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भारतीय बीमा संस्थान का

दि जर्नल
THE JOURNAL
OF INSURANCE INSTITUTE OF INDIA

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INSURANCE INSTITUTE OF INDIA

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NEW HEAD QUARTERS OF THE INSURANCE INSTITUTE OF INDIA AT BANDRA-KURLA COMPLEX (MUMBAI)

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EDITORIAL

The ultimate objective of de-tariffing, was the removal of the straitjacket of premium rating system and the prescribed mandatory policy wordings, to ensure meaningful customer service.

The premium rates are statutorily required to be directly related to the hazards involved and be fair, equitable and non discriminatory. File and use Guidelines permit insurers to formulate their own policy coverages subject to the requisites of clarity of language, definition of common terminology, logical sequence of policy conditions, etc. for easier comprehension by the customer.

According to IRDA Annual Reports, life products were 55 and 168 and non-life products were 52and 123 in the financial years 2005-06 and 2007-08 respectively filed with IRDA for approval. The total number of products, if previous years' figures are added, is estimated to exceed 500.

The multiplicity of products poses a problem for selection of subjects and the formulation of syllabus therein to fit into the examination framework of the Insurance Institute of India. At one point of time, the British insurance market comprised both Tariff and non-Tariff companies and the Chartered Insurance Institute study courses dealt with the problem of multiple products in a generic fashion identifying common features and major variations of coverages. In India, before nationalization of general insurance there were 100 plus companies with their own policy forms in 30% of business remaining 70% being tariff had common wordings. Non-tariff coverages were dealt with in a generic fashion.

Creative and generic approach seems to be the mantra for the overall of the examination system. This column makes a few suggestions so that readers of the Journal may, in the various segments of insurance (both life and non-life) make their contributions.

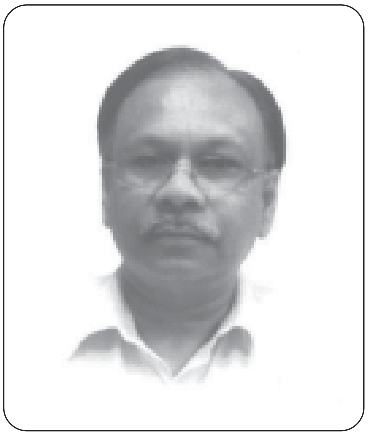
The Institute is seized of this marathon project which requires for its successful completion cooperation and technical support from IRDA, Life and General Insurance Councils, Brokers Association etc.

The first task in this exercise may be to reduce the approved policy forms to a common denominator in life, fire, marine and miscellaneous streams of study currently adopted for the examination. The multiple terminology of titles of policies may be replaced by generic titles. Riders, add-on cover any special feature may be grouped together under a generic title and included in the syllabus. This task may be given to specialists suggested by the two councils, preferably those who were involved in drafting the recommended policy wordings for IRDA approval.

It is possible that the number of subjects may increase and because of diverse interests of students, provision for choice of elective subjects linked to credit points for passing, will motivate faster learning and study will be more meaningful to the students, who will be able to opt for subjects based on their personal preference, demands of type of current work in the office, etc. This innovation which is examined by the Institute will make the examination for more flexible than the present system which provides for only compulsory subjects. No doubt, the concept of compulsory subjects cannot be eliminated but the new system may reflect a judicious combination of compulsory and elective subjects.

The University Grants Commission has decided to introduce the system of elective subjects in higher education in India. The Chartered Insurance Institute of London, has in place a credit points system.

The purpose of this column is to trigger a brainstorming exercise by all the stakeholders of the examination system so that insightful ideas can emerge.



Secretary-General on deputation from 2nd May, 2009

Shri Sharad Shrivastva has joined the Insurance Institute of India on 2nd May, 2009 as Secretary-General on deputation from LIC of India.

Shri Shrivastva, born on 17th January, 1960, is a Graduate in Arts (B.A.). He is an Associate member of the Insurance Institute of India (A.I.I.I.).

Shri Shrivastva joined the Life Insurance Corporation of India in 1983 as a Direct recruit Officer and held various positions in LIC of India. Before joining Insurance Institute of India, he was Principal, Zonal Training Centre, Agra. He is in the cadre of Zonal Manager (Selection Grade) in LIC of India.

He will be holding the post of Secretary-General of Insurance Institute of India concurrently with the current Secretary-General of the Institute, Shri S.J. Gidwani who retires on (31.01.2010).

We extend a hearty welcome to Shri Shrivastva on his appointment as the Secretary-General of the Insurance Institute of India and wish him all success.

ADVERSE WEATHER INSURANCE FOR INDIAN CROPS & EVENTS

By:
Shri Anabil Bhattacharya,
Manager, B.P.R. Cell,
Head Office, National Insurance Co.Ltd.,
Kolkata.

INTRODUCTION:

The need for risk mitigation in agriculture has been long felt. Agriculture contributes 24% of the GDP and any change has a multiplier effect on the economy as a whole. The target of 7 - 8% economic growth depends significantly on agricultural growth. Weather insurance is an indemnity for losses that may arise due to abnormal weather conditions. These abnormal weather conditions can be events such as excess of rainfall, shortfall in rainfall or variations in temperature, wind speeds and humidity.

The benefits that weather insurance offers are:

1. It is transparent and thus leads to high level of client comfort.
2. It is easy to administer and thus leads to low management expenses.
3. It is scientifically developed and objective.

Weather insurance has multiplier effect on the economy as it enables access to factors of production. Adequate protection offered through the weather insurance product enhances the risk taking capacity of the farmers, banks, micro-finance lenders and agro-based industries. This in turn would result in boosting the entire rural economy in our country. Further, as the product is developed on the foundation of universally acceptable parameters it is easier to transfer the risk to international financial markets through reinsurance. This allows for global pooling of risk and thereby more competitive "portfolio adjusted" pricing for the insurer and ultimately for the farmers.

Comprehensive Crop Insurance Scheme (CCIS) has been in operation in the country since Kharif 1985 as an instrument of risk management in agriculture and as a measure of providing relief to farmers whose crops are damaged due to natural calamities. The sum insured is equal to crop loan disbursed subject to a maximum of Rs. 10,000 per farmer. The premium is charged at the rate of 2 per cent for rice, wheat and millets and 1 per cent for pulses and oilseeds.

Since inception of the Scheme in 1985, about 6.45 Crores farmers have been covered up to Rabi season during 1997-98. The total amount of claims paid was Rs. 1623 Crores as against a premium collection of about Rs. 313 Crores up to Rabi, 1997-98 season. The Scheme is thus unviable. The Government of India and the concerned state Governments in the ratio 2:1 meet the losses incurred under the scheme. The main drawback of the scheme is seen in the claims entertained for one single crop, namely, groundnut, because of which Gujarat state alone received Rs. 792 crores as claims compensation out of all India claims of Rs. 1623 crores. Thus one single crop (groundnut) in just one state (Gujarat) alone claimed 48.8 percent of total claims between 1985 to Rabi session of 1997-98.

The Government of India introduced an Experimental Crop Insurance Scheme during Rabi 1997-98 season covering non-loanee small and marginal farmers growing specified crops in selected districts. The scheme could be implemented only in 14 districts of 5 States. The premium was totally subsidized. Central and State Governments shared premium and claims both, in the ratio of 4:1. About 4.78 lakh farmers were covered for a sum insured of Rs. 172 Crores under the scheme during the Rabi 1997-98 season. The total premium collected was Rs. 2.86 Crores and against that, the claims amounted to around Rs. 39.78 Crores. The Scheme has since been discontinued from kharif 1998 season.

From all such experiences it was identified that the dominant factors in agriculture in India are -

- High dependence on weather;
- 40% of net sown area irrigated;
- 60% dependent on rains;
- Most irrigation from non-perennial sources;
- Adoption of improved crop production techniques affected by high risks & low margins;
- Dwindling ground water resources and the farmers are at the mercy of rains.

Analysis of agricultural losses as compiled by General Insurance Corporation of India's crop insurance cell -

Cause	Proportion of Loss
Drought / Low Rainfall	70%
Floods / Excess Rainfall	20%
Others - like Storms, Pest, Negligence, Earthquake	10%

Majority of the agricultural losses can be attributed to weather vagaries.

INNOVATIVE APPROACH IN AGRICULTURAL RISK MANAGEMENT:

Agriculture is still the biggest source of livelihood for a majority of the households in India. However, there is a huge amount of risk involved in agriculture as most farmers do not have assured sources of irrigation and the activity is prone to weather risks like inadequate rainfall. The traditional yield based crop insurance offered to farmers, which currently covers less than 20% of the farming community, suffers on the count of service levels and also its financial sustainability. Alternative models to manage crop risks are now being explored to find a more sustainable approach to managing agricultural risks. Index based weather insurance is now emerging as a promising alternative, as it is actuarially priced and promises timely claims payments to farmers as the claim payout is determined on a particular weather index which is measured on a daily basis.

As most of its customers are dependent on agricultural activities, BASIX undertook several research projects to provide cover for crop risks. These efforts culminated in collaboration with the Commodity Risk Management Group of the World Bank and ICICI Lombard to launch the first index based weather insurance in 2003 in Mababubnagar district of India covering 230 farmers in first pilot program. In subsequent years the index based weather insurance market in India was scaled up covering more than 200,000 farmers. Today there are more companies offering weather insurance in India, including the government owned Agricultural Insurance Company.

There are also challenges to be overcome to take weather insurance to a larger scale. One of them is to increase the network of weather stations in a big way, so that rainfall measured in a particular weather station is better correlated to the actual rainfall in a particular farm. While efforts are underway to improve this infrastructure with the participation of private players like NCMSL apart from IMD, the real scale for weather insurance would come when it is tested as an alternative or to play a complementary role with the NAIS (National Agriculture Insurance Scheme) with support from the Government.

The current year has seen a tremendous movement in this direction with the announcement of a 100 Crore budget for the weather index insurance in the central budget and the recent circular issued by the Ministry of Agriculture during October, 2007, advising a good number of states to replace NAIS with index based crop insurance in some selected locations during the Rabi season of 2007-08. With all these developments, a unique model of Agriculture Insurance is now emerging in India with a brighter prospect of penetration in rural India in the immediate future.

WHAT IS WEATHER INSURANCE?

An insurance product based on weather index, provides a financial protection based on the performance of specified index in relation to a specified trigger. Before underwriting, detailed correlation analysis is carried out to ascertain the way weather impacts yields of crops to arrive at compensation levels. Weather indices could be deficit or excess rainfall, extreme fluctuation of temperature, relative humidity and/or a combination of all these perils.

INDEX BASED PRODUCT STRUCTURE:

Peril Identification: Peril identification involves appreciation of agronomic properties of the crops or nature of the economic activity. Detailed correlation analysis is carried out to ascertain the way weather impacts yields of the crops/ output of other economic activities.

Weighted index setting for each phase of the crop: In weather insurance, the claim is settled on the basis of a transparent index. The index is thus created by assigning weights to critical time periods of crop growth. The past weather data is mapped on to this index to arrive at a normal threshold index. The actual weather data is then mapped to the index to arrive at the actual index level. In case there is a material deviation between the normal index and the actual index, compensation is paid out to the insured on the basis of a pre-agreed formula.

Back testing for payouts: In order to ensure the robustness of the structure, the normal index is extensively tested based on historical data to ascertain if the payouts made on the basis of the chosen indices have adequately indemnified the loss in the past or not.

Pricing: Pricing is determined based on components of expected loss, volatility of historical losses and management expenses.

Monitoring: This entails collection of weather data during the policy period and concurrent assessment of the ground conditions.

Claims Settlement: The claim settlement is a hassle-free process, as the beneficiary is not required to file a claim for loss to receive a payout. In India, at present ICICI Lombard compensate the beneficiary at the end of the crop season for any deviations from the normal conditions on the basis of the data collected from an independent source accessible to all, like a local weather station, thus removing the need for carrying out field surveys.

The main advantages of index based weather insurance are:

- It is a long term sustainable solution;
- A market-based alternative to traditional crop insurance, which overcomes challenges of -
  a. High monitoring & administrative cost; and,
  b. Moral hazard & adverse selection.
- More transparency - which replaces human subjective assessment with objective weather parameters;
- Scientific way of designing product;
- Simple terms of insurance delivery;
- Effective & speedy claim settlement process.

An example:

Applicable for Coriander - the peril identification & index setting as given below-

Time Period	**Mid Dec -Feb**	**Mid Feb -Mid March**
Stage	Vegetative Growth	Maturity
Risk	Low temperature leading to frost injury	Unseasonal rainfall having qualitative impact on crop
Weather Index	Minimum temperature noted during the crop growth phase	Maximum rainfall on any single day during the crop growth phase

Applicable for Oranges - making crop specific structure

Time Period	**Mid June-July**	**July- September**
Stage	Flowering initiation	Fruit set and development
Risk	Concentrated amount of rainfall within short period	Prolonged absence of rainfall leading to dry spell.
Weather Index	Rainfall events - 3 days consecutive rainfall.	Aggregate rainfall in sub periods of crop stage - 10 days periods in July, 15 days periods in august and 30 days in September.

WEATHER INSURANCE SO FAR IN INDIA:

Oranges in Jhalawar, Rajasthan: Orange crop suffers yield losses in case adequate rainfall is not available for flowering or if there is a dry spell subsequent to flowering. 782 farmers (7% of all the Orange cultivators in the district) were provided a cover for 613 acres for a sum insured of Rs. 18.3 million.

Various crops in Andhra Pradesh: Weather Insurance was offered to the farmers of AP for groundnut, castor and cotton crops. A unique distribution model through the Micro-finance institutions and Self Help Groups was followed to reach out to the farmers in the remote areas. The product provided cover against losses due to deficit rainfall. In this kharif season about 800 farmers covering 1100 acres purchased it. Sum Insured for these covers was Rs. 5.7 million.

Weather insurance for crop loan portfolio: Repayments of crop loans given to farmers is a function of the revenue from agriculture. This revenue is in turn dependent on the rainfall in the area as good rains give good yields. Keeping this correlation in view Weather Linked Loan Portfolio Insurance was offered to a NBFC lending agricultural loans. The claim payouts from this cover would compensate the loss of repayments. Sum Insured for this cover was Rs. 7.5 million.

As per the report received in Mumbai during the month of February, 2008 as many as 10 lakhs farmers were covered under the weather insurance plan by end of the current Rabi season.

During the current fiscal year the Agriculture Insurance Company (AIC) alone expects to cover over 5 lakhs farmers and insure over 8 lakhs hectares of crop for a sum of Rs 1,500 crores in the Rabi season. The Finance Minister in the last Budget announced this pilot insurance plan. This will be the largest number of farmers covered under weather insurance, given that insurance companies have so far only been able to cover a little over one lakh of farmers annually under other commercial weather insurance products.

The Agriculture Insurance Company and a few private insurers together expect this year to cover around 10 lakhs farmers under the weather insurance plan by this rabi season as per the target of companies' officials.

The pilot, which is being run by Agriculture Insurance Company (AIC) in Bihar, Chhattisgarh, Madhya Pradesh and Rajasthan, is a significant step as it offers farmers a substitute to the National Agriculture Insurance Scheme (NAIS).

Claim payouts so far under the NAIS, the largest insurance scheme in the world (in terms of number of farmers at 1.7 crores), have seen long delays as they are based on yield data. The premium under NAIS has been based on a flat rate system while in the case of weather insurance it is derived on an actuarial basis. The premium under the weather insurance pilot is subsidized in the range of 30-75 per cent, depending on the crop.

PRODUCT FEATURES OF WEATHER INSURANCE:

Mr. M. Parshad, Chairman and Managing Director, Agriculture Insurance Company, said that the most important feature of the customized weather insurance product for the pilot project is that the product definition will be at block or the tehsil level as compared to most of the products that are at the district level.

Weather data will also be used at block level using Automatic Weather Stations (AWS). Using block level data would improve the scientific accuracy of the product. The product has been further validated and fine-tuned in consultation with the agriculture department of the respective States. The company, AIC has already collected around Rs 125 Crores in premium.

"The pilot covers 137 blocks in 22 districts and the major crops that have been covered include wheat, barley, gram, mustard, potato, cumin, coriander, fenugreek and isabgol. Weather indices are designed using weather parameters such as unseasonal rains, frost, heat and relative humidity," Mr. Parshad said.

Private companies such as ICICI Lombard and Iffco Tokio General Insurance are covering farmers in Maharashtra, Tamil Nadu, Andhra Pradesh, West Bengal and Jharkhand under their different pilot projects.

Since agriculture also provides livelihood support to two thirds of the population, its effects become even more pronounced. Some of the current responses to adverse weather conditions include changes in cropping patterns (shift to less remunerative more sturdy crops) and reduced input usage and low technology adoption.

The government on its part conducts agricultural extension programs and provides benefits to the farmer community in the form of subsidies on fertilizers, power and lower interest rate on debt. Multi Peril Crop Insurance has been tried out in various forms.

However, the effectiveness of these measures has been below expectation. Crop insurance has proven to be cumbersome to administer and prone to losses. The claims ratio has been around 500 per cent and similar trends have been witnessed in almost all other countries in which this scheme is offered. Weather insurance seeks to address drawbacks of the existing measures.

Background and evolution: Weather insurance is prevalent in US, Canada, UK and other western countries. It has found application across diverse industries like agriculture, food processing, energy, leisure and reinsurance. In India, ICICI Lombard pioneered weather insurance primarily as a weather risk mitigation tool with applications in agriculture, rural lending and energy. The product was developed keeping in mind the drawbacks of the crop insurance scheme. The key objectives of this product are to protect the farmers from the vagaries of weather and to promote sustainable resource allocation.

The importance of the latter becomes evident when one considers the fact these vagaries of weather cause significant uncertainty to farmers cash flows resulting in unavailability of organized credit and inability to invest in sustainable agricultural techniques. Developed in association with the World Bank, this product was launched last year as a pilot scheme insuring groundnuts in Andhra Pradesh. Around 200 farmers were covered under this scheme.

The key characteristics of weather insurance product are its transparency, objectivity and ease of administration. The structure is communicated through simple definition of parameters, and their transparent and impartial measurement. Objectivity is a measure of identification of the key risk parameters and development of structures to optimally mitigate its effects. Ease of administration is achieved by ensuring minimum subjectivity or physical intervention in the claim assessment.

The Product Structure: The product seeks to insure the farmer for his cost of inputs against an uncontrollable weather related parameter that substantially impacts his yield. For example, if deficient rainfall adversely affects yield, then the farmer is insured against this peril. Based on historical data, the yield and rainfall are co-related to arrive at a rainfall index.

This index is an estimate of the farmer's loss in the event of deficiency of rainfall. The index is adjusted to reflect different requirement for rainfall during different phases of the cropping cycle. The farmer is presented with a simple matrix that denotes the amount due to him for every unit fall in rainfall below the benchmark index.

The structure is designed around historical data from a source weather station. Thus, the structure is applicable to region around the station. The claim is assessed based on the measurements at that station for the period of insurance. The claims are paid out within a month of expiry of period of insurance. Phase-wise payouts are also possible, wherein the period of insurance is split into phases and payouts are made immediately after the lapse of a phase to enable the farmer to take corrective action.

Other possible structures include portfolio hedge to banks for their agriculture advances and loss of hydrology for hydroelectric power companies.

WEATHER INSURANCE AS PRACTISED BY ICICI LOMBARD:

ICICI Lombard has partnered with the government of Rajasthan to insure orange crop in Jhalawar. They have insured groundnut, castor and cotton farmers in AP and groundnut farmers in Tamil Nadu. With a potential deficit rainfall scenario, this cover would be a boon for farmers. The seamless assessment of claims and subsequent claim payouts means that the farmer has money in his hands to explore alternatives.

The reduction in fluctuation of earnings makes organized credit accessible to the farmer. This enables the farmer to acquire techniques and equipment that enhance yield thereby boosting farm incomes.

Index-based weather insurance is also attracting the farmers' interest. From a meager enrolment of a little over 200 farmers in 2004, ICICI Lombard now has enlisted 2.5 lakh farmers for this policy. This insurance policy has covered about three lakh hectares, Mr. Prashad of ICICI Lombard says.

Weather insurance ensures that farmers are compensated through the policy in case weather plays truant with the crop or its output. Different parameters have been set up and the weather index is drawn up district-wise through a tie-up with National Collateral Management Services, an arm of NCDEX. The index monitors rainfall during sowing and temperature during harvest.

In his annual Budget speech presented on July 8, the Finance Minister has highlighted risk mitigation as a tool for rural development and welfare. In his speech, he has delved on weather insurance. Apart from weather insurance crop insurance and income insurance are possible tools of risk mitigation. Weather insurance in minister's own words "appears to be more promising at least in design". He proposes to introduce the scheme on a trial basis through Agricultural Insurance Corporation (AIC) in 20 stations in the current crop season. This recognition of the potential of weather insurance at such high levels is a pointer to the effectiveness of this product. ICICI Lombard has a strong social orientation and weather insurance is a reiteration of our commitment.

Their partnership with internationally renowned expert in the field of commodity risk management namely the World Bank in developing this product ensures that the best of technical input is incorporated in the product.

There is a dire need of automated weather stations at Block levels. And the basic risk inherent in this weather insurance is the inability of the insurers to measure weather data at precisely the customer location. ICICI Lombard is going for the tie-up with National Collateral Management services Limited for installing automated weather station (AWS) at block levels covering more than 100 locations in 46 districts of Rajasthan, Maharashtra, Tamil Nadu, Andhra Pradesh. AWS provides real time daily data through automated calling process. This also supplements India Meteorological department's district level weather stations.

PITFALLS OF WEATHER INSURANCE:

Weather-based insurance for crop damage is obviously a good idea - if, in practice, the weather is measured near the fields.

The proverbially inaccurate weatherman, faced with the Pandora's box of climate change, has been no more precise in his forecast than the village elder who bases his prediction on the flight of birds. Small wonder then that the bulk of agricultural losses are attributed to weather. So, when insurance companies offer farmers coverage against the vagaries of weather, they present themselves as good Samaritans.

Too much rainfall, the farmer gets paid. Too little rainfall, the farmer gets paid. The insurance company is his bulwark against freak weather. At least, that's how it sounds on paper and in presentations in air-conditioned conference chambers.

Here's what actually happens in the field. The basis of weather insurance cover for the agricultural sector - offered by at least three insurance companies and lauded by the Planning Commission - is not actual shortfall in yield, but "objective weather parameters", which "replace human subjective assessment", to quote ICICI Lombard, the leader in weather insurance.

In effect, instruments replace people in deciding the validity of insurance claims. And therein lies the flaw: unless the measuring instruments are located close to the areas that suffer freak weather, their records will be normal, even as there is widespread damage to the crops.

Farmers in Kota suffered extensive damage to their sole cash crop, coriander, this year, due to torrential rains and frost in early December 2007 and late January 2008. The extent of damage was 75% to 80%, valued by local officials at around Rs. 15,000/- per bigha, but the farmers themselves quote a higher figure. To quote one local official, "Normal yield in our area is three quintals per bigha. This year, it was around 50 Kg." The crop loss is a matter of official record and cannot be disputed. Just two tehsils of Kota, Sangod and Ramganjmadi (India's largest coriander market), suffered at least 50% damage to around 5,000 hectares under cultivation.

In 2006, the Government of Rajasthan had accepted the weather-based insurance scheme mooted by ICICI Lombard for various crops, including coriander, kinnow, cumin and methi, for protection against adverse weather. In the case of coriander, cover was extended to Jhalawar, Kota, Baran and Bundi districts and the Begun and Rawat Bhata tehsils of

Chittorgarh. The State Government undertook to extend a subsidy to the farmers, amounting to one-third of the total premium.

Interestingly, according to the scheme, the insurance amount is calculated on the basis of per degree variation in temperature and per millimeter variation in rainfall, as recorded at the reference weather station (there are five such stations in Kota district).

As this was a government-approved scheme with a budgetary provision, farmers in the designated districts were persuaded to go in for insurance cover. A tough exercise, as the National Agricultural Insurance Scheme is not popular among farmers (not being actuarial insurance). Its insurance cover is based on crop cutting experiments and invariably results in delayed payments. As it is mandatory for farmers seeking credit, in effect the scheme insures banks against default on loans rather than the targeted beneficiary.

However, when the weather-affected farmers claimed compensation, citing crop loss due to torrential rains and frost, they were told that they were not entitled to any claim since the instruments installed to record temperatures and rainfall did not show any extraordinary weather conditions.

The farmers of Kota, Sangod and Ramganjmadi were further told that the weather data was not open to question. The fact that rainfall had decimated the crop was of no effect, as the instruments (located in the tehsils headquarters, up to 25 kms away from the fields) did not record rainfall in excess of the stipulated amount. Likewise, it was assumed that since the minimum recorded temperature did not dip below 4 degree Celsius, there was no possibility of frost having damaged the crops.

Mr. Jagadish Sharma, a farmer from Kesoli village says that crop damage was to the extent of 80% -- he has the revenue records to prove it - but none of the 20 farmers in the village who had enrolled for the insurance scheme have received any damages. His village is at least 10 kms away from the nearest temperature-recording device. "When I signed up for the scheme, I was told that I would be compensated in case there was damage to my crop. The agent did not say anything about measuring temperature or rainfall. It should have been explained to me," says Mr. Sharma.

Farmers point out that weather variations are so sharp that a distance of 5 Kms can alter the reading. "They do not take into account the difference between temperature in town and adjoining villages. Instead of recording at the tehsils headquarters they should record the data at the field level," observes a local official. The affected farmers maintain they don't have the resources to approach the courts, particularly after their crop was disclaimed. The consumer court is their only option, as the government shows no signs of coming to their rescue. Government officials have told them that having accepted the weather-based policy, it is bound by the terms and conditions and cannot contest ICICI Lombard's refusal to compensate the farmers for crop loss. Indeed, it would be hard to make out a case for malafide, as the company did in fact pay up in certain cases, where data recorded by weather stations fell outside the stipulated parameters.

Is weather-based insurance a classic boardroom plan, divorced from ground realities? An ecosystem cannot be described in terms of discrete components, nor can its elements be quantified. Scores of other determinants must be factored in - humidity, wind conditions, soil composition, light, and pollutants, to name a few - and even then, the answer may be wrong.

ICICI Lombard has reportedly recently launched a new product, in association with Weather Risk Management Services. The "hybrid weather-cum-satellite imagery-based insurance product," for wheat growers in Patiala district of Punjab, uses satellite-based imagery to assess crop yields. Hopefully, the farmers of Patiala will have a better experience than those of Kota.

EVENTS WEATHER INSURANCE:

Weather Insurance also may be affordable way to guarantee that your expected revenues of any event will not be reduced by adverse weather! Most event organizers can easily build the cost of weather insurance into their event. Weather Insurance may be purchased by organizers of events (Outdoor and Indoor) to provide reimbursement for lost revenues (Gate Vendors, Food, Parking, etc.) caused by adverse weather (Rain, Snow, Wind, Temperature, Lightning, etc.), which negatively impacts attendance.

What is an adverse weather event?

Perhaps the most important aspect of Weather Insurance is defining what constitutes an "adverse weather event". To a large degree, you have the discretion of setting your own definition by choosing the amount of rain, snow, etc. within the hours preceding the event or during the event that will trigger coverage.

Cost involved in an adverse weather event:

The costs of Weather Insurance is a function of the statistical probability that the adverse weather event will be triggered at your exact location(s) (or selected reporting station), date(s), and time(s) of day of the covered event(s) (based on several years of historical weather data) and the amount of revenue that you would like to insure.

How do you decide how much insurance to buy in such situation?

The amount of coverage that you buy should reimburse you for some percentage of your expected event revenues up to 100%. Since the policy is based on an "agreed amount" of coverage that you select, you never have to prove the amount of loss to your insurance company. It is recommended that you purchase coverage for 100% of your expected revenues.

Events' weather insurance coverage:

If your show or shooting has every chance of being cancelled due to a brewing storm or some other adverse weather condition, weather insurance could be your single most important insurance coverage.

