them in wishing them well.

We have for you a continuation of the paper based on the research study of Mediclaim conducted at National Insurance Company by Ms. Indrani Gupta, Professor and Head of the Health Policy Research Unit and Mr. Mayur Trivedi, consultant at the same institute, which gives insights into the fastest growing class of business on the Non-Life side.

Our next issue will take a look at how the general insurance has to and is going back to the basics of underwriting to return to profitability and to build a base for its business when general insurance goes off the tariff.

K. Nitya Kalyani



"The Regulator Ought to Expand"



last financial year as an example. "Many policies were assigned to the policyholder at inception and we found that banks were directly financing the premiums. Also, additional units were being allotted as a rebate," he recalls. "If such misuse is not checked right then the market will suffer as a consequence, so the Regulator has to be vigorous."

The industry is doing very well with impressive growth rates, but there are the less commendable sides to it, he says. There is too high a pressure on individual managers, for instance, and they resort to marketing and procedural gimmicks to show performance.

"I have fears of huge mis-selling," by promising higher rates of return on policies leaving aside the illustrations that they are allowed to provide. "This is difficult to find out or establish. I think we should work towards a sales process

misuse of key man insurance by deciding that these should only be term policies and not unit linked.

Another initiative that he was involved in that he looks back on with satisfaction is that of streamlining the agents' training system. "Agents training is a lofty idea but the way it turned out was that there was not much discipline in training or examinations. All the involved parties contributed to the failure of the intention of the system, as they ignored the importance of properly trained agents in favour of quick deployment to develop business. Following monitoring and inspections, these practices have been curbed and some institutes have been delicensed," he points out.

Another point of satisfaction for him has been the development of regulations for microinsurance. "The country needs a platform on which microinsurance can

Farewell

When Mr. T. K. Bannerjee joined IRDA as Member (Life) in mid-August 2003 after a career in the Life Insurance Corporation of India, he found that the job required 'everyday learning.'

It was a critical phase for the Regulator, he recalls, as he laid down office on August 4 this year. The regulation-writing phase was over and it was time to begin monitoring. "If we don't do it well, the industry won't grow along the right lines and changing things later would not be easy," he observes.

The financial strengths and investment portfolio of a company are important, as is its solvency, but how it behaves in the marketplace is also important. "Looking at it from that angle, the Regulator plays a greater role," he comments.

He recalls the aberrations in the sale and surrender of key man insurance policies over the close of the

documentation system that would make for a transparent record.

"We have also been working on streamlining the corporate agents system where we found practices like appointing sub-agents, which regulations expressly prohibit, he says.

That brings him to the wherewithal to carry out effective monitoring by the Regulator. There is a shortage of resources in the IRDA, he says, and there is no need for the Regulator to be so lean. "We need to think of offices in important cities and sufficient expert staffing to carry out our duties effectively."

Looking back at his two years in the Authority, Mr. Bannerjee recalls the activation of the Life Insurance Council, whose future role would be to take on the role of a self-regulatory organisation. "It will take a couple of years to get to this stage," he says, but it has shown its potential in the matter of stopping the

be developed,' he says, "a system that will protect from calamity the layer of population just above the poverty line."

What he looks back on with disappointment is that the on-site inspection process is not yet established fully. "We could have started earlier and avoided some wrongdoings like that of last March,' he regrets.

"We should have elaborate inspection departments with some resources being outsourced and some developed in-house," he suggests.

On the products side, he would like to see some initiative to make Life companies sell health policies given that the agency force has strengths in retail product selling and a network of individual customers. "This opportunity could energise the agency force," he says.

Mr. Bannerjee plans to take up some professional work after spending a post-retirement six months in Hyderabad.

“A Welcome Assignment”

Mr. Mathew Verghese, Member (Non-Life), IRDA retired on August 31 after 22 months of service.

Looking back on his tenure with satisfaction, Mr. Verghese says he took up the assignment knowing that a new industry and a new regulator would be an interesting and challenging proposition to work in. Having served the industry here and abroad for 36 years, this was a welcome assignment, he says. And the location — Hyderabad with its excellent golfing climate — was more than welcome, too!

The work was hectic, he says, but there was no work pressure from clients and trade unions to deal with. And the committee meetings and reports were new things that he could adapt to, he adds with a laugh.

The first thing he would like to recall about his work at the Authority is the streamlining of the Third Party Administrator (Health Services) (TPA)

existing illnesses), on data collection and on developing norms for standalone health insurance companies. Here, the demand was for lower entry capital norms as a measure of making them economically feasible and encouraging their entry.

Changes in the broking environment, he says, will continue in a phased manner. The market that brokers can access has been widened now and they have new areas to capture. The five per cent special discount has been retained for various reasons, he explains. One is that a change has to be equitable to all stakeholders and one cannot remove a benefit that one party has been enjoying for decades. The other is that the retention of the discount facility will help establish firmly the cases where brokers are seen as adding value — that is, if an insured uses the services of a broker and hence gives up the discount, it establishes the value of the broker's advice.

“We wanted this to happen through

do so in view of the lack of data and underwriting skills at various levels.

How to detariff and maintain the best interests of the industry is the one major immediate concern of the Regulator with reference to the Non-Life industry, he concludes. The Regulator should draw upon the expertise in the industry by forming study groups to examine issues and advise it, he says. On that and related areas, IRDA should continue its work on creating and strengthening its on-site and off-site inspection systems, creating sufficient expertise in house and supplementing it with readily available expertise from outside.

And as for retired life, his preference is to do work in the regulatory environment in India or abroad, perhaps on a part time basis or in an advisory role. But his first priority after 40 years of working is to “spend time with the family!”

Dear Members!

system for health insurance. Those were early days and there were teething problems. “Customers felt they were being charged higher for TPA services and companies felt that IRDA had forced them into using these new service providers. IRDA, which did introduce the system, was convinced about its importance but realised that it required better checks and balances,” he recalls.

It was in this scenario that Mr. Verghese got the stakeholders to talk to each other and slowly resolve the issues. About 70 per cent of the problems are solved now and the system is reaping the benefits in various forms, including the fact that now 85 per cent of claims statistics is being captured through the TPA system, which can only contribute to better underwriting and claims management.

Initiatives in the health insurance market and product development too are something he looks back on with satisfaction. The Working Group on Health Insurance — whose committees he chaired — worked on new product development (like cover for pre-

market forces and not through fiat,” says Mr. Verghese.

The groundwork for the setting up of the Surveyors' institute, also intended to be a self regulatory organisation, is also a happy memory for him. “If they take forward things efficiently they will enjoy professional recognition and can aspire for chartered status too,” he says.

He is unhappy, though, about the lack of progress in the General Insurance Council in taking up its intended self-regulatory duties. “They have to grow into this role quickly because they have the responsibility of setting standards and have many common issues with other stakeholder organisations to deal with including market conduct,” he remarks.

“In phases” is the mantra for detariffing too. “This has been a combination market for years and it is early days after liberalisation to make sudden changes,” he says. With regulations being dynamic, the Authority would like to stabilise the market rather than take up detariffing in one go in a market that we think is not yet ready to



Report Card:LIFE

July Growth drops to 18%

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

Sl No.	Insurer	Premium			Growth	Market share (Premium)	No. of Policies / Schemes			Growth	Market share Policies	No. of lives covered under Group Schemes			Growth	Market share (lives covered under group schemes)
		July, 05	Upto July, 05	Upto July, 04			July, 05	Upto July, 05	Upto July, 04			July, 05	Upto July, 05	Upto July, 04		
1	Bajaj Allianz	8,713.21	27,266.00	10,675.20	155.41	4.18	34,387	1,03,319	53,427	93.38	1.67	47,249	60,632	49,066	23.57	2.58
	Individual Single Premium	4,082.37	12,307.14	3,559.45			3,860	12,076	4,247							
	Individual Non-Single Premium	4,445.84	14,214.93	7,020.22			30,504	91,184	49,155							
	Group Single Premium															
	Group Non-Single Premium	185.00	743.92	95.52			23	59	25			47,249	60,632	49,066		
2	ING Vysya	1,130.95	3,490.03	1,921.48	81.63	0.54	5,988	19,785	26,803	-26.18	0.32	2,080	8,222	5,898	39.40	0.35
	Individual Single Premium	0.20	2.38	32.44			30	349	4,771							
	Individual Non-Single Premium	995.05	3,120.57	1,778.20			5,952	19,413	22,026							
	Group Single Premium	103.81	273.96	95.26					1			221	763	255		
	Group Non-Single Premium	31.88	93.12	15.57			6	23	5			1,859	7,459	5,643		
3	AMP Sanmar	796.94	2,877.95	1,302.03	121.04	0.44	4,626	15,031	9,616	56.31	0.24	7,267	30,213	17,956	68.26	1.29
	Individual Single Premium	459.80	1,787.87	529.92			804	3,000	1,153							
	Individual Non-Single Premium	244.57	826.25	673.57			3,812	11,999	8,438							
	Group Single Premium	8.31	46.05	20.85					1							
	Group Non-Single Premium	84.26	217.78	77.69			10	32	24			7,267	30,213	17,766		
4	SBI Life	2,055.58	9,566.76	8,460.42	13.08	1.47	8,750	42,778	26,515	61.34	0.69	72,765	1,75,968	1,70,035	3.49	7.49
	Individual Single Premium	306.34	1,222.11	1,986.43			374	1,779	1,144							
	Individual Non-Single Premium	606.23	2,814.32	1,573.69			8,276	40,552	24,759							
	Group Single Premium	1,054.95	4,784.99	3,257.56				2	2			50,051	77,049	40,165		
	Group Non-Single Premium	88.06	745.34	1,642.74			100	445	610			22,714	98,919	1,29,870		
5	Tata AIG	2,894.32	11,446.34	7,551.74	51.57	1.75	21,009	82,577	64,420	28.19	1.33	69,096	2,49,557	1,13,730	119.43	10.63
	Individual Single Premium	107.59	107.59													
	Individual Non-Single Premium	2,414.62	10,104.39	5,704.18			20,978	82,471	64,344							
	Group Single Premium	163.41	450.44	198.62								14,196	46,518	29,094		
	Group Non-Single Premium	208.70	783.92	1,648.94			31	106	76			54,900	2,03,039	84,636		
6	HDFC Standard	5,717.66	19,919.80	7,658.62	160.10	3.05	23,237	74,302	43,755	69.81	1.20	7,189	44,865	52,045	-13.80	1.91

(Rs.lakh)

7	Individual Single Premium	701.74	3,212.87	2,104.99			6,462	15,228	4,632							
	Individual Non-Single Premium	4,091.96	14,089.37	5,147.12			16,765	59,024	39,066							
	Group Single Premium	427.41	1,319.50	245.57			6	38	53			5,630	36,835	44,216		
	Group Non-Single Premium	496.54	1,298.06	160.94			4	12	4			1,559	8,030	7,829		
7	ICICI Prudential	13,022.37	46,435.49	31,173.97	48.96	7.12	43,753	1,56,808	1,42,814	9.80	2.53	57,862	1,01,109	6,690	1411.35	4.31
	Individual Single Premium	467.38	1,754.25	5,863.79			359	1,347	3,565							
	Individual Non-Single Premium	11,317.51	38,214.88	21,985.78			43,373	1,55,376	1,39,204							
	Group Single Premium	40.34	88.94	11.59			14	38	5			43,491	76,429	850		
8	Group Non-Single Premium	1,197.14	6,377.43	3,312.81			7	47	40			14,371	24,680	5,840		
	Birla Sunlife	3,053.98	11,221.38	13,591.67	-17.44	1.72	15,200	46,195	36,411	26.87	0.75	798	5,976	14,256	-58.08	0.25
	Individual Single Premium	77.46	331.62	430.59			5,776	14,296	6,450							
	Individual Non-Single Premium	2,774.51	10,228.40	10,616.21			9,420	31,884	29,936							
9	Group Single Premium	38.62	153.43	138.18								398	1,494	1,121		
	Group Non-Single Premium	163.39	507.94	2,406.70			4	15	25			400	4,482	13,135		
	Aviva	2,176.06	7,229.72	4,542.67	59.15	1.11	8,334	26,939	23,816	13.11	0.44	16,388	56,947	39,076	45.73	2.42
	Individual Single Premium	65.36	62.60	147.90			230	653	142							
10	Individual Non-Single Premium	2,054.66	7,021.65	4,308.27			8,103	26,283	23,662							
	Group Single Premium	14.74	46.39	4.39					1			82	308	43		
	Group Non-Single Premium	41.30	99.08	82.11			1	3	11			16,306	56,639	39,033		
	Kotak Mahindra Old Mutual	1,167.60	4,545.70	2,547.54	78.43	0.70	5,112	17,893	11,704	52.88	0.29	8,077	22,707	27,197	-16.51	0.97
11	Individual Single Premium	147.88	295.10	560.59			187	598	357							
	Individual Non-Single Premium	918.10	4,015.20	1,522.11			4,924	17,284	11,340							
	Group Single Premium	17.30	23.29									1,120	1,491			
	Group Non-Single Premium	84.32	212.11	464.83			1	11	7			6,957	21,216	27,197		
12	Max New York	2,264.26	8,663.78	4,896.90	76.92	1.33	26,261	86,443	50,126	72.45	1.40	5,669	19,176	31,030	-38.20	0.82
	Individual Single Premium	5.43	56.69	91.57			16	73	84							
	Individual Non-Single Premium	2,233.36	8,550.71	4,752.18			26,234	86,344	50,015							
	Group Single Premium															
13	Group Non-Single Premium	25.47	56.37	53.15			11	26	27			5,669	19,176	31,030		
	MetLife	724.36	2,437.85	1,174.48	107.57	0.37	6,939	20,571	7,325	180.83	0.33	12,590	57,992	78,883	-26.48	2.47
	Individual Single Premium	41.43	149.65	38.71			83	283	91							
	Individual Non-Single Premium	666.99	2,137.40	822.30			6,849	20,230	7,204							
14	Group Single Premium															
	Group Non-Single Premium	15.94	150.80	313.47			7	58	30			12,590	57,992	78,883		
	Sahara Life	85.77	194.19			0.03	3,554	8,851			0.14	150	200			0.01
	Individual Single Premium															
15	Individual Non-Single Premium	85.62	193.99				3,552	8,848								
	Group Single Premium	0.15	0.20				2	3				150	200			
	Group Non-Single Premium															
	LIC	1,64,736.82	4,96,972.08	4,57,019.23	8.74	76.19	21,03,597	54,90,293	54,88,955	0.02	88.67	5,77,374	15,14,927	11,89,843	27.32	64.51
16	Individual Single Premium	63,754.49	1,65,588.12	65,897.98			1,82,589	48,8,605	1,59,170							
	Individual Non-Single Premium	81,448.20	2,52,108.03	2,73,740.53			19,19,656	49,97,613	53,26,070							
Total		2,08,539.87	6,52,267.07	5,52,515.95	18.05	100.00	23,10,747	61,91,785	59,85,687	3.44	100.00	8,84,554	23,48,491	17,95,705	30.78	100.00

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

Back to the Basics

K. Nitya Kalyani

After a period of prolonged underwriting losses in the nineties, the global general insurance market was looking to a revival when the 9/11 terrorist strike robbed it of such hopes. Though the rates hardened there was enough soul searching among the heads that wore the crowns that there needed to be a return to the basics – of appropriate risk evaluation and underwriting and remunerative rates.

The losses had eaten heavily into reserves, which were already under pressure from falling equity markets and lower global interest rates. Solvency margins were under pressure and balance sheets were suffering as was investor confidence. Though the 9/11 attacks hardened reinsurance rates, regulations and compliance became more demanding and interdependence was recognised for its true nature in the form of terrorism pools and, in the US, the Federal Government's backstop facility that underwrote such losses.

Underwriting profit – that ugly duckling that nobody pays attention to when things are going well – suddenly turned into the swan, or rather the goose that had the potential of laying the golden egg!

As a result, insurers are demanding a return to underwriting basics and a focus on underwriting profit. This is essential in rebuilding their balance sheets and improving solvency margins, and is also critical to investor confidence.

Much of the same pressures applied to the Indian Non-Life underwriter though still sheltered from global events owing to historical reasons.

Falling interest rates, volatile markets, solvency norms that were newly laid down and enforced for both old and new companies – were all common features.

The vortex of cross subsidy among general insurance business classes in India has eroded its profitability in general over the last decade and a half at least. But the last few years have seen a boom in consumer goods and service industry growth while industrial investment did not grow that much. These opposing trends compounded the cross subsidy situation as general insurance demand, and hence growth, was in those classes of businesses being subsidised (Motor and Health being the in demand covers) rather than for those providing it (Fire insurance, the major need of manufacturing industry, and the most profitable class of general insurance business.)

To this add detariffing. The inevitable market liberalisation move is being approached by the industry and the Regulator with different cautions in mind. The different industry stakeholders are trying to gauge their staying power in the face of free market pricing. Companies, intermediaries like brokers – for whom the tariff is the great leveller with other intermediaries, and one that they do not want – and

customers, all have things to gain and lose with the impending change.

The Marine Cargo detariffing in 1994 and Marine Hull rate detariffing from the beginning of the current financial year have both led to sheer drops in premium rates – developments that points to pressures among insurers and intermediaries to acquire market shares at any cost, exactly what the Regulator is concerned about.

If market pressure is high then technical strength is an answer and probably one of the best. The good sense to court profitability usually follows the excesses of coveting market shares, and it is here that the art and the science of underwriting can step in and prevent ongoing damage, not to speak of sickness.

The Indian general insurance industry has virtually been a stranger to underwriting for over three decades now, depending on tariff rates just as we used to depend on the log book in school science classes. This is the time to come out of that stage of development and do everything to get the technical prowess of its people come to the fore.

One much talked of hurdle towards technically sound underwriting is the lack of historical data with the general insurance industry, the basis on which to develop correct rates for the future. This problem is being addressed in various ways by different stakeholders and we hope to bring you something about it in our next issue, which will take a look at going Back to the Basics.

BACK TO THE BASICS



When the Skies Came Down

— The financial capital sees its life and wealth washed away

K. Ramachandran examines the Mumbai floods in terms of a peril, the nature of its occurrence and the interruptions that it caused, exposing India's financial capital to the vulnerability of doing business there.

Force majeure, a French term literally translated as “great force”, is also a clause as included in contracts to remove liability for natural and unavoidable catastrophes that interrupt the expected course of events and restrict participants from fulfilling obligations. This clause is meant to benefit both parties in a contract and excuse a party from liability if some unforeseen event beyond the control of that party prevents it from performing its obligations under the contract. A force majeure clause covers natural disasters or other “Acts of God.”

The last week of July could not have been worse for the megapolis. Fifteen million residents of Mumbai were caught in a never-before deluge and inundation. Denial of access came to the fore in each walk of life. This denial did not cause panic reaction amongst the citizens. They are used to four months of monsoon dislocations each year and went about their work as usual. This year there was an unexpected and severe demand upon them, starting July 26, to tide over a crisis of 944 mm of downpour in 24 hours, a high tide of 3.7 metre at sea and release of water from local dams. Mumbai was inundated and the levels exceeded the height of cars in many places.

There was no forewarning except ‘heavy to very heavy rains’. Such a warning is usual during Mumbai's monsoons. At a brainstorming session

by the National Centre for Medium Range Weather Forecasting (NCMRWF), Dr. Akhilesh Gupta, Director, said: “Mumbai (Santacruz) recorded an unprecedented 94.4 cm of rain on that eventful day. It now turns out that a nearby weather station at Vihar Lake recorded as high a precipitation as 104.5 cm. But, interestingly, Colaba, another suburb, recorded a paltry 7.3 cm.”

Unusual phenomena

The unusually high rainfall was caused possibly by a tiny offshore vortex

What is the failure in alert and safety that we were witnessing? Who is to blame? From the calamitous loss of life and property in Mumbai, the insurance industry is estimated to have received around 20,000 incidents of claims for a value of around Rs. 2,000 crore.



of a size of 30 km embedded within the prevailing offshore trough. The vortex was the result of the strong monsoon flow. It resembled a ‘cloudburst’ event (generally observed in a hilly region) but had a relatively longer period of

duration (about six to eight hours). Tall clouds rising to 15 km in height were observed during the event. Normally, monsoon systems are not more than 6-8 km in height. Another feature was the severe thunderstorm activity and squally winds through the duration of the heavy downpour. Monsoon rains are not known to display such characteristics.

“Both the weather stations failed to predict an exceptionally heavy amount of 94.4 cm that fell over an area of 20 X 20 km. The simple and plain fact is that such intense rain activity over a short duration cannot be predicted several days in advance. The latest that one can hope to do that is a day ahead,” Dr. Gupta said. Technology for prediction of such an event beyond one day does not exist in any part of the world. But the prediction of environmental conditions favourable for the build-up of such an event is possible with some accuracy. Interestingly, a ‘re-run’ (as distinct from real-time) of the high-resolution model of the UK Met Office predicted up to 80 cm of rain in Mumbai on July 26/27. But the global model of the agency could predict only up to 30 cm of rain a day in advance. A genuine *force majeure*!

Intense rainfall of over 20 cm per day is not uncommon during the monsoon. Extraordinarily intense rainfall too is not unknown in the region. According to an analysis, *Intense Rainfall Events Over the West Coast of India*, by P. A. Francis of the Indian Institute of Science (IISc),

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Avg. Max.	29°C	29°C	31°C	32°C	33°C	32°C	30°C	29°C	30°C	32°C	33°C	31°C
Avg. Min.	19°C	20°C	22°C	25°C	27°C	26°C	25°C	24°C	24°C	24°C	23°C	21°C
Mean	24°C	25°C	27°C	29°C	30°C	29°C	28°C	27°C	28°C	29°C	28°C	26°C
Avg. Precip.	0 mm	0 mm	0 mm	2 mm	12 mm	592 mm	681 mm	488 mm	307 mm	61 mm	23 mm	2 mm

Source : weather.co.uk

Bangalore, which used data of 100 intense rainfall days during 1951-87, the probability of getting maximum rainfall is high around 15°N latitude and near the Mumbai region (19°N). Dharampur in Gujarat, 150 km north of Mumbai, received 98.7 cm of rain on July 2, 1941.

