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January - June
2010

The Journal

दि जर्नल

भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA
॥ ज्ञानयोगात सिद्धि:॥

Insurance Institute of India
Plot no. C-46,G-block,
Bandra Kurla Complex,
Mumbai – 400051.

The New Headquarters of Insurance Institute of India at Bandra Kurla Complex (Mumbai)

भारतीय बीमा संस्थान का

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The Journal

of Insurance Institute of India

खंड नं. XXXVI जनवरी - जून, २०१०   VOL No. XXXVI January - June, 2010

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Editorial

The acquisition of physical infrastructure by the Insurance Institute of India represents an important milestone in the growth of the Institute.

Inaugurating the new building Hon'ble Finance Minister Shri Pranab Mukherjee said that this was a historic moment when the Institute is re emphasizing its commitment to Insurance professionalism in India. All the multifarious activities of Institute will be conducted in one complex.

The Hon'ble Finance Minister's speech is full of insightful ideas and prescriptions for the future of insurance industry. Notable among the individual the need for continuous academic research for backing the practice of insurance.

Adoption of new technology is another area. The Institute has engaged in extensive use of technology for the conduct of 'On-line' examinations. With the opening of the industry and encouragement of competition, there is benchmarking globally and adoption of best international practices with the result there are new products, reduced prices and better customer service.

Hon'ble Finance Minister Shri Pranab Mukherjee said that it is heartening to note that the Institute has initiated the change process of modernizing its curriculum, translation of books in local languages and introduction of continuing professional development etc.

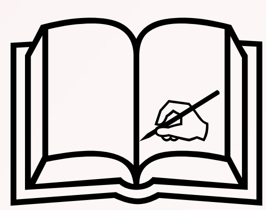
Hon'ble Finance Minister Shri Pranab Mukherjee recommended that the Institute should have a regular knowledge-cum- research centre for studying the common issues of life and non-life industry. Secondly, the Institute spread the message of insurance to all corners of the country especially to the rural population. The Institute may embark upon a program of study material including micro insurance in simple language, translate the same and distribute the same to all agencies concerned.

In his speech Shri R. Gopalan, Secretary (Finance), Govt. of India said "It's not merely an inauguration of new building but also a reaffirmation of the Insurance Institute of India towards its value goals and objectives in the service of the insurance industry". The current growth of the insurance industry supports the assessment that the market is geared to grow substantially in the near future. There has been a growth of the intermediaries and new distribution strategies. Therefore the insurance professionals are properly trained. There is a serious dearth of good institutional trainers in the field of Insurance in India.

Shri J. Harinarayan, Chairman, IRDA, referred to Agents training program and said that 'On-line' testing system will be extended to all languages recognized by the Constitution of India. Shri Harinarayan congratulated the Institute for its efforts to make syllabus more contemporary. He had no doubt that Institute will provide intellectual leadership and trained manpower to other countries as well.

As for academic infrastructure , there has been a careful approach to adopt an indigenous syllabus. The CII, was a source of inspiration in the initial stages in the use of their study courses. The syllabus in India was developed through an evolutionary process during the past five decades – Some subjects have been dropped, others are modified and new subjects are added e.g Agricultural Insurance & Crop Insurance. Most of the examinations are 'On-line' basis. At present new syllabus committee is seized of the matter.

The celebratory occasion is reminiscent of the inaugural conference of the then Federation of Insurance Institutes more than fifty years ago by the first President Shri C.R.C. Gardiner and his prophetic words " The Federation to all intents and purposes will become a University of Insurance knowledge which is not a vision but will become a reality. You have the Federation, it is an established fact. You have your local institutes all doing excellent work….From its inauguration the Federation has gone forward and I sincerely hope and trust that it will continue to go forward until it becomes a living and vital part of the entire industry"



Inauguration of Insurance Institute's New Building at Bandra Kurla Complex, Mumbai on 8th June 2010

Inaugural Speech of Shri. Pranab Mukherjee Honourable Finance Minister

Date: 08.6.2010 Venue: B.K. Complex

Dear friends,

It gives me immense pleasure to be here at this historic moment when the Insurance Institute of India is re-emphasizing its commitment to Insurance professionalism in India.

While regulatory policies do contribute to orderly growth and stability of the market, professionalism is another equally important aspect. I am happy to note that Insurance Institute of India has all along been striving to develop professionalism in the industry in this country. That is why, I am here with you all on this occasion when the Institute has re-endorsed its commitment to the cause of professionalism.

When the Institute was formed in 1955, the economy was in its infancy. Even in the year 1966 when the College of Insurance was established and the 11th Annual Conference of the Federation of Indian Insurance Institutes was inaugurated by the then Prime Minister Late Smt. Indira Gandhi, there were only 39 insurance institutes and 13,000 members under the Federation. From then, the Institute has changed into the Insurance Institute of India with 91 associated institutes in India and a few Institutes abroad. Its membership has crossed 2 lakhs and it has produced more than 34,000 Associate and 13,000 Fellow Members. Developing around 47,000 insurance professionals is not a small achievement.

With the opening of the insurance sector and entry of private sector companies, the competition has intensified not only between private and public sector companies but also amongst public sector companies. There is now a sense of benchmarking globally which is indeed a very healthy trend. This has resulted in development of new insurance products, reduction of premium, improved customer service, increased visibility through print & electronic media, discussions, symposia and seminars etc. ultimately benefitting the insuring public.

Since opening up, the number of participants in the industry has gone up from six insurers (including Life Insurance Corporation of India, four public sector general insurers and General Insurance Corporation as the national re-insurer) in the year 2000 to 47 insurers operating in the life, non-life and re-insurance segments as on date (including specialized insurers, viz., Export Credit Guarantee Corporation and Agricultural Insurance Company).

The post liberalization period has witnessed tremendous growth in the insurance industry, more particularly so in the life segment. The total premium underwritten by the industry has grown from Rs.34,898 crore in 2000-01 to Rs. 2,23,556 crore in 2008-09. The non-life insurers underwrote premium within India of Rs.30,601.20 crore in 2008-09, as against Rs.9,806.95 crore in 2000-01.

As we all know the insurance penetration and insurance density are two important indications of the potential and performance of the insurance sector. Insurance penetration which was 1.84% of GDP in 1996, has grown to 4.60 % of GDP in 2009. The low insurance penetration is partly due to lack of awareness on the part of general masses regarding the benefit flowing from the insurance and partly because of the lack of availability of insurance services to the large masses. Though there has been an effective outreach in life insurance, the general insurance still needs to work harder.

One of the important challenges before the insurance industry today is to generate the required level of awareness about the benefits of insurance to our people particularly living in semi-urban and rural areas. It should be our endeavor to take all necessary steps to ensure the reach of insurance to masses.

As for meeting their rural and social obligation, the insurance companies are now increasingly tapping the semi-urban and rural areas to spread the message of protection of life and property through insurance cover. The Government of India have also introduced many special products aimed at the rural markets like Jan Shree Bima Yojana, Universal Health Insurance Scheme, Aam Admi Bima Yojana, Crop Insurance, etc. for the benefit of poor and needy populace in the country.

One of the main objectives of promoting financial inclusion packages is to economically empower those sections of society which are otherwise denied access to financial services, by providing banking and credit services thereby focusing on bridging the rural credit gap. Lack of protective elements may do not serve the objective of promoting financial inclusion packages as the targeted section may fall back into the clutches of poverty in the event of unforeseen contingencies. Hence, to provide a hedge against these unforeseen risks, I would like popularization of micro insurance as one of the essential ingredients of financial inclusion packages.

India is a country where large section of people are engaged in agriculture and the farmers are mostly dependent on monsoons. The crop insurance is still not popular among the farmers. At present only 20% farmers are covered under Agriculture Insurance Schemes. The schemes are implemented by 25 States and 2 Union Territories in the Country. Recognizing the importance of crop insurance as a critical risk management tool, we have taken a serious view of the huge gap between the amount of crop loan disbursed and that covered under the scheme.

We are a disaster prone country and have seen many devastating disasters in the recent past. There is immense need of disaster management in controlling catastrophic risk in India. The insurance industry should prepare to deal with any kind of catastrophic losses. The insurance companies should concentrate on exploring the world reinsurance market, so that the impact of heavy losses can be mitigated.

Growth in insurance industry has been spurred by product innovation, vibrant distribution channels coupled with targeted publicity and promotional campaigns by the insurers. Innovations have come not only in the form of benefits attached to the products, but also in the delivery mechanism through various marketing tie-ups both within the realm of financial services and outside. All these efforts have brought insurance closer to the customer as well as made it more relevant.

One of the crucial areas in the insurance sector is the adoption of new technology in the industry. It is an accepted fact that insurance business is technology driven. It has the potential to save cost and hence, the scope for reducing price of product. Coming years will witness a total revolution in the ways of doing business. I request you all to make maximum use of technology to extend outreach. E-commerce will be increasingly used in all sectors including banks and insurance and products will be sold on Internet.

I am fully aware and appreciate the contribution of the insurance sector to the growth of the economy. With a fund size exceeding Rs.11 lakh crore, the insurance industry has contributed to the borrowing programme of both the Central Government and the State Governments as also to that of the public sector and the private sector. I am also aware of some recent issues arising in the life insurance industry especially concerning Unit Linked Insurance Policies. We will resolve this issue soon. I understand that Insurance Regulatory and Development Authority has taken some very positive steps in respect of regulations of ULIPs which are in the interest of both the insurance industry as also the policyholders. Some of these measures like cap on charges, extending the minimum term of the policy to 5 years, bringing the concept of compulsory annuitisation in pension policies and the proposal of fixing the maximum limits of surrender charges have brought in the much needed reforms in the ULIP products. I am sure that the insurance industry and IRDA would continue to bring in these reforms so that the interest of all the stake holders are secured.

I also take this opportunity to commend the role of the intermediaries specially the agents in the insurance industry who have contributed in ensuring that the insurance products reach every nook and corner of the country. With a force of around 30 lakh agents, it is a matter of pride that insurance industry is perhaps the only financial services arm that reaches out to almost all the villages in this country. This is also borne out by the fact that 25% of the life policies i.e. approximately 1.5 crore policies every year are sold in the rural areas.

However, there is still a very long way to go and further need to increase the penetration of insurance. With rising incomes in the country, the need for insurance is bound to rise and provides opportunity for the insurance industry to tap this growing need and provide insurance cover both life and non-life to the large masses of this country. I am sure, the industry will rise to the occasion.

The Institute has to change with the times. It is heartening to note that they have initiated the change process. I understand that the Institute is in the process of modernizing its curriculum, translating books into local languages, conducting examinations online and having a programme for continuous professional development for active practitioners.

I am happy that these initiatives are being taken. I appreciate the determination of the Institute's Board and the Chairmen of the Insurance Companies seated here. I see the seven-storied edifice that has hosted this august gathering as a standing monument to their commitment to the cause of building professionalism and developing the insurance industry.

On this occasion, I will leave you with some thoughts and vision for the Institute's future development:

(i) The Institute could spread the message of insurance to every nook and corner of the country, especially to the rural population of the country;

(ii) There is a need for continuous academic research for giving a scientific backing to the practice of insurance. The Institute should have a regular Knowledge-cum-Research wing studying the common issues of the industry.

I am sure the industry, the regulator and the policy makers would be interested in the outcomes of objective scientific studies.

I am happy to declare open this temple of insurance education and dedicate it to the nation.

~ Thank you

Excerpts from the Speech of Shri R. Gopalan, Secretary (Finance)

It's not merely an inauguration of new building but also a reaffirmation of the Insurance Institute of India towards its value goals and objectives in the service of the insurance industry in the country. I feel proud to witness this historic occasion and thank the Institute for making me part of it. With the Indian Economic strong growth in the last 5 years and expectations of sustained growth in the future there is significant interest in the Indian Insurance market. There is untapped saving potential where the economic growth is leading gradually to increased levels of income and also growing awareness of need to be covered against various risks. There are number of proposals with domestic players and strong international players entering the domestic market supporting the assessment that the Indian Insurance market is geared to grow substantially in the near future. This optimism is backed by the orderly and substantially growth within the short period and in the context of the continuing economic growth and reform process. Since the opening of the sector, insurance industry has seen a significant growth, innovation in products, increased penetration in rural and social sectors greater investment by insurance companies in infrastructure social sector and in the equity market. There has also been growth of the intermediaries and the great transparency and in certain cases reduction in the pricing on the product. There is need for total professionalism especially in the light of the competition and new distribution strategies being adopted by the players. The low awareness levels of general population put an additional level of pressure in ensuring the client is enabled to make an informed decision while buying insurance. All this means the insurance professionals are properly trained with all the skills necessary for understanding the entire mechanism and then conveying it to the prospects. I feel that there is serious dearth of good institution trainers in the field of Insurance in India. The insurance subjects are found missing from the educational curriculum of many schools and colleges across the country. Therefore, the effort of the Institute in the field of insurance studies assumes significance.

There should be continuous emphasis on identifying the training needs in order to ensure the scope for public grievances on account of lack of proper orientation and knowledge of the employees are minimized. Institutes like this one can really provide yeomen service in the field of insurance education and training. I congratulate the entire management, faculty and staff of Insurance Institute of India in leading the insurance industry on the path of growth and progress. I thank the august gathering for allowing me to share my thoughts on the occasion.

~ Thank you

Speech of Shri J. Hari Narayan, Chairman, IRDA

Hon'ble Finance Minister of India, Hon'ble Chief Minister of Maharashtra, the Chairman of the LIC, my colleagues, the Secretary, Financial Services of the Government of India, Mr. Shrivastva, Ladies and gentlemen. It is indeed very appropriate that, in India, an institution which was focussed on education, preceded actually the institutions of insurance. The I.I.I. was started in 1955, i.e. the year before the LIC and almost 35 – 40 years before the IRDA and I think that's how it should be and I think in that one sentence what this Institute has come to mean for the Insurance Industry in India can be understood. I am very happy as mentioned in the programme one crore agents have been trained by this Institute, but besides that, the Institute has provided the management card of most of the Insurance Industry by its processes of Licentiates, Associates and Fellows.

Today, Sir there are over 40 lakh agents who are active and these 40 lakh agents contribute to almost 80% of the Insurance Industry in terms of sales. In the year which has just passed, the Insurance Industry witnessed a growth of about 18% if we have a look at the total premium and the total premium in absolute numbers last year was 2,61,000 crores, out of which, a little more than half around 55% was traditional products and 45% were unit linked products. Lately Sir, there has been a lot of concern shown in terms of the commissions about for agents and issues related to that, but I am happy to state that if we have a look at the total commissions paid to the agents in the Insurance Industry as a proportion of the total commission or proportion of the total premium, it's a little over 7% and given the kind of sustained activity which an Insurance agent has to undertake, the number of times he has to meet a prospect before a sale can be concluded and the kind of post sales service which he has to provide for an insurance holder, the remuneration is not excessive in the sense that there cannot be a lower cost method of distribution than this.

Sir, I am happy to state that even within the entire stream which we have for training and the certification of insurance agents, there has been a significant new steps taken up by the I.I.I. They had piloted alongwith the stock exchange group for the establishment of an online testing system, initially tested it in 33 centres, now it is an online system in 110 centres in the country and in a very short while it will be rolled out over all parts of the country. As a result of this, the quality of the examination, the quality of testing, the level of satisfaction has significantly improved and what is more important Sir, we are very happy to be working with this group to ensure that the exams are made available in 9 of the languages in India and shortly, very shortly it will be available in all the languages recognized by the Constitution of India. This is a very significant advancement and once again underscores the commitment of the Insurance Industry to provide and to cater to the principal objective of why the IRDA and why the entire Insurance Industry was at all opened up and that was to ensure the betterment and the benefit and the good of the policyholder.

The I.I.I. has always stood in the forefront of this venture and I am very happy that lately they have undertaken measures and steps to review the syllabi and to make it more contemporary and to make it more relevant to the needs of the Industry today and I am very happy Sir that in your august hands you had inaugurated this centre, which I am confident will be the harbinger of the new Insurance Industry. Sir, India has a responsibility not only to its own people but increasingly to so many other countries in the world which look upto India to provide intellectual leadership, trained manpower in more than one field and I am sure in the years to come, the Insurance Industry would also be known for the quality of its personnel made available to different countries. I look forward to that day and I am sure when that happens, the I.I.I. will be in the forefront of this.

Once again, I would like to congratulate the management of the I.I.I. for the excellent work they have done and I do wish them all the best for greater endeavours tomorrow.

~ Thank you very much.

Farewell to Shri. S. J. Gidwani

Shri Shewak Gidwani, born on 21st January, 1945. He is a B.A. (Honors in Economics) from Mumbai University with 2nd rank in 1970. L.L.B. from Mumbai University and Associate of Insurance Institute of India (Life Branch).

His published work includes,

- Text books on Life Insurance for Standard XI and XII for Vocational Courses in Life Insurance of Central Board of Secondary Education, New Delhi.
- Articles in Magazines, Journals etc.

He was employed with Life Insurance Corporation of India from March, 1964 – 1995 and was Secretary – General, Insurance Institute of India from November 1995 – Jan 2010. He has travelled widely in India and abroad. He has represented India in the Institute of Global Insurance Education, the American Insurance Institute, USA and the Chartered Insurance Institute, London. He has attended international Insurance Society's seminars at Sydney, Berlin, Vancouver, Hong Kong etc. He has presented a paper at LOMA/LIMRA Annual conference held at Bali, Indonesia in June 2001. He organized International Conferences in India.

His other positions include :

- Secretary General of Federation of State Insurers of SAARC.
- Chairman of Network of Asia-Pacific Insurance Institute in 1998.
- Ambassador – International Society, New York.
- Former member of Board of Governors of Institute of Chartered Financial Analysts of India at Hyderabad.
- Special invitee to Committee on Insurance and Pension of Institute of Chartered Accountants.
- Member – Expert Group on Health Insurance – Ministry of Health and Family Welfare, Government of India.
- Member – Standing Panel in qualifications of Insurance Regulatory and Development Authority.
- Member – Committee on Insurance and Pension of Confederation of Indian Industry.
- Member of Advisory Group of Birla Institute of Management Technology.

106th Council meeting at Lucknow on 24-April-2010

Speech of Shri M. Ramadoss, President, Insurance Institute of India at the 106th Council Meeting at Lucknow on 24th April, 2010

Dear Council Members and other dignitaries present here,

I welcome you all to the 106th Council Meeting of the Insurance Institute of India, being held at Lucknow. The hosts for this meeting, 'Lucknow Insurance Institute' is one of the oldest Associated Institutes of the Insurance Institute of India. It had been established in the year 1961. It has on its roll about 4,000 members. They have the distinction of having conducted in the past 2 Annual Conferences of the Insurance Institute of India in the years 1985 and 2001. It is for the first time they are hosting the Council meeting. On behalf of Insurance Institute of India, I take this opportunity to convey our thanks to Lucknow Insurance Institute for having volunteered to host this Council meeting under their auspices.

Lucknow is a city of historic importance, popularly known as The City of Nawabs. It is the capital city of Uttar Pradesh, the most populous State of India. Located in what was historically known as "Awadh", Lucknow has always been a multi-cultural city. We are indeed proud to have our meeting in this historical city and I am sure that all the Council members will enjoy their stay here and carry pleasant memories when they return home.

It is for the first time I am addressing you after I have taken charge as the President of the Insurance Institute of India. As you are aware I was elected as the President of the Institute at the 54th Annual Conference held at Agra on 16th September, 2009. When I was elected as the President, I was the Chairman-cum-Managing Director of the Oriental Insurance Company Limited, New Delhi. Subsequently, I became the Chairman-cum-Managing Director of the New India Assurance Company Limited, Mumbai. I am proud to be a Fellow member of the Insurance Institute of India.

The Insurance Institute of India has played a pivotal role in conducting Pre-recruitment Exam for Insurance Agents. Looking at its capability, the Insurance Institute of India was entrusted with the responsibility of conducting the exam. In the year 2008-09, a total of 28 lakh candidates had registered. In the year 2009-10, the number has come down to 23 lakhs. The reduction in numbers may be attributed to the fact that Insurance companies were in a consolidation mode. The recruitment of agents was also affected due to the initial hiccups in launch of I R D A portal. But there has been significant impact on the revenues of Insurance Institute of India, due to shift of candidates to online examination. The expense for the conduct of examinations have gone up significantly.

With the launch of I R D A licencing portal, the system of training, examination and licencing has got integrated. A large part of processes have been automated. The entire examination system will be outsourced in due course. This has given breathing space to the core team of the Institute. It is time to return to core activities of the insurance institute. It is time to become a professional institute in the true sense, rather than just remaining an examining body. We need to ask ourselves the question that, "Are we really ready to transform our institute into a professional body, which is respected not only by our own members, but the other stakeholders in the industry including the I R D A?"

The spirit of professionalism goes beyond obtaining a diploma. It is not only to serve the insured community, but the entire population which is insurable. It is necessary for us, professionals, to serve those who depend on us for advice, with integrity and honesty. A professional delivers "service and advice" to the one who seeks it.

The Institute has started an exercise in updating of the syllabus and revamping the examination system. Two committees are working on these issues. An announcement to this effect will be made shortly.

But going beyond the examination and syllabus, there is an urgent need to evolve a Continuous Professional Development programme. The C P D programme is essential for Insurance professionals to broaden their mental horizon, for a better understanding of socio-economic-cultural milieu in which this profession is operating. It is high time ethos and perspective of the insurance professionals is changed to serve better, the needs of the insured community and the uninsured society at large.

The C P D scheme will apply to all current members. But the current members will participate only if there is an incentive for them to participate in C P D. When, I say incentive I don't mean only monetary incentive. This raises a question whether the current members feel proud and elevated that they belong to this mighty professional Insurance Institute.

All professional bodies celebrate the professionalism of their members through annual events. They celebrate the success and joy of its members. Along with C P D these activities of celebration need to be taken up at local as well as national level.

A scheme for financial assistance to associated institutes for organizing seminars and research projects has been finalized recently. Associated Institutes need to take advantage of the scheme and reestablish themselves in the professional arena.

While at the issue of rejuvenating Associated Institutes, a meeting of some of the local Institutes was called at Mumbai. Virtually all the recommendations of the committee are getting implemented. Between Agra Conference and today –

1. Subsidy for purchase of computer by associated institutes has been increased.
2. Reimbursement for examination related work to Associated Institutes has been substantially revised.
3. Invigilators fee for examination work has been revised.
4. A revised formulae for payment of subsidy is being discussed in today's Council meeting.

While at this issue, I must say that it is high time that the associated institutes must move from being mere form collection centres and sale points for study material, to vibrant professional bodies. There is need to bring professionalism in the affairs of the associated institutes. Now the focus of the associated institutes must be on organising seminars, running coaching classes, conducting surveys and doing research work, arranging convocation for their fellows, etc.

I must mention the names of Indore Insurance Institute and Indian Insurance Institute of Kolkata for arranging convocations; Indian Insurance Society, Kolkata and Visakhapatnam Insurance Institute for conducting National seminars. I must say these are the institutes whose examples must be emulated.

The scheme for honouring the best institute is getting revamped and the details of the scheme will be soon shared with you.

One more aspect of the activities of Insurance Institute of India needs to be focussed, the College of Insurance. Recently Shri P.K. Rath has joined as Director -Academics. The College of Insurance needs to move to a leadership position in insurance education. I am sure that Shri Rath will come out with plans to upgrade the level of the College of Insurance. It must convert into a place for research, dissemination of information and trends for the Industry and leadership development in the Industry.

One encouraging trend that is noticed is that the number of candidates appearing for the professional examination of the Institute is increasing steadily. A statistical data which I got indicates that the number of candidates registered for November, 2009 examination was over 37,000 as compared to a little over 26,000 in November, 2005 which shows a growth rate of about 42% over a period of 4 years. In order to ensure that the same growth level is continued in future, the Institute's examinations should be relevant and according to the needs of the Industry. I also feel that marketing is necessary to make our examinations popular and take it to un-tapped areas. As I said in my address at Agra, the insurance awareness in India is still very poor, particularly, General Insurance. This could be a potential area of activity for the College of Insurance and the Associated Institutes.