Weather insurance is not just for events and shootings held outdoors. This type of insurance coverage also helps stem the losses of indoor events. As any events organizer would know, heavy rains or snow can affect spectator attendance.

For adequate coverage you need to just tell the insurers:

(a) Date or dates of the event,

(b) Venue of the event,

(c) Face amount of the coverage, and

(d) The type of weather you want to be protected from.

Whether you want to protect your investment from too much or too little rainfall, snowfall or a drastic change in temperature and the wind, this weather event insurance will provide you with the best insurance protection.

The premium rates vary depending on the information you provide for your cover. You can reduce the rate of your premium by reducing the coverage hours, having an alternate date of the event, or increasing the baseline amount of rain fall or snow fall to trigger the insurance protection. It is not just the film production that needs insurance protection. Special events also need to be covered because - like a film production - anything can also happen with an event.

Such Special Events Insurance programme may be taken on wider cover basis offering protection to various types of special events that last for 90 days or less. These include holiday events, plays, concerts and shows, weddings, festivals, business meetings, and parties. It may also cover exhibitions and conventions, political events, fundraising events, lectures, and religious or spiritual events. There is some difference between large events with thousands of attendees and small private gatherings from underwriting point of view. Such wider cover 'Special Events Insurance' programme may also be protected from:

- General liabilities
- Other liabilities related to (a) automobiles and damage to property, (b) liquor liability and (c) third party property damage.
- Loss or destruction of rented or owned equipment, sets, props, and wardrobe.
- Losses from paying for the medical coverage of event participants and spectators.
- Losses from event cancellation, for reasons including adverse weather conditions.
- Workers' compensation expense.

AGRICULTURE

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Growing crops without the use of Genetically modified seeds (GM) and chemical pesticides (CP) is something modern agriculture cannot believe, especially when without their use and by organic farming which automatically eradicates dreaded insect pests & diseases and no fall in productivity - as in districts of Andhra Pradesh where this was demonstrated in area of 7 million hectares.

GM crops harm environment and play havoc with human, animal and plant health.

Technologies pioneered by green revolution have poisoned the land, underground water, and contaminated the environment to such unsustainable level that this evil trend cannot be reversed and the land made fertile and healthy. GM & CP will further pollute the environment and human body. When majority of the countries are questioning the safety of GM farming why does our government want to rush in introducing these all over the country?

Indian scientists have distanced themselves from the farming community. They have not gone to see the success of sustainable agriculture and healthy living in the districts of A.P. ecologically viable farming systems. Our scientists want to ape USA, never mind the adverse consequences to the farmer and his land. They are interested in quick results, never mind the deleterious effects on the soil etc. Non-pesticides (NPM) management is the answer. We can be a model for other countries in this and organic farming.

The green revolution made our farmer addicted to chemical fertilizers. Nearly 5 million tons of DAP fertilizers are required in India (Di-ammonium phosphate-synthetic). Two millions are produced domestically and 3 million have to be imported. With rising oil prices imported fertilizer is costing Rs.60,000/- a ton while it is sold at below Rs.10,000/- a ton. The gap of nearly 50,000/- is paid by us taxpayers through government subsidy. The fertilizers are not reaching the farmers in time resulting in frustration and suicides.

If only our government uses the other more sensible and much cheaper alternative - viz - ecological agriculture and organic manuring, we will get better crops and higher output at very low costs.

Soil fertility is a gift of the soil, of the biomass the soil produces and the millions of soil organisms that breakdown the biomass and organic matter into the vital nutrients that are necessary for the healthy and abundant growth of plants and food.

Humus - residue of oxidized vegetable and animal matter together with fungi and bacteria, break down these wastes. If the soil is deficient in humus, soil cannot breathe properly - there is insufficient organic matter for the soil population - supply of oxygen, water, dissolved salts are reduced. Humus also promotes growth of soil fungi and soil nutrients. Millions of soil organisms are the source of soil fertility. Fungi help in biodegradion of dead plants and animals and fix nitrogen. To switch to organic farming takes about one year, most farmers cannot afford to suffer losses in that interim period. Many consumers want to buy organic rice, wheat and vegetables and that is an encouraging sign for goading the farmers. Soils treated with farmyard manure have much more earthworms. Earthworms contribute to soil fertility by maintaining soil structure, aeration and drainage - also breaks down organic matter and absorbs it into the soil. The little earthworm is actually a tractor, fertilizer factory and a dam together. Soils with plenty of earthworms contain more nutritive materials containing carbon, nitrogen, calcium, sodium, magnesium, potassium and phosphorous than the parent soil.

Whereas organic farming is pollution free chemical fertilizers account for huge Green House Gas emissions. Chemical fertilizers emit nitrogen oxide, which is 300 times more potent than carbon dioxide. Organic manuring is natural and not dependent on imports.

Rice is the staple crop for more than 70% of Indians. Rice is grown in an area of 44 mn hectares with a production of 90 mn tons per year. After China, India is the second largest producer of paddy in the world. Unlike wheat, paddy is grown in all states from Kashmir to Kerala in different agro-climatic zones.

Small and marginal farmers who contribute 78% of the total food production cultivate paddy. These farmers have evolved numerous paddy varieties that suit dry lands and water logged saline regions.

Ever since independence governments have neglected paddy cultivation. For example in Kerala, area under cultivation has shrunk from 8 lacs hectares, 2 lac hectares in the last 30 years. Because of low minimum support price (MSP) farmers have switched over to cash crops and plantation crops like ginger, cocoanut, pepper etc. Another reason for this is the high cost of paddy cultivation and non-availability of agricultural labour. Farmers have resorted to use of tractors which also are in short supply. There is hardly any incentive to grow paddy while horticultural crops are given hefty subsidies - e.g. why should the farmer grow paddy when he can get subsidy of Rs.20,000/- per acre to grow bananas.

The paddy farmers all over are incurring heavy losses and they are switching over to cash crops. Ironically the governments are penalising paddy farmers who are feeding the country with its staple food-rice, in favour of switching over to cash crops! As already said, another reason is increasing input costs, poor MSP - causing stagnation in paddy production and yield.

We have a Cabinet Minister in charge of agriculture who is more interested in cricket. He is not interested in our farmers and does not appreciate the role they play in feeding the country, he is not interested in organic farming, weaning away dependency on chemical fertilizers, making India self-sufficient in food, so that we do not import grains at high prices. Our storage technique is poor and we suffer large losses in deterioration, rodents and weevils etc. Our politicians' only want village votes, after election villages are forgotten.

Presently, the fertilizers available are combinations of nitrogen, phosphorous and potassium which can be dangerous for soil, plant and micro-organism that help the soil and plant growth. Lure of quick profits drive farmers to want to use chemical fertilizers which are heavily subsidized by the government. These fertilizers-distribution-has led to corruption and black marketing.

At present, India depends on import of certain materials which are already available in its natural form in India.

Rock phosphorous-or Shila Ranjaka is an alternative to phosphate. Kanoli Nite found in rock form is the alternative for potassium. Kanoli N can be ground first and mixed with Shila R to get desired results.

Both these rocks are freely available and the mixture is suitable for many types of soil - does not damage the micro-organisms and is soil friendly. The government's agriculture dept can supply both Shila Ranjaka and Kanoli Nite to the needy farmers.

Thus import is avoided, subsidizing chemical fertilizer is avoided, the soil and its organisms are protected and preserved.

India imports nearly 2.2. mn barrels of oil every day-this means 2.2.mnx365=800 mn @ $130/- per barrel=$ 104000mn!

If we adopt rock fertilizers, organic farming, give up G.M. and CP methods, we'll save a large amount of dollars since we'll not import fertilizers and our import of crude oil will be considerably less (In 1978-US$2 and now $140 per barrel 2008). At the time of publishing this article the price will be much less due to global recession.

We had 17 million bullock carts in 1973 - This number has come down to 13 mn in 2006. Even with this number these carts save India annually 6 mn tons of fuel costing $7 bn (30,000/- crores of Rs.) annually. Our 14 (mn) bullock carts (fourteen million) were carrying much more of India's annual freight than our railways which carried 200 mn tons p.a. Each ton of freight carried by railways requires an investment of Rs.100,000/- yet bullock cart can carry the same amount with an investment of Rs.10,000/-. The cost of carrying one ton of freight by bullock cart is less than Rs.60/- whereas trucks and tractors require 150/- for hauling the same amount of freight.

Today figures have changed. Cost of a bullock cart has changed from 10,000/- to 20,000/-. Today railways carry 600 mn tons - costing them 250 mn barrels of diesel costing $25/- bn or nearly half of India's annual purchase of $58 bn crude. Our improved design carts carry the same tonnage as railways without diesel.

Bullock cart is not competing with mechanized vehicles like trucks, tractors - because carts are complementary to these and railways.

Today it costs Rs.20,000/- to build an improved bullock cart and a pair of bullocks Rs.20,000/-.

Even after 60 years of freedom only 50% of villages have average roads, which trucks can use to reach these villages. But carts can go in any type of road. Bullocks eat only village grown fodder and give dung - the precious manure much more valuable than the fodder they eat.

Bullocks can also be used to plow the field. Carts can be used more in the place of trucks and tractors. They provide employment to 20 million people in the villages.

Modern carts with steel axle and rubber tyres will cost more, but such carts can carry more load and move faster. Scientifically modified yoke to spread out the load evenly for the bullock, a single bullock can carry more load than the conventional one and one animal is sufficient to pull this modernized bullock carts with steel axle, rubber tyres and specially designed yoke. Banks and co-operative societies should freely give loans to farmers to buy modern bullock carts.

In Africa e.g.Congo Basin covering 200 mn hectares - about 1/5 of the world's remaining closed Canopy forest - second largest after the Amazon-S. America - is a very significant carbon store with a vital role in regulating the regional climate. The diversity they harbour is of global importance. The forests of Congo basin provide food, shelter and livelihood for over 50 mn people. Further danger is the Sahara desert is expanding North and Kalahari desert is expanding to the S.W. Today increased logging, changing patterns of agriculture, population growth, havoc caused by mining and oil industries are threatening the very existence of this basin. Reversing deforestation is the need. We in India have also been doing this and wiping out our green forests. One of the West India islands has two countries - Haiti and Dominican Republic. Deforestation of Haiti and loss of soil made the country vulnerable to hurricanes causing great destruction followed by poverty and misery. Dominican republic which preserved its trees, vegetation and forests escaped the wrath of hurricane and climate change.

Like in Africa our villages and tribals should be educated on environment, and preserving forests because the important role they play in the eco system. We must not only preserve but engage in massive forestation efforts. This way there will be no shortage of water and reliable rainfall for agriculture. This will preserve freely flowing rivers, waterfalls, rapids which will help generate hydro electric power.

Senegal in N.W. Africa is creating a Great Green wall from Dakar to Djibouti in an effort to stop the advancing Sahara desert. The project consists of planting trees over a distance of 7000 kms to constitute a 5 km wide green strip across the desert to stop the progress of the desert.

We in India should also do this in desert areas.

In India, like U.S.A. Ethanol and other bio fuels are made from corn, wheat, soya, molasses. Consumer prices of these produce have sharply gone up creating more misery to the poor. Demand for oil and gas will go up from poor and developing countries as rural folk using cow dung, wood and forest produce, move to use oil, gas and electricity when their purchasing power goes up.

It is amazing that governments, neither centre nor states have thought of women farmers. According to 2001 census 1/3 of cultivators in India are women and this percentage will rise when men from rural families migrate to towns and cities in search of jobs. Women cultivate food crops for self-consumption and have been pioneers of organic farming. They are experts in waste cycling and other methods of soil conservation.

Women manage well small farms of one to two hectares. These farms and small women cultivators can be the backbone of states' food security particularly for the less privileged and the village folk. These women farmers with small plots of land should be enabled to produce basic food crops but learn from Amul dairy experience, collection, distribution and sale of their meager produce. Their vegetables, collection of medicinal herbs can be marketed by co-operative units.

The voice of rural women folk should be brought in to improve our agricultural growth. Our Minister for agriculture is more interested in cricket, not that he is an expert in that game, but like in agriculture he has achieved negative growth, in cricket he has earned, the media say, billions - to hell with India.

To conclude women form the predominant percentage of agricultural workers and producers. They are the backbone of every rural family in India. High time the central and state governments recognize this. We have over 6 lac villages and they solely depend on agriculture. Indian agriculture has transformed gradually during the post independence period, particularly after the green revolution of the mid 60s.

Thousands of farmers have committed suicide unable to repay loans taken when their crops failed. We have to stabilize the farm sector, to sustain food security in India and evolve location specific corrective strategy.

There is a paradigm shift from low cost, local input based, environment friendly farming, to, cost intensive, external input based commercial farm culture.

In this change traditionally evolved crops and crop varieties followed by farmers for ages, have been neglected and the modern high yielding hybrid varieties (HYV) have emerged. The farmers are caught in a cross-fire between the need for increasing production per unit of land by adopting HYVs and other improved varieties on the one hand, and lack of timely and adequate supply of required inputs, appropriate technology and remunerative prices on the other.

Result is that in the nine (9) years - 1997 - 2005 about 1.5 lac, i.e. 17000 p.a., 1400 p.month and 46 per day and about 2 persons every hour have killed themselves. What a loss of productive human resource and the psychological effect on all farmers and families. Giving Rs.2 lacs to the widow may be counter productive and an incentive to commit suicide.

The farmers must have technical capacity to grow high value crops profitably. The crop specific technology and package of practices required to cultivate high yielding hybrid varieties (HYV) of crops in different agro-climatic zones should be made available to the farmers at the village level. Also establish a supply chain of seeds, fertilizers and pesticides with advance information to the farmers about where and when they can collect these inputs. Farmers should at the same time be encouraged to regenerate organic manure at household level so that input costs are reduced and this automatically reduces burden of debt on them.

Despite government claims about easy availability of farm credit from banks, cooperative societies etc., more than 70% of credit needs are met by private money-lenders and other private agencies. The timely and easy availability of institutional finance is therefore crucial to pull the farmers out of the clutches of private money lenders and protect them from perpetual debt trap. With corruption in banks and cooperative societies, the farmer is not only harassed and not given the full loan but he is forced to give kick backs to the blood thirsty touts and employees of these institutions. This is also one reason that with all the dangers inherent in borrowing from private moneylenders, they are still preferred.

Farmers are unable to understand price fluctuations to realize optimum returns on investment. While they are lured by some of the high profit potential crops like hybrid cotton, the prices will crash by harvest time. Since there are no storage facilities, particularly for perishable fruits and vegetables, farmers have no option but to resort to distress sales, not being able to recover production costs.

The solution is to have growers Associations for various commodities. The Association should start small scale food processing units in rural areas. Women should be trained in food processing and government should provide tools. Location specific sustainable strategies as stated above are the answer. Corporatisation of agriculture is not a new economic mantra. Ever since 1991, successive governments have been pushing for corporate control over agriculture. W.T.O. F.T.A (free trade agreement) are all aimed at opening up the Indian farm sector - turning it into virtually a dumping yard for cheap and most important, subsidized agricultural imports. Our public sector research in infrastructure is now directly under control of U.S. universities and multinational corporations.

U.S.A. has less than 1% of the population left in farming, future trading is very prevalent. Every farmer in U.S. is linked to the commodity exchange.

Despite biggest commodity exchange (Chicago-USA), biggest super market for rural products (Wal-Mart)- U.S. farmers can only survive with federal support.

U.S. government provides US$ 75 billion to farm subsidies including direct income support to farmers every year.

U.S. farmers have been cultivating G.M. crops for several years and crop yields have not gone up...in soya bean it has dropped.

How can U.S. expertise for Indian conditions work? Our average land holding size of 1.3 hectares; no American varsity or research institute has produced any technology for our small size conditions.

Our government policy of blindly following U.S. will force our farmers out of agriculture. Also S.E.Z. and other schemes to take over fertile agricultural land and cheap agricultural imports will be exit policy to farmers. We have to think of the effects various projects to harness river water - dams - have on rural population. Everyone knows the havoc caused by Narmada Valley project and the Tehri project. The proposed India Sagar - Polawaram Dam project in A.P. to cost 13000/- crore, will submerge over one lac acres of agricultural land, affecting 300 villages and 2 lac people mostly scheduled tribes and scheduled castes.

In Orissa, thickly forested hills, rich in diverse species of wild life and sacred to tribes are being handed over to mining. In Tamil Nadu Mudumalai forests - with tiger habitat a scientific project will come up to denude the area. In the thickly forested areas of N.E. seven sisters huge dams are slated to effectively submerge pristine forests, decimate all wild life and disturb the delicately poised seismical (earth quake) equation.

The chronic illnesses of farm sector are absence of irrigation, lack of power for pumps, shortage of fertilizers, pesticides etc and delay in delivering these in time for sowing and/or harvesting, unremunerative prices, lack of crop insurance against vagaries of the weather and storage facilities for perishable crops, inefficient transport facilities to and from the farm to towns and cities etc.

Almost 75% of the agrarian suicides in India were by cotton growing farmers. To get cheaper cotton for textile mills, our government banned export of cotton. Further absence of a higher support price for our farmers, reduction of import duty on cotton and withdrawal of duty drawbacks for exporters have helped the textile industry - because depression in domestic prices of cotton will reduce incomes of our own cotton farmers. Textile industry could have insisted on higher minimum support price to cotton farmers (Instead government depressed by 20% domestic cotton prices) to shield them from price volatility. The Textile industry could have also ensured that cotton farmers produce was procured by government agencies and their payments made on time. Instead it did nothing. Throughout the textile industry, managed to persuade the government to keep cotton prices low for decades and poor cotton farmers were made to pay a very heavy price.

Now the textile industry which the cotton farmer subsidized at his own distress, is in doldrums. Many textile mills have closed down and more than a million workers have lost their jobs. Tough competition from Japan, China, Vietnam, Pakistan, Bangladesh and rising cotton prices in India have hurt our textile industry.

Natural farming - a concept by an agricultural expert Subhash Palekar, also known as 'Krishi-Ka-Rishi' - envisages going back to indigenous methods of farming. Production of inter-crops to compensate cost of main crop production is called zero-budget natural farming. There is no need to use any inputs- including farmyard manure, chemical or organic fertilizers, micronutrients, hybrid seeds, and agricultural implements etc. One desi cow is sufficient to cultivate 30 acres of land. Compared to chemical farming, natural faming requires just 10% water and 10% electricity. Government will save billions in subsidies. Organic farming is as bad as chemical farming since it also involves high cost technology and is equally polluting. Natural farming is ancient Indian technology while organic practice destroys the eco system. 30 lac farmers, all over India are practicing zero budget natural farming over one crore hectares. This method can be adopted for all crops from Jammu to Kerala. For example Palekar owns 34-acre dry land and he cultivates cotton, tur dhal and moong dhal. Zero budget natural farming can increase the yield in the very first year. As stated, more important is to use only desi cows and their availability is a must.

In 2050, Indian population will double and we have only 33 crore acre cultivated land and even this will shrink thanks to SEZ and other encroachments.

Because of high oil prices, there is intensified oil drilling, return to nuclear power, pressures upon deforestation, favoring of corn based ethanol encouraging genetic farming, agricultural protectionism etc. For example France and Japan want to be self sufficient in food and have high tariff policies coupled with heavy subsidies to farmers. The poorest countries, e.g. in Africa who grow fruit, olives, cereals, wines and other farm produce have no hope of establishing a global agricultural free trade.

What about political and social turmoil as a consequence of costlier fuel and pricier food? And no hope for a better, cleaner and gentle planet!

We have lot to learn from nature. We have seen how a forest grows from an immense initial profusion of diverse flowers and plants into mature stands of dominant tree species, then to over maturity, rot and insect infestation and often catastrophic fires that devastate the forest but release seeds to produce a renewed explosion of diversity.

We have seen millions migrating from villages to towns and create slums, shantytowns in search of a better life - cities thus become unhealthy and unbearable. We can learn from nature and reintroduce nature in towns and cities through farmers' markets, urban gardens and orchards, more play grounds, mass transit, non - motorised transport like cycles and tongas, more inviting public places, walkable neighbourhoods and planting more and more trees.

If underdeveloped and developing nations are forced to import from western countries - USA - Japan etc. machines, textiles, electronic gadgets, cement etc. but the same exporting countries do not offer quid-pro quo and refuse to import raw materials, food items etc., how can developing countries survive, leave alone becoming prosperous - worse still is the position of under developed countries.

Earlier it has been mentioned that Haiti in West Indies - where French is spoken shares an island with Dominican Republic - where Spanish is spoken, by deforestation is being targeted by wind storms - hurricanes while Dominican Republic is protected because it has vegetation.

In Haiti, domestic agriculture is a disaster. The slashing and burning of forests for farming and charcoal (fire wood) has degraded the soil and chronic under-investment has rendered rural infrastructure - non-existent. Haiti lifted tariffs and island was flooded with cheap import of rice, vegetables etc. Domestic farmers went bankrupt. Now with high fuel prices and high food prices, belatedly Haiti is trying to get back to farming - a Herculean task given scant resources, degraded soil and land ownership disputes. This story is similar to our own agriculture. In a huge country like India where we have to feed a population of over 1000 million - with this number steadily surging upward, the governments both Central and State have continuously paid scant attention to villages, and farmers.

Central Government is never tired of announcing new schemes, opening foundation stones of projects that rarely come up. There is a story of how an American remote-sensing expert, took an aerial survey of India. After survey, his first reaction was that how our country with 80% Hindus and only 2.5% Christians had so many thousands of tomb stones all over India since Hindus cremate the dead and not burry them. Then some clever fellow pointed out that what he saw was not tomb stones but foundation stones laid by successive governments since independence in 1947 - most of the projects remained at the foundation stage - a gimmick to impress and fool the people.

The UPA government's flagship project - the National Rural Employment Guarantee Act is over 2 years old and hailed as the most important poverty alleviation programme. This ensures a minimum 100 days work for a member of a rural household for one year. However in reality, serious problems are seen in its actual implementation. Common complaints relate to corruption, lack of efficient machinery for implementation and monitoring short payment of wages, undertaking of non-productive work and absence of awareness among beneficiaries about their rights under the scheme. Most villages do not have effective gram panchayat scheme and middlemen who are crooks take over the scheme and intended beneficiaries are cheated of their rightful entitlements. Records are manipulated and work shown as done, where it is not done. Quality of work where done is bad. Much money is invested to provide livelihood to millions of rural poor. Most work pertains to conservation and storage of water, social forestry and construction of roads. These are vital to village development. One solution to ensure effective implementation, strict monitoring by D.C. and social auditing, surprise checks etc.

Many villages - farmers depend on proper irrigation, which in turn means dependence on pump sets - which in turn means reliable electric power and at subsidized rates. Our politicians only make promises and the farmers are literally left high and dry. Water, seeds, fodder manure and at harvest time remunerative prices are vital to sustain rural economy. The problem is a real one and also with global ramifications taking into account the role of speculation (both on land prices and commodity market variations), and increasing price of land where by 2050 production has to double in order feed the ever-increasing number of hungry mouths.

The exploitation of natural resources for the sole purpose of achieving financial profitability is hardly favorable to the kind of production that preserves the soil's natural mineral and organic reserves and prevents such practices as burning and deforestation. It does not allow for correct use of fertilizers and pesticides which otherwise could provoke pollution. It does not encourage the co-existence of crop and grazing lands, nor crop rotation that would be needed to restore the soils biological and nutritional properties that are absorbed by plants naturally.

Our forests used to be moist and deciduous - the main constituent, the upper canopy of tall trees and crowns densely closed in. With mindless burning and cutting and felling of trees, forests are becoming dry deciduous with less top canopy and rainfall. Deforestation has direct influence on atmosphere, exchange of energy (radiation) and affects the ecosystem of the land. It will also reduce fodder availability for all herbivorous grazing animals in the forest. With less rainfall the water table goes down, flora and fauna changes, birds migrate. Vegetation of forest and streams within and without affects the condition of soil. So retaining earths green cover is a must.

In conclusion it is obvious that unless corruption at all levels is removed, we have no hope. Recently an officer was found guilty with lots of cash, assets and property totally disproportionate to his known source of income. This was the third time the Lokyukta raided his home and the previous two raids and consequent unexplained wealth were ignored by the government. Since Lokyukta has no power of prosecution, not even suspending the officer, the competent authority to punish being the government, the bribe taking government officials are not punished, even the illegal loot they have amassed is not confiscated. The people who suffer at the hands of these corrupt government servants are the poor, the village folk who are short charged at every step.

Our governments have done nothing to encourage cottage industries, dairy farming, rearing chicken, ducks, geese, goat, lamb, cows, buffaloes, rabbits etc. to supplement the farmers income during lean periods.

Though India's economy is agricultural there is hardly any increase in growth rate. GDP is growing because of more industries, income of government servants, the 30 billionaires and a million millionaires. The villagers remain wretchedly poor. Our government's promotion of high value agricultural crops at the expense of course grains, for export has finished our self-reliance on agriculture. There has been decline in rate of growth of production, productivity and area of irrigated land for major crops.

Government wants to establish 500 SEZ (Special Economic Zone) and this will mean acquisition of 150,000 hectares of predominantly agricultural land and displacement of 120,000 farming-households, and 82,000, additional farm workers will be displaced. Thus over a million people depending primarily on agriculture for their livelihood face eviction. You can see how angry and frustrated the farmers in Bengal were with the Tata Nano project or the futile M.O.U. signed by Jharkhand government with industrialists.

India should be saved from the Western countries' race to invest in farmlands. Some banks in U.S.A. and Europe are eyeing a take over of China's livestock industry - Thank God, as the Royal Commission on agriculture put it nearly 100 years ago, "Indian cattle lack in every thing except numbers". We worship the cow once a year, but starve it, if it stops giving milk and sell it to the butcher secretly. Agriculture is being corporatised. Out sourcing food production-buying land in other countries for growing food will ensure food security for investing country to leave behind a trail of hunger, starvation and food scarcity for the native population.

So the time has come to reverse the existing model of lab-to-land. We should develop a new model of farm growth that is indigenous, and based on locally available and natural resources. Our scientists should learn from our farmers and use the input for appropriate technological improvements - Land to Lab. Don't let countries like USA dictate to us regarding our farming methods - what to grow - How to grow etc. USA is much bigger in area with a much smaller population, with enormous farms - all mechanized. On top of it their output is heavily subsidized. Genetically modified (GM) seeds from USA have destroyed indigenous varieties of fruits and vegetables in countries like Philippines, Peru, Mexico and our egg plant is being targeted. So let us believe in our age - old methods. Our rural system of dividing the farm between sons - creates sub-division and fragmentation. In western countries, the eldest inherits the land and other children get monetary compensation. Thus over a few generations the farm plot in India becomes so small that it is uneconomic to grow any produce on it. A law should be enacted to prevent it.

Rainwater harvesting, solar energy, wind energy etc. are practiced in advanced countries and now in China and Japan our efforts are only on paper.

Schemes like guaranteed employment for those below poverty line, loan waiver, easy credit are all promises. Not totally or effectively implemented. As stated in my earlier article, village children are forgotten where good schooling is required. It is ridiculous to think of rural insurance, crop insurance etc unless the government pays the premium. When farmers are thinking of food, shelter and employment, where do they have money to pay the premium!

It is easy for our ministers to call Maoists and Naxalites - "bandits". If the poor peasants had not been exploited by government, by landlords, by rich goondas, these two movements would not have erupted and now are gathering strength and support. Apart from Central and State government officials, even the police, immigration and customs and exercise authorities, Income tax commercial tax departments, the armed forces have all seen corruption. No wonder there are billions of dollars of illicit and black money in secret Swiss Bank accounts which could have been used to better the poor mans life in India. As some media put it, only a total revolution targeting all corrupt politicians and officials can save our country. Until then the poor will get poorer, the rich richer and there will be no real progress in any field in India.

Fish Farming we should learn from the S.W. country in Africa - Malawi - the dusty scrub lands of Zamba west. Rainy season ends in April. The water is murky, almost stagnant but a haven for 'chambo' - a local delicacy - fresh water fish. There are 700 fish farmers - small-scale aqua culture to ensure families in Malawi have enough food and income to buy maize etc - This is developed by world fish center - a member of the consultative group of International Agricultural Research. The fish thrive on human and dairy farm birds and animal waste - these help plankton to thrive - fish eat plankton - in 6 months fish-full size are harvested. Why can't we in India follow this?