According to Mr. D. R. Sikka, former head of the Indian Institute of Tropical Meteorology (IITM), Pune, there have been eight to 10 events in the past where heavy rain was accompanied by thunderstorm activity.

The movement of a low pressure in the atmosphere (depression) from the Bay of Bengal inland - which is known to strengthen the westerlies from the Arabian Sea - would have contributed to this strong off-shore convergence, thunderstorm activity as well as advection of moisture, points out Mr. Sikka. By July 29, the depression had moved over Gujarat, causing heavy rain there. [*Frontline*, Chennai]

As per the above data for Mumbai city, a whole month's precipitation in July would average around 68.1 cm but on July 26 we had 94.4 cm within 24 hours!

The topography of Mumbai is such that it can take a downpour of 12 hours and let it flow into the sea and creek within an hour or so. Low-lying areas do get waterlogged each monsoon. The belt across the island of Mumbai demarcating South from Greater Mumbai [North] runs across from Mahim Creek in the West through Dharavi, Kurla and RCF into the Bay in the East. With high tides of 3.5 metre at sea, this belt would be inundated each year. Trains on all three local suburban systems would come to a halt for a day - at Bombay Central on Western Railway, Kurla on Central Railway and Harbour line in general. Vehicular traffic would continue to ply. Airport and seaports would generally remain operational. Monsoons would visit and go. Life and business were as usual. Not this time, in July 2005!

Denial of access

Denial of access is a peril seriously evaluated within contracts, projects, port entrance, etc. This peril can be based even on a single access route or a key supplier.

Most of Mumbai is at sea level and the average elevation ranges from 10-15 metres. The northern part of Mumbai is hilly and the highest point of the city is at 450 metre.

Three lakes are located within the metropolitan limits - Tulsi, Vihar and Powai. The first two are located within the Borivali National Park and supply part of the city's drinking water. The third is not fit for use. Mumbai also has

The future to prevention lies in correcting the access to sea and bay. Additionally, deep drainage systems, as in Singapore and Hong Kong, are a crying need. Systems that will ensure back flow of water with heavy pumps to drain out water.

three small rivers within the city limits originating in the National Park. River Mithi (also called Mahim) is one of them. The coastline of the city is indented with numerous creeks and bays. On the Eastern seaboard, large mangrove swamps rich in biodiversity occupy most of the region.

River Mithi is a confluence of tail water discharges of Powai and Vihar lakes and flows a distance of 15 km to the sea. The river is seasonal and swells during the monsoons. The overflowing lakes also contribute to the river flow, which is stopped by a dam at Powai in other times. The river is also a natural drainage channel that carries the excess

waters during the monsoons. However, it is filthy mainly due to the presence of slums and industrial effluents.

Pinching the mouth of river Mithi to build the Bandra-Worli Sea Link in the Mahim Bay area and reclamation of the riverbed to set up the Bandra Kurla complex are considered serious degradation of the environment. These factors constricted the flows in the river and made it flow over on its sides, causing severe and deep inundation of stretches of the Western suburbs. The depth of water can be seen in the pictures. One shows a BEST bus very nearly submerged and the other shows the Sion Railway station turn into a potential ferry station. The water exceeded the height of the railway platforms. This was the case with most railway stations.

The present storm water drainage system in Mumbai was put in place in the early 20th Century and is capable of carrying only 25 mm of water per hour. This was extremely inadequate on a day when 944 mm of rain fell in the city. The drainage system is also clogged at several places. Only three 'outfalls' (ways out to the sea) are equipped with floodgates, whereas the remaining 102 open directly into the sea. As a result, there is no way to stop the seawater from rushing into the drainage system during high tide. A tide of 3.5 m easily floods the tracks between Sion and Kurla, preventing the movement of trains.

The deluge that poured over Mumbai in the last week of July apparently brought this city of about 15 million people to a standstill. Denial of access to drain rainwater was reciprocated by creating denial of access for the denizens - even denial of life. Around 500 people died in collapses, landslides and drowning. An estimated 1.5 million people were stranded in suburban trains. Roads that carry the ambitions of the "never-say-die" Mumbaikars soon got flooded to the extent that those who were outdoors were fighting and wading in gushing waters. Locomotion came to a halt as trains to and from the city were cancelled. Over 700 flights were

cancelled. Mobile phones and landlines were disrupted. Power outages were the norm. Mumbai simply got cut off from rest of the world. Denial of access for stormwater or people!

The breakdowns

The access to the airport was in itself being denied. This became acute and over 1,500 passengers who arrived at the airport were stranded for the next three days. Some managed to get back home or to their place of stay with great difficulty.

Mumbai's domestic and international airports (Chhatrapati Shivaji International Airport, Sahar and Juhu aerodrome) were shut down for more than 30 hours due to heavy flooding of the runways and extremely poor visibility. They reopened on the morning of July 28. Within 24 hours of the airports becoming operational, there were 185 departures and 184 arrivals, including international flights. Again, from early morning of July 31, with increase in water logging of the runways and different parts of the city, most of the flights were indefinitely cancelled.

On that fateful Tuesday morning, I was in a northern suburb of Mumbai. During mid-day I heard there was a disruption in train services and I did not know the reason. I decided to take the road for the 32 km drive to office in Churchgate. Even as I got into the taxi there was heavy rain and inundation around the building at ground floor level. On the fifth floor I was unaware of the development and when I came down it took me by surprise. We moved ahead along the Goregaon Link road, past the Wockhardt Hospital and came to the Container Terminal. We were caught in foot-deep water logging. The driver expressed surprise as just an hour earlier he came along the same road and there was no water! A Tata Sumo that overtook us furiously let water into the Delco of our taxi's engine and we sputtered to a stop. Eventually, discarding the taxi and wading back was the better option. I returned late evening.

This experience is nothing when one learns of the 24-hour walk home from Masjid Bunder to Mumbra, Nariman Point to Mulund, etc. Many walked in chest deep water, abandoning their vehicles. This includes celebrities like Aamir Khan and Aftab Shivdasani. The latter was down with the dreaded leptospirosis soon thereafter. The surprise element and speed of inundation, thunderstorm and the destruction that followed caught everyone unawares. Two distressing experiences bring this out.

The most badly affected celebrity property was the Juhu bungalow of music director Bappi Lahiri, which was submerged in the water for one full day

In 1990, a project costing approximately Rs. 600 crore was proposed by British consultants. The BMC committee rejected it on the grounds that it was "too costly." The potential loss of Mumbai's image as a gateway to business in India and as an emerging world financial centre justifies the cost.

while Lahiri desperately tried to save his studio equipment and his precious records. Bappa Lahiri, his 21-year old son, recalls the ordeal: "When the water initially started entering our Juhu bungalow, it didn't strike us that it could endanger our very existence in the following few hours. When we actually took notice, the situation had already gone beyond our control. The water had risen up to five feet. Dad realised that we could not hang around anymore and the three of us took a hasty decision of shifting to our other suburban house. The next two hours dad and I desperately

tried to take the stock of studio equipment and machinery and packed it hurriedly. However, I could not save my keyboard and two pianos, which got washed away in the water."

Bappa shudders at the sight of dead people floating on water that he saw at the backyard of his compound that day. "I can never forget the sight of two dead bodies, both apparently from decent families, anonymously floating on the water. That wasn't the most horrifying sight though. I could not believe my eyes when I saw the chappals and the clothes of a small child floating in my car, which had got completely flooded in those two hours. One of our neighbours, who offered their car, asked us to leave the place urgently before we got trapped in the dangerous water. On the way ahead, there was a panic wave among people that Tsunami waves more than five feet tall were lashing the shore and were likely to sink Juhu any time. It was a nightmare to say the least. We are yet to estimate the loss due to the damaged studio equipment but we thank God that we managed to save our lives in time."

The Bachchans saw some of their precious possessions, including the manuscripts of the great national poet Harivanshrai Bachchan, being swept away in the water, besides being cut off from electricity and water supply for three days.

In an industrial incident, a Sony official at Paras Complex, off Palaspa Phatta near Panvel, had a problem. His company had a mother warehouse at the complex, distributing its imports nationwide. The warehouse, along with half-a-dozen others belonging to major companies, got flooded on July 26 when the nearby Ghardi river overflowed due to the torrential rains.

The Sony warehouse itself was almost five feet above the ground level. "The water came in so fast; there was no time to respond. Those huts and sheds just went under water," he said, pointing to structures some 30 to 40 feet away. The closed shutters of the warehouse

restricted water ingress to some extent but the watermark on the wall inside was almost five feet up. In fact, Panvel town looked like Venice.

Transport grinds to a halt

Even as the airports were closed, train services came to a total halt. All trains to and from Mumbai were terminated in Pune and other outstations. Two weeks later, normal services were yet to resume. Tracks were weakened by the wash out of ballast. Rakes were affected by fault in coaches. Engines developed technical fault. Automatic route signalling was affected. For the first time, rail links were extensively disrupted. Fifty-two local trains were damaged. All three suburban lines within Mumbai were shut at the same time for 18 hours.

Landslides and water logging affected access to the city through expressways. The Mumbai-Pune Expressway, which witnessed a number of landslides, was closed for the first time ever for 24 hours.

As a case in point, for the effect upon other cities, consider Coimbatore. The off-take of engineering goods, textile and turmeric came down from the Coimbatore region due to transportation problems, including flights to Mumbai. There was a decline in the despatch of auto components and castings to major outsourcing destinations by 25-30 percent due to disruption in transport to Maharashtra. The engineering units here did not want to take a risk by sending their goods for fear of losing them in transit. Auto majors suspended their production in the state due to marooning of their units. Business interruption extended to other cities in India and the world.

In Mumbai, the toll of damage to vehicles was as follows:

Damage to vehicles varied from parts to total loss. The receding waters left the stranded vehicles to dry and rust. Circuits were affected. According to an estimate, vehicles damaged were:

1 Autorickshaws	37,000
2 Taxis	4,000
3 BEST buses	900
4 Trucks and tempos	10,000
5 Cars	45,000

Telephone services proved unreliable. SMS was apparently the better option to communicate. According to *Hindustan Times*, an unprecedented five million mobile and 2.3 million MTNL landline users were hit for over four hours.

Internet connectivity was erratic for two days. According to the .in registrar (personal communication), the .in DNS servers in Mumbai had to be reconfigured as they ceased to be operational.

Mumbai is the city with the highest penetration of insurance. We need to wait and see how soon the insurance industry is able to put the insured of the city on their feet again. Others are expected to receive support and relief from government and private sources.

On July 28, the BBC reported the death toll to be at least 430 in Maharashtra. This has gone up with outbreak of waterborne diseases.

Deaths in the city as on July 28 were 406. The breakup is: Drowning: 233

Landslide: 116 (till the time of writing); 65 alone were killed by a landslide at Saki Naka. The fire brigade arrived after 15 hours. On July 31, boulders were still being cleared and the count of the dead was rising.

Stampede: 24 deaths caused by a stampede which occurred due to a false tsunami rumour at a slum in Vile Parle. Residents of low lying coastal areas, who had faced the floods just 48

hours back, panicked and rushed towards higher ground.

Trapped: 16 deaths from suffocation in cars after water levels rose rapidly in vehicles, preventing escape.

Electrocution: 12

Wall collapse: 5; the count may rise as more incidents are tallied (On July 31, newspapers reported a wall collapse in a school for the first time).

Thousands of animals, mainly buffaloes, died.

What is the failure in alert and safety that we were witnessing? Who is to blame?

From the above calamitous loss of life and property in Mumbai, the insurance industry is estimated to have received around 20,000 incidents of claims for a value of around Rs. 2,000 crore.

Disasters within disaster

ONGC oil platform: An already paralysed and afflicted city was hit by news of an oil platform fire in Bombay High belonging to ONGC. An offshore supply vessel, Samudra Suraksha, was on urgent duty for an injured workman. In continuing downpour and bad weather, the vessel collided with a pipe of the platform, resulting in an explosion. There were 385 persons on board when the huge ball of fire erupted.

Quick and sustained interventions at the highest levels initiated rescue and saved lives. The search and rescue operations saved 361 persons. Safety control ensured prompt shut down of feed from producing wells and confined the fire to stock on the platform. Potential pollution was controlled. ONGC was able to contain the platform disaster without adding to demand on the strained administration resources of Mumbai.

Air India's flight: The airport that was reopened on July 28 remained waterlogged. At 7.30 am on July 30, an Air India flight from Bangalore to Frankfurt-Chicago with 330 passengers and crew aboard skidded off the runway

while landing. The pilot handled the emergency situation well and no loss to life or property was reported. The incident caused the runway to be blocked. It was cleared after six hours and flights resumed. The near disaster can be well imagined when we note the total loss of an Air France flight following skidding in Toronto, Canada on August 2.

Power outage: This was a Catch 22 situation for BSES. Its transformers and sub-stations were submerged in the inundated areas of Kalina. With no power and denial of access to many daily requirements, residents were turning riotous. Citizens were angered by the apathy of the government. *Raasta roko* (stopping vehicular traffic) was staged at 16 places in 24 hours, as thousands of citizens came out in the streets to condemn the “failure of the civic and state administration” and shouted slogans against offices of Reliance Energy at Vakola, Dahisar, Oshivara, Goregaon and other areas.

BSES was helpless, as it did not want to take the risk of restarting electric supply for fear of electrocution and loss of equipments by arcing or short-circuiting. Further, all distribution equipments required thorough cleaning, drying and step-by-step restart. The government, under public pressure, issued an ultimatum to BSES — deliver power or see your CEO arrested. As per reports, BSES brought in generators to supply power and resolved the public crisis.

MSEB was on better ground and was able to restore and keep feeding power.

Outbreak of disease: With the receding of waters, drying up of surfaces and restoration of activities, the outbreak of disease started. The rainwater caused the sewage system to overflow and all water lines were contaminated. The government ordered all housing societies to add chlorine to

their water tanks while they decontaminated the water supply.

Thousands of animal carcasses floated in the floodwaters, raising concerns about the possibility of disease.

Media reports warned of the threat of waterborne diseases and hospitals and health centres were geared up to distribute free medicines to check any outbreak.

On August 11, the state government declared an epidemic of leptospirosis in Mumbai and its outskirts. Sixty-six people have died of fever suspected to be leptospirosis. Nearly 750 people have been admitted with such fever with 41 cases “unstable” and in an advanced stage of the disease. The BMC declared

The present storm water drainage system in Mumbai was put in place in the early 20th Century and is capable of carrying only 25 mm of water per hour. This was extremely inadequate on a day when 944 mm of rain fell in the city.



three zones - P South (Goregaon) ward, L ward (Kurla) and H East (Bandra-Kalina) - as critical areas for being “hygienically sensitive.”

Doctors say 80 percent of cases reported are leptospirosis while the rest are a mix of dengue, malaria, gastroenteritis, cholera and diarrhoea. Hospitals do not have enough beds and medical staff to attend to patients across Mumbai.

Disaster management

It looks like the Bay of Bengal was depressed about causing heavy rains more on the eastern coast of India. Mumbai's downpour was induced by the system of low pressure off the coast of Orissa backed by westerlies. This only

recalled Munich Re's computer generated trends of the past 100 years. The trends were indicative of a shift of monsoon activity exclusively across the Eastern coast in the early 20th Century to a spread across both coasts of peninsular India from mid-20th Century.

The level of failure in disaster management is seen from the extensive loss of life and destruction of property. Adding to the chaos was the lack of public information and guidance. Radio stations and many television stations did not receive any weather warnings or alerts by the civic agencies. It is only after July 31, when rains continued to lash Mumbai and many areas like Kurla, Andheri, Bandra to Santracruz were flooded that the city's Police Commissioner requested all residents to stay indoors as far as possible and go out only if absolutely necessary. All flights were grounded that day. Western Railway had to stop its services once again. The government declared state holidays on July 27 and 28 and later ordered schools and colleges to remain closed till August 2.

The lack of coordinated action to mitigate an impending disaster was seen during the worst inundation of Mumbai. “The multiplicity of agencies, each with its own norms and working style, means that there is no coordination in governance, not to mention a fragmentation of authority,” said former municipal commissioner Mr. V. Ranganathan.

Another former municipal commissioner, Mr. S. S.Tinaikar, said: “BMC does not exist today; it is subordinate to government, especially the urban development department which notifies the land use changes and increases in floor space index.”

The initial days following July 26 did not see any public or local authority visiting and directing relief measures across Mumbai, where a third of the city surface was under water. Failure in mass communication and telecommunication compounded the failure to provide relief. The citizens of Mumbai, as is their

want, relied on self-help. They waded and struggled against all odds, at odd times and without access to food and transport. The neighbourhood in each locality rose to the occasion, providing food and shelter until it was possible for the affected to move on.

The Prime Minister's visit and commendation of the Mumbaikar was taken with due respect but the pinch at ground level rendered it untenable.

The future to prevention lies in correcting the access to sea and bay. Additionally, deep drainage systems, as in Singapore and Hong Kong, are a crying need. Systems that will ensure back flow of water with heavy pumps to drain out water. Figuratively one can say Mumbai cried for these during the devastating inundation.

In 1990, an ambitious plan was drawn to overhaul the city's storm water drainage system. A project costing approximately Rs. 600 crore was proposed by UK-based consultants hired by the BMC to study the matter. Implementation of the project would have ensured that rainwater did not inundate the streets of Mumbai. The project was slated for completion by 2002 and aimed to enhance the drainage system through larger diameter storm water drains and pipes, using pumps wherever necessary and removing encroachments. The project, if implemented would have doubled the storm water carrying capacity to 50 mm per hour. The BMC committee rejected the proposed project on the grounds that it was "too costly". The potential loss of Mumbai's image as a gateway to business in India and as an emerging world financial centre justifies the cost. The economic loss is significant to state any other justification.

The Union Environment Ministry was informed in the early 1990s that sanctioning the Bandra-Kurla complex (a commercial complex in northern Mumbai) was leading to disaster. No environment clearance is mandatory for large urban construction projects in northern Mumbai. Ministry officials claimed that it was not practical to

impose new guidelines with retrospective effect "as there are millions of buildings". The inundation has set the need to reconsider modification of guidelines.

The functioning of the Disaster Management Cell must be reviewed for its civic augmentation -

1. to reach out emergency communications to public at large;
2. to coordinate search and rescue services;
3. to arrange relief through supply of food, medicines and shelter;
4. to keep all agencies updated during a calamity for action undertaken.

— — — — —
This was a Catch 22 situation for BSES. Its transformers and substations were submerged in inundated areas. With no power and denial of access to many daily requirements, residents were turning riotous. BSES was helpless.



Mumbai has the reputation of a city where the Indian corporate world delivers results. Estimates suggest that a bit more than five per cent of the total tax collection from the city is actually spent in infrastructure development. Considering the city contributes very significantly to the treasury at state and central levels, more can be done for its infrastructure.

Insurance coverage

Fire insurance policies have a clause to cover "Loss, destruction or damage directly caused by Storm, Cyclone, Typhoon, Tempest, Hurricane, Tornado, Flood or Inundation excluding those resulting from earthquake, volcanic eruption or other convulsions of nature. (Wherever earthquake cover is given as an "add on cover" the words "excluding

those resulting from earthquake volcanic eruption or other convulsions of nature" shall stand deleted.)" Further, "Loss, destruction or damage directly caused by subsidence of part of the site on which the property stands or Land slide/Rock slide excluding:

- ◆ the normal cracking, settlement or bedding down of new structures
- ◆ the settlement or movement of made up ground
- ◆ coastal or river erosion
- ◆ defective design or workmanship or use of defective materials
- ◆ demolition, construction, structural alterations or repair of any property or ground works or excavations."

Loss is payable after a deducting an excess of five per cent of claim amount subject to a minimum of Rs. 10,000.

Consequential loss of profits is payable where the same is insured along with the fire policy.

Motor vehicles constitute a category of insurance in themselves. Those comprehensively covered are entitled to cost of repairs and replacements. Vessels and aircrafts are insured by their package covers. Life, Mediclaim and Personal Accident insurances are payable.

Mumbai is the city with most penetration in insurance. We need to wait and see how soon the insurance industry is able to put the insured of the city on their feet again. Others are expected to receive support and relief from government and private sources.

The author is Director, J. B. Boda Insurance Brokers Pvt. Ltd. The views expressed here are his own. This paper does not attempt to state the insurance industry's response to the calamity.

Act Quick and Act Well

— Post disaster, insurers need to make their mark

Following a major disaster, insurers are expected to provide speedy and effective support, points out *P. C. James*, who also explains how the insurance industry can rise to the occasion.

The tragic and unhappy results of an unforeseen disaster can be manifold. Loss of lives, destruction of essential and expensive assets, loss of income, additional expenses, etc. take their toll. A variety of 'after-effect' losses to the main catastrophe, such as the loss of use of residence/office/shop or vehicles, transport dislocation, non-availability of daily necessities such as electricity, water and food, the onset of diseases, epidemics and so on afflict the victims for long.

Post disaster, the eyes of a country turn to insurers and expectations of quick and effective indemnity for covered property, income and life run high. It is rightfully expected that the insurance industry will proactively support the economic recovery process, which will enable all other financial facilitators to join in to fund the reconstruction. How do insurers successfully manage the aftermath of a disaster when they themselves could be disabled due to the disaster affecting their employees and infrastructure?

Whether an insurer is affected by the disaster or not, it is expected that as a consequence of contracts of insurance assumed, it will have to gear itself not only to settle claims as committed but also with much greater speed and sense of purpose. Therefore, insurers need to have their own contingency plans in place, especially in a country like India where, owing to its sub-continental diversity and size, disasters of various types and intensity tend to strike rather frequently.