The fees charged for the examinations of the Institute, I am sure, must be cheaper compared to what other institutions like us are charging. Therefore, I feel there is a need to revise the fees for various activities of the examinations of the Institute. A proposal to revise the fees is in the agenda of this Council meeting. I am hopeful that the Council members will find the proposal reasonable and give a nod for its implementation. I hope we will have a purposeful deliberations in this meeting for the betterment and growth of the Insurance Institute of India and its associated institutes.

The Insurance Institute of India is more than 50 years old now. It needs to redefine its activities to be at par with similar institutions. With a sound financial position, the Institute can now invest its funds in activities that will make the Institute a robust and resourceful service provider to the Insurance Industry. With the new building for the Institute, I hope new thoughts will emerge that will take the Institute to further heights. Insurance Institute of India should play an active role for supply of talented and skilled people for the insurance industry not only in India but for the entire Afro Asian Region. I take this opportunity to acknowledge the support the Institute received from the Insurance Industry, both private and public sector. We hope to have the same kind of support from them in future also. I also take this opportunity to thank all the experts who have been assisting the Institute in various capacities. I seek their continued support to discharge my responsibilities as the President of the Insurance Institute of India.

Before I conclude my speech, let me once again thank the Chairman, Secretary and other members of Lucknow Insurance Institute for the excellent arrangement they have made to make this event a success.

Thank you.

Minutes of the 106th Council Meeting of the Insurance Institute of India held on 24th April, 2010 at Hotel Clarks Avadh, Lucknow

Shri M. Ramadoss, President, Insurance Institute of India chaired the meeting and requested the Secretary-General to conduct the meeting as per the Agenda.

The Secretary-General conducted the proceedings of the 106th Council Meeting. Items inter alia were taken for discussion as per the agenda.

1. **Approval of Budget of the Insurance Institute of India for the Financial year 2010-11:**
   The Budget of Insurance Institute of India was deliberated and approved by the members of the Council.

2. **Revision of Fees for the professional Examination:**
   After deliberation the revision in the fees for professional examination as proposed were approved as under:

Sr. No.	PARTICULARS	India, Bhutan, Nepal, Bangladesh, Srilanka (Rs.)	Overseas (Rs.)
1	**REGISTRATION FEES:** LICENTIATE / CIS / ACTUARIAL	700	7000
	ASSOCIATESHIP	700	7500
	FELLOWSHIP	600	6000
2	**EXAMINATION FEES (Per Subject):** LICENTIATE / CIS / ASSOCIATESHIP/ FELLOWSHIP / ACTUARIAL	500	3000
3	LATE FEES	500	3000
4	REVALUATION (Per Subject)	500	3000
5	RETOTALLING (Per Subject)	300	2000
6	EXEMPTION FEES (Per Subject)	500	3000
7	DUPLICATE MARK SHEET / CERTIFICATE	500	3000
8	TRANSCRIPT	500	3000
9	DUPLICATE DIPLOMA	500	3000

1. **Criteria for payment of membership subsidy to the Associated Institutes:**
   The members have approved the revised criteria for payment of membership subsidy subject to change in the date for submission of required data to Insurance Institute of India from 30th June to 10th July of every year.

   The criteria for payment of membership subsidy will be as per specified conditions:-

2. **Revised criteria and prize amount for award of Best Institute and Life Membership Prize to the Associated Institutes:**
   The Council have approved the criteria for the award of Best Institute Prize. The prize amount for Best Institute prize is raised from Rs.10,000/- to Rs.20,000/- for Major Institutes, from Rs.7,500/- to Rs.15,000/- for Medium Institutes and from Rs.5,000/- to Rs.10,000/- for Small Institutes.

   The criteria for award of Life Membership Prize also approved as under:-

Group	Membership Strength	Increase in %	Prize Amount
I	10001 & above	Minimum 3% increase Membership over previous year	Rs.10,000/-
II	7501-10000	Minimum 5% increase Membership over previous year	Rs.8,000/-
III	5001-7500	Minimum 5% increase Membership over previous year	Rs.6,000/-
IV	2501-5000	Minimum 7% increase in Membership over previous year	Rs.5,000/-
V	2500 & below	Minimum 7% increase in Membership over previous year	Rs.5,000/-

3. **Any other matter:**
   Members of the Council have not taken any other matter for discussion.

   Thereafter meeting concluded with vote of thanks to the Chair.

Around the Associated Institutes

INDORE INSURANCE INSTITUTE

Indore Insurance Institute organized the Diploma Awarding Ceremony and Prize Distribution Function on 16th January, 2010 at the recently renovated Ravindra Natya Grah.

Chief Regional Manager, National Insurance and Chairman, Indore Insurance Institute, Dr. B.P. Lavania, welcome the chief guest Shri. Sharad Shrivastva, Secretary General, Insurance Institute of India and other guests and Members.

Shri H.C. Katariya, Hon. Secretary presented a brief report of the activities of Institute. Shri. Sharad Shrivastva gave away the Diplomas and Prizes. He Congratulated the Associates and Fellows and the Prize Winners. In his address Shri. Shrivastva informed the members that soon there will be positive changes in the courses and overall working of the Institute.

Another attraction of the evening was the Musical Programme based on the Lyrics of Gulzar presented by '**Jalaj**' the renowned Musical troupe of Indore.

The Function was followed by vote of thanks proposed by Shri. B.M. Joshi, Sr. Divisional Manager, LIC and Vice-Chairman, Indore Insurance Institute.

The evening ended with Dinner attended by over 600 members.

INDIAN INSURANCE SOCIETY, KOLKATA

Seminar on Health Care Management – "Future Challenges and Dimensions" on 24th February, 2010

A Seminar was organized by Indian Insurance Society on 24th February, 2010 at Kolkata. Participants, delegates (approx. 75 heads) attended from various public sector/private sector Insurance companies, TPA/Broker/Hospital etc. besides few members of our Society joined at subsidized fees.

The I. I. I. President Mr. M. Ramadoss who happens to be the GIPSA Chairman and CMD of NIA inaugurated the Seminar and delivered an excellent speech with current facts and figures. Our Secretary-General Shri Sharad Shrivastva in his speech narrated the present scenario in Health Insurance and gave some suggestions for improvement. Shri Sujit Das, President, Indian Insurance Society delivered welcome address where he explained the multipurpose activities and Plan Programmes of the Society. Hony. General Secretary Shri Samir Kr. Chatterjee gave vote of thanks where he mentioned that in our history of 65 years this is first time where President of I. I. I. inaugurated the Seminar.

Below papers were presented in the Seminar

Sr.No.	Subject	Presented By
1	Legal Aspects of Critical Care Medicine	Dr. Aninda Chatterjee, Facility Director, Fortis Hospitals Ltd. Kolkata.
2	Quality in Health Care	Dr. Aninda Chatterjee, Facility Director, Fortis Hospitals Ltd. Kolkata.
3	Doctors Duties V/s Patients Rights	Dr. Aninda Chatterjee, Facility Director, Fortis Hospitals Ltd. Kolkata.
4	How Good are your food habbits	Ms. Mita Shukla, Head Dietetics & Nutrition, Fortis Hospitals Ltd., Kolkata
5	Life Made Simple	B. K. Padma
6	Role of Health Care service Providers	Dr. Abhijitkar, Dy. G.M., National Insu. Co. Ltd., Kolkata Regional Office - I.
7	Challenges Facing Health Insurance In India Today	Mr. Subir Bhattacharyya., Dy. G.M., National Insu. Co. Ltd., Kolkata Regional Office - I.
8	Insurance Solutions for Health & Medical Risks.	Mr. P. C. James

A National Seminar
On
"A DECADE OF LIBERALISED INSURANCE INDUSTRY - WAY AHEAD"

Was Organised by:

Centre for Social Science Research & Department of Economics, Andhra University

In Collaboration with
Visakhapatnam Insurance Institute

On : 11th March 2010

PROGRAMME SCHEDULE

Welcome:	Prof. M. Bhavani Sankara Rao
Prayer:	Theme from Visakhapatnam Insurance Institute
Jyoti Prajwalana:	
Presidents Opening Remarks:	Sri D. Nageswara Rao Sr. Divisional Manager, LIC of India & Chairman, Visakhapatnam Insurance Institute
About the Department:	Prof. R. Sudarsana Rao Head, Department of Economics
About the Seminar:	Prof. K. Sreerama Murty, Director, Centre for Social Science Research.
Address by the Chief Guests :	Prof. Beela Satyanarayana, Vice-Chancellor, Andhra University
Address by the Guests of Honour:	1. Sri Sharad Srivastava, Secretary General, Insurance Institute of India. Mumbai 2. Prof. L. K. Mohana Rao Principal, College of Arts & Commerce, Andhra University
Keynote Address:	Sri Amanullah Khan, President, All India Insurance Employees Association, Banglore.
Presidents Closing Remarks:	

Below papers were presented in the Seminar

Sr.No.	Subject	Presented By
1	Keynote Address - Ten years of Liberalisation of Insurance Sector	Shri Amanulla Khan, President, All India Insurance Employees' Association.
2	Growth of the General Insurance Industry in India - A Study on Insurance Penetration and Density	Mr. D.S. Sarma, Regional Manager, New India Assurance Co. Ltd.
		Mr. V.B. Nath, A.O., New India Assurance Co. Ltd.
3	Assessment of the Growth of the Insurance Industry, Insurance Penetration and Density	Prof. B. Ratna Kumari, Director, Dr. Durgabai Deshmukh Centre for Women's Studies, Andhra University.
		Mrs. M. Sridevi, Research Scholar, Department of Economics, Andhra University.
4	Growth of the Insurance Sector	Mr. K. Rambabu, Research Scholar, Dept. of Economics, Andhra University
5	Insurance Sector in India	Dr. B. Padma Narayan, Asst. Professor, GITAM Inst. Of International Business, GITAM University, Visakhapatnam.
6	Benefits to Society from General Insurance After 1991	Dr. M. Lakshmipathi Raju, Professor, Dept. of Commerce & Management Studies, Andhra University
		Mr. K. Satish, Research Scholar, Dept. of Commerce & Management Studies, Andhra University
7	Growth as a Survival Strategy for Indian Insurance Industry in the era Global Competition	Mr. Haniefuddin S., Research Scholar, Nagarjuna University.
		Mr. Shaik Khadar Babu, Research Scholar, Nagarjuna University
		Pravin Bobby, Student, Dept. of Economics, Andhra University.
8	Augmentation and Prophecy of Insurance Sector - An Analysis	Dr. T.V. Ramana, Faculty Member, Dept. of Economics, AU Campus, Kakinada
		Mr. M. Balaswamy, FIP Research Scholar, Dept. of Economics, AU, Waltair.
		Mr. D Thirupathaiah, FIP Research Scholar, Dept. of Economics, AU, Waltair.

Sr.No.	Subject	Presented By
9	Growth of the Insurance Industry, Insurance penetration and Density	Syamala Rao Gudala, Asst. Professor, Dept. of Mgmt. Studies, Gayatri Vidya Parishad College for Degree and P.G. Courses, Visakhapatnam.
		Prof. N. Subba Rao, Faculty of Commerce, Andhra University, Visakhapatnam.
10	Insurance Industry in India - Some Reflections	R. Rama Krishna, Research Scholar, Ph.D. (FIP), Dept. of Economics, Andhra University, Visakhapatnam.
11	A Decade of Liberalised Insurance Industry Way Ahead	V.N. Satyanarayana, Dept. of Economics, Andhra University, Visakhapatnam.
12	Customer Perception on Ulips - A Special Reference to HDFC – Visakhapatnam	Prof. P Sarma, Head of Research Dept.,GVP College for Degree and PG Courses, Visakhapatnam.
		K. Parveen Sultana Kanth, Associate Professior, Dept. of Mgmt. Studies, GVP College for Degree and PG Courses, Visakhapatnam.
		K. Goutami Chandana, Associate Professior, Dept. of Mgmt. Studies, GVP College for Degree and PG Courses, Visakhapatnam.
13	Marketing Trends in Induurance Industry	Ch. Tata Rao, Principal, ATC, LIC of India, B.O. Narsipatnam.
14	History of Insurance Development in India	P. Ramu Naidu, Research Scholar, Dept. of Economics, Andhra University, Visakhapatnam.
15	Life Insurance Corporation of India Performance during the period 2001-2007	A. Vamsi Krushna, Research Scholar, Dept. of Economics, Andhra University, Visakhapatnam.
		K. Kiran, Teaching Associate, Dept. of Economics, Dr. B.R. Ambedkar University, Srikakulam.
		K Siva Prasad, Professor (Retd.), Dept. of Economics, Andhra University, Visakhapatnam.
16	Issues of Insurance Industry in the Emerging Scenario	V. Vijendra Chary, Research Scholar, Dept. of Economics, Osmania University, Hyderabad.
17	Emerging Rural Insurance Markets … A Change Ahead	S. Pushpalatha, Reader, Dept. of Mgmt., Visakha Institute for Professional Studies, Visakhapatnam.
18	Patterns of Agriculture Insurance in India	M. Sundara Rao, Professor, Dept. of Economics, Andhra University, Visakhapatnam.
		P. Ramu, Research Scholar, Dept. of Economics, Andhra University, Visakhapatnam.

Sr.No.	Subject	Presented By
19	Crop Insurance in India	Dr. Surya Prakasa Rao Gedela, Asso. Professor of Economics, GVP College for Degree and PG Courses, Visakhapatnam.
		Mr. Srinivasa Rao Pasala, Asso. Professor of Economics, GVP College for Degree and PG Courses, Visakhapatnam.
		Mr. Raju Paila, Asso. Professor of Economics, GVP College for Degree and PG Courses, Visakhapatnam.
20	Impact of National Agricultural Insurance Scheme (NAIS) on Farmers	Prof. S.K.V.S. Raju, Professor, Dept. of Economics, Andhra University.
		M Sudha Rani, Research Scholar, Dept. of Economics, Andhra University.
21	Insurance Coverage for Women through Indira Kranthipatham	Dr. K. Mary Sujatha, Asst. Professor, Dr. Durgabai Deshmukh Centre for Women's Studies, Andhra University.
		T. Sreenu, Research Scholar.
22	Emerging Trends in Indian Insurance Sector	N. Santosh Ranganath, Faculty Member, Dept. of Commerce and Management Studies, Dr. B.R. Ambedkar University, Srikakulam.
		B. Prakash Babu, Faculty Member, Dept. of Commerce and Management Studies, Dr. B.R. Ambedkar University, Srikakulam.
23	Bancassurance - A need of the Hour	S.R. Padala, Faculty, Dept. of Mgmt. Studies, Andhra University Campus, Vizianagaram.
		N V S Suryanarayana, Faculty, Dept. of Education, Andhra University Campus, Vizianagaram.
24	Strengths of Banking Sector in India for the Development of Insurance Business - Emerging Marketing Channels / Models of Insurance Business	Dr. K. L. Rao
25	Emerging Trends in India's Insurance Sector	Ch. Ramana Rao, Asst. Professor, Dept. of Economics, MRPG College, Vizianagaram.
26	Health Insurance - Opportunities and Challenges	K. Sreerama Murthy, Professor, Dept. of Economics, Andhra University, Visakhapatnam.
		K. Sailaja, Asst. Professior, Dept. of Economics, Andhra University, Visakhapatnam.
		K Ravindra & D Appala Naidu, Research Scholars, Dept. of Economics, Andhra University, Visakhapatnam.

Sr.No.	Subject	Presented By
27	Demographic Differentials in Health Insurance Coverage - An analysis	Dr. K. Mary Sujatha, Asst. Professor, Dr. Durgabai Deshmukh Centre for Women's Studies, Andhra University.
		Dr. T. Sambasiva Rao, Research Associate, Dr. Durgabai Deshmukh Centre for Women's Studies, Andhra University.
		Ch. Usha Rani, Research Assistant, Dr. Durgabai Deshmukh Centre for Women's Studies, Andhra University.
28	Health Insurance - and Liability of Public Insurer - Supremes Mandate	Dr. V. Vijay Lakshmi, Associate Professor, College of Law, Andhra University, Visakhapatnam.
29	Insurance Regulations in India : A Conceptual Framework	V. V. Devi Prasad Kotni, Asst. Professor, Dept. of Mgmt. Studies, GVP College for Degree & PG Courses, Visakhapatnam.
		Sanyasi Rao Mulagapaka, Asst. Professor, Dept. of Economics, GVP College for Degree & PG Courses, Visakhapatnam.
		U. Suresh Babu, Research Assistant, Dept. of Mgmt. Studies, GVP College for Degree & PG Courses, Visakhapatnam.
30	Customers Perceptions towards the Business services on Non Life Insurance Companies in Public Sector	R. Hepsiba, Research Scholar, Dept. of Commerce and Mgmt. Studies, Andhra University, Visakhapatnam.
31	The Customer Protection (An overview of Marketing Trends in Insurance Sector)	Ms. Kanthisree, Asst. Professor, Dept. of Mgmt. Studies, Noble Institute of Science & Technology (NIST), Visakhapatnam.
		Ms. K. Siva Sailaja, Asst. Professor, Dept. of Mgmt. Studies, Noble Institute of Science & Technology (NIST), Visakhapatnam.
32	The reforms in Insurance for Customer Protection	Ch. Venkatesh, Student, M.A. Economics (Previous), Dept. of Economics, Andhra University, Visakhapatnam.
33	Knowledge, Attitude and Practices of the Continuing Education Beneficiaries towards certain aspects of the Insurance	Dr. P. Viswanadha Gupta, Research Associate, Centre for Study of Social exclusion and inclusive policy, Andhra University, Visakhapatnam.

Articles

IMPACT OF PACKING ON MARINE INSURANCE

By: Gayatri Iyer.
Research Associate, National Insurance Academy, Pune.

ABSTRACT

Packing and Packaging find mention in Exclusion No. 4.3 of the Institute Cargo Clauses. The Group of London Underwriters have revised these clauses with effect from 1/1/ 2009. The wordings of Exclusion No. 4.3 have undergone some changes. It is pertinent to note that the spirit of the exclusion, that is "The insured is responsible for ensuring that the cargo is adequately and suitably packed" remains the same. This only reflects the importance of Packing vis a vis Marine Cargo. Through this article, an attempt has been made to

1. *Analyse the subtle changes in Excl 4.3 effected through ICC 1/1/2009*
2. *Examine the aspect of suitable and sufficient Packing vis a vis Marine Cargo Insurance*

INTRODUCTION

Marine Insurance is a unique branch of insurance, governed by many Acts, but more specifically by the English Marine Insurance Act, 1906. (The Indian Marine Insurance Act, 1963). The Institute of London Underwriters has formulated the Institute Cargo Clauses in way back in 1982. The terms and conditions of insurance are specified in the respective clauses. This article deals with *Exclusion No 4.3* of the Institute Cargo Clauses A, B and C, relating to *Insufficiency and Unsuitability of Packing.*

International trade has undergone sea change. The International Commercial terms have become more specific, though the basic relationship between the seller, the buyer and the carrier has changed little over the years. The mode of carriage and the documentation involved, the rights and duties of different parties to the trade have undergone transformation. In view of the foregoing, it is but natural that the Institute Cargo Clauses which have been unchanged for nearly three decades, have to be revisited and modified to suit the' present International Trade scenario.

The Group of London Underwriters have revised these clauses with effect from 1/1/2009. The clauses are more specifically worded to avoid ambiguity. The wordings of Exclusion No. 4.3 have undergone some changes. So the discussion on the aspect of Packaging vis a vis Institute Clauses, will not be complete without the analysis of the change that has taken place in this clause. It is pertinent to note that the spirit of the exclusion *"The insured is responsible for ensuring that the cargo is adequately and suitably packed" remains the same. This only reflects the importance of Packing vis a vis Marine Cargo Insurance.*

The revised clauses are yet to be adopted by the Indian Companies. This is the first time that the Cargo Clauses have been revised after 1982. It may be noted that the Marine Hull Clauses were revised in the year 1995. However, those revisions provided an option to the Insurance Companies to reduce liability and hence the clauses were not accepted by the buyers in the Marine Hull Insurance Market.

The revisions in the Cargo Clauses in 2009 do not project a significant effect on the Insurance Companies liability. Hence in all probabilities, chances are that the clauses may be adopted in due course after due compliance of IRDA guidelines.

Packing and Preparation form an important part of Marine Cargo Insurance. It is highly essential for every Marine Cargo Insurance practitioner, be it an Underwriter, Claims Manager or a Surveyor, to know the importance of Packing vis-a-vis Marine Insurance. It is pertinent to note that the Marine Insurance Act does not specifically mention anything about the 'Packing' or 'Packaging'. However, Insurance covers only 'fortuity', and losses arising out of insufficient or unsuitable packing are not considered to be fortuitous and hence excluded.

The Institute Cargo Clauses, under Exclusion No. 4.3, exclude losses arising out of insufficiency or unsuitability of packing. The exclusion wordings of ICC-A 1982 are as follows:

- *Exclusion No. 4.3 in the Institute Cargo Clauses A 1982*

Loss or Damage or expense caused by insufficiency or unsuitability of packing or preparation of the subject matter insured (For the purpose of this clause 4.3, 'packing' shall be deemed to include stowage in a container or liftvan but only when such stowage is carried out prior to attachment of this insurance or by the Assured or their servants).

- *Exclusion No. 4.3 in the Institute Cargo Clauses A 2009*

Loss or Damage or expense caused by insufficiency or unsuitability of packing or preparation of the subject matter insured, to withstand the ordinary incidents of the insured transit where such packing or preparation is carried out by the assured or their employees or prior to the attachment of this insurance (For the purpose of this clause 'packing' shall be deemed to include stowage in a container and 'employees' shall not include independent contractors)

CHANGES AND IMPLICATIONS

<u>As per the old ICC-A 1982, the assured could not recover if</u>

1. Packing or Preparation is insufficient or unsuitable. (Irrespective of who has done the packing or when it was done)?
2. If stowage in a container or liftvan is carried out (by anybody) prior to attachment of insurance and is unsuitable and insufficient.
3. If stowage in a container or liftvan is carried out by the assured or his servants (whether before or after attachment of insurance) and is found to be unsuitable or insufficient.

<u>As per the revised ICC-A 2009, the assured cannot recover if</u>

1. The packing, preparation or the storage is done prior to the attachment of insurance (whosoever does the packing, preparation or stowage) and is insufficient or unsuitable,

OR

2. The packing, preparation or the storage is done by the assured or his servants (whether done prior to or after attachment of insurance) who are NOT independent contractors and is found to be insufficient or unsuitable.

The old clause excluded insufficiency or unsuitability of packing or preparation, whether done prior to insurance or not and irrespective of whether it was done by the assured or his servants or not. *It was only with reference to the stowage that the exclusion was qualified.* The old clause treated *packing or preparation* and *storage* separately, whereas the new clause has treated *packing, preparation and storage* in container on par for the application of the aforesaid exclusion.

Secondly, the word **'LIFTVAN'** has been omitted from the new clause.

Thirdly, the word '**servants**' has been replaced by the word '**employees**', Packing, preparation and stowage done by Independent contractors' are specifically excluded from the scope of this exclusion.

Many times we come across dilemmas as to 'what is suitable packing'. It was common practice to go by the word 'Customary packing'. By customary packing we assumed that if the mode/method of packing were as per the customs prevalent to that particular trade, the packing was said to be suitable.

The revised clause has made this aspect slightly simpler by adding the words *"to withstand the ordinary incidents of the insured transit "*.

The aspect of *packing* being done by *independent contractors* after the attachment of insurance needs analysis. Claims arising out of insufficiency of packing in such cases may be payable. However, the aspect of recovery rights will have to be examined. Maritime law absolves the carrier from liability where the packing was done by the shipper or his agents employees. Thus, whether the Insurance Companies after making good the loss, can recover from the *Contracted Packers* will have to be examined.

Hence, underwriters have to be very clear when specifying the coverage under the revised clauses and also whilst processing claims arising out of insufficient or unsuitable packing.

It is pertinent to note that if the Insurance Company denies liability on the grounds of inadequate or unsuitable packing, the onus of proving the same lies on them. In principle the underwriter has reason to suppose that the goods will be soundly packed. Thus if the goods are supposed to be normally packed in a certain manner, and in a particular risk they are packed less soundly, the underwriters may avoid the contract on the basis of non-disclosure, even if the insufficiency of packing does not contribute to the loss.