Deforestation

By continuing to fell our residual forest patches, we risk inviting two potential disasters - the want of fuel in future and water scarcity. By protecting our forests, we prevent waste of soil, we save streams which feed rivers and we protect the climate and greenery.

Increased human activity on river banks has damaged the health of our river systems. We forget India's river system immensely contributes to the growth of agriculture, industry and tourism sectors of India.

But deforestation of the embankment area of rivers, over damming and increased human activities on riverbanks have seriously damaged the health of our river systems - this has increased the intensity of floods causing irreparable damage to lives and livelihood of millions of people e.g. Bihar, Assam, Punjab and Orissa.

In Orissa, 3 million people in 18 districts affected. U.P. floods affected 20 lac people caused loss of hundreds of crores. Punjab - 2 lac people 1000 villages loss 1000 cr. Assam - 2 million people affected - crores lost. Our country's geographical area is 330 mn hectares, 40 mn hectares prone to flood and this is increasing due to deforestation etc.

Therefore saving nations rivers health should be our first priority.

In Bangladesh and India, four million tones of rice are lost each year to flooding. Water intensive crop like rice cannot endure even four days of submergence. This is because when the plant is covered with water, its oxygen and carbon dioxide supplies are reduced which interferes with photosynthesis and respiration and inhibits its growth.

Pamela Ronald, a plant pathologist from the University of California has helped create a strain of flood resistant rice all set to be introduced in India and Bangladesh. A gene called Subla has been identified which makes rice not only tolerant of being submerged in water but also produce high yields and retain other beneficial qualities. There would be no change in cost to the farmer or the consumer. Notably the farmers have reported obtaining a two-to fivefold increase in yield with this type under conditions of flooding. This Subha-Swarna variety has a taste and yield favoured by consumers and is subject only to standard seed certification.

Mangroves -The unique phenomenon of mangroves are that they can act as controllers against the assaults of the sea on the land and nature. Not only they prevent soil erosion but act as moderator of temperature, humidity, wind and giant waves. They can withstand salinity, waves, and can grow even in the poorest soils. India accounts for 70% of the total mangrove forest in the world. Our Sunder bans has 80% of India's mangrove forests. It provides livelihood by way of Honey, wood products, aquatic creatives - fish and has the most feared Bengal Tiger. Andaman and Nicobar islands, coasts of Karnataka - Kerala and Maharashtra comprise balance 20%. Where we had mangroves, the Tsunami could not wreak havoc - it pulverized barren coastal areas.

Bio-fuel-India imports fossil fuel (petrol) and if we want to develop Bio-fuel-green energy like ethanol from sugarcane - Brazil's 40% fuel needs are met thus - we have to remember that we should be self sufficient in food. Poor should be protected with proper seeds, irrigation so that poor and small farmers grow food crops, leaving the task of switching over to bio-fuel crops to rich and large-scale farmers. Only wastelands and dry lands should be used for growing bio-fuel crops, never by cutting forest-trees nearly creating negative environmental effects.

Farm lands

The farmers love their land of their forefathers and do not wish to sell it. We saw recently how Tata had to abandon their Nano-small car project. In Jharkhand despite the existence of companies like Tisco-Telco-Usha Martin, HEC, CCL, CMPDI - people have not found any benefit of industrialization to the rural poor. About 60 industrial houses like Mittal steel, Jindal steel, Essar steel, Hindalco (Birla) etc. have signed M.O.Us but nothing is moving because of the reluctance of farmers to give up their lands. This shows that farmers are afraid of exploitation by industrialists and government.

Vegetarianism. Thank God most of the Indians are vegetarian, partly because of soaring prices e.g. mutton Rs.240/- per kg, Chicken Rs.80/- per kg. which poor cannot afford. In U.S.A. over 70% of the food grains produced is consumed by cows and pigs - to make beef, Ham, Sausages etc. A cow takes 16 kgs of food grains to produce 1 kg of beef. An average American eats 125 kg of meat each year and an average Chinese eats 70 kgs of meat every year mostly beef and pork. In the world, number of animals raised for meat production is 50,000 - million 8 times our human population - not enough roam on earth to roam and graze. An animal generates 100 times more waste than human and it will be a problem to get rid of the waste.

Our population which was 350 million in 1947 is now over 1100 million - 3 times. This has resulted in malnutrition, hunger, unemployment, shortage of food and essential commodities-our government family planning efforts are only on paper. China's one child per family has created terrible problems there are 36 million males more than female and with modern medical scanning technology, female foetishes are terminated in the womb. All these have not reduced the population growth in China - where rural areas are poor and under developed.

Algae is the shiny stuff that clouds our home aquarium and gets tangled in our feet in a pond or a lake. It grows anywhere where there is water and sunlight and under right conditions it can double in volume within hours. Algae is lazy, it eats carbon dioxide and produces oxygen. Has no roots, leaves and shoots. It can grow in fresh water, seawater or farm run off water. It can purify sewage by feeding on nitrogen and phosphates in human waste. It consumes carbon dioxide discharged by vehicles, power plants and heavy industries. It is rich in oil - 30% to 70% can be extracted as bio-fuel. Farming algae does not require much space or good cropland and farmers should be encouraged towards this.

Animal husbandry

Where there is dry agricultural land dairy animal farming is a good option NGOs like BSRDS & NAID identified in each case, six villages and gave one female goat each to six villages and gave one female goat each to six women - 3 groups comprising 18 members (6x3) within one year these 6 women had 8 kids from each goat. In the second year, these 6 women gave one kid each to another 6 women of the second group and this second group gave one kid to each to the six women of the third group.

Just 3 years into this scheme life of these women and their families changed for the better. When goats gave birth to more than 6 kids, the excess was sold. Unlike sheep, goats eat leaves, vegetables etc. Today, the women of the six villages are prosperous, from daily wage earners, their children go to good schools, they live in better houses, eat good food and are able to buy cycles, bullock carts, cows, buffalos, chicken, duck etc. This method should be introduced all over India.

Potato - Potatoes are seen as a way to ensure food security in India. We have always depended on grains like maize, rice, wheat, ragi etc. We should learn from China, Peru and Malawi etc. where they have considerably increased growth of potatoes to come out of poverty. Governments promoted potato eating in towns and cities. Schools, hospitals, army canteens and prisons started serving potato made into bread. Potato can serve India as a vital food security crop and a substitute for costly grain imports. Potatoes are a good source of protein, starch, vitamins and nutrients. As a crop they require less energy and water to grow than grains. Potato can be mixed with atta to make rotis, one can prepare tasty currys, stew, palya, subji etc. from potatoes only.

Hydro Power - This is a technique where plants are grown in water containers or in low cost natural substrates like sand, rice - husk pumice etc. There is no soil pollution or soil borne disease effect, no weeds, water is recycled - avoids ground water pollution. Poor farmers can grow lettuce, tomato, carrots, beans, brinjol, radish, strawberries, gooseberries, mulberries, melons etc.- total output greater and more nutritional value than conventional vegetable farming.

Plantation Crops - I have not dealt with these - crops like tea, coffee, cocoa, vanilla, cardamom, pepper, ginger etc. This area is basically controlled by corporates like Tatas, Birlas, Hindusthan Lever, etc. groups. Of course, there are hundreds of small planters - individually owned. But compared to the poor farmers in over 6 lac villages they lead a much better life. Govt. priority should be on how to improve the plight of our rural farmers in over 6 lac - villages for which I have given various suggestions.

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 likely 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 entrepreneurs 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 pay out 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 policyholders; 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 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 facts 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 reinsurers with acceptable credit ratings. The regulator is keen to ensure that insurers operate on sound principles of risk transfer mechanism with their reinsurers 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, reinsurers are not subject to local regulation, though they are required to be legally accountable to the Regulator where the reinsurer 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 reinsurer for transacting Indian business. If a reinsurer 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!

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MICROINSURANCE - Nitty Gritty and Know How

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INTRODUCTION

The lowest level of population pyramid is the segment, consisting of more than 3.5 billion of people. These people earn less than Rs.200 a day and are termed as poor or low income people. Due to insufficient income and inadequate savings these people mainly face two types of risks: (i) related to property and (ii) related to body.

The rural and urban/ low income groups adopt two types of strategies i.e. ex ante and ex post. The former strategy is a precautionary measure which reduces the impact of adverse income shocks and is achieved by income diversification and income skewing. The latter strategy includes self insurance which can be done by careful saving and informal risk pooling.

The last option which they have is to insure themselves against adverse situations as insurance can help them manage the risk in a more defined way. But the problem is they cannot afford to pay the regular premium, as sparing a fixed amount from a small income is well nigh impossible. These people constitute an untouched market of insurance but given proper guidance, proper channels and right products, even they can form a significant part of the insurance market in terms of demand. To boost this segment to purchase insurance policies is to facilitate them with a product in which the terms and conditions are modified to suit their needs. This product is capable to tap the rural market and is called 'Micro insurance'.

This article describes the nitty gritty and the know how of micro insurance, its necessity, the delivery channels and the various types of products offered under it. The article also stresses the obstacles faced and the benefits of the same.

WHAT IS MICROINSURANCE?

According to Micro-insurance Regulations, issued in 2005 by the Insurance Regulatory and Development Authority (IRDA), "micro" refers to the small financial transaction that each insurance policy generates and it is insurance with low premiums and low caps / coverage. It plays a vital role in the economic development of the rural poor. Micro insurance in emerging economies and developing countries means where people are often most vulnerable to risks such as natural disasters, illness and disease and where there is little or no social security.

Also, micro-insurance is a financial arrangement to protect low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved. The author of this definition adds that micro-insurance does not refer to: (i) the size of the risk-carrier (some are small and even informal, others very large companies); (ii) the scope of the risk (the risks themselves are by no means "micro" to the households that experience them).

WHY MICROINSURANCE?

Workers, in the informal economy, and their families live and work in risky environments, vulnerable to numerous perils, including illness, accidental death and disability, loss of property due to theft or fire, agricultural losses, and disasters of both the natural and man-made varieties. The poor are more vulnerable to many of these risks than the rest of the population, and yet they are the least able to cope when a crisis does occur.

Insurance is one way for the poor to protect themselves. By helping low-income households manage risk, micro insurance can assist them to maintain a sense of financial confidence even in the face of significant vulnerability. If governments, donors, development agencies and others are serious about combating poverty and achieving the Millennium Development Goals, then insurance has to be one of the weapons in their arsenal. It can provide great economic and psychological security to the poor and reduces the impact of the disaster. For this various products and schemes are available with multiple delivery channels.

WHO PROVIDES MICROINSURANCE?

Micro insurance scheme

The distribution channel in insurance industry consists of brokers and mainly agents. But this traditional system has failed to distribute and reach rural people. Therefore many micro insurance schemes have been developed. The expression **"micro insurance scheme"** designates either the institution that provides insurance (e.g., a health mutual benefit association) or the set of institutions (in the case of linkages) that provide insurance or the insurance service itself provided by an institution that also handles other activities (e.g., a micro-finance institution).

Efficient delivery channels are the key to lowering administrative costs and keeping premiums low. Successful partnerships have been formed with MFIs, unions, employers, retail chains, postal services, and other organizations that have regular contact with the low-income market and fulfill customers' preference to buy from people and institutions they trust.

The micro-finance institutions, Self-Help Groups (SHGs) and NGOs are important contributors to the success of micro-insurance business.

Some of the cooperative organizations that have been doing the business of micro insurance are: SEWA (Self Employed Women's Association), SPANDANA in Andhra Pradesh and SWAYAMKRISHI. The other humanitarian agencies are: CARE and CASHE International.

Micro-insurance delivery models

One of the greatest challenges for micro-insurance is the actual delivery to clients. Methods and models for doing so vary depending on the organization, institution, and provider involved. In general, there are four main methods for offering micro-insurance the partner-agent model, the provider-driven model, the full-service model, and the community-based model. Each of these models has their own advantages and disadvantages.

- **Partner agent model:** A partnership is formed between the micro-insurance scheme and an agent (insurance company, microfinance institution, donor, etc.), and in some cases a third-party healthcare provider. The micro-insurance scheme is responsible for the delivery and marketing of products to the clients, while the agent retains all responsibility for design and development. In this model, micro-insurance schemes benefit from limited risk and also there is limited administrative burden for micro finance institutions, but are also disadvantaged in their limited control.
- **Full service model:** The micro-insurance scheme is in charge of everything; both the design and delivery of products to the clients, working with external healthcare agencies to provide the services. This model has the advantage of offering micro-insurance schemes full control, yet the disadvantage of higher risks and bearing all costs.
- **Provider-driven model:** The service provider and the insurer are the same, i.e., hospitals or doctors offer policies to individuals or groups. The healthcare provider is the micro-insurance scheme, and similar to the full-service model, is responsible for all operations, delivery, design, and service. There is an advantage once more in the amount of control retained, yet disadvantage is in the limitations on products and services.
- **Community-based/mutual model:** The policyholders or clients are in charge, managing and owning the operations, and working with external healthcare providers to offer services. This model is advantageous for its ability to design and market products more easily and effectively, yet is disadvantaged by its small size and scope of operation.

HOW GOVERNMENT HELPS?

Indian government nationalized the top 10 banks in 1969, to stimulate the growth of banking and bancassurance in rural areas. This helped people borrow funds from the banks with relative ease and invest in insurance. Govt. also started arranging 'Loan Melas' in 1980 to bring banks closer to the poor people. To elevate health insurance among these people government proposed 'Universal Medical Insurance'.

The government of India started offering widespread crop insurance in 1985, with the Comprehensive Crop Insurance Scheme(CCIS). The CCIS has been replaced by the National Agriculture Insurance Scheme which had been implemented since the Rabi season of 1999-2000.

Government also took the initiative and started providing health insurance to people below poverty line by way of smart cards. The scheme is called 'Rashtriya Swastha Bima Yojana' (RSBY) which cover 1.2 crore families, comprising husband, wife and three children, in the first year. Then there are 'Government Social Welfare schemes,' under which all existing diseases hospitalization surgery and daycare services would also be covered. The Centre (75 per cent) and the State (25 per cent) would share the cost. The government, on 9th Feb '08 unveiled a life insurance scheme for handicrafts artisans which will also provide them with medical benefits.

Some of the schemes introduced by government for the low income groups are: PASS (Personal Accident Social Security) scheme and Hut insurance.

The study found that life and health are the two sectors for which the insurance is demanded more.

The concentration of schemes is more in southern states of India:

27% in A.P., 23% in Tamilnadu, 17% in Karnataka and 8% in Kerala.

Gujarat and Maharashtra are the only two states of western region where this concentration can be seen. The other available schemes are:

- Personal Accident Insurance Scheme.
- Kisan Credit Card Scheme.

TWIN BENEFIT

Section 32B and 32C of Insurance Act, 1938 provides the compulsory need for each insurer to have a minimum quantity of business from rural and social sector.

The IRDA Regulations (2000) defines:

Rural Sector as (i) A population of less than 5000, (ii) a density of population of less than 400 per square kilometer, and (iii) more than 25% of the male working population.

Social Sector as (i) unorganized sector (ii) informal sector (iii) economic vulnerable or backward classes and (iv) other categories of persons.

The mandatory fix % of policies that an insurer has to write from rural and social sector is:

Total policies written by the insurer in terms of percentage is:

In Rural Sector: 7% in first financial year, 9% in second year, 12% in third, 14% in fourth and finally 16% in the fifth financial year.

In Social Sector: The life insurers are required to cover 5000 lives in first financial year, 7500 lives in second financial year, 10,000 in third , 15,000 in fourth and 20,000 in fifth financial year.

Through micro insurance the insurer is able to satisfy the terms and conditions of IRDA and because of this the low income people get the insurance policy at modified conditions and are benefitted. The other benefits which an insurer can have are:

- Fulfillment of corporate social responsibility.
- Use of the micro insurance to get the brand into a new market.
- A means of developing good relationship with the Indian insurance regulator.
- Micro insurance offers an innovative new way to combat poverty by helping the rural poor to systematically manage financial risks to their livelihoods and lives.

MICROINSURANCE PRODUCTS

Micro-insurance, like regular insurance, may be offered for a wide variety of risks. These include both health risks (illness, injury, or death) and property risks (damage or loss). A wide variety of micro-insurance products exist to address these risks.

The most frequent micro insurance products are:

- Life micro insurance (and retirement saving plans)
- Health micro insurance (hospitalization, primary health care, maternity, etc.)
- Weather micro insurance (natural disaster)
- Disability micro insurance
- Crop micro insurance
- Property micro insurance - assets, livestock, housing.

HIGHLY COMPLEX	• Crop micro insurance • Health and disability micro insurance • Weather micro insurance • Property micro insurance • Term life micro insurance (payment to beneficiaries on death)
SIMPLER	

Life Micro insurance

Life Insurance covers the policy holder and his/her family in the event of death and disability. It is an important measure of financial security for low-income households and the insurance product currently most widely available. Of all insurance types, life cover is, relatively speaking, the least difficult to provide, because:

- It is one of the most demanded forms of cover.
- It is relatively easy to price compared to other types of insurance.
- It is mostly resistant to problems of fraud and moral hazard.
- It is not dependent, unlike many types of health insurance, on the existence and efficient functioning of infrastructure like clinics or hospitals.
- It is a relatively low-risk product for the provider.

Low-income people consistently find demand for risk management tools that could help them cope with financial issues related to the death of a breadwinner. In these cases, this market is looking for (1) funds to help the remaining family carry on; (2) Funds to assist with the funeral and the related ceremonies and customs; and (3) coverage for the outstanding balance of a loan, if indebted.

Life micro-insurance (and retirement savings plans) provide coverage against the financial consequences of old age or of the death of a breadwinner.

Health Micro insurance

Health micro-insurance provides coverage against the financial consequences of ill health and maternity. The financial consequences can take several forms: direct medical costs of prevention, care and cure (fees for consultations, laboratory tests, medicines, hospitalization, delivery, etc.); direct non-medical costs such as costs of transportation, food in case of hospitalization; and indirect costs (opportunity costs), as ill health and maternity usually entail a loss of productive time for both patients and caretakers. Health micro-insurance schemes usually cover direct medical costs covering a predetermined list of risks (or health services). Very few schemes provide cash benefits (income replacement) in case of ill health or maternity. Health micro insurance offers the promise of helping communities pay for quality healthcare by optimally pooling their own limited resources. These schemes provide various levels of coverage by design, to meet the needs and payment capacity of the policyholder

- ➢ Hospitalization only:
- ➢ Hospitalization and outpatient (comprehensive)
- ➢ Limited outpatient/ community health services:
- ➢ Chronic Illnesses
- ➢ HIV/AIDS
- ➢ Preventive health services

Weather Micro insurance

The rural poor, economically dependent on agricultural production, face significant risks to their livelihoods from catastrophic weather events that cause widespread crop failure, with implications not only for the affected households, but for the whole rural economy. Weather or climate Insurance is an agricultural insurance product and like crop insurance, often linked to index insurance. Index insurance is an innovation that mitigates many of the fundamental problems that hamper the development of insurance for weather risks in lower income areas.

Disability Micro insurance

Disability micro-insurance provides coverage against the financial consequences of disability, whether temporary or permanent, depending on the contract. Disability is called temporary when the physical loss is reversible and lasts for a limited period of time (generally up to three years) and is permanent when the injury and loss is beyond recovery.

Crop Micro insurance

Crop insurance is an agricultural insurance product and covers crops against perils such as hail or fire. Index instruments are often used for crop insurance to avoid moral hazard risks and is not connected to one particular crop, but is based on the measurable occurrence crop failure generated by uncontrollable adverse events (e.g., drought, crop pest).

Property Micro insurance

Property micro-insurance (assets, livestock, housing) provides coverage against the financial consequences of the damage or loss of personal assets, work premises and tools (e.g. hut micro-insurance against fire, theft of belongings, or death of livestock). Property and asset insurance covers against damage and/or loss of assets in the event of the covered perils.

Livestock insurance is an agricultural insurance and covers against loss of livestock owned by the policy holder(s). Most livestock insurance schemes insure against a specific peril and can be paid out in the form of a lumpsum payment or livestock replacement.

Agricultural insurance aims to reduce the vulnerability of low-income households faced by natural disasters like drought, flood or livestock epidemics.

Other Insurance Products

Micro insurance includes many specific products that are adapted to the needs and demands of low-income households and cover specific risks.

Micro insurance products by some of the different insurance companies are:

Insurance Company	**Rural Products**
LIC	Anmol jeevan, Jeevan aastha.
MetLife	Met vishwas.
Aviva Life	Grameen Suraksha
Tata AIG	Navkalyan Yojana, Ayushman Yojana, Sampoorna bima, Sumangal bima.
Birla Sun Life	Bima Suraksha Super and Bima Dhan Sanchay.
IFFCO TOKIO	Janata bima Yojana, Mahila Suraksha Yojana, Jan Swastha Bima and Jan Kalyan Bima.
Max New York Life	Max Suraksha, Easy term, Max mangal endowment, Max vriksha money back.

OBSTACLES

When a new product is introduced in the market, there are lots of challenges and obstacles which are to be faced, e.g., difficulties in distribution in rural areas. Traditional sales systems of brokers, agents and direct sales do not reach the poor. There is lack of marketing strategy to attract these people. The products are not designed to meet the specific characteristics of the low-income market, including problems such as inappropriate insured amounts, complex exclusions, and complex legal policy language. For very small policies, the transaction cost is very high.

Many people are skeptical about paying high premiums for an intangible product with future benefits that may never be claimed. Cost of educating consumers, to create awareness about the value of insurance is high.

Inappropriate services because of inadequate information. Mismatch between needs and available products and this leads to gap between demand and supply. Problem in obtaining death certificate and other documents at the time of claim payment. Most people don't have bank accounts so payment of claim by cheque becomes difficult.

SUGGESTIONS

- Market research of the risks faced by the poor has to be done so that the actual demand of the insurance can be assessed. This not only will spread the awareness about various insurance schemes available but will also help the insurers to actually know the kind of risks these people are facing.
- If rural people are already using some of the insurance products then the insurers should also try to know the satisfaction level of the existing products they are using.
- The insurers should try to make products according to the demand of customers (low income group), if it is not so then the new product will not attract them.
- The amount of premium to be paid should be set according to the income these people receive or the mode of premium payment should match their mode of receiving income.
- Panchayats and local groups should be involved at the time of claim payment as well as in educating people.
- Claim cheques should be distributed at publicly held functions to create awareness of insurance.
- The schemes and advertisements should be displayed on the village walls and in local language.
- Insurance companies should tie up with rural retail chain distributors for the distribution of insurance products. For example MetLife has tied up with Hyderabad based 'Vishwas' retail distributor for easy distribution of products.

CONCLUSION

The awareness of insurance products available among the low income groups is very low. Also they have the assumption that insurance is a status symbol and it can only be afforded by the rich people. They are averse to giving a good part of their income for insurance to hedge themselves against the unknown and uncertain future risk. So insurance institutions will have to take the initiative not only to remove these misconceptions but in providing more attractive, useful and more affordable options. This can be done only by overcoming the obstacles and increasing the awareness about micro insurance which is a boon for low income people.

CHALLENGES AND ISSUES IN MICRO-INSURANCE

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Finance as a sector has been traditionally viewed as a preserve for moneyed group. Although this position has been challenged for many years, first by Franciscan monks who had set up community pawn shops in Europe and then by many visionaries such as Friedrich Wilhelm Raiffeisen, the nineteenth century German cooperative leader. The sub sector of microfinance got a boost by 2006 Nobel peace prize to Bangladeshi economist Mohammed Yunus for his work for poor and needy in Jobra (near Chittagong) through his Grameen Bank.

All the work in the field of microfinance has been so far limited to the banking sector. Insurance the other component of financial sector has been playing a negligible part in the microfinance sub sector. The situation is now sought to be changed by increasing introduction of micro insurance products in the developing countries to cater to poor and needy of these countries.

A study made by ILO in collaboration with Munich Re in 2006 found that AIG Uganda covered 1.6 million people in the year 2003 and TSKI Philippines covered 330,000 people in 2004, an indication of the rise of micro insurance in the developing world. The same study also found that the majority of the micro insurance product was coverage for health, accident or credit life. The micro insurance products have the potential of casting much needed social security net for the poor and needy people of these countries. It is the poor in a society who face more risks and are more vulnerable to those risks. Micro insurance can prove to be effective in managing these risks.

But the opportunity to serve the poor through micro insurance poses multifarious challenges and issues for the Insurance service providers. The fact that they will be dealing with the bottom section of the society and economy, is itself challenging. The marginal utility for each rupee spent is more for these group of people and hence it can prove challenging. This can also prove to be rewarding as it will cover more than half of the population in the developing country. In this context, management guru CK Prahlad may be quoted from his book, 'The fortune at the bottom of the pyramid (2005)' that the "private sector, in its desire to ... gain market coverage, will invent new systems depending on the nature of the market".

He has even suggested twelve principles to guide the formulation of market development at the bottom of the pyramid. These principles are:

1. New understanding of price performance relationship - Low price must not mean low quality.
2. Combine advanced technology with existing infrastructure - such as use of biometrics, smart cards and ATM etc.
3. Scale of operation - expect profit on volume rather than margins.
4. Eco friendly - the products which go against ecology are not sustainable.
5. Requires different functionality - the products can not be scaled down version of the traditional products.
6. Process innovation - Innovate processes taking into consideration infrastructure limitations.

7. Deskilling work - highly skilled workers will not be available for this kind of work.
8. Significant investment in educating customers - Reach people in 'media dark zones'.
9. Designed for hostile conditions - investing in loss prevention measures such as encouraging low risk behavior.
10. User friendly interfaces - take into account low literacy level of target clients.
11. Distribution - leverage the existing infrastructure.
12. Challenge the conventional wisdom - Think differently about customers' needs, product design, delivery systems and even business models.

Once a micro insurance product is developed considering these principles the insurance providers will have to interact with three interfaces as in normal insurance business. These are:

- **Customers**
- **Reinsurers**
- **Regulators**

Each interface poses challenge and issues of its own.

The interface with customers is primarily a marketing process. The challenges associated with this interface can be effectively dealt with by studying marketing mix for this market. As this is a service market, all the seven Ps come in play. The challenges associated with them are:

Product - The micro insurance product must be relevant to social and economical needs of the people it is designed to serve. Health insurance, Personal accident insurance, Agriculture and allied activities insurance policies are some of the relevant policies presently in place. Further scope of development of products exist in the spheres where the target population works such as small service sectors e.g., tailor shops, barber shops and the field where Self Help Groups work such as handicrafts. It must be simple to understand; an insurance product with various clauses and sub clauses, multifarious excesses and franchises will put off the customer.

Price - The Price of micro insurance products must be affordable for the target population as higher price will frustrate the very purpose of formulating micro insurance products. But the low price must not translate in low quality of products and services. The low premium must not mean the scaled down version of the existing policies with scaled down services and benefits. It will be a better idea to come up with products with different functionalities and relevant benefits. The service provider must provide value for money and instead of building up profit on margins, he must be agreeable to building profit in volume.

Place - The place where the target client can avail of micro insurance product is significant. The insurance companies lack in distribution network. This is truer for India. The insurance companies have no presence in subdivision level, while the banking companies especially public sector banks have now village level branches. It is too much to expect that poor people will travel to district head quarters or state capitals to buy insurance policies. The distribution network for micro insurance products may follow one of the following models:

- Partner - Agent model - In this model a partnership is formed between the Insurance Company and a microfinance institution or a non governmental organization (NGO) or such bodies. ICICI Lombard is following this model to provide health insurance through NGOs. It has also followed this model in providing rainfall insurance launched by BASIX (a leading micro finance institution of India). National Insurance Company has collaborated with Karuna Trust in Karnataka to provide health insurance following this model. This has limited risk but also limited benefits.
- Full service model - In this model the insurance service provider maintains full fledged office to provide micro insurance services. Yeshaswini Farmers Cooperative Health Scheme is self funded micro insurance scheme being implemented by farmers Cooperative in the state of Karnataka. This has advantage of full control and disadvantage of higher risk exposure.
- Provider driven model - The Health care service provider or the other service providers is

responsible for all the activities associated with the implementation of micro insurance scheme right from designing to delivery. The ESI scheme of India, though not a micro insurance scheme follows this model. Apollo DKV health insurance is also follower of this model. This delivery model has advantage of full control but disadvantage of limitations in product and services.