What do the insurers need to do in such a situation?

Communicate in a crisis

In the face of a widespread calamity or disaster, communication with the community, especially with those insured who are likely to sustain losses,

is a highly important duty. This includes being visible and conveying, both with body language and verbal cues, the readiness to tackle the crisis. The media must be effectively used to reassure those covered, who should be given clear instructions as to whom to contact, where, through which phone numbers, etc. and with what minimum information or documents. Guidelines to the insured on loss minimisation and easy steps to lodge claims, and on their rights and obligations, would help to raise confidence and cooperation.

— — — — —

Whether an insurer is affected by the disaster or not, it will have to gear itself not only to settle claims as committed but also with a much greater speed and sense of purpose. Therefore, insurers need to have their own contingency plans in place.

— — — — —

Form crisis teams

An insurer should make use of its national infrastructure to serve the emergency requirements of the affected area. An empowered head office team should put in place an effective and efficient crisis machinery with the necessary men and means to make the maximum impact on the ground at the scene of the disaster. In this, it may need to ensure the following:

- a) Coordinate with the Insurance Council concerned so that all insurers can act in unison and convey an industry level response.
- b) Get surveyors from the local area and

nearby locations in sufficient numbers to meet the requirement of quick survey and assessment of a large numbers of losses.

- c) Convey clearly to the public at large a simplified response system.
- d) Create visibility in the area of loss through surveyors and joint camp offices.
- e) Get as many employees and agents into the field as possible to assist and counsel customers with claims.

Handling the immediate aftermath

- a) Loss advice by the insured may not be possible after the loss as in usual cases. The insured could have lost all records, could be in hospital, or the telephone and other means of communications could be disabled. It would be advisable for insurers to set up camp offices where they are visible and also authorise surveyors/employees who visit the areas of loss to accept loss advices from the affected persons in the area and hand them over to the insurers concerned.
- b) Centrally registering on a standard format all losses in the area due to the disaster would be useful for proper management of claims, including coordination and control.
- c) All assistance must be given to the insured to obtain duplicate copies of policies in case they are not able to retrieve their original policies owing to the disaster.
- d) Insurers, through the General Council, must coordinate with the police and other government authorities to facilitate access and to obtain clear information and records as may be necessary.
- e) Determination of coverage is vital. The validity of the policy and whether the peril that has caused the

disaster is covered have to be established by the insurer before proceeding to consider the loss for assessment.

Touching the distressed insured

The first contact directly with the insured after the disaster is likely to be by the surveyor. It is essential that this is done at the earliest possible time, as the service has a time dimension which will go a long way to reassure the customer. If delay is envisaged, reasons are to be given and the next possible date informed. Similarly, the quality of the touch is important. The surveyor will need to display exemplary empathy to reassure the insured as to the intentions of the insurer, which is to pay all covered losses as quickly as possible with the least formalities possible.

Establishing the cause of loss

In this regard, the surveyor needs to establish the cause of loss and, if it is due to the catastrophe, the insured need not be burdened with the need to produce further proof. The surveyor needs to certify the loss and obtain proof of damage by way of report and photographs. Insurers must make sure that the surveyors are equipped with good digital cameras that will perforce display the date and time on the photos. These photos should be loaded on to computers and could also be developed speedily through agreements with large photo studios. The extent of loss must be determined according to standardised criteria.

In order to assess repair costs quickly and along standard lines, insurers should be able to rely on unit price and wage rate lists. It is likely that after a disaster, repair and replacement costs may spiral. Insurers perhaps need to negotiate with manufacturers and repairers and their associations to keep repair and replacement costs at reasonable levels.

Opening up the cash flow

The actual indemnification should begin at the earliest. Insurers have long-tested procedures for on-account

payments where, once it is established that a covered peril has caused loss and preliminary assessment indicates a certain quantum of loss, an on-account payment is released without prejudice to the rights of the insurer and the obligations of the insured so that cash is made available to restart operations and activities. This goes a long way to ease the pecuniary burden on the insured and their bankers to begin restoration after a loss. The on-account procedure is resorted to if there are reasons to believe that quick full payments are not possible owing to assessment problems.

Documentation issues

Documentation to be given by the insured poses genuine problems in the event of a disaster. Whatever is of public

The media must be effectively used to reassure those covered. Guidelines to the insured on loss minimisation and easy steps to lodge claims would help to raise confidence and cooperation.

information and is widely reported in the media need not be elicited from the insured, such as the happening of a flood, storm, earthquake or riot. The surveyor, by proper examination of the damaged property, should be in a position to prove the loss caused by the widespread disaster. Therefore, documents from the police, fire brigade, weather reports, etc. need not be insisted upon except in case of serious doubts. The insured, however, will need to give proof of ownership or insurable interest through evidences that can satisfy the insurer or any other acceptable authority who in turn may certify the same for the insurer to rely on.

Adjustment procedures

The insured needs to work with the surveyor, whether in-house or

independent, and complete the evaluation and assessment of the loss as early as possible. Normally, an estimate is to be obtained from repairers and builders as the case may be. In the absence of these owing to the catastrophe, a rough estimate from the insured may be required initially and assessment may be made using common standards of repair with the consent of the insurers. Surveyors may be given strict guidance such as the following:

- 1) The surveyor must establish contact with the insured immediately, but not later than 12 hours from the time of appointment.
- 2) Preliminary report is to be submitted within three days for small losses and six days for larger losses.
- 3) If final report is going to be delayed, the surveyor must recommend on account settlement within 10 days.
- 4) Final report is to be given within 30 days of appointment.
- 5) Surveyors should be careful not to harass the insured in any manner, should not summon the insured to their residence/office in a way that causes difficulty or suspicion, should not insist on cumbersome documentation without the knowledge of the insurer and so on.
- 6) The surveyors/employees on duty should carry their identification cards and letters of appointment and show the same to the insured if needed.
- 7) A copy of the survey report is to be given to the insured if asked for.

Delegation of authority

The insurance company's board and the corporate office must delegate sufficient authority to the regional/local office in the following areas:

- a) Dispose of claims as individual claims for applicable financial authority.
- b) Enhance the authority in appointment of surveyors, if needed.

- c) Pay 'on account' claims based on surveyors' recommendations.
- d) Waive documents other than essential ones in settlement of claims.
- e) Work with other insurers and all other authorities in quick settlement of claims.
- f) Allow disposal of salvage in expeditious ways, particularly if local authorities insist on their removal.
- g) Circulate directions to surveyors, agents and staff in the field in the areas of customer assistance and prompt settlement of claims.
- h) Open field offices for customer assistance, set up call lines, advertise in local newspapers, etc.
- i) Make sufficient funds available to pay claims.

Monitoring and facilitation

The entire insurance industry will have to close ranks and work together to face the calamity and help the insured persons to overcome their loss. In this regard, the following would be of importance:

At the industry level:

- 1) The involvement of the Insurance Council or such other joint forum of insurers to coordinate and clarify and speak in one voice on behalf of the industry.
- 2) Coordination with all the relevant authorities to help in documentation and other forms of assistance as per need.
- 3) To allot work to surveyors in such a manner that there is no overload.
- 4) To establish standards of settlement so that surveyors can speed up assessments and these standards can also assist in negotiating with the insured for quick settlement.
- 5) Develop a common approach in disposal of salvage, negotiation of repair charges, etc.

- 6) Establish a common platform to resolve complaints and facilitate settlements.
- 7) To collect relevant statistics for reporting to various authorities.

At the company level:

- a) Create an empowered team at the HO.
- b) Ensure that an adequate number of employees and surveyors are available in the affected areas, and that the public has access to the company always throughout the period of reconstruction and settlement.

—

A proactive approach in the event of catastrophic losses does good to the insurer not only from a contractual point of view, but also offers great mileage in bettering the image and reputation of the company and the industry.

—

- c) Make office facilities available for round-the-clock activity to collect documents and prepare reports, and to assist customers, surveyors and authorities in speedy disposal of claims.
- d) Make sufficient publicity about the help-lines and special assistance available to claimants.
- e) Keep updated statistics and records to report to HO and other authorities.
- f) Review progress and seek additional powers, manpower or funds to speed up disposal of claims.

Looking to the future

A proactive approach in the event of catastrophic losses does good to the

insurer not only from a contractual point of view, but also offers great mileage in bettering the image and reputation of the company and the industry. The appreciation of timely service despite Herculean difficulties helps to make insurance a desirable good and the business prospects of the industry and the pricing power of insurers also goes up. This is likely to offset the additional losses that may have been sustained on account of the catastrophe.

Research on action taken during the aftermath of the disaster would also enable the insurers to set up better and faster response systems for future potential catastrophes. Insurers will always be challenged to offer better products at reasonable prices and develop even faster response systems. Innovations in all these areas are possible by using the experiences of each catastrophe to learn and respond to customer needs.

The author is Executive Director (Non-Life), IRDA. The views expressed here are his own.

The Trauma and After

—Disasters are less distressing with management measures in place

By incorporating disaster as a component of macroeconomic projections, effective planning options at the national and international level can be more fully explored, observes *T. S. Naik*, while also presenting an original approach to estimating the macroeconomic impacts of catastrophes for planning purposes.

The 26th day of a month: It cannot get worse than this...the Gujarat earthquake, the tsunami and Mumbai flooded with 94.8 cm rainfall.

There was no power for more than two days. Cell phones were dead. Roads were damaged. There was chaos everywhere. In a few hours, all of Mumbai came to a standstill. Almost nothing worked. Children were at school. People were at their workplaces. Trains had stopped and road traffic was jammed. There was darkness and numbness everywhere.

Just six hours of rain and it brought devastation.

It was only the spirit of the people and the city that got the situation under control just after few hours of devastation.

Often perceived as "Acts of God", natural catastrophes have frequently been overlooked in policy planning. On an aggregate level, the consequence of this limited planning is a serious challenge to socioeconomic development, as scare funds are diverted from longer-term development objectives to short-term emergency relief and reconstruction needs. This article aims to present an original approach to estimating the macroeconomic and poverty impacts of catastrophes for planning purposes. By

incorporating disaster as a component of macroeconomic projections, effective planning options at the national and international level can be more fully explored.

Developing countries facing a high risk of natural catastrophes have not had the market exposure or industry collaboration required to tap into the latest financial structures and instruments that could optimise their risk coverage and premium terms.

Many countries in the developing world already face daunting challenges to increase economic growth and decrease poverty. Responding to substantial socioeconomic and climatic changes with its resultant impact on key economic sectors will add to an already difficult burden.

Many countries in the developing world already face daunting challenges to increase economic growth and decrease poverty. Responding to substantial socioeconomic and climatic changes with its resultant impact on key economic sectors will add to an already difficult burden. Sudden onset extreme natural hazards are a chronic problem for a select group of developing countries: 28 have suffered direct losses of more than \$one billion from natural catastrophes in the past 20 years.¹

Globally, natural disasters account for nearly 80 per cent of all disaster-affected people. The insurance industry estimates that natural disasters

represent 85 per cent of insured catastrophe losses globally.² In 1996, 40 million disaster-affected people depended on humanitarian assistance, a 60 per cent increase over the average figure of 25 million in the 1980s. In the first half of this decade, over \$30 billion was spent on humanitarian assistance. The average cost of natural disasters over the past 25 years stands at over \$87 billion a year.³ The average amount spent on humanitarian response is \$3 billion a year. Compared to expenditure on disaster mitigation, the average annual global military spending is around \$780 billion.⁴

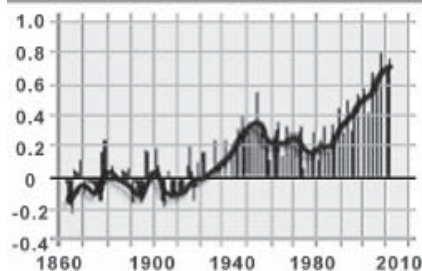
The **World Meteorological Organisation (WMO)** had announced that 2004 was expected to be the fourth warmest year worldwide since records began. The year's average temperature of the world's surface was expected to be 0.44°C higher than the mean for the period 1961-1990, making it the fourth hottest year since 1861, just behind 2003, but still well below the all-time record year of 1998. Moreover, the insurance industry expected unprecedented claims for damage from weather-related disasters. Both sets of figures were released as ministers from 180 countries heard a message from the UN Secretary General Kofi Annan urging

India's Key Vulnerabilities

According to Reinsurance Company 'Munich Re' costs associated with natural disasters has gone up 14 fold since the 1950s. Each year from 1991 to 2000, an average of 211 million people were killed or affected by natural disasters - seven times greater than the figure for those killed or affected by conflict. Towards the end of the 1990s, the world counted some 25 million 'environmental refugees' - for the first time some people had fled natural hazards than conflict.

Source: *World Disasters Report: 2001*

TEMPERATURE VARIATIONS*



*Variations in global near-surface land temperature in degrees C

SOURCE: Hadley Centre

an end to doubts and delays on action to combat climate change.

New risks

Climate change: The evidence and future predictions

The year 2004 proved to be one of the most expensive ones for the insurance industry in terms of payouts for damage from natural disasters. The tsunami, which was one of the biggest ever catastrophes, claiming more than 1 lakh lives in the Indian subcontinent, itself had very few insurance losses due to low penetration of insurance in the effected areas. Munich Re estimates losses to hover around *10 billion (\$13.6 billion), more of a tentative estimate as the exact numbers are not yet available. The reinsurer believes its own losses will total about *100 million, due to the fact that high-value insured property is restricted to tourist and harbour areas. According to preliminary figures compiled by re-insurer Munich Re, insured damage for the first 10 months of 2004 amounted to \$35 billion, with the US facing the biggest bill of \$26 billion. Overall economic losses, the majority of which were uninsured, are expected to be about \$90 billion.

Among the disasters singled out in the report are Hurricane Ivan, which devastated the island of Grenada in September, killing 28 people and causing an estimated \$1 billion in damaged homes, buildings and agricultural losses.

The report says the insurance industry is also worried that new climate-related risks may be emerging, such as Hurricane Catarina, which hit southern Brazil earlier this year. It developed in south Atlantic, where the sea temperatures are normally too low for tropical cyclones to form.

The rich countries set double standards by insisting on the repayment of financial debt from the developing world, while refusing to acknowledge their own "environmental debt". It was the industrialised economies that created the build-up of greenhouse

emissions, but the poor who will suffer the worst impacts of global warming.

Disasters in India

Having an area of 32,87,590 sq. km, slightly more than one-third the size of the US, with varying terrains, i.e. the upland plain in the South, flat to rolling plain along the Ganges, deserts in the West, the Himalayas in the North, India is prone to natural disasters like earthquakes and droughts as well as widespread and destructive flooding from monsoon rains. These almost annual features affect not only human life but also show adverse impact on the country's economy.

India has been traditionally

The rich countries set double standards by insisting on the repayment of financial debt from the developing world, while refusing to acknowledge their own "environmental debt." It was the industrialised economies that created the build-up of greenhouse emissions, but the poor who will suffer the worst impacts of global warming.

vulnerable to natural disasters on account of its unique geo-climatic conditions. Floods, droughts, cyclones, earthquakes and landslides have been recurrent phenomena. About 60 per cent of the landmass is prone to earthquakes of various intensities; over 40 million hectares is prone to floods; about eight per cent of the total area is prone to cyclones and 68 per cent of the area is susceptible to drought. During 1990-2000, an average of about 4,344 people lost their lives and about 30 million people were affected by disasters every year. The loss in terms of private,

community and public assets has been astronomical.

Many parts of the Indian sub-continent are susceptible to different types of disasters owing to the unique topographic and climatic characteristics. About 54 per cent of the sub-continent's landmass is vulnerable to earthquakes while about four crore hectares is vulnerable to periodic floods. The period 1990-2000 has been particularly disaster-ridden. Losses in the Orissa cyclone in 1999, and later, the Gujarat earthquake in 2001 alone amounted to several thousand crores of rupees, while the total expenditure on relief and reconstruction in Gujarat alone has been to the tune of Rs. 11,500 crore.

Similarly, the country has suffered four major earthquakes in the span of the last 50 years along with a series of moderate intensity earthquakes that have occurred at regular intervals. Since 1988, six earthquakes have struck different parts of the country. These caused considerable human and property losses.

Major Earthquake in India, 1988-2001

In the recent earthquake in Gujarat, more than 14,000 lives were lost, 10 lakh houses were damaged and the asset loss has been indicated to be worth Rs. 15,000 crore. Tables above give an indication of the magnitude of the damage and losses incurred by the country due to recent natural disasters.

Over the past couple of years, the Indian Government has brought about a paradigm shift in the approach to

Estimated Value of Crop Damage in last 5 years	
Rs. in million	
1994-95	828.600
1995-96	45,165.203
1996-97	14,105.500
1997-98	4,452.495
1998-99	286.761

Source: Lok Sabha, Starred Question No. 354, 23 December 1998

disaster management. The new approach proceeds from the conviction that development cannot be sustainable unless disaster mitigation is built into the development process.

In the inter-governmental panel on Climate Change in its Third Assessment Report confirmed that there is "new and stronger evidence that most of the warming observed over the last 50 years is attributable to human activities." Climate change is a highly complex problem, which has the potential to impact negatively on every sphere of life, if left unabated. The current scientific assessments suggest that the developing countries are likely to be more adversely affected as compared to the developed countries due to the impact of climate change.

India, following a planned approach to development has subscribed to the twin objectives of socio-economic growth and sustainability. Various initiatives in different sectors have contributed to de-linking economic growth from energy consumption and hence carbon emission. India's commitment to the United

Nations Framework Convention on Climate Change is reflected in the various initiatives such as energy conservation, promotion of renewable energy, control

Over the past couple of years, the Indian Government has brought about a paradigm shift in the approach to disaster management. The new approach proceeds from the conviction that development cannot be sustainable unless disaster mitigation is built into the development process.



of air pollution, afforestation and wasteland development. A sound environmental policy and law framework are also in place.

Recent economic liberalisation

policies have seen new strides in technology upgradation, cleaner fuels, efficiency in production and environmentally sound practices. At the same time, Indian society's traditional respect for the ecology, rivers and nature remains as strongly rooted as ever in its quest for sustainable and climate friendly development.

What is needed in the climate change sector is the cooperation amongst a wider range of stakeholders, since the subject of climate change is all-encompassing. Increasingly, there has been a paradigm shift in what constitutes technology transfer. Formerly, there was a worldwide emphasis on large-scale import of technologies by developing countries. However, it has come to be acknowledged that this may not have been the most appropriate route. We must now look to newer modes of technology diffusion and transfer that will involve attitudinal shifts, policy reorientation, green credit, waste minimisation and favourable international terms of trade.

Multi-hazard situations in coastal states

Natural hazards in coastal states

The following hazards are seen to occur in the coastal areas:

1. Earthquakes
2. Cyclonic winds
3. Storm surge in cyclones
4. Flooding by incessant rain
5. Tsunami

Fire is also known to occur quite frequently in many such areas. The situation on the west and east coast of India is given in Table 1 & 2, respectively.

◆ *Disaster Management in India (- A Status Report)*, August 2004, includes a chapter on Institutional and Policy Framework, Disaster Prevention & Mitigation, Preparedness. This concludes that Disaster management requires a multi-disciplinary and proactive approach. Besides various measures

Damage due to Natural Disasters in India

Year	People affected	Houses & buildings, partially or totally, damaged	Amount of property damage/loss
1985	595.6	2,449,878	40.06
1986	550.0	2,049,277	30.74
1987	483.4	2,919,380	20.57
1988	101.5	242,533	40.63
1989	30.1	782,340	20.41
1990	31.7	1,019,930	10.71
1991	342.7	1,190,109	10.90
1992	190.9	570,969	20.05
1993	262.4	1,529,916	50.80
1994	235.3	1,051,223	10.83
1995	543.5	2,088,355	40.73
1996	549.9	2,376,693	50.43
1997	443.8	1,103,549	n.a.
1998	521.7	1,563,405	0.72
1999	501.7	3,104,064	1020.97
2000	594.34	2,736,355	800.00
2001	785.19	846,878	120.00

Source: Annual Reports, NDM Division, Ministry of Agriculture

for putting in place institutional and policy frameworks, disaster prevention, mitigation and preparedness enunciated in this paper and initiatives being taken by the Central and State Governments, the community, civil society organisations and media also have a key role to play in achieving the goal of moving together towards a safer India.

- ◆ Their mission is vulnerability reduction to all types of hazards, be it natural or manmade.
- ◆ The prevention and mitigation measures outlined above are aimed at building up the capabilities of the communities, voluntary organisation and government functionaries at all levels.
- ◆ There is a need to adopt international systems of preventive risk management and the latest technologies, such as GIS, can be used to minimise the losses, if totally unavoidable in the case of a catastrophe.

The Disaster Management Plan (DMP) has three components:

(a) Risk Analysis & Vulnerability Assessment

Risk analysis and vulnerability assessment involves the creation of a scenario for each potential disaster in terms of exposure, loss of life, property damage and geographic distribution. Any monitoring facilities, regulatory regimes and countermeasures available for each

disaster are accounted for in this analysis.

(b) Response Plan

This defines the organisational and structural relationships of all the state, central and non-governmental agencies involved in dealing with a disaster. It identifies functional areas such as relief, communications, information, transport and health services; proposes assignments for various departments; and identifies

**Disaster management
requires a multi-disciplinary
and proactive approach.
Besides governmental
measures the community,
civil society organisations
and media also have a key
role to play in achieving the
goal of moving together
towards a safer India.**

lead and supporting organisations. The response plan also lays down preparedness checklists, standards of services, operating procedure guidelines and reporting formats in a coordinated and quick manner to mitigate the impact of disaster during and after its onset.