The criteria for suitable packing is, whether the packing of the subject matter is such that it can "withstand the ordinary incidents of the insured transit". Notwithstanding the above, it is the responsibility of the insured to ensure that the subject matter of marine insurance is suitably and adequately packed before the transit begins.

Let us examine the literary meaning of the words Packaging, Packing and Preparation.

The dictionary meaning of *'Packaging'* is wrapping or covering. It is the science, art and technology of enclosing or protecting products for distribution, storage, sale, and use. Packaging also refers to the process of designing, evaluation, and production of packages.

Packaging can be described as a coordinated system of preparing goods for transport, warehousing, logistics, sale, and end use. The functions of packaging can be broadly classified as protection, preservation, transportation, information and marketing.

Package *labelling* is an associated term and is any written, electronic, or graphic communications on the packaging.

Packing, on the other hand, is a broader concept which in addition to packaging, also encompasses stuffing or the way the material is fitted into an enclosure. It also refers to the dunnage or wadding used to prevent movements. One of the basic functions of packing is to CONTAIN the goods within an enclosure.

Preparation is the ground work done for protection and preservation of the subject matter.

Determination of Suitable and Sufficient Packing

I. Conformity to Legislations

IATA and Railways have formulated rules and regulations for carriage of goods by air and rail which includes norms for packing and preparation. Likewise, the Heavy Package Act and Rules enforced by the Dock safety Inspectorate of the Government prescribe essential Packing and marking of exports.

The Indian explosives act, Gas cylinder rules, post office rules, defence services packaging code, export inspection rule; for engineering goods prescribe packing marking and labelling rules.

Pharmaceuticals, and perishable commodities, which are supposed for human consumption have different regulations in different countries, governing their packing, transportation and use.

II Physical Factors of Packing

a. The strength of the packaging material
b. The weight of the package unit,
c. Handling mobility of the package unit.

The aforesaid factors are relevant vis-a-vis the following :

1. Nature of Cargo

Each class of cargo is exposed to different sets of hazards based on its properties and uniqueness. The precautions to be taken while packing or stowing varies according to these inherent properties. For determining suitable packing the following factors need to be considered:

a. Weight of the commodity
b. Perishability /Scope for deterioration of the commodity
c. State (Solid, Liquid Gas) of the commodity
d. Unique properties of the commodity

Example, Coffee and cocoa beans are carried in sacks. Cement or chemicals can be carried in multiply paper bags. Polythene lined jute bags are often used for chemicals. Liquids are carried in drums, jars or barrels depending on the type of liquid. Jars or carbuoys can be used for corrosive liquids, such as acids, but these present a high risk of breakage, possibly with disastrous results for not only will some liquids corrode the ship and cargo, but their combination with other chemical substances may result in fire or explosion. Such containers are usually packed in strong baskets with a straw lining to absorb shock.

Goods which have their own individual containers, such as canned goods, (the can being the container) can generally be carried with reasonable safety in such a carton, provided it is not too big to be handled manually.

It is pertinent to note the term 'preparation' of subject matter. Preparation is the process the subject matter undergoes for prevention of damages, eg. the addition of ammonia to liquid latex to prevent coagulation or a consignment of dry fruits subject to nitrogen flush before shrink wrapping.

2. Method of Transportation

'The cargo carried can also be broadly classified based on the method of carriage as follows:

a. Bulk Cargo
b. Break Bulk Cargo
c. Liquid Bulk Cargo
d. Containerised Cargo
e. Refrigerated Cargo
f. Over Dimensional Cargo

The aspect of packaging is relevant in the case of containerised cargo, refrigerated cargo and ODC (where lashing and binding are of paramount importance).

3. Journey Involved and the Mode of Transit

The details of the journey (from where to where) and the specific hazards pertaining to that particular journey also influence the kind of packing required. Moreover, transshipments increase the hazards of the journey where the goods will have to be reloaded on to the new conveyance. The movement of the vehicles and the road conditions result in jerks and jolts which have to be absorbed by the packing.

Goods, which are transported by ship, encounter the six-degree freedom of movement of a vessel. By virtue of its innate characteristics and the properties of water, a ship has a six-degree freedom of movement. They can be enumerated as follows:

1. Heaving - Vertical motion
2. Surging - Longitudinal motion
3. Swaying - Transverse motion
4. Yawing - Surging, heaving and swaying all of which impose severe strains on the container and the cargo
5. Rolling - Side to side movement sometimes through an arc of 50 to 60 degrees
6. Pitching - Bow and stern rising and falling alternatively, with a compressive stress of 2G acting on some containers.

Shunting operations of railway wagons and landing of aircraft result in huge vibrations which can affect the cargo and only the packaging can act as a cushioning agent.

Cargo is also subject to a lot of dynamic and vibratory stresses while in transit. The packing should be suitable to withstand these stresses.

4. Susceptibility to Theft and Pilferage

Pilferage can be discouraged if the packing is such that opening and repacking is made difficult. For example it is easy for a pilferer to remove nails from a box, pilfer the contents and replace the nails giving the appearance that the box has not been disturbed.

ESSENTIALS OF SUFFICIENT PACKING

Packing should be suitable "*to withstand the ordinary incidents of the insured transit*". It should protect the cargo from the ordinary hazards of the transit (specified above) and should be commensurate with the nature of the cargo.

Inadequate packaging, packing, or marking of goods is the most frequent cause of loss and damage. Poor preparation and inadequate packing may result in cargo being crushed squashed, soiled, separated, broken, water-damaged or stolen. If the marking is unclear or misleading, the cargo may be forwarded to the wrong destination or be mistaken for another package, which may result in cases of non-delivery.

The best packing is not the heaviest, the most solid or the most expensive. To be adequate, packing must be suited to the type of goods in need of protection, and must be able to withstand the ordinary stresses to which goods in transit are subject.

For instance, seaworthy packing must not only be able to withstand pressure, heat and dampness that often prevail in the holds of a vessel or in a warehouse, it is also subject to frequent and sometimes rough handling in ports. In addition, the packing must be adapted to the value, weight and size of the carried goods, as well as to external factors, such as weather conditions, port congestion (highly valuable goods are more likely to be stolen during transit or storage in warehouses) and storage out in the open in congested ports.

When goods are bound for land-locked countries or remote, hard-to-get-to places, seaworthy packing must be specially reinforced. The same rule holds for goods carried by road, air or inland waterways, which are subject to specific risks and damage and must be packed accordingly. Prudent underwriters may also insist for 'professional packing' and may incorporate an express warranty on the policy for the same.

We now have a number of Institutions that undertake testing and consultation projects on packing and packaging. The Indian Institute of Packaging is one such Institution. There are innumerable varieties of tests conducted to ascertain the suitability of packing. Some of them are the Vibration test, Stacking test, Impact drop test, Rolling test, Compression test, Water Spray test, water permeability test, toppling test, and many others that are trade and commodity specific.

Packing Includes Storage into the Containers

While stowing, adequate care should be taken to ensure that proper lashing and wedging is done to restrain movements. Different type of cargo should be stowed differently suitable to its basic packaging. For example sacks can be stored by giving a three-dimensional brick wall effect. Drums to be stowed with their tap openings at the top. Heavy lifts must be placed on strong wooden skids, which are tightly fastened.

The Containers must be thoroughly cleaned and free of nails and particles to prevent losses due to tearing of bags, or contamination, stain or other leakages. There should be proper ventilation to prevent condensation.

It is pertinent to note that 'Containerization' is not a substitute to good packing. There has been no concrete reduction in losses due to 'containerization'. It only makes transit more convenient due to ease of handling, loading and unloading.

Determining the Sufficiency of Packing of any Consignment Vis-A- Vis Insurance

As an insurer, it is neither economical nor feasible to conduct an inspection of every consignment for judging its packing status especially with the premium rates touching rock bottom. *Thus we have to rely on the documents presented and the representations made by the assured for providing insurance.* To ensure effective and suitable packaging we may subject the cover to express warranties like" Warranted that packed in double gunny bags" etc. In most of the cargo cases, only when a loss is reported and surveyed or the surveyor at destination proves negligence supported as the case may be by a written protest on the bill of lading or the transport documents we actually come to know of the physical status of the 'packaging'. If at the time of loss, the surveyor comments that the loss is due to 'insufficient packing' the Company has to revisit the underwriting papers. The onus of proof that a particular loss falls within the exclusion of the policy is on the underwriters. If the packaging is as specified in the *'packing list'*, or tallies with the representations provided by the assured, there is little we can do, as we have relied on the documents and accorded cover.

The Packing List

A Packing list is a document prepared by the shipper that lists the kinds and quantities of merchandise in a particular shipment. A copy is generally sent to the consignee to aid in checking the shipment when received. Packing List gives details of the contents of all the packages making up the consignments and is required by Custom's authorities if the packing information is not shown on the invoice. The Packaging List is usually attached to the invoice.

Thus insurance is more 'document' based rather than the actual 'goods' based. For better clarity, it is advisable to understand the operations of the Banks and other Commercial Organizations.

Uniform Customs and Practices for Documentary Credits (UCPDC)

It is pertinent to note the provisions of the Uniform Customs and Practices for Documentary Credits (UCPDC). The UCPDC is a set of standard rules governing letters of credit clarified by the International Chambers of Commerce

(ICC). The latest version is UCPDC- 600, which has 39 Articles. The UCPDC - 600 makes reference to the Inco Terms (Thirteen in number with a recent addition of the Fourteenth i.e. CTD or Combined Transportation Document).

Article 5 of the UCPDC-600 (specifies as follows):

"Banks deal with documents and not with goods, services or performance which the documents may relate".

Article 26 of the UCPDC-600 (reads as follows):

a. A transport document must not indicate that the goods are or will be loaded on the deck. A clause on a transport document stating that the goods may be loaded on deck is acceptable.

b. A transport document bearing a clause such as "shipper's load and count" and "said by shipper to contain" is acceptable.

Article 27 of the UCPDC- 600 Comments on Clean Transport documents. (It reads as follows:)

"A bank will only accept a clean transport document. A clean transport document is one bearing no clause or notation expressly declaring a defective condition of the goods or their packaging. The word 'clean' need not appear on a transport document, even if a credit has a requirement for that transport document to be 'clean on board'.

For e.g. if a consignment of prawns is said to be "head less tail on" or “a particular number of articles weighing so and so", it is deemed to be so unless proved contrary to by physical evidence.

The UCPDC-600 clearly specifies, the wordings that render the document 'unclean' or 'clean'.

As per the UCPDC-600, in most cases, the parties would know beforehand which packaging is required for the safe carriage of the goods to destination. However, since the seller's obligation to pack the goods may well vary according to the type and duration of the transport envisaged, it has been felt necessary to stipulate that the seller is obliged to pack the goods in such a manner as is required for the transport, but only to the extent that the circumstances relating to the transport are made known to him before the contract of sale is concluded (of articles 35.1 and 35.2 b. of the UN Conventions on contracts for the International Sale of goods, including packaging, must be " fit for any particular purpose expressly or impliedly made known to the seller at the time of conclusion of the contract, except where the circumstances show that the buyer did not rely or that it was unreasonable for him to rely on the seller's skill and judgment).”

The Inco terms specify the obligations and duties of the seller and buyer in the terms of contract, which also refer to the 'packaging' aspect of the consignment.

Effect of Insufficient or Unsuitable Packing on the Premium Rates

Insurers are well aware of the risks of loss and damage that arise from poor packing. Accordingly, they take experience and statistics into consideration when calculating premiums. Consequently, it is in the best interest of exporters to ensure that goods are packed with the utmost care. Diligence in reducing risks can result in more attractive premium rates.

However, in today's climate of downward pricing pressure, manufacturers and traders tend to keep packing and logistics costs to a minimum. In the event of loss or damage, inadequate, cheap packing on the part of low-cost carriers may lead to the consignee's dissatisfaction and a possible claim, which is not profitable to any party in the long run.

When the Packaging is only Damaged and the Cargo is Intact

One more issue needs to be addressed. When the cargo is intact and the packing is damaged, whether the insured gets his claim. The general school of thought contends that in case, the packing material was included in the schedule of cover, the same is payable. If not then no claim can be paid for damages to the packing alone. If midway prior to destination the packing is damaged and repacking is required to prevent damage to the cargo, then this expenditure may become payable under the Sue and Labour charges. However, each case has to be dealt with on merits.

Sum-up

The domain of packing has undergone sea change. From Containerization and Palletization, Packing has matured to Intermediate Bulk Containers and F1exitanks. Packaging has become a profession requiring high level skill and enterprise. It is for the Insurance Underwriters to make adequate use of this expertise and ensure that losses are minimised.

Lastly, a successful Underwriter is not the one who successfully repudiates claims but the one who can advise the client and ensure that losses are minimized.

REFERENCE

1. Insurance Institute of India, 2000 (IC67) "Marine Insurance"; p[51]

2. The Institute Cargo Clauses-1982 and 2009

3. UCPDC- 600

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UNDERSTANDING THE ESSENCE OF NON-LIFE INSURANCE BUSINESS

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HOW DO INSURERS MAKE THEIR 'LIVING'?

An Australian Novelist, Morris West, in one of his novels, has written: "Insurers make their living out of a prospect of disaster for others". It is by breeding insecurity in the minds of their potential customers, feeding them with visions of their lively financial miseries, should undesirable and unexpected events happen to them, and by stressing on the utmost necessity of having insurance that insurers thrive as a professional lot. Risks, however, are getting all pervasive in this universe, and the variety of risk exposures and its financial impact is rapidly expanding with globalization. Enterprise risk management has now become the" buzzword in the corporate world; driving insurance buying, as a risk transfer mechanism, as a desperate necessity for the financial survival of an enterprise.

WHAT REALLY IS INSURANCE?

But what really is the role of insurance for an entrepreneur? Insurance is akin to a safety net in use for a performing trapeze artist; not that the trapeze artist cannot perform without it, but it is available to give him a feeling of absolute security against physical harm, so that he can be natural and entrepreneurial in what he does best. Were something untoward happen, in course of his professional performance, the safety net would protect him from a potential physical disaster. Insurance, like-wise, works on a system that makes it possible for the entrepreneurial to be more risk-taking in their enterprise, without the fear of getting financially bankrupt, should an accident were to cause any of them serious losses.

Insurance has many roles to perform in the national economy as well. One role is like the trapeze artist, many entrepreneurs are encouraged to take business risk to provide jobs to the citizens and to create national wealth; and encourage savings for further investments. Insurance, such as marine insurance, encourages domestic and international trade and commerce to flourish, as the marine policy acts a collateral for enabling issuance of letters of credit, against' loss or damage to the property in transit. Thirdly, insurers use their risk management learning briefs to advise entrepreneurs on how to prevent accidents and minimize their loss potentials. Fourthly, life insurance is an instrument of social security to those insured, lessening the burden on the Govt. on the social security mechanism. Fifthly, the premiums collected and other funds with the insurers are invested in the national economy to help build the economic growth of the nation.

But let us understand how life and non-life insurance products differ in fulfilling the disparate consumer needs. A lot of misconceptions are prevalent, as consumers believe they are two ends of the same stick. But they are really two different sticks of the same branch of insurance.

Non-life insurance principally caters to the financial protection of property, lives, interests and earnings of an insured. But the purpose of life insurance, however, is essentially to cover the life of the particular insured only. It is a single insurance product of longer duration; every life policy has eventually to payout a claim; the sum insured is fixed and there are no negotiations to be made on the quantum of claim payable. Life premiums cover risk, savings and investment elements: whereas non-life premiums are based on the coverage of pure-risk element only.

About only 7% of the insured are likely to put in claims in non-life insurance. Every policy insured is for a year and has to be re-earned each year by an insurer. Consumer satisfaction has to be earned each year. Application of the principle of indemnity, the condition of average and the specificity of the loss event - all complicate mutual dealings in non-life insurance.

UNDERSTANDING NON-LIFE INSURANCE BUSINESS

The purpose of any enterprise is to make money for its investors, while fulfilling the consumer needs more efficiently than the others, as its core purpose. Insurers, who are now operating, had the tariffs of rates on insurance covers available to them, till 2007 - on about 70% of the premium producing portfolios. Their sole objective was of improving premium volumes, at the rates given to them. They really were not that seriously concerned, as much as they are now, on how to manage the business procured to make money for their investors. The tariff rates provided the operating margins for them for a fairly longer period. But liberalization had to lead to rating freedom in the interests of the consumers.

The insurers, therefore, are now required not only to procure business but to determine the extent of margins they would wish to aim for. From running their professional careers hitherto as mere marketers of pre-packaged and pre-priced insurance covers, the insurers are now called upon to show their management competencies and skills in pricing risks and marketing their wares on risk management principles. That is seen as a long shot beyond them to play unless they change.

RECENT GLOBAL EVENTS

The global insurance markets also form an integral part of the international financial sector. These have recently suffered huge credibility dents, in their intrinsic status of their financial health, and in the loss of public confidence in them. The ugly happenings in the AIG, the largest insurer in the world, have given a tainted name to many sections of the global insurance markets. The sale of the insurance units of the 'Fortis' Group in Europe, along with its banking assets, is another instance that has added to the poor image of the current financial sector.

Global Insurers are exposed to two kinds of business risks: one that relates to the invested funds and the asset appreciation *or* depreciation. The other, the more unpredictable hazard, is the financial consequence of natural perils like floods, storms, hurricanes and earthquakes on property, earnings and persons. The losses as a result of these perils could be catastrophic in sweep and extent. India is no exception to such exposures.

INSURANCE - A TRICKY BUSINESS OF MANAGING FUNDS

Insurance companies usually do not directly participate in such risky market activities like speculating on the credit-worthy activities of the borrowers of banking funds. Actually, insurers are the debtors to their claimants and other policyholders, whose premiums they hold *on* to. But when insurers begin trading their assets guaranteeing and insuring the creditworthiness of the other borrowers, they become joint borrowers in law.

In fact, it is this speculative activity, wherein the risk transfer is done on creditworthiness of a third party that AIG, got itself into problems. This activity was done through its separate insurance unit, which wrote a lot of such debt instruments, through a credit insurance mechanism, of $ 450 billion, guaranteeing the debt repayments, of several such borrowers; for which activity AIG had to assign a portion of their owned assets, as collateral. In the process, AIG had collected huge premiums in good times, when the financial system was not exposed to major and serial credit defaults, as has happened now, all in one blow.

AIG had, of course, made huge profits in the good times. But when the system suddenly broke down, the AIG came tumbling down, much faster; and its entire financial edifice built over several decades suddenly crumbled, under the weight of its carefully hidden financial greed and management recklessness. But it has to be explained herein that the insurance units of the AIG continue to be stable, and they are not presently exposed to any threats of bankruptcy. It is the Holding Company AIG, federally regulated, which stood exposed, as a poorly managed and failing entity, requiring a federal bailout of 85 billion dollars.

The problems with insurers' business lie in the nature of how the insurers make their earnings. The premiums insurers collect, and the claims they recognize in their books, which they do not immediately pay, are invested in the stock markets to make investment incomes for themselves. Substantial amounts of these monies are really those of the policyholder; but the insurers make the market investment gains for themselves. Insurers naturally prefer this stream of income to earn their profits, as it is relatively easier. In India 70% of the annual invested incomes of an insurer are derived from the policyholders' funds. When any business makes such gains on the stock market from the funds belonging to others, the taste of such honey is sweeter.

The other income stream of the insurers is their making money out of the margins of premiums collected, after paying for the claims and management costs of bringing in those premiums in the first place. If the gains in the stock exchange are higher than those margins that can be made on the premium collections alone, an insurer would pursue collection of premium for investment purposes, to earn capital gains, as the main income goal. The core institutional business of insurance is in transacting insurance covers, but not in investing the policyholders and shareholders' funds. When this thin line gets blurred, problems for insurers accumulate on the solvency front.

Insurers, therefore, need to strike a careful balance between the two income streams. If insurers were to make any investment errors, the losses to them could be huge, as they are trading on the market with monies that is not wholly theirs. And market losses could also be sudden and unforeseen. Insurers' greed for moneymaking must to be balanced with prudence in insurance transactions. Therefore, insurers need to be not only good as insurers per se, but they also should be good investors of monies of their shareholders and others. Any poor management of these invested funds would land both the policyholders and their insurers in financial problems threatening the core business of insurance itself. Hence regulations exist on how investments should be done of the free funds available. More on regulation later.

NON-LIFE INSURANCE IN INDIA

Non-life insurance sector in terms of premiums is relatively smaller in India. The annual premium is around Rs. 30,000 cr. (US $ 6 to 7 billion). The life insurance sector has first year's premiums of Rs. 80,000 cr. ($20 billion). Life insurance has invested funds of Rs. 600,000 cr. ($150 billion), whereas non-life insurance invested funds are Rs. 50,000 cr. ($12 billion). The investment regulations prescribe that life insurers must invest not less than 55% in G. Sec. In non-life insurance it is restricted to 30% in G. Sec.

Non-life insurance is not that capital intensive, as life insurance is. The gestation period is not as long as in life insurance. Life insurance contracts being longer in duration, the capital of the insurer has to be sufficient to meet the rising volumes of business growth and the total liabilities accepted in terms of the sum insured. Break-even situation would occur perhaps after eight or ten years.

NEED FOR DISTRIBUTION CHANNELS

Insurance covers are not manufactured commodities. The concept of insurance and its intended benefits and costs need to be marketed and sold to consumers, depending on their affordability, acceptability and accessibility. Insurers need distribution channels to reach out to their potential customers to make their covers accessible to many, now widely distributed. This is the biggest challenge facing non-life insurers. Life insurers have solved this challenge successfully. Their vast agency force speaks for them. In fact, no life policy is sold except through a life insurance agent. But selling non-life insurance covers is more complicated due to its variety, and peculiarities in the application of the principle of utmost good faith. No validation of acts is done while granting cover; all validation is done at claim settlement stage, quite the opposite to transaction of life insurance. This has not bought any good will for non-life insurers and is the greatest challenge to meet.

Individual agents have driven the growth of life insurance business for decades. It is the intimacy and mutual relationship that is seen as important to both. The policy contract is of longer duration; and hence the services desired by an insured are for longer periods. Non-life insurance contracts are typically for one year and each product is differentiated by its own intricate nuances. Expertise, sophistication and professional evaluation of risk factors become important. Direct selling by insurers or approaches by brokers representing the insured are more prominent. Agents are used to sell standardized products but then they have too much competition to face from several sources.

Lack of distribution channels, particularly, in non-life insurance has inhibited the spread of non-life insurance covers. Many insured need to be sold on the concept of insurance itself, of what it does and how it protects them; before attempting to sell them any type of insurance cover. There are many restrictions on what is covered and what is not; and the process of realization of a claim is subject to proofs and many imponderables. Mutual trust, and establishing it, becomes a primary pursuit. Insurers currently seem to have neither the inclination nor the time for it.

ROLE OF REGULATION

Regulation exists primarily to ensure the protection of policyholders that there is no informational asymmetry between the consumers and the insurers prior to entering in their policy contracts. The second role of regulation is to ensure the safety of the insurance system itself and that the insurers are always solvent to meet their policyholders' obligations. Regulation enhances the confidence and trust of policyholders in the insurance system that is vital to the progress of the national economy.

Through the entrusted powers given to the Regulator for making regulations that are binding on insurers, as akin to statutory provisions, and regarding any breach of regulation technically as a punishable offense, the Regulator disciplines and controls the functioning of all the stakeholders of the system, such as the insurers and the intermediaries. These regulations encompass licensing the stakeholders, specifying the norms of disclosures insurers need to make and how they should structure their reporting systems to the Regulator, prescribing the qualifications and experience of persons employed in the system, implementation of the codes of conduct for their interaction with the insuring public etc. This forms the total regulatory architecture.

As far as the solvency norms are concerned, the Regulator prescribes the formula of how it has to be worked out; and the minimum norm to be maintained for the financial stability of an insurer. The regulations also deal with how investments should be made of the shareholders and policyholders funds, the aspects of reinsurance mechanism and with whom reinsurance can be placed and what accounting standards have to be followed in the fair value accounting of assets and liabilities, particularly of the outstanding liabilities.

But mere enactment of regulations does not wholly serve the public purpose. Monitoring the implementation of the regulations made is the key to ensuring that the insurance system works the way it has been designed for in the interests of the policyholders. The regulator is really the guarantor of the functioning of the insurance system for the benefit of the policyholders.