- Community based or mutual model - The Policyholders or clients are in charge and own the operations. Serviperu, a microinsurance provider for health insurance for poor in Peru work on this model. The Mauritius Sugarcane Insurance Fund (not a micro insurance provider) follows this model. Auto Owners Insurance and State Farmers Insurance of USA follow this model.

Promotion - The promotion of micro insurance products is a challenge to service providers. The insurance penetration in India was found to be 4.7% of GDP in a study by MicroInsurance Centre as compared to world average of 7.5%. The 3.4% of population of those living under $2 a day were accessing micro insurance, much of it life insurance. There is a huge scope for expansion. But there are many challenges. The people in India are not only poor illiterate ones, but also understand Insurance to be Life Insurance. It is tough call explaining them general insurance where there is no pay out if there is no loss. The Premium back policies being implemented by Yasiru in Sri Lanka and MBA in Philippines are worth a try in India. Again experience of AIG Uganda showed that people did not distinguish between family members or extended family members when the accident or sickness occurred and only one or few of them were covered by the policy. The situation is not much different in India when dealing with rural or illiterate people. The people have to be educated about scope and benefit of micro insurance products.

People - The deployment of right people to implement the micro insurance products is a challenge. The people implementing these schemes should have right attitude. They should be able to interact with the target population on peer to peer basis. They should be adept at relationship building and providing after sales service. The experience of SEWA a women's organization providing micro insurance to the poor women has been that provision after sales service brings customer loyalty. It is unlikely that such people will be available from skilled workforce given the low margins associated with the micro insurance products. The insurance provider will have to sufficiently deskill the processes associated with the product so that people deployed can effectively implement micro insurance schemes. They should also formulate incentive schemes on volumes for these products rather than margins.

Process - The processes associated with the micro insurance products should be simple and deskilled given the limitations in manpower and infrastructure associated with these products. The processes should be simple to facilitate ease of comprehension by target clientele. On the other hand the processes must also be fast and effective to provide necessary relief to the clientele in time. There should be limited number of simple forms to be filled up if the need arises. The processes should be carried out in local languages as far as practicable.

Physical factors - The physical factors associated with micro insurance should be designed keeping in view the target clientele. The glass and chrome building with central air conditioning may impress corporate clientele but will put off the target clientele of micro insurance products. A simple pleasant ambience in the office of the micro insurance provider will help to reassure the prospective client.

The interface with Reinsurers poses challenges of its own. The micro insurance products bring some peculiarities of its own to the market. The challenges and issues are:

Lack of historical data - The micro insurance products being new lack historical data thus forcing insurance providers to price the products relying on the observations of and assumptions of participants and adjust the rates on the basis of expected claims. This makes reinsurers doubt the adequacy of pricing.

Adverse selection - High risk population is the target group in this form of product. It is difficult to charge different premiums on the basis of risk profiles of different individuals in this kind of insurance.

Therefore higher rate is charged from what is required from low risk individuals pushing them out of market.

Moral Hazard - Moral hazard is the situation where grant of insurance causes people to undertake more risky business with more probability of claim. Crop insurance has been especially victim of this kind of behavior where farmers grew more risk prone crops with more probability of claims inspite of having less risky options. The micro insurance products dealing with crop insurance have to face this risk.

Covariant risk - Micro insurance products are also vulnerable to high covariant risk making them unable to access reinsurance market.

Lack of risk distribution - Micro insurance schemes also suffer from lacunae of lack in diversification in geography, demography and economy of risks covered.

Despite these shortcomings there have been some success stories. ICMIF (The International Cooperative and Mutual Insurance Federation) supported the Columna scheme (Guatemala) in obtaining reinsurance. The primary goal was to achieve long-term stability through reinsurance of the whole portfolio (including microinsurance), while keeping the reinsurance premiums to a minimum. Towards the end of each year, ICMIF and Columna prepare information and statistical data required to develop a reinsurance programme for the following year.

There is one more instance of success of reinsurance arrangement: the Interpolis Re model. This Dutch reinsurer has "adopted" a Sri Lankan microinsurance scheme and initially provided technical assistance to help the microinsurer to quantify and present its underwriting exposure.

Interpolis also agreed to reinsure some of the risk, but with a higher than average "no claims commission" as a means of reducing the reinsurance premium to the bare minimum. It can be said that Interpolis absorbs excess risk of Yasiru, if it were to occur, with caps that are relatively low for the large reinsurer, but sufficiently large for the microinsurer.

There is also need of capacity increase by the micro insurance providers as that will help them absorb large losses themselves. Meanwhile some Reinsurers are providing 'quota share' and 'risk of excess loss' reinsurance as timid first steps in this market. There has been also a proposal tabled at the Munich Re Foundation microinsurance conference for reinsurers to create a "Joint Reinsurance Underwriting Association" or a syndicate to provide reinsurance to microinsurance schemes to reduce risk exposure while spreading the cost of developing the market. The aim is to enable microinsurers to buy reinsurance, while limiting the effort of each participating commercial reinsurer. This syndicate would have to overcome some definition problems, including a decision about which kinds of risks to accept, whether to operate worldwide or only within the boundaries of single countries, and so on.

There have been also proposals to formulate social reinsurance schemes. In these schemes micro insurers' exposure to fluctuation in claim is reduced. Dror and Preker, (2002) show a way to remedy inherent vulnerabilities of microinsurance schemes operating on their own by establishing a generalized ceding limit (or threshold) identical to the long-term average cost of claims and passing on to the social reinsurer the risk of costlier claims. This enables microinsurers to remain financially viable and to calculate their premiums more accurately, while reducing their need to maintain capital for contingencies. It can be applied when the standard deviation (SD) of each microinsurer's total benefit cost is known. The reinsurer's success is highly sensitive to the accuracy of this SD; a 20 per cent error in SD value can signify the difference between the reinsurer's long-term solvency and bankruptcy.

The SD can be calculated only when the risk probability is known. In reality, the estimate of risk is often unreliable. Even when risk probability is known, the reinsurer is still affected by the size of the pool (or the number of reinsured microinsurers) and the heterogeneity of risk profiles. The larger the pool, the better the reinsurer can spread risk and reduce the variations in its business outcome and premiums. When the pool is small, the adverse effect of heterogeneous risk profiles requires a higher premium for stabilization. For some of the developing countries, support of the government as ultimate reinsurer may be required in initial stages of implementation of micro insurance schemes.

The third interface but not least in importance is interface with regulators. The regulators in any insurance market have functions which fall in three categories, which are:

- **Protecting policy holders in general.**
- **Protecting individual policy holders.**
- **Developing markets.**

Interface with regulatory authority regarding micro insurance products has few challenges owing to informal nature of microinsurance in many countries. Although India is exception, its regulatory authority IRDA has formalized guidelines for micro insurance vide IRDA Micro insurance regulations, 2005 issued on 10th November 2005. These regulations bring their own challenges to the market. Some of the challenges posed are:

- Regulation number 5 - This regulation restricts an agent dealing with micro insurance products to micro insurance products only, this means that traditional insurers must have two set of agents one for microinsurance products and one for other set of products with no scope of inter transferability.

  Regulation number 6 - The micro insurance agents and their employees will continue to be guided by the IRDA (licensing of corporate agents) regulations, 2000 and (licensing of brokers) regulations, 2002. It will be a challenge to interest brokers to follow same regulations as that of normal agents for lower margins.

  Schedule I Regulation 2 (d) - The minimum period of crop insurance has been fixed at one year but such restriction is not feasible as crop insurances generally cover the crop for its growing season which is usually few months. This should be accordingly amended. The group insurance has been restricted to a minimum of 20 members. This may be reduced to 6, typically the number of members in a Self Help Group.

  Besides these challenges posed by regulations, there is also challenge of adequately trained and knowledgeable staff with regulator to supervise implementation of micro insurance schemes.

  Another component of regulation, tax also needs attention as the prevailing 12.36% service tax on the insurance sector adds to burden of both the clients and the insurers. This needs to be addressed urgently.

Together the society and prospective Micro insurance providers must meet these challenges and deal with these issues so as to obtain the objective of serving the poor and creating wealth in process. It must succeed to the extent that there is no more need of micro insurance as there would be no more poor, as the former Chair of Delta Life, Monzurur Rahman, said, "We want to see the day when there is no more micro insurance, just insurance."

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ADVERTISING ON THE NET

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A company needs to make marketing decisions not only in the areas of segmentation, product offerings, pricing and distribution but also in the areas of promotion. The successful promotion of a product requires that, at a minimum, a positive message be received by potential customers. And advertising is the main and most commonly used source of communication to convey the message to the ultimate customers. Advertising is not a new concept. The principles of advertising have their root going back very deep into the history of man. About 3,000 years ago in Thebes, an advertisement was written on papyrus calling for information regarding a runaway slave. This was not the first advertising, merely one of the first examples, which has survived. Pompei is rich in advertisement scratched and painted upon its wall. But time changes; so do we. And the way people advertise their product or a service is no exception either. **Online advertising is the latest addition in this genre. Online advertising is also known as Web advertising, Internet advertising and e-advertising. But whatever be the name, in essence, it is all advertising. In a very simple sense online advertising can be defined as the use of electronic communication resources (especially Internet and its technologies) to engage in the activities of advertising.**

This is a relatively new, un-researched area with a huge untapped potential. **What fascinates me about this topic is the fact that in the information age, the growing accessibility of the Internet among diverse sections of consumers, can become a powerful tool for endorsement and hence sale of products. What is unique and defining about this medium is that, the advertiser reaches only those who are interested (a focused audience), and more cost-effectively than with conventional advertising.** With the new focused channels, the Advertiser can concentrate on timely and customized announcements, rather than the relatively static and mass appeal approach in conventional media. On an individual level, for example, the marketer may use the technology to make himself more accessible to the consumer thus adding to his service levels through interactive marketing. The introduction of interactive marketing and specifically interactive advertising heralds the beginning of an era where customers will choose the advertising they wish to see, when they want to see it. The Web can be transformed into a research tool, a brand builder and an advertising medium in one swoop, something not offered by other media. Furthermore, unlike other media where the advertising agency is the only link between the client and the media-owner, the Web allows the client to become the media owner. The assortment of features of web advertisement notwithstanding, it provides a special challenge to marketers and planners due to its relative infancy, which brings previously un-encountered circumstances to the fore.

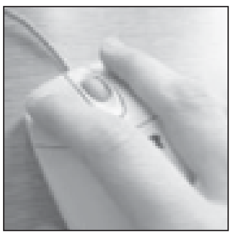
Advertising has come a long way today. More and more new medium is being explored each day to make a successful ad campaign. Internet that has in recent times picked up as an advertising medium in no time has become the favorite of the advertiser.

Internet not only helps capture maximum audience but also broadens the exposure. Today undoubtedly it is one of the best mediums for brand promotion and advertising. In a country like India wherein we are not dominated by a monopolistic market and have new products popping up each day advertising gains a whole new perspective.

Internet advertising is on an all time boom and is bound to take Indian advertising on an all-new level. If we are to believe the results of a latest research, facts show that approximately 30 million dollar is solely generated by online advertising. Going by this fact one can have an idea of the immense potential of advertising medium Internet and the future of online advertising.

The world is awash in advertising clutter. For decades marketers have been spending more and more to try to get their message out -- only to find their pitches drowned out in a sea of noise generated by countless other marketers trying to do the same thing. In effect, companies have been paying big bucks to be ignored. Now, inspired by the Internet's ability to do a better job of targeting prospects and measuring results, advertisers are dreaming up new ways to break through the clutter and connect with potential customers at a lower cost.

✓ ***THE INTERNET WAVE.....*** The ability to measure the impact of an ad simply by counting how many people click on it, and to link advertisements to search-engine results, in large part drove Internet advertising to \$9.6 billion in 2004, a 33% jump from 2003, according to Interactive Advertising Bureau reports. But the real advantage is going to companies that figure out how to use these tools to hunt down specific types of prospects and nail them with the right pitch.



Inspite of a small share of the overall ad pie, the online advertising in India is creating ripples if not waves. How? Through creative use of the Internet media for brand building. The marketers from FMCG, financial, electronics, automotive, telecom, beverage, travel... you name them and the leading brands from different sectors of the industry are constantly innovating to reach out to their target group via Internet.

✓ ***Some of the techniques adopted in website promotion and Internet marketing are:-***

1. **Email sponsorship Advertising:**

   Advertising through email is another common form of online advertising. However, what distinguishes it from spam is when it takes the shape of legitimate opt in emailing.

2. **Search engine submission and ranking:**

   A lot of webmasters use the service of Pay Per Click Providers such as Google Adwords to advertise their business and website on Search Engines. Such paid listings help in advertising the business and the site owners are charged only when someone clicks on their ad.

3. **Newsletter and articles:**

   The good old newsletter can bring out the repeat customer on a regular basis. It doesn't have to be a huge tomb of information, but it should be interesting, low on promo spam, and high on content. Interesting and quality Articles give the viewer a reason to come back to website. Adding an informative and isolated article to website encourages other website to put our website link on their website, in result more traffics and hits.

4. **Website Advertising:**

   A lot of webmasters use related websites to advertise their business. The trick is to select those websites which receive visitors related to your industry. ***Canon was facing the problem of association with copiers and cameras only. The awareness in the***

printer category was dismal with HP almost like a generic brand enjoying a lion's share of the market and the consumers' mind space. To re-enforce Canon's association with printing, a printer panel form of advertising was conceptualized with options of printing, emailing and sending feedback with Canon branding. This panel was displayed on all the news pages of TOI.com and ET.com

Here are a few common ad formats popularly used on websites -

✓ **Pop Ups -** new windows that open up on already existing web pages every time a page loads.

The famous teaser campaign of Frooti built around a mysterious personality 'Digen Verma' was run on online platform as well. Intercept, the agency behind the online campaign, created a contest by taking an innovative route. In the creative, Digen Verma's feet moved from one end of the web page to the other inviting the surfer to follow and click on them. This resulted in a question in the form of a pop-up where the surfer was required to answer a simple question along with his brief contact details. The agency claims to have achieved 35,000 click throughs in the first hour of the break of the campaign itself.

The Prudential ICICI pop up campaign was so successful on the Net that the client actually asked their offline agency to replicate the same creative on various offline media.

✓ **Pop-Under -** these ads open when a page loads but are usually seen only when the current pages are closed.

✓ **Banner ads -** usually gif or jpeg rectangular image ads that come in varying sizes and are displayed in prominent places on a website. 468 pixels wide by 60 pixels high is the most common banner size and such ads may be clickable linking to a particular web page or website. **Banner advertising** on the internet is extremely affective for branding awareness. Mainly a brand awareness form of advertising it helps to corner the market when you do advertising for your business. ***When Airtel launched their mobile service in Mumbai, it came out with an online campaign positioning it as the most advanced mobile service in India. The top end placed Airtel banner, when clicked, grows to become a big size ad emphasizing the extensive coverage of the network's service across India.***

The leading international airline, British Airways, promoting its extra comfortable seats to hook the traffic from India also used Internet put across its message. In order to bring out the comfort aspect of the seat, an animated seat came out of the banner space highlighting its unique features to woo the travellers.

✓ **Video ads: moving banners with video clips.**

✓ **Rich media advertising (flash ads, Interstitials & Superstitials, streaming audio/ video, etc)**

✓ **Floating ads:** specially designed ads that appear above the content on a page and moves along the page as it is viewed.

The premier luxury car brand Honda Accord ran the Shoshkele ad, with quite an impact on indiatimes.com and its related online properties including timesofindia.com and economictimes.com quite recently. Shoshkele is a kind of flash enabled floating ad on the websites. The key objective behind shoshkeles is to create a 'launch feel'. It is primarily used at the beginning of a campaign to create high impact and visibility. However, since it is intrusive, it has to be used for a limited duration of time to avoid becoming a nuisance. In the Honda creative, the whole browser screen gets covered with an opaque sheet of yellow colour. Then suddenly a shining Golden colour Honda Accord car appears on the screen. And in a teasing manner, moves into a right side banner clearing the yellow fog in the process leaving the surfer bowled over.

The French multinational bank, BNP Paribas, undertook a retail launch in the major metros to expand its banking operations in India. As part of its promotion campaign, a special online advertising was done on timesofindia, sify, walletwatch, indiainfo etc. The shoskele was

targeted at only those cities where the launch was happening like Mumbai, Delhi and Chennai. The leaves signifying the positioning of the bank - the bank for the changing world - floats on the browser page taking the net surfer to a banner ad on the top. The banner then puts across the message of the bank's launch in a subtle manner.

✓ **Expanding ads:** ads that change size.

✓ **Affiliate Marketing**

This form of online marketing is gaining tremendous popularity. It is based on the concept that affiliates are paid when their marketing efforts boost sales and generate revenue for the advertiser. Affiliate marketing programs create a win-win situation for all parties concerned.

A good example of affiliate marketing is Amazon, the first company to harness this method of online marketing. Launched in 1996, Associates is Amazon.com's affiliate marketing program. By linking to Amazon products and services you can add compelling content for your site visitors enjoyment and receive up to 10% in referral fees for doing so. As one of the first online affiliate marketing programs, Associates has a 10-year track record of developing solutions to help website owners, Web developers, and Amazon sellers make money.

According to Kevin Werbach (Legal studies and business ethics Professor, Wharton), online advertising will at some point be able to more accurately measure what consumers do and what they value. **According to him, online advertising has the potential to be radically more efficient, responsive, and measurable than traditional advertising, so ultimately it will be valued using different metrics. At the macro level, advertising will eventually track user attention, which means online advertising will grow substantially.**

✓ ***WHY ONLINE....There are clear advantages of on-line advertising when compared with traditional Media.***

The most evident are the cost, a far more cost effective media as compared to traditional media ..normally a fraction of what would be paid for a comparable format on TV and national press, as well as the extremely short 'time to market', since files can be uploaded in a few minutes and can reach the targets in few seconds. This provides extreme flexibility to the marketers, who are able to modify their communications virtually on line, according to their needs (e.g. promotion change, addition of a variant,...).

Among the other advantages is the possibility to precisely target the predetermined audiences, thanks to the availability of statistics on the visitors of the different sites: here both the choice of the targets and the results of the communication are much more specific and quantifiable than most other traditional media.

Once the advertisement has been on line for sometime, the quantity of statistics generated by the viewers will continue to grow and evolve, allowing the advertiser to analyze the consumer reactions quite rapidly and accordingly fine tune the campaigns in progress, rather than doing this subsequently through a 'post mortem' which will then lead to expensive reruns.

Also in terms of impact of the communication, the online one can count on the fact of a virtually unlimited advertising space: if the attention and interest of the consumer is captured, he will be able to watch the communication over and over again (vs. the broadcast media). He will also be able to dynamically interact with the advertiser through the links conveniently placed in the ad (vs. the press media), watch other communications of the same Company or other formats of the same advertisement.

Apart from what is mentioned above, the Internet environment delivers also another fundamental function that no other traditional medium does: it also acts as a sales and distribution channel. A consumer who has a specific need for the product/service advertised can buy it right away and finalize the transaction there and then without having to move from his home or office. And the probability that the consumer interest be there is quite high.

The many advantages of the medium include the fact that it is a two-way communication. Unlike print and TV, the consumer can decide when and how he wants to be exposed to a campaign, and the advertiser too can zero in on targets more specifically.

Internet combines the audio-visual effect of the TV and the detailing capabilities of the print medium and makes the entire customer interface interactive.

Leading portals in India are relishing this attention. Rediff saw an increase of over 70 per cent in online revenue on its India operations in 2004. Yahoo! India saw a 100 per cent growth in advertising in 2004. Indiatimes.com, the online operations of one of India's leading media groups, estimated total advertising on its site to be around $3.5 mn-$4.6 mn in 2004.

Marketing quality	Internet	Radio	News Paper	Periodicals	Direct Media
Large national audience	Yes	May be	May be	May be	Yes
International exposure	Yes	No	No	May be	Yes
Can be targeted as specific audience	Yes	No	No	May be	Yes
Audience can view ads at their convenience	Yes	Yes	No	Yes	Yes
Relative expenses	Low	Medium	Medium	High	High
Instant customer reaction	Yes	No	No	No	No

The Internet is one of the most important media for advertising. It not only complements your other forms of advertising, but also reaches a unique, distinctive class of audience. Consumers on the Internet are generally the most sought after because of their purchasing power.

✓ ***HOW CORPORATES LEVERAGE ONLINE ADVERTISING....*****some insights**

The techies do it the best...

Not surprisingly, it is the Net technology companies that have best understood Web advertising. **In the US, IBM and Microsoft are the top ad-spenders on-line. In India, companies like Intel have carried out extensive promotions on Indian Websites.** With Satyam Online as it's partner, Intel managed to generate 75,000 impressions for the Intel Technology quiz and 39,000 for the Intel Home of the Future.

But even non-tech advertisers can get encouraging results on the Net. **ICICI** for example doubled NRI deposits through Web advertising one year. In fact, finance companies contribute a fair share to the on-line ad spend on Indian sites. **Citibank and Standard Chartered** have run campaigns targeting credit card applicants. The ad offers prospective client application forms and is followed up by a sales person's visit to complete the sale.

Other finance companies like **Kotak Mahindra AMC** have also cashed in on the power of the Net. Kotak, which advertises on sites like indiainfoline.com and investsmartindia.com is drawn by the fact that Web banners can be made to appear on a host page according to the demographics and personal characteristics of the visitor.

THE EARLY ADOPTERS...

Some **FMCG companies** jumped on to the Web advertising bandwagon early, in the late nineties. One of the early starters was **Hindustan Lever.** It partnered with contests2win.com for on-line promotional contests. The results speak for themselves. Levers' first contest generated only 66 participants but within two years the company generated 30,000 responses. At best a print campaign for a contest generates 15,000 responses.

One of the reasons for the high responses on the Net is because of the younger generation's penchant for the Net - and for contests.

Some consumer durable companies like Godrej GE Appliances have been advertising on sites like rediff.com and contests2win.

Still a long way to go

Online ad spends of traditional brick and mortar companies are still a small part of the whole. However, this is all set to change. The Net population is galloping ahead, and media planners and advertisers are rapidly logging on.

Sectoral Advantages of advertising on the Web:

Automobile sector: Target audience can be provided with a simulated driving experience, or taken on a virtual car-show.

Electronic sector: Advertisers can use the medium's multi-media capabilities to take customers through a review of product features.

Hi- Tech products: Advertisers can use the medium's computing capabilities to demonstrate product benefits.

Services sector: Advertisers can use the medium's interactivity to answer queries on how offerings can be customised.

Entertainment sector: Advertisers can let users sample clips of movies, games, and music, and also make the medium the merchant.

Currently finance sector is the most dominating sector in online advertising and accounted about 40% of total online advertising in India. Some of the leading companies from this sector are HDFC, Citibank, SBI, and UTI etc. FMCG goods have just started to come in led by companies like Hindustan Lever, Procter and Gamble etc. FMCG accounted about 20% of total online advertisement spending in India. Consumer durables companies are also coming and accounted 15% of total online advertisement. Share of media sector is about 10% and rest comes from others.

THE RESEARCH FINDINGS.........

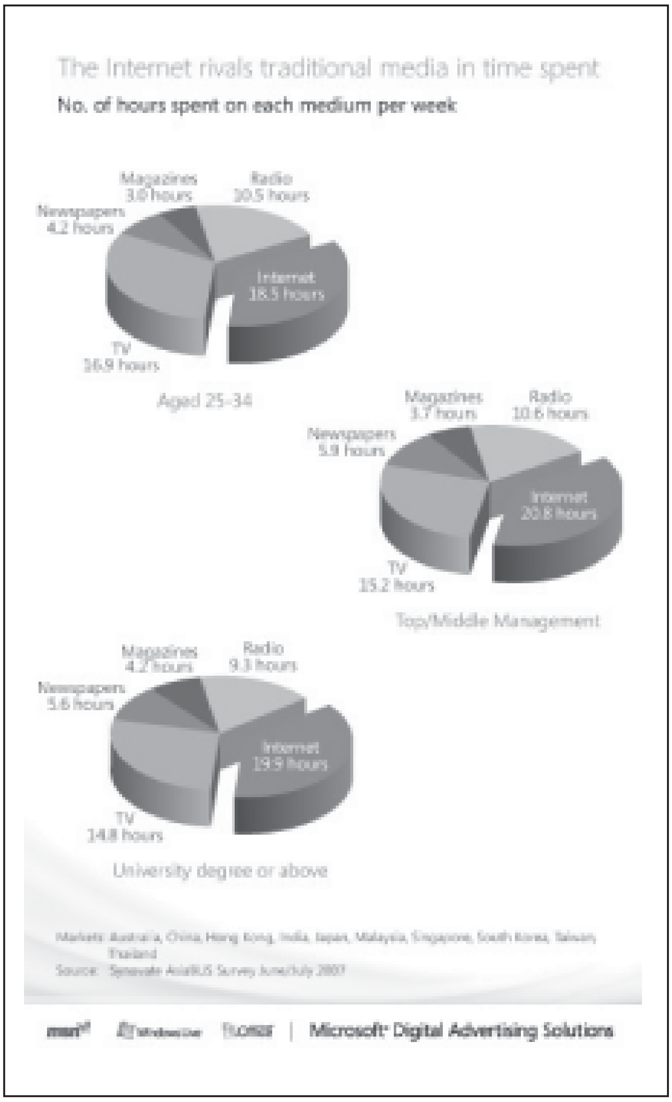
Microsoft Digital Advertising Solutions conducted a media consumption study via Synovate AsiaBUS service, surveying over 11,000 people aged 15-64 in 10 markets in Asia Pacific: Australia, China, Hong Kong, India, Japan, Malaysia, Singapore, South Korea, Taiwan and Thailand.

The research findings confirm the Internet has become a mainstream medium that now rivals traditional media such as television, newspapers and radio. The survey also reveals that the Internet excels over other media in attracting key demographics for advertisers.

Key audiences and time spent online

The AsiaBUS Study shows people spend 15 hours a week on the Internet, challenging the leading position of TV (18 hours). Respondents also report spending far less time reading newspapers and magazines, 5 hours and 3 hours respectively, though radio still accounts for quite a significant share of media time (12 hours).

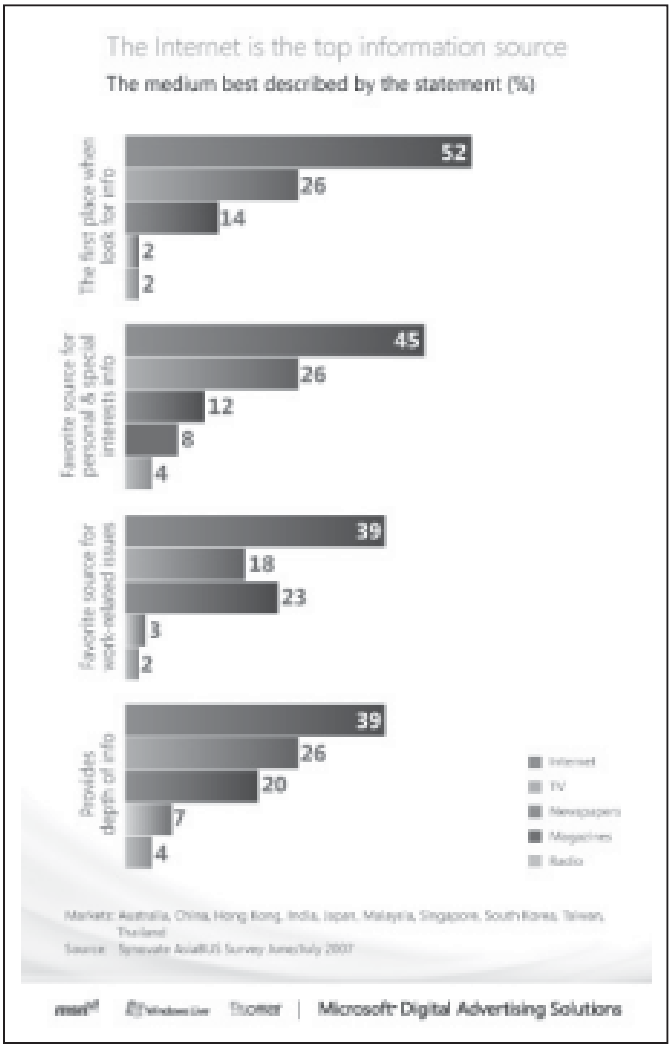
Looking at media consumption across demographics, a few groups show higher engagement with the Internet than with other media. For example, those aged 25 to 34 spend the most time on the Internet, 18.5 hours per week versus 17 hours on TV. Two other groups show an even stronger preference for the Internet: University graduates and Top/Middle management, both of which are prime targets for advertisers given their higher purchasing power, and personal and business decision making power.