(c) Mitigation Strategy

The mitigation strategy focuses on the long-term planning for disaster

reduction. It deals with the issues of continued commitment to hazard identification and risk assessment, applied research and technology transfer, investment incentives for mitigation and leadership and co-ordination for mitigation. The mitigation strategy makes an argument for better land use management, building codes, traffic, standards and health standards. These objectives are to be secured through disaster legislation, mitigation regulation and incentives for mitigation.

At the state and district levels, the same structure is followed. The Disaster Management Plan calls for the creation of a variety of facilities and resources, which provide support in the nature of infrastructure and organisational requirements. The Maharashtra Government has begun the implementation of these activities:

- ◆ Emergency operations centre;
- ◆ District control rooms;
- ◆ Communication network comprising wireless (VHF) and satellite (VSAT) networks covering the entire state;
- ◆ Computerised disaster management information system using geographic information system (GIS) applications;
- ◆ Community disaster preparedness programmes;
- ◆ Training.

Disaster preparedness

In order to respond effectively to a

Annual Damage due to History Rains, Landslide and Floods

S. No.	Year	District affected	Villages affected (Lakh)	Population affected (Lakh He.)	Crop Areas affected (no.)	Houses Damaged (no.)	Human Life loss (no.)	Cattle loss (no.)	Estimated value of loss to houses (Rs. in crore)	Estimated value of Public properties (Rs. in crore)
1.	1999	202	2,158	328.12	8.45	8,84,823	1,375	3,861	0.72	
2.	2000	200	29,964	416.24	34.79	27,36,355	3,048	1,02,121	631.25	389.72
3.	2001	122	32,363	210.71	18.72	3,46,878	834	21,269	195.57	676.05

disaster, healthcare organisations must identify what disasters are most likely to affect them, what resources are necessary to effectively address those disasters and the most efficient means to access and use those resources.

Hazard vulnerability analysis

The centre can assist healthcare organisations with identifying disasters for which they are at risk, as well as with the development of hazard vulnerability assessments that provide guidance on operational areas that may be impacted by a large-scale disaster.

Capacity assessments

An important aspect of disaster preparedness is knowing what resources are available, on average, within an organisation at any point in time. In addition to providing recommendations for resources needed to respond to specific types of disasters, the centre can assist with designing capacity assessments, analysing the responses and developing a strategy to better position the organisation for an effective response.

Regional planning

Building local and regional partnerships prior to a disaster ensure that emergency responders know how, when and to whom they should

communicate information, as well as know how each organisation's planned response integrates with others. The centre has experience in bringing appropriate emergency response players to the planning table to effectively move regional plans forward.

Communities are the first responders to a disaster. Formulating Village Disaster Management Plans and setting up Village Disaster Management Volunteers Teams are among the core activities of the project.



Preparedness plan

Communities are the first responders to a disaster. Formulating Village Disaster Management Plans and setting up Village Disaster Management Volunteers Team are among the core activities of the project. Young volunteers in the village are drafted into Village Disaster Management Volunteers Teams to carry out local search and rescue, first aid,

shelter management, water and sanitation, dead body disposal functions, etc. with the help of various line departments, the Civil Defence Fire Brigade, Police etc. Training is imparted to these teams.

Network Plan:

Lack of proper telecommunication infrastructure in suburban and rural areas and the virtual absence of any disaster management plan have served to compound the sufferings, loss of life, property damage, etc. resulting from these natural catastrophes. Maharashtra is the first state in the region to implement a comprehensive, multi-hazard disaster management plan supported by the World Bank, UNDP and UK Department for International Development (DFID). The emphasis of this multi-faceted programme is on disaster management response, disaster awareness and education. The construction of a disaster communications network has been carried out as an integral component of this plan.

The network based on VSAT and VHF networks in each of the state's 30 districts is also planned to be used for general state government administration and rural development programmes. The Maharashtra disaster management project was implemented at a cost of \$11 million and became operational in March 2000.

The importance of telecommunication in disaster

Table 1 West Coast of India

Name of Coastal State	EQ. Hazard	Cyclonic Wind (m/s)	Storm Surge (m)	Astronomical High Tide (m)	Flood Proneness	Tsunami Proneness (m)
Gujarat	V, IV, III	50 & 47	2.5 – 5.0	1.1 – 5.3	In 5 coastal districts	10 – 12(1945 Eq.)
Dadra & Nagar Haveli	III	44	5.0	1.1 – 5.3	-	+
Daman & Diu	III	50 & 44	5.0	1.1 – 5.3	-	+
Maharashtra	IV & III	44 & 39	2.9 – 4.2	*	-	+
Goa	III & II	39	3.4	*	-	+
Karnataka	III & II	39	3.2 – 3.7	*	-	+
Kerala	III	39	2.3 – 3.5	*	In 9 coastDistricts	3 – 5
Lakshadweep	III	39	**	*	-	+

* To be obtained from survey of India ** To be obtained from IMD + To be estimated as per Ch. 3

India's Key Vulnerabilities

Coastal States, particularly in the East Coast and Gujarat are vulnerable to cyclones.

4 crore hectare and mass is vulnerable to floods.

68 per cent of net sown area is vulnerable to drought.

55 per cent of total area is in Seismic Zones II - V, and vulnerable to earthquakes.

Sub-Himalayan/Western Ghat is vulnerable to landslides

management has been widely accepted since the early days of the development of radio communication. Disasters strike without warning at any time of the day or night. On the Indian subcontinent, the pressure from population increase and over-exploitation of resources for haphazard development have disturbed the ecological balance, in turn causing degradation of the natural environment, deterioration of the ecological system and widespread destruction of the natural resources on which the well-being of human life depends. As a result, most of the India states are disaster prone.

Technologies, particularly in the telecommunication field, can help minimise disaster losses as well as the very scope of the disasters. But in most of the less developed countries, these technologies have not been adopted to the fullest extent because of the lack of trained manpower, organisations and institutions at various levels that could evolve a coordinated approach to these modern communication technologies.

The suffering and loss of human life is highest in remote rural areas due to a lack of basic infrastructure and poor, or non-existent, disaster management plans. Within India, two-thirds of the population lives in rural areas where telecommunication facilities are scarce.

Insurance is built on the idea of solidarity and, when properly implemented, it serves as an effective way to manage solidarity – which itself is a key element of disaster risk management.



Of 6,00,000 villages, 45 per cent do not have any telecommunication services at all. Therefore, the state governments are planning their own communication networks as part of disaster management plans.

Use of GIS software applications for effective risk management

The process of risk management involves the following steps:

- ◆ Establishment of objective for risk management: When developing a strategic growth plan for a catastrophe-exposed business of an insurance company (called the “exposure”), the goal could be to maximise premiums, profits, market share and/or return of investment for the overall geographic region of operation. Also, the risk needs to be contained within some acceptable limits (defined as “risk appetite”). Since the premium contribution and risk appetite corresponding to each territory within this geographic region would vary, GIS software applications are used to study and analyse this spatial variation.
- ◆ Quantification of current and future risk for the exposed area (making a “risk profile”): This is the most important part of the overall risk management process. It involves three phases: exposure analysis (study of the catastrophe-exposed locations), risk modeling (estimation of losses based on a study of natural hazard and built environment for these locations), and loss analyses (identifying the key drivers of the loss). Since the risk factors are location dependent, GIS tools can be used for effective risk analysis.
- ◆ Maximise the benefits (as defined by the objectives and constraints) for the given risk profile: Since both these aspects are spatial in nature, GIS tools can effectively be used along with some suitable optimisation algorithms
- ◆ Develop and implement underwriting guidelines: In the final step, and using the results available from the previous steps as input, the underwriting guidelines are developed. The process of

Table 2 East Coast of India

Name of Coastal State	EQ. Hazard	Cyclonic Wind (m/s)	Storm Surge (m)	Astronomical High Tide (m)	Flood Proneness	Tsunami Proneness (m)
Tamil Nadu	III & II	50,47,39 (PMWS- 64)	2.7 –11	*	—	7 – 10
Pondicherry	III	50,47,39 (PMWS- 64-78)	3.0 –4.5	*	In 1 coast districts	10 (in 1 district)
Andhra Pradesh	III & II	50 (PMWS – 78)	3 – 6	*	In 8 coast districts	+
Orissa	III & II	50 & 44 (PMWS – 78)	2.7 –9.8	1.15-1.60	In 3 coast districts	+
West Bengal	IV & III	50 PMWS- 78	12.0 -12.5	*	In 3 coast districts	+
Andaman & Nicobar	V	44	**	*	—	3 – 6

* To be obtained from survey of India ** To be obtained from IMD + To be estimated as per Ch. 3

underwriting involves developing a suitable insurance policy and its pricing. Intranet and Internet GIS applications can be effectively used to assess the required spatial data, for example the location coordinates, the risk profile, and the guidelines specific to different regions. This information can be used by the underwriters from anywhere within the organisation (using intranet GIS applications), or from anywhere in the world (using Internet GIS applications), as required.

Disaster preparedness and response: holistic work

Disaster response and preparedness is most effective when it is built into development programmes. The expenditure on disaster mitigation would, over time, reduce the potential losses that disasters cause. But this is a far cry in, particularly, the poorer nations within the developing world – despite the fact that considerable advances in information and communication technologies enable rapid processing of complex data and its efficient transmission across vast distances.

The role of insurance and the regulator

The principles and practice of insurance could play a key role in helping developing countries manage disaster risk and reduce losses. Insurance is built on the idea of solidarity and, when properly implemented, it serves as an

effective way to manage solidarity – which itself is a key element of disaster risk management. Insurance provides a proven mechanism for transferring or sharing risk and thus can help to reduce the impact of certain risks that cannot be eliminated. In this respect, insurance can play a developmental role by mitigating disasters and minimising the potential negative impact and cost on the lives of the poor. It is often assumed that insurance follows industrial development, but with regards to natural disasters, proper risk management should be a prerequisite for sustainable development.

Planning for disaster is not simple: it requires both reliable estimates of the probable damages that a disaster may cause and a framework to incorporate catastrophe shocks to capital stock into economic models.



The challenge, however, is how to develop sustainable insurance and risk transfer schemes in hazard prone developing countries and make coverage accessible to the poor and 'uninsurable'. Recent initiatives have shown the potential benefits of financial risk transfer mechanisms, which through traditional insurance structures and

newer developments such as catastrophe bonds, weather derivatives and micro-insurance, provide the flexibility to adapt to individual country and peril settings.

Disaster planning and insurance initiatives

Planning for disaster is not simple: it requires both reliable estimates of the probable damages that a disaster may cause and a framework to incorporate catastrophe shocks to capital stock into economic models. Obtaining reliable estimates for future probable damages is challenging. As detailed earlier, the losses from disaster have been accelerating. To estimate the economic impact of chronic exposure to natural disasters, one must measure both the expected severity and the expected frequency of catastrophic events. Once the severity and frequency of an event are determined, they must be matched to the assets at risk.

The key reforms, catastrophe losses are privatisable through the use of more optimally structured risk sharing arrangements, with real financial benefits to all parties including local industries and insurance companies, households, international insurers and governments. Market arrangements (both local and international) are better able to channel and fund risk and multilateral development institutions have a role as international facilitators in supporting the development of self-sustaining structures, including through the provision of broader *risk pooling schemes*.

Technical assistance requirements of regional pooling arrangements

◆ In establishing a regional pool and/or disaster reserve funds, a number of analytical steps need to be taken before specifying their financial structure and their framework for financial management and administration. From the

Losses due to Droughts: 1999-2001

S. No.	Year	District affected (No.)	Villages affected (Lakh)	Population affected (Lakh He.)	Damage to Crops Area	Estimated value of Damaged crops (No.)	Cattle population affected (No.)
1.	1999	202	2,158	328.12	8.45	8,84,823	1,375
2.	2000	200	29,964	416.24	34.79	27,36,355	3,048
3.	2001	122	32,363	210.71	18.72	3,46,878	834

Source: Annual Reports, Natural Disaster Management Division, Ministry of Agriculture

Damage due to Cyclone in Orissa in October: 2000

Date of Occurrence	Total No. of Districts	District affected	Villages affected (No.)	Population affected (Lakh)	Crop Area affected (Lakh He.)	Houses damaged (No.)	Human Life loss (No.)	Cattle Loss (No.)
17.18.10.99	30	4	5,181	37.47	1.58	3,31,580	199	10,578
29.30.10.99	30	12	14,643	129.22	18.43	18,28,532	9,887	4,44,531

Source: Annual Reports, Natural Disaster Management Division, Ministry of Agriculture

to build up the country-based disaster reserve funds or regional pools, while providing regulatory support for investments in appropriate financial markets;

- c. Developing probability and financial options models to show the rate of return of the pool or fund with respect to anticipated disaster events, and to compare this return with traditional pay-as-you-go international relief debt incurred after disasters; and
- d. Developing the legal and budgetary requirements and establishing autonomy of operation to ensure the institutionalisation and successful implementation of the fund/pool.

Disaster management and catastrophe insurance

Catastrophe insurance is only one possible component of a broader, more comprehensive disaster management strategy. A comprehensive disaster management programme would include *ex ante* mitigation measures such as appropriate zoning and hazard mapping, establishment and enforcement of building codes, and disaster information mechanisms. Another component would be *strengthening the capacity* of national emergency management agencies. Local communities could be involved by organising, training and equipping

perspective of multilateral institutions, any funding, contingent line of credit financing, or guarantee that might become available would most likely need to be coupled with real estate sector mitigation measures as well as insurance-sector regulatory measures, to ensure the lowest cost in premium payments and to maximise the coverage at the lowest risk. In addition, a prudent third-party financial manager would be desired to ensure effective investment of the assets and to enforce the premium structure on the basis of objective methodical studies that would determine the contribution levels by country, sector, or industry risk on a weighted-average basis.

- ◆ The technical assistance in key areas that might be needed before such a fund was financially structured and put in operation might therefore include the following:

Mitigation in the real estate sector

- a) Hazard-mitigation measures and mechanisms such as developing and enforcing building-code regulations;
- b) Disaster planning through prudent land-use management and the establishment of legal restrictions for building on extremely risky land;
- c) Hazard mapping by country and vulnerable areas to determine the intensity of risks from hurricanes, other winds, flooding, earthquakes, etc., and to assist in proper land use management and PML valuation;

- d) Coupled with (a) above, the conduct of underwriting assessments of asset and property values, resistance to wind or other hazards, and likelihood of damage as reflected in PML estimates, based on probability data on the occurrence of such natural disaster events; and
- e) Given the importance of disaster data, additional compilation of event frequencies and estimated probabilities, as well as covariance and correlation studies among regions and between events, to feed into the valuations of property risk.

Financial management of pools/ disaster reserve funds

- a. Mechanisms to institutionalise regional and/or national insurance or reinsurance funds with financial management and administrative control arrangements supported by legal contracts and executed by independent parties, to be financed in accordance with adequate procurement practices of multilateral lenders;
- b. Making actuarial projections and analysing financial plans and options

Date	Location	Magnitude
August 21, 1988	Bihar-Nepal Border	6.4
October 20, 1991	Uttarkashi, Uttar Pradesh	6.5
September 30, 1993	Latur-Osmanabad, Maharashtra	6.3
May 22, 1997	Jabalpur, Madhya Pradesh	6.0
March 29, 1999	Chamoli, Uttar Pradesh	8.9
January 26, 2001	Bhuj, Gujarat	7.7

community disaster committees in disaster preparedness and mitigation. Third, the programme could include investment in protection of key infrastructure facilities. Such work needs to be informed by approaches already developed that are uniquely integrated with the social important to analyse how catastrophe exposure could be incorporated into macroeconomic policymaking. The goal here is to look for ways to minimise the resource dislocations and associated economic instability that occurs in the wake of natural disasters.

The idea behind these approaches is to use risk management strategies, coupled with vulnerability reduction measures, to generate a process of more sustainable economic growth and a reduction in financial and economic volatility generated from periodic natural disasters. Any work on the notion of catastrophe insurance needs to be informed by this broader approach.

Over the past decade, the South Pacific Applied Geosciences Commission (SOPAC) and the World Bank have been collecting data on hazard and disaster events in a range of Forum Inland countries. SOPAC is now assessing the extent to which its current data collection methodology fits neatly

with the requirements of the catastrophe insurance model and the extent to which it would need to be modified.

- ◆ Under the model, *physical risk exposure is mapped to serve as an input for actuarial, damage and pricing modules*. The hazard mapping includes such parameters as topography (terrain roughness, rainfall runoff paths, etc), inventory of structures, damage vulnerability attributes and storm probability forecasting (storm surge heights, wind speeds, wave heights, etc).
- ◆ The insurance industry will need to participate in SOPAC's hazard mapping work. This is important in that, even if SOPAC develops the data on hazards and vulnerability, the manner in which it is presented for pricing and actuarial purposes would require a prior input from insurance modeling specialists.
- ◆ Development work should also be set against a background of the importance of other measures fundamental to the ultimate success of any participatory insurance schemes.
- ◆ These measures include the importance of sound and strong insurance regulatory frameworks, enforcement of prudent risk

management practices, objective and verifiable criteria for measuring and recording losses, and implementation and enforcement of protective structural measures and construction codes.

- ◆ With regard to structural improvements, this disaster indicates that relatively modest investments in vulnerability reduction measures either at the construction stage or through retrofitting can reduce risk exposure by up to 50 per cent.

The catastrophe insurance market has a parallel with the overall financial services regulation, whereby the 'hazard' to be mitigated may be a liquidity crunch with the potential for a run on a banking system. A natural hazard could provoke a run on an insurance system. Contagion effects, albeit for different reasons, can occur, and in the insurance case this is particularly evident following catastrophes wherein supply of capital has been compromised and demand for coverage surges. In both the banking and insurance examples, there is the potential for a secondary 'hazard' of public recriminations if the regulatory performance before the event is perceived as inadequate.

Type of Losses

Natural disasters

Major

- ◆ Earthquake
- ◆ Flood
- ◆ Drought
- ◆ Cyclone
- ◆ Tsunami

Minor

- ◆ Heat wave
- ◆ Cold wave
- ◆ Landslide

- ◆ Avalanche
- ◆ Tornado
- ◆ Hailstorm

Manmade disasters

Major

- ◆ Communal riots
- ◆ Ethnic conflicts
- ◆ Refugee situations

Other disasters

- ◆ Epidemics

- ◆ Industrial disasters
- ◆ Fire
- ◆ Policy-induced disasters

Sub-minor

- ◆ Transport - road, air, railways, and water disasters
- ◆ Festival and pilgrimage-related disasters
- ◆ Food poisoning
- ◆ Alcohol/liquor tragedies

Regulatory improvements and mitigation of financial risks

The development of a strong, effective and harmonised insurance regulation, therefore, is recommended to include:

- ◆ Minimum capitalisation requirements for insurance companies and brokers,
- ◆ Solvency and liquidity levels,
- ◆ Adequate asset/liability management (including maturity and currency matching where applicable), as well as reinsurance security,
- ◆ Incentives and requirements (including tax concessions) to build up catastrophic reserve funds up to minimum required levels,
- ◆ Minimum standards for non-ceded retention of local coverage,
- ◆ Accurate verification and valuation of companies' balance sheet entries to ensure adequate financial capacity to cover claims,

- ◆ Requirements to verify security and reliability of overseas reinsurers who take on portfolios of local coverage,
- ◆ Monitoring and inspection techniques, and
- ◆ Consolidated regional and institutional harmonisation of regulators/supervisors.

The IRDA can play a pivotal role as a co-ordinator between the Indian Government, disaster management institutes and insurance companies. The responsibility for the various issues related to designing of suitable products on climatic changes may be entrusted to the General Insurance Council, which can arrive at a consensus with the non-life insurers in this regard.

Nature can certainly not be controlled; however the effect of Her fury can be contained. The Government, local bodies, NGOs and the insurance industry can together bring about

a drastic difference to the way the nation manages its disasters. As the adage goes, a battle prepared for is a battle won.

Endnotes

1. These are Algeria, Egypt, Mozambique, China, India, Bangladesh, Taiwan, Indonesia, Philippines, Korea, Afghanistan, America, Georgia, Iran, Mongolia, Thailand, Argentina, Brazil, Chile, Colombia, Cuba, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Venezuela (Munich Re 2001)
2. World Disaster Report, 1997
3. Centre for research into the Epidemiology of Disasters (CRED), 1999.
4. UNDP, 1988

The author is Deputy Director, IRDA. The views expressed here are his own.

Role of insurance industry

IRDA and the insurance industry can play a key role in prevention and mitigation, as part of the disaster management India programme in the country. Their functions would run thus: Preparation of maps indicating vulnerability, zones- and risk-wise: earthquake, flood, cyclone, drought and tsunami zones

Up gradation of covers and new product development where necessary, indicating various types of covers which could offer necessary indemnity as under:

- ◆ Market value
- ◆ Reinstatement value
- ◆ Additional cost
- ◆ Loss of profits/earnings
- ◆ PML estimation
- ◆ Implement a comprehensive, multi-hazard disaster product

- ◆ Co-ordination mechanism between different Central and State ministries/departments organisations and insurance companies

Action plan in the area of settlement of claims

- ◆ To have a ready list of surveyor teams
- ◆ Steps in confirming proof of loss, both generic and specific
- ◆ Action to be taken in case of destruction / unavailability of claim providing documents
- ◆ Interim payment
- ◆ Coordination/cooperation among insurers
- ◆ Time frame for settlements
- ◆ Modules for providing difficult claims, eg. in respect of missing persons.