There is an assumption of the existence of informational asymmetry between the insurer and the insured, weighted in favor of the insurer. The Regulator has to restore the balance through insisting on the insurers to make their disclosures complete and transparent. There are regulations on protection of policyholders' interests to force insurers to comply with them. Similarly there are regulations and codes of conduct of intermediaries in the discharge of their professional duties to the insured. Each stakeholder operating for the benefit of the insured is required to be licensed and required to follow a laid-down code of conduct. There are also regular reporting systems to ensure that the insurance system is operating in the best interests of the policyholders.

The major challenge before the regulator is to ensure the solvency of the insurer and that he is at all times financially sound and liquid to meet his financial obligations towards the policyholders. The other issue relates to ensuring that the reinsurance programs are in place and are transacted with financially strong re-insurers with acceptable credit ratings. The Regulator is keen to ensure that insurers operate on sound principles of risk transfer mechanism with their re-insurers and do not act as mere fronts.

REINSURANCE SYSTEM

Reinsurance is a system of insurers buying insurance from others to spread their accepted risk exposures. Reinsurance is international in its scope. Unlike insurers, re-insurers are not subject to local regulation, though they are required to be legally accountable to the Regulator where the re-insurer is established. Hence the rating given by one of the four rating agencies like S& P and three others is important. The Indian Regulation insists on BBB rating of a re-insurer for transacting Indian business. If a re-insurer were to go bankrupt, yet the primary insurer would be contractually responsible to the insured. Hence the Regulator vets the reinsurance program in keeping with the financial strength of an insurer.

CONCLUSION

The global scenario has an impact on the availability of reinsurance and its costs. This would determine the pricing of the insurance that is domestically transacted. Insurers should primarily earn margins on operations. If premium prices are low, and the management and distribution costs are high, and as the claims cost are unpredictable and could get worse, the profit margins of insurers would go awry. Insurance is thus local in transaction but the necessity for reinsurance makes it international in its character.

Data collection and analysis can be used to reduce the margins of errors in predicting the future and how it might shape. Insurers are required to continually predict the future behavior of the trends of their business, based on the past historical trends. But the Indian market suffers from lack of data, making insurers even more vulnerable to market surprises and the self-inflicted rating priorities they follow. It is indeed a big challenge for the insurers of today on how to shape their marketing strategies and how to manage the monies they collect. Insurers know more of the former but less of the latter. The science of marketing is also eluding them, as the data available is little; and the need felt for making sense out of it is even less. The future, therefore, for the insurers is even more challenging. It is interesting to know for market watchers what their strategies are to better manage their future, with greater confidence and less uncertainty and even lesser greed. These tasks indeed are daunting! (Reproduced with permission of N.I.A. Editor, from Bimaquest. – January 2009.)

ENGINEERING INSURANCE IN INDIA - STILL WAITING FOR THE LEAP

by:
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Abstract

Engineering Insurance is emerging as an increasingly significant line of business. There is immense growth potential for insurance providers entering into this market. The article gives an overview of the Engineering Insurance industry in India. It highlights the current market scenario, various Engineering Insurance policies, coverage and exclusions of some of the Engineering Insurance policies and the challenges as well as the future prospects of the Indian Engineering Insurance industry.

Introduction

Insurance, a risk transfer mechanism, is all about assessing the risks and taking in the same. But the need for insurance is mostly ignored or deferred. It is important to think of prudent insurance plans which can indemnify us in case of unexpected and unforeseen events.

Insurance does not prevent the risks. Insurance only helps to reduce the adverse financial effects. It acts as a kind of shield against unexpected events that may lead to financial loss. The insurance policies help in risk mitigation and provide financial protection against contingencies.

Why Engineering Insurance?

Engineering Insurance provides coverage for different types of risks of wide-ranging levels. These risks may be related to the fire, flood, theft, earthquake, riots etc. or may be other uncertainties such as breakdown of equipments, risks involved in project works etc.

Engineering Insurance is a collective term which includes a range of policies for covering the risks associated with the construction works as well as with the erection and operation of machineries and equipments.

In spite of the various risks involved in the operational and construction works, Engineering Insurance does not have mass penetration in our country. Though few have started looking towards this insurance, there is a vast potential yet to be exploited.

Common Barriers...

Some of the impediments to the purchase of Engineering Insurance in our country are;

- Lack of awareness
- Complexities in the policy documents
- Limited policy coverage and excess clauses
- Complexities in the claim processing
- Problems in servicing
- Premium Rates
- Lack of trained sales personnel
- Low priority

A glimpse of the history...

The practices of insurance have very long histories; Engineering Insurance also has its own story...

- The idea of Engineering Insurance began in England
- The origin of Engineering Insurance dates back to the 19th century, in the wake of the industrial revolution
- During those days, there were frequent occurrences of explosions which used to result in serious property damages and personal injuries in the factories
- To guard against such dangers, Manchester Steam Users' Association was formed in 1854
- The Association conducted regular inspections to find out the deficiencies of their members' boilers and also provided training to the operators
- Manchester Steam Users' Association provided several such valuable services but it was not an insurance company
- By 1858, the first Engineering Insurance company, the Steam Boiler Assurance Company, was formed
- Steam Boiler Assurance Company started with the insurance of boilers and subsequently pressure vessels of various kinds
- In 1866, the Hartford Steam Boiler Inspection & Insurance Company came into being and has since become the largest insurance and inspection company for engineering risks in the USA
- Engine Insurance, which is known as Machinery Breakdown insurance today, began in 1872
- In the 20th century, the Machinery loss of profits policies and the erection insurance policies were developed
- By 1930, some of the project insurance policies were issued. Subsequently, the other Engineering Insurance policies such as Electronic Equipment policies etc were also developed
- In India, The Triton Insurance Company Ltd. was the first general insurance company and it was established in the year 1850 in Calcutta by the British
- In 1907, the Indian Mercantile Insurance Ltd, the first company to transact all classes of general insurance business, was formed
- In 1957 the General Insurance Council was formed which framed a code of conduct to guarantee fair conduct and sound business practices
- In 1968, The Insurance Act was amended to control the investments and set minimal solvency levels. Tariff Advisory Committee was also formed
- The General Insurance Business Nationalization Act, which was passed in 1972 led to the nationalization of the general insurance business in India. Subsequently, 107 insurers joined and grouped into four companies. i.e., the National Insurance Company Ltd., the United India Insurance Company Ltd., the New India Assurance Company Ltd., and the Oriental Insurance Company Ltd. General Insurance Corporation was incorporated as a company

The IRDA Act, 1999

- In 1999, the Insurance Regulatory and Development Authority popularly known as IRDA was created by an act of the Parliament to regulate all insurance companies and businesses in India
- IRDA aimed at opening up the insurance sector for private companies with a foreign equity of 26%
- IRDA has thus aimed at ending the monopoly of LIC & GIC in the insurance sector and has facilitated the entry and

growth of private players in the insurance sector.

- IRDA has evolved into an effective regulator and has facilitated the progress of Insurance business in India
- Many major international players started operating in collaboration with Indian partners. Most of the private insurance companies are joint ventures with recognized foreign players across the globe
- The setting up of IRDA marked the beginning of a new era in the Indian Insurance Industry

Existing Scenario

The opportunity remains huge for insurance providers entering into the Indian Engineering Insurance market. Majority of the operational and the construction related risks in our country still remain uninsured and are yet to be tapped by the insurers.

Lack of proper promotional activities in widening the Engineering Insurance market, moral hazards, deficiency of systematic monitoring of the existing policies, unawareness amongst the policy holders about the policy conditions leading to disputes at the time of claims - all these hinder the growth of Engineering Insurance in our country.

Detariffing

Gone are the days where the insurers experienced large business volumes and high profit margins in the Engineering Insurance segment. Not just premium rates, even the terms, conditions and the policy wordings were laid down as per the tariff during the tariff regime. Those rigidities are now becoming history, after the removal of tariffs.

Earlier, when the rates were followed according to the tariffs, there was no application of minds. Detariffing aimed at improving the efficiency of the insurers through competitive pricing, good quality service levels, creativity and innovation. Within a few months post detariffing, customers started becoming aware of the possibilities of discounts. Competition increased and the insurers started giving huge discounts.

All these changes affected the profitability of the Indian general insurers as there was a drastic reduction in the premium rates and a rise in the claim costs and other expenses. Premium rates in fire and engineering segments started declining severely. Some of the companies offered heavy discounts to seize the market.

Most of the insurers are now becoming selective as discounting has affected the profitability. The huge discounts offered by most of the companies during the initial phases after abolition of tariffs, are now disappearing.

Classification of Engineering Insurance

The various Engineering Insurance policies offered by the current players in the Indian general insurance industry can broadly be classified into two - Operational Policies and Project Policies.

Operational policies comprise of several policies such as Machinery Breakdown insurance policy, Electronic Equipment insurance policy, Boiler and Pressure Plant insurance policy etc.

Project policies include Contractors Plant and Machinery insurance policy, Contractors All Risks Insurance policy, Erection All Risk Insurance policy etc.

Apart from the above two categories, Indian insurers do offer certain consequential loss policies such as Machinery Loss of Profit policies also (MLOP) and Advance Loss of Profit policies (ALOP).

The public sector companies as well as the private players in the General Insurance industry provide various Engineering Insurance products which cater to the varying and increasing needs of the insured.

Engineering Insurance products - An overview...

A brief description of the key benefits and exclusions of some of the Engineering Insurance products offered by the Indian General Insurers is given below *.

Type of Policy	Major Coverages	Exclusions
Machinery Breakdown	Sudden and unforeseen accidental damage to machinery, which can be at work or at rest. The extensions include owner's surrounding property, third party liability, additional customs duty, air freight, express freight etc.	Fire and related perils, overload experiments, abnormal operating conditions, normal wear and tear, willful act, pre-existing defects, consequential losses, terrorism
Electronic Equipment	Provides comprehensive cover for the entire range of Electronic equipments. There are three sections. Each section provides varied coverages	Acts of terrorism, war and nuclear risks, willful act, partial or total cessation of work, consequential losses
Boiler and Pressure Plant	Damage other than by fire, to boilers & pressure plant	Fire and related perils, war & nuclear perils, overload experiments / tests imposing abnormal conditions, normal wear and tear, loss / damage during application of test by inspecting authority or otherwise, willful act, pre-existing defects, consequential losses
Contractors Plant and Machinery	Provides coverage to loss or damage to the contractors' construction mobile equipments. The cover is operative while the insured property is at work or at rest, or being dismantled for the purpose of cleaning or overhauling, or during subsequent re-erection. The extensions are express freight, air freight, owner's surrounding property, third party liability, additional customs duty etc.	Pre-existing defects, defective lubrication or lack of oil, manufacturing defects, consequential losses, loss or damage to vehicles used for general road use unless working on the specified construction site
Contractors All Risk	Covers the various civil construction projects against fire & allied perils, collapse, water damage etc. The extensions possible are breakage of glass, storage risks at fabricators premises /workshop, clearance & removal of debris, third party liability, surrounding property, express freight, air freight, additional custom duty etc	War & nuclear risks, willful act, partial/total cessation of work, normal wear & tear, loss or damage due to faulty design, consequential losses, cost of replacement / repair or rectification of defective material and/or workmanship
Erection All risk	Covers all risks related to projects of erection and testing. The extensions	War and nuclear group of perils, willful act, loss discovered at time of taking inventory,

Type of Policy	Major Coverages	Exclusions
	include express freight, air freight, additional customs duty, testing period extensions, delay in start up, third party liability, surrounding property coverages etc	normal wear and tear; rust, scratching of painted or polished surface, breakage of glass, loss or damage due to faulty design, defective material or costing and bad workmanship, cost of rectification or correction of any error during erection not resulting in physical loss or damage, damage to files, drawings, accounts, bills etc., penalties for non- fulfillment of contractual obligations, consequential losses, operational deficiencies, costs of any alterations, additions and/or improvements after a claim, contractor's plant and machinery loss or damage by its own explosion
Machinery Loss of Profits	Provides cover for reduction in turnover / output and increased cost of working due to accidental damage to machineries / boilers affected in stated premises. The extensions include supplier's premises, customer's premises, property & goods stored at other locations, failure of public utilities such as electricity, water, gas etc.	All causes excluded under the Material Damage Policy

Source: Websites of various general insurers

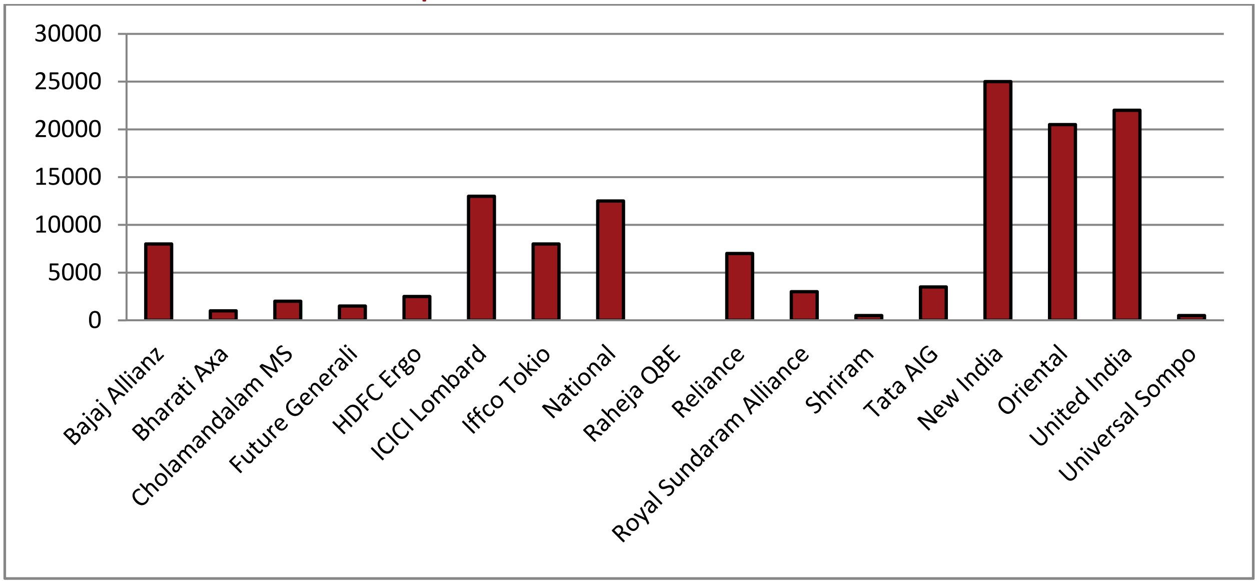
**The above table* is *a brief summary of the salient features and exclusions. Various other clauses and conditions are applicable to each of these policies. Apart from the above mentioned coverages, most of these policies can be extended to cover certain additional risks on payment of additional premium.*

Business Figures - Engineering Insurance

Sr. No.	Name of the Insurer	Engineering Insurance. Total Premium Underwritten		Engineering Insurance. Total No of policies issued	
		For the month of Jan. 2010	Up to the month of Jan 2010	For the month of Jan. 2010	Up to the month of Jan 2010
		(In Rs. Lakhs)			
1	Bajaj Allianz General Insurance Co Ltd	996	8264.99	1422	13732
	Previous Year	*1242.2*	*10755.52*	*1968*	*15581*
2	Bharti Axa General Insurance Co Ltd	147.53	1099.68	167	1706
	Previous Year	*120.94*	*263.65*	*119*	*304*
3	Cholamandalam MS General insurance Co. Ltd.	139.73	1,934.11	66	3,409
	Previous Year	*297.78*	*2,232.60*	*133*	*2,708*
4	Future Generali India Insurance Co Ltd	181.68	1240.12	189	1599
	Previous Year	*47.41*	*943.97*	*172*	*985*
5	HDFC Ergo General Insurance Co Ltd	301.71	2,235.40	255	1,336
	Previous Year	*122.84*	*905.84*	*24*	*237*
6	ICICI Lombard General Insurance Co Ltd	1,076.83	13,648.70	499	5,571
	Previous Year	*1,332.23*	*17,336.96*	*599*	*7,185*
7	Iffco Tokio General Insurance Co Ltd	748.49	8014.58	551	5034
	Previous Year	*784.65*	*6789.54*	*435*	*5038*
8	National Insurance Co Ltd	1443.33	13289.96	6572	68834
	Previous Year	*1676.9*	*12454.03*	*6908*	*65846*
9	Raheia QBE General Insurance Co Ltd	0	11.47	0	117
	Previous Year				
10	Reliance General Insurance Co Ltd	645.24	6780.93	338	4642
	Previous Year	*1019.37*	*9856.58*	*482*	*5003*
11	Royal Sundaram Alliance insurance Co Ltd	216.89	2954.22	121	1655
	Previous Year	*308.39*	*3162.72*	*804*	*1921*
12	Shriram General insurance Co Ltd	31.51	121.54	30	108
	Previous Year	*12.89*	*34.45*	*8*	*40*
13	Tata AIG General insurance Co Ltd		3,308	55	753
	Previous Year	*343*	*3,191*	*64*	*308*
14	The New India Assurance Co Ltd	2733.62	24818.55	4947	68990
	Previous Year	*1586.02*	*20902.48*	*8914*	*79615*
15	The Oriental Insurance Co Ltd	2606.52	20656.39	2992	33556
	Previous Year	*1077.75*	*20416.53*	*4590*	*41341*
16	United india Insurance Co Ltd	1744	21786.68	7435	105866
	Previous Year	*1964*	*19682*	*9094*	*89171*
17	Universal Sompo	30.93	289.38	67	647
	Previous Year	16.57	*20.01*	21	37

* Source: www.irdaindia.org (Data compiled from IRDA journal April 2010)

Engineering Insurance Premium Underwritten up to the month of Jan 2010
Comparison between Indian General Insurers



Engineering Insurance - No of policies issued up to the month of Jan 2010
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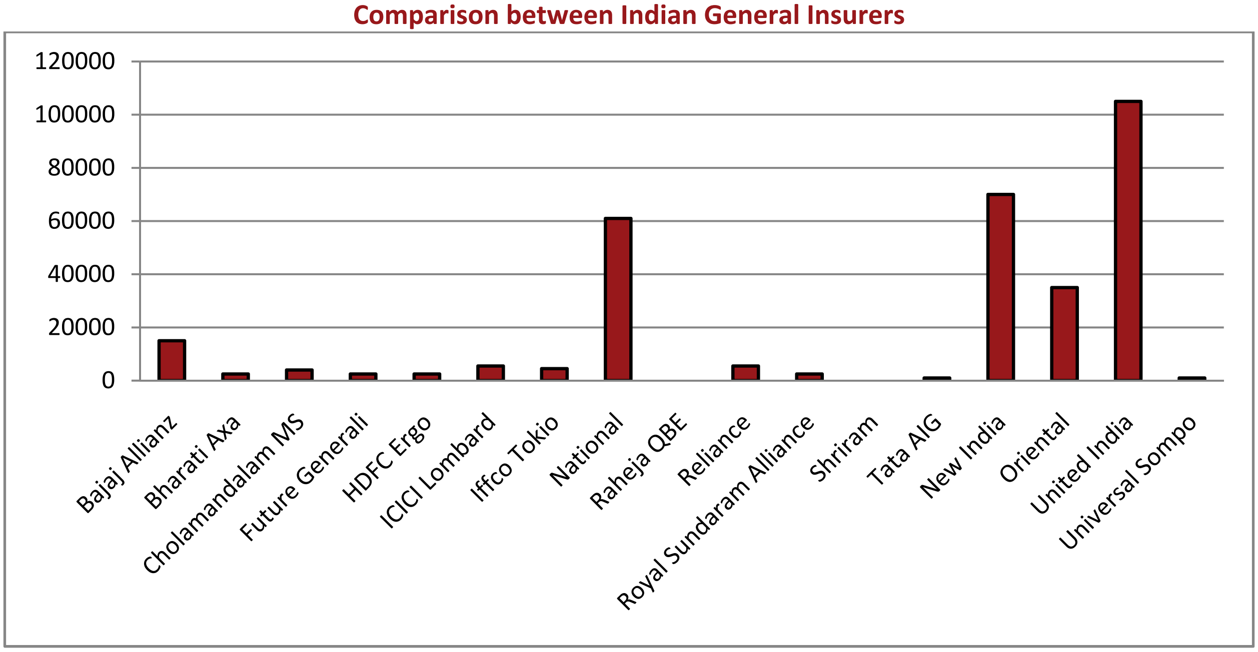

Challenges & Future Prospects

The insurance industry in our country has witnessed two major challenges recently-detariffing and the economic slowdown. As a consequence of these, the Indian insurance industry has gone through various significant changes, which in turn enabled the Indian general insurers to focus on the proper implementation of sound underwriting practices, improved service levels and reduction of avoidable expenses.

It may not be possible to come out with a perfect single Engineering Insurance model which suits the diverse & complex insurance needs in our country. The challenge is to devise & build up plans that are good enough. A thorough understanding of the Engineering Insurance sector & the proper application of the principles of Insurance are the prerequisites to design ideal insurance plans.

- **Design, Implementation & Continuous Monitoring:** *The success of insurance policies would depend on its design and implementation integrated with the monitoring mechanisms. A strong monitoring system should be developed to avoid frauds & malpractices.*

- **Transparency in the policy features & conditions:** *The conditions should be clearly spelled out in the policies. The insured should be made aware about the various intricacies of insurance plans, so as to keep away from issues at the time of claims. Majority of disputes in insurance arise out of repudiations and delays in claims. There should be clarity in the policy terms, conditions, exclusions and excess clauses. The insurers should give importance to good policy drafting skills in this detariffed regime. The terms and conditions of the policy should be in compliance with the relevant regulatory requirements. The policy wordings must be in simple language which is understandable. The terms, conditions, clauses etc used should be properly defined.*

- **Customized Products:** *The insurers may develop less complex products and can focus on the customization of products as per the clients needs.*

- **More competitive policies:** *The Indian insurers should come up with competitive policies with a wide range of coverages. The existing schemes may be analyzed & upgraded.*

- **Add ons:** *The designs of the Engineering Insurance products should be incorporated with add on covers and those may be priced differently.*

- **Rating Watch:** *The rates should be reasonable and competitive. The past records should be analyzed and the claim ratio & the profitability should be regularly monitored,* so *as to ensure that the rates are neither excessive nor deficient.*

- **Cost Cutting Measures:** *It is important for the insurers to .find out the unnecessary expenses and leakages. Judicious measures may be implemented to control such avoidable costs.*

- **Training Programmes:** *Skill building & appropriate training should be given for the personnel involved in the design as well as marketing of Engineering Insurance products,* so *as to enable them to do a careful effort to tap the Indian Engineering Insurance market. In this detariffed regime, development of suitable wordings for policies is also very important.*

- **Customer awareness campaigns / programmes:** *The target customers as well as the insured may be provided with books & reading materials to alert them about the various risks involved. They should' also be educated of the various risk management techniques in case of any accidents,* *necessity of prudent Engineering Insurance plans and the various advantages .Besides, the marketing personnel should help the customers in choosing the right product according to their needs.*

- **Higher standards of Customer Service**: *Thrust should be given on the various CRM activities, hassle-free policy issuance and claim procedures. More effective & quicker services, increased toll free numbers etc. should be put into practice*

- **Higher level of professionalism in handling claims:** *A distinctive feature of insurance claims is the element of sensitivity. The engineering sector is a highly specialized one and the claimants might have high expectations. Hence a superior level of professionalism and an in-depth technical expertise is required*

- **Remedial measures against insurance frauds:** *The human desire to get something for nothing has increased the number of frauds in Engineering Insurance also. Strong Internal check balance should be developed and enforced to prevent the insurance frauds, which are posing serious threat*

Conclusion

No doubt, with this large number of divergent intermediaries & the huge portion of uninsured area, Engineering Insurance has enormous scope and great potential in India. Execution of customised & f1exible Engineering Insurance schemes having the right product mix through add-ons, coupled with carefully planned underwriting practices, technically proficient sales personnel and high quality service levels are vital factors in the development of Indian Engineering Insurance Industry.