Graph 1. Source: Synovate AsiaBUS Study Survey June/July 2007

INTERNET ...the top source for information

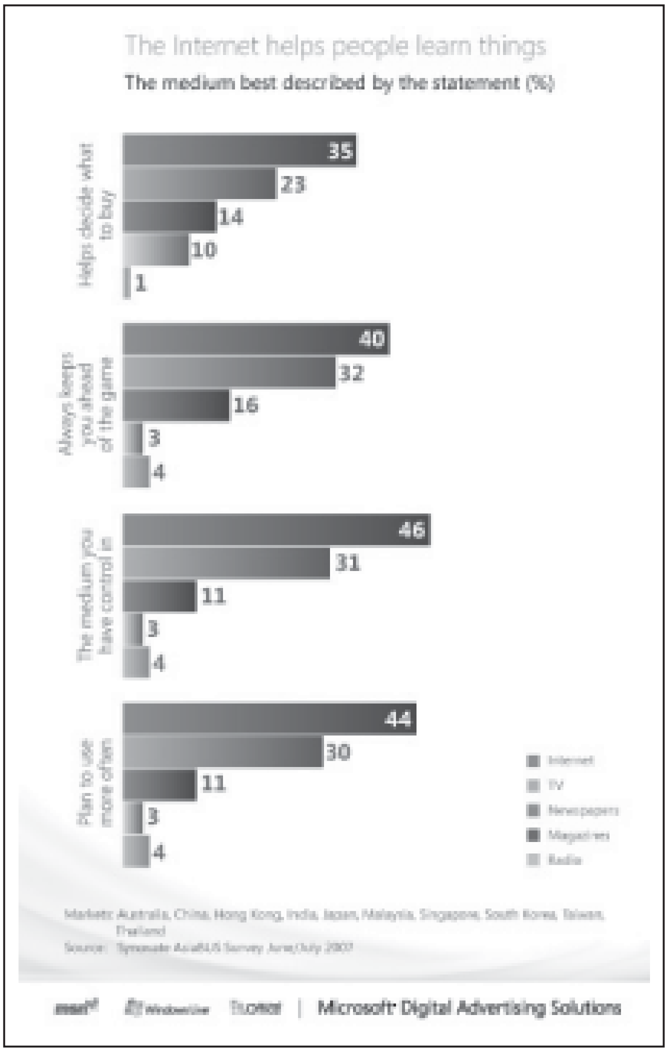
Besides exploring media consumption habits, the study also examines perceptions of these media. What comes out very strongly is that the Internet is regarded as the top information source, be it for personal or business interests. The Internet is the first place people look for information and gives the depth of information they want.



Graph 2. Source: Synovate AsiaBUS Study Survey June/July 2007

The Internet's outstanding information gathering capabilities also help consumers decide what to buy. People feel the Internet keeps them ahead of the game, describing the Internet as an active medium which puts them in control.

With all these advantages, it is not surprising to see that people are planning to use the Internet more than other media in the future.



Graph 3. Source: Synovate AsiaBUS Study Survey June/July 2007

The AsiaBUS Study confirms once and for all that the Internet has clearly assumed its rightful place as a mainstream medium in consumers' thoughts and actions. With the Internet's importance continuing to rise even more in the future, advertisers will be turning online more and more to engage with prime target audiences.

According to an MSN study, the online advertising in India is likely to cross the 100 million dollars by 2010.

According to Nasscom (Survey, August 2000) there are 1.6 million homes in India with Internet connections and on average at least 3 people use one system. At present it must be around 30 million internet users in India, says an expert in the field.

India's advertising industry generates about 2.2 billion dollars annually. Spending on internet advertising was about 34 million dollars in this financial year and experts predict it may cross 57 million dollars in 2006-2007. Print and television still hog a major share of Indian advertising at 700 to 920 million dollars annually.

"The Internet's pace of adoption eclipses all other technologies that preceded it. Radio was in existence for 38 years before 50 million people tuned in; TV took 13 years to reach that benchmark. The Internet crossed that line in 4 years." --From the Emerging Digital Economy Report, US Department of Commerce". (In 1992), there were only 50 Web sites. Now 65,000 are being added--every hour." --US Secretary of Commerce William Daley.

Sector wise online advertising trends in world:

* Around 1/3 of net advertising is from FMCG Companies.
* Around 15% comes from finance companies.
* Around 11% from technology companies.
* Around 7% comes from communication a publication etc.
* And the rest from other sectors.

Some more statistics:

- Internet users are 34% more likely to be aware of a brand after only a single banner ad exposure and 44% more likely after two exposures than those who have not seen the banner ad.1
- Studies show that consumers who visit a retailers Web site spend 33% more annually at the same retailers store.8
- Online advertising increases off-line sales, with consumer loyalty increasing an average of 4% toward advertised brands after only a single banner ad exposure.1
- 63% of Internet users believe that companies advertising on the Web are "more forward thinking than other brands."1
- Online advertising ranks higher than TV in ability to create a brand-linked impression.1
- Television audiences are migrating to the Internet. Twelve percent of PC users admit to giving up outdoor activities, 17% give up reading magazines, books or household chores, 24% give up eating or sleeping, but 78% admit giving up television watching time to "surf the Web." 3
- Internet Demographics are an advertiser's dream: Internet users are young, well educated and earn high incomes. The average Internet user is almost 35 years old, and have a household income of more than $60k. 4
- Internet traffic doubles every 100 days. 5
- Approaching the popularity of magazine reading, 20% of Americans go online for news once a week or more, up from 6% in 1996.6

(1Source: Internet Advertising Bureau. 2Source: Morgan Stanley Technology Research. 3Source: Forester Research, Inc. 4Source: GVU WWW User Survey. 5Source: Knight Ridder/Tribune News Service. 6Source: PEW Research. 7Source: Microsoft Corp. 8Source: National Retail Federation.)

Indian industry is hurtling towards a heady growth rate of 9-10 percent...but the media and entertainment industry is growing at double the pace. **And internet advertising at 43 percent! This is according to the 2007 edition of FICCI PricewaterhouseCooper's (PWC) annual report on the Indian entertainment and media Industry.**

Here are the figures: As the FICCI news report states:

The turnover of the entertainment industry was Rs. 43,700 crore (Rs. 1 crore is 232072.4 USD) in the calendar year 2006, up from Rs. 36,400 crore in 2005 and Rs. 31,100 crore in 2004...the industry is expected to touch a turnover of Rs. 1 trillion (Rs. 100,000 crore) by the year 2011, which would mean a compounded growth rate of 18%...**of all the media segments, the growth projection by 2011 for internet advertising is the highest at 43%.**

While the growth in the film and television industry is expected (as incomes rise people spend more money on entertainment), and obvious (rise in television sales, mushrooming multiplexes, increasing number of TV channels,) what intrigued me were the internet advertising figures.

Take a look at the **India's internet usage,** the fastest growing in the world! A March 2007 news report of the IAMAI (Internet Usage and Mobile Association of India) says:

According to comScore Networks India, China and Russia experienced the highest year-on-year growth rates in terms of Internet users. The Indian Internet population grew at 33 percent, making it the fastest-growing country of Internet users. India had over 21 million users aged over 15 years at the end of January 2007, as against 16 million a year ago.

Its not surprising that media budgets of major companies will go for a major shake-up in the next few years. Looks like we are on the verge of crossing the tipping point where internet advertising is concerned.

Advertising revenue is rapidly migrating online. Jupiter Research recently forecast that the online advertising market would reach $18.9 bn by 2010, compared with $9.3 bn at the end of 2004, at the expense of traditional media.

Television's share of global advertising spending is expected to slip by 2007 as more money is diverted to internet. Television's share is expected to peak in 2006 at 37.9 per cent of global ad spending, before slipping to 37.8 per cent by 2007, according to Zenith Optimedia. Newspapers are expected to end 2005 with a 29.8 per cent global ad spend share, and see their market share fall to 29.3 per cent in 2007. Internet's share of ad spending is projected to be about 3.8 per cent in 2005 and rise to 4.4 per cent by 2007. Net ad spending on the internet grew 21 per cent in 2004. It is estimated that in 2005, there are 26 mn internet users in India, largely in the age group of 20-40. India's advertising industry generates about $2.2 bn annually, according to industry sources. Currently, online advertising comprises less than 1 per cent of the pie.

✓ ***Suggestions for effecting online advertising:***

* Make sure that the audience of the site matches with the audience you are advertising.
* Online advertising should be valued in terms of the value of the business it creates from the new users it attracts to your site.
* Placing advertisement in the right content vehicles.
* Determine optimal frequency can be the factor, which determines the effectiveness of any advertising campaign.
* Keep Innovating.
* Use of animation to attract the audience.
* An effective presentation simply shows your visitors the right answer to the questions they have.
* Keep it simple.
* Considering the human factor of selling on the web.
* Don't forget to follow advertising ethics online.
* In almost all cases you want your message to be very short. People don't have time to drill into your advertisement for meaning.
* Don't make outrageous claims and don't lie.
* Make sure that you offer some thing worthwhile.

✓ ***THE FUTURE...***

Perhaps in the future, advertisements online will be specifically tailored to the end user. The ad might look just like a standard television commercial with interactivity, or it might be a specialized ad that can convert to any spoken language based on the option set in the user's computer. Who knows ? We'll just wait and see...

Despite all odds, the fast spreading of computer literacy among the urban population, as well as among the younger strata of the population, make online advertising an extremely potential and cost-effective channel at least for some important market segment in India. On a broader perspective it is clear that the Internet is progressively gaining a larger share in people life, also thanks to the new technologies available which reduce its cost, while enhancing its potential. As of today the majority of the Net surfers are visitors or purchasers and only a few ones are advertisers: despite this, the percentage of advertising allocated to the Internet in some countries (including U.K.10) is already higher than some other traditional medium. With the major FMCG approaching the Internet for advertising, the share of this medium is bound to grow further. **Today TV has become globally the most utilized media with a share close to 38%, but it might have achieved its peak: in a few years, possibly during the next decade, the Internet might even overtake TV and gain the leadership, thus doing in less than 20 years what took TV over half a century.**

Sources:

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LAPSATION OF A LIFE INSURANCE POLICY

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Lapsation is always the bug-bear of a life insurance company. A life insurance policy lapses when the subscriber does not pay the premium within the grace period. When a policy lapses, the holder forfeits the premium paid and the insurance cover. The agent loses the renewal commission. It also impacts the growth of the insurance business and solvency margins of the insurer.

Lapsation of a life insurance policy is discontinuation of premium payment by the policyholder during the period of operation of the policy, due to any reason other than the death of the policy holder. The length of life of a lapsed policy can be defined as the period between the month when the last premium installment was paid and the month the policy was issued. In India, the acceptance of a proposal for life insurance necessitates administrative processes which, together with the agent's commission and medical charges, cost the Life insurer almost the whole of the first year's and a major part of the second year's premium.

Early lapses, therefore, pose a major financial problem to the life insurer. It has been realized that the phenomenon is not amenable to any simple statistical model due to an inherent stratification in the population of lapsed policies. Life insurers may have to adopt a uniform definition for lapsation of insurance policies to give more leeway to policyholders on premium payments.

WHAT IS LAPSATION?

At present, companies have varying definitions on lapsation of policies and this creates a lot of confusion. The suggestion for life insurers to adopt a uniform grace period and lapse definition has been made in IRDA's first occasional paper on Lapsation of insurance policies and its impact on the domestic industry. Lapsation of insurance policies is a global concern and impacts all stakeholders.

Fact reveals that the lapse rate - in terms of the number of policies - increased to 6.64% in 2006-07 from 5.62% in 2002-03. The lapse rate by premium rose to 6.95% from 4.4% in 2002-03. The lapse rate in ULIPs is 18% in terms of number of policies and 10% by premium. It is also higher as compared to most traditional plans. Over 752,000 insurance policies of the Life Insurance Corporation of India alone have lapsed. The sum assured involved in lapsed policies is in excess of Rs. 47,000 crore (Rs. 470 billion).

Insurance regulator IRDA has recommended a uniform grace period of 30 days for policyholders paying their premium every quarter, half-year or every year. A 15-day grace period has been suggested for policyholders paying monthly premium.

WHEN DOES A POLICY LAPSE?

For a unit-linked policy which is less than three years old, the chance of a lapse begins as soon as you skip a premium. Typically, the insurer sends a reminder and gives a grace period of a month. During this time the life insurance cover would continue, so if the policyholder died during the grace period, the nominee would still be able to get the benefit. However, once the grace period is over, the insurer will send a letter saying the policy has lapsed.

But this threat does not hold water for a single-premium policy, since the entire amount is, by definition, paid upfront. For a policy which is more than three years old, the policy assumes a paid-up value. This would mean that even as further premium flow stops, the policy would continue to be in force. Once the policy becomes paid up, it will continue to be in force as long as the fund value is sufficient to meet the expenses specified of the policy. Fund value is the total money invested minus charges, the insurer dips into this corpus to meet its expenses if the policyholder does not pay fresh premiums. However, if you have the money, then a good idea would be to continue paying up premiums since the charges would eat into your fund value, pulling the returns down.

SURRENDER V/S LAPSE:

One of the important factors affecting the health of life insurance companies is lapses. Lapse is the discontinuance of the policy by non-payment of premiums due. It is important to understand difference between surrender and lapse, as surrender refers to a situation where the policyholder surrenders his policy and takes the surrender proceeds as specified in the product - policy document. Hence, there is a well informed separation of policyholder from the company. Whereas, in the case of lapses, within some specified time, the policyholder may revive the lapsed policy by paying all the premiums which are due on that date and proving continued insurability. But, the proportion of such revivals is less than 3% and hence majority of lapses are permanent in nature.

SPECIAL INCENTIVES:

Term assurance products showed the highest rate of lapse, while pension policies had the lowest lapse rate. The lapse rate for non-medical policies was, however, higher than that of medical covers. A part of the premium is invested in equities or government bonds, depending on the choice of the policyholder. Solvency margins refer to the excess of assets over liabilities that an insurer maintains as a prudential measure in the interest of policyholders. Revival campaigns have lowered the lapsation rate. Low commissions in the first year and special incentives to intermediaries helped check lapsation. ULIPs are popular savings instruments that offer flexibility to policyholders in terms of investment and also a life cover.

In a pure term product where there is neither surrender benefit nor maturity benefit the lapse will result in a loss to the company if asset share under the policy is negative at the time of lapse. Whereas in the case an endowment product the asset share is built over the period of time and if the lapse occurs in the initial phase of the policy then this would result in a loss to the company because companies will not be in a position to recover the fixed cost incurred in writing the policy. Whereas, if the lapse occurs at a later period then the company may be profited by forfeiting the mathematical reserves built under that policy. Moreover, if the lapses are high in the initial phase, companies will not be in a position to recover the fixed cost and hence, the deficit in fixed cost recovery is to be borne by the shareholder.

DETERMINANTS OF LAPSE RATE:

To form the lapse rate for a specific life insurer, the value of lapsed policies for ordinary life products is divided by the average total life insurance in force during the time period. This ratio is multiplied by a scaling factor of 100. Ordinary life policies include the following types of insurance plans: level term life; decreasing term; renewable term; traditional whole life; interest sensitive whole or universal life; and graded-premium whole life. Interest in lapse rate determinants has become more prominent in recent years as some financial service firms have applied securitization techniques to life insurance policies held by individuals. Under securitization arrangements, the insured person conveys the payment rights of the policy to the firm structuring the securitization product. In return, the insured person receives a one-time cash payment. The securitizing firm pools these policies, using them as the basis for asset-backed securities. Insurance companies, too, may engage in the securitization of their life insurance liabilities by transferring life policies and the assets that back them.

IMPACTS OF LAPSATION:

From the Insurers perspective, life insurance products, and especially whole life products, typically entail large underwriting and upfront origination costs, heavily driven by sales costs and commissions. This cost structure provides insurers a strong motive toward lower lapse rates. Too high a lapse rate may impair the ability of the insurer to recoup these costs, given the projected benefits payouts required under these lines of insurance. Companies that are in a stronger market position will be able to price more aggressively than companies in a weaker market position. The lapse rate on life policies has traditionally been one of the central parameters in the managerial framework for life insurers. Consumer demand is widely recognized to be sensitive to pricing for both term and whole life product lines. These ordinary life products are regarded as "commodities." That is, these products are relatively homogeneous in nature, offered by a large number of insurers, and are competitively priced.

From the consumer's perspective, both term and whole life policy holders with health or other insurability problems tend to lapse less frequently, because their alternatives are limited and can be more expensive. The effect is to introduce a tendency toward adverse selection. Healthy individuals may lapse or fail to renew at the guaranteed-renewal dates if they can find less expensive term insurance when passing a medical exam. This adverse selection effect causes the insurer to experience a higher rate of claims on the remaining policies than would have been expected from the entire pool of original insureds. Lapsation and policy terminations may be initiated by consumers at any time by failing to pay premium billings on term and whole life policies. The non-renewal of term and whole life policies may also occur on renewal anniversaries for policies with guaranteed renewable riders.

FINDINGS ON LAPSE POLICIES:

As per IRDA findings the lapse rates for the non-linked products and linked products over the last three years were as follows:

- Lapse rate for seven companies out of sixteen exceeded the industry average (simple arithmetic mean) of 18% (lapse rate by number) and 11.9% (lapse rate by premium amount). However, majority of the companies exceeded the industry average rate (weighted average with weights being premium exposed to risk) by a considerable margin.
- Age at entry, mode of premium payment, duration elapsed since policy inception, policy type and type of underwriting are found to be the most significant factors affecting the lapse rates.
- Lapse rate with respect to age at entry showed a decreasing trend from age group 18-22 to around 60 years and lapse rate tended to increase from the range below 18 to age group 18-22.
- Lapse rate (by number of policies) with respect to mode of premium payment tended to be higher with the frequency of premium payment and lower for monthly and salary deduction modes.
- It was observed that the trends in lapse rate with respect to both number and premiums were almost similar to each other.
- With-profit policies showed higher rates of lapse when compared to their non-profit counter parts for endowment and whole life policies.
- Term assurance products showed the highest rate of lapse with respect to both number and premium i.e. 28.27% by number and 18.95% by premium.
- Whole life products showed higher lapse rate than endowment products for with profit policies and converse is observed for non-profit policies.
- Pension policies were observed to show the least lapse rates among all the categories.
- Unit linked contracts had lapse rate as 18.09% by number and 10.01% by premium. These were higher than for traditional plans.
- Lapse rate with respect to number in traditional products was observed to have decreased from 7.69% in 2004-05 to 6.59% in 2006-07 and premium lapse rate decreased from 6.45% to 5.63% in the same period.
- Lapse rates for non-medical policies are observed to be higher than for medical policies.

TRADING OF LAPSE POLICIES:

With returns averaging nine to 12 per cent in these policies, large cash-rich corporates have started investing in tradeable insurance policies. Insure Policy Plus Service is among the first market-makers specializing in purchase of lapsed policies and converting them into TIPs. It has tied up with a leading credit rating agency to rate the financial instrument. TIPs -- an investment instrument offering assured, high returns against the maturity of a life policy, promises the purchaser the sum assured plus all the benefits that would accrue to the policyholder on maturity and during the life of the contract. TIPs are bought and sold in the market today after the original LIC policyholder assigns all the rights and benefits to the investors who offer a price higher than the surrender value for the lapsed risk cover. As this instrument helps revive a lapsed policy, Life insurer stands to benefit both in terms of past premiums paid plus interest thereon at 12 per cent per annum. Credit rating of TIPs will further drive sale of the product among banks, mutual funds, charitable trusts, provident funds and clubs with huge deposits lying in bank accounts.

REVIVAL OF LAPSED POLICIES:

For a lapsed policy, the insurer gives up to four years to revive the policy. However, revival becomes difficult because, for the insurer, the policyholder becomes a greater risk with the passage of years. The later you revive, the older you get, which naturally increases the risk for the insurer. Also, you will have to undergo medical tests. The revival process is easy up to six months from the date of lapsation-all you have to do is pay the premiums. But after six months you will not only have to pay a specified amount as interest, which may be 12-18 per cent of the premium or a charge of up to Rs 500, but may also have to undergo a medical check-up as per the insurer's specifications. This is paid for by the policyholder. After the revival period is over, the contract shall terminate and the fund value, with the charges subtracted from it, would be paid at the end of the third policy year, or at the expiry of the revival period, whichever is later. It is in your best interests to pay your premiums regularly. In case you forgot to pay your premiums, pay them as soon as possible. And remember: the cover is no longer active when the policy is lapsed.

INDUSTRY TREND:

Life Insurance Corporation's lapsation ratio was around 25 per cent, while it was around 40 per cent for private insurers during the last 3 years. One of the major causes for the growing lapsation ratio, is forced selling by agents to achieve their targets. Agents also sell policies without taking customers' needs into account. After ensuring that the customer paid premium for the first year, insurance agents would not remind policyholders to pay their subsequent premiums as the commission was not attractive.

The regulator had constituted a committee to bring certain amendments to the agency commission structure. Currently, the ceiling on the first year commission is 40 per cent, followed by 7.5 per cent in the second and third years, and is later capped at 5 per cent for the remaining term of the policy. There is also the customer's casual attitude in sending the premium cheque. This could be addressed with the help of technology. Customers, on the other hand, insisted that insurance agents, while displaying tremendous enterprise in selling policies, rarely contacted them later on the status of policies or premium lapses. Constant reminders by insurers, though irritating and likely to attract harassment charges from customers, are known to work. For instance, private insurer ICICI Prudential Life Insurance has maintained its persistency ratio at about 93 per cent in the first year and 97 per cent in the second year through the use of information technology.

Of special interest in the area of lapse rate analysis is the role of the financial stress position of the insured, and whether and in what ways stress considerations may influence policyholder lapsation. Financial stress has not made the influence on the lapse rates for ordinary life policies. The factors influencing the lapse rates on ordinary life insurance products can be identified and their importance statistically assessed. The lapse rate is a key operating parameter that reflects both consumer behavior and insurer managerial decisions involving life policies. Projections of the lapse rate are also critical in structuring securitization arrangements. Heterogeneity in the definition of lapse among the companies leads to many difficulties for lapses policies. Varied definition of lapse may lead to misinterpretation of a company's performance relative to others. To consider a uniform lapse definition, the impact of length of grace period needs to be examined. The lapse may be either a pure lapse without acquiring any paid-up/surrender value or otherwise.

Life insurers should be vigilant and seek new ways and means of getting across to its policyholders to impress on them, the need to keep their policies alive. The lapsation ratio has improved considerably and it is hoped that in coming years it would be well below the expected industry norms. Typically, a policy can be revived within six months of lapsation through a simple revival - payment of outstanding premium, along with reinstatement charges, if any. If the lapse has occurred more than six months ago, a personal health declaration needs to be submitted. The policy is then revived subject to underwriting decisions. Additional medicals may be triggered depending on underwriting decision. The policy can be revived within one, two or five years of lapsation depending on the terms and conditions of the policy, as specified in the policy document. These terms and conditions also vary along with the size of the policy.

While reviving a policy and continuing with the protection cover seems like a sensible idea, particularly in uncertain times like these when life insurance seems indispensable, you need to carry out a cost-benefit analysis before going ahead. You need to ascertain whether the arrears payable by you outweigh the benefits offered by the policy. Reviving a lapsed policy will make sense only if it is an investment-oriented policy as it will help you reap the returns on investments made. Also, you should consider reviving a policy only if it has acquired the surrender value. This apart, the time elapsed since the lapse also needs to be taken into account. It is not advisable to revive a policy which is in lapsed condition for more than three years as the policyholder will have to pay huge amount towards the arrears of premium and interest. This is despite the fact that the insurer was not at risk during the period the policy was in lapsed condition. It is better to go in for a new policy as per the financial needs.

RISK ASSESSMENT - NEED FOR PREVIOUS INSURANCE HISTORY

By :
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Underwriting, in Life Insurance parlance, is assessment of the risk and selection of lives for the purpose of accepting insurance of the applicant. Assessment of risk, largely, depends upon the information provided by the applicant. Though it is legally binding upon the applicant, unless he provides the material information required for assessment of risk, the Insurer will not be able to correctly assess the risk. In this article, let us look into the availability of previous insurance history information and its effect on assessment of risk.

Life Insurance typically means transfer of risk of death of individual to the Insurance Company. Sharing and pooling up of such risks is the primary business of Insurance Companies. Each and every individual risk shall be properly priced for ensuring equitable distribution of risk. This would be the primary objective of any insurance company to stay afloat and to continue in the insurance business.

Insurer follows well-laid scientific principles of underwriting to assess the risk of the applicant. Broadly, pricing of risk is determined by various factors including mortality rates, the office expenses, and the current structure of the interest rates and investment returns. Further, various other factors of the individual applicant will be examined for assessment of the risk, risk categorization and pricing. These include - age, sex, physical condition, health of the proposer, family history, occupation etc. Also, moral hazard will be examined to check for any bearing on the risk.

Further, Insurance will not be awarded for any amount requested for. Insurance will be granted on the basis of Human Life Value and the financial competency. Insurance companies will be setting up their own limitations on the maximum Insurance that can be offered/allowed to a person within the applicable norms.

Globalization and liberalization has opened up new vistas for the insurance companies to set up business in emerging markets in different countries either directly or through collaboration with the domestic operators. Indian Insurance sector is no different to this. The liberalization of economic policies has ended the monopoly of the public sector regime in India and opened up Insurance arena for private players. This has provided plethora of opportunities for customers to be selective in buying insurance.

Presence of multiple players in the insurance market has offered potential customers choice of different types of policies from different companies in different regions.

As mentioned earlier, risk assessment depends on the basis of the information provided by the applicant. In the current situation, unless the customer provides (discloses) the material information, in this case the previous insurance history, insurance company will not be able to get this information for proper risk assessment. Though, it is legally binding upon the customer for providing correct information via the declaration made on the proposal, the onus lies upon the insurer for proving misrepresentation. The previous insurance history, inter alia, will play a significant role in underwriting the current proposal.

The following are the instances where previous insurance history will be of great significance.

1. A person could have obtained moderately large sum assured from XYZ company and with the

current proposal placed with other company, he may render himself not eligible for any more insurance as per the Human Life Value concept (financial underwriting guidelines), his financial status and his premium paying capability. This may lead to over-insurance and may result into future lapsation if the financial status remains the same or deteriorates.

2. A person's previous insurance could have been granted at sub-standard rates. Deliberately, the person could suppress the evidential material information to influence a favorable underwriting decision on the current proposal.

3. Person with previous high insurance at a sub-standard rate may seek for fresh insurance with another company, suppressing the unfavorable information with an intention of securing normal rates.

4. A person's previous proposal may have been rejected. Suppressing this information, the person may place the proposal with another insurance company. The other company, devoid of the material information, may accept the proposal.

These kinds of situations would have a great impact on the underwriting decision of the current proposal. This will challenge the basic objective of insurance companies of achieving underwriting profit.