1. Liaison with authorities such as police, fire brigade, district collector, municipalities and panchayats

- ◆ Risk concentration, prevention and mitigating issues
- ◆ Database for disaster management
- ◆ Research and knowledge management
- ◆ Looking into vulnerability reduction measures
- ◆ Work with disaster management authorities
- ◆ Creation of international standards
- ◆ Role of in-house agency for research and action such as Loss Prevention Association (LPA)/ IIRM
- ◆ Reinsurance/ Alternative Risk Transfer (ART) issues
- ◆ Catastrophe risk pooling system
- ◆ Participation in a network like the World Bank/OECD/ADB/UNDP and UK Department for International Development (DFID)



प्रकाशक का संदेश

भारतीय उप महाद्वीप में प्रकृतिक आपदा एक निरंतर जारी रहने वाला घटनावृत्त है। देश के आकार को देखते हुए यह असामान्य नहीं है कि देश का एक भाग सूखे से तथा दूसरा बाढ़ और चक्रवात से प्रभावित होता है। कुछ वर्षों से राज्य ने राहत प्रदान की है तथा ऐसे कदम उठाये हैं जिनसे प्रभावित जनसंख्या का पुनर्वास किया जा सके। भारत के भूभाग की लंबाई तथा चौड़ाई में बैंकिंग नेटवर्क का विस्तार हुआ है बैंकिंग प्रणाली के परिणाम स्वरूप आर्थिक तथा वाणिज्यिक गतिविधियों में बढ़ोतरी हुई है जिसके साथ साथ बीमा की अवधारणा को प्रकृतिक तथा मानव निर्मित आपदा के लिए अपने ऋणों के लिए संरक्षण प्राप्त किया है। जबकि वाणिज्यिक गतिविधियों के लिए बीमा आवरण ने तेजी पकड़ी है, व्यक्तिगत रेखा अभी भी निम्न स्तर पर है। इस माह के जर्नल कि विषयवस्तु प्रकृति आपदा से पीड़ा कम करना है। यह महाराष्ट्र राज्य विशेषतः मुंबई के लिए अधिक उपयुक्त समय पर होना चाहिये था क्योंकि वह भीषण वर्षा से प्रभावित हुआ जिसका परिणाम बाढ़ हुआ है।

महाराष्ट्र में हाल के दिनों में आयी बाढ़ तथा उससे पहले गुजरात में आयी बाढ़ तथा महाराष्ट्र के लातूर तथा गुजरात के भुज में भूकम्प की असामान्य घटनावृत्त को ध्यान में रखते हुए

राष्ट्रीय आपदा तैयारी योजना बीमा को केन्द्र में रख कर बनायी जानी चाहिये।

पिछले महीने प्राधिकरण के दो सदस्य श्री टी. के. बेनर्जी सदस्य (जीवन) तथा श्री मैथ्यू वर्गीज सदस्य (गैरजीवन) प्राधिकरण की सेवा से सेवानिवृत्त हुए तथा जर्नल उन्हें परम्परागत विदाई देते हुए उनके योगदान को स्मरण करता है जो उन्होंने स्वयंपूर्ण संस्था में विनियामक कुशलता के विकास में दिया

जर्नल का अगला अंक बीमा गतिविधियों के क्रोडेटर, तकनीकी तथा आनुमानिक विज्ञान कि गतिविधियों को प्रकाशित करेगा। बीमा लेखन की यह विषय अपनी भारतीय बीमा बाजार में डीटेरिफिंग की आवश्यकता कि सार्थकता के कारण प्रकाश में आया है। ऐसा प्रतीत होता है कि यह अपनी तकनीकी जड़ों की सेवा करने तथा भविष्य के बाजार चुनौतियों के लिए सक्षमता से कार्य करेगा।

सी. एस. राव

सी. एस. राव

“कुछ तो लोग कहेंगे”

आस्ट्रेलिया प्रूडेंशल रेगुलेटरी प्राधिकरण ने य राल्स रायस समाधान प्रस्तावित किया है जो नगर में बडों के लिए उचित होगा, लेकिन यह अनेक छोटे परिचालकों के लिए नुकसान दायक होगा।

श्री टिम शिहे, मुख्य कार्यपालक, चार्टर्ड सचिव आस्ट्रेलिया, आस्ट्रेलिया रेगुलेटरी समाधानों की आलोचना निगमित शासन बैंकों तथा बीमा कि यह छोटी फर्मों के लिए काफी महंगा होगा।

चाहे आप पालसी धारक हो या छोटी अथवा बड़ी संस्था में जमाकर्ता, आपको एक ही प्रकार की सुरक्षा उपलब्ध होनी चाहिये।

श्री स्टीव सोमोगी, एपीआरए सदस्य

मेरा विचार है कि यह एक बढ़ा चढ़ा कर किया गया मूल्यांकन है। डा. रोहन गुनारतना, आतंकवाद विशेषज्ञ, स्ट्रेट्स आफ मलेक्का को लायडस् संयुक्त युद्ध समिति (जे डब्लू सी) द्वारा युद्ध तथा आतंकवाद के लिए क्षेत्र को उच्च जोखिम नामित करने पर।

(स्ट्रेट्स आफ मलेक्का) सूची में रहेगी जब तक यह स्पष्ट नहीं हो जाएगा की उस क्षेत्र में सरकार द्वारा तथा अन्य संस्थाओं उठाये गये कदमों का अनुपालन हुआ है तथा वह प्रभावशाली है।

लायडस् जे डब्लू सी का बयान एशियन शिप स्वामियों की बैठक में

यह प्रस्ताव मुख्य शीर्ष पुनर्बीमा उत्पाद लेगा उत्पाद जो उपलब्ध करवाते हैं अनेक लेखा लाभ तथा इसे क्रय कर्ता के लिए गैर आकर्षक तथा खर्चीला बनाते हैं।

फिनिट पुनर्बीमा के शासन के लिए नये नियमों पर श्री जोसफ स्लिवरिंग, अमेरिका की पुनर्बीमा समिति के वरिष्ठ उपाध्यक्ष

फिनिट पुनर्बीमा लेखा पर चालू दिशा-निर्देश पर्याप्त नहीं है। हम इन समझौतों के उन भागों को अलग करना चाहते हैं जिनमें जोखिम का कोई हस्तांतरण नहीं होता तथा लेखा लाभ मिल जाते हैं।

श्री जो फ्रिटचे, निदेशक लेखा निति, न्यूयार्क बीमा विभाग।

ग्राहक के करीब जाना

-भाषा एक ऐसा साधन है जिसे आसान बना-कर ग्राहकों तक आसानी से अपनी पहुँच स्थापित की जा सकती है।

के. नित्या कल्याणी कहती हैं कि सरल भाषा का इस्ते-माल करने से बीमा उद्योग को काफी उँचाई तक पहुँचा जा सकता है। सरल भाषा वह माध्यम है जिससे लोगों को बीमा के बारे में शिक्षित करना आसान होगा और अधिक से अधिक लोग इससे जुड़ सकेंगे।

भाषा वह माध्यम है जिससे हम अपनी बात दूसरों तक पहुँचा सकते हैं। भाषा के माध्यम से हम एक-दूसरे से जुड़ पाते हैं। और यह भाषा ही है जिसका सही उपयोग कर कोई कंपनी अपने उत्पादों को उपभोक्ताओं तक पहुँचाती है। इसके लिए भाषा का सरल होना काफी आवश्यक है। भारत की आधी आबादी अभी भी अशिक्षा के दौर से गुजर रही है। कुछ लोग जो शिक्षित हैं, वे कठिन शब्दों को समझ पाने की क्षमता नहीं रखते हैं। अपने उत्पादों को लेकर यदि ऐसे लोगों के पास जाया जाए और भारी भरकम भाषा उन पर थोपी जाए तो वे उत्पाद के बारे में क्या जान पाएँगे। उत्पाद से उनका जुड़ना आसान न होगा। इसके लिए आवश्यक है कि लोगों को उनकी भाषा में ही या फिर यूँ कहें कि सरलतम भाषा का उपयोग कर उत्पाद को बारे में जानकारी दी जाए तो वे इसे अपना पाएँगे।

बीमा बाजार अभी अपनी शैशवावस्था में है। बीमा उद्योग का मुख्य लक्ष्य है ग्रामीण लोगों तक बीमा पहुँचाना, ताकि ये ग्रामीण लोग अपना जीवन स्तर सुधार सकें। परन्तु यदि एक बीमा एजेंट इन

ग्रामीण लोगों के पास जाए और शहरी भाषा में इन्हें बीमा के बारे में जानकारी देना चाहे तो निश्चय ही वे लोग इसकी बात को समझ नहीं पाएँगे। इसके लिए उन लोगों की भाषा को जानना और उसमें ही उन्हें समझाने की कोशिश करना आवश्यक होगा।

शब्दों को बदलने से पूर्व इसके लिए अनुमति भी लेनी पड़ती है। एक ही उत्पाद को बेचने के लिए अलग-अलग तरीके नहीं अपनाए जा सकते हैं। टैरिफ एडवाइजरी कमेटी इन शब्दों के परिवर्तन के लिए अनुमति दे सकती है। इसके लिए फाइल एण्ड यूज सिस्टम प्रक्रिया है।

बीमाकर्ता को सबसे पहले ग्राहकों की जिज्ञासाओं का समाधान करना चाहिए। ग्राहकों

को पॉलिसी की टर्मस् की पूर्ण जानकारी देने से ग्राहक पॉलिसी को बेहतर तरीके से समझ सकेगा और भविष्य में इसका लाभ कैसे उठा सकते हैं, ये जान सकेगा।

शब्दों को बदलने से पूर्व इसके लिए अनुमति भी लेनी पड़ती है। एक ही उत्पाद को बेचने के लिए अलग-अलग तरीके नहीं अपनाए जा सकते हैं। टैरिफ एडवाइजरी कमेटी इन शब्दों के परिवर्तन के लिए अनुमति दे सकती है। इसके लिए फाइल एण्ड यूज सिस्टम प्रक्रिया है।

भारत में यह समय आ गया है कि सरल भाषा का ही इस्तेमाल किया जाए। अभी हम प्रारंभिक अवस्था में हैं। और यदि इसे प्राप्त कर लिया गया तो बीमा उद्योग अपनी चरम स्थिति को प्राप्त करने से दूर नहीं रहेगा। बीमा उद्योग को क्षेत्रीय भाषाओं पर एक सर्वे करवाना चाहिए और यह जानने का प्रयास किया जाना चाहिए कि जनता क्या समझ सकती है। यह कार्य तुरंत हासिल नहीं किया जा सकता है, इसके लिए समय लगेगा, काफी दिक्कतों का भी सामना करना पड़ सकता है, परन्तु यह काफी आवश्यक है।



आई आर डीए जर्नल

के सभी अंक प्राप्त करें

आन द वेब

<http://www.irda-india.org/irdajournal.htm>

वही कहें जो आप कहना चाहते हैं

-सरल भाषा बीमा उद्योग को काफी प्रगति दे सकती है।

इंदिरा बालाजी कहती हैं कि सरल भाषा को केवल समझना ही आसान नहीं है बल्कि यह आम लोगों तक आपकी पहुँच भी बनाती है। ऐसे विचार उन्होंने सरल भाषा के विकास की आवश्यकता पर बल देते हुए कहा।

बीमा बाजार की वृद्धि हो इसके लिए आवश्यक है कि बीमा उद्योग से जुड़े लोग सरल भाषा को अपनाएँ। सरल भाषा एक ऐसा माध्यम है जो लोगों को अपनी तरफ आकृष्ट करने की क्षमता रखती है। लोग इसे बेहतर तरीके से समझ सकते हैं, ऐं साथ ही अपनी राय भी प्रकट कर सकते हैं। कठिन भाषा का यदि इस्तेमाल किया जाए तो इन्हें समझना तो मुश्किल होगा ही, साथ ही ढंग से समझाया भी नहीं जा सकेगा।

व्याकरण में कहा गया है कि भाषा वह माध्यम है जिसके द्वारा हम अपनी बातों को, अपने विचारों को दूसरों तक पहुँचा सकते हैं, परन्तु कहने के बावजूद भी यदि हम अपने विचारों को दूसरों तक नहीं पहुँचा सके, या फिर सामने वाला आपकी बात को समझ ही नहीं पाया तो ऐसा संवाद अपने उद्देश्य में कभी भी सफल नहीं हो सकता है। यह भाषा ही है जिसका सही उपयोग कर कोई कंपनी अपने उत्पादों को उपभोक्ताओं तक पहुँचाती है। इसके लिए भाषा का सरल होना काफी आवश्यक है। भारत की आधी आबादी अभी भी अशिक्षा के दौर से गुजर रही है। कुछ लोग जो शिक्षित हैं, वे कठिन शब्दों को समझ पाने की क्षमता नहीं रखते हैं। अपने उत्पादों को लेकर यदि ऐसे लोगों के पास जाया जाए और भारी-भरकम भाषा उन पर थोपी जाए तो वे उत्पाद के बारे में क्या जान पाएँगे। उत्पाद से उनका जुड़ना आसान न होगा। इसके लिए आवश्यक है कि लोगों को उनकी भाषा में ही या फिर यूँ कहे कि सरलतम भाषा का उपयोग कर उत्पाद के बारे में जानकारी दी जाए तो वे इसे अपना पाएँगे।

यदि पीछे देखें

सन् 1973 में भाषा के सरलीकरण का प्रारंभ अमेरिका में हुआ। लोग काफी पहले से इस दिशा में पहल करने में लगे हैं। अमेरिका में सिटी बैंक ने इस विचार को अमली जामा पहनाने का प्रयास

किया। एक आंतरिक कमेटी ने यह महसूस किया कि न केवल ग्राहक बल्कि वकील, जज एवं कंपनी के अधिकारी भी लोन की शर्तों को समझने में मुश्किल महसूस कर रहे थे। सिटी बैंक ने ऋण (लोन) संबंधी जानकारी के लिए सरल भाषा में ब्राउचर्स जारी किए। जल्द ही इसका प्रभाव देखने को मिला। फिर उस दशक में सिटी बैंक ने लोन के क्षेत्र में अच्छा व्यापार किया।

इसी समय यूएस सरकार ने सरल भाषा के विकास के लिए संसदीय कार्यवाही शुरू की। 1990

सरल भाषा विकास को काफी सहयोग मिला है। एक कोरपोरेट कंपनी की बैठक में कहा गया कि यदि वार्षिक रिपोर्ट को क्लिष्ट भाषा में तैयार न कर सरल भाषा में तैयार किया जाए तो शेयर धारक कंपनी की स्थिति को बेहतरीन तरीके से समझ सकेंगे।



के दशक में कई कोरपोरेट मामलों ने सरल भाषा के विकास में मदद की। एक कोरपोरेट कंपनी की बैठक में कहा गया कि यदि वार्षिक रिपोर्ट को क्लिष्ट भाषा में तैयार न कर सरल भाषा में तैयार किया जाए तो शेयर धारक कंपनी की स्थिति को बेहतरीन तरीके से समझ सकेंगे।

सिटी बैंक के पश्चात आस्टेलियन सेन्टी लाइफ इंश्योरेंस कंपनी ने अपने उत्पादों की जानकारी सरल भाषा में जारी की। यूके में इसी अवधि में लीवरपूल वूमेन द्वारा सरल भाषा का मुद्दा उठाया गया। 1994 में मार्टिन कट्स द्वारा सरल भाषा कमेटी का गठन किया गया तथा इनके द्वारा सरल

भाषा में प्रशिक्षण, लेखन, संपादकीकरण एवं टाइपोग्राफी सेवाएँ प्रदान की गईं। सरल भाषा का उपयोग करने वाले कर्मचारियों को अवार्ड्स भी प्रदान किए गए।

भारत में स्थिति

भारत में सरल भाषा की तकनीक को अपनाने में कई समस्याएँ भी सामने आती हैं। भारत एक ऐसा देश है जहाँ काफी लोग अशिक्षित हैं। यहाँ कई प्रकार की भाषाएँ बोली जाती हैं, उनका व्याकरण नियम, शब्द कोश सभी भिन्न-भिन्न हैं। इसे प्राप्त करने में काफी समय लगेगा। सिर्फ 11 प्रतिशत लोगों को ही अंग्रेजी आती है, सरल भाषा अभी काफी दूर है।

1992 में तमिलनाडु के फेडरेशन ऑफ कन्ज्यूमर ऑर्गनाइजेशन ने सरल भाषा के ऊपर कार्यशालाओं एवं व्याख्यानों का आयोजन किया। 1990 के दशक में मार्टिन कट्स ने चार बार भारत का दौरा किया। आईआरडीए भी इस दिशा में कदम आगे बढ़ा रहा है।

बीमा कंपनियाँ क्या कर रही हैं

बीमा कंपनियों द्वारा नई भाषा को अपनाना भी आसान नहीं है। शब्दों को बदलने से पूर्व इसके लिए अनुमति भी लेनी पड़ती है। एक ही उत्पाद को बेचने के लिए अलग-अलग तरीके नहीं अपनाए जा सकते हैं। टैरिफ एडवाइजरी कमेटी इन शब्दों के परिवर्तन के लिए अनुमति दे सकती है। इसके लिए फाइल एण्ड यूज सिस्टम प्रक्रिया है। इसलिए इस दिशा में अभी तक पर्याप्त वृद्धि नहीं हो पाई है।

ऐसे संगठन जो सरल भाषा की सही तरीके से अनुपालना करने में स्वयं को असक्षम महसूस कर रहे हैं, उनके लिए ऑनलाइन सुविधा है। www.WordDog.com वेबपेज पर भाषा के सरलीकरण के लिए सॉफ्टवेयर उपलब्ध है।

एक एजेंट बीमा उद्योग को काफी प्रभावित कर सकता है।

पी. वी. सुब्रहमन्यम कहते हैं कि यह आवश्यक है कि बीमा उद्योग में योग्य एजेंट की ही भर्ती की जाए। बीमा उत्पादों की ऑनलाइन बिक्री एक एजेंट के राजस्व में वृद्धि कर सकती है, परन्तु एक एजेंट का ग्राहक से व्यक्तिगत तौर पर मिलना और उसे पॉलिसी के बारे में सलाह देना आज भी आवश्यक है। इससे कंपनी को यह महसूस हुआ है कि गुणात्मक एवं पेशेवर एजेंट का होना काफी जरूरी है।

बीमा बेचने को “ट्रांसफर ऑफ एन्थुजियाज्म” की संज्ञा दी गई है। इसकी प्रोसेस प्रोफाइल दर्शाती है कि यह कुछ मात्रा में उत्पाद, उत्पाद ज्ञान, मनोविज्ञान, आंतरिक संवाद, सलाह तथा परिवर्तन को स्वयं में सम्मिलित करती है।

यह कुछ तथ्यों को प्रीसपोज करती है। वह यह है कि ट्रांसफर एन्थुजियाज्म को प्रथम स्थान देता है। अंडरलाइंग उत्पाद उसमें एन्थुजियाज्म पैदा करता है। वह इसे एक अनुकूल ग्राहक को सफलतापूर्वक बता सकता है तथा वह वित्तीय रूप से, व्यवसायिक एवं सामाजिक रूप से सदैव मोटिवेटेड एवं अपडेटेड रहता है।

भारत, जो विश्व की 12 वीं सबसे बड़ी अर्थव्यवस्था है, ने पिछले दशक में 6.1 प्रतिशत की महत्वपूर्ण वित्तीय वृद्धि दर हासिल की है। साथ ही देश का बीमा बाजार भी विकसित हुआ है। भारत के 200 से 300 मिलियन की वह आबादी जो मध्य वर्ग कहलाती है, अपने जीवन को सुरक्षित बनाना चाहते हैं और यह आबादी बीमा बाजार को काफी सकारात्मक रूप दे सकती है।

बाजार को बनाने के लिए रिटेलिंग अच्छा माध्यम हो सकता है। लोगों तक पहुँचने के लिए बीमा को काफी मजबूत आंतरिक संरचना एवं प्रशिक्षित बीमा एजेंटों की जरूरत है, जो ग्राहकों को उत्पादों की सही जानकारी दे सके। बीमा मध्यस्थ जिनमें एजेंट एवं ब्रोकर शामिल हैं, बीमा के बारे में जागरूकता बढ़ाते हैं तथा साथ ही व्यक्ति, परिवार एवं कॉर्पोरेट को सही बीमा का चयन

करने में मदद करते हैं। आने वाले प्रतियोगी वातावरण में सफलता प्राप्त करने के लिए किसी भी बीमा कंपनी को प्रशिक्षित एवं उच्च मोटिवेटेड एजेंसी फोर्स की आवश्यकता है।

एक बीमा एजेंट एक सकारात्मक ग्राहक को बीमा उत्पादों के बारे में पूर्ण एवं सही जानकारी

भारत, जो विश्व की 12 वीं सबसे बड़ी अर्थव्यवस्था है, ने पिछले दशक में 6.1 प्रतिशत की महत्वपूर्ण वित्तीय वृद्धि दर हासिल की है। साथ ही देश का बीमा बाजार भी विकसित हुआ है। भारत के 200 से 300 मिलियन की वह आबादी जो मध्य वर्ग कहलाती है, अपने जीवन को सुरक्षित बनाना चाहते हैं और यह आबादी बीमा बाजार को काफी सकारात्मक रूप दे सकती है।



प्रदान करता है ताकि वह सही उत्पाद का चयन कर सके। अतः उनमें बिजनेस रिजल्ट प्रदान करने की पेशेवर क्षमता होनी चाहिए। उन्में बोलने की क्षमता के साथ साथ सुनने की क्षमता भी होनी चाहिए तथा साथ ही ज्ञान की तलाश, स्व प्रारंभ करने की भावना तथा स्वयं ही समस्या का समाधान करने की क्षमता होनी चाहिए। बीमा बाजार में नए विकास, योजनाओं एवं अन्य परिवर्तनों से उन्हें सदैव वाकिफ रहना चाहिए।

स्वतंत्र रूप से एवं समय प्रबंधन के साथ कार्य करने की क्षमता के साथ साथ नए ग्राहकों की तलाश करना बीमा एजेंट के लिए एक प्रमुख कार्य है। यह महत्वपूर्ण है कि वे ग्राहकों एवं साथ ही बीमा कंपनी के हितों का ध्यान रखें।