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INDIAN LIFE INSURANCE INDUSTRY: PROSPECT FOR PRIVATE SECTOR

by:

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INTRODUCTION

It is a commonly acknowledged phenomenon that there are countless risks in every sphere of life for property, there are fire risks; for shipment of goods, there are perils of sea; for human life, there are risks of death or disability. The chances of occurrences of the events causing losses are quite uncertain because they may or may not take place. The risk is the result or effect of any unforeseen event or its happening. The future is unpredictable and full of uncertainties. Risks are inherent in all forms of economical, political, social, environmental and business activities. Planning alone cannot solve or protect one against uncertainties. "Insurance is the subject matter of solicitation". This is the essence of the concept of insurance. Insurance has emerge and developed as a self felt need among the people. Insurance is a contract, which provides financial risk coverage to the insured against any adverse event.

WORLD INSURANCE SCENARIO

The macroeconomic environment in 2007 across the globe was characterized by marginally slower economic growth and rising inflation driven by a steep increase in food and energy prices. Key interest rates diverged, but were generally low. Though strong at the end of 2007, stock markets fell in early 2008. In this backdrop worldwide insurance premium amounted to US Dollar 4061 billion in 2007 as against US Dollar 3723 billion in 2006. Of the total premium, Life insurance premium amounted to US Dollar 2393 billion and the remaining US Dollar 1668 billion by general insurance business. At this level, the global total premium increased by 3.3 per cent in real terms in 2007 compared to 5.0 percent in 2006.

The growth in life insurance premium was about 5.4 per cent. While the premium grew by 4.7 per cent in industrialized countries, it grew by 13.1 per cent in emerging market economies. The continued expansion of life insurance business in industrialized countries was through pension and annuities products driven by an aging population and reductions in state social security benefits. In the case of emerging economies, strong economic growth, relatively young population and an expanding middle class contributed to higher insurance sales. In emerging markets, the growth in Life insurance was 13.1 per cent during 2007 as against 21.1 per cent in 2006. The profitability of life business continued to improve in many countries as costs were cut, guaranteed interest rates were reduced and profit participations was adjusted to reflect the low interest rate environment.

The- outlook remains positive for life insurance in the medium term. As economic environment and capital markets are expected to stabilize in medium term, life insurance is projected to resume its strong performance. In the industrialized countries, the need for old-age provision will continue to fuel sales of pension and annuity products.

INDIAN INSURANCE INDUSTRY

Insurance is a big opportunity in a country like India with a large population and untapped potential. The life insurance business (measured in the context of first year premium) registered a growth of 23.88 per cent in 2007-08 (94.96 per cent achieved in 2006-07). The general insurance business (gross direct premium) has registered a growth of 11.72 per cent in 2007-08 (3.52 per cent achieved in 2006-07). This has resulted in increasing insurance penetration in the country. Insurance penetration or premium volume as a ratio of GDP, for the year 2007 stood at 4.00 per cent for life insurance and 0.60 per cent for non-life insurance.

The level of penetration, particularly in life insurance, tends to rise as income levels increase. India, with its huge middle class households, has exhibited growth potential for the insurance industry. Saturation of markets in many developed economies has made the Indian market even more attractive for global insurance majors. The insurance market in India has witnessed dynamic changes including entry of a number or global insurers in both life and non-life segment. Most or the private insurance companies are joint ventures with recognized foreign players across the globe. Over the last eight years, consumer awareness has improved. Competition has brought more product innovation and better customer servicing. This made a positive impact on the economy in income generation and creating employment opportunities in this sector.

LIFE INSURANCE PAID UP CAPITAL

The total capital of the life insurers at end March 2008 stood at Rs.12296.42 crore. The additional capital brought in by the existing private insurers during 2007-08 was Rs.3787.01 crore and the two new entrants, brought in equity of Rs.385 crore making the total additional capital brought in 2007-08 by the private insurers to Rs. 4172.01 crore. Of this, the domestic and the foreign joint venture partners added Rs.3160.12 crore and Rs.1011.88 crore respectively. Table I shows the paid up capital of life insurers in India.

TABLE 1

PAID UP CAPITAL: LIFE INSURERS

YEAR	LIC	PRIVATE
2000-01	5.0	158.83
2001-02	5.0	418.52
2002-03	5.0	923.41
2003-04	5.0	3238.71
2004-05	5.0	4347.81
2005-06	5.0	5887.05
2006-07	5.0	8119.41
2007 -08	5.0	12291.42

Source: IRDA Reports

There has been no infusion of capital in the case of LIC which stood at Rs.5 crore.

NEW POLICIES

New policies underwritten by the industry were 508.74 lakh in 2007-08 as against 461.52 lakh during 2006-07 showing an increase of 10.23%. While the private insurers exhibited a growth of 67.40%. (previous year 104.64%). LIC showed a decline of 1.61% as against a growth of 21.01% in 2006-07. Table 2 exhibits the new policies of public and private life insurers in India.

TABLE 2

NEW POLICIES ISSUED : LIFE INSURERS

YEAR	LIC	PRIVATE
2000-01	11947684 (98.74)	3674841 (1.26)
2001-02	15376187 (97.13)	84371 06 (2.87)
2002-03	13629431 (96.32)	11427681 (3.68)
2003-04	26968069 (94.21)	1658847 (5.79)
2004-05	23978123 (91 .48)	2233075 (34.62)
2005-06	34590707 (31.75)	3871410 (73.37)
2006-07	382292292 (21.01)	7922274 (104.64)
2007 -08	37612599 (-1.61)	13261558 (67.40)

Source: IRDA Reports

The market shares of private insurers and LIC, in terms of number of policies underwritten, were 26.07% and 73.93% as against 17.17 per cent and 82.83% respectively in 2006-07.

PREMIUM

Life insurance industry recorded a premium income of Rs.201351.41 crore during 2007-08 as against Rs.156075.85 crore in the previous financial year, recording a growth of 29.01% Regular premium, single premium and renewal premium in 2007-08 were Rs.54888.16 crore (27.26%): Rs.38824.36 crore (19.28%): and Rs.107638.89 crore (53.46%), respectively. It may be recalled that in 2000- 01, when the industry was opened up, the life insurance premium was Rs.34898.48 crore which comprised of Rs.6966.95 crore (19.96%) of regular premium, Rs.2740.45 crore (7.86%) of single premium and Rs.25191.07 crore (72.18%) of renewal premium.

The first year premium (comprising of single premium and regular premium) amounted to Rs.93712.52 in 2007-08 as against Rs.75649.21 crore in 2006-07 recording a growth of 23.88% as against a growth of 94.96% in 2006-07. The first year premium growth in 2007-08 over a higher growth in 2006-07 has been on account of continued popularity of unit linked products. It is observed that LIC too has shifted its marketing strategy in favour of unit linked products since 2006-07 though LICs performance has slowed down in 2007- 08.

While at the industry level, there has been a growth because of slow down in the premium underwritten by LIC, the growth levels in 2007-08 were lower than 2006-07. LIC reported growth of 24.17% in single premium individual policies and decline of 6.48% in non-single premium individual policies. LIC reported a growth of 9.11% in Group Single Premium. As against these, private insurance companies reported growth of 39.45% and 69.93% in individual single and non-single policies respectively.

The growth in the number of policies underwritten in the Group Single and Non-single segments by the private insurers stood at 54 and 1% respectively. A shift in the shares of first year premium and renewal premium to the total premium was observed in 2007-08. In 2007-08 renewal premium accounted for 53.46% of the total premium underwritten slightly higher than 51.53% in 2006-07. The various classification of premium received by life insurers in India is shown in Table 3.

TABLE 3

CLASSIFICATION OF PREMIUM UNDERWRITTEN BY LIFE INSURERS

Insurer	2006-07	2007-08
Regular Premium		
LIC	29886.4	26222
	-117.7	(-12.26)
Private Sector	15474.8	28666.2
	-105.59	-85.24
Total	45361.2	54888.2
	-113.4	-21
Single Premium		
LIC	26337.2	33774.6
	-78.1	-28.24
Private Sector	3950.82	5049.8
	-44.04	-27.82
Total	30288	38824.4
	-72.6	-28.18
First Year Premium		
LIC	56223.6	59996.6
	-97.17	-6.71
Private Sector	19425.7	33716
	-89.08	- 73.56
Total	75649.2	93712.5
	-94.96	-23.88
Renewal Premium		
LIC	71599.3	89793.4
	-14.97	-25.41
Private Sector	8827.36	17845.5
	-83.37	-102.16
Total	80426.6	107639
	-19.87	-33.83
Total Premium		
LIC	127823	149790
	-40.79	-17.19
Private Sector	28253	51561.4
	-87.31	-82.5
Total	156076	201351
	-47.38	-29.01

Source: IRDA Reports

The size of life insurance market increased on the strength of growth in the economy and concomitant increase in per capita income. This resulted in favourable growth in total premium for both LIC (17.19%) and private insurers (82.50%) in 2007-08. Private insurers have improved their market share from 18.10% in 2006-07 to 25.61% in 2007-08 in the total premium collected during the year. Segregation of the first year premium underwritten during 2007-08 indicates that Life, Annuity, Pension and Health contributed 59.54%; 2.75%; 37.61% and 0.10% to the premium underwritten, as against 67.40%; 2.62%; 29.94% and 0.04% respectively in the previous year. The shift in favour of pension products is visible for the third consecutive year. Increase in the renewal premium is a good measure of the quality of business underwritten by the insurers. It reflects increase in persistency ratio and enables insurers to bring down the overall cost of doing business. The renewal premium underwritten by the life insurance industry, during 2007-08 grew by 33.83 % as against 19.87% in 2006-07. Private insurers and LIC reported growth rates of 102.16% and 25.41% respectively during the year under review. Table 4 shows the details of market share of LIC and Private insurers in India.

TABLE 4

MARKET SHARE OF LIFE INSURERS

Insurer	2006-07	2007 -08
Regular Premium		
LIC	65.89	47.77
Private Sector	34.11	52.23
Total	**100**	**100**
Single Premium		
LIC	86.96	86.99
Private Sector	13.04	13.01
Total	**100**	**100**
First Year Premium		
LIC	74.32	64.02
Private Sector	25.68	35.98
Total	**100**	**100**
Renewal Premium		
LIC	89.02	83.42
Private Sector	10.98	16.58
Total	**100**	**100**
Total Premium		
LIC	81.9	74.39
Private Sector	18.1	25.61
Total	**100**	**100**

Source: IRDA Reports

Diagram 1 and 2 exhibits the position of LIC and Private Life insurers in India past two years in diagrammatically.

Diagram: 1

PERCENTAGE CONTRIBUTION OF RESPECTIVE SEGMENT OF PRIVATE LIFE INSURERS

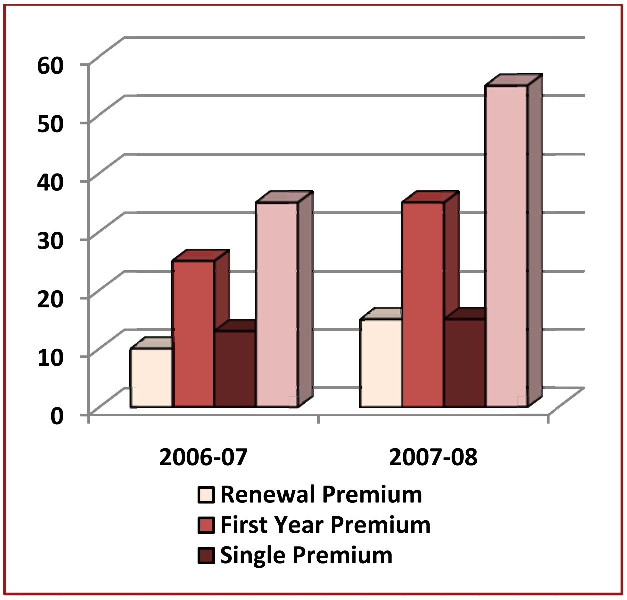
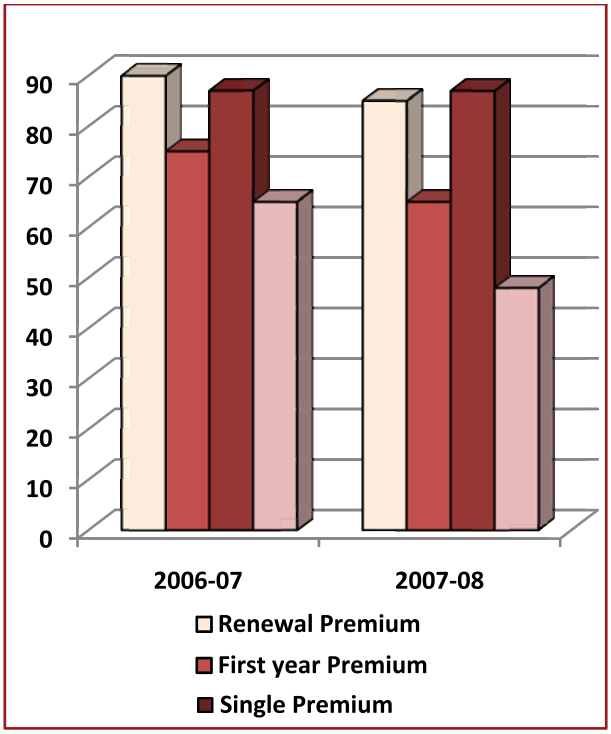


Diagram: 2

PERCENTAGE CONTRIBUTION OF RESPECTIVE SEGMENT OF LIC



Segregation of first year premium (based on the monthly data of premium underwritten) into linked and non-linked components revealed consolidation towards linked products, with premium underwritten at Rs.70059.52 crore in 2007-08 as against Rs.42911.86 crore in 2006-07, a growth of 63.26%. The non-linked premium was Rs.22929.19 crore as against Rs.32494.66 crore in 2006-07 i.e. a negative growth of 29.44%. Linked and non-linked business accounted for 75.34% and 24.66% of total business in 2007-08 as against 56.91% and 43.09% respectively in 2006-07.

The continued shift towards preference for linked products coincided with the sustained positive performance of the stock markets in the country in the first half of 2007-08. In the case of LIC 65.84 per cent of the first year premium was from linked products while non-linked products contributed 34.16% (46.31% and 53.69% respectively in 2006-07). In the case of private insurers, these proportions were 91.97 and 8.03% respectively in 2007-08 as against 87.34 and 12.66% in 2006-07. Response to unit linked products in the last four years reflects the preference of the customer to such products and the life insurers have recognized the needs of the customers and are orienting towards ULIP products.

SUM UP

Growth in insurance industry has been spurred by product innovation, vibrant distribution channels coupled with targeted publicity and promotional campaigns by the insurers. Innovations have come not only in the form of benefits attached to the products, but also in the delivery mechanism through various marketing tie-ups both within the realm of financial services and outside. All these efforts have brought life insurance closer to the customer as well as made it more relevant. The insurance companies are increasingly tapping the semi-urban and rural areas to take across the message of protection of life through insurance cover.

The insurers have also introduced special products aimed at the rural markets. The design of Unit Linked Insurance Products (ULIP) addresses and overcomes several concerns that customers have had in the past like liquidity, flexibility and transparency. ULIPs are structured products and give choices to the policyholder. The Authority prescribed guidelines for Unit Linked products, stipulating minimum risk to be covered, minimum period of premium payment and several other requirements including NAV computation. With ULIP guidelines in place, there has been an enhanced transparency on the charges involved and associated risks.

Fund-wise Net Asset Values (NAVs) and portfolio allocations are disclosed on a regular basis. One of the most significant outcomes of the enhanced competition has been the reduction in the rates for pure protection plans. Over the last seven years, the rates have been revised downwards and are significantly lower than those prevailing prior to opening up of the sector. The life insurance market has become competitive benefiting the policyholders. Simultaneously, insurance industry has been evolving and improving its underwriting and risk management abilities. The reduction of term rates has facilitated increase in the level of sum assured for policies. This higher level of protection implies that customers are more conscious of the need for risk mitigation, greater security, and about the future of their dependents.

IMPROVING MARKETING STRATEGY OF LIC BRANCH, VIRUDHUNAGAR

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ABSTRACT

Service marketing is based on relationship and value. Marketing a service based business is different from marketing a product based business. Life insurance is a unique service industry. Insurance has Rs. 400 billion business in India and together with banking services it has about seven per cent of lndia's Gross Domestic Product (GDP). Gross premium collection is about two per cent of GDP and is growing between 15 and 20 per cent per annum. India also has the highest number of life insurance policies in force in the world. Yet more than three fourths of India's insurance population has no life insurance cover. The penetration of insurance in rural area as compared to urban area is very low in India. The present paper examines the need for improving the marketing strategies of Life Insurance Corporation of India (LIC) branch at Virudhunagar town, the headquarters of Virudhunagar district, Tamilnadu state.

OBJECTIVES OF THE STUDY

The present study aims to compare the performance of LIC branch, Virudhunagar in terms of number of policies, maturity claim settlements, death claim settlements, first premium incomes and sum assured with such criteria of performance at all levels of Madurai division, South zone, Tamilnadu state and all India; and thereby ascertaining the need for improving the marketing strategy of LIC branch of Virudhunagar.

HYPOTHESIS OF THE STUDY

The null hypotheses of the present study are :

1. H_{o1}: The compound growth rate of number of policies, sum assured, death claims, maturity claims settlement and first premium incomes of LIC of India at all levels (all India, Tamilnadu state, South zone, Madurai division, and Virudhunagar branch) does not exceed 10% during the study period (1998-99 to 2007-08).
2. H_{o2}: The growth rate of number of policies, sums assured, maturity claims settlement, death claims settlement and first premium incomes of LIC of India at Virudhunagar branch is not more than all other levels during the study period.
3. H_{o3}: There is no significant difference between actual and trend values of number of policies, sums assured, death claims, maturity claims settlement and first premium incomes of LIC of India at all levels during the study period.

METHODOLOGY

The study based on the secondary data, were collected from various sources like Agents' manual, Premium Ready Reckoner, Magazines and Diaries, Articles published in newspapers, Reports of various committees, Annual reports of Virudhunagar branch, LIC diary, Supplement to LIC diary, Policy registers and relevant websites.

The secondary data were collected for a period of 10 years from 1998-99 to 2007-08.

TOOLS OF ANALYSIS

In order to find out the trend and growth performance of LIC of India at Virudhunagar branch, the linear and semi - log model was applied by using the following formula:

Linear Model:

$$Y = a + b\,t$$

Semi - Log Model

$$\text{Log } Y = a + b\,t$$

Where,

Y = dependent variable,

t = time variable,

a and b are the parameters to be estimated.

Compound Growth Rate = (Antiiog b -1) * 100

$$\text{Antilog } b = \text{antilog } \frac{\sum \log xy}{\sum x^2}$$

In order to find out the relationship between actual and trend variables correlation was applied by using the following formula:

$$r = \frac{\sum xy}{N\sigma x\sigma y}$$

To find out the strength of relationship between variables, t test was applied by using the following formula:

$$t = \frac{r}{\sqrt{1-r^2}}\sqrt{n-2}$$

Where,

r = correlation coefficient

Degrees of freedom = n - 2

FINDINGS OF THE STUDY

Number of Policies

The details about the number of policies at the levels of all India, South zone, Tamilnadu state, Madurai division, and Virudhunagar branch are shown in Table 1.

TABLE - 1

NUMBER OF POLICIES YEARWISE

YEAR	ALL INDIA	SOUTH ZONE	TAMIL NADU	MADURAI DIVISION	VIRUDHUNAGAR
1998-99	1,33,25,198	19,39,999	12,40,006	1,85,104	5,357
1999-00	1,48,57,043	21,69,821	13,88,876	2,08,907	6,302
2000-01	1,69,89,430	25,32,416	16,08,607	2,47,600	6,811
2001-02	1,96,64,574	28,26,825	17,82,502	2,52,357	6,924
2002-03	2,32,75,476	29,02,116	18,45,022	2,53,467	6,748
2003-04	2,45,16,568	29,94,848	18,67,759	2,65,367	6,756
2004-05	2,69,63,504	32,70,781	20,66,115	2,88,281	7,214
2005-06	2,39,73,521	28,79,424	18,60,590	2,35,570	5,954
2006-07	3,15,85,917	39,45,956	24,37,967	3,19,322	9.081
2007-08	4,04,06,739	50,47,921	31,18,804	4,08,497	11,617

Source: Yogakshema and Southern Splendor

Table 1 shows that there is a significant increase in the number of policies at all levels of all India, south zone, Tamilnadu state, Madurai division and Virudhunagar branch during the period under the study. At all India level, number of policies has more or less tripled during the study period. At the levels of South zone, Tamilnadu State, Madurai division, and Virudhunagar branch also the number of policies have more or less doubled during the study period.

Table 2 shows the computed results of trend and growth rates of number of policies at all levels (all India, South Zone, Tamilnadu state, Madurai division and Virudhunagar branch) during the study period, i.e., from 1998-99 to 2007-08.

TABLE - 2

TREND AND GROWTH IN NUMBER OF POLICIES

SI.No	Number of policies	Linear Trend Coefficient		r	CGR (%)
		a	b		
1	All India Level	2,35,55,797	6,66,380* (7.79)	0.94	5.6
2	South Zone	30,51,011	1,32,011.77* (5.52)	0.89	4.3
3	Tamilnadu	1,92,162.5	79,958.52* (5.79)	0.9	4.2
4	Madurai division	2,66,447	8,615.04 (0.08)	0.03	3.2
5	Virudhunagar branch	7,276	219.35* (3.11)	0.74	2.8

Note: * indicates that the trend coefficient is statistically significant at five per cent level. Figures in the parenthesis are t values.

CGR (%) = Compound Growth Rate (in Percentage)

r = correlation between actual values and trend values.

Source: Computed data

H_{o1}: The null hypothesis is accepted. The compound growth rate of number of policies at all levels is less than 10%. The compound growth rate is found to be high at all India level (5.6) and it is followed by South Zone (4.3), Tamilnadu (4.2), Madurai (3.2), and Virudhunagar (2.8) respectively.

H_{o2}: The null hypothesis is accepted. The compound growth rate of number of policies at Virudhunagar branch is less than that of all India level, south zone, Tamilnadu and Madurai division levels.

H_{o3}: The trend coefficient for number of policies at the levels of all India, South Zone, Tamilnadu, and Virudhunagar branch is statistically significant at five per cent level. The trend coefficient for number of policies in Madurai division is not statistically significant at five per cent level.

r value indicates that there is a positive correlation between actual and trend values at all levels of all India, South Zone, Tamilnadu, Madurai division and Virudhunagar branch.

Sum assured

The details about the sum assured by LIC of India at all levels, namely all India, South zone, Tamilnadu, Madurai division, and Virudhunagar are shown in Table 3.

TABLE 3

SUM ASSURED YEARWISE (Rs in crores)

YEAR	ALL INDIA	SOUTH ZONE	TAMIL NADU	MADURAI DIVISION	VIRUDHUNAGAR
1998-99	63,927.83	8,822.77	5,708.55	766.13	22.38
1999-00	75,606.26	10,676.51	6,891.17	940.18	27.46
2000-01	91,490.94	13,242.37	8,428.30	1,185.88	30.00
2001-02	1,24,950.60	17,449.29	11,180.55	1,445.44	36.49
2002-03	2,00,121.80	23,149.57	15,204.88	1,821.38	47.10
2003-04	1,81,993.60	23,571.21	13,909.22	1,712.94	53.50
2004-05	2,02,898.10	26,479.03	15,528.69	1,902.24	46.31
2005-06	1,87,132.40	23,613.06	14,527.11	1,643.91	41.37
2006-07	2,88,522.6	36,668.67	21,679.72	2,409.61	68.22
2007-08	3,49,170.70	44,376.50	26,236.80	2,916.12	82.56

Source: Yogakshema and Southern Splendor

Table 3 shows that there is a significant rise in sum assured by LIC of India at all levels of all India, south zone, Tamilnadu, Madurai division and Virudhunagar branch during the period under the study. It is observed that the sum assured by LIC of India has more or less increased by six times in the case of all India level and south zone and the increase is four times in the case of South Zone and Madurai division and it is three times in Virudhunagar branch and it is five times in the case of Tamilnadu level.

Table 4 shows the computed results of trend and growth rates of the sum assured by LIC of India at all levels of all India, South Zone, Tamilnadu, Madurai division and Virudhunagar branch during the study period from 1998-99 to 2007-08.