Thus, there is a need for building a common database that collects risk classification, underwriting decisions and sum assured granted by different companies for an individual customer. This serves two purposes - providing access to (a) the underwriting decision information on the previous policies and (b) the sum assured granted. This will enable the Insurance companies to have prior information that makes underwriting of the current proposal easier and further provides key information for financial underwriting of the concerned proposal. This assumes greater significance for combating adverse selection.

Modus Operandi:

This can be achieved in two models - can be started under the aegis of the Insurance Regulatory Authority; or can be sponsored by non-profit organization consisting of the Insurance Companies.

The information can be gathered from all the Insurance companies individually as and when the policy is completed in the books; or can be collected in the form of annual returns. This initiative seeks from all the insurance companies to share their data for getting benefitted by the database at a later stage. Insurance Companies can submit their request to the operating authority seeking information pertaining to a particular individual, at the time of underwriting the proposal on that particular individual. On the basis of the key-parameters of the request, a search can be made on the database and the result can be passed on to the requester. It may also be possible that the request may give multiple results and it is up to the requester to match up the result and it shall not be the responsibility of the organization to match up the results . The requester shall be charged per transaction at a reasonable cost to leverage the cost of setting up, maintaining and operating the database.

The information can be provided to Insurance Companies, Brokers, Agents and other Distribution channels on request. As a pre-requisite, it shall be made mandatory for the requester to register with the Operating Authority for use of the database for their business. This step will encourage genuine requests only from the registered organizations and also provide a clue to track any misuse. Registration can be cancelled if any misuse of information is found, at any point of time.

Initially the database can be built with the information regarding (a) the proposals with a sum assured above 25 lakhs, (b) proposals with sub-standard risk classification, from the already written business. Later, this can be continued either in the form of annual returns or recording as and when the business occurs. In these days of technology revolution, maintenance will be easier where the information can be collected or shared online via internet.

A strict confidentiality shall be maintained by the organizers to avoid any misuse of information.

The following are the arguments in favour of and against this initiative:

In favor of:

- One of the challenges for any insurance company is to minimize underwriting losses. This assumes greater significance for the new companies wherein the break-even period will be 8-10 years. In their struggle to remain competitive and show good results for an early beak-even, they may be eager to write insurance business, sometimes liberalizing underwriting rules and lowering tariff rates.

  ✓ The previous insurance information will be much significant to the new insurance companies for easier underwriting decision.

  ✓ It will avoid early claims to some extent and save the companies from underwriting losses and burden of heavy claims in the early stages itself.

- The database serves as a helping tool for both the insurance companies and the customers. Customers at large may not be aware of the declaration they are making on the proposal and they may not be providing the previous insurance information - maybe due to non-availability of ready information or out of sheer innocence / ignorance. The database will save the customer and the insurance companies from prolonged legal complications.

- The Insurance Regulatory Authority will fulfill its responsibility towards the customers and the insurance companies.

Against:

- It is expensive to initiate this process and the companies may be unwilling to share their insurance information to form the database.

  ✓ Information shall be shared for getting benefit from the database. The expenses can be met by the initial contribution of the members (insurance companies, brokers etc. Once the database is constructed, the information will be supplied for some nominal charges.

- The customers should be aware of the declaration and the warranty they are making on the proposal and provide the material information.

  ✓ It shall be the responsibility of the regulatory authority to bring awareness among the population. And, it is always better to avoid dependency on the customers for information.

- The underwriting loss due to non-availability of previous insurance information could be very minimal; Insurance companies need not bother about the disclosure of information as it is legally binding upon the customer himself.

  ✓ The assumed rate of early/moderately-early claims due to this factor may be less, but cannot be ignored. With minimal efforts, this database can be built and maintained for the purpose of information sharing to avoid losses.

Conclusion:

Presenting the statistics - the number of claims and the amount of sum assured - in regard to the underwriting losses with various insurers may be considered as a near impossible task as no insurance company would be publishing such kind of information. Nevertheless every company would like to strengthen its underwriting norms to write good business. Towards that direction, this effort of building database containing risk categorization and underwriting decisions will be a stepping stone for more of such kinds of efforts that provide support for Insurance business. This also fulfils a responsibility on the part of Regulatory Authority of creating necessary infrastructure for Insurance Business to be effectively carried out apart from controlling and monitoring the insurance business and solvency of the companies.

RANDOM REFLECTIONS

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YOUTH - THE SPRING OF LIFE

Youth symbolises bloom. Spring time. It is precious for it comes only once in your life. It is a time allotted in you life for you to grow up, become mature and come to know more of the world. It is a time when you are bubbling over with the spirit of life, when you are adventurous with a wild streak in you, ready to do anything under the sun. It is a time when you are the master of yourself, when you think you can survive alone in this world without anyone's help: it is a time when you begin to think of yourself - of your name, fame, power and reputation; it is a time when you think, you can bring the world under your thumb - it is the crisis or conflict of your life - because it decides your future - for it is in this time of life when you either make good friends and good habits or bad friends and bad habits. It is a time when you begin to think that you know more about the world than your parents -when you think that they are curbing your rights and treating you with no more respect than that of a child - you want to take your own decisions, have your own friends, freedom and rights. It is a time which needs a lot of privacy. It is also a time when you face some true facts about life. It is time when the rainbow appears but you do not know from where, how and when it comes and when it goes.

You also realise and find out that many things which, as a child, you saw in the future, are only mirages. It is the prime of life. But again one of the most delicate times of life. Whatever impressions you gather at this time stay forever. It is a time when you want to dress well, go out, and wish and also think that life is a bed of roses and that it is easy to live in this world, even if the whole world were against you. It is a time when you are bursting with self-pride, dignity and responsibility, when you want to know more - when you thirst for knowledge.

You come into closer contact with the world, with hordes of people and then you are drenched suddenly with the cold water of reality and made to realise the truth. You feel like questioning anything said by anyone (especially elders) doing exactly the opposite of what is being said, striving, to maintain your dignity and pride among friends, mocking at superstitions and the celestial beings yet praying when forced by elders and when you are in need. You begin to think for yourself, even at times provide things for yourself, learn to demand and order things, wanting to choose for yourself.

On the whole, youth is life - a bud slowly blooming. Youth is something beautiful, pleasant with a slight tinge of bitterness which does you a lot of good. It comes only once so don't miss to enjoy it. Make the best of it.

STRATEGIES FOR PER SONALITY DEVELOPMENT

Any individual who is interested in developing her personality has to possess several strategies that have to be adopted. No doubt, there is a need for understanding the strategies.

SELF-CONCERN:

1) To be concerned about oneself, one has to continuously monitor one's process of living.

2) Avoid comparisons as basis for self concern as

this would destroy the chance of fixing reasonable targets for development.

3) Create a vision of life that decides what one wants to be in life. Only this can make the targets of development visible.

4) Keep living the concerns by constantly reminding oneself about them. Take care not to be nervous about them.

5) Identify materials or human resources that will assist one's personality development, weigh their worth and design their use.

SELF-DISCOVERY:

1) Make a self analysis. This makes a person to see oneself from different angles. Several unknown areas become visible.

2) Self analysis provides a list of strengths and weaknesses, weigh their impacts on your personality.

3) Take action plans to strengthen the strengths. Avoid allowing a strength to stagnate.

4) Deal with weaknesses. Identify them and take steps to either eradicate or to reduce them.

5) A discovery of oneself need not become a score. It has to remain a support for the personality to develop itself.

SELF-WORTH:

1) One's self-worth is generally seen in comparison with those of others. To avoid this, one can only be what one is and not in comparison.

2) Identify the determinants that decide the self-worth of any one.

3) Self-worth is deeply connected to social values and therefore understand them and relate to them at peace.

4) If or when the social values are in conflict with those of one's own, clarify them independently or through others.

5) Self worth can be destroyed through internalising failures. Avoid this by dealing with failure as a natural process.

SELF-RESPECT:

1) One's personality is the product of one's self-respect. One has to preserve self-respect.

2) To preserve respect, one has to first of all start respecting oneself. This is possible through an assessment of self worth.

3) Let not people who make comments about others decide the quality of self-respect of an individual. Be aware of such comments. Avoid giving importance to them.

4) Respecting oneself is very often understood as arrogance by superiors. The border line is very thin.

5) Self-respect has to keep increasing. This will very much depend on one's attitude towards successes and failures.

SELF-ESTEEM:

1) Each person needs a strong self-esteem not a low self-esteem or a high self-esteem. The last two are destructive.

2) Identifying qualities and developing them increases self-esteem.

3) Celebrating small successes leads to attempting bigger ones and this increases self-esteem.

4) One has to feel proud of one's body system or physical attributes and stop comparing one's own with those of others.

5) One has to work through what one has instead of worrying about what one does not have.

NOW IS THE FUTURE

Whatever you do, remember for your tomorrow. You are preparing today. Now is the future. Whatever be your past, forget it if it is not worth remembering. To concentrate on our past pain, to look backward always into shadow is to deny the daily miracle of the earth's facing the rising sun.

Today is more thrilling than yesterday because it is here, it is new, it is now. Man can learn to acknowledge this and move forward with each inevitable step of the hours.

Face forward. Even nature shows that man's eyes were designed to look always to the fore. The man running in the racecourse has much to teach. He sees only one thing - the goal yonder. He does not trouble himself to look back to see how far he has come or how far the other runners are behind him. He does not even look to the right or to the left to catch glimpses of his friends who are watching him and cheering him, his eyes look right on the goal, while he bends every energy to the race.

There is a tremendous waste in human energy and all life's power resulting from the habit of ever turning to look backward. It is always better to look forward than to look back. The life follows the eye. We live as we look.

The records which are written all over the pages of yesterday were made when yesterday was the living present. The ideal life is one that does its best everyday and sees over in tomorrow an opportunity for something better than today.

The years should be ladder-steps upward each lifting us higher. Even death should not intercept the onward look, for surely the best things are never this side, but always on beyond death's mists. Defeats in life should never detain us long, since only faith and courage are needed to change them into real victories.

So look at the present, work for the present, without waiting for the morrow, and the future will be yours. Remember ALL THE FLOWERS OF ALL THE TOMORROWS ARE IN THE SEEDS OF TODAY.

DAY BY DAY
IN EVERY WAY,
I AM GETTING BETTER, BETTER AND BETTER.

IRDA Annual Report 2007-08

(Some excerpts)

[These excerpts reproduced with the kind permission of IRDA, contain inter alia a wealth of information on and insightful analysis of working and operations of life and non-life insurance industry. These will be found to be of great interest to students of insurance, the insurance practitioners and general readers.

- Editor]

Overview

Performance in the first quarter of 2008-09

(i) Life insurance:

The life insurers underwrote a premium of Rs.14320.20 crore during the first quarter in the current financial year as against Rs.12511.80 crore in the comparable period of last year recording a growth of 14.45 per cent. Of the total premium underwritten, LIC accounted for Rs.7524.56 crore and the private insurers accounted for Rs. 6795.64 crore. The premium underwritten by LIC declined by 12.31 per cent while, that of private insurers increased by 72.88 per cent, over the corresponding period in the previous year. The number of policies written at the industry level declined by 7.78 per cent. While the number of policies written by LIC declined by 23.36 per cent, in the case of private insurers they grew by 44.00 per cent. Of the total premium underwritten, individual business accounted for Rs.10995.90 crore and group business for Rs. 3324.30 crore. In respect of LIC, individual business was Rs. 5275.71 crore and group business was Rs.2248.85 crore. In the case of private insurers, they were Rs.5720.19 crore and Rs.1075.45 crore respectively. The market share of LIC was 52.55 per cent in the total premium collection and 63.88 per cent in number of policies underwritten, lower than 68.58 percent and 76.87 per cent respectively reported in the previous year. Under the group scheme 56.13 lakh lives were covered recording a growth of 8.51 per cent over the previous period. Of the total lives covered under the group scheme, LIC accounted for 38.96 lakh and private insurers 12.77 lakh. The life insurers covered 12.50 lakh lives in the social sector with a premium of Rs.17.10 crore and underwrote 13.53 lakh policies with a premium of Rs.1275.78 crore in the rural sector.

(ii) Non-Life Insurers

During the first quarter of current financial year, the non-life insurers underwrote a premium of Rs.8778.18 crore recording a growth of 17.85 per cent over Rs.7448.74 crore underwritten in the same period of last year. The private non-life insures witnessed higher growth of 22.43 per cent by underwriting premium to the tune of Rs.3541.78 crore as against Rs.2892.89 crore underwritten in the same quarter of the last year. The public non-life insurers underwrote a premium of Rs.5236.40 crore, higher by 14.94 per cent in the first quarter of 2007-08. The market shares of public and private insurers were 59.65 and 40.35 per cent respectively. ECGC underwrote credit insurance of Rs.164.70 crore as against Rs.88.09 crore in the previous year resulting in a significant growth of 86.98 per cent.

Segment-wise, the premium underwritten in the Fire, Marine, Motor, Health and Miscellaneous segments by the non-life insurers were Rs.1208.15 crore, Rs.572.99 crore, Rs.3624.23 crore, Rs.1772.57 crore and Rs.1600.24 crore respectively. The Health segment recorded the highest growth (49.67 per cent) in the first quarter of the current financial year over the corresponding quarter of 2007-08. The Fire segment witnessed negative growth (-13.80 per cent) over in the same period.

In terms of number of policies, Fire and Marine, recorded negative growth rates (-5.14 per cent and -4.37 per cent respectively) over the one year period. In the Motor segment, the public insurers witnessed positive growth rate (23.09 per cent) in the premium underwritten despite issuing lesser number of policies. The premium underwritten in the Motor segment in the first quarter of the current financial year was Rs.3624.23, constituting 41.29 per cent in the total premium underwritten. The contribution from the Public and Private lifeinsurers in the total Motor premium was Rs.2151.19 crore (59.36 per cent) and Rs.1473.04 crore (40.64 per cent) respectively.

The premium collection in the Health segment went up to Rs.1772.57 in the first quarter of the current year, constituting for 20.19 per cent in the total premium. The number of policies, issued in this quarter, as a ratio of total number of policies worked out to 12.20 per cent. The shares of public and private non-life insurers in the Health segment remained similar to the Motor segment, which constituted 58.72 per cent (Public) and 41.28 per cent (Private) respectively in the first quarter of the current financial year. In terms of number of policies issued Health segment recorded a growth of 12.95 per cent. This growth was sharper in the public insurers with 20 per cent.

TABLE 2

REGISTERED INSURERS IN INDIA

Type of business	Public Sector	Private Sector	Total
Life Insurance	1	20	21
General Insurance	6*	14**	20
Re-insurance	1	0	01
Total	**8**	**34**	**42**

* Includes specialized insurance companies - ECGC and AIC

** Includes two Standalone Health Insurance Companies - Star Health & Allied Insurance Co. and Apollo DKV Health Insurance Co.

TABLE 7

PREMIUM UNDERWRITTEN BY LIFE INSURERS

(Rs. Crore)

Insurer	2006-07	2007-08
Regular Premium		
LIC	29886.35 (117.70)	26222.00 (-12.26)
Private Sector	15474.83 (105.59)	28666.15 (85.24)
Total	**45361.17** (113.40)	**54888.16** (21.00)
Single Premium		
LIC	26337.22 (78.10)	33774.56 (28.24)
Private Sector	3950.82 (44.04)	5049.80 (27.82)
Total	**30288.04** (72.60)	**38824.36** (28.18)
First Year Premium		
LIC	56223.56 (97.17)	59996.57 (6.71)
Private Sector	19425.65 (89.08)	33715.95 (73.56)
Total	**75649.21** (94.96)	**93712.52** (23.88)
Renewal Premium		
LIC	71599.28 (14.97)	89793.42 (25.41)
Private Sector	8827.36 (83.37)	17845.47 (102.16)
Total	**80426.64** (19.87)	**107638.89** (33.83)
Total Premium		
LIC	127822.84 (40.79)	149789.99 (17.19)
Private Sector	28253.01 (87.31)	51561.42 (82.50)
Total	**156075.86** (47.38)	**201351.41** (29.01)

Note: Figure in brackets indicate the growth (in per cent).

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 per cent) and private insurers (82.50 per cent) in 2007-08. Private insurers have improved their market share from 18.10 per cent in 2006-07 to 25.61 percent 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 per cent to the premium underwritten, as against 67.40; 2.62; 29.94 and 0.04 per cent 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 per cent as against 19.87 per cent in 2006-07. Private insurers and LIC reported growth rates of 102.16 per cent and 25.41 per cent respectively during the year under review.

TABLE 8

MARKET SHARE OF LIFE INSURERS

(Per cent)

Insurer	2006-07	2007-08
Regular Premium		
LIC	65.89	47.77
Private Sector	34.11	52.23
Total	**100.00**	**100.00**
Single Premium		
LIC	86.96	86.99
Private Sector	13.04	13.01
Total	**100.00**	**100.00**
First Year Premium		
LIC	74.32	64.02
Private Sector	25.68	35.98
Total	**100.00**	**100.00**
Renewal Premium		
LIC	89.02	83.42
Private Sector	10.98	16.58
Total	**100.00**	**100.00**
Total Premium		
LIC	81.90	74.39
Private Sector	18.10	25.61
Total	**100.00**	**100.00**

The general insurance companies have underwritten a total premium of Rs.27823.74 crore in 2007-08 as against Rs.24905.47 crore in 2006-07 exhibiting a growth rate of 11.72 per cent. The four public sector insurers have underwritten a premium of Rs.16831.84 crore in 2007-08 as against Rs.16258.90 crore in 2006-07 registering a growth of 3.52 per cent. The comparatively lower growth rate for the public insurers needs to be seen in the light of their high base.

TABLE 18

PREMIUM UNDERWRITTEN BY NON-LIFE INSURERS (WITHIN INDIA)

(Rs. Crore)

Insurer	2006-07	2007-08
Public	16258.90 (8.41)	16831.84 (3.52)
Private	8646.57 (61.24)	10991.89 (27.12)
Total	24905.47 (22.33)	27823.74 (11.72)

Note: Figure in brackets indicate growth in per cent.

The premium underwritten by 10 private sector insurers in 2007-08 was Rs.10991.89 crore as against Rs.8646.57 crore in 2006-07 exhibiting a growth of 27.12 per cent. The general insurance industry has added Rs.2918.27 crore in premium during the year 2007-08; of which public insurers contributed Rs.572.94 crore and the private insurers Rs.2345.32 crore. The increase in premiums was witnessed across all the public sector companies except Oriental. New India has added the highest premium of Rs. 259.72 crore followed by United India and National Insurance at Rs.240.79 crore and Rs.192.81 crore respectively. Oriental Insurance has shown a decline in its premium by Rs.120.38 crore. All the private insurers have reported increase in premiums during 2007-08. Reliance has added premium of Rs.1034.19 crore, and registered a growth of 113.36 over the previous year. Bajaj Allianz has added Rs.593.58 crore followed by ICICI Lombard with Rs. 318.05 crore added to their earlier premium levels.

The private insurers are increasing their market share over the past few years. In 2007-08, the private insurers had a market share of 39.51 per cent which was higher than 34.72 per cent in 2006-07. As a consequence, there has been a decline in the market share of the public insurers to 60.49 per cent in 2007-08 from 65.28 per cent in the previous year. Despite the decline in the market share of the public sector insurance companies, the volume of premium underwritten by them has increased over the previous year reflecting the expansion of general insurance market (Statement 29). This growth in the volume of business needs to be viewed in the background of 2007-08 being the first full year of complete de-tariffing of the general insurance.

Among the public sector insurers, New India had the largest market share at 18.97 per cent in 2007-08, lower than its market share of 20.14 per cent in the previous year. Oriental Insurance, National Insurance and United India Insurance had market shares at 13.69 per cent, 14.40 per cent and 13.44 per cent respectively as against 15.77 per cent, 15.32 per cent and 14.05 per cent in the previous year.

TABLE 19

GROSS DIRECT PREMIUM INCOME IN INDIA

	Premium (Rs. Crore)		Market Share (In per cent)	
Company	**2006-07**	**2007-08**	**2006-07**	**2007-08**
NATIONAL	3814.42	4007.23	15.32	14.40
NEW INDIA	5017.2	5276.92	20.14	18.97
ORIENTAL	3928.52	3808.14	15.77	13.69
UNITED	3498.77	3739.56	14.05	13.44
Public	**16258.9**	**16831.85**	**65.28**	**60.49**
ROYAL SUNDARAM	598.2	694.41	2.40	2.50
RELIANCE	912.23	1946.42	3.66	7.00
IFFCO-TOKIO	1144.47	1128.15	4.60	4.05
TATA AIG	710.55	782.64	2.85	2.81
ICICI LOMBARD	2989.07	3307.12	12.00	11.89
BAJAJ ALLIANZ	1786.34	2379.92	7.17	8.55
CHOLA-MANDALAM	311.73	522.34	1.25	1.88
HDFC CHUBB	194.00	220.6	0.78	0.79
FUTURE GENERALI	-	9.81	-	0.04
UNIVERSAL 50 MPO	-	0.48	-	0.00
Private	**8646.6**	**10992**	**34.72**	**39.51**
Total	**24905**	**27824**	**100.00**	**100.00**

Among the private insurers, ICICI Lombard had the highest market share of 11.89 followed by Bajaj Allianz with 8.55 per cent. Reliance has registered a substantial increase in its market share from 3.66 in 2006-07 to 7.00 in 2007-08. Future Generali which commenced operations during 2007-08 have reported a negligible market share of 0.04 per cent. Different segments of the general insurance business have contributed to the increase in premium for both public and the private sector insurers. The highest contribution in 2007-08 has come from the motor segment which constituted 45.59 per cent of the total premium higher than 42.95 per cent in 2006-07. Fire segment constituted 12.43 per cent in the total premium underwritten in 2007-08 lower than that observed in the previous year (16.59 per cent).

TABLE 20

PREMIUM UNDERWRITTEN (WITHIN INDIA) BY NON-LIFE INSURERS - SEGMENT-WISE

(Rs.Crore)

Segment	**2006-07**	**2007-08**
Fire	4132 (16.59)	3459 (12.43)
Marine	1628 (6.54)	1799 (6.47)
Motor	10697 (42.95)	12685 (45.59)
Health	3319 (13.29)	4894 (17.59)
Others	5129 (20.63)	4986 (17.92)
Total	**24905**	**27823**

Note : Figure in brackets indicate the share of the segment (in per cent) to the total.

Premium collection in Health has increased in 2007-08 from its level in 2006-07. Health premium contribution to the total in 2007-08 was 17.59 per cent of the total premium in 2007- 08 as against 13.33 per cent in 2006-07. Motor and Health portfolios together constituted 63.18 per cent in the total premium as against 56.28 per cent in 2006-07. Marine segment contributed the least at 6.47 per cent in 2007-08.

Premium Underwritten Outside India

The public sector general insurers have also been underwriting premiums outside India. The total premium underwritten outside the country by them was however lower at Rs.981.36 crore in 2007-08 than Rs.1024.54 crore in 2006-07 registering a negative growth of 4.22 per cent. Measured in terms of the total premium underwritten by the public insurers, 5.51 per cent of the business accounted for premium underwritten outside India (5.93 in 2006-07).

New India is having operations in 27 countries through a network of branches, agencies, associate companies and subsidiaries. Premium underwritten outside India by the company constituted 14.22 per cent (15.49 per cent in 2006-07) of the total premium underwritten by the company in 2007-08. Oriental has a small component of overseas business with 2.36 per cent (2.29 per cent in 2006-07). In the case of National Insurance, the outside India business was 0.37 per cent (0.33 per cent in the previous year).

TABLE 23

UNDERWRITING LOSSES : NON-LIFE INSURERS

(Rs. Crore)

Insurer	2006-07	2007-08
Public Sector	2451.12	3300.59
Private Sector	106.42	598.90
Total	**2557.54**	**3899.49**

TABLE 28

INCURRED CLAIMS RATIO

(In Per cent)

	Public Sector		Private Sector		Total	
Segment	**2006-07**	**2007-08**	**2006-07**	**2007-08**	**2006-07**	**2007-08**
Fire	60.81	72.28	43.92	50.69	58.52	68.69
Marine	80.5	82.68	112.57	100.32	86.52	86.68
Motor	92.25	104.76	64.28	71.95	84.69	92.31
Health	157.79	112.36	103.42	94.84	141.02	107.00
Others	53.93	54.13	47.11	46.08	52.85	52.51
Total	**85.22**	**90.43**	**68.02**	**72.21**	**81.27**	**84.88**

TABLE 30

NET RETAINED PREMIUM ON INDIAN BUSINESS AS PERCENTAGE OF GROSS DIRECT PREMIUM (EXCL. GIC)

(Per cent)

Segment	2006 - 2007			2007 - 2008		
	Public Sector	**Private Sector**	**Total**	**Public Sector**	**Private Sector**	**Total**
Fire	63.39	21.92	48.19	64.55	31.84	52.36
Marine Cargo	72.62	43.74	63.13	75.62	46.92	65.51
Marine Others	13.99	4.69	11.48	15.10	6.13	13.22
Motor	80.19	76.13	79	76.05	83.79	79.09
Engineering	75.26	22.65	52.70	69.49	23.36	49.83
Aviation	16.09	2.09	14.17	7.68	6.60	7.47
Other Miscellaneous	78.22	58.69	72.52	88.22	63.17	78.21
Total	**72.90**	**53.05**	**66.73**	**74.68**	**64.33**	**70.70**

TABLE 31

RE-INSURANCE PLACED WITHIN INDIA AND OUTSIDE INDIA AS PERCENTAGE OF GROSS DIRECT PREMIUM IN INDIA (EXCL. GIC)

(Per cent)

Segment	2006 - 2007		2007 - 2008	
	Placed in India	Placed outside India	Placed in India	Placed outside India
Fire	39.64	15.75	34.89	18.58
Marine Cargo	25.40	12.05	23.79	10.95
Marine - Others	53.88	37.66	31.53	60.93
Motor	20.92	0.27	32.93	0.36
Aviation	48.92	39.85	40.21	53.76
Engineering	37.33	14.31	40.22	15.10
Miscellaneous	22.62	5.42	21.15	5.40
Total	**27.20**	**7.34**	**29.58**	**7.75**

Part III

Sl. No.	Name of the Insurance Company	Registration No.	Date of Issue of Registration Certificate
1.	Apollo DKV Insurance Co. Ltd	131	30-08-2007
2.	Future Generali India Insurance Co. Ltd	132	04-09-2007
3.	Future Generali India Life Insurance Co. Ltd	133	04-09-2007
4.	Universal Sompo General Insurance Co. Ltd	134	16-11-2007
5.	IDBI Fortis Life Insurance Co. Ltd	135	19-12-2007
6.	Canara HSBC Oriental Bank of Commerce Life Insurance Co. Ltd.	136	08.05.2008
7.	Shriram General Insurance Co. Ltd.	137	08.05.2008
8.	Aegon Religare Life Insurance Co. Ltd.	138	27.06.2008
9.	Bharti Axa General Insurance Co. Ltd.	139	27.06.2008
10.	DLF Pramercia Life Insurance Co. Ltd	140	27.06.2008

STATEMENT 29

GROSS DIRECT PREMIUM INCOME IN INDIA

(Rs. Lakh)