गैर जीवन बीमा क्षेत्र में कई ऐसे कारक हैं जो बीमा एजेंट को बेहतरीन प्रदर्शन करने के लिए प्रोत्साहित करते हैं। एजेंट का विश्वास ही उसे संतुष्टि प्रदान करता है तथा साथ ही उससे बिजनेस करवाता है। अतः यह आवश्यक है कि एजेंट को बेहतरीन प्रशिक्षण प्रदान की जाए तथा इसके साथ उसका लगातार विकास किया जाए। इस प्रकार बीमा कंपनी अपने बिजनेस को बढ़ा सकती है तथा साथ ही लंबे समय तक बाजार में टिक सकती है।

प्रशिक्षण से इन्श्योरेंस एडवाइजर के गुणों में बेहतरीन विकास होता है और उसकी बीमा क्षेत्र के बारे में जानकारी बढ़ती है। इससे ग्राहक सही बीमा चुन सकता है। प्रशिक्षण के बगैर एजेंट केवल किसी तरह से बीमा बेच देना चाहता है और रिबेटिंग को भी अपनाता है। क्योंकि एक एजेंट को बीमा कंपनी से उतना बेकअप नहीं मिल पाता है, जितनी उसे आवश्यकता है, हाल ही में इन एजेंटों को एक साथ लाने का चलन आयी ताकि वे अपने अनुभव शेयर कर सकें और बाजार में बेहतरीन प्रदर्शन कर सकें।

इन सभी क्षेत्रों में बीमा उद्योग आज काफी प्रोग्रेस कर रहा है। संपूर्ण एजेंसी बल 8020 नियम, प्रशिक्षण (उत्पाद एवं सॉफ्ट बिक्री कला)

पूर्ण नहीं हैं तथा साथ ही इसकी आंतरिक संरचना भी उतनी मजबूत नहीं है। इससे ग्राहकों को बीमा का पूर्ण लाभ नहीं दिलाया जा सकता है।

एक गलती जो उद्योग को काफी जल्दी सुधारनी होगी वह यह है कि कोई भी बीमा बेच सकता है। हालांकि यह समर्थ लोगों को उद्योग से जुड़ने में मदद करता है, परन्तु वे लोग जो समर्थ नहीं हैं एवं बिजनेस नहीं दे पाते हैं, उनकी छँटनी करनी चाहिए। ओवरमेनिंग भी इस पर काफी असर डालती है। यदि उच्च व्यवसायिक मानदंड तैयार किए जाएँ तो केवल पेशेवर लोग ही इससे जुड़े रहेंगे। प्रशिक्षण एवं मोटिवेशन किसी एजेंट को तैयार करने में काफी मदद करते हैं। आज ग्राहक को इतनी ज्यादा इन्फोर्मेशन दी जाती है तथा साथ ही निवेश के इतने माध्यम बताए जाते हैं कि किस प्रकार पैसे को कहाँ खर्च किए जाएँ।

बीमा के पीछे आधारित एवं वैद्य तथ्यों का प्रशिक्षण, नियामक सिस्टम एवं इसे किस प्रकार ग्राहकों को दिखाया जाता है, उत्पाद ज्ञान एवं यह जागरूकता की ग्राहकों को क्या चाहिए एवं क्या उन्हें मोटिवेट करता है केवल एजेंट के पैसे कमाने का माध्यम ही नहीं ये सभी उच्च बिक्री प्रदर्शन की ओर जाते हैं। इसके विपरीत, इसके अभाव में लंबी अवधि में क्षेत्र को काफी नुकसान होगा, क्योंकि तब तक ग्राहकों की समझ में आ चुका होगा की उन्हें क्या बेचा गया है और किस प्रकार बेचा गया है।

प्रशिक्षण के माध्यम से एजेंट को बीमा उत्पाद के बारे में पूर्ण जानकारी दी जाती है, ताकि वे अपने ग्राहकों को इससे भलीभाँति परिचित करवा सकें। भविष्य में बीमा उद्योग काफी उन्नति की ओर है और यह ग्राहकों की जरूरत है तथा साथ ही एजेंट को भी स्वयं को इसके अनुकूल ढालना

पड़ेगा। आईआरडीए द्वारा प्रदान किया जा रहा 100 घंटे का प्रशिक्षण उतना प्रभावी नहीं हो पा रहा है तथा साथ ही बीमा कंपनियां भी इसके लंबी अवधि के परिणामों को नहीं देख पा रही है। इससे सिस्टम कमजोर हो रहा है।

पिछले कुछ महीने में आईएडीए ने इस पर अध्ययन किया है तथा साथ ही सिस्टम का एक उद्देश्य तैयार किया है। विभिन्न कंपनियां भिन्न भिन्न सिस्टम को अपना रही हैं, जो उनके सिस्टम के अनुकूल है एवं उद्देश्य को पूर्ण करते हैं, परन्तु

एजेन्सी फोर्स में आज कुछ महत्वपूर्ण परिवर्तन हुए हैं, इनमें स्व विकसित एवं स्वसंगठित एजेंट शामिल हैं। एजेंट को उसकी कंपनी से पर्याप्त बेक अप नहीं मिल पाता है, आजकल वे स्व विकास के लिए अपना एक संगठन तैयार कर रहे हैं। इससे उनमें आपसी समझ बढ़ती है और इससे समाज में बीमा एजेंटों का कद भी बढ़ा है।



वह मंच जहाँ आज बाजार खड़ा है, इन परिवर्तनों के लिए तैयार नहीं है।

तकनीकी ने बीमा कंपनियों एवं इसके एजेंटों के मध्य संबंधों की प्रभाविता को और भी बढ़ाया है तथा इससे एजेंट अधिक से अधिक ग्राहकों को अपनी सेवाएँ प्रदान कर रहे हैं। रॉयल सुन्दरम ने अपने एजेंटों के लिए एक वेब पोर्टल तैयार किया है, जिसके माध्यम से वे आसानी से कोई भी सूचना प्राप्त कर सकते हैं।

हमारे एजेंट को हमारे मैनेजरों द्वारा पर्याप्त सहायता प्रदान की जाती है ताकि किसी भी समस्या का समय पर समाधान हो सके। एजेन्सी फोर्स को मोटिवेट कर ही उत्पादन क्षमता को बढ़ाया जा सकता है। बीमा को एक आकर्षक कैरियर विकल्प बनाकर ही पेशेवर एजेंट तैयार किए जा सकते हैं।

जीवन बीमा क्षेत्र में, कुल एजेंटों की संख्या के आधार पर देखें तो, एजेन्सी फोर्स काफी मजबूत है तथा साथ ही यह फोर्स राजस्व एकत्रित करने में काफी सक्रिय हैं। हालांकि गैर जीवन बीमा क्षेत्र में एजेन्सी फोर्स वितरण का एक समानांतर चैनल है। गैर जीवन बीमा सेक्टर में एजेंट को दिया जाने वाला अपेक्षित कम लाभ (कमीशन प्रतिशत) जीवन बीमा की ओर एजेंट को आकर्षित करता है।

जबसे देश में उदारवाद आया है, बीमा क्षेत्र, खासकर गैर जीवन बीमा क्षेत्र ने काफी परिवर्तन देखे हैं। निजी क्षेत्र से लोग इससे जुड़ रहे हैं तथा वे कंपनियां जो मल्टी नेशनल हैं, उन्हें विश्व बाजार का अच्छा अनुभव है, काफी परिवर्तन लाए हैं। प्रमुख कार्य जागरूकता को बढ़ाना, इसे कायम रखना एवं बीमा उत्पादों की माँग को बढ़ाना है। बीमा एजेंट इस कार्य को बेहतरीन अंजाम दे रहे हैं। इस प्रतियोगी बाजार में एवं ग्राहकों की बढ़ती जिज्ञासा के मद्देनजर ग्राहक सेवा बीमा बाजार को काफी सफलता प्रदान कर सकता है और एक अच्छी तरह प्रशिक्षित एजेंट ही यह सेवा प्रदान कर सकता है।

भविष्य में बीमा एजेंट की माँग बीमा एवं अन्य वित्तीय उत्पादों की बिक्री पर काफी निर्भर करती है। बढ़ती हुई आबादी एवं साथ ही बढ़ती हुई आमदनी भविष्य में ऑटोमोबाइल, घर एवं कीमती वस्तुओं के बीमा के बाजार को काफी बढ़ावा देगा। क्योंकि नए बिजनेस आ रहे हैं एवं जो पहले

से ही बिजनेस में हैं, वे अपने बिजनेस का विस्तार कर रहे हैं, अतः व्यावसायिक बीमा का भविष्य भी सकारात्मक है।

बीमा उत्पादों का इंटरनेट पर वितरण एजेंटों के राजस्व में वृद्धि कर सकता है, क्योंकि ग्राहक विभिन्न उत्पादों की तुलना कर सकते हैं तथा साथ ही प्रीमियम की भी तुलना कर सकते हैं। फिर भी बीमा एवं निवेश आज भी जटिल है तथा आवश्यक है कि बीमा एजेंट व्यक्तिगत रूप से ग्राहकों से मिले। अतः मोटिवेटेड एवं प्रशिक्षित बीमा एजेंटों की बीमा कंपनी को आवश्यकता है।

सिस्टम को और भी अधिक प्रभावी बनाने के लिए आईआरडीए यह सुनिश्चित करना चाहता है कि एजेंट को बराबर अंतराल में प्रशिक्षण प्राप्त होता रहे और वे बीमा बाजार के भिन्न नए पहलुओं से अवगत होते रहें। साथ ही, बीमा कंपनियां भी एजेंटों के प्रदर्शन को मॉनिटर करती रहती है और यह सुनिश्चित किया जाता है कि वे ग्राहकों को बेहतरीन सेवाएं प्रदान कर सकें। इससे यह सुनिश्चित हो सकेगा कि एजेंट भविष्य में बीमा बाजार के बढ़ते स्वरूप में स्वयं को कारगर साबित कर सकेंगे।

एजेन्सी फोर्स में आज कुछ महत्वपूर्ण परिवर्तन हुए हैं, इनमें स्व विकसित एवं स्वसंगठित एजेंट शामिल हैं। एजेंट को उसकी कंपनी से पर्याप्त बेक अप नहीं मिल पाता है, आजकल वे स्व विकास के लिए अपना एक संगठन तैयार कर रहे हैं। इससे उनमें आपसी समझ बढ़ती है और इससे समाज में बीमा एजेंटों का कद भी बढ़ा है।

ये संगठन बीमा एजेंट की सभी समस्याओं का समाधान करते हैं तथा उन्हें पेशेवर बनाने में मदद करते हैं। बीमा उद्योग को भी भविष्य में इससे काफी बढ़ावा मिलने की उम्मीद है। हालांकि यह

कार्य अभी प्रोग्रेस में है। बीमा उद्योग में अभी काफी अवसर हैं, परन्तु यदि यह अवसर गंवा दिया गया तो इसकी भरपाई करने में काफी समय लग जाएगा।

एक जीवन बीमा एजेंट का जीवन मुश्किलें, चुनौतियां एवं रिवाइड्स

किसी बीमा एजेंट को दो चीजें सदैव ध्यान में रखनी चाहिए और वे हैं रिबेट एवं गलत मेडिकल। इन्हें कभी भी भूलना नहीं चाहिए। जीवन बीमा का उद्देश्य केवल कर मुक्ति या बचत नहीं है, अपितु इससे बढ़कर है। बीमा कंपनी आपको न केवल एक प्रोफेशनल एजेंट बनाती है, अपितु

गैर जीवन बीमा क्षेत्र में प्रोफेशनलिज्म आज भी दूर की बात है। खासकर पब्लिक सेक्टर यूनिट में गैर जीवन बीमा एजेंट को आज भी बिजनेस एसोसिएट की नजर से नहीं देखा जाता है। उपयुक्त प्रशिक्षण एवं प्रोत्साहन के अभाव में एजेंट पेशे की परवाह नहीं कर पाते हैं।



आपके ज्ञान में भी वृद्धि करती है जिससे आपके मानव संसाधन कला में भी विकास होता है। प्रारंभ में थोड़ी मुश्किलें होती हैं। आपको कई सारे वे काम करने होते हैं, जिन्हें आपने कभी भी अपने जीवन में नहीं किया है। कई लोग आपको गलत शिक्षा भी देते हैं और कहते हैं कि सिर्फ यही एक विकल्प है। दो गलतियाँ जो प्रायः एक बीमा एजेंट द्वारा की जाती है, वे हैं रिबेट एवं गलत मेडिकल।

गैर जीवन बीमा क्षेत्र में प्रोफेशनलिज्म आज भी दूर की बात है। खासकर पब्लिक सेक्टर यूनिट में गैर जीवन बीमा एजेंट को आज भी बिजनेस एसोसिएट की नजर से नहीं देखा जाता है। उपयुक्त

प्रशिक्षण एवं प्रोत्साहन के अभाव में एजेंट पेशे की परवाह नहीं कर पाते हैं। केवल एजेंट ही अपनी तरफ से मोटिवेशन प्राप्त कर सकता है। साथ ही लाए गए बिजनेस को बर्डन के रूप में देखा जाता है। साथ ही उत्पाद के बारे में जानकारी देने वाली पुस्तिकाएं भी उपलब्ध नहीं होती है।

2001 में किए गए एक सर्वे के अनुसार यह पाया गया कि 58 प्रतिशत शिक्षित शहरी आबादी स्वास्थ्य बीमा के बारे में नहीं जानती थी। तथा 25 प्रतिशत आबादी ऐसी थी जिन्होंने स्वास्थ्य बीमा करवाया था, परन्तु क्लेम के झंझटों में नहीं पड़ना चाहते थे। वे कहते हैं कि बीमा कंपनियां भुगतान में किसी न किसी प्रकार से देरी करती है या फिर भुगतान करना ही नहीं चाहती है, इसलिए कौन क्लेम के लिए उनके चक्कर लगाए।

जीवन बीमा क्लेम का निपटारा जल्दी ही कर दिया जाता है तथा एजेंट एवं ग्राहक इससे काफी खुश हैं, परन्तु गैर जीवन बीमा का अनुभव इतना सुखद नहीं है। इसका कारण केवल कंपनी स्टाफ नहीं है। हम आज भी देखते हैं कि प्रोपोजल के समय प्रोसेपेक्टस में यह पुछा जाता है कि क्या एक क्लेम कम से कम प्रीमियम राशि तक सेटल किया जा सकता है, यदि पॉलिसी ली गई है। बीमा मध्यस्थता शिक्षा, इससे जुड़ना एवं पेशे के प्रति अपनी प्रतिबद्धता तथा साथ ही वह कंपनी जिसके लिए वह कार्य करता है, आज भी एक प्रश्न है। यह भी मध्यस्थों में प्रशिक्षण एवं जागरूकता की कमी को उजागर करता है।

कोई भी व्यक्ति जानबूझकर प्रक्रिया को तोड़ना नहीं चाहता है। कई एजेंट अपने द्वारा किए गए गलत कार्यों के लिए स्वयं को दोषी मानते हैं, तथा कईयों को तो इसके बारे में पता तक नहीं होता है। यह केवल “जानें कैसे” नहीं है, बल्कि

“जानें क्या”, “जानें क्या”, “जानें कब” एवं “जानें कहाँ” भी हैं, जो काफी महत्वपूर्ण हैं।

हम आज भी मुख्य तौर पर पॉलिसी बेचते हैं न कि व्यक्ति को बीमित करते हैं जो वास्तविक रूप से होना चाहिए। ऐसा करने से पहले हमें काफी कुछ करना होगा। ऐसा कहा जाता है, “साथ जुड़ना एक शुरुआत है: साथ मिलकर रहना एक प्रोग्रेस है और साथ काम करना एक सफलता है।” एक मजबूत एवं पेशेवर बीमा एजेंसी फोर्स बीमा की जरूरतों का पूरा ध्यान रखती है तथा साथ ही देश को भी इससे काफी फायदा होगा।

एक एजेंट की मनोकामना सूची

1. जनरल बीमा उद्योग में भ्रष्टाचार का पूर्ण रूप से उन्मूलन हो। इसके लिए विशेष जागरूकता स्थापित की जानी चाहिए तथा दोषियों को जुर्माना किया जाना चाहिए।

मोटर वाहन के लिए देश भर में समान प्रीमियम लागू किया जाए। यदि अलग अलग कंपनियां अलग अलग प्रीमियम निर्धारित करेगी तो इससे ग्राहक उलझन में पड़ जाएगा।

एजेंसी कमीशन 20 प्रतिशत तक दिया जाना चाहिए, क्योंकि एक एजेंट को किसी प्रकार का टीए, एचआरए, डीए या सेवानिवृत्ति लाभ नहीं मिलता है। साथ ही उसे वेतन भी नहीं मिलता है।

2. एक एजेंट को हफ्ते में छः दिन काम करने दिया जाए तथा इसका समय सुबह 9.15 से सायं 5.45 बजे तक हो।

3. बीमा एजेंट के लिए एक ऑनलाइन सिस्टम प्रारंभ किया जाना चाहिए ताकि एजेंट के साथ साथ ग्राहकों को भी फायदा हो।

बेनामी या डमी एजेंट सिर्फ बीमा कंपनी के स्टाफ को फायदा पहुँचाते हैं ना कि एजेंट या ग्राहक को। अतः यह चैनल खत्म किया जाना चाहिए।

4. बीमा कंपनी स्टाफ का इंटरजोनल स्थानांतरण होना चाहिए जिससे बेनामी एजेंट चैनल खत्म होगा। यदि कंपनी में बीमा एजेंट के लिए वेकेंसी खाली है तो योग्य एजेंट की भर्ती होनी चाहिए। पब्लिक सेक्टर की चार दनरल बीमा कंपनियों का विलय हो जाना चाहिए। एक साथ होने पर इन कंपनियों के न केवल खर्चों

हम आज भी मुख्य तौर पर पॉलिसी बेचते हैं न कि व्यक्ति को बीमित करते हैं जो वास्तविक रूप से होना चाहिए। ऐसा करने से पहले हमें काफी कुछ करना होगा। ऐसा कहा जाता है, “साथ जुड़ना एक शुरुआत है: साथ मिलकर रहना एक प्रोग्रेस है और साथ काम करना एक सफलता है।”



में कटौती आएगी, बल्कि ये उन्नति की ओर अग्रसर होगी।

5. बीमा एजेंट के लिए 5,000 रुपये से बढ़ाकर 60,000 रुपये में आयकर में छूट का प्रावधान होना चाहिए। एजेंट को टेबल एवं कुर्सी, टेलीफोन कन्क्शन, कम्प्यूटर आदि की सुविधा प्राप्त होनी चाहिए।

6. सभी विभागीय एवं शाखा कार्यालयों में कॉमन एजेंट रजिस्टर रखा जाना चाहिए।

7. ऑटोमोबाइल डीलर एजेंट के पद पर नियुक्त नहीं होने चाहिए। और यदि कोई पहले से है तो उसका लाइसेंस रद्द कर देना चाहिए।

8. कम से कम 15 दिनों में एक बार बीमा एजेंटों की एक बैठक आयोजित की जानी चाहिए जहाँ उन्हें कंपनी की नई पॉलिसियों से अवगत कराया जा सके।

9. वे लोग जिन्होंने वीआरएस लिया है, वे वीआरएस के बाद कम से कम 5 साल तक एजेंट के पद पर निरुक्त न हो।

10. बीमा कर्ता को एक “एजेंट्स केयर सेल” की स्थापना करनी चाहिए।

बड़े पैमाने पर देखा जाए तो विनियामक इस दिशा में काफी कुछ कार्य कर सकता है। जितने अधिक एजेंट होंगे, बीमा का विस्तार भी उतना ही अधिक होगा। परन्तु आवश्यक है कि सही एजेंटों का चयन किया गया हो। हांलाकि बीमा को बेचना कंपनी के मैनेजर एवं एजेंट के हाथ में है, परन्तु आईआरडीए भी इसमें अपनी महत्वपूर्ण भूमिका अदा कर सकता है।

लेखक एलआईसी के पूर्व कार्यकारी निदेशक हैं।

Mediclaim: The Data Says it All

— The state of voluntary health insurance in India

Since Mediclaim is the largest and oldest voluntary health coverage available in India, it is vital to study it in detail, write *Indrani Gupta* and *Mayur Trivedi* in the second part of their article.

The first part of this article discussed how India can look to achieve the goal of adequate health coverage for its population. Since there are practical constraints in scaling up social health insurance as well as stand-alone community health insurance schemes, one way of achieving greater coverage is to use the as-yet untapped potential that exists in the voluntary (commercial) health insurance sector. In the coming years, the growth of the voluntary health insurance business is likely to escalate.

Although the typical product available in the market (Mediclaim) is restricted to only an omnibus policy, with no element of risk differentiation and no choice of cover specific to the client's requirement, the business is growing and is likely to grow more. Mediclaim remains the standardised health insurance policy offered by all the public sector companies. It is the largest and oldest voluntary health coverage available in the country, and it is therefore important to study it in detail to understand the voluntary health insurance sector in India.

Though it is a ubiquitous scheme, the data on Mediclaim policyholders is inadequate. The profile of the policyholders is available only from the document in which the insured submits personal details at the time of purchasing the policy. This document has very limited information and lacks the important variables on occupation and socio-economic status. Geographical details like place of residence are available but the data is currently maintained in a way that does not allow researchers to classify locations beyond regional offices/major cities. The demographic variables including age,

gender and relation of the insured to the policyholder, the claims related variables - claim submission date, cheque date etc. and corresponding amount figures - are available in a more systematic manner.

However, the details of service providers, place of treatment and disease related information - while available - are being compiled in a format which makes it difficult to

Though it is a ubiquitous scheme, the data on Mediclaim policyholders is inadequate. The details are being compiled in a format that makes it difficult to code the variables, and thus makes this information practically unusable for empirical research.

code the variables, and thus makes this information practically unusable for empirical research. The insurers and IRDA focus only on premium and claims related data to assess the business implications, and thus maintain the database only of these variables. These issues, therefore, make it difficult to empirically study the demand for Mediclaim.