TABLE 4

TREND AND GROWTH OF SUM ASSURED BY LIC OF INDIA

SI.No	Sum assured	Linear Trend Coefficient		r	CGR
		a	b		(%)
1	All India Level	17,65,814.83	14,398.55* (8.67)	0.95	9.40
2	South Zone	22,805.00	1,761.49* (8.612)	0.95	8.60
3	Tamilnadu	13,930.00	1,001.57* (8.174)	0.94	7.99
4	Madurai division	1,674.00	100.57* (-0.09)	-0.03	6.60
5	Virudhunagar branch	45.54	2.79* (5.79)	0.90	6.40

Note: * indicates that the trend coefficient is statistically significant at five per cent level. Figures in the parenthesis are t values.

CGR(%) = Compound Growth Rate (in Percentage)

r = correlation between actual values and trend values.

Source: Computed data

H_{01}: The null hypothesis is accepted. The compound growth rate of sum assured by LIC of India at all levels is less than 10%. The compound growth rate is found to be high at all India level (9.4%), followed by South Zone (8.6%), Tamilnadu State (7.99%), Madurai division (6.6%), and Virudhunagar branch (6.4%) respectively.

H_{02}: The null hypothesis is accepted. The compound growth rate of sum assured by LIC of India at Virudhunagar branch is less than that of all India level, south zone, Tamilnadu and Madurai branches.

H_{03}: The trend coefficient for the sum assured at all levels (i.e.) national, south Zone, Tamilnadu and Virudhunagar branch are statistically significant at five per cent level.

r value indicates that there is a positive correlation between actual and trend values of sum assured by LIC of India at all levels of all India, South Zone, Tamilnadu, Madurai division and Virudhunagar branch.

First Premium Income of LIC of India

Table 5 gives the details of first premium income of LIC of India at all levels of all India, South Zone, Tamilnadu, Madurai division and Virudhunagar branch.

TABLE 5

FIRST PREMIUM INCOME OF LIC OF INDIA (Rs. in Lakhs)

YEAR	ALL INDIA	SOUTH ZONE	TAMIL NADU	MADURAI DIVISION	VIRUDHUNAGAR
1998-99	3,85,919	20,794.40	14,217.90	1,813.40	62.12
1999-00	4,88,052	27,018.77	18,157.32	2,375.95	78.93
2000-01	6,02,602	33,463.49	22,115.60	2,931.67	81.68
2001-02	8,86,335	44,120.95	29,355.90	3,605.91	93.50
2002-03	16,40,312	66,168.82	44,460.39	4,864.56	197.70
2003-04	12,77,597	69,618.81	41,491.17	4,747.09	238.90
2004-05	12,93,690	1,08,382.59	65,397.93	7,282.99	181.08
2005-06	11,86,113	1,89,483.86	1,16,735.15	12,252.75	270.60
2006-07	15,63,459	2,75,000.68	1,60,970.75	19,532.40	520.37
2007-08	19,28,628	3,62,478.60	2,12,175.60	25,746.40	685.90

Source: Yogakshema and Southern Splendor

Table 5 shows that there is a notable increase in the first premium income of Life Insurance Corporation of India at the levels of all India, South Zone, Tamilnadu, Madurai division and Virudhunagar branch during the study period 1998-99 to 2007-08. It is found that, the first premium income has increased about 19 times in south zone, 16 times in case of Tamilnadu and Madurai division, and 15 times in case of Virudhunagar branch and six times in case of all India level during the study period.

Table 6 shows the computed results of trend and growth rates of the first premium income of LIC of India at the levels of all India, South Zone, Tamilnadu, Madurai division and Virudhunagar branch.

TABLE 6

TREND AND GROWTH OF FIRST PREMIUM INCOME

SI.No	First Premium Income	Linear Trend Coefficient a	b	r	CGR (%)
1	All India Level	11 ,25,271	7,67,660.71 * (5.47)	0.89	7.80
2	South Zone	19,653.10	17,635.13* (5.79)	0.90	17.60
3	Tamilnadu	72,490	10,180.51 * (5.79)	0.90	14.80
4	Madurai division	8,515.32	1,190.94* (5.26)	0.88	15.61
5	Virudhunagar branch	241.08	30.16* (5.24)	0.88	13.91

Note: * indicates that the trend coefficient is statistically significant at five per cent level. Figures in the parenthesis are t values.

CGR (%) = Compound Growth Rate (in Percentage)

r = correlation between actual values and trend values

Source: Computed data

H_{01}: The null hypothesis is rejected. The compound growth rate of first premium income of LIC of India at all levels is more than 10% except at all India level. The compound growth rate is found to be high in South Zone (17.6%), followed by Madurai division (15.6%), Tamilnadu (14.8%), Virudhunagar branch (13.61 %) and all India level (7.8%), respectively during the study period.

H_{02}: The null hypothesis is accepted. The compound growth rate of first premium income of LIC of India at Virudhunagar branch except at all India level is less than to that of the levels at south zone, Tamilnadu and Madurai division.

H_{03}: The trend coefficients for the first premium income of Life Insurance Corporation of India at all levels of all India, South Zone, Tamilnadu, Madurai division and Virudhunagar branch are statistically significant at five per cent level.

r value indicates that there is a positive correlation between actual and trend values of sum assured by LIC of India at all levels, namely, national, south zone, Tamilnadu, Madurai division and Virudhunagar branch.

Maturity Claim Settlements of LIC of India

The prompt settlement of a claim at maturity is an important function of an insurance organization. In fact, the efficiency of the organization is tested whenever a claim is taken by the insurer to finalize it. Hence, it is important to study maturity claim settlements by LIC of India. Table 7 shows the details about the maturity claim settlements by LIC of India at the levels of all India, Madurai division and Virudhunagar branch.

TABLE 7

MATURITY CLAIM SETTLEMENTS BY LIC OF INDIA

Year	All India		Madurai Division		Virudhunagar	
	Number of Policies	Amount (Rs. Cr)	Number of Policies	Amount (Rs. Cr)	Number of Policies	Amount (Rs. Cr)
1998-99	53,52,000	5,507.90	39,285	40.89	1,674	2.59
1999-00	56,66,000	6,237.42	46,742	50.32	1,726	3.39
2000-01	61,84,000	7,628.55	48,143	61.73	2,135	3.57
2001-02	71,05,000	9,757.50	57,377	78.82	2,243	4.79
2002-03	82,64,000	12,289.31	60,145	95.42	2,814	4.83
2003-04	92,45,000	14,497.35	72,354	119.55	2,840	4.87
2004-05	98,73,000	16,660.96	84,335	138.92	2,866	4.92
2005-06	1,09,83,000	20,355.18	94,254	177.61	2,893	4.97
2006-07	1,15,63,000	24,743.42	95,125	205.26	2,920	5.33
2007-08	1,23,35,187	29,107.18	1,01,478	214.50	3,115	6.27

Source: Yogakshema and Southern Splendor

It is clear that there is a notable increase in the maturity claim settlements by LIC of India at all India level as well as at Madurai division and Virudhunagar branch levels during the study period from 1998-99 to 2007-08. It is found that, the amount settled for maturity increased between two and five times in the case of all India level and between three and five times for Madurai division and two times for Virudhunagar branch.

Table 8 presents the computed results of trend and growth rates of the maturity claim settlements by LIC of India at all India level, Madurai division and Virudhunagar branch levels during the study period.

TABLE 8

TREND AND GROWTH RATES OF MATURITY CLAIM SETTLEMENTS

SI. No	Maturity Claim Settlement	Linear Trend Coefficient a	b	r	CGR (%)
1	**All India Level**				
	Number of Policies	86,57,000	41,63,827.27* (28.08)	0.995	5.10
	Amount	14,678.50	1,298.45* (13.86)	0.98	9.95
2	**Madurai division**				
	Number of Policies	69,923.80	3,703.20* (13.86)	0.98	5.70
	Amount	118.30	10.77* (20)	0.99	10.20
3	**Virudhunagar branch**				
	Number of policies	2,522.60	81.85* (7.11)	0.93	3.60
	Amount	4.55	0.16* (7.18)	0.93	3.98

Note: * indicates that the trend coefficient is statistically significant at five per cent level. Figures in the parenthesis are t values.

CGR (%) = Compound Growth Rate (in Percentage)

r = correlation between actual values and trend values

Source: Computed data

H_{01}: The null hypothesis is accepted. The compound growth rate of maturity claim settlement of LIC of India at all levels is less than 10%. The compound growth rates for the number of policies and the amount of claim settlements are 5.7 and 10.2 per cent respectively in Madurai division, followed by 5.1 and 9.95 per cent at all India level and 3.6 and 3.98 per cent respectively in case of Virudhunagar branch.

H_{02}: The null hypothesis is accepted. The compound growth rate of maturity claim settlement at Virudhunagar branch is less than to that of all India level and Madurai division level.

H_{03}: The trend coefficient for the maturity claim settlements by LIC of India at the levels of all India, Madurai division and Virudhunagar branch are statistically significant at five per cent level.

r value indicates that there is a perfect positive correlation between actual and trend values of maturity claim settlement by LIC of India at the levels of all India, Madurai division and Virudhunagar branch.

Death Claim Settlements of LIC of India at the levels of all India, Madurai division and Virudhunagar branch

In every insurance company effective death claim administration is of paramount importance since, it results in cash outflows during the policy period. Hence it is necessary to analyse the death claim settlements by LIC of India. Table 9 shows the details about the death claim settlements by LIC of India at the levels of all India, Madurai division, and Virudhunagar branch.

TABLE 9

DEATH CLAIM SETTLEMENTS OF LIC OF INDIA YEARWISE

Year	All India		Madurai Division		Virudhunagar	
	Number of Policies	Amount (Rs. Cr)	Number of Policies	Amount (Rs. Cr)	Number of Policies	Amount (Rs. Cr)
1998-99	2,99,000	1,165.17	3,262	12.74	103	0.25
1999-00	3,41,000	1,378.36	3,635	13.98	116	0.28
2000-01	4,35,000	1,637.70	3,641	15.68	117	0.32
2001-02	4,49,000	1,909.32	4,072	23.44	133	0.64
2002-03	5,03,000	2,229.94	4,598	25.26	153	0.69
2003-04	4,46,000	2,564.40	4,927	27.46	165	0.76
2004-05	4,80,000	2,946.24	5,197	28.2	174	0.78
2005-06	5,22,000	3,303.19	5,589	32.55	188	0.92
2006-07	5,27,000	3,709.04	5,749	34.12	194	0.97
2007-08	5,40,583	3,964.72	5,897	36.48	189	1.04

Source: Yogakshema and Southern Splendor

Table 9 exhibits that there is a significant increase in the death claim settlements by LIC of India in all India level, Madurai division and Virudhunagar branch during the study period of 1998-99 to 2007-08.

Table 10 shows the computed results of trend and growth rates of death claim settlements by LIC of India at the three levels of all India, Madurai division and Virudhunagar branch during the period 1998-99 to 2007-08.

TABLE 10

TREND AND GROWTH RATES OF DEATH CLAIM SETTLEMENT

SI.No	Death Claim Settlements	Linear Trend Coefficient a	b	r	CGR (%)
1	**All India Level** Number of Policies	4,50,300	11,851.52* (5.19)	0.88	2.8
	Amount	2,480.80	174.98* (35.78)	0.997	7.2
2	**Madurai division** Number of Policies	4,656.70	157.45 (2.014)	0.58	3.5
	Amount	24.99	1.38* (16.719)	0.99	6.1
3	**Virudhunagar branch** Number of policies	153.20	5.49* (13.69)	0.98	3.8
	Amount	0.67	0.05* (11.97)	0.97	8.7

Note: * indicates that the trend coefficient is statistically significant at five per cent level. Figures in the Parenthesis are t values.

CGR (%) = Compound Growth Rate (in Percentage)

r = correlation between actual values and trend values

Source: Computed data

H_{01}: The null hypothesis is accepted. The compound growth rate of death claim settlement of LIC of India at all levels is less than 10%. The compound growth rates for number of policies and amount of claim settlements are 3.8 and 8.7 respectively in Virudhunagar branch followed by 2.8 and 7.8 per cent respectively in all India level and 3.5 and 6.1 per cent respectively in Madurai division

H_{02}: The null hypothesis is rejected. The compound growth rate of death claim settlement at Virudhunagar branch is more than to that of all India level and Madurai division.

H_{03}: The trend coefficient for the death claim settlements by LIC of India at all India level, and at Virudhunagar branch are statistically significant at five per cent level.

r value indicates that there is a positive correlation between actual and trend values of maturity claim settlement by LI C of India at the three levels of all India, Madurai division and Virudhunagar branch.

SUGGESTIONS

The foregoing comparative analysis reveals that the number of policies, sum assured and first premium incomes of LIC of India are low particularly at Virudhunagar branch. Hence, the branch at Virudhunagar is advised to concentrate on the following service marketing strategies to improve its performance.

- Introduction of new schemes
- Restructuring of old plans
- Implementation of social security schemes
- Creation of awareness among rural people.
- Reviewing the mode of premium and
- Establishing customer relationship management (CRM)

CONCLUSION

In the present competitive scenario, key differentiator is the professional customer service in terms of quality of advice on product choice along with policy servicing. If the LIC branch of Virudhunagar is inclined to take on the above suggestions, it will be beneficial both to the branch and the customers.

Launching of new schemes would meet the investment and protection needs of the investing public. As a marketing strategy, restructuring of plans shall be a continued exercise as the market rates of interest and yield on securities have been changing from time to time.

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RUDIMENTS OF INSURANCE

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1. INTRODUCTION

With the insurance sector in full bloom, today, it would not be wrong to say that in the present market scenario, there is an **insurance** available for just about anything and everything. **Insurance** is no doubt an area of immense importance in regard to the financial and monetary sectors of every individual. The whole idea behind Insurance is, it is a security tool which is designed to secure the financial status of an individual and also of his/her dependents, in case he/she undergoes an unforeseen loss related to health, property or liability.

But the painful thing is even today, when insurance has become a necessity, many people do not know what actually insurance is? Why it should be taken? What benefits does it provide and even if it is to be taken, who provides it? This paper provides a brief overview about every aspect of insurance which one would like to know and would be of great use to a layman.

2. History of insurance

Protection from uncertainty and loss has been a primary goal of humans and institutions throughout history. Protecting against these risks is what insurance is all about. It actually started nearly 4,500 years ago, in the ancient land of Babylonia where, traders used to bear risk of the caravan trade by giving loans that had to be later repaid with interest when the goods arrived safely. Life insurance came about a little later in ancient Rome, where burial clubs were formed to cover the funeral expenses of its members, as well as help survivors monetarily. The type of insurance we see today owes its roots to 17th century to Lloyd's of London, of England. Lloyd's Coffee House was the location where merchants, ship owners and underwriters met to discuss and transact business deals. Insurance moved to America in year 1735 and the first life insurance policy for the general public in the United States was issued, in Philadelphia, on May 22, 1761. Then public liability insurance made its appearance in the 1880s and gained importance and acceptance. During the 19th century, many societies were found to insure the life and health of their members,

The insurance business made its way in India in 18th century. Life Insurance business came into existence in the year 1818 with the establishment of the Oriental Life Insurance Company in Calcutta. Some of the Milestones *in Life Insurance business* are:

1818: Oriental Life Insurance Company, the first life insurance company on Indian soil started functioning.

1870: Bombay Mutual Life Assurance Society, the first Indian life insurance company started its business.

1912: The Indian Life Assurance Companies Act enacted as the first statute to regulate the life insurance business.

Later in 1928 the Indian Insurance Companies Act was enacted to enable the Government to collect statistical information about both life and non-life insurance business transacted in India including provident insurance societies. In 1938, with a view to protect the interest of insuring public the Insurance Act 1938 came into existence.

In 1956 Life Insurance nationalized and Life Insurance Corporation was formed.

The General insurance business in India can trace its roots to the Triton Insurance Company Ltd., the first general insurance company established in the year 1850 in Calcutta by the British. Some of the important milestones in *General Insurance business* is:

1907: The Indian Mercantile Insurance Ltd. set up, the first company to transact all classes of general insurance business.

1957: General Insurance Council, a wing of the Insurance Association of India, frames a code of conduct for ensuring fair conduct and sound business practices.

1972: The General Insurance Business (Nationalization) Act, 1972 nationalized the general insurance business in India with effect from 1st January 1973.

107 insurers amalgamated and grouped into four companies viz. the National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd. and the United India Insurance Company Ltd. GIC incorporated as a company. After 19th century Insurance became more sophisticated, offering new types of coverage and diversified services.

3. What is Insurance?

"Insurance is a contract between two parties whereby one party called insurer in exchange for a fixed sum called premium, promise the other party, called insured, to pay, a fixed amount of money on the happening of a certain event."

Insurance is a protection against financial loss arising on the happening of an unexpected event. Insurance companies collect premiums to provide for this protection. A loss is paid out of the premiums collected from the insured and the Insurance Companies act as trustees of the amount collected. Insurance is a form of risk management which is mainly used to protect an individual against the risk of prospective financial loss, if any. Insurance can be used as a tool to shield an individual against potential risks like untimely death, travel accidents, death, unemployment, theft, property destruction by natural calamities, fire mishaps etc. Different types of insurance are used to cover different properties and assets .All we have to do is pay the insurance entities a specified amount, that is premium, so that they can take care of us by providing a financial back up in case of a sudden health emergency or a fatal incident.

4. Why should one take Insurance?

You never know what is going to happen. This is the main reason why one should have Insurance. Basically its an individual's choice whether they want to have an insurance policy or not but by taking insurance a person can have peace of mind and need not worry about the financial consequences in case of any untimely death or unforeseen event. Whether it is a fire, a car accident, illness or a death, the financial consequences can be desolating. But if you are insured you can avoid this situation. Life insurance is needed if there is someone who would suffer economic hardship if one would die. Families having young children have a clear need for life insurance. If both spouses work, then the loss of one imply the loss of one income and it will cause the family immediate economic hardship and make it harder for them to achieve the future goals. But even if one spouse works "inside the home" and doesn't bring in a formal income, his or her death will require the surviving spouse to take care of all the financial needs required to run the household - which can be a significant new expense.

Certain Insurance contracts are also made compulsory by legislation. For e.g. Motor Vehicles Act 1988, stipulates that a person driving a vehicle in a public place should hold a valid insurance policy covering "Act" risks.

5. Types of insurance

There are basically two different kinds of insurance - **life insurance and general insurance.** Life insurance is also called long term insurance as it is taken for a long term or for whole of the life. Here, there is no need to renew the policy each year. In other words it is a long-term commitment of paying a specific amount of money regularly. Whereas general insurance is taken for an annual period and the policy has to be renewed as soon as the term gets' over.

General insurance policies cover all types of insurance policies with the exception of life insurance. They basically compensate against any financial loss that may arise due to accidents related to automobiles, homes etc. They are also known as non-life insurance policies. General insurance is normally meant for a short-term period of twelve months or less. Recently, longer-term insurance agreements have made an entry into the business of general insurance but their term does not exceed five years. They are also called property and casualty insurance. General insurance pays out if a car has an accident or is stolen; if a house catches fire or is burgled; if someone is careless and damages other people's property.

But life policies, on the other hand, payout when an event happens; when someone dies or when someone survives beyond a specific date. Anyone can buy life insurance but, of course, the premium will depend on the person's age, health, and occupation.

6. Types of Life Insurance

Life Insurance is also called Long term insurance as it is meant for a long-term period which may stretch to several years or whole life-time of the insured. In this, Insurance against risk to one's life is covered. Ordinary life assurance can be classified into following types:

6.1. Term insurance:

Term assurance are the purest and cheapest form of insurance, Term assurance are plans where benefits are payable only on the death of the policy holder within the term. Term assurance policies are only for a limited time, claim for which is paid to the family of the assured only when he dies. In case the assured survives the term of policy, no claim is paid to the assured. Term Plan offers you the following benefits:

- High insurance cover at low cost
- Financial security against loans and mortgages
- Single premium payment option available

6.2. Whole life plans

Whole life plans are a special type of term assurance wherein the term of the policy is whole of the life. So it follows that benefits under the policy are payable only on death of the policy holder. However for administration purposes some companies pay benefits, on policy holder attaining a certain age. The benefits of whole life plans are as follows:

- Cover your life for a longer period of time
- Loan facility can be availed against most of these plans.
- Whole Life Insurance plans provide cover throughout your lifetime. The premium could be paid for as long as a lifetime or for a limited period.
- They do not carry a maturity value but pay the sum assured to the family in case of the unfortunate death of the policyholder.

6.3. Endowment assurance plan

In case of endowment assurance, the term of policy is defined for a specified period say 15, 20, 25 or 30 years. The insurance' company pays the claim to the family of assured in an event of his death within the policy's term or in an event of the assured surviving the policy's term.

6.4. Money back policy

Money back policy is a policy opted by people who want periodical payments. A money back policy is generally issued for a particular period, and the sum assured is paid through periodical payments to the insured, spread over this time period. In case of death of the insured within the term of the policy, full sum assured along with bonus accruing on it is payable by the insurance company to the nominee of the deceased.

6.5. Children's plan

To secure the future of a child various insurance policies are available in the market which will greatly help the parents to tide over the financial crisis. Children's life insurance is a tool many families use to give their children a financial foundation that they can draw upon when they are older. Children's Plans ensure a secured financial future for your child

6.6. Retirement plan

Retirement Plans make sure that you have support in the twilight years of your life. The savings you set aside today become your wealth and support in the years to come. They are of two types: immediate annuity plan and deferred annuity plan. It provides following benefits:

- ❒ An alternative to superannuation's and provident fund;
- ❒ Compulsory Saving
- ❒ Saving tax
- ❒ Choice of Open Market Option, i.e., you have the option to purchase an immediate annuity from your current insurer or from any other life insurer as recognized by IRDA.

7. Benefits of Life Insurance

Life Insurance provides the twin benefits of savings as well as security. The following benefits explain why insurance should be purchased and why this investment tool should be made an integral part of one's financial plans. It provides:

Risk Cover - Life today is full of uncertainties and one has to deal with the unexpected consequences. In this scenario Life Insurance ensures that people as well as his loved ones continue to enjoy a good quality of life against any unforeseen event.

Compulsory investment - Life Insurance not only provides for financial support in the event of untimely death and accidents but also acts as a long term investment. One can meet all the goals, be it children's education, their marriage, building a dream home or planning a relaxed life after retirement. An insurance policy compels you to make an investment which in long term turns out to be a saving.

Builds the habit of thrift - Life Insurance is a long-term contract where as policyholder, you have to pay a fixed amount at a defined periodicity. This builds the habit of long term savings.

Protection against health expenses - Life Insurers through riders or stand alone health insurance plans offer the benefits of protection against critical diseases and hospitalization expenses. This benefit has critical importance due to the increasing incidence of medical costs.

Annuities are source of assured income - Life Insurance is one of the best instruments for retirement planning. The money saved during the earning life span is utilized to provide a steady source of income during the retired phase of life.

Growth through dividends - Some policies offer an opportunity to participate in the economic growth without taking the investment risk. The investment income is distributed among the policyholders through annual dividends or bonus.

Facilities of loans without affecting the policy benefits - Policyholders have the option of taking loan against the policy. This helps them meet the unplanned life stage needs without adversely affecting the benefits of the policy they have bought.

Tax Benefits - Insurance plans provide. attractive tax-benefits for both at the time of entry and at the time of exit under many plans.

As per section 60 (kb) of The Code of Civil Procedure, all money payable under a policy of insurance on the life of the judgment debtor, are not attachable.

8. Types and Benefits of General Insurance

General insurance can be basically classified into two types, that is: Fire insurance and Marine insurance.

8.1. Fire insurance

Fire insurance provides protection against damage to property caused by accidents due to fire, lightning or explosion. Fire insurance also includes damage caused due to other perils like storm, tempest or flood; burst pipes or earthquake.

8.2. Marine insurance

Marine insurance basically covers the risk areas, namely, hull, cargo and freight. The risks which these areas are exposed to are collectively known as "Perils of the Sea". These perils include theft, fire, collision etc. It is mainly classified into marine Cargo and Marine Hull. *Marine Cargo* policy provides protection to the goods loaded on a ship against all perils between the departure and arrival warehouse. *Marine Hull* policy provides protection against damage to ship caused due to the perils of the sea.