Company	Fire		Marine		Motor		Health		Others		TOTAL	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
NATIONAL	38072	49252	17498	20489	214631	198658	69036	47957	61487	65085	400723	381442
NEW INDIA	74343	90998	43728	32102	203430	203473	120942	76529	85249	98618	527692	501720
ORIENTAL	47820	54007	33906	34783	160838	173939	53263	44854	84986	85269	380814	392852
UNITED	52430	66434	30083	26395	143490	123318	69496	46525	78456	87204	373956	349877
Sub-Total	**212665**	**260691**	**125216**	**113769**	**722388**	**699388**	**312737**	**215865**	**310179**	**336177**	**1683185**	**1625890**
BAJAJ ALLIANZ	27349	37031	7518	7125	138637	84387	24340	15826	40149	34266	237992	178634
CHOLAMANDALAM	6830	7798	3266	2656	22441	9716	10938	3860	8758	7143	52234	31173
FUTURE GENERALI	303	-	72	-	177	-	343	-	86	-	981	-
HDFC CHUBB	1283	1110	329	241	14038	13832	2823	1027	3588	3190	22060	19400
ICICI LOMBARD	41735	39383	21672	15524	127907	114255	81589	66497	57809	63248	330712	298907
IFFCO-TOKIO	21517	29102	6643	12826	49919	44890	11402	7189	23334	20440	112815	114447
RELIANCE	14327	14588	3424	1785	126737	45551	27562	6718	22591	22581	194642	91223
ROYAL SUNDARAM	6887	9839	1955	1844	40956	30339	10878	9612	8765	8185	69441	59820
TATA AIG	12977	13695	9786	7015	25325	27309	6830	5336	23346	17700	78264	71055
UNIVERSAL SOMPO	48	-	-	-	-	-	-	-	-	-	48	-
Sub-Total	**133255**	**152547**	**54666**	**49015**	**546136**	**370278**	**176705**	**116064**	**188426**	**176753**	**1099189**	**864657**
Grand Total	**345921**	**413238**	**179882**	**162784**	**1268525**	**1069666**	**489442**	**331929**	**498604**	**512929**	**2782374**	**2490547**

STATEMENT 30

NET PREMIUM INCOME (Earned)

(Rs. Lakh)

	Fire		Marine		Motor		Health		Others		TOTAL	
Company	**2007- 08**	**2006- 07**	**2007- 08**	**2006- 07**	**2007- 08**	**2006- 07**	**2007- 08**	**2006- 07**	**2007- 08**	**2006- 07**	**2007- 08**	**2006- 07**
NATIONAL	29117	33836	10817	10235	167841	153428	46806	35756	47272	43501	301853	276757
NEW INDIA	97031	94184	18857	16438	194078	198559	82012	30612	89164	113719	481143	453511
ORIENTAL	32442	34153	16939	15944	137012	132846	40605	32371	60626	53763	287623	269077
UNITED	43456	41867	12937	10531	106080	94441	48146	32981	59590	57504	270209	237324
Sub-Total	**202046**	**204040**	**59550**	**53148**	**605011**	**579274**	**217568**	**131720**	**256652**	**268487**	**1340828**	**1236669**
BAJAJ ALLIANZ	12256	9382	3897	2674	92566	49254	17808	10639	15017	11904	141544	83853
CHOLAMANDALAM	3266	3180	981	709	14073	5195	2967	884	3599	2760	24886	12728
FUTURE GENERALI	(148)		(15)		2		25		8		(129)	
HDFC CHUBB	161	157	142	96	12017	11830	1692	500	993	1445	15005	14029
ICICI LOMBARD	10865	6982	1830	1224	87333	55105	40662	30593	16028	12761	156718	106665
IFFCO TOKIO	6364	5481	4207	3035	37945	34613	7223	4656	8228	6975	63967	54760
RELIANCE	3845	2394	1094	621	71660	14918	13617	3017	5788	3476	96003	24426
ROYAL SUNDARAM	2144	2920	453	823	29749	20673	8305	5487	3933	3454	44583	33358
TATA AIG	1662	1489	4426	3099	24809	22888	3708	4069 1	0779	6620	45385	38165
UNIVERSAL SOMPO	(43)										(43)	
Sub- Total	**40371**	**31986**	**17015**	**12280**	**370154**	**214476**	**95983**	**59845**	**64398**	**49396**	**587920**	**367983**
Grand Total	**242418**	**236027**	**76565**	**65428**	**975164**	**793750**	**313552**	**191565**	**321050**	**317882**	**1928748**	**1604652**

STATEMENT 31

UNDERWRITING EXPERIENCE AND PROFITS OF PUBLIC SECTOR COMPANIES

(Rs. Lakh)

	NEW INDIA		ORIENTAL		NATIONAL		UNITED		TOTAL	
Company	**2007- 08**	**2006- 07**	**2007- 08**	**2006- 07**	**2007- 08**	**2006- 07**	**2007- 08**	**2006- 07**	**2007- 08**	**2006- 07**
NET PREMIUM	491428	475177	287868	287973	318798	285536	288066	252953	1386159	1301640
Incurred Claims (Net)	417748	364361	260222	235886	283884	239422	250628	214206	1212481	1053875
	85.01%	76.68%	90.40%	81.91%	89.05%	83.85%	87.00%	84.68%	87.47%	80.97%
COMMISSION, EXPENSES OF MANAGEMENT	147834	154348	95496	85385	110159	91952	104916	96222	458406	427906
	30.08%	32.48%	33.17%	29.65%	34.55%	32.20%	36.42%	38.04%	33.07%	32.87%
INCREASE IN RESERVE FOR UNEXPIRED RISK	10285	21666	244	18897	16945	8780	17857	15629	45331	64971
	2.09%	4.56%	0.08%	6.56%	5.32%	3.07%	6.20%	6.18%	3.27%	4.99%
UNDERWRITING PROFIT/ LOSS	(84439)	(65198)	(68095)	(52194)	(92190)	(54617)	(85335)	(73104)	(330059)	(245112)
	-17.55%	-14.38%	-23.67%	-19.40%	-30.54%	-19.73%	-31.58%	-30.80%	-24.62%	-19.82%
GROSS INVESTMENT INCOME	234619	225507	114315	116010	118092	105480	157725	131426	624751	578423
OTHER INCOME LESS OTHER OUTGO	1966	1084	(1986)	(853)	(8696)	(5280)	(6576)	(6288)	(15292)	(11337)
PROFIT BEFORE TAX	152146	161393	44235	62964	17206	45583	65814	52034	279400	321974
INCOME TAX DEDUCTED AT SOURCE AND PROVISION FOR TAX	12033	15398	43305	13237	863	3455	2651	(852)	58851	31238
NET PROFIT AFTER TAX	**140113**	**145995**	**930**	**49727**	**16343**	**42128**	**63162**	**52886**	**220548**	**290736**

Figures in bracket indicates negative amounts

Statement 32

UNDERWRITING EXPERIENCE AND PROFIT OF PRIVATE SECTOR COMPANIES

(Rs. Lakh)

PARTICULARS	ROYAL SUNDARAM		BAJAJ ALLIANZ		TATA AIG		RELIANCE		FFCO TOKIO		ICICI- LOMBARD		CHOLAMANDALAM		HDFC CHUBB		FUTURE GENERALI	UNIVERSAL SOMPO	TOTAL	
	2007- 08	2006- 07	2007- 08	2006- 07	2007- 08	2006- 07	2007- 08	2006- 07	2007- 08	2006- 07	2007- 08	2006- 07	2007- 08	2006- 07	2007- 08	2006- 07	2007- 08	2008	2007- 08	2006- 07
NET PREMIUM	53306	38955	175255	103976	52801	41582	133745	50431	73775	58057	177977	145077	32113	15926	16758	13311	184	(43)	**715871**	**467316**
CLAIMS INCURRED (NET)	29815	20374	94570	55563	24695	20711	75068	17318	50474	39859	122832	81384	15565	7077	11477	8003	58	0	**424555**	**250289**
	55.93%	52.30%	53.96%	53.44%	46.77%	49.81%	56.13%	34.34%	68.42%	68.66%	69.02%	56.10%	48.47%	44.43%	68.49%	60.12%	31.41%	-0.26%	**59.31%**	**53.56%**
COMMISSION, EXPENSES OF MANAGEMENT	19060	13543	50072	26676	23047	18122	48341	10169	19711	16287	42460	30826	10946	5834	6958	6879	1934	726	**223254**	**128337**
	35.75%	34.77%	28.57%	25.66%	43.65%	43.58%	36.14%	20.16%	26.72%	28.05%	23.86%	21.25%	34.09%	36.63%	41.52%	51.68%	1052.68%	-1705.14%	**31.19%**	**27.46%**
INCREASE IN RESERVE FOR UNEXPIRED RISK	8723	5597	33711	20123	7417	3418	37741	26006	9808	3297	21258	38413	7227	3198	1753	(718)	312	1	**127951**	**99333**
	16.36%	14.37%	19.24%	19.35%	14.05%	8.22%	28.22%	51.57%	13.29%	5.68%	11.94%	26.48%	22.51%	20.08%	10.46%	-5.39%	170.04%	-1.74%	**17.87%**	**21.26%**
UNDERWRITING PROFIT/ LOSS	(4291)	(559)	(3098)	1615	(2357)	(669)	(27406)	(3062)	(6219)	(1387)	(8573)	(5545)	(1626)	(183)	(3430)	(853)	(2121)	(769)	**(59890)**	**(10642)**
	-9.62%	-1.67%	-2.19%	1.93%	-5.19%	-1.75%	-28.55%	-12.53%	-9.72%	-2.53%	-5.47%	-5.20%	-6.53%	-1.43%	-18.53%	-6.77%	1647.72%	1776.26%	**-10.19%**	**-2.89%**
GROSS INVESTMENT INCOME	4802	3287	18648	8890	5035	3797	10411	3195	7354	5708	22448	13590	2643	1574	1440	1463	542	881	**74205**	**41504**
OTHER INCOME LESS OTHER OUTGO-	34	(11)	1240	1198	14	177	711	91	50	(76)	(852)	(33)	37	(12)	313	(359)	(123)	(151)	**1204**	**975**
PROFIT BEFORE TAX	477	2718	16790	11703	2692	3305	(16284)	224	1186	4246	13022	8012	1054	1379	(1677)	250	(1701)	(39)	**15519**	**31837**
INCOME TAX DEDUCTED AT SOURCE AND PROVISION FOR TAX	6	600	6228	4166	1075	1148	271	61	470	1533	2735	1176	330	130	23	50	8	(9)	**11136**	**8863**
NET PROFIT AFTER TAX	**471**	**2119**	**10562**	**7537**	**1617**	**2157**	**(16555)**	**163**	**716**	**2713**	**10287**	**6836**	**724**	**1249**	**(1700)**	**200**	**(1709)**	**(30)**	**4383**	**22974**

Note: Figure in brackets indicate negative amounts

Statement 33

INCURRED CLAIMS RATIO - PUBLIC SECTOR

PARTICULARS	Net Earned Premium							Claims Incurred (Net)							Incurred Claims Ratio						
	Fire	Marine	Motor	Health (Rs. Lakh)	Others	2007-08	2006-07	Fire	Marine	Motor	Health (Rs. Lakh)	Others	2007-08	2006-07	Fire	Marine (Per cent)	Motor	Health (Per cent)	Others	2007-08	2006-07
NATIONAL	29117	10817	167841	46806	47272	301853	**276757**	24447	10006	170449	55238	23743	**283884**	**239422**	83.96	92.50	101.55	118.01	50.23	**94.05**	**86.51**
NEW INDIA	97031	18857	194078	82012	89164	481143	**453511**	60160	15824	209996	73801	57967	**417748**	**364361**	62.00	83.91	108.20	89.99	65.01	**86.82**	**80.34**
ORIENTAL	32442	16939	137012	40605	60626	287623	**269077**	31038	11007	136423	50256	31499	**260222**	**235886**	95.67	64.98	99.57	123.77	51.96	**90.47**	**87.66**
UNITED	43456	12937	106080	48146	59590	270209	**237324**	30400	12397	116943	65170	25718	**250628**	**214206**	69.96	95.83	110.24	135.36	43.16	**92.75**	**90.26**
TOTAL	**202046**	**59550**	**605011**	**217568**	**256652**	**1340828**	**1236669**	**146044**	**49234**	**633811**	**244465**	**138927**	**1212481**	**1053875**	**72.28**	**82.68**	**104.76**	**112.36**	**54.13**	**90.43**	**85.22**

STATEMENT 34 PRINTOUT TAKEN

Statement 34

INCURRED CLAIMS RATIO - PRIVATE SECTOR

PARTICULARS	Net Earned Premium							Claims Incurred (Net)							Incurred Claims Ratio						
	Fire	Marine	Motor	Health (Rs. Lakh)	Others	2007-08	2006-07	Fire	Marine	Motor	Health (Rs. Lakh)	Others	2007-08	2006-07	Fire	Marine (Per cent)	Motor	Health	Others (Per cent)	2007-08	2006-07
ROYAL SUNDARAM	2144	453	29749	8305	3933	44583	**33358**	929	367	22856	3719	1944	29815	**20374**	43.35	80.95	76.83	44.78	49.44	66.87	61.08
BAJAJ ALLIANZ	12256	3897	92566	17808	15017	141544	**83853**	4976	3166	61817	15171	9439	94570	**55563**	40.60	81.25	66.78	85.19	62.86	68.81	66.26
TATA AIG	1662	4426	24809	3708	10779	45385	**38165**	657	3612	15305	2778	2344	24695	**20711**	39.50	81.60	61.69	74.93	21.74	54.41	54.27
RELIANCE	3845	1094	71660	13617	5788	96003	**24426**	2674	1288	53013	15269	2824	75068	**17318**	69.54	117.76	73.98	112.14	48.79	78.19	70.90
IFFCO TOKIO	6364	4207	37945	7223	8228	63967	**54760**	4226	4301	28976	8750	4221	50474	**39859**	66.40	102.24	76.36	121.14	51.30	78.91	72.79
ICICI LOMBARD	10865	1830	87333	40662	16028	156718	**106665**	5794	3220	66506	40170	7143	122832	**81384**	53.33	175.93	76.15	98.79	44.57	78.38	76.30
CHOLAMANDALAM	3266	981	14073	2967	3599	24886	**12728**	1172	978	9353	2761	1302	15565	**7077**	35.88	99.73	66.46	93.03	36.16	62.55	55.60
HDFC CHUBB	161	142	12017	1692	993	15005	**14029**	34	132	8491	2411	409	11477	**8003**	20.80	93.35	70.66	142.46	41.25	76.49	57.05
FUTURE GENERALI	(148)	(15)	2	25	8	(129)	—	3	4	—	—	50	58	—	-2.36	-24.58	0.00	0.00	650.71	-44.84	—
	(43)	—	—	—	—	(43)	—	—	—	—	—	—	—	—	0.00	—	—	—	—	0.00	—
UNIVERSAL SAMPO																					
TOTAL	**40371**	**17015**	**370154**	**96008**	**64371**	**587920**	**367983**	**20464**	**17069**	**266316**	**91030**	**29677**	**424555**	**250289**	**50.69**	**100.32**	**71.95**	**94.81**	**46.10**	**72.21**	**68.02**

STATEMENT 34 PRINTOUT TAKEN

STATEMENT 47

TOTAL LIFE INSURANCE PREMIUM

(Rs. Crore)

INSURER	2001—02	2002—03	2003—04	2004—05	2005—06	2006—07	2007—08
LIC	**49821.91**	**54628.49**	**63533.43**	**75127.29**	**90792.22**	**127822.84**	**149789.99**
	(42.79)	**(9.65)**	**(16.30)**	**(18.25)**	**(20.85)**	**(40.79)**	**(17.19)**
AVIVA	—	13.47	81.50	253.42	600.27	1147.23	1891.88
BAJAJ ALLIANZ	7.14	69.17	220.80	1001.68	3133.58	4302.74	9725.31
BHARTI AXA	—	—	—	—	—	7.78	118.41
BSLI	28.26	143.92	537.54	915.47	1259.68	1776.71	3272.19
FUTURE GENERALI LIFE	—	—	—	—	—	—	2.49
HDFC STD LIFE	33.46	148.83	297.76	686.63	1569.91	2855.87	4858.56
ICICI PRU	116.38	417.62	989.28	2363.82	4261.05	7912.99	13561.06
IDBI FORTIS	—	—	—	—	—	—	11.90
ING VYSYA	4.19	21.16	88.51	338.86	425.38	707.20	1158.87
KOTAK LIFE	7.58	40.32	150.72	466.16	621.85	971.51	1691.14
MET LIFE	0.48	7.91	28.73	81.53	205.99	492.71	1159.54
MNYL	38.95	96.59	215.25	413.43	788.13	1500.28	2714.60
RELIANCE LIFE	0.28	6.47	31.06	106.55	224.21	1004.66	3225.44
SAHARA	—	—	—	1.74	27.66	51.00	43.49
SBI LIFE	14.69	72.39	225.67	601.18	1075.32	2928.49	5622.14
SHRIRAM LIFE	—	—	—	—	10.33	181.17	358.05
TATA AIG	21.14	81.21	253.53	497.04	880.19	1367.18	2046.35
PRIVATE SECTOR	**272.55**	**1119.06**	**3120.33**	**7727.51**	**15083.54**	**28253.00**	**51561.42**
	(4124.31)	**(310.59)**	**(178.83)**	**(147.65)**	**(95.19)**	**(87.08)**	**(82.50)**
TOTAL	**50094.46**	**55747.55**	**66653.75**	**82854.80**	**105875.76**	**156075.84**	**201351.41**
	(43.54)	**(11.28)**	**(19.56)**	**(24.31)**	**(27.78)**	**(47.38)**	**(29.01)**

Note:

1) Figure in the bracket represent the growth over the previous year in percent.

2) — represents business not started.

3) 1 Crore = 10 Million

STATEMENT 50

INDIVIDUAL BUSINESS (WITHIN INDIA)

Business in force (Sum Assured)

(Rs. Crore)

INSURER	Non- Linked Business								Health	Linked	Total
	Life Business			General Annuity and Pension Business							
	Business Inforce as at 01- 04- 07	Additions*	Deletions**	Business Inforce as at 31- 03- 08	Business Inforce as 01- 04- 07	Additions*	Deletions**	Business Inforce as at 31- 03- 08	Business Inforce as at 31- 03- 08	Business # Inforce as at 31- 03- 08	Business Inforce as at 31- 03- 08
AVIVA Life	415	199	320	294	0	0	0	0	0	21365	21659
Bajaj AZ Life	12554	3427	2983	12998	239	10	24	226	339	154938	168501
Bharti AXA Life	65	682	165	582	0	0	0	0	0	582	1164
Birla Sun Life	5113	694	1153	4654	0	0	0	0	0	49545	54199
Future Generali Life	0	33	0	33	0	0	0	0	0	0	33
HDFC Std Life	14253	4067	1347	16973	1485	95	146	1434	0	37478	55885
ICICI Pru Life	15403	9242	3000	21644	1559	67	89	1538	27245	84912	135339
IDBI Fortis Life	0	11	0	11	0	0	0	0	0	64	74
ING Vysya Life	5036	1441	877	5600	0	0	0	0	0	9499	15099
Kotak OM Life	7159	1806	1403	7561	260	6	19	248	0	16868	24678
LIC	1397468	215251	127339	1485380	87027	11270	51029	47269	3744	196936	1733328
Max NY Life	24525	9755	4392	29887	157	6	17	145	218	27989	58240
Met Life	5018	1396	892	5522	15	1	2	15	0	19550	25086
Reliance Life	3339	1555	793	4102	0	0	0	0	524	17337	21962
Sahara Life	568	694	176	1085	8	1	1	8	0	1604	2696
SBI Life	9155	3156	1314	10997	331	196	0	526	0	26278	37801
Shriram Life	1380	204	580	1004	0	0	0	0	0	3552	4556
TATA AIG Life	12428	3469	3346	12550	475	26	42	460	4548	18787	36345
Total	**1513876**	**257081**	**150082**	**1620876**	**91557**	**11678**	**51368**	**51867**	**36618**	**687284**	**2396646**

* Includes New policies issued, Old policies reinstated/ revived, bonus additions.

** Includes Policy terminations by death, maturity, lapse, surrenders or cancellatons.

#Excluding linked Health Business, If any.

Source of Data:

Actuarial Report and Abstract as on 31- 03- 2008 of the life insurers.

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DETAILS OF INDIVIDUAL AGENTS OF LIFE INSURERS -- 2007-2008

Insurer	As on 1st April, 2007	Additions	Deletions	As on 31st March 2008
Aviva	29052	13662	7407	35307
Bajaj Allianz	216191	106798	72750	250239
Bharti Axa	1266	11718	1235	11749
Birla Sunlife	56490	55154	2610	109034
Future Generali	-	11	-	11
HDFC Std	79109	74465	8860	144714
ICICI Pru	234460	233895	162001	306354
IDBI Fortis	-	279	-	279
ING Vysya	33944	30926	12110	52760
Kotak Mahindra	24484	24271	14032	34723
Max NewYork	25044	26130	14273	36901
MetLife	20848	20373	4423	36798
Reliance Life	95622	97798	9226	184194
Sahara	9797	3061	19	12839
SBI Life	25356	22251	6964	40643
Shriram	10384	7275	-	17659
Tata AIG	28105	44843	20404	52544
Private Total	890152	772910	336314	1326748
LIC	1103047	234852	144155	1193744
Industry Total	1993199	1007762	480469	2520492

TRENDS IN LIFE INSURANCE BUSINESS-UNIT LINKED INSURANCE PLANS

It wasn't too long back when the good old endowment plan was the preferred way to insure oneself against an eventuality and to set aside some savings to meet one's financial objectives. The traditional endowment policies were investing funds mainly in fixed interest Government securities and other safe investments to ensure the safety of capital. Thus the traditional emphasis was always on security of capital rather than yield. However, with the inflationary trend witnessed all over the world, it was observed that savings through life insurance were becoming unattractive and not meeting the aspirations of the policyholders.

The policyholder found that the sum assured guaranteed on maturity had really depreciated in real value because of the depreciation in the value of money. The investor was no longer content with the so called security of capital provided under a policy of life insurance and started showing a preference for higher rate of return on his investments as also for capital appreciation. It was, therefore found necessary for the insurance companies to think of a method whereby the expectation of the policyholders could be satisfied. The object was to provide a hedge against the inflation through a contract of insurance. Decline of assured return endowment plans and opening of the insurance sector saw the advent of ULIPs on the domestic insurance horizon. Today, the Indian life insurance market is riding high on the unit linked insurance plans.

ULIPs and its Features

Unit linked insurance plans (ULIPs) are insurance plans that combine the benefit of investment with insurance. They give the investor an option to put a part of their premium in various investment portfolios and derive the benefits depending upon the performance of the funds chosen by them. ULIPs were launched at an opportune time when stock markets had just taken off. Being market- linked, they were major beneficiaries of the secular rise in stock markets.

ULIPs have gained high acceptance due to the attractive features they offer. These include:

Box Item 1

1. **Flexibility**
   1. Flexibility to choose Sum Assured.
   2. Flexibility to choose premium amount.
   3. Option to change level of Premium even after the plan has started (Top up facility).
   4. Flexibility to change asset allocation by switching between funds.
2. **Transparency**
   1. Changes in the plan & net amount invested are known to the customer.
   2. Convenience of tracking one's investment performance on a daily basis.
3. **Liquidity**
   1. Option to withdraw money after few years (comfort required in case of exigency).
   2. Low minimum tenure.
   3. Partial / Systematic withdrawal allowed.
4. **Fund Options**
   1. A choice of funds (ranging from equity, debt, cash or a combination).
   2. Option to choose fund mix based on desired asset allocation.

Traditionally, endowment plans have invested in government securities, corporate bonds and the money market. ULIPs however, have a broader choice. They invest across the board in stocks, government securities, corporate bonds and money market instruments. Of course, within a ULIP there are options wherein equity investments are capped. The common types of funds available in ULIPs are Bond Fund, Protector Fund, Secure Fund, Balanced Fund, Growth Fund, Index Fund, and Enhancer Fund. Depending on one's risk appetite one can choose the fund. However the investment risk is borne by the investor.

The common type of charges, fees and deductions in ULIPs are Premium allocation charges, Mortality charges, Fund management charges, Policy/

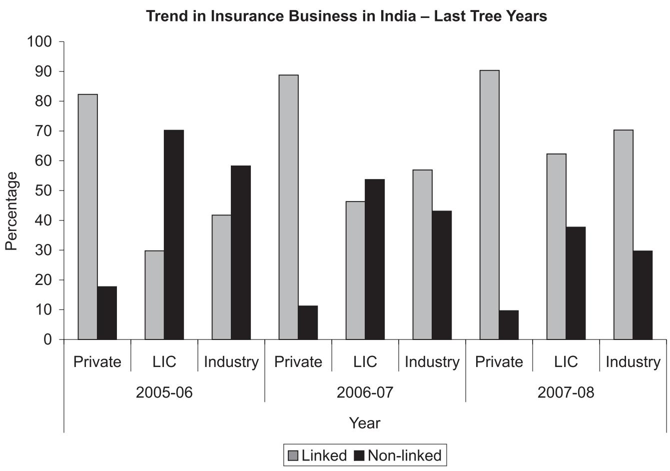
administration charges, Surrender charges, Fund switching charges and Service tax.

Insurance companies are required to declare the NAV of various ULIPs on a daily basis. The movement of NAV enables the policy holder to assess the performance of his investment and accordingly make intervention in the form of switches, withdrawal and top-ups.

After opening up of the insurance sector, Unit-linked insurance policies (ULIPs) have become increasingly popular. Analysis of figures for the last three years indicates the growth pattern of unit linked business.

TRENDS IN LIFE INSURANCE BUSINESS-UNIT LINKED INSURANCE PLANS

	Unit Linked Business (%)			Non-linked Business (%)		
	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08
Private	82.30	88.75	90.33	17.70	11.25	9.67
LIC	29.76	46.31	62.31	70.24	53.69	37.69
Industry	41.77	56.91	70.30	58.23	43.09	29.70



As reflected in the business figures and the above chart it is the unit linked business which is driving the growth of premiums over the last 2-3 years. While the private players have taken the lead in this segment, LIC has also made strong strides in the sale of ULIPs during the last three years. Despite the growing popularity of ULIPs it remains a fact that the policy holders rely heavily on the advice rendered by the distributors. The complicated design of the policies makes them less aware of the product features and chances of mis-selling by agents are high. To protect the interest of the customers, IRDA has taken the following initiatives.

Issuance of comprehensive ULIP guidelines in 2005 which mandate minimum risk cover, three year lock-in, usage of simple language, proper disclosures, standard method of computing NAV etc.

- Insurers to make projections of return as per the guidelines of Life Insurance Council.
- To ensure transparency, IRDA has directed the insurers to list all charges that the policyholder has to bear alongwith the amount available for investment in each year specific to each policy.
- IRDA has also stipulated that policyholders would have to sign a document stating that they have understood the terms and conditions of the policy before concluding the sale.
- The customer can also use 15 days free look period in case he is not satisfied with the terms and conditions of the policy.
- To remove complexity in unit linked products IRDA has advised the insurers to phase out some of the actuarially funded ULIPs.

World wide, Unit linked products have been seen as attractive- in view of the flexibility and investment options they offer to the customers and the capital efficiency to the companies. After the market crash of 2001, customers started looking for more security and guarantees in the unit linked products. Adding guarantees to unit linked products has been common in Europe, North America and Japan. The unit linked market though new in Asia is growing steadily in countries like Korea, Taiwan and South East Asia. Variable Annuity products are slowly emerging in these markets and from the customer point of view are quite attractive, especially when they provide guarantees on pension savings.

In India, the long-standing debate over the suitability of Unit Linked Insurance Plan (ULIP) and mutual funds can be resolved better with a proper understanding of the need of the investor. Mutual funds are essentially short to medium term products. ULIPs, in contrast, are positioned as long-term products with an element of life cover. It is pertinent to note that exposure of Indian households to capital markets is limited. It is important for an investor to understand his financial goals and horizon of investment in order to make an informed investment decision.

Box Item 2

LAPSATION OF LIFE INSURANCE POLICIES

Lapsation can be explained as the discontinuance of payment of premiums by the policyholder during the term of the life insurance policy in violation of his obligations set out in the terms of the policy contract. It usually results in termination of risk cover on the policy. In case of lapse of a policy in the first few years, all or most of the premiums paid are usually forfeited by the insurer and the policyholder ends up losing whatever premiums have already been paid towards the policy.

This phenomenon has emerged as a major bane of the life insurance sector in view of the large number of policies falling into lapsation at different time points of the contracts. The fact that as many as 86 lakh non-linked policies have lapsed in the year 2006-07 holds mirror to the seriousness of the matter.

Lapsation can be categorized as first year lapsation and renewal lapsation, based on whether the policy lapses in its first year itself or after the premium for the first year has been fully paid.