IRDA, recognising the potential of health insurance and the data needs, has set up a Health Insurance Working Group, and within that a Data Sub-group to study such issues. The sub-group

report has several recommendations for streamlining the database and making it much more uniform across insurers. While the insurance companies and TPAs (Third Party Administrators, Health Services) are trying to put this system in place, there is immense scope of improvement in health insurance database management to make the data more useful and readily available. The availability of a systematic and uniform database, across insurance companies and TPAs, is imperative for a better understanding of the growth and potential of health insurance in India. It is not only urgent but also necessary for IRDA and GIPSA to coordinate and facilitate this process, and to ensure that health insurance (and other insurance as well) database is centralised and accessible for stakeholders, including researchers and policymakers.

Mediclaim data of NIC

The NIC agreed to make available to IEG the Mediclaim data for research purposes, in a mutual collaboration that was unique in its novelty (a research organisation working closely with an insurance company) and important from the perspective of informing policy. In the following section, we describe the process of data gathering, essentially to highlight the need to coordinate and centralise the insurance database in the country, and also to highlight reasons for the limited scope of empirical analysis.

Early discussions with NIC officials about data revealed that the policyholders' information was available at the peripheral level, i.e., at the branch and divisional offices, and only business-related figures - details of

claims and premiums- came to the head office through regional offices. The process of interconnecting the various company offices through a computerised network was still not in place, and thus the data collection for this study was to be done from more than one place. There were two possible ways of doing that – either from a sample of various NIC offices, or through a sample of TPAs appointed by NIC. The latter option seemed more feasible and thus, initially, four TPAs were contacted. (The names of the TPAs have not been mentioned for the sake of confidentiality.)

The experience with these relatively new players in the insurance sector was both interesting and a learning process. TPAs manage the policyholders' database through tailor-made computerised software which, so far, all of them have separately developed for their own database management purposes. There is as yet no directive or recommendation from either IRDA or GIPSA to implement a standardised software across TPAs. The differences in the format of Medclaim database across the selected NIC appointed TPAs, and their limited understanding of the utility of such a database for macro policy research, made the data extraction, cleaning and merging a difficult and time-consuming process. Considering the optimum data structure and its research utility, out of the four TPAs, data from only two were used.

Data cleaning, to make the data research-worthy, was an equally challenging task. It took several rounds of discussion with the TPAs concerned to understand the data fully, and a significant part of the data had to be discarded due essentially to data entry errors. The following table explains the data received, cleaned and therefore usable.

Since the TPAs use different software, the variables and their respective terminology also differ. Some of the key issues are:

Type of policy: Since its inception, Medclaim has undergone several

—

The sub-group report has several recommendations for streamlining the database and making it much more uniform across insurers. There is immense scope of improvement in health insurance database management to make the data more useful and readily available.

—

structural changes. Currently, it can be classified broadly into two segments, viz., Individual and Group policies. The

Group policies are mainly meant for corporate houses, where generally these are offered as health benefits to the employees. However, as it emerged from the various discussions with TPAs, and also from the data, several corporate companies prefer to buy 'Individual policies' for their employees. The incentive for doing this may lie in the fact that the agents' commission is much less in the group policies than in the individual policies, and there are off-the-record reports that agents do influence some companies to buy the coverage under the 'Individual' type for financial benefits. The immediate implication of this is that not all the 'Individual policies' are based on the idea of willingness to avoid health costs, but like Group policies, a part of the Individual policies comprise policyholders who are receiving health benefits from the employers. We will return to this issue later in the analysis.

Family floater: This is a feature of Group policy where, by paying a specified premium, all the family members of the employees can be covered. The sum insured or the coverage amount can be used for the principal insured or together for the family members. Thus, having a family floater would imply that the entire family can claim the sum insured during the policy period. Such benefits are not available for Individual policies; but a feature called 'family discount' is available instead. Unlike family floater, if one wants to insure family members in Individual policies, there is a provision of discount of some per centage (generally 10 per cent) on total premium payable to insure all family members. Thus, under family discount, the sum insured amount varies for different family members, and if one member exhausts his/her coverage, the coverage amount of other family member cannot be used.

Completed policies: The data collected from the TPAs give a cross

Table 5: Details of sample size before and after data cleaning

	Individual Policies				Group Policies			
	Raw data from TPA		Cleaned Data		Raw data from TPA		Cleaned Data	
	Total	With Claim	Total	With Claim	Total	With Claim	Total	With Claim
TPA 1	2,96,477	11,787	2,92,591	8,193	2,37,164	6,622	2,30,813	6,187
TPA 2	33,426	773	33,385	773	4146	198	4,136	193
TOTAL	3,29,903	12,560	3,25,976	8,966	2,41,310	6,820	2,34,949	6,380

section view of policyholders. There are two variables relating to time period in the database: 'period from' and 'period to', and the difference of these two is the policy period. While the former states the date from which the coverage comes into existence, the later date is the corresponding date in the next year when the policy expires. The TPA database comprises policies irrespective of whether it is alive or expired at the time of data extraction. As would be discussed later, for the analysis of profile of policyholders, we have used the full database, but to understand the issues around claims and reimbursements, we have taken only those that are completed before the date of extraction. In other words, we would be using only expired policies – whose 'period to' date is prior to the date of extraction – for the claims related analysis. This will ensure that the claims occurrence is exclusively for those who have experienced the policy period of one year fully. With this background, we turn next to the analysis of the NIC data.

Analysis of Medclaim

The analysis would primarily discuss two dimensions, viz., the profile of the insured - to understand the demand of the voluntary insurance - and claims experience to understand the empirical evidences on the costs and benefits of voluntary health coverage.

Profile of policyholders

Policy type: For the reasons explained earlier, we have divided Individual policies into three categories: Individual policies, 'Individual policies, Group', and 'Individual policies, Group-self'. The first sub-category is the true representation of individuals who have bought the policy to avoid health costs and paid for it. The difference in the latter two 'group-like' individual policies is that 'Individual policies, Group' comprise

The differences in the format of Medclaim database across the selected NIC appointed TPAs, and their limited understanding of the utility of such a database for macro policy research, made the data extraction, cleaning and merging a difficult and time-consuming process.



policies where family members of the employees of the organisation are covered under different 'Individual' policies (unlike Group policy where one policy covers several individuals), whereas in the 'Individual policies, Group-self', the relation code for all the cardholders is 'self'. This may include special cases where only employee (and

not the family) is covered. The assumption gets endorsed when we look at the age distribution where the majority of the individuals in this category are over 19 years. For the rest of the discussion and analysis, we will use the first category of the Individual policies and the second major category - Group policies.

The following table explains the distribution of total and completed policies across the different policy types. While there are more policies for the Individual type, the distribution of individuals covered under group and individual policies are almost equal, representing 48 and 42 per centage of cardholders, respectively. As for the completed policies, out of a total of 5,60,925 cardholders, only 31 per cent have completed a full one-year duration. The corresponding figures for individual and group policies are 24 per cent and 37 per cent, respectively. For the group policies, the 2,34,949 cardholders are spread across 389 policies and 414 group companies.

Age and gender profile of the insured: Who buys the policy and who gets covered under various Medclaim policies? As can be seen from the following figure, almost one-third of the insured individuals (34 per cent) belong to the age category of 40-59 years. The lower age category of below 30 years – the potential target for the insurance pool – comprises only 38 per cent.

While it is clear from the figure that people tend to buy health insurance in the later stages of their life, what is the age distribution of the potential target group? The metropolitan cities account for 80 per cent of Group and 65 per cent of Individual premiums, which indicates that the majority of the Medclaim clientele is urban. (Gupta A, 2004). Thus, the potential of health insurance can be better understood by comparing the age distribution with that of the

Table 6: Details of the NIC database

Premium categories	Total			Completed		
	No. of policies	No. of cardholders	% of cardholders	No. of policies	No. of cardholders	% of cardholders
Individual policies	1,08,790	2,68,408	47.85	26,738	63,565	36.71
Individual policy 'Group'	162	46,376	8.27	46	21,362	12.34
Individual policy 'Group -self'	26	11,192	2.00	5	751	0.43
Group policies	389	2,34,949	41.89	81	87,475	50.52
Total	1,09,367	5,60,925	100	26,870	1,73,154	100

urban population of India. As described in Figure 2, more than 60 per cent of the total urban population of India is below 30 years and only 17 per cent belongs to the category of 40-59 years. This finding is in keeping with the adverse selection problem faced by insurers. It has not been possible for the company to capitalise on the benefits of voluntary health coverage in the early years of life, and thus the clientele lacks the essential 'young' insured individuals in the pool to ensure adequate risk sharing.

Does the age profile differ across Group and Individual policies? The average ages of the insured in Group and Individual policies are 34.3 and 35.5, respectively. However, the problem of adverse selection (late age of insured and potential of higher morbidity rates) indicates that it is more useful to look at the age of the principal insured, since it indicates 'when' the insured is willing to avoid health costs. The relation code 'self' indicates the principal insured and the rest of the family members are covered additionally. Moreover, since the Group policies are generally offered as a benefit and the insured pay it themselves in case of Individual policies,

the age profile of the principal insured across two type of policies would be useful to understand the willingness to avoid health costs through insurance coverage. Below, in Figures 3 and 4, we present two age pyramids for the Individual and Group policies for the principal insured, i.e. those cardholders whose relation code is 'self'.

Insurers face a problem of adverse selection. It has not been possible to capitalise on the benefits of voluntary health coverage in the early years of life, and thus the clientele lacks the essential 'young' insured individuals in the pool to ensure adequate risk sharing.

The age distribution is strikingly different for Group and Individual policies. While in Individual policies, more than half of the 'principal' insured belong to the age group of 40-59, the distribution is more or less equal across

the three adult groups, viz., 20-29 years, 30-39 years and 40-59 years in the group policies, with almost one third in the youngest category of 20-29 years. This clearly indicates that since the Group policies are being offered as benefits and the insured need not necessarily pay for it, the age distribution is relatively 'young' centric. Given a choice, if one has to buy insurance out of pocket, the tendency as revealed by the data is to postpone the decision to a much later stage in life. This also indicates that there is a lack of appreciation for the need for health insurance in India.

What is the gender distribution for the insured? Do women tend to insure themselves or are they passive receivers of insurance through main members of the family? Overall, gender distribution is equal for group and individual policies with a slightly higher proportion of male (54 per cent) getting covered under the former one. However, to understand the real gender perspective one should look at the distribution according to the relationship to the principal insured. When we look at the gender distribution in case of the principal insured, males dominate in both the categories with

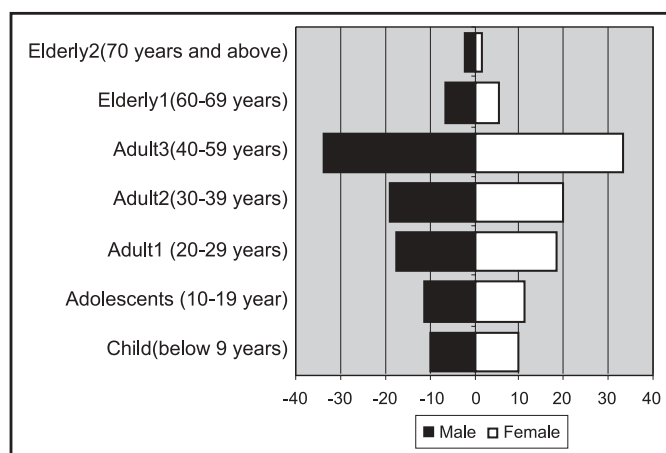


Figure 1 Age pyramid for NIC insured

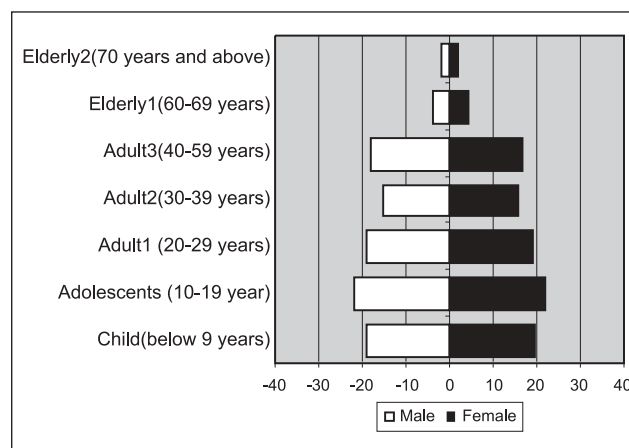


Figure 2 Age pyramid for urban India

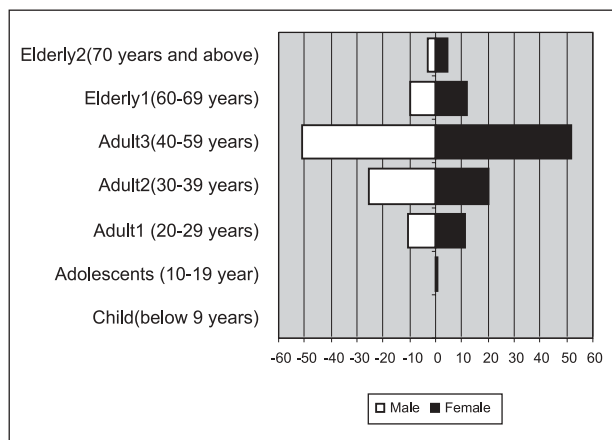


Figure 3: Age pyramid for the principal insured in Individual policies

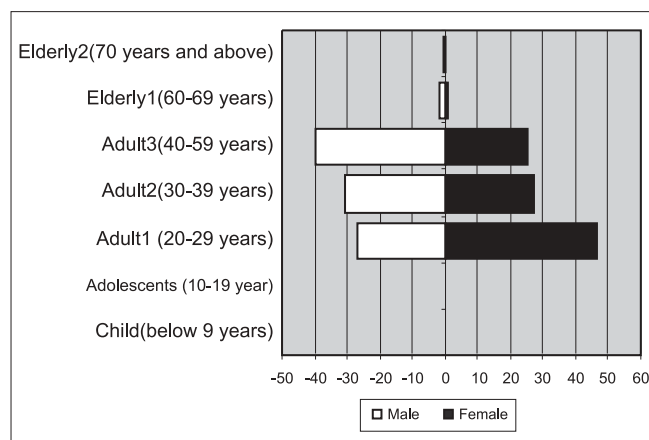


Figure 4: Age pyramid for the principal insured in Group policies

more than 80 per cent men being the principal insured. This only reaffirms earlier findings on limited choice that females have in decision-making, including in health related matters. Table 3 indicates the gender distribution in relation to the principal insured for the two policy types. For both the categories, only 13 per cent of females belong to the 'self' category, compared to 55 per cent of the male in the Group policies and almost two-thirds of males in the Individual policies, which indicate the skewed choice of coverage and predominantly male decision-making. The difference in the proportion of the 'spouse' in both the categories reiterates the same phenomenon.

Is there any relation between age and gender distribution for the insured? If we revisit Graphs 3 and 4, the 40-59 year

Only 13 per cent of females belong to the 'self' insurance category, compared to 55 per cent of the males in the Group policies and almost two-thirds of males in the Individual policies. These indicate the skewed choice of coverage and predominantly male decision-making.

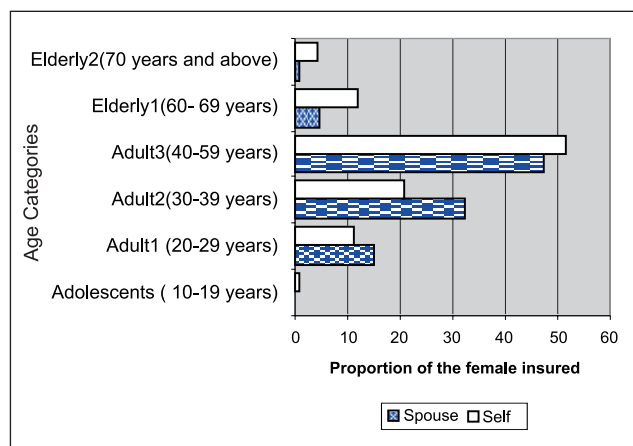
age category overrides all other age categories for both the gender for

Individual policies. For the Group policies, almost half of the female principal insured belongs to the young age category of 20-29 years, compared to the 40-59 years category, which comprises half of the male principal insured. While the earlier graph indicates the overall distribution, it is essential to understand the age distribution for the female insured across various relationship codes. In Graphs 5 and 6, we look at the age distribution of the female as a principal insured and insured as a spouse, for individual and group policies, respectively.

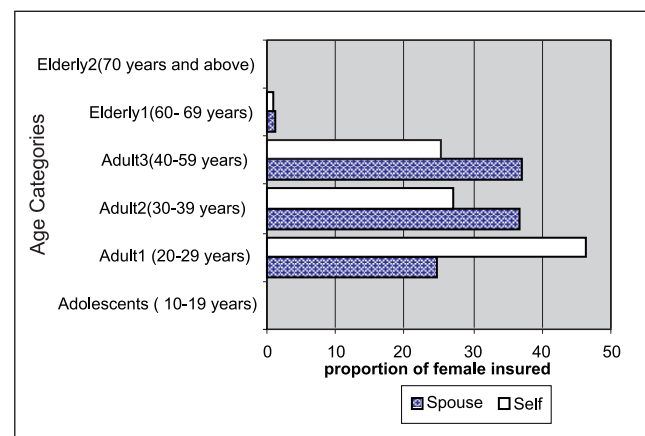
The difference in Individual and Group is again visible here. In the Individual policies, almost half of the female 'self' as well as 'spouse' belong to the age category of 40-59 years, indicating that women tend to get insured at the later stages of life. In Group policies, almost half of the 'self' female insured belongs to the relatively young age category of 20-29 years and the 'spouse' female insured are distributed across the three age groups more or less evenly. Unlike the Individual policies, where almost 15

Table 3: Gender distribution across type of policies

Relation to principal insured	Male Group	Individual	Female Group	Individual
Self	55.42	64.77	13.00	13.01
Spouse	3.84	2.86	40.14	54.06
Children	26.29	30.09	24.89	26.74
Others	14.44	2.28	21.97	6.18



Graph 5: Distribution of the female insured - Individual policies



Graph 6: Distribution of the female insured Group policies

per cent of the 'self' female insured is 60 years or more, these elderly age groups are non-existent in the case of group policies.

These results also indicate the supply side issues of Medicaclaim. The relatively inflexible structure of Medicaclaim makes it a somewhat difficult product to sell across the various segments of society. As for the gender perspective, relatively higher female coverage for the group policies may indicate two possibilities: when it comes to paying for the coverage, female family members seem to be passive receivers of insurance, and get covered with their husbands, instead of getting enrolled themselves. Secondly, it is also possible, that since the female-oriented benefits like maternity cover are available only in the Group schemes, there are lesser incentives for females to get insured for individual policies. These results are important to bear in mind in the current context, when experiments to capture economically disadvantaged individuals are taking place through innovations like the Universal Health Insurance Scheme.

It is necessary to think of various options to cover individuals across different age groups and across gender, through flexible premium and relatively flexible coverage options. The change in

Several corporates prefer to buy 'Individual policies' for their employees, since the agents' commission is much less in the group policies than in the individual policies, and there are off-the-record reports that agents do influence some companies to buy the coverage under the 'Individual' type for financial benefits.

the structure of Medicaclaim, by making it a) female-friendly and b) attractive to lower-age and c) similar for both the Group and Individual type of policies, needs to be considered for expanding the coverage.

Taking up a health insurance policy – Individual or Group – has various repercussions on the financial status of the household. These will be discussed in the third and concluding part of the article.

Indrani Gupta is a Professor and Head of the Health Policy Research Unit and Mayur Trivedi is a Consultant at the Institute of Economic Growth, Delhi.

Support for this research was provided by the Center for Global Development's Global Health Policy Research Network, a programme funded by the Bill & Melinda Gates Foundation. The authors wish to thank the National Insurance Company for providing access to its database and extending cooperation in the research.

Report Card: GENERAL

July Renewals Fall

G. V. Rao

The growth rate of the non-life industry in July 2005 has slowed down to 11.63 per cent, as three of the five established players and two of the eight new players have recorded a fall in their July 2005 renewal business. Notwithstanding the lowered growth rate for the industry, the new players have continued to outperform the established players. July 2005 was no exception.

Performance during July 2005

The eight new players have strengthened their dominance of the market in July 2005, perhaps even more significantly than before, with a premium accretion of Rs. 148 crore, with the remaining five established players adding a meagre Rs. 35 crore to the July 2005 market accretion of Rs. 183 crore.

Eighty one per cent of this new business of Rs. 183 crore has come in from the efforts of the new players.

National Insurance, United India and ECGC have each dropped their renewal business in July 2005. Only Oriental Insurance has expanded its premium income more rapidly than the others. Oriental that grew by

GROSS DIRECT PREMIUM (within India) JULY, 2005

(Rs.in lakhs)

INSURER	PREMIUM 2004-05		PREMIUM 2003-04		MARKET SHARE UPTO JULY, 2005	GROWTH % YEAR ON YEAR
	FOR JULY '05	UPTO JULY '05	FOR JULY '04	UPTO JULY '04		
Royal Sundaram	3,085.00	15,120.00	2,604.00	10,725.00	2.11	40.98
Tata AIG	3,402.73	20,299.37	4,098.99	17,720.06	2.83	14.56
Reliance General	950.27	5,723.87	994.18	6,229.73	0.80	-8.12
IFFCO-Tokio	5,353.73	28,871.93	3,135.57	16,235.21	4.03	77.84
ICICI Lombard	15,070.88	57,409.92	6,682.74	28,731.25	8.01	99.82
Bajaj Allianz	9,387.00	41,291.31	5,567.94	26,599.16	5.76	55.24
HDFC Chubb	1,738.32	5,980.64	1,535.03	5,319.38	0.83	12.43
Cholamandalam	1,929.41	9,095.68	1,527.57	6,154.74	1.27	47.78
New India	34,123.00	1,52,015.00	32,242.00	1,40,331.00	21.21	8.33
National	29,885.00	1,23,684.00	31,507.00	1,30,240.00	17.25	-5.03
United India	25,035.00	1,14,527.00	25,731.00	1,11,533.00	15.98	2.68
Oriental	31,302.00	1,25,040.00	27,132.00	1,11,040.00	17.44	12.61
ECGC	4,360.14	17,796.01	4,537.68	16,059.82	2.48	10.81
TOTAL	1,65,622.49	7,16,854.74	1,47,295.69	6,26,918.34	100.00	14.35

Rs. 22 crore in June 2005 has further raised its growth in July 2005 by Rs. 42 crore. New India that added Rs. 19 crore accretion in June 2005 has added a further Rs. 19 crore in July 2005.

Three new players, ICICI (Rs. 84 crore accretion), Bajaj (Rs. 38 crore accretion) and IFFCO (Rs. 23 crore accretion) alone have added Rs. 145 crore to the cumulative growth of Rs. 148 crore by all the eight new players.

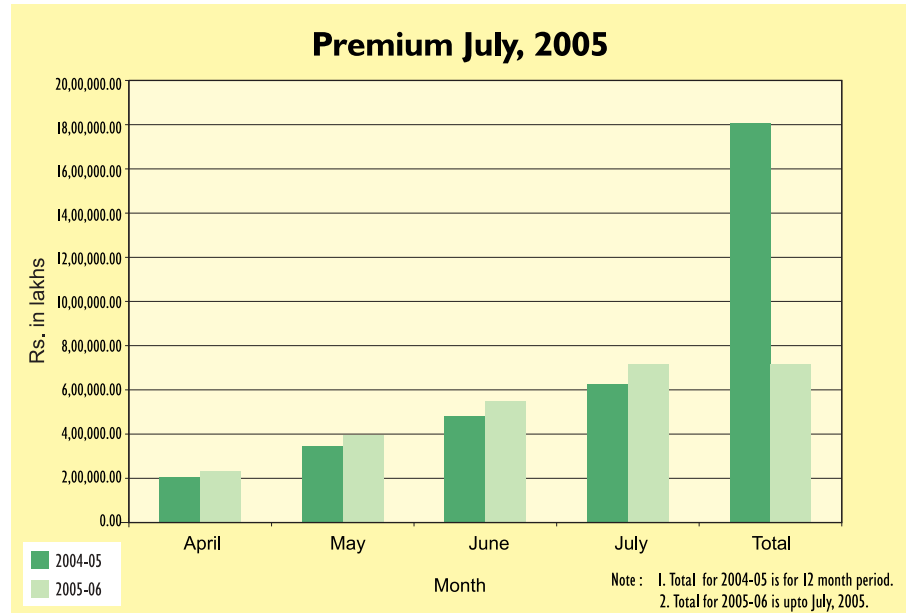
ICICI has poised itself as the main challenger for the rest of the market, as their dramatic growth rates each month testify. Its span of difference in growth rates with the next ranked player among the new players, Bajaj, is widening month after month. Competition seems to be getting hot in the non-life industry for the market that is growing at 14 per cent.

Performance up to July 2005

The market has grown by Rs. 900 crore (14.35 per cent) as at the end of July 2005 over the corresponding period. The new players have added Rs. 661 crore and the established players Rs. 240 crore. 73.4 per cent of the premium accretion of Rs. 900 crore till the end of July 2005 has come in from the contributions of the new players.

The largest contributors to this accretion of Rs. 900 crore are: ICICI by Rs. 287 crore, Bajaj by Rs. 147 crore, Oriental by Rs. 140 crore, IFFCO by Rs. 127 crore, New India by Rs. 117 crore. The remaining eight players in the market have jointly contributed Rs. 82 crore accretion.

If business growth is regarded as a criterion to measure success, these



insurers need to reappraise their business plans and the execution of their marketing strategies to stay in the game.

The question also does arise, if the competition is fierce for capturing the established and organised markets or in the creation of new markets as well. With Motor and Health portfolios offering more new business month after month, how serious are the efforts made by the players to create new markets in personal lines a success? How are they tapping the rural business?

The market share of the new players has grown from 18.7 per cent last year at the end of July 2004 to 25.6 per cent as at July 2005. The upward swing of the market share for new players has been substantial

Future Prospects

The recent man- made and natural disasters that struck the country in July

2005 have surely created a great opportunity for the industry not only to respond promptly to the claims of current customers but have also opened up many opportunities for professional advice of quality to be offered to current and new customers.

Hopefully, it is expected that each insurer had a clear-cut plan and a strategy to reach out to people to spread the message of insurance. It is in times of calamities that customers believe that insurance is the best form of financial security that one can buy.

The author is retired CMD, The Oriental Insurance Company.

Health insurance projected to reach Rs. 25,000 crore by 2010

The nation's healthcare insurance sector is all set to become a Rs. 25,000-crore industry by 2010, industry chamber PHDCCI has reportedly said. This is mainly attributed to the fact that lifestyle-impact diseases like cancer and cardiac problems are expected to account for nearly 30 percent of in-patient ailments and HIV infections are also expected to rise significantly.

The medical insurance sector is estimated to treble itself in the next 10 years if insurance companies offer a right mix of targeted products, PHDCCI said based on findings of a recent study to assess the potential of health insurance in India. Already, the sector, including service-providers, payers, pharmaceutical and medical devices manufacturers, is estimated to be a Rs. 75,000-crore industry.

It is estimated that the share of the elderly in the total population will increase to 8.9 percent and the total number of senior citizens will rise 107 percent to 113 million by 2016, providing scope for the sector's growth like never before. "Most importantly, health spending in India at 6 percent of the GDP is among the highest estimated for developing countries. In per-capita terms, it is higher than that in China, Indonesia and most African countries," it noted.

Also, the insurable population in India has been assessed at 250 million and if the percentage of the country's population going in for health insurance doubles from the current three per cent in the next years, the insurance industry will be worth Rs. 25,000 crore on estimating an average of Rs. 1,000 per person as the premium amount per year.

It has been estimated that over the next 10 years, growth in health insurance could reach 6.2 - 7.5 percent of the GDP. In-patient spending, which is less than 40 percent at present, is also expected to increase to more than 50 percent.

The study pointed out that insurance products, in order to attract a greater number of Indians, will have to broaden their scope much beyond hospitalisation and cover domiciliary treatment. Such initiatives hold greater importance to tap the poorer sections of society. Extending insurance cover to ambulatory maternal and selected chronic conditions like asthma and tuberculosis would directly benefit the poor, as these diseases are more prevalent among them, it said.

ASSAM GOVERNMENT WOOS THE MASSES WITH INSURANCE SCHEME

The Assam Government has reportedly come up with an innovative insurance scheme for all of the state's population. It says that every citizen registered to vote will be insured against accidental death and serious illness. Ministers say it is the first time an Indian state has made such an initiative, according to the report.

Tenders for the contract from seven insurance companies were invited two months ago. Four came from four public sector insurance firms. The contract was finally granted to ICICI Lombard, which put in the lowest bid of Rs. 2.7 crore. But after a series of

lengthy negotiations, the insurance premium has been reduced further. The Assam government will now pay Rs. 2.5 crore as the annual premium, the report adds.

All citizens whose names figure in the state's electoral rolls will be entitled to Rs. 50,000 in cases of accidental death and half that amount for serious illness. Malaria victims will also be covered.

It is not clear why the government has decided to introduce the scheme, but critics call it a "sweetener" ahead of elections in Assam next year. The state's population is close to three crore,

but is estimated that up to 30 per cent of people who live there may not be eligible for the insurance deal. That is because they are either too young to be on the vote register, or do not have the necessary paperwork to be included.

Doubts have been expressed by human rights groups as to whether the state's numerous minority groups will be able to enjoy the insurance benefits, especially when many are illiterate and may not even be aware of its existence. State and Central government employees – about 15 lakh in number – will also not be included because they already have insurance.

AXA wants to enter Indian insurance market with Bharti

Global insurance giant AXA has forged a tie-up with domestic telecom major Bharti Enterprises to foray into the Indian life insurance sector. AXA Group, which manages assets worth \$827 billion, will hold a 26 percent stake in the proposed company, Bharti AXA Life Insurance Company Limited, says media reports. The balance 74 percent will remain with Bharti. Together they will invest about Rs. 500 crore over the first three-four years of operation, which is expected to start from the first half of 2006, subject to the necessary approvals from IRDA, FIPB and other statutory bodies.

The agreement was signed by Mr. Sunil Bharti Mittal, Chairman, Bharti Enterprises, and Mr. Les Owen, CEO, Axa Asia Pacific Holdings. Mr. Owen has termed the joint venture with Bharti an opportunity for AXA to enter the Indian life insurance market, one of the most attractive emerging insurance markets.

Bharti AXA is expected to leverage the telecom major's customer base in India to sell the insurance products. "The insurance sector in India provides a mega opportunity for private players

like us. Despite strong growth in recent years, nearly 80 percent of the Indian population is without life insurance coverage," Mr. Mittal of Bharti Enterprises has been quoted as saying.

AXA is also planning to enter the mutual fund, pension and general insurance sectors. It also has plans of expanding its BPO operations shortly in India by opening a new unit in Bangalore, which will be the third unit after its existing operations in Bangalore and Pune manning 1,900 people.

ONGC's Bombay High takes insurance claims to new high

Oil & Natural Gas Corporation (ONGC) has filed an insurance claim of around Rs. 1,200 crore for the damage suffered by its Bombay High oil platform in the fire of July 27, it has been reported. Highly placed sources in a state owned insurance company, confirming the claim amount, termed it the single largest claim by any company in the country, says the report.

ONGC's oil platform is insured for \$750 million with \$20 million deductible, which means ONGC has to absorb losses up to \$20 million on its own balance sheet.

ONGC, which has India's largest insurable assets, had insured with Chennai-based United India Insurance, which had shared the risks with other state-owned and private sector general insurance companies.

ONGC's assets are reinsured up to 95 percent with state-owned General Insurance Corporation (GIC) and the reinsurance market in London. It is believed that the energy major needs around \$500 million to repair the damaged platform, out of which it can now recover 50 percent from reinsurance companies.

However, it is unlikely that ONGC will get the entire claim amount, say reports.

TCS OPENS CHENNAI CENTRE FOR INSURANCE SOLUTIONS

IT services firm Tata Consultancy Services (TCS), has launched a dedicated Insurance Solutions Centre (ISC) in Chennai, it has been reported. The ISC will deliver world-class insurance solutions to global customers. The centre will also help the company provide niche solutions that address a client's business and technology needs at the strategic and operational levels.

ISC is equipped with state-of-the-art infrastructure and facilities including Insurance Demo Labs, Certification Test Centres and Domain Training Centers. Operating in a 37,500 sq. ft area, the centre will host over 200 projects for the top 15 insurance customers. TCS' Insurance practice contributes over 12.5 percent of the company's revenue, the report adds.

TCS currently works with over 70 insurers and reinsurers globally and has over 4,000 associates as part of the Insurance Practice. Established with the objective of providing "transformational end-to-end IT solutions and services on time, within budget and with high quality to insurance firms globally", the ISC is the latest innovation to deliver sustained value to customers.

Mr. Ravi Viswanathan, Vice President, TCS and Head of Chennai Operations, has been quoted as saying: "TCS offers a complete one-stop solution to help insurance companies deliver value to their customers through asset based solutions and IT services. We will also work with continued commitment to our BPO-based solutions."

Chinese partner pulls out of joint venture with Allianz

European insurance major Allianz AG is losing its China life insurance partner, Dazhong Insurance Co., say media reports. The end of the joint venture is seen hampering Allianz's expansion in the \$40 billion Chinese market that grows at 30 per cent a year. Shanghai-based Dazhong plans to sell its 49 per cent stake in Allianz Dazhong Life Insurance Co. because it wants to focus on its core business of property and casualty insurance.

Rising incomes in China are increasing demand for insurance policies as the government cuts back health and welfare benefits. Finding a new partner may slow expansion at Munich-based Allianz, whose venture held 0.06 per cent of China's life insurance market last year. Allianz cannot buy the stake from Dazhong because Chinese regulations restrict it from holding more of the company. The company also runs a property and casualty unit and a fund venture with Guotai Junan Securities Co. in China.

Allianz Dazhong, set up in 1999 with 200 million yuan (\$24.7 million) of capital, has operations in Shanghai and the southern city of Guangzhou. Premium income at the venture amounted to 188 million yuan (\$23.2 million) last year in a market that generated 323 billion yuan of policies.

China's life insurance market may grow to 763 billion yuan by 2010, according to Swiss Reinsurance Co.

NEW YORK LIFE LEADS MDRT FOR 51ST CONSECUTIVE YEAR

New York Life Insurance Company is the prevailing leader of the Million Dollar Round Table (MDRT) for the 51st consecutive year with approximately 2,300 New York Life agents achieving MDRT membership, it has been reported. MDRT has a total of 14,551 members in the US, making membership in the organisation a distinguishing life insurance career milestone, attained only by those who have demonstrated superior professional knowledge, experience and client service.

In 2004, New York Life International, LLC, the overseas arm of New York Life, ranked among the leading MDRT companies globally, producing a record number of MDRT members, over 600, from its operations in Hong Kong, India, Mexico, the Philippines, South Korea, Taiwan and Thailand.

Founded in 1927, MDRT is an international, independent association of nearly 30,000 of the world's leading life insurance and financial services professionals from 76 nations and territories, representing over 450 companies. MDRT members are recognised as skillful professionals

who are considered to be among the best in the industry, perform outstanding client service, and have achieved the highest standard of sales excellence in the life insurance and financial services business.

To qualify for the 2005 MDRT, which is based on production in 2004, applicants had to produce a minimum of \$67,400 in eligible commissions or \$134,800 in paid premiums. A minimum of 50 percent of the 2005 production requirement (\$33,700 commissions or \$67,400 premium) must come from policies listed under Unlimited Credit.

New York Life Insurance Company, a Fortune 100 company founded in 1845, is the largest mutual life insurance company in the US and one of the largest life insurers in the world. The group offers life insurance, annuities and long-term care insurance. New York Life Investment Management LLC provides institutional asset management and retirement plan services. Other New York Life affiliates provide an array of securities products and services, as well as institutional and retail mutual funds.

LLOYD'S IN THE DOCK AS SPITZER AND SEC TURN THE HEAT

Eliot Spitzer, the New York State Attorney General, and the Securities & Exchange Commission, the US financial regulator, have reportedly dragged Lloyd's of London into their investigation into insurance market abuses in America.

Investigators from the SEC and the Attorney General's office contacted

Lloyd's last month with a list of questions, *The Independent on Sunday* has reported. These relate to a practice called "finite reinsurance", a system of complex long-term transactions which the regulators contend may have been used to make insurance companies' accounts look in better shape than they were.

HSBC sells insurance products in China with Ping An

HSBC Holdings Plc, Europe's largest lender by market value, has started selling insurance in China with its partner Ping An Insurance (Group) Co. to tap the rapidly growing market, it has been reported.

The London-based lender started selling four of Ping An's life and non-life insurance products through its Shanghai branch on August 1, and would extend the sales to HSBC branches in Beijing, Shenzhen and Guangzhou in September, it said in a statement.

HSBC, which spent about \$5 billion investing in China's financial industry,

including buying stakes in Bank of Communications Ltd and Ping An, made \$161 million in pre-tax profit in the mainland in the first half this year, compared with a loss of \$4 million in the same period in 2000. China's 1.3 billion people are increasingly turning to private insurers as the country dismantles its cradle-to-grave welfare benefits.

A total of 61 employees at HSBC's Shanghai branch now have the insurance agency qualifications required by the China Insurance Regulatory Commission.

Lloyd's to underwrite use of open source software

Lloyd's of London syndicates are reportedly poised to underwrite the use of open source software by users who are worried about being sued by proprietary software makers claiming their intellectual property rights have been violated. Unix supplier SCO two years ago launched high profile legal action against user companies including DaimlerChrysler and AutoZone, as well as against open source software suppliers Novell and IBM, after claiming its code was used wrongly in the development of Linux.

Microsoft has also warned users that using open source software could leave them open to being sued, although it has not brought about any of its own actions.

US-based insurance provider Open Source Risk Management (OSRM) is arranging insurance for Linux users via brokers. The risk will be underwritten by several Lloyd's syndicates, said the provider.

OSRM said the soon-to-be-available insurance will cover the use of the Linux operating system, the Apache Web server, the MySQL database and scripting languages Perl, PHP and Python. Other open source products may be added in the future.

The cover will apply to all versions of Linux. At present, Novell and Red Hat offer Linux indemnification for their own Linux distributions.

HEALTH INSURANCE GETTING SIGNIFICANTLY COSTLIER IN THE US, SAYS STUDY

US workers who get health insurance coverage through their employers paid an average of 79 per cent more in 2003 than they did in 1996, according to a report by the Agency for Healthcare Research and Quality (AHRQ). Employers paid an average of 89 percent more, the report adds.

The agency's survey of 48,000 US employers reportedly also found a steady increase in premiums in more recent years. "Premiums in 2003 increased by 9.2 per cent for single coverage, 10 per cent for employee-plus one coverage, and 9.2 per cent for family coverage over the prior year, continuing a trend of increasing premiums observed each year since the start of the survey in 1996," reads the report, available at <http://www.meps.ahrq.gov/papers/st90/stat90.pdf>.

The agency's Medical Expenditure Panel Survey found that health insurance premiums have increased every year since the start of the survey

in 1996. "The average employee contributed \$2,283 for family coverage in 2003, compared to only \$1,275 in 1996. Even when adjusted for inflation, this was a 51.2 percent increase over the seven year period," the AHRQ said. "The average employer's contribution for a private-sector employee taking family coverage increased by 89.3 percent (59.9 percent when adjusted for inflation) – from \$3,679 in 1996 to \$6,966 in 2003."

An estimated 63 percent of Americans get their insurance through their employers or through a family member's job. Experts say the costs of providing healthcare have risen greatly, in part because of expensive new medical technology and in part because of the rising use and cost of prescription drugs. Many companies have sought ways to limit costs, by introducing health management organisations and by offering workers health savings accounts, which let employees keep and invest whatever dollars they do not spend.

ADVISORS MEET

The newly reconstituted Insurance Advisory Committee of the IRDA met on August 16 at Hyderabad.



L to R: Mr. Mathew Verghese, Member (Non-Life), IRDA, Mr. C. S. Rao, Chairman, IRDA, Mr. A. K. Shukla, Chairman, LIC and Mr. R. K. Joshi, Chairman, GIC at the Insurance Advisory Committee meeting.

RBI GOVERNOR'S VISIT

Dr. Y. V. Reddy, RBI Governor during his visit to the IRDA office in Hyderabad on August 10, addressed the officials of IRDA on Financial Sector Transformation and Regulation.



L to R: Dr. Y. V. Reddy, Governor, RBI and Mr. C. S. Rao, Chairman, IRDA during the former's visit to IRDA.

“

Australian Prudential Regulation Authority's (APRA) proposed 'Rolls-Royce' solution may be appropriate for the big end of town, but for a host of smaller operators it is overkill.

Mr. Tim Sheehy, Chief Executive, Chartered Secretaries Australia criticising the Australian regulator's solution to corporate governance for banks and insurers that it is far too costly for small firms.

”

Whether you are a policy holder or a depositor in a small or large organisation you deserve the same protection.

Mr. Steve Somogyi, APRA Member

I think it's an exaggerated assessment.

Dr. Rohan Gunaratna, terrorism expert on the designation of the Straits of Melaka as a high-risk area for war and terrorism by Lloyds' Joint War Committee (JWC)

(The Straits of Melaka) would remain on the list until it was clear that the measures planned by the government and other agencies in the area had been implemented and were effective.

A statement by the Lloyds' JWC in a meeting of Asian shipowners

This proposal will take a major reinsurance product that provides a lot of accounting benefits and making it unattractive and costly to the buyer.

Mr. Joseph Sieverling, Senior Vice President of the Reinsurance Association of America about the new rules governing finite reinsurance.

The current guidelines on finite reinsurance accounting aren't adequate. We want to isolate the portion of these agreements that transfers no risk and take away the accounting benefit.

Mr. Joe Fritsch, Director of Accounting Policy at the New York Insurance Department.

Events

29 August - 03 September, 2005

Venue: Pune
Retail Insurance (Non-Life)
by NIA, Pune

29 August - 03 September, 2005

Venue: Pune
Lateral Thinking & Decision Making
by NIA, Pune

29 August, 03 September, 2005

Venue: Pune
Linux Orientation by NIA, Pune

10 - 14 September, 2005

Venue: Monte Carlo
Monte Carlo Rendezvous

12 - 17 September, 2005

Venue: Pune
Programme for Legal Managers by NIA, Pune

15 - 17 September, 2005

Venue: Pune
Programme On Reinsurance Management by NIA, Pune

12 - 21 September, 2005

Venue: Pune
Programme on Advanced IT Security by NIA, Pune

18 - 21 September, 2005

Venue: Amsterdam
International Union of Marine Insurance (IUMI)

23 - 24 September, 2005

Venue: Pune
Silver Jubilee Seminar on Risk Modelling and computation of PML
by National Insurance Academy (NIA), Pune

23 - 25 September, 2005

Venue: Pune
Silver Jubilee FAIR workshop on Website Design and Management
by NIA, Pune

25 - 27 September, 2005

Venue: Singapore
Singapore International Reinsurance Conference

26 September, 2005

Venue: Singapore
Asia Insurance Industry Awards 2005

29 Sep - 01 Oct, 2005

Venue: Singapore
12th Indonesia Rendezvous