As per the Insurance Act 1938, all other types of general insurance other than fire and marine are covered under miscellaneous insurance. Some of the miscellaneous general insurance policies and their benefits are:

Medical and Health insurance - A health insurance policy pays for all the medical expenses. It gives the benefit of covering all the loved ones under one single plan avoiding financial constraints, if any. It provides cashless hospitalization to hospitals and cover pre and post hospitalization expenses. It takes care of your medical bills if you need to undergo any medical treatment.

Motor vehicle/ Auto insurance - It takes care of the cost of repairs to your motor vehicle in case of an accident and compensation for death injury etc. of third parties under Motor Vehicles Act, 1988. Insurance cover is also available for two/three wheelers.

Travel Insurance - It takes care of expenses incurred due to any unforeseen event during travel.

Pet insurance - As the name suggests it takes care of expenses incurred for policy holder's pets. For example, if the pet is ill and money needs to be spent at the vet, the insurance company takes care of payments.

Accident Insurance - It is a type of insurance enabling the policy holder to get a certain sum of money in case of bodily injury or damage due to the accident. It takes care of expenses incurred in relation to an accident.

Home Insurance - Homeowner's policies cover both individuals as well as property. In addition to the insured, those covered include his or her spouse, their relatives, and any others under 21 who are residents of the insured's household. It covers expenses incurred in the event of robbery or damage to property in case of fire, earthquake etc. Mortgage insurance is a variant of home insurance that takes care of loan or mortgage payments in the event of a contingency.

Unemployment Insurance - This type of insurance keeps one financially secure in the event of loss of employment.

Personal liability insurance - This kind of insurance is relatively new in the insurance sector.

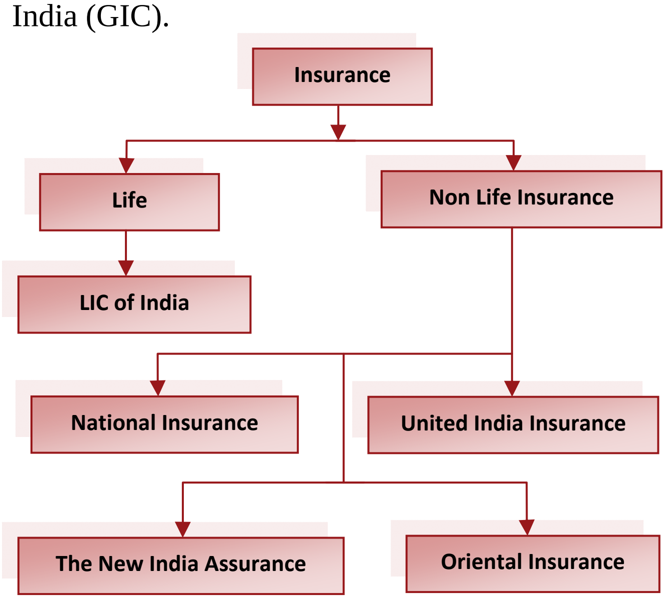
It takes care of any liability arising while conducting one's profession. Doctors, lawyers and other professionals at risk of being sued by their clients may find this type of insurance very beneficial.

Burglary Insurance policy covers property contained in business premises, stocks owned, or for which insured is responsible of. It also covers cash, valuables, securities kept in a locked safe or cash box in locked steel cupboard. It is coverage against .loss of property as the result of a burglary and theft.

Flood insurance - It is a type of Insurance that covers property damage due to natural flooding. This insurance covers building and contents damaged by water during storms or other natural flood situations.

9. Who provides Insurance?

In India, prior to liberalization Insurance protection was made available through Public sector Insurance Companies namely, Life Insurance Corporation of India (LIC) and the four subsidiaries of General Insurance Corporation of India (GIC).



After liberalization, the insurance market has opened up for private and foreign players also. There are numerous companies in the market now which are providing various life and non-life policies. Some of the Life and Non Life companies are listed below:

Life Insurance Companies of India

Tata AIG Life Insurance Company Limited	Life Insurance Corporation of India
SBI Life Insurance Co. Ltd.	Kotak Mahindra Old Mutual Life. Insurance Limited
Shriram Life Insurance Co. Ltd.	ING Vysya Life Insurance Co. Ltd.
Star Union Dai-ichi Life Insurance Company Limited	Canara HSBC Oriental Bank of Commerce Life Insurance Co. Ltd.
Sahara India Life Insurance Co. Ltd.	HDFC Standard Life Insurance Co. Ltd.
Reliance Life Insurance Company Limited	Future Generali India Life Insurance Co. Ltd.
MetLife India Insurance Co. Ltd	DLF Pramerica Life Insurance Company Ltd.
Max New York Life Insurance Co. Ltd.	ICICI Prudential Life Insurance Co. Ltd.
AEGON Religare Life Insurance Company	Birla Sun Life Insurance Co. Ltd.
IDBI Fortis Life Insurance Co. Limited	Bharti AXA Life Insurance Pvt. Ltd.
Aviva Life Insurance Co. India Pvt. Ltd.	Bajaj Allianz Life Insurance Company Limited

Source: IRDA

Non- Life Insurance Companies of India

Bajaj Allianz General Insurance Co, Ltd.	Cholamandalam M S General Insurance Co, Ltd.
United India Insurance company Ltd	ICICI Lombard General Insurance company Ltd.
IFFCO Tokio General Insurance company Ltd.	National Insurance company Ltd.
The New India Assurance company Ltd.	Universal Sompo General insurance Co. Ltd.
Future Generali India Insurance company Ltd.	TATA AIG General Insurance company Ltd.
Royal Sundaram Alliance General Insurance company Ltd.	HDFC Ergo General Insurance company Ltd.
Export Credit Guarantee Corporation of India Ltd.	The Oriental Insurance company Ltd.
Apollo DKV Insurance company Ltd.	Reliance General Insurance company Ltd.
Star Health Allied General Insurance Ltd.	Shriram General Insurance company Ltd.
Bharti AXA General Insurance company Ltd.	Raheja QBE General Insurance Company Limited

Source: IRDA

10. How to obtain an Insurance policy?

There is no fixed rule for buying insurance. It depends on an individual's need and the choice of insurer. Still there are some common things which should be taken care of before buying any insurance product. They are:

Insurance should only be bought from a licensed company: Buying life insurance involves investing an individual's hard earned money to secure future of his family. Hence before buying insurance it must be ensured that the company from which it is taken is a licensed company.

Insurance should only be taken through licensed agent/ intermediary: If not directly contacting the company but the insurance product is taken from an intermediary then it should be made sure that the agent is a licensed agent/ intermediary who is licensed to sell Life Insurance Products. The license can always be asked for before actually the policy is purchased.

Surf Internet and Check

One should research the market as well as the net, to look for the best insurance companies, and furthermore, the most suitable type of insurance that they offer. Premium quotes and proposals from various insurance companies can be taken and a comparative study can be done to know the difference in terms and benefits. Different policies offer different benefits, so one that suits the most should be chosen. Cheapest is not necessarily the best.

Understand the terms and conditions. All the necessities such as the terms and conditions as well as exclusions in the policy should be completely understood.. If necessary, applicant can ask for explanations from the insurance company.

Match policy with the need. The policy which matches the need should be chosen. Agent's recommendation should be carefully studied to make sure the policy is what one is looking for.

Check the inception date of policy. The date the insurance goes into effect may be different from the date the company issues the policy. Even the applicant can choose the date from which he wants to start the term of the policy. The date which is convenient for him to remember.

Be careful with the application. Blank proposals or application forms should never be signed. Over writings and cuttings while filling the form should always be avoided. All the information filled in the application form should be complete and correct to avoid delays or even denial of claims at a later stage.

Disclosure related to Health related particulars

Life Insurance is a contract of utmost good faith where the responsibility of disclosure of material fact lies with the buyer. All questions relating to family history and personal health should be answered with utmost care, honesty and responsibility. Any concealment or non disclosure of material facts on applicant's part could jeopardize claim.

Ensure regular premium payment. The premium should be paid regularly without fail either by cheque or money order to the insurance company and not to the agent and a receipt immediately as proof of payment should be taken.

Finally the policy should be read when it is received. Life policies generally have a 'free look' period of 15 days from the date it is received. This opportunity should be used to make sure that this is the right policy. In case the policy document contains any condition which was not explained earlier by the agent or intermediary, the applicant has the right to return it to the insurance company and ask for refund within the period.

10.1. How much insurance to be purchased?

Before buying a Life Insurance Policy it is always important to find out why it is required and for what purpose and then the most important thing is how much Life Insurance Cover is needed? There are certain factors which should be considered before buying a Life Insurance Policy. Some of the factors are annual income and annual expenses, outstanding liabilities like Home Loan, Car Loan etc, investments and savings and the type of life style and expenses on it. Number of dependants and their age should also be taken in consideration. Money that would be required in future like children's education and children's marriage expenses should not be ignored. These factors are not exhaustive but cover all the main outgoings. With this the total assets also have to be calculated and considered so that the applicant's actual financial status can be known. As' a rule of thumb when a Life Insurance policy is bought for the first time, it is suggested that the insurance cover should be at least 6 to 8 times of the person's annual income.

Now a day’s even insurers' help you calculate your exact insurance amount or it can be calculated using the life cover calculators available on net. Apart from this there are many different scientific methods available to assess the total Life Insurance Cover. The need for Insurance changes and increases with age depending on the combination of factors stated above. It is advised that one should review his Insurance needs every 3 years. Every individual is different and his needs are different and one set of rules for Insurance cannot be applied to all.

11. Conclusion

Although insurance is one of the very well known sectors still there are very few people insured in India even today and thus they constitute a huge unexplored potential market. The cause is that people even today are not aware about the concept of insurance. Hence there is need to educate people about the necessity of taking Life Insurance and thus increase the number of people who have Life Cover.

Insurance companies will have to take initiative in educating people about the benefits of taking insurance and also they should come with more innovative and flexible plans so that the people are encouraged to take policies. The people should be more aware about their needs then only they will take a suitable policy. Even if they are aware of the policy, they should understand the fact of why they are insured and should try to understand its essence.

They should not feel insurance as a blockage of money and hence should be offered certain unique policies satisfying their needs.

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Insurance or Investment? Calling a spade a spade

By :

Dr. Shashidharan Kutty

Insurance or Investment – the turf war on ULIPs (Unit Linked Insurance Products) is finally out in the open. On 9th April, SEBI the Capital markets regulator clapped a ban on their sale by fourteen life insurers, arguing that ULIPs fell within its purview of regulation and could be sold only with its permission. Insurance Regulator IRDA asked insurers to ignore the ban. IRDA could not have done otherwise. With ULIPs accounting for over 85% of private sector premiums their ban would have brought the industry to a standstill. 'Business as usual' goes on for now but the matter is far from settled.

The ULIP question brings into sharp focus the issue of what Life Insurance Business is really all about. Technically ULIPs are allowed as part of Insurance in India under section 2 (ii) of the Insurance Act. For nearly a decade, Indian life insurers positioned and sold them as a combination of insurance and investments. While differentiating them from other Mutual funds, IRDA had some time back offered the following clarification: To qualify as insurance it was deemed necessary to have a lock in period of minimum three years, a minimum maturity term of five years and a minimum death benefit amounting to 125 % of the single premium. This raises a curious question: If a mutual fund offer had a 3 year lock in period and offered term insurance cover [it costs about Rs 134 to give a cover of one lakh to a thirty year old] can it be termed as an 'Insurance Linked Fund' and qualify for all the privileges accorded to life insurers? Again, can we say that an Insurance company whose premium proceeds are invested heavily in capital market securities (bonds and stocks) has no exposure to market and investment risks? It is true that, in India, a major part of premiums of traditional policies are placed in Government securities and capital market exposure is limited. But this is not the position in developed markets like US and UK, where life insurance investments are substantially in corporate bonds and stocks. What does it make them – Insurers or Investment Institutions?

Clearly there is more to the question than just lock in period or linkage with some death cover or exposure to capital markets. To understand how Insurance and investment vehicles are different we must delve into the fundamental principles underlying each.

Insurance may be defined as *Risk Transfer through Risk Pooling*. Its essence lies in the application of Mutuality [or pooling] to reduce both mortality and investment risk. Death becomes easier to bear because losses to the unfortunate few who die are compensated from the pooled premium contributions of many.

But mutuality does much more than this. It has a much bigger role in reducing Investment risk. This is achieved in more than one way.

First of all there is the Pooled Fund. Its individual components may earn different returns with varying degrees of risk, depending on where and when each component is invested. A policyholder, however, does not get what the individual components earns, but the return of the pooled investments as a whole at any point of time. This is an average of the individual returns.

Apart from averaging at a point of time [achieved through cross sectional pooling], insurance also implies a smoothing out of investment returns over time and across generations [via inter temporal pooling]. The classic example of this is the Uniform Reversionary Bonus Mechanism that works in traditional with profit insurance policies. Bonus, under this mechanism, arises from surplus declared during a valuation. Even if an insurer earns exceptional returns in a certain year enabling it to pay higher bonuses or dividends, it may still look at whether such bonus could be maintained in future years. Bonus rates may increase over time as the value of investments rise but the increase is graduated. There is thus a Predictability of Returns.

Mutual funds are also made up of pools of funds to begin with – individual investments are parcelled into bigger lumps, thus making it possible for small investors to enjoy the benefits of a portfolio of higher priced securities. But there the similarity ends. Mutual Funds work on two core principles – ***Portfolio Diversification and Unitisation***. Diversification [putting one's eggs in different baskets] enables an asset manager to balance poor returns of certain individual investments [termed as unsystematic risk] with superior returns of others. Unitisation, as the name implies, involves dividing an investor's outlay into smaller investment units. Each set of units is then invested. Benefits accrued to the investor depend on the net asset value [its appreciation / depreciation] of each unit. Unitisation, we may observe, is the opposite of Pooling. It calls for having a separate fund for each investor. Both returns and risk are individualised.

How does all this matter to the customer? Both insurance and Mutual funds are investments and may gain from performance of the capital market. The difference lies in how these gains are passed on to the customer – in the first case, it is more indirect while in the second, it is direct. Consequently the two play very different roles in a customer's portfolio of financial assets. Investing in a mutual fund is less risky than putting one's money in just one or two stocks. Diversification helps to eliminate unsystematic risk – the prospect of one's money going up in smoke if that one or two stocks went bust. Mutual funds cannot help you though, if the market as a whole took a nosedive [what we call systematic risk]. People who hold money to meet longer term needs – like education and marriage planning of their wards, or retirement funds – can benefit by investing in mutual funds and shares. They can accumulate wealth faster - or, they may not. To protect one's portfolio from being ravaged by a market meltdown, one needs to include assets that have little correlation with the market. This is where the power of mutuality [insurance] comes in. It is one of the few investment vehicles that help to address both unsystematic and systematic risk.

So where does all this leave ULIPs? These products have been around in the global scene for nearly four decades and contain elements of all three principles viz., Mutuality (Pooling), Unitisation and Diversification, albeit in varying degrees. Some versions have a near total retreat from mutuality with the product almost a mutual fund. But there are other versions [like Unitised With Profit Endowments] where benefits are defined in terms of value of units allocated but the unit values are decided by the company and are not automatically linked to actual value of underlying investments. Mutuality comes into play here, enabling the insurer to increase predictability and reduce volatility of returns.

The ULIP debate is a wake up call to revisit the fundamentals of both life insurance and investment business. Failure to regulate with an eye on the basics has brought grief to many a market – the United States, being a case in point. Development of the life insurance market urgently calls for rediscovering the immense power and potential of the pooling principle, in combination with others. If only life insurers were to open their eyes and look a little more closely at their own domain…!

(Dr. Shashidharan Kutty, Director of AICAR Business School, is one of the few PhDs in Life Insurance in India. He is the author of 'Managing Life Insurance', a reference work for insurance professionals.)

"ग्रामीण बीमा वितरण प्रणाली में नवप्रवर्तन"

- प्रमोद कुमार वर्मा*
- डॉ. एस. एन. झा**

भारत के ग्रामीण क्षेत्रों में बीमा वितरण की समस्या का सामना बीमा कम्पनियों द्वारा शुरू से किया जा रहा है। शहरों में मजबूत आधारभूत संरचना के कारण बीमापत्र का वितरण आरम्भ से ही कुशल रहा किन्तु जब भी ग्रामीण परिक्षेत्र के विषय में बात आती है तो इसकी शुरू से उपेक्षा की गयी। आर्थिक जगत के विद्वानों ने हमेशा कहा है कि, "ग्रामीण क्षेत्रों पर विशेष ध्यान देने की आवश्यकता है किन्तु अभी तक दूसरे देशों की तुलना में हमारा गाँव पीछे रहा है।" भारत जहाँ पाँच हजार से अधिक शहर तथा छः लाख से भी अधिक गाँव है।[1] इन गाँवों में रहने वाली जनसंख्या के समूह में भी अन्तर है। शहर से जुड़े या शहर के निकट गाँवों में ही परिवहन, बिजली, संचार, बैंक, डाकघर, चिकित्सा, सुविधा, पेयजल उपलब्ध है किन्तु वे गाँव जो शहरों से दूर हैं उन तक पहुँचने के लिए पर्याप्त आधारभूत संरचना भी नहीं है। संक्षेप में कहा जाए तो ग्रामीण क्षेत्रों में आधारभूत संरचना की कमी के कारण बीमा कम्पनियाँ बीमापत्र सम्बन्धी सेवाओं को सभी गाँवों तक नहीं पहुँच पा रही है।[2] बीमा विनियामक एवं विकास प्राधिकरण की स्थापना के बाद बीमा क्षेत्र में क्रान्तिकारी परिवर्तन देखने को मिला। अब बीमा कम्पनियाँ भी समझने लगी हैं कि गाँवों के बाजार तक पहुँचे बिना वे शहरी बीमा बाजार पर कब तक आश्रित रह सकते हैं। बीमादाताओं द्वारा गाँवों में विवरण के लिए नवप्रवर्तित माध्यमों के अपनाया जा रहा है।

प्रस्तुत अध्ययन को छः खण्डों में विभाजित किया गया है जो क्रमशः पहला– नवप्रवर्तित वितरण प्रणाली हेतु विपणकर्ताओं का मत तथा अर्थ; तीसरा– परम्परागत वितरण प्रणाली का अर्थ; तीसरा– परम्परागत वितरण प्रणाली का नवप्रवर्तित वितरण में भूमिका; चौथा– नवप्रवर्तित वितरण प्रणाली के कार्य; पाँचवा– ग्रामीण वितरण प्रणाली का प्रवाह तथा छटा– ग्रामीण क्षेत्र में नवप्रवर्तित वितरण प्रणाली की सम्भावना।

नवप्रवर्तित वितरण प्रणाली हेतु विपणनकर्ताओं के मत तथा अर्थ

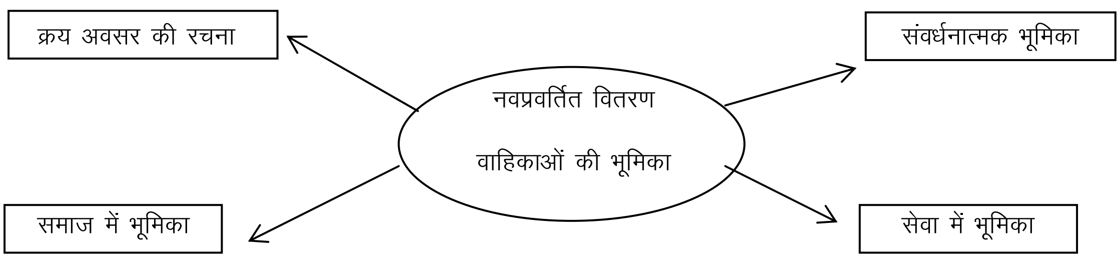
ग्रामीणों तक पहुंचने के लिए भारतीय बीमादाताओं द्वारा अपने पारम्परिक वितरण प्रणाली के बजाय नवप्रवर्तित वितरण प्रणाली का प्रयोग किया जा रहा हैं। पारम्परिक वितरण प्रणाली अभिकर्ता केन्द्रीत था जबकि नवप्रवर्तित वितरण प्रणाली में बीमादाता अनेक प्रकार के प्रत्यक्ष एवं अप्रत्यक्ष वितरण प्रणाली का प्रयोग कर रहे हैं। मैक्स न्यूयार्क लाइफ इंश्योरेंस के मार्केटिंग प्रमुख अनीषा मोटवानी का कहना है कि निजी कम्पनियों के साथ विश्वास का मुद्दा है। इसलिए यह जरूरी हो जाता है कि वे स्थानीय स्तर पर सामुदायिक कार्यक्रम के साथ जुड़े। मैक्स न्यूयार्क इसके साथ ही कुछ स्कूलों के साथ बेहतरीन छात्र के लिए ट्राफी प्रायोजित करने के लिए बातचीत भी कर रही है।[3] आई.सी.आई.सी.आई. प्रूडेंशियल लाइफ इंश्योरेंस उपभोक्ताओं को शिक्षित करने के लिए नुक्कड़ नाटकों की मदद ले रही है इसके साथ–साथ कम्पनी राज्य ई– प्रशासन परियोजनाओं जैसे–एपी–आनलाइन डाटकाम (आन्ध्र प्रदेश) और ई–मित्र डाटकाम (राजस्थान) के साथ साझेदारी कर ग्राहकों को उनके बूथ में ही नीतियों का पुनरीकरण करने की सुविधा दे रही है। इसके साथ कम्पनी सुविधा इन्फोसर्व के साथ मिलकर पॉलिसीधारकों को सुविधा के 3500 स्टोरों पर अपने प्रीमियम का भुगतान करने की सुविधा दी है।[4] ये सभी उदाहरण बीमा क्षेत्र में नवप्रवर्तित वितरण प्रणालियों के हैं जिसके माध्यम से बीमादाता ग्रामीणों एवं शहरी, दोनों, उपभोक्ताओं तक पहुँचने का प्रयास कर रहे हैं। **नवप्रवर्तित वितरण प्रणाली का सम्बन्ध बीमापत्र को नये रास्तों द्वारा सम्भावित बीमा धारकों तक पहुंचना। नव प्रवर्तित वितरण प्रणाली का सम्बन्ध बीमापत्र को नये रास्तों, माध्यमों, बाहिकाओं से हैं।**[5] विपणन विद्वान **प्रो. मैकार्थी** ने वितरण को तीस वर्ष पूर्व इस प्रकार स्पष्ट किया," उत्पादन से उपभोक्ता तक उन संस्थाओं का

कोई भी क्रम जिससें मध्यस्थ या तो बिल्कुल नहीं हो अथवा कितनी भी संख्या में हो सकते हैं।[6] यह कथन आज भारतीय बीमा परिवेश के लिए नवप्रवर्तित वितरण प्रणाली हेतु बिल्कुल सही बैठता है। इस कथन को वस्तुओं एवं सेवाओं दोनों के लिए लागू किया जा सकता है। आगे इस अध्ययन के क्रम में परम्परागत वितरण प्रणाली को नवप्रवर्तन वितरण प्रणाली में भूमिका को उल्लिखित किया गया है।

परम्परागत वितरण प्रणाली का नवप्रवर्तन वितरण प्रणाली में भूमिका

विपणन रणनीतिक **'जान ओ शैगनैशी'** ने वितरण वाहिकाओं की भूमिका को मुख्य चार बिन्दुओं द्वारा प्रकट किया है; संवर्धनात्मक भूमिका, सेवा में भूमिका, क्रय अवसर की रचना तथा समाज में भूमिका जिसकों चित्र संख्या–1 द्वारा प्रकट किया गया है।[7]

चित्र संख्या 1



नवप्रवर्तित वितरण वाहिकाओं में इनको सम्मिलित करके बीमा कम्पनियाँ अपने वितरण वाहिकाओं के माध्यम से उपभोक्ता को सुरक्षा, आवश्यकता एवं मूल्यों की पूर्ति कर सकती है। **प्रो. फिलिप कोटलर** ने वितरण प्रणाली के विकास द्वारा इसकी भूमिका को प्रकट किया। इनका कहना है कि एक (बीमा) कम्पनी के व्यवसाय आरम्भ करते समय अधिक विनियोग की आवश्यकता होती है तथा आरम्भ में इसके आय भी कम होतें हैं। इस अन्तर को कम करने के लिए (बीमा) कम्पनी उपलब्ध वितरण मध्यस्थ जो (गाँवों में) उपलब्ध है, उसके साथ गठबंधन करके उस (ग्रामीण) बाजार में प्रवेश करना आसान हो जाता है इस अवस्था में सबसे अच्छी वाहिका का चुनाव करना समस्या नही है, बल्कि समस्या यह है कि वह उत्पाद (बीमापत्रों) को सुविधा जनक ढंग से (ग्रामीणों) उपभोक्ताओं तक उपलब्ध हो रहा है या नहीं।[8] कुछ लोग वितरण वाहिका को नेटवर्क (संजाल) मानते है। नेटकवर्क के मूल्य ; टंसनमद्ध को इस प्रकार समझा जा सकता है। बीमा कम्पनियों को सबसे पहले लक्ष्य बाजार के बारे में सोचना चाहिए, इसके बाद उस बाजार तक पहुंचने हेतु आपूर्ति श्रृंखला का निर्माण करना चाहिए। जिसे आपूर्ति श्रृंखला योजना कहा जाता है। "डान साल्टन" ने कहा है कि माँग श्रृंखला प्रबन्ध दृष्टिकोण वस्तुओं (बीमापत्रों) को प्रणाली द्वारा नहीं ढ़केलती बल्कि इस बात पर जोर देती है कि ग्राहक किस प्रकार समस्या का समाधान चाहता है न कि मध्यस्थ कौन सा (बीमापत्र) वस्तु ग्राहक को बेचते हैं। 'साल्टन' ने परम्परागत चार पी (उत्पाद, मूल्य, स्थान तथा संवर्धन) के बजाय नेटवर्क (संजाल) के निर्माण हेतु समाधान, (Solution) सूचना, (Information) मूल्य, ;टंसनमद्ध तथा पहुंच ;ब्बमेद्ध का सुझाव दिया है।[9] एक कम्पनी मुख्य रूप से मूल्य नेटवर्क को एक साझेदारी एवं सहयोग प्रणाली के रूप में, कम्पनी में साधन वृद्धि तथा प्रस्ताव की सुपुर्दगी की रचना करती है, आगे नवप्रर्वतन वितरण प्रणाली के कार्यों को ग्रामीण बीमा पत्र वितरण के सम्बन्ध में ध्यान में रखकर प्रस्तुत किया गया है।

नवप्रवर्तन वितरण प्रणाली का ग्रामीण बीमापत्र वितरण हेतु कार्य

जिस प्रकार पारम्परिक वितरण प्रणाली की भूमिका को नवप्रवर्तन में शामिल किया जाता है। यदि किसी भी वितरण प्रणाली या वाहिकाओं में इसकी भूमिका को अनदेखा किया गया, तो वह वितरण प्रणाली अपने मूल्यों को अधिक समय तक जिन्दा नहीं रख सकती। नवप्रवर्तित वितरण प्रणाली की भूमिका के

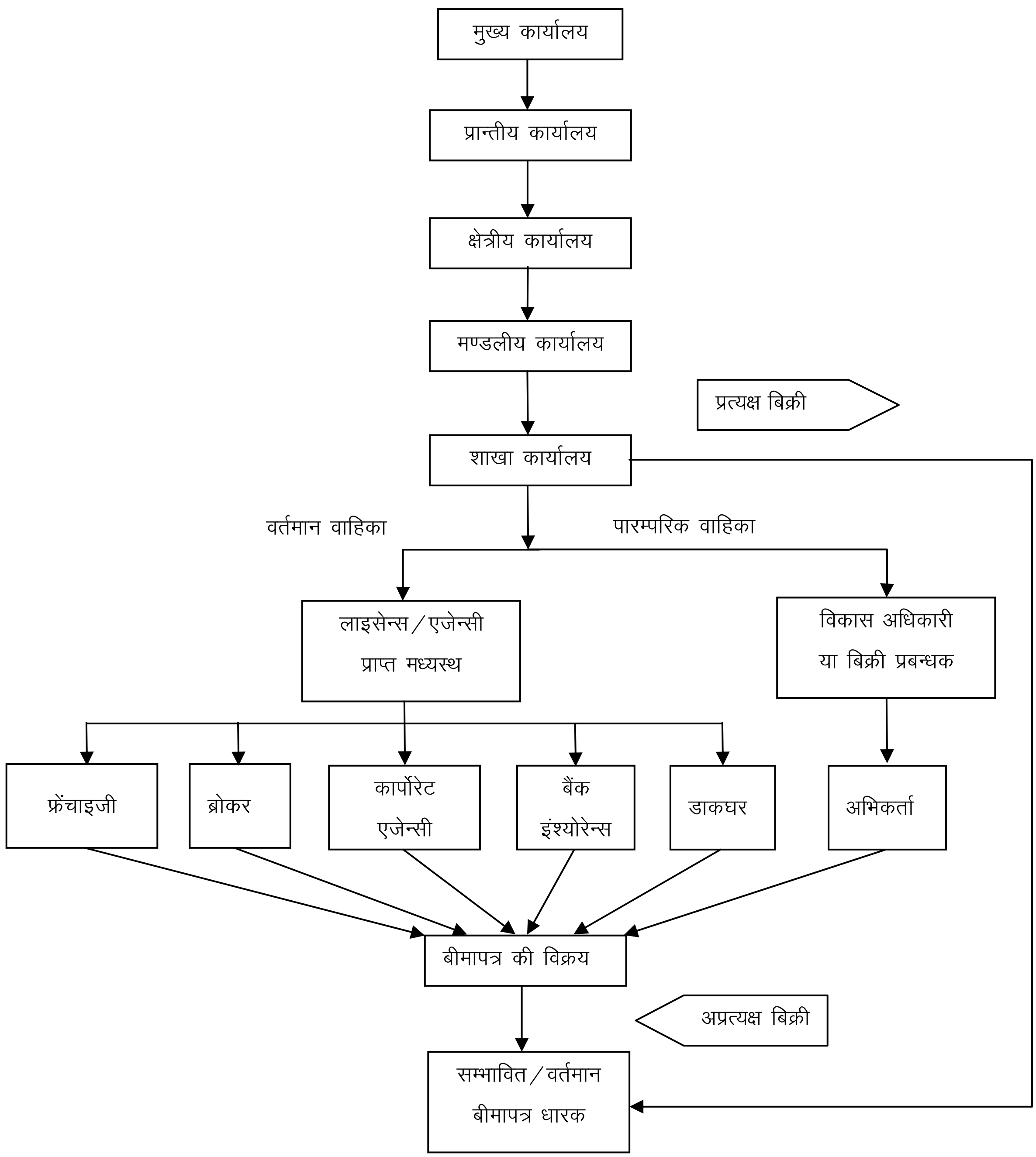
कारण ही इसके कार्यों का महत्व, विशेष रूप से ग्रामीणों एवं शहरी उपभोगक्ताओं के लिए बढ़ जाता है जो इस प्रकार है–

सूचना – सम्भावित ग्राहकों के बारे में विपणन शोध, द्वारा आवश्यक सूचनाएं एकत्र करना तथा उन सूचनाओं के आधार पर उनकी आवश्यकता की पूर्ति करना। **जोखिम लेना** – मध्यस्थ का कार्य ग्रामीणों की विशेष रूप से आवश्यक बीमापत्र उपलब्ध कराकर उनकी सहन करने योग्य जोखिम को सामूहों में बंटवारा करना। **वित्त** – ग्राहकों (बीमा धारकों) से प्राप्त प्रीमियम पर आवश्यक प्रत्यय वापस करने एवं क्षतिपूर्ति हेतु उनके धन को सही जगह विनियोजित करना। **सम्पर्क** – सम्भावित ग्राहकों से बीमापत्रों का क्रय–विक्रय हेतु सम्पर्क करना। **संवर्धन** – मध्यस्थों का सबसे महत्वपूर्ण कार्य बीमापत्रों का संवर्धन करना, क्योंकि संवर्धनात्मक क्रियाओं द्वारा ग्रामीण बीमा पत्र के लिए जागरूक करना। **वितरण बनाये रखना** – वितरण प्रणाली से सम्बन्धित सदस्यों एवं मध्यस्थों का मुख्य कार्य बीमाधारकों का विश्वास बीमादाता पर बनाये रखना इसके लिए बीमादाताओं को बीमा की सभी रेखाओं की पूर्ति ग्राहकों तक पहुंचना चाहिए।[10] नवप्रवर्तित वितरण प्रणाली के कार्यों के बाद आगे ग्रामीण बीमा प्रणाली के प्रवाह को उल्लिखित किया गया है।

ग्रामीण बीमा वितरण प्रणाली का प्रवाह

ग्रामीण बीमा वितरण प्रणाली के प्रवाह के माध्यम से ही बीमादाता बीमापत्रों को उपभोक्ताओं तक पहुंचाने में सफल रहते हैं इसे नवप्रवर्तित वितरण प्रणाली के प्रवाह के रूप में समझा जाना आवश्यक है। वितरण प्रणाली द्वारा बीमापत्र का प्रवाह किस प्रकार से बीमा कम्पनी के मुख्य कार्यालय से अन्तिम उपभोक्ता तक पहुंचता है, के सम्बन्ध में वर्णन किया गया है वितरण वाहिका में शामिल सदस्य या मध्यस्थ कई प्रकार के कार्यों का निष्पादन करते हैं। कुछ वितरण वाहिका के कार्यों का प्रवाह अग्रगामी– जो बीमा कम्पनी से अन्तिम ग्राहक तक होता है तथा कुछ दूसरे क्रियाओं का प्रवाह पश्चगामी– ग्राहकों से बीमा कम्पनी की ओर होता है।[11] सूचना, वित्त, जोखिम एवं सेवा का प्रवाह दोनों ओर से होता है। बीमा क्षेत्र में संवर्धनात्मक क्रियाएं बीमा कम्पनी से अन्तिम ग्राहक की ओर होता है।[12] ग्रामीण एवं शहरी बीमा बाजार में वितरण हेतु मुख्य रणनीति बीमादाता के मुख्य कार्यालय से ही बनायी जाती है। बीमा पत्रों के लिए वितरण–वाहिका में मुख्य कार्यालय, प्रान्तीय कार्यालय, क्षेत्रीय कार्यालय, मण्डलीय कार्यालय तथा शाखा कार्यालय विशेष रूप से मिलकर वाहिका प्रवाह का निर्माण करते हैं। शाखा कार्यालय स्तर पर ही बीमाकर्ता मध्यस्थों को जो बीमा विनियामक एवं विकास प्राधिकरण द्वारा लाइसेंस प्राप्त होते हैं, नियुक्त करता है– इन मध्यस्थों में कार्पोरेट एजेण्ट, ब्रोकर, फ्रेंचाइजी, बैंक, डाकघर या कोई अन्य सदस्य हो सकते हैं इनको बीमाकर्ता द्वारा नियुक्त किये जाते हैं। शाखा कार्यालय में बीमाकर्ता के स्वयं नियुक्त किये विकास अधिकारी या बिक्री प्रबन्धक होते हैं जिसके अन्तर्गत अभिकर्ता बीमापत्र की सम्भावित या वर्तमान बीमाधारकों को करते हैं। इन सभी द्वारा किये गये बीमापत्रों की बिक्री को अप्रत्यक्ष बिक्री कहते हैं। जिन बीमाकर्ता के बीमा कार्यालय द्वारा प्रत्यक्ष रूप से सम्भावित या वर्तमान बीमाधारक को बीमापत्रों की बिक्री की जाती है उसे प्रत्यक्ष बिक्री कहते हैं।[13] बीमा विवरण वाहिक को अधिक स्पष्ट ढंग से चित्र संख्या–2 द्वारा प्रकट किया गया है। इस अध्ययन के अन्तिम पड़ाव में ग्रामीण क्षेत्रों में नवप्रवर्तित वितरण प्रणाली की सम्भावना को प्रदर्शित किया गया है।

चित्र संख्या 2



Source : Compiled from different sources

ग्रामीण क्षेत्रों में नवप्रवर्तित वितरण प्रणाली की सम्भावना

यदि बीमा वितरण वाहिकाओं या मध्यस्थों को भारतीय परिदृश्य में देखें तो इसको तीन प्रमुख चरणों में बाँटा जा सकता है। प्रथम– परम्परागत वितरण प्रणाली। द्वितीय– वर्तमान वितरण प्रणाली तथा तृतीय– भविष्य में अपनाये जाने वाली नवप्रवर्तित वितरण प्रणाली जिसकों चित्र संख्या– 3 द्वारा चित्रांकित किया गया है। जिसे ग्रामीण बीमापत्रों के वितरण हेतु अपनाया जा सकता है।

चित्र संख्या 3

अभिकर्ता — परम्परागत वितरण प्रणाली (मध्यस्थ)

फ्रेंचाइजी	कार्पोरेट एजेण्ट	ब्रोकर	बैंक इंश्योरेंस	डाकघर	अन्य मध्यस्थ

⟷ वर्तमान वितरण प्रणाली

परम्परागत एवं वर्तमान प्रणाली को शामिल करते हैं।	पंचायत	ग्रामीण विकास बैंक	स्थानीय संगठन	आंगन बाड़ी	गैर सरकारी संगठन	मेला या हाट में गुमती	स्थानीय त्योहार या विशेष त्योहार
वाहक ड्रामा द्वारा	मोबाइल बैन	स्थानीय चिकित्सालय द्वारा	इण्टरनेट	स्वयं सहायता समूह	खुदरा विन्यास	सेटेलाइट वितरण प्रणाली	सिंडीकेट वितरण अन्य

⟷ नवप्रवर्तित वितरण प्रणाली

ग्रामीण बाजार में वितरण वाहिकाओं के माध्यम से पहुंचने हेतु बीमादाताओं को परम्परागत एवं वर्तमान वितरण प्रणाली को अपनाने के साथ–साथ ग्रामीण परिवेश की आवश्यकतानुसार उपलब्ध कई वितरण वाहिकाओं में से उपयुक्त का चुनाव या गठबंधन बीमा कम्पनियों को अपने साधनों एवं क्षमताओं को ध्यान में रखकर इनको अपना सकती है। नव प्रवर्तित वितरण प्रणाली ग्रामीण क्षेत्रों में बीमापत्रों के वितरण में महत्वपूर्ण भूमिका अदा करती आयी है, क्योंकि इसके पीछे मुख्य कारण है, ग्रामीण क्षेत्रों में उपलब्ध व्यक्तियों और संस्थाओं में से ही किसी को वितरण मध्यस्थ बनाने से क्योंकि ग्रामीण उपभोक्ता इन पर आसानी से विश्वास करते हैं। चित्र संख्या– 3 में दिये नवप्रवर्तित वितरण प्रणाली के उपलब्ध वितरण मध्यस्थों या वाहिकाओं को अपनाकर, बीमा कम्पनियाँ अपने ग्रामीण बाजार के विस्तार के लक्ष्य की पूर्ति कर सकते हैं। नवप्रवर्तित वितरण प्रणाली में इन सभी को बीमादाता, भौतिक वितरण प्रणाली के साथ ग्रामीण उपभोक्ताओं तक बीमा पत्र को पहुंचा सकते हैं। डाबर के मुख्य कार्यधिकारी "सुनील दुग्गल" का कहना है कि जहाँ भारत रहता है वहाँ उपभोक्ता सम्पर्क बढ़ाने के लिए सीधे लोगों से जुड़ना ही एकमात्र रास्ता है। उनका कहना है "हमें अहसास हुआ है कि हमें पारम्परिक वितरण से आगे बढ़ने की जरूरत है।"[14] आई.टी.सी. के कृषि कारोबार विभाग के मुख्य कार्याधिकारी एस शिवकुमार मानते हैं "ग्रामीण भारत में मार्केटिंग छोटी–छोटी गतिविधियों के जरिये होनी चाहिए, बेहतर सम्पर्क और कम लागत के चलते स्थानीय वितरकों के साथ मिलकर इन्हें किया जा सकता है, क्योंकि गाँव एक ही तरह का विभक्त नहीं है। इन सभी कार्याधिकारियों का कहने का अर्थ ही नवप्रवर्तित वितरण प्रणाली को अपनाना है इन नवप्रवर्तित वितरण प्रणाली को अपनाकर ही बीमा कम्पनियां ग्रामीण बाजार का विस्तार कर सकती हैं।

वैश्विक प्रतिस्पर्धा युग में आज भारत के पास ग्रामीणों के सभी प्रकार के जोखिमों से सुरक्षा प्रदान करने के लिए बीमा पत्र उपलब्ध है किन्तु वितरण की उपयुक्त प्रणाली के चुनाव के अभाव के कारण सही बीमापत्र सही व्यक्तियों तक नहीं पहुंच पा रहा है इन सभी के लिए नवप्रवर्तित वितरण प्रणाली एक प्रकाश स्तम्भ के रूप में कार्य कर सकती है।

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Photo Flashes

Insurance Institute's New Building at Bandra Kurla Complex, Mumbai Inaugurated on 8th June 2010

PHOTO FLASHES
of Inauguration

Hon. Fin. Minister welcomed by
Hon. Chief Minister Shri Ashok Chavan

Bouquet presented to Shri. T. S. Vijayan,
Chairman LIC of India

Hon. Fin. Minister Shri Pranab Mukherjee
Lighting the Traditional Lamp

Shri M. Ramadoss, President, I. I. I.
Lighting the Traditional Lamp

Plaque unveiling by
Hon. Fin. Minister Shri Pranab Mukherjee

Dignitaries on Dais

Hon. Fin. Minister Shri Pranab Mukherjee delivering speech

Unveiling Brochure of I. I. I. by Hon. Fin. Minister

Memento presented to Hon. Chief Minister Shri Ashok Chavan by President, I. I. I.

Memento presented to Mr. R. Gopalan, Secretary, Finance GOI by President, I. I. I.

Memento presented to Mr. J. Hari Narayan by President, I. I. I.

National Anthem

PHOTO FLASHES

Farewell Function of Shri S. J. Gidwani

Bouquet Presented to Shri S. J. Gidwani by Shri S. Shrivastva

Shawl presented to Shri S. J. Gidwani by Shri Sharad Shrivastva

Memento presented to Shri. S. J. Gidwani by Shri S. Shrivastva

Standing Ovation given to Shri S. J. Gidwani

Bouquet Presented to Shri T. S. V. Subramanian by Mumbai I.I.

Shri S. J. Gidwani with I. I. I. Staff

S. J. Gidwani with I. I. I. Staff

S. J. Gidwani with I. I. I. Staff

PHOTO FLASHES
Conucil Meeting at Lucknow

Mr. M. Ramadoss, President I. I. I.
lights traditional lamp

Mr. Ramadoss, President I. I. I.
Welcomed by Mr. S. K. Roy, Zonal Manager, North Central Zone, LIC of India

Mr. S. Shrivastva welcomed by the Chairman, Lucknow I. I.

Dignitaries on the Dais

Mr. Ramadoss, President delivers the address

Mr. Sharad Shrivastva, Secretary General addresses

View of the Audience

View of the Audience

Souvenir Published by Lucknow I. I.
being released by President

Memento presented to the President by
Vice Chairman, Lucknow I.I.

Cultural Programme

Cultural Programme

PHOTO FLASHES
Seminar on Health Care Management

Mr. M. Ramadoss, President III,
lights traditional Lamp

Sri. M. Ramadoss, President,
Insurance Institute of India delivers his Inaugural speech

Secretary General Shri. Sharad Srivastava,
lighting the lamp

Shri. Sharad Srivastava, Secretary General,
Insurance Institute of India, delivering his speech

Welcome address by
Sri Sujith Das, President Insurance Society

Dignitaries on the dais from right Mr. S. Dev Roy, Mr. S. Srivastava, Mr. M. Ramadoss, Mr. Sujit Das

Shri. P.C. James covering his topics

Dr. Abhijit Kar, delivering his lecture

Vote of thanks by Shri. Samir Chatterjee, Hon. General Secretary III

A section of audience

PHOTO FLASHES
Diploma Awarding Ceremony and Prize Distribution Function

Welcoming Shri. B. P. Lavania, Chairman
by Shri. Sharad Srivastava, Secretary General

Secretary General and the Chairman,
Insurance Institute of India, awarding the Diploma

Diploma Awarding Ceremony and Prize Distribution
- A view of the audience

EXAMINATION TIME-TABLE NOVEMBER–2010

MORNING 9.30 A.M. TO 12.30 P.M. / AFTERNOON 2.00 P.M. TO 5.00 P.M.

Sunday, 24th October,2010
Morning

Sub. No.	Subject Title	Examination
01	Principles of Insurance **(9.30 A.M. TO 11.30 A.M.)**	Licentiate - Life & Non-Life Actuarial Science Examination (N.L.)
21	Information Technology	Associateship - Life & Non-Life
31	Insurance Salesmanship	CIS – Life & Non-Life
88	Marketing & Public Relations	Fellowship - Life & Non-Life
S01	Principles & Practice of General Insurance & Survey and Loss Assessment	Surveyors Examination

Sunday, 24th October,2010
Afternoon

12	Insurance Business Environment **(2.00 P.M. TO 4.00 P.M.)**	Licentiate – Life & Non-Life
14	Regulation of Insurance Business **(2.00 P.M. TO 4.00 P.M.)**	Licentiate – Life & Non-Life
30	Practice of Life Assurance	CIS – Life
32	Practice of General Insurance	CIS - Non Life
26	Life Assurance Finance	Associateship – Life
56	Fire Insurance Claims	Associateship – Fire
66	Marine Insurance Claims	Associateship – Marine
77	Engineering Insurance	Associateship – Miscellaneous
78	Miscellaneous Insurance	Associateship – General
89	Management Accounting	Fellowship - Life & Non-Life -optional
97	Legal Aspects of Industrial Relations	Fellowship - Life & Non-Life -optional
98	Advanced Information Technology	Fellowship - Life & Non-life -optional
99	Asset Management	Fellowship - Life & Non-life -optional
S06	Motor Insurance	Surveyors Examination
A-1	Foundations of Casualty Actuarial Science	Actuarial Science Examination (N.L.)

MORNING 9.30 A.M. TO 12.30 P.M. / AFTERNOON 2.00 P.M. TO 5.00 P.M.

Sunday, 31st October,2010
Morning

Sub. No.	Subject Title	Examination
11	Practice of General Insurance **(9.30 A.M. TO 11.30 A.M.)**	Licentiate - Non-Life
23	Application of Life Assurance	Associateship – Life
52	General Fire Hazards	Associateship – Fire
62	Commercial Geography	Associateship – Marine
72	Motor Insurance	Associateship – Miscellaneous/General
82	Statistics	Fellowship – Life
86	Risk Management	Fellowship – Non-Life
S05	Engineering Insurance	Surveyors Examination

Sunday, 31st October,2010
Afternoon

02	Practice of Life Assurance (**2.00 P.M. TO 4.00 P.M.)**	Licentiate – Life
25	Life Assurance Management	Associateship – Life
54	Fire Insurance Underwriting	Associateship – Fire
63	Marine Clauses	Associateship – Marine
73	Personal Accident, Sickness & Misc.Insurance	Associateship – Miscellaneous
79	Liability and Engineering Insurance	Associateship – General
90	Human Resource Management	Fellowship – Life & Non-Life
S07	Miscellaneous Insurance	Surveyors Examination
A-2	Foundations of Casualty Actuarial Science	Actuarial Science Examination (N.L.)

Contribution of Articles

The Institute invites original and quality oriented articles from the members of Local Associated Institutes on 'Insurance' and Allied Subjects for publication in the Journal. The Articles may be sent by email to journal@iii.org.in with a brief bio-data of the author giving his/her official position with Office Address, Telephone No., Office/Residence/Mobile (indicating his/her membership No. of the Institute). A suitable honorarium will be paid for the articles which have been published in the Journal.

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	President	Shri M. Ramadoss

I, Shri Sharad Shrivastva, hereby declare that the particulars given above are true to the best of my knowledge and belief.

Date : 30st June, 2010

Sd/-

SHARAD SHRIVASTVA
Signature of Publisher