When a policyholder purchases a policy under wrong advice, information or perception and realizes later that the features of the policy do not match his requirements, he is most likely to return the policy under free-look provisions. In case he is not able to exercise free look option within 15 days from the receipt of the policy bond, he may have no option but to discontinue the policy. It is also possible that many policyholders may not even be aware of the introduction of the free-look provision under clause 6 (2) of the IRDA (Protection of Policyholders' Interests) Regulations, 2002, as a result of which they may allow the policies to lapse. Majority of the lapses occurring in the first few years of the policy are caused by mis-selling - intentional or otherwise, and selling under duress - for instance, in consideration of a loan sanctioned by a Bank or any other nature of 'favour' done by the insurance salesman to the policyholder, or under 'obligation' to a relative or a friend.

In addition to the above, the degree of lapsation of policies is impacted by the quality of follow up for renewal premium payments as well as the convenience in payment of premiums.

Overselling as well as decline in the fortunes of the policyholder make the policy unaffordable to him and are therefore likely to lead to its surrender or lapse.

Termination of agency which is quite rampant in the industry renders millions of policies 'orphan'. Orphan policies are prone to neglect due to lack of follow up/servicing support of the procuring agent and are known to lapse in large numbers. The Insurance Act, 1938 through section 40 (2A) has therefore created a provision for payment of commission on orphan policies revived (based on medical examination) by an agent other than the one procuring the same.

In the era of multi-channel distribution, it is observed that some of the new channels have the muscle to sell while they are not supported by adequate servicing infrastructure. This impacts lapsation ratio. Insurers therefore need to monitor channel-wise levels of lapsation in order to plug the same.

The fixity/inflexibility in the terms of a long term policy contract is another major contributor to lapsation. A decline in the fortunes of the policyholder, altered financial needs or plans or revision in the desired investment mix call for the provision to alter the policy terms, in the absence of which the policyholder may be induced to lapse or surrender a policy.

Lapsation adversely affects all the stakeholders in the industry. The policyholders, who enter a contract with hopes of protection and long term investment benefits, are not only deprived of the same but also end up losing the hard earned monies in the form of premium instalments already paid on the lapsed policy. Lapsation is one of the most major sources of leakage of revenues for an insurer. The insurers' cash inflow projections are upset due to non-materialization of expected renewal premium revenues, in turn affecting the expense ratios and profits. This phenomenon leads to a loss of reputation/credibility of the insurers concerned in particular and also the entire industry at a larger level.

The agents witness a fall in their renewal commission incomes as a result of lapsation and also suffer a loss of goodwill of their clients, which in turn adversely impacts their future business prospects.

Lapsation therefore needs to be addressed with the seriousness and urgency it deserves by all concerned. The industry needs to evolve more flexible products and more convenient and automated premium payment mechanisms. The sales machinery needs to depend on fine tuned, customized and need-based selling of policies of affordable ticket sizes rather than follow pushy, short sighted and self absorbed sales techniques. Development of a stable and trained agency force whose remuneration, incentives and credits are linked to control of lapsation helps inculcate disciplined selling and prompt servicing habits among them. The insurers also need to install follow up mechanisms which ensure that premium payments are reminded in advance and that lapsed policies are pursued diligently with the policyholders.

Box Item 3

HEALTH INSURANCE: INITIATIVES

In October 2007, the Confederation of Indian Industry organized its first Health Insurance Summit in Mumbai, and the deliberations in the summit made it clear that there were several issues in the health insurance domain that required greater deliberation, efforts and initiatives by the industry bodies, regulator and the government. IRDA actively supported CII in the constitution of four working groups to go into further details of pertinent issues surrounding health insurance data, providers' and payor standards and health insurance awareness and communication. These groups comprised of IRDA and CII representatives, insurers, providers, TPAs, actuaries, IT companies, international development agencies and other stakeholders in the health insurance eco-system, and after several months of deliberations, within the group and with other stakeholders outside these groups, presented their key recommendations in a conference in Mumbai held in May 2008.

The Data Standards group was constituted with the objective of suggesting mechanisms for streamlining and development of health insurance data repository and mechanisms for information exchange among stakeholders. The group concluded that the existing data with IRDA is of sufficient quality and is amenable for extensive data analysis and helps in critical business intelligence which can strengthen and further the growth by providing a scientific rationale for most business decisions. The group suggested that data submitted to the repository should be regularly analyzed under the guidance of a group of experts. It also suggested that IRDA can make available the results of the detailed analysis in the public domain. The data collection system should be extended to cover all insurers (both life and general) selling health products. IRDA should maintain the data repository and ensure compliance of data submission by the insurers and TPAs as per the regulatory provisions. The group recommended that a mechanism may be evolved to facilitate submission of information by the hospitals and health providers to the repository, so that data on the uninsured population is also available which will strengthen the information base on morbidity.

A common standard claims format could be introduced for submitting health insurance claims which will not only facilitate capturing of required information but also in quick settlement of claims. Standardized coding of diagnosis (using ICD-10 codes) and procedures (using ICD 9 PCS codes) must be strengthened. This will require continuous training of data entry operators, underwriters and claim settlement officers of insurance companies and TPAs. A simple drop-down ICD 10 coding tool to assist in training the staff of insurers / TPAs in easy assignment of diagnosis codes was developed by the group and has been hosted on the IRDA website. Insurers and TPA's should be required to demonstrate their IT capabilities for data compilation and submission. The group suggested that IRDA may mandate Health Insurance as a separate line of business by the insurance companies, so that Health Insurance gets a better focus and generates better quality data and facilitates scientific underwriting. Health insurance should be a focus point for IRDA. IRDA should strengthen the health department and consider a separate self regulatory organization like a Health Insurance Council. The group also suggested that a sample of records could be put on the IRDA website for analysts / researchers.

The Provider Standards group, pursuing its objective of suggesting mechanisms to achieve standards and transparency in treatment and billing, suggested that the industry could adopt standard definitions to enable effective and unambiguous interaction amongst all stakeholders. Mechanisms such as certification, regulation, quality assurance programs, peer review, consumer education, accreditation systems and norms for categorization and grading of hospitals for insurance purposes are to be considered. It was suggested that a common prior authorization form be developed for use by all TPAs, obviating the need for providers to stock the stationary of each TPA. Standardized treatment guidelines (STGs) can assist in bringing about quality of care and the group supported development of clinical guidelines. It was felt that some short-term and long-term measures to enhance the use of ICD 10 need to be outlined. There is a need to create training infrastructure, modules and core trainers in ICD-10, the group recommended.

The Payor Standards group pursued the objective of suggesting mechanisms to standardize the key processes and terminology which drive the policy wordings, underwriting and claims processes. The group recommended that to ensure that customers are not 'underwritten at claims stage', all health insurance business should be underwritten at policy inception in a manner that is consistent with the pricing strategy and the risk appetite of the insurance company. Each company would be required to specify an internal underwriting policy framework. This policy framework should articulate the overall risk philosophy of the company and should be approved by the Board of each insurance company. The underwriting policy would be captured in an underwriting manual, which should be updated for each new product launch - and should be included as part of the normal file and use process. To support the rollout of a best underwriting framework, a robust underwriting training framework should be developed. Each insurer should adopt a best practice claims management framework to create transparency in claims processing. Information on 'turn around times' [TATs] should be made available to public and monitored by the IRDA. Each insurance company would be required to create a claims manual which would specify the claims philosophy of the company as well as the claims processing and management guidelines for each product. All commonly used health insurance terms must additionally be expressed in Common Business English as part of the policy kit sent to the customer. These are meant to be explanatory in nature only - they do not change the legal position of the insurance company. Insurers should have the freedom to re-price the risk at a portfolio level, at the time of renewal. Re-pricing should be permitted for a class of policies and not at an individual policy level. The group also recommended additional focus on integration and interaction between payors and providers. Transparency to the customer about portability of benefits via a "Portability Disclosure" could be included as part of the policy terms and conditions.

The Communication and Awareness group was set up with the objective of building a concerted effort towards consumer education and health insurance awareness. The group recommended that multiple awareness messages need to be designed based on the message recipient and the nature of the market. The key communication objectives should be to explain what health insurance is and how it works. The objective would be to explain the philosophy of risk pooling, to educate the consumer on how to choose the right product, to create a positive image of health insurance and its role in protecting against medical emergencies, to provide clarity on benefits of products/services and to explain the main terms and conditions and what health insurance covers or does not cover and to educate consumers about the process of grievance redressal. The group also recommended constitution of a group which can launch and maintain a sustained campaign and could use channels like regional media, news media, in-program or in-film promotion and celebrity endorsement campaigns.

During 2007, the Federation of Indian Chambers of Commerce and Industry (FICCI) also organized a one day workshop on Sustainability of Health Insurance. Chairman, IRDA, in his keynote address, suggested that Insurers and Providers should jointly take initiatives towards sustainability of health insurance, which led to the constitution of a FICCI sub-committee on Health Insurance, which is also actively supported by IRDA. The sub-committee is receiving support of insurers and providers alike, and is currently working towards evolving Standards of Care for common causes of hospitalization, which will contribute, in due course, to better pricing of hospital services and of health insurance. The sub-committee is also providing a platform for hospitals and insurance companies to undertake other joint initiatives towards sustainability of health insurance.

The recommendations of these working groups and sub-groups are comprehensive and cover various areas of the health insurance domain. A phased implementation of specific recommendations, including the recommendations which help in popularizing health insurance, in providing health insurance at affordable prices and develop the health information system, will contribute towards an orderly growth of the health insurance eco-system, which is in the interests of the consumers and the industry as a whole.

हिन्दी प्रशिक्षण, शिक्षण एवं कार्यान्वयन

रा. स्वामीनाथन
मयिलाडुतुरै (तामिलनाडु)

भारतीय संविधान में शिक्षा को समवर्ती सूची में रखा गया है। इसका अर्थ है कि भारतीय नागरिकों को शिक्षा प्रदान करने का दायित्व राज्य सरकार तथा केन्द्र सरकार दोनों पर है। भारतीय संविधान के अनुच्छेद 343 के अनुसार संघ सरकार अर्थात केन्द्र सरकार की राजभाषा हिन्दी है। केन्द्र सरकार की राजभाषा हिन्दी हो जाने के परिणामत: केन्द्र सरकार के, राज्य सरकार के सभी कर्मचारियों का दायित्व हो गया है कि वह हिन्दी सीखें और हिन्दी में कार्य करें। अचानक किसीपर अतिरिक्त बोझ न पड़े इसके लिए संविधान सभा ने अंग्रेजी को 15 वर्षों तक, अर्थात 26 जनवरी 1965 तक, अपनाए रखने का प्रावधान भी किया था।

प्रशिक्षण

केन्द्र सरकार के, राज्य सरकार के सभी कर्मचारी हिन्दी में अपनी निपुणता के साथ कार्य करें इसके लिए हिन्दी सिखाने की व्यवस्था केन्द्र सरकार की ओर से की गई है। इसी अनुक्रम में केन्द्रीय सरकार के कर्मचारियों को कार्यालय के समय में स्वैच्छिक आधारपर हिन्दी सिखाने की योजना, केन्द्र सरकार की ओर से वर्ष 1952 में प्रारंभ हुई थी। अक्तूबर 1955 में हिन्दी शिक्षण योजना का प्रारंभ हुआ और उसे केन्द्रीय सरकार के, राज्य सरकार के कर्मचारियों को हिन्दी सिखाने की जिम्मेदारी दी गई। तब से अब तक हिन्दी शिक्षण योजना बहुत तत्परता से हिन्दी शिक्षण के कार्य में लगी है और लाखों कर्मचारियों ने हिन्दी का प्रशिक्षण प्राप्त किया है और इसके लिए नगद पुस्कार और प्रोत्साहन के रूप में वेतन वृध्दि का लाभ लिया। यह सिलसिला लगभग 55 वर्षों से चल रहा है। केन्द्र सरकार के कर्मचारी गण अपने संवैधानिक दायित्व के अनुसार अंग्रेजी की जगह हिन्दी में कार्य करने में किसी प्रकार की कठिनाइयों का सामना न करें यही इस योजना का मुख्य उद्देश्य है। क्योंकि हमारे संविधान निर्माताओं का सपना था कि उनकी आनेवाली पीढ़ियाँ अपनी राष्ट्रीय अस्मिता के प्रतिसजग हो और अपने देश की भाषा में सहजता और सरलता से कार्य करें।

अब इस लम्बे अंतराल के बाद एक सच्चे भारतीय होने के नाते हमारा दायित्व हो जाता है कि हम भाषा विशेष कर राजभाषा की सफलता / विफलता का विश्लेषण तथा सिंहावलोकन करें कि क्या हमारे स्वतंत्रता सेनानियों ने जो हमें संविधान दिया है और उस में भाषा से संबंधित उसके उद्देश्यों की पूर्ति करने के लिए हमें जो उत्तरदायित्व मिला है, उन उत्तरदायित्वों को हम निभा रहे हैं या नहीं, और यदि निभा रहे हैं, तो हमें सफलता अब तक क्यों नहीं मिली ?

इसमें कोई शक या संदेह नहीं है कि हिन्दी का प्रचार-प्रसार बढ़ा है, किन्तु अब तक इसे जो स्थान मिल जाना चाहिए था, वह नहीं मिला है। संविधान निर्माताओं की उपेक्षाओं को देखे तो इसे न सिर्फ केन्द्र सरकार के कार्यालय में, अपितु संसद और सर्वोच्च न्यायालय में भी स्थान मिल जाना चाहिए था, क्योंकि अंग्रेजी प्रयोग के प्रावधान पर 15 वर्षों के बाद विचार करना आवश्यक था।

हिन्दी की प्रशिक्षण, शिक्षण और कार्यान्यवन तथा अपने कार्य व्यापार पर यदि हम विचार करें तो इसमें सामंजस्य की कमी कहीं न कहीं दिखाई पड़ती है। आइए हम सबसे पहले हिन्दी शिक्षण और कार्यालय के कार्य व्यापार पर विचार करें। हमारे देश में मिश्रित अर्थव्यवस्था है, अत: कोई भी शिक्षा प्रणाली केवल केन्द्र सरकार के कार्य व्यापार के अनुसार जनबल तैयार नहीं कर रही है। शिक्षित वर्ग आश्वस्त नहीं होता है कि बिना अंग्रेजी सीखे उसे सभी जगह नौकरी मिल जाएगी। शिक्षक भी परीक्षक के रूप में उस भाषा के प्रति उदासीन हो जाते हैं जो नौकरी दिलाने में अपेक्षाकृत कम भूमिका निभाती है। उनके मन में भी यही बात बनी रहती है कि क्या एक भाषा के कारण उस विद्यार्थी का भविष्य बर्बाद किया जाए। और यहीं से शुरू हो जाता है भाषा की मानकता का पतन और उस विद्यार्थी के मन में उस भाषा के प्रति उदासीनता, जिसे हम उसकी मानसिकता कहकर सम्बोधित करते हैं।

इस कमी से निजात पाने के लिए भारत सरकार की शिक्षण योजना बहुत सक्रियता से कार्यकर रही है, किन्तु जो सफलता उसे मिलनी चाहिए थी, वह नहीं मिल रही है। इतने प्रशिक्षण के बाद भी केन्द्र सरकार और राज्य

सरकार के कार्यालय में हिन्दी को यथोचित स्थान न मिलने के लिए हम एक दूसरे की ओर अंगुली उठाते हैं। दूसरी ओर अंग्रेजी के लिए इस प्रकार की कोई भी प्रशिक्षण व्यवस्था नहीं रहते हुए भी वह फल-फूल रही है। अंग्रेजी प्रशिक्षण के लिए सेवा कालीन की कोई व्यवस्था नहीं, फिर भी इसका प्रभुत्व चारों ओर दिखाई देता है। यदि हम विचार करें तो इसके पीछे के कारण स्वत: उभर कर सामने आ जाते हैं।

हिन्दी शिक्षण योजना के पाठ्यक्रम केन्द्रीय सरकार के अनुरूप तो है, लेकिन राजभाषा नियम में जो परिभाषा दी गई है, या इसकी परिभाषा में जो संशोधन किए गए हैं, वह सेवा में आनेवाले कर्मचारियों पर ही लागू होते हैं, जब कि कोई विद्यार्थी यह सोच कर अपनी पढ़ाई नहीं करता कि वह केवल केन्द्र सरकार के कार्यालय में ही नौकरी करेगा।

केन्द्र सरकारों के द्वारा आयोजित प्राज्ञ परिक्षाओं के समकक्ष परीक्षाओं को पास करना भी हिन्दी का कार्य साधक ज्ञान मान लिया जाता है, किन्तु कहीं भी ऐसी कोई व्यवस्था नही है जो जाँच करे कि क्या केन्द्र सरकार की ओर से या राज्य सरकार की ओर से जो हिन्दी की निर्धारित परीक्षाओं को मान्यताएं मिली है उसका स्तर हिन्दी के कार्यसाधक ज्ञान के समान है या नहीं, हालांकि भारत सरकार की ओर से स्पष्ट आदेश है कि अनुसचिवीय कर्मचारियों की भर्ती के समय हिन्दी का भी एक प्रश्न-पत्र हो, लेकिन इसका अनुपालन सही अर्थ में नहीं हो रहा है। यदि हो भी रहा है तो उसका स्तर वह नहीं होता जो अपेक्षित है।

राजभाषा नियम 10 के अनुसार यह प्रावधान भी रखा गया है कि यदि कर्मचारी चाहे तो वह यह घोषित कर सकता है कि उसे हिन्दी का कार्यसाधक ज्ञान है। हिन्दी कार्यान्वयन का कार्य स्वैच्छिक अर्थात राजभाषा नियम 8(1) के अनुसार वह हिन्दी या अंग्रेजी में कार्य कर सकता है। नियम 8(4) के अनुसार हिन्दी में प्रवीणता प्राप्त कर्मचारियों को हिन्दी में कार्य करने के लिए आदेश जारी किए जाने का प्रावधान तो है, लेकिन हिन्दी शिक्षण योजना में कहीं भी इसके लिए शिक्षण की व्यवस्था नहीं हैं। हाँ, हिन्दी अनुवाद प्रशिक्षण की व्यवस्था अवश्य है, किन्तु वह कुछ ही स्थानों पर है, लेकिन सेवा में आने के लिए इसकी अनिवार्यता नहीं है।

मेरी राय से हिन्दी शिक्षण योजना यदि एक नियामक के रूप में कार्य करें तो इन समस्याओं का बहुत कुछ निदान हो सकता है। इससे हिन्दी के प्रचार-प्रसार को नया बल और लाभ मिलेगा। आवश्यकता इस बात की है कि हिन्दी शिक्षण योजना अपनी परीक्षाएं केवल केन्द्र, राज्य सरकार के कर्मचारियों तक ही सीमित न रखे बल्कि आम विद्यार्थी जो इस परीक्षा में बैठना चाहते है उन्हें भी इस परीक्षा में बैठने की अनुमति दें। इससे सरकारी स्तर पर बहुत लाभ होंगे। सरकारी सेवा में आनेवाले प्रत्याशी यदि इस परीक्षा को उत्तीर्ण कर आते है तो उन्हें फिर से परीक्षा देने की आवश्यकता नहीं रह जाएगी और जो लोग निजी कम्पनियों में जाकर नौकरी करते हैं, तो कम्पनी भी उनके हिन्दी ज्ञान का लाभ उठा कर आम जनता से हिन्दी में संवाद स्थापित कर सकती है। संघ सरकार के लिए संविधान के अनुच्छेद 352 में दिए गए दायित्वों के निर्वाह करने में यह कदम बहुत सहायक होगा। इसका सबसे महत्वपूर्ण पहलू यह है कि केन्द्रीय सरकार की सेवा में आनेवाले कर्मचारियों को हिन्दी शिक्षण के लिए जो अपना कार्यालयीन समय देना पड़ता है, वह नहीं देना पड़ेगा। यह बात न केवल हिन्दी प्रशिक्षण के लिए प्रासंगिक है बल्कि हिन्दी आशुलिपी और हिन्दी अनुवाद प्रशिक्षण के लिए भी उतनी ही अनूकल है ।

पाठ्यक्रम में संशोधन की आवश्यकता

हिन्दी को अंग्रेजी की जगह प्रतिस्थापित करने के लिए अनुवाद कार्य आवश्यक है । विद्यार्थी हिन्दी अनुवाद कार्य में निपुण हो इसके लिए केवल विश्वविद्यालय स्तर पर ही नहीं बल्कि विद्यालय स्तर पर प्रयास करने की आवश्यकता है । इससे हम ऐसा जनबल तैयार करने में सफल होंगे जो अंग्रेजी के परिवेश में रहकर भी हिन्दी में, या अपेक्षानुसार भारतीय भाषाओं में कार्य करने में सफल होगा । जब कोई कर्मचारी किसी भी केन्द्र सरकार के कार्यालय में जाता है तो वह पुरानी फाइलों का सहारा लेता है और उस कार्यालय की जो भाषा होती है, उसे वह अपनाता है । इसका उदारण हिन्दी शिक्षण योजना या राजभाषा विभाग में कार्य करनेवाले कर्मचारी हैं, क्योंकि बिना किसी हिन्दी कार्यशाला में सहभागी हुए ही वे सारा कार्य हिन्दी में करते हैं । यही उदाहरण हिन्दी प्रदेश में कार्य करनेवाले सरकारी कर्मचारी गण पेश करते हैं । दूसरी ओर केन्द्रीय सरकार या यों कहें, संघ सरकार के कार्यालयों में कार्य करनेवाले कर्मचारी हिन्दी आती भी है तब भी अनुवाद कौशल के अभाव में अंग्रेजी में लिखना पसंद करते हैं, जिसके कारण हम उसे अंग्रेजी की मानसिकता से ग्रसित समझते हैं । कर्मचारियों में अनुवाद की प्रवृत्ति जागृत हो, इसके लिए आरंभ से ही इस संस्कार को जागृत करना आवश्यक है और इसके लिए हिन्दी या अंग्रेजी का ही नहीं, बल्कि अनुवाद का भी पाठ्यक्रम में रहना आवश्यक है ।

हिन्दी एवं अंग्रेजी के अधूरे ज्ञान से राजभाषा का कार्यान्वयन संभव नहीं है । दोनों ही भाषाओं का ज्ञान रहना अनिवार्य है, साथ ही सही परिवेश और अवसर की रचना भी महत्वपूर्ण भूमिका निभाती है जिसका निर्माण करना हम सभी का दायित्व है ।

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

Sd/-
S.J. GIDWANI
Signature of Publisher

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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 must be sent by e-mail to: **jnoronha@iii.org.in / poojary@iii.org.in / mnchavan@iii.org.in / erina@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 number of the Institute). A suitable honorarium will be paid for the articles which have been published in the Journal.

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EXAMINATION TIME-TABLE - NOVEMBER 2009

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

Sub. No.	Subject Title	Examination
Sunday, 1st November, 2009 Morning		
01	Principles of Insurance	Licentiate - Life/ Non-Life / Acturial
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
Afternoon		
12	Insurance Business Environment	Licentiate - Life & Non-Life
26	Life Assurance Finance	Associateship - Life
30	Practice of Life Assurance	CIS - Life
32	Practice of General Insurance	CIS - Non-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	Foundation of Casualty Acturial Science	Acturial Exam-Non-Life
Sunday, 8th November, 2009 Morning		
11	Practice of General Insurance	Licentiate - Non-Life / Acturial
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

Sub. No.	Subject Title	Examination
Afternoon		
02	Practice of Life Assurance	Licentiate - Life
25	Life Assurance Mangement	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	Foundation of Casualty Actuarial Science	Actuarial Exam - Non-Life
Sunday, 15th November, 2009 Morning		
22	Life Assurance Underwriting	Associateship - Life
31	Fire Hazards of Specific Industries	Associateship - Fire
61	Cargo Loss Prevention	Associateship - Marine
67	Marine Insurance	Associateship - General
71	Agricultural Insurance	Associateship - Miscellaneous
83	Group Insurance & Retirement Benefit Schemes	Fellowship - Life
87	Law & Economics of Insurance	Fellowship - Non-Life
S02	Fire Insurance	Surveyors Examination
Afternoon		
24	Legal Aspects of Life Assurance	Associateship - Life
55	Consequential Loss (Fire) Insurance	Associateship - Fire
57	Fire & Consequential Loss Insurance	Associateship - General
65	Marine Underwriting	Associateship - Marine
74	Liability Insurance	Associateship - Miscellaneous
81	Mathematical Basis of Life Assurance	Fellowship - Life
85	Reinsurance	Fellowship - Non-Life
S03	Marine Cargo Insurance	Surveyors Examination
Sunday, 22nd November, 2009 Morning		
S08*	Loss of Profit Insurance	Surveyors Examination*
Afternoon		
S04*	Marine Hull Insurance	Surveyors Examination*

**** Only Delhi, Mumbai, Kolkata & Madras Centre.***

Programme Calendar of The College of Insurance for the Period From 1-4-2009 to 31-3-2010

Sr. No.	Title	Duration	Dates	Course Fee Rs.	Venue
1.	Programme on Career Building and Self Development	5 days	11-5-2009 to 15-5-2009	6000	College
2.	Programme on General Ins. for Industrial & Commercial Organisations	5 days	11-5-2009 to 15-5-2009	6000	College
3.	Programme for Lady Employees	5 days P	25-5-2009 to 29-5-2009	7500	Hotel
4.	Programme on Basic Reinsurance	5 days	8-6-2009 to 12-6-2009	6000	College
5.	Programme on Accounting Systems	5 days	15-6-2009 to 19-6-2009	6000	College
6.	Programme on Industrial All Risk Policy	3 days	22-6-2009 to 24-6-2009	3600	College
7.	Programme on Marine Insurance	5 days	6-7-2009 to 10-7-2009	6000	College
8.	Programme on Insurance Laws and Regulations	5 days	20-7-2009 to 24-7-2009	7500	Hotel
9.	Programme on Motor Insurance Management	5 days	3-8-2009 to 7-8-2009	6000	College
10.	International Reinsurance Programme	8 days	5-8-2009 to 14-8-2009	10500	Hotel
11.	67th International General Ins. Foundation Course	4 weeks	1-9-2009 to 30-9-2009	20000	College
12.	Programme on Engineering Insurance	5 days	14-9-2009 to 18-9-2009	7500	Hotel
13.	Programme for Lady Officers	5 days	14-9-2009 to 18-9-2009	7500	Hotel
14.	Programme on Group Insurance	5 days	12-10-2009 to 16-10-2009	6000	College
15.	Programme on Fire Insurance Management	5 days	26-10-2009 to 30-10-2009	6000	College
16.	General Insurance Programme for Industrial and Commercial Organisations	5 days	9-11-2009 to 13-11-2009	6000	College
17.	Programme on Disciplinary Proceedings	5 days	23-11-2009 to 27-11-2009	6000	College
18.	Programme On Motor Insurance Management	5 days	7-12-2009 to 11-12-2009	6000	College
19.	Programme on Planning for Retirement	5 days	14-12-2009 to 18-12-2009	6000	College
20.	Programme on Consumer Awareness	5 days	4-1-2010 to 8-1-2010	6000	College
21.	Programme on Hull Insurance	5 days	11-1-2010 to 15-1-2010	7500	Hotel
22.	Programme on Information Technology	5 days	11-1-2010 to 15-1-2010	7500	Hotel
23.	Programme on Risk Management and Loss Control	5 days	18-1-2010 to 22-1-2010	6000	College
24.	27th International Life Ins. Programme	4 weeks	1-2-2010 to 28-2-2010	20000	College
25.	Programme on Life Insurance Underwriting and Claims	5 days	8-2-2010 to 12-2-2010	6000	College
26.	Programme on Claims Management	5 days	8-2-2010 to 12-2-2010	7500	Hotel
27.	Programme on Leveraging Human Capital for Organisational Excellence	5 days	8-2-2010 to 12-2-2010	7500	Hotel
28.	Programme on Maritime Frauds	2 days	15-2-2010 to 16-2-2010	2400	College
29.	Programme on Stress Management & Yoga	2 days	15-2-2010 to 16-2-2010	2400